# IS THERE ANOTHER WAY TO THE FUTURE BUT A UTOPIAN ONE?

**Rudi Rozman**
University of Ljubljana, Faculty of Economics
Kardeljeva ploščad 17, Ljubljana, Slovenia
rudi.rozman@ef.uni-lj.si

*Death comes to take a man. The man complains: 'It's not fair to make me depart so unexpectedly. I have much of work to complete, and I was not able to prepare myself to join you. You should have warned me that you were coming'. Death replied: 'Have you not often felt poorly and ill? Have you not got over different illnesses? Have you not spent many days in hospital? All these were signs of my coming. You have been warned well in advance. But you had neither time to think about the signs nor were you willing to understand their meaning.'*

***Abstract***

*Each socioeconomic system is determined by three interwoven factors: ownership of enterprises, their governance, and their goal. Thus, the capitalist system is based on private ownership, corporate governance conducted by capital, and profitability as the goal of enterprises. There are many signs of changes bringing about questions regarding the future of the three phenomena and the capitalist socioeconomic system. There is little doubt that the changes exist. They can be seen as evolutionary (quantitative), revolutionary (qualitative) or both. The author of this paper primarily discusses revolutionary changes, in particular the signs of the changes connected to the three basic factors and characteristics of the socioeconomic system. His opinion is that the signs point to the change of the capitalist system to a new socioeconomic system whose characteristics could include social ownership, stakeholders' governance or governance by collectives, and social responsibility and ethics as the main goal guiding enterprises instead of profitability.*

***Keywords:*** *Socioeconomic system, ownership, governance, profitability, social responsibility*

## 1. INTRODUCTION

Each national socioeconomic system consists of many interwoven economic organisations (enterprises). Within enterprises, business activities are conducted yielding products and services to their customers and rendering desired results to the holders of economic activities. The way the socioeconomic system works depends on the holders of economic activities in enterprises. The role of the holder is determined by the ownership of the enterprise. In his endeavours to be successful, he follows the goal set by the socioeconomic system. The relationship between the socioeconomic system and individual enterprises is two-sided. On one hand, the system requires enterprises to follow the effectiveness criterion. By following this criterion, enterprises maintain the system. However, by following this criterion enterprises are also simultaneously increasing their efficiency in order to outperform their competition. They develop new technologies, introduce new techniques, and produce improved and new products and services. These changes require changes in relations within and between enterprises, which – after some time – require a change of the entire socioeconomic system.

It can be reasonably expected that socioeconomic systems have to develop and change, at least over the long run. The basis for their change within a given socioeconomic system lies in their endeavours to be effective. Many quantitative changes (in the contents) require adequate changes in the relations (form) and result in a qualitative jump from the existent to a new socioeconomic system.

Thus, each socioeconomic system is determined by three elements: the ownership, the governance of the property, and the basic goal of the enterprise (Lipovec, 1987: 40). All three elements are interwoven, defining the difference between different socioeconomic systems. For **capitalism**, the currently most widely spread socioeconomic system, **private ownership, (corporate) governance based on the ownership of production means, and profitability** are the basic characteristics. Macionis and Plummer (2008: 468–470) share the opinion that different kinds of capitalist systems exist, but argue that three distinctive features (two of them are the same as already mentioned) are common to the capitalist system: private ownership of property, pursuit of individual (personal) profit, and free competition, consumer sovereignty and markets.

The question arises whether the capitalistic system will develop, and destroy itself by developing production forces that will require a new form, and change to a new system, which, according to our discussion, means that the ownership, governance and the goal of the enterprises will change. For Fukuyama (1989), history and development came to an end with the triumph of Western capitalism. However, Gray (2002) strongly disagrees with this. In the long run, he sees contemporary capitalism only as a short episode. However, it is unclear to him and many others just which direction our socioeconomic system is heading in the 21st century.

We agree with Gray, and for us the question of whether the system will change is not necessary. It is more a question of what the new socioeconomic system will look like and how it will develop. In this paper, we will look at the signs that challenge the existence of today's (or yesterday's?) capitalist socioeconomic system. We will discuss the issues connected to each one of the three characteristic phenomena. It is difficult to discuss them separately as they are tightly interconnected. We will not examine issues in great detail for two reasons. Firstly, we will discuss different areas, and we will be more interested in their relations than in the areas themselves; secondly, we do not want to examine the trees so closely that we miss the forest.

On the basis of past and present situations and development, we can speculate about the possible future. Is talk about the new economy and new society mere fashion or are we actually envisaging an entirely new socioeconomic system? Can we see and understand the signs of these changes? What do the signs indicate? What will the new socioeconomic system or the new society look like? We will discuss a possible new system consisting of social ownership, stakeholders' governance, and social responsibility and ethics.

## 2. SIGNS OF CHANGE IN OWNERSHIP

In the capitalist system, private ownership (almost everything can be privately owned) of the enterprises' assets is its basic characteristic. Through the development of capitalism, the type of ownership has changed. At the beginning of this socioeconomic system, there were individual and family owners. The size and value of enterprises were small, and governance and management and even execution were in the hands of the owners. In order to develop their production means, they introduced the technical division of labour, which brought many advantages (as well as disadvantages), especially in increased efficiency. For us, it is necessary to mention that the equipment became specialised and of high value and required increasingly large amounts of investments. Individual owners were rarely able to gather enough capital for investments. More partners had to be found in order to amass sufficient financial means. They continued to follow the goal of profitability; corporate governance and management were still tied together and executed by the partners themselves. Further development required massive investments and shareholders had to pool their capital. The goal remained profitability, and corporate governance was conducted on the basis of ownership but not necessarily by owners themselves. This was the first form of 'non-owners' or 'non-self-governance'. **Corporate governance and management went separated.**

The further development again required still more investments. State ownership developed and institutional (not individual) owners became the main owners. The goal of the enterprises still remained profitability, but some other goals could also join or even replace profitability, dependant on the shares of specific owners. In state-owned enterprises, the state can require other goals to be pursued. These changes were inevitable and showed the evolutionary development of the socioeconomic system. Private ownership, profitability, and owners' governance still remain basic characteristics of the system. What will come next? Are there some signs pointing at the (revolutionary/qualitative) change of the socioeconomic system? Let us look at the signs connected to the change of the concept of ownership.

**There are numerous signs that the concept of ownership is changing.** Some authors, such as Handy (1997: 26–28), argue that definitions of ownership (including ownership of corporations) are no longer appropriate. **The present ownership is … 'an affront to natural justice** because it gives inadequate recognition to the people who work in the corporation, and who are, increasingly, its principal assets'. In their classic work, Berle and Means (1932) call attention to corporations in which capital is dispersed among small shareholders, yet control is concentrated in hands of a few managers. La Porta et al. (2005: 471–517) found in their research that this is true only for American and English enterprises. They found that the most common form of ownership in other countries is the family firm or controlling shareholders. Despite these findings, the conclusions of Berle and Means are extremely significant, because there was a tendency during the 20$^{th}$ century towards the dilution of the controlling shareholders to institutional and widely dispersed ownership, i.e. **ownership without power** (Monks: 2001).

We constantly hear that we are entering a new post-industrial era based on the knowledge. Grant (1997: 450–454) says, 'If knowledge is the preeminent productive resource, and most knowledge is created by and stored within individuals, then employees are the primary stakeholders.' Duncan et al. (1998: 16–21) say that nowadays, in the post-industrial society, if it is to be different from the industrial one, companies are supposed to follow a new measure of effectiveness, not profitability. **The critical production factor is becoming knowledge** (not capital). People are the bearers of creativity and innovation, both of which are indispensable for success nowadays. If profit attracts capital, what attracts knowledge?

We hear often that acquiring capital is no longer a problem. The problem is to create ideas and innovation and to develop human resources. It is the ownership of knowledge that actually matters. However, owners face an **increasing number of** (legal and other) **constraints regarding the use of their property**. They are required not only to obey laws but also to follow the requirements of social responsibility. **We can conclude that the ownership of production means has been changing in the past and that it is becoming less and less decisive and urgent.**

## 3. SIGNS OF CHANGES IN THE GOAL OF THE ENTERPRISES

As previously mentioned, profitability is the main goal of the enterprise within the capitalistic system. Authors also discuss other goals, which are either subordinate to the main goal or represent its refinement; the **goal of social responsibility** is predominant among them.

One sign of it is the **mission of the enterprises**. Mission is defined by most authors (e.g. Klem et al., 1991: 73–78; Pearce and David, 1987: 109–116) as the reason for an organisation to exist. As many authors (e.g. Daft, 1995: 174) claim that mission statements often focus on the market and customers, we can conclude that the mission statement is due to the increasing role of customers. It could also be seen as a support to the company focus on its goals in the future. Mission can be regarded as a guide to decision makers to set and achieve the most fundamental goals. To our knowledge, no authors discuss the reasons enterprises started to determine their mission. For Ireland et al. (2009: 19–20), the mission statement represents the business area in which an enterprise intends to compete, and they cite the stakeholders who will be served by the enterprise. Most authors include the mission statement within the strategic management process, claiming that the process begins with a careful examination of an enterprise's mission, values and objectives (e.g. Nash, 1988: 155–156; Collins and Porras, 1996: 65-77). Ten years ago, more than half of large companies had formal mission statements (Fuchsberg, 1994: B1) and an increasing number of small firms were realising that preparing a mission statement was worth the effort (Nelton, 1994: 61-64).

**Previously, the only mission of the enterprise was to make a profit to the owners.** This was so self-evident that no mission statement was needed. With the increasing role of customers and other stakeholders, enterprises felt responsible to them. They felt the need to tell stakeholders that they are also serving them. In our opinion, enterprises attempt – although not in a systematic way – to express that they are serving different stakeholders in different ways. Authors in management recommend different issues to be included within the mission statements. To prepare a mission statement systematically, managers first determine the stakeholders and then question what benefits different stakeholders expect and receive from the enterprise (Rozman, Kovač, 2012: 142–148). These interests are undoubtedly 'the goals of the stakeholders' from the viewpoint of the company. We see the **mission statement as a sign of social responsibility** and stakeholder-centred approach instead of only considering profitability and shareholders.

Kaplan and Norton (1992: 71–80; 2006:100–109) suggest that enterprises should not only look after financial indicators but also other indicators, showing the customers' satisfaction, employees' satisfaction, learning processes, etc. Therefore, their **Balanced Score Card** (BSC) can be also seen as another trial to show that an enterprise has the obligation toward different stakeholders, although BSC has been mostly introduced for some other reasons. At a minimum, owners, employees and customers should be considered.

The problem is that it is difficult for managers to follow the goals of different stakeholders. Argenti (1997: 442–445) maintains that a group of shareholders is homogeneous. It is quite obvious what they expect from investments. The decision-making process is clear and follows the profitability principle. The manager can only follow one type of stakeholders, e.g. shareholders. It is difficult, if not impossible, to imagine a quantitative principle that would consider all the stakeholders.

There are some other arguments against social responsibility. Martin (2001: 734) emphasises the conflicting interests of the stakeholders. The state wants high employment levels, international reputation and reduced need for social support of citizens. Employees desire stimulating work and high salaries. For Martin, the role of different groups, such as investigating journalists, professional associations, is crucial for control of social responsible behaviour.

Moorhead and Griffin (1998: 41) as well as other authors in management look at the social responsibility and ethics as one of today's challenges, alongside globalisation, information technology development and similar issues. By 'social responsibility', they mean care for the interests of different stakeholders. It is closely connected to ethics, which directs the behaviour of the enterprise. We could say that ethical principles as standards of proper conduct and decision-making (Shea, 1988) represent a way of realising socially responsible behaviour.

Campbell (1995: 107–108) claims that enterprises have to achieve the loyalty of stakeholders in order to survive in the socioeconomic jungle. According to Argenti (1993: 214–215), the representatives of **different stakeholders will govern the enterprise to social, moral good in the future**. The goal of social responsibility requires also **the transfer of governance from shareholders to stakeholders**. Clarke (1998: 182–194) recalls of different stakeholders' governance similar processes in the past, like mutual funds, cooperatives, Mondragon cooperatives, Israeli kibbutzes and Yugoslav self-governance. Pitelis and Wahl (1998: 252–261) claim that theoretical foundation of stakeholders' theory was already giving by Penrose in her 'theory of the growth of the firm'.

An increasing number of authors recognise that **social responsibility and ethics are becoming the prime goal of the enterprise**, but also including the indicator of profitability as the goal of one of the stakeholders. According to Friedman (1962: 113), directing the endeavours of capitalist enterprise in accordance with **social responsibility** instead of (only) profitability **would** seriously undermine and **bring an end to capitalism** and free society.

Let us add that the problem of social responsibility lies in its practical application: how to coordinate different interests in a simple way and what kind of quantitative principle to introduce. **However, we can undoubtedly conclude that many signs tell us that social responsibility is seriously questioning the validity of profitability and perhaps replacing it.**

## 4. SIGNS OF CHANGES IN THE GOVERNANCE OF ENTERPRISE

We have already asserted, also citing some authors, that the socioeconomic goal of the enterprise is tightly connected to the corporate governance. **Corporate governance** is an organisational function and process, which is,

- determined by the socioeconomic system,
- the ultimate authority and the source of authority in the enterprise,
- dynamically developing in the process of determining goals, policy and other crucial decisions to represent, to preserve and to develop the interests of the owners (Lipovec, 1987: 52).

We can trace different forms of ownership and governance in the past. Earlier, authors (e.g. Koontz and O'Donnell, 1959: 48) emphasised that the shareholders governed the company on the basis of private property as defined by the constitution, laws and economic and political institutions. McFarland (1962: 277) defined governance as the final authority within an enterprise, deriving from the rights of individuals to possess private property.

As early as in 1932, Berle and Mean (Clarke, 1998: 182–194) argue that, 'the control of the great corporations should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity.'

Until the final decades of 20$^{th}$ century, little attention had been paid to the corporate governance. Quite often governance and management were in hands of owners themselves. There was no doubt that owners made the decisions within their enterprises. Due to the over-all development of the economy and enterprises, owners first disappeared from the production function and then from management and the direct governance of their property. At the same time, the managerial function and its importance began to increase. According to Cadbury (1999: 12), the emergence of global markets and pressure for board accountability and performance are the main issues driving the worldwide interest in governance today. Although I agree with this statement, I believe that the main reason for such interest is the recognition of the decreasing role of owners in influencing the conduct of their enterprises. The question of whether to restore power to the owners or to admit that today's and certainly tomorrow's concept of ownership calls for new approaches to governance can and should be raised and thoroughly discussed.

With the increasing number of owners/shareholders, and the increasing complexity in decision-making, **the role of managers became crucial**. The relationship between governance and management became increasingly urgent and a matter of continuous discussion. If the owners allow the managers sufficient autonomy, the managers will be able to use their knowledge and experience and make sound decisions. However, there is the danger that they will act in their own interests. Conversely, if the owners control the management more tightly, the managers will act in the owners' interests, but their decisions might be worse. In addition to those researchers and authors investigating the organisation, economists are also studying this relationship under the heading of the principal-agency relationship, and they suggest solutions for overcoming these problems, by controlling and/or rewarding managers.

Most authors are quite sceptical on the role of boards. Drucker (1974: 728), discussing legal and other aspects of boards in different countries, came to the conclusion that they differ in everything except one issue: 'They do not function.' He continues, asserting, 'The decline of the board is a universal phenomenon of this century. Perhaps nothing shows it as clearly as that the board, which, in law, is the governing organ of a corporation, was always the last group to hear of trouble in the great business catastrophes of this century.' Mintzberg (1983), after pointing out that boards do not perform well, concluded, that, 'When a board does indeed have control, its real power amounts to the capacity to dismiss and appoint the chief executive officer – and to the CEO's knowledge of that fact. That is all.' Among many authors discussing the impotent (instead of important) role of boards, let us mention only Bavly (1986). He came to the conclusion that, 'boards of directors are surprisingly unimportant' and 'board meetings rarely go beyond trivia.'

Authors discuss different reasons for the decline of governing bodies' importance and suggest many solutions (Rozman, 1998: 240–257) to the problem in order to bring back power to the owners. If we see the corporate governance problems as contemporary failures (and not the change of the socioeconomic system), then it appears reasonable to propose and introduce improvements. If arriving at this level was an inevitable development, the suggestions are just a matter of cosmetics, and we have to study these changes more deeply and speculate what will happen.

In theory, quite a number of authors seem to be in favour of a **stakeholders' governance model**. Employees, the general public, and governments are questioning whether the practice of maximising value for the shareholders is truly at the expense of the other stakeholders in the corporation (Lawler, Finegold, Conger, 1998: 23). In practice, they do also recognise the importance of stakeholders, but do not agree that they should be involved in governance. This is very much in line with the view held by Lorca and Garcia-Diez (2004: 93–99). They emphasize the increasing role of stakeholders, but view stakeholder theory as a model of management and not governance. Goodijk (2003: 225–244) also emphasises the importance of stakeholders and explores a stakeholder management (not governance) model. He assigns a specific role to employees, who in his opinion, truly can become partners in decision-making at the corporate level. Post et al. (2002: 6–28) see the long-term survival and success of the company as being determined by its ability to establish and maintain relationships within its entire network of stakeholders. The question of whether these connections are a sufficient reason to give stakeholders the right to govern remains open.

However, there are many authors opposed to the notion of stakeholders being involved in governance because they are paid according to their endeavours (salaries, interest, products, payments, etc.) independent on the achieved profit. As they (e g. Easterbrook and Fischel (1991: 195–200)) argue, only the owners are the risk-taking party. Stovall et al. (2004: 221) claim that the dominant contemporary model of corporate governance maintains that the shareholder is the primary constituent of the firm and that maximisation of the shareholder's wealth is the goal of a corporation.

I have intentionally not made a distinction between employees and other stakeholders. As we can see from various articles, most authors discuss the direct involvement of employees but much less or not at all that of other stakeholders in governance. Blair (1998: 195–200) comes to the conclusion that due to socioeconomic development, shareholders are no longer the only investors in corporations: the employees are also a kind of investor. The value added for the enterprise is the sum of both investments: of capital and of labour. Blair does not see any need to make a distinction.

There exist many arguments for and against workers' governance. Dow (2003: 23–44) discusses arguments in favour of worker involvement, such as equality, democracy, property, dignity, and community. Still, the number of worker-owned and -governed enterprises, such as Mondragon cooperatives, is small. The structures of governance in labour-governed firms vary considerably. Despite the small percentage of worker-governed firms, like cooperatives, some authors (e.g. Barker, 1997: 109–117) believe that they represent the organisations of the 21$^{st}$ century. Barker clearly determined the difference between the capitalist and cooperative world by saying, 'The old rule of business is this: when you are faced with the choice of risking your capital to protect jobs or risking jobs to protect capital, always protect your capital. The reversed answer by Mondragon and possibly the new rule goes like always to protect your jobs.'

We can also cite the Yugoslav experiment of self-governance (the common translation of 'self-management' is misleading) as a form of collectives governing the property owned by society and theoretical discussions on income-per-worker-maximising firms (Dommar, Vanek).

## 5. OTHER SIGNS OF CHANGES

In our discussion, we examine the changes in the three issues representing the socioeconomic system. We have seen that there are problems that call for changes regarding ownership, governance, and goal of the enterprises. Let us discuss a few other relevant and connected changes before we speculate about the possible future development of the socioeconomic system.

According to Maslow and Herzberg's theory on motivation, we can argue that employees nowadays satisfy their higher level needs and follow other goals than mere survival. In the case in which ownership of the means of production is not necessary for the survival of people, it will no longer motivate them. The ownership will be like one of Herzberg's hygienic factors or even a burden for the owner. The fulfilment of self-respect, of serving others, the development of knowledge and skills will prevail. Instead of egoism, altruism could become the preferred mode of human behaviour.

Employees are becoming **knowledge workers**. Concepts such as the knowledge society, learning organisations, organisational learning, and knowledge management are frequently discussed. We have begun to believe that the ownership of knowledge is more influential than the ownership of production assets. Employees have also become more self-confident, independent, more creative and innovative. They represent the most significant strategic advantage of the enterprises. In any case, **they have very different values and priorities than workers previously did**. We should consider their development in speculating about the future.

In the past, dependent on the development, enterprises competed on different bases. For a time, it was necessary to conduct all the connected activities within an enterprise to decrease the risk. Then it became clear that due to the increasing competition, an enterprise cannot be competitive in all activities. The competition forced enterprises to outsource many activities to others. However, they maintain relationships with the outsourced units based neither on the market nor on a hierarchy. We call these relationships and structures 'relationships and **structures of higher rank**'. Instead of competing, the connected units collaborate and support each other. The coordination within networks is similar to the coordination within the organisations.

In a market economy enterprises are coordinated by price mechanisms and within enterprises by hierarchy. Within networks, neither factor is entirely valid. The development of new relationships between enterprises requires **trust**, because it can make coordination easier. Bradach and Eccles (1989: 97–118) claim it as a mechanism of coordination replacing market and hierarchy. Zenger and Hesterly (1997) as well as Holland and Lockett (1997) point to a proliferation of hybrid organisational forms that introduced market-like incentives into firms and hierarchical control into markets. Adler (2004: 306–338) discusses the issue in more provocative way, concluding that **the future lies in communities and trust as the way of coordination.**

Although I agree with the increasing importance of trust (which can also be seen as a sign of revolutionary change of the present socioeconomic system; Williamson (1996) sees trust as a foreign issue in the present socioeconomic system), I disagree with the idea of trust being the coordinative mechanism. For a long time, coordination by hierarchy has not been the only way of coordination within the enterprises. The coordination has developed from the coordination of divided tasks over the coordination of interests and goals to the coordination of all structures and processes. In accordance with this development is the development from hierarchical to mutual coordination. The mutual, voluntary or **horizontal coordination** (for more about coordination, see Rozman, 2000: 31–39) of all relationships among themselves and for each employee, considering the environment and dynamics has developed. However, this coordination requires trust, which is present between employees of an organisation. This trust is also developing between the units of a network as an important factor of coordination.

Furthermore, the emphasis of studying organisations is changing from the individuals and social units to **relationships between employees**. Organisation according to its developed definition is a set of relationships between members of a social unit, which assures the existence, development and other characteristics of the social unit and a rational achievement of its goal (Lipovec, 1987: 34–35; Rozman, 2012: 2–25).

Although many authors see **networks** and their coordination as something between market and hierarchy, in my opinion, they are closer to the content and coordination within enterprises. If this is true, then the area of classic economics is narrowing. Perhaps the increasing involvement of economists in theoretical journals on the theme of organisation is evidence of this.

## 6. NEW SOCIOECONOMIC SYSTEM

Observing what is changing around enterprises and within them (and based on the opinion of many authors), we can conclude that there are many signs of the changing nature of ownership, and that ownership no longer matters in the way it once did. There are numerous signs that social responsibility and ethics are becoming of the same or even higher importance than the principle of profitability. Stakeholders' governance is very frequently discussed, and by numerous authors seen as the basic development of the area.

### 6.1 Social responsibility as a basic goal

There are, in our opinion, two basic problems regarding the social responsibility goal and governance by stakeholders. The first one is **how different stakeholders coordinate their interests** and the second one whether **a quantitative criterion comprising interests of different stakeholders exist.**

The answer to the first question might be taken from the idea of **contractual approach to ethics**. Cederbloom and Dougherty (1990) discuss two ethical approaches: utilitarianism and contractarianism. The contract approach claims that the deciding between conflicting courses of actions or between different interests is grounded in the notion that agreements should be honoured. As a result of this approach, the interests of stakeholders are coordinated, and cooperative actions and mutual obligations are created and possibly settled in appropriate agreements. In the agreement phase, and especially in the execution of these contractual (agreement) relationships, individuals are required to apply the general test of fairness to their behaviour. A high level of trust is assumed to exist between different stakeholders.

Rawls (1971) even suggested that every agreement entered should be based on 'the veil of ignorance'. This forces stakeholders to consider the rightness of an agreement without knowing or considering its impact on themselves. The libertarian contract approach also suggests that the parties should be bound by any agreement voluntarily entered into as long as it does not conflict with the broader rules of justice or cause harm to others. This implies that individual parties have an obligation to abide by the terms of the agreement and not to take action to terminate it. However, these agreements between stakeholders will be mainly about their basic and broad interests (as opposed to details best handled by contracts), thus leaving enough room for autonomous actions of stakeholders. We can imagine agreements with the employees, suppliers, customers, banks, state, municipality etc. that will be broad and long-term.

The other question remains whether there is a possibility for a common or joint quantitative measure of enterprise effectiveness connected to different stakeholders. We believe that the idea of income or economic value added maximisation can be applied. In the 1960s and 1970s, there was active discussion of worker-governed enterprises. Some authors not only proposed but also studied the behaviour of such enterprises. However, they did not take all stakeholders (e.g. suppliers, customers and some others) into consideration, and they did not connect their research with what we are discussing here. Many economists conducted analyses of income-per-labourer maximising firms (Lipovec, 1970; Vanek, 1970). Vanek found that the major failure of such a system was low motivation for savings and investments. Perhaps the reason for the low propensity for investing was due to the level of development, which forces the employees to satisfy their lower level needs first. Lipovec expected that the enterprises would first take care of development as their (altruistic) duty to the society; paying to the society for 'borrowed property', either on an agreed, obligatory or competitive basis. He suggested that there should be a competition for social funds to be given to the governance of collectives/enterprises.

The research on the income-per-labourer maximising firms has mainly been abandoned. However, at the same time we often hear that not profit but 'value-added per employee' (which is close in meaning to income per labourer) is most relevant. We can also assume (and even more so in the future) that people are changing and becoming more altruistic, taking care of the community and society first. They will direct social funds to where they can expect best results, considering the interests of the stakeholders (society).

We can conclude that the social responsibility concept as well as corporate governance by stakeholders can be reasonably implemented. Perhaps it would be better to say that **ethics** is becoming the measure of effectiveness of the enterprises. This is in line with Lipovec (1987: 340–342), who also came to the conclusion that moral principles would replace the once and still prevailing principle of profitability. According to him (seen in a very long-run) the foremost motivator for the development was **'natural selection'** followed by ownership relationships and **profitability** as its driving force and **developing today to the moral betterment of the human beings** and their development of human resources. We are witnessing the discussion on ethics as an important criterion of our decisions and actions. People are becoming intensely involved in ethical behaviour and acutely sensitive for non-ethical deeds. Each higher form of governance demands an increased consciousness and fairness for the members involved. **Socially responsible and ethical behaviour could become a necessity for the survival and the well-being of people, and replace the egoistic search for profitability.**

## 6.2 Corporate governance by stakeholders or by collectives

What will then the governance look like? One possibility, discussed by different authors, is **governance by stakeholders**, defined either in a particularly broad or narrower (only shareholders and employees) sense. Regarding corporate governance, stakeholders are supposed to play the same role as classic owners. Governance can become quite complex (the coordination of different interests can require quite a lot of time) and can be based on contractual ethics. In this case, the nature of ownership remains the same as before, whereas the ownership of knowledge (employees) increases in its importance. Governance is changing, and the goal of the heightened social responsibility of enterprises does not include only the interests of the owners. The characteristics of this system are: ownership of enterprise by capital and labour (knowledge), corporate governance by stakeholders (including owners and employees, who coordinate their interests in the governing bodies) and social responsibility.

The other possible way of development (we can speculate) could be the consequence of a much bigger change in the nature of ownership. We could speculate about a massive change towards social ownership. We can even see the state and institutional owners as a step towards social ownership. Already today, society imposes many restrictions and constraints on the ownership and on the use of production assets. Companies will strive to develop themselves and to serve the others, i.e. society. Let us assume that all property belongs to society: it becomes social. Corporations will be run for the benefit of the whole society (of all stakeholders). The main difference to the previous solution is the collaborative governance of all stakeholders representing the society except the classic owners, which do not exist anymore. This is also in line with the increasing importance of collaboration and consideration of all stakeholders and the ownership of (organisational) knowledge based on ethical principles.

As society cannot govern companies directly, and as we have seen that the governance either of all stakeholders or institutional owners is also questionable, the remaining possibilities could be **governance by collectives in the name of society**. In this case, it could be also possible that society (community?) hands over the governance of enterprises to collectives, which in turn pay a reasonable (competitive, agreed) contribution to society. This solution still takes into account the market and competition. As the only remaining claimant, but in the interest of society, the employees will be motivated to increase income via value-added activity. What will governance look like in such a system? Employees will join (not their capital) their knowledge and efforts within social units ('income units' compared to profit centres) based on social ownership. Basic directions and supervision can be given by representatives of stakeholders (society) and further developed and maintained by collectives. They would elect a governing board consisting of ethical and knowledgeable members, which would be able to direct and control whether the decisions of managers, are in the interest of the collective and/or society. It means that employees themselves govern and execute all activities within the enterprises.

We could also speculate about the details of discussed options or other possible directions of future development of the new socioeconomic system. However, there is little sense in discussing the details of how the future socioeconomic system will look. Our intention was only to point at the present changes and trying to discuss the possible broad future direction of the new socioeconomic system.

It is more important for the understanding of the future socioeconomic system to say a few words on **management**: it will remain a particularly powerful function. Their technical (coordination of divided labour) and process (planning, organising, leading, controlling) roles will remain profoundly emphasised. Managers would be the employees conducting the coordination of divided labour based on their knowledge, skills, personal power and ethics. However, their socioeconomic function will change. They would not conduct coordination in favour of the shareholders following their interests but in favour of the various stakeholders (collectives?) and society.

The economic units (enterprises), governed by stakeholders or collectives and managed by managers, could integrate themselves into one or more large organisations and networks on the basis of their economic interest and trust by agreements (like the agreements within alliances). The income of the whole is ranked over income per business unit. **The agreement approach** could be particularly appropriate within networks of autonomous yet connected units struggling for development, **not on the basis of competition but cooperation and their consciousness and responsibility towards society.**

All these changes require a change in people. Undoubtedly, they have changed: they are more educated, more autonomous, their objectives, interests and expectations have changed, they learn to work in teams etc. The crucial question has to be asked: do people genuinely change, e.g. will they become altruistic and ethical? I do not believe that people will change to become more ethical without an extraordinarily good reason. What I believe is that **social responsibility and ethics will become the only (the most 'profitable') way for survival and future development of humanity.**

Let us add only a thought on the name of this new socioeconomic system. Social ownership, governance by stakeholders (society) and social responsibility offer us the name of the system: **socialism**. The problem is that this name has been very much misused and abused in the past.

## CONCLUSION

We began this paper by saying that the ownership, the governance of property and the goal of the enterprise determine the socioeconomic system. We mentioned the three interwoven phenomena in the capitalist system, discussed them, and we found many signs change. We attempted to explain problems and reasons for changes. Looking at the size, frequency and direction of changes, we came to the conclusion that we are on the way to a new socioeconomic system. What will these phenomena look like in the potential new socioeconomic system?

With the development of the economy and enterprises, the problem of the decreasing role of owners becomes obvious. In a society based on ownership of production means, this change is quite a serious issue of concern. It hits the roots of the capitalist system. The reasons for the decreasing role of owners might be only in the natural organisational conflict between governance and managers, or deeper, in **the very change of the nature of ownership**.

What we can already see is that society is more interested in the conduct of enterprises and other social units and imposes more restrictions on their behaviour guiding them toward the interest of the society. There are numerous signals indicating that the only way to survive will be to follow the criteria of social responsibility and not competing but collaborating, supporting and developing trust. **Social responsibility and ethics**, also expressed quantitatively (because effectiveness should be measured) as the income per member of collective (income similar to value added: what employees and social stakeholders receive), could become the basic criterion for success.

If there is merely a conflict between owners and managers, it can be resolved by bringing back more power to governance and/or taking some power away from managers. This is what we call cosmetic changes of governance. I think it can work in the short term. In contrast, many authors discuss and express themselves more in favour of **governance by stakeholders** as a long term solution.

Much can be said about the huge changes within society. Are not these changes like employees' empowerment, self-managed groups, governance by stakeholders, knowledge-based management, social responsibility and ethics, relationships based on trust, new economy, information technology based society etc. symptoms of much deeper changes of our society, deriving from the changed nature of ownership, its governance and change in basic objectives of enterprises? If we agree with that, then we are undoubtedly entering a new era.

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