Disinterested Management: An Early Example of Corporate Social Responsibility (CSR)

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Abstract
Disinterested management appears to be the antithesis of modern management theory. The word disinterest conveys a lack of concern whereas modern management involves being active controlling and administering the organisation towards success. Yet this management theory which originated in nineteenth century Sweden embraces an acknowledgment of corporate social responsibility in order to mitigate the anti-social consequences of the alcohol trade. This theory was successfully applied in managing the operations of the British nationalized brewery the State Management Scheme at Carlisle from 1916 until 1974 when it was sold off to the private brewing sector.

In an era of witnessing the anti-social consequences of insobriety the innovative lessons of disinterested management can offer solutions for balancing both profit motives and social objectives.

Keywords: disinterested management, Gothenburg system, Liquor Control Board, State Management Scheme, CSR.

1. Introduction
“Those who do not learn history are doomed to repeat it.”(Santayana, 1905)

1.1 Management History
The most diligent enquirer will struggle to locate disinterested management within mainstream management texts. Management students’ education normally begins with Henri Fayol’s classical management theory “General and Industrial Management” and his five functions of management first published in 1916 in French and later in English in 1949. However, the disinterested management theory was internationally well known from the latter part of the nineteenth and the earlier part of the twentieth centuries where it was specifically linked to the management of the liquor trade. Disinterested management in the liquor trade became regarded as the exercise of impartial management to improve not only sobriety but also to reduce associated social problems. It may be regarded as a recognition of an early form of CSR obligations to the wider society in which the corporate liquor trade operated. The CSR concept is the general belief that business has responsibilities to society that extend beyond their obligations to stockholders or investors in the firm (Visser et al 2010).

It has been argued that management history, such as disinterested management, should be acknowledged as a discrete subject enabling modern managers to better understand the origins of their profession in order to avoid undue the influence of short-term management fads. Thomson (2001). The author has further contended that these curiosities of management history are worthy of obtaining a better management understanding of contemporary issues (Talbot, 2003a, Talbot, 2003b).

1.2 Methodology
The research was conducted as an historical investigation of an aspect of neglected management history. The primary sources of information examined comprising management reports and political instructions are held at Cumbria County Archives, Carlisle and at the National Archives at Kew, London. This was complimented by secondary sources written in early period of the operations to contextualise opinions and later works for a more objective appraisal.
2. Addressing Insobriety

2.1 The Drink Problem

In the contemporary UK the Licensing Act (2003) provided a liberalisation of the drinking laws by extending opening hours that aimed to recreate a continental café culture which has largely been unsuccessful. It has created the opportunity of twenty-four drinking from either public houses or from supermarkets. Similarly in Ireland against the backdrop of rapid economic growth during the 1990s, alcohol consumption increased by almost 50% between 1989 and 2002. The rise of alcohol consumption during this period was against the trend of decline in most other EU countries. (Hope, 2006). The passage of the Intoxicating Liquor Act (2000) also witnessed an increase in the licensing hours which were then considered by the Irish government to be both progressive, in line with public expectation, public demand and on terms which were economically and socially acceptable (Dail Eireann, 2000).

Earlier in the second half of the nineteenth century in the UK increasing prosperity and the establishment of large powerful breweries also witnessed problems of insobriety and related societal problems. The retail outlet for alcohol sales was the public house or pub mostly owned by the brewers which became synonymous with vice. Insobriety particularly amongst the working classes was perceived as a growing and major problem and public houses were perceived as the “denizens of Satan's strongholds, the harlots and thieves whose souls the evangelists wrestled for” (Thompson, 1963). In the immediate period before 1914 British per capita drink consumption was the highest ever recorded, drunkenness accounted for almost 30% of criminal proceedings, and drink expenditure consumed a large proportion of working-class budgets (Turner, 1980).

2.2 Failed Alternative Business Models

In opposition to the growing liquor problem arose a vocal but fractious Temperance movement which sought to prohibit or at least offer alternatives to the consumption of alcohol. Various unorthodox business models were introduced and failed through inept traditional management types. These business models comprised Temperance Halls where non-alcoholic beverages were provided such as Cox’s Anti-Burton (Burton upon Trent being the centre of the English brewing industry) along with food as well as offering educational activities. Such ventures were often referred to as coffee public houses that were underwritten by the Coffee Tavern Co in 1870 and the Public House Association in 1877, (Haydon, 2001). In addition the Temperance Hotels Company Ltd was founded in 1872 (Davison, 2006) that aimed to provide quality hotels in larger towns along with the Coffee and Cocoa House Company founded in 1877 (Davison, 2006). The overall collapse of these attempts was not unexpected because of the puritanical way in which they were managed with a steady stream of proselytizing and sermonising being directed at the working man in these unattractive outlets. It was described thus, “their tea, coffee and food were frequently disgusting and the surroundings they provided were gloomy and squalid enough to be compared to a workhouse dining hall” (Girouard, 1984).

3. Successful Alternative Business and Management Models

3.1 The Gothenburg System and Disinterested Management

An alternative alcohol business model that emerged in the mid-nineteenth century was the Swedish ‘Gothenburg System’ which was to provide a management legacy for the UK. A law of 1855 in Sweden had allowed municipal authorities to transfer all the spirit licences in their area to a single company and in 1865 the municipality of Gothenburg set up a single ‘Bolag’, (a company or corporation) consisting of a group of the most eminent and respected citizens of the town. The managers of these outlets unlike standard practice of the day were not permitted to have any pecuniary interest in the sale of alcohol, (a key feature of ‘disinterested management’) and the shareholders were to receive a 6% return on capital, with any surplus profit accruing to the municipal coffers (Greenway, 1998).

An admirer of this system was the eminent British politician Joseph Chamberlain a former mayor of Birmingham and later a Member of Parliament. He unsuccessfully introduced a private bill in 1876 to replicate the Swedish model by creating British local municipal control of the drinks trade which ultimately failed due to a lack of support. In the ensuing years similar minor private philanthropic business activities were funded with the most foremost being the Public House Trust Association later known as Trust Houses and as late as 1958 the Public Trust House Association was operating 159 houses nationally (Nevile, 1958). This business model later found support in the UK from the wealthy industrialist and philanthropist Joseph Rowntree and his associate Arthur Shadwell both strong Temperance advocates who published their investigation “Public control of the liquor traffic” in 1903. They were fully supportive of the idea of the transfer of the drinks trade away from private enterprise and into the ownership and management by the State.

“It is difficult to determine the full import of this movement, but it almost certainly marks a perception of the futility of all attempts to exercise effective restriction and control over the public-house trade so long as it continues in private hands. It marks also a growing sense of the absurdity of permitting the enormous profits of a monopoly created by the State to pass into private hands.” (Rowntree and Shadwell, 1903)
The specific objectives and benefits of the adoption of the Gothenburg system and disinterested management principles were clearly enunciated by Rowntree and Shadwell as comprising,

- The elimination of private profit from the sale of drink.
- Public cupidity must not take the place of private cupidity, and to this end the appropriation of the profits must be determined by clear statutory law.
- In any town in which a (municipal) Company is established it must have a monopoly of the retail licences, both on and off (the licensed premises)
- The system must provide for the full liberation of the progressive sentiment in a locality
- Lastly, if these Companies are to achieve any high success they must be conducted as undertakings having for their object a distinct temperance end, to which commercial considerations must be strictly subordinated (Rowntree and Shadwell, 1903)

A small numbers of British ‘Gothenburg’ public houses were established and proved more successful than the Temperance inspired alternatives. Even so they were criticised for being too sanctimonious with their attempts at improvement so that they never expanded into any serious threat to the commercial brewers. As critics identified, “In Gothenburg, of course, there were no alternative establishments, but in England there were and the public voted with their feet”, (Haydon, 2001). Consequently by 1914 it appeared that attempts at Temperance inspired reforms had been largely unsuccessful and that the traditional drinks trade structures were more or less intact. Indeed by 1900 the loosely federated British temperance societies were beginning to disintegrate following internal divisions and disagreements within the movement (Shiman, 1988). The four great thrusts of mid-nineteenth-century temperance free licensing of beer-houses, abstinence from spirits, voluntary teetotalism, and prohibition were either dead or moribund (Turner, 1980). Warner’s (2006) overall damning indictment was that “the most salient feature of the British temperance movement is how little it was able to accomplish”. This was also in part due to the influence of the powerful brewery industry. The three principal brewers’ organizations, the Burton Brewers’ Association, the London Brewers’ Association, and the Country Brewers’ Society had amalgamated in 1904 to form the powerful Brewers’ Society and these successfully defended their industry position inside and outside of Parliament

3.2. Disinterested Management Revival

The concept and practice of disinterested management principles and their application was unexpectedly revived as a consequence of the outbreak of the Great War in Europe (1914-18). It has been claimed that from the outset of the war the effects of alcohol had resulted in the impairment of British military efficiency (Shadwell, 1923). If this had not occurred the liquor problem it was argued would have been ignored by Parliament as it had largely done previously (Carter, 1918). Initial government legislation in 1914 in the form of the first of several Defence of the Realm Acts (DORA) empowered the government to make regulations by Order in Council and the first of these swiftly followed affecting licensed houses in the vicinity of military and naval establishments by restricting opening hours or closing these down altogether and increasing beer taxes to curtail sales. Initial State control was envisaged as being narrowly applied to promote sobriety amongst the armed forces. Nonetheless, under pressure from the military authorities sundry restrictions were increasingly imposed on the civilian population to reduce industrial absenteeism and also preserve food stocks. However, due to the opposition of Irish MPs in Parliament the new D.O.R.A. regulations of 1915 were not be extended to Ireland which was not independent of the British state (Turner, 1980).

In one geographical area these increasing restrictions proved ineffective. It was in Carlisle in remote Cumberland that social disruption caused by the indiscriminate consumption of alcohol required a different solution. The reason for Carlisle being the centre of social breakdown was that it was the nearest town to Gretna Green over the border in Scotland, where in 1915 the largest munitions manufacturer in the British Empire was established. This originally had attracted a large force of peripatetic workers for construction of the site and later a substantial permanent labour force of both genders. The availability of leisure outlets for these workforces was limited so they would take the short railway journey into Carlisle where excessive drinking took place leading to widespread insobriety. A cleric recorded unsavoury drink induced incidents thus,

“...It is not to be wondered at that scenes of the most nauseating and degrading character became a common occurrence. Men fought like beasts; fierce fights ranged round the doors of public houses. The diminished police force was unable to cope with the situation. Almost every alley was littered with prostrate drunken men. The main thoroughfare of Carlisle was Bedlam”. (Seabury, 2007)

This had alarmed both the regional and national authorities because it was allegedly leading to inefficiencies in war production.
The DORA restrictions on licensing hours had clearly failed in Carlisle so the government took the unprecedented step of initiating a nationalisation of the brewing industry in Carlisle and District. Thus, the government had effectively become involved in brewing and selling alcohol. It consequently required a business and management model to improve sobriety and so it chose to revive the Gothenburg system and operate it on disinterested management principles. Commercial brewing hostility to the nationalisation was temporarily muted in the interests of achieving the country’s war aims.

4. The British State as a Brewery Owner and Operator

4.1 The Liquor Control Board and the State Management Scheme

Carlisle was originally run by a government body called the Liquor Control Board (LCB) until 1922 when it became the State Management Scheme (SMS) under the auspices of the Home Office until its privatisation in 1974. The geographical areas affected by the purchase comprised Carlisle, Gretna and Annan (explosive manufacturing factories), Enfield Lock in London (explosive manufacturing factories) and Invergordon, Cromarty-Firth (naval base). The purchase involved taking over five breweries in Carlisle (England), Gretna and Annan (Scotland), 235 licensed properties, and forty-four other properties elsewhere. The newly created State brewery as a consequence supplied all the reduced gravity beer sold in Carlisle, Gretna and Cromarty but commercially produced beer was purchased for the few houses at Enfield Lock. The small numbers of Enfield Lock properties were later returned to the private sector in 1923. Initially a scheme of reduction as it was then known was implemented and only one brewery remained in operation at Carlisle and 123 of the more unsavoury public houses were suppressed.

The ‘Carlisle Experiment’ or ‘Scheme’ as it became known was called by the Chairman of the Board the LCB’s “model farm,” a place where ideas and plans (such as disinterested management), which had previously been nothing more than idealistic musings concocted and discussed in LCB meetings, were implemented (Duncan, R, 2010). The term ‘Experiment’ though has been criticised for being misleading because it implied that the government were embarking out on a deliberate social experiment per se but rather it was an untrained expedient and only later becoming recognised as having national possibilities for the wider introduction of disinterested management (Seabury, 2007). Gutze (2006) has also accorded it significance claiming that it was an important moment in the progressive reform of the public house, with the Scheme being an experimental laboratory and microcosm of the entire industry which provided a tested blueprint for post-war reconstruction.

The first General Manager was Sir Edgar Simmons who had been Clerk to the Justices of Liverpool, an expert in licensing matters, chairman of the Magistrates Clerks Association and later Chairman of the Brewers Society and managing director of Lever Brothers (Nevile, 1958). He later offered a Summary Statement (1920) of the Board’s Policy emphasising the principal aim of maintaining sobriety and improvement of conditions under which the trade operated while also being managed as a business proposition (Carlisle Archive Centre (CAC), TSMS 1/6/1/2). Certainly the detailed administration and accounting systems imposed externally on the organisation compared most favourably and in advance of those operated by the commercial brewers (Talbot, 2006). Simmons summarised these policies as being,

1. Fewer and better houses
2. The provision of food and non-intoxicants in those houses where there is likely to be demand for them
3. The general improvement of the conditions under which the whole trade is carried on, and
4. The elimination of private interest in the sale of intoxicants (i.e. disinterested management) (CAC, TSMS 1/6/1/2).

Indeed the provision of food, where profit was permitted, was viewed as important, being necessary to keep the workers physically fit and at full working capacity and preventing disease or disability as the Second Report of the LCB of May 1916 explained, “It is a matter of common knowledge and experience that absence of proper facilities for obtaining wholesome and sufficient nourishment frequently leads, directly or indirectly, to drinking habits with all their resultant evils” (Shadwell, 1923). These were all revolutionary changes compared with traditional commercial practices which happened very quickly as the Gothenburg principles were implemented in the State controlled areas. This also included modifying the public-houses estates by disposing of the more disreputable public houses and introducing greater seating provision because it had been long recognised by the commercial brewers that ‘vertical drinking’ arising from a lack of seating encouraged greater amounts to be drunk. In addition the LCB bar areas were made as deliberately small as possible to discourage loitering to minimise consumption. (Seabury, 2007). Associated vices such as gambling were forbidden and included darts and dominoes. The ban on the latter was not lifted until 1948. (Hunt, 1971).

This remarkable public enterprise managed largely by outsiders imposed by the government and not drawn from the traditional ranks of the conservative commercial brewers exhibited strong stakeholder links and high levels of public
accountability that worked surprisingly well. It succeeded in redressing the levels of insobriety and reported profits every year, (albeit it faced criticisms of being a monopolist and questions over its financial reporting methods) until it was sold off in 1973-74 (Talbot, 2005). Also the quality of management was evident for all to see because the Scheme encouraged numerous official visitors that extended to the suspicious commercial brewers which led the Scheme’s general manager to state, “Representatives of brewing firms who have visited Carlisle have not hesitated to ask for particulars with a view to incorporating something of our system in their own business and it certainly cannot be contended that the work at Carlisle is not conducted upon business lines!” (General Managers Report, 1920, CAC TSMS 1)

4.2 Disinterested Management – Post War Legacy

In the aftermath of the war the commercial brewers launched continual and acrimonious arguments for the return of the Scheme back to the commercial sector. The Scheme had attracted many admirers mostly from the political radical left and trade unionist movements who saw it as a model for total nationalisation of the liquor trade (Greenwood. 1920) but the government’s post war financial retrenchment made this unrealistic.

The initial acrimonious impasse was resolved by two government reports the Southborough Report (1927) and by the Royal Commission on Licensing (England and Wales) 1929-1931 (Cmd. 3988). Both reports accepted by government favoured the continuance of the Scheme as a social and financial experiment rather than as a means of solely regulating drunkenness. The experiment was described in the Southborough report as “comprising a reduction in the number of licences concurrently with the evolution of new, enlarged and improved types of public house”. The Royal Commission recommended that public ownership should be applied elsewhere in circumstances which would submit the system to a further test both in a social and in a financial sense but this aim was never realised albeit a later Labour government toyed with the idea of introducing it via the New Towns Act (1946). The Southborough report also provided an official definition of disinterested management arguing that it had two components, i.e. “The conduct of a public house by a manager with a fixed salary and having no commission on the sale of liquor, but sometimes taking commission on the sale of food and non-intoxicants” and in the case of ownership “The interest in the owner in the profits on the sale of intoxicants is, in theory or practice or in both limited. This is popularly known as disinterested management”. The commercial brewers grudgingly accepted the status quo and the issue disappeared until the 1960’s

5. Changes of Political Ideology and conclusion

5.1 The Demise of Disinterested Management

The end of disinterested management had two elements, economic and political. From 1960s onwards the UK brewing industry underwent a major rationalisation as the smaller breweries found it difficult to compete in a declining market and were acquired by the larger breweries. The Scheme by comparison was insignificant and commanded only 0.25% of the UK brewing market. It was prohibited by law from expanding its commercial operations beyond the geographical area of the Scheme and its overall profitability was limited by its disinterested management principles (Talbot, 2010).

The political threat proved more significant. The major political parties had acquiesced to the existence of the Scheme and it had remained uncontroversial until the 1960s. The threat emerged from the resurgence of the political ‘New Right’ inspired by the writings of the Austrian economist Friedrich Hyaek. Broadly he had argued for adopting free market economics and against any form of collectivism by restricting state interventionism by reverting back to classical liberalist policies. These ideas were enthusiastically accepted by a new generation of Conservative MP’s. The Conservative party electoral manifesto of 1970 had stated that, “We will progressively reduce the involvement of the State in the Nationalised Industries for example the steel industry. Any increasing use of private capital will help to reduce the burden on the taxpayer, get better investment decisions, and ensure more effective use of total resources….We reject the detailed intervention of Socialism, which usurps the functions of management. We much prefer a system of general pressures, creating an economic climate, which favours and rewards, enterprise and efficiency. Our aim is to identify and remove obstacles that prevent effective competition, and restrict initiative.”

Although this had not specifically identified the Scheme as an area for privatisation it was one of the first to be included because it was relatively easy to do dispose of and it ceased in 1974.

5.2 Conclusion

The unique circumstances of the Scheme though had proved to be financially successfully and had improved sobriety by the application of the principles of disinterested management. The SMS claimed success in restoring acceptable levels of sobriety which prima facie was true while critics differed but overall it did not compare materially different to the rest of the country. Consequently the SMS in promoting sobriety was neither a particular success nor failure if
assessed according to this criterion of measuring drunkenness (Duncan, R. 2010: 135). Similarly the reported financial success and accountability produced long lasting and ill-judged criticism. Although Gothenburg and disinterested management principles were implemented that precluded profit taking on alcohol sales it still operated on business lines throughout its operational existence by delivering annual profit streams and levels of acceptable returns to the tax payer (Talbot, P. 2010). The SMS demonstrated that in practice some Temperance models could operate effectively in operational practice as Sir Edgar Sanders the first chairman noted.

“It has shown that the liquor trade can be carried on, subject to reasonable regulations without detriment to the well-being of the community, and without undue interference with the liberty, tastes and preferences of the large mass of the adult population… Above all it has offered a new solution of the problem of intemperance.” (Home Office (HO), 190/147, 1919)

Nonetheless, its principles of being owned and operated by the State no longer accorded with the emerging dominant political and economic ideology emerging during the 1960s of a private sector led business ethos allegedly being more preferable and efficient. This was particularly so in the USA and the UK, “…Because capitalism has supposedly triumphed, the private sector has become good, the public sector bad and the co-operatively owned and non-owned sectors irrelevant (Mintzberg, 1996). This had never been the case of LCB/SMS which had been both profitable and efficient from the outset and achieved its social objectives. This new dominant ideology was contrary to the principles of the disinterested management doctrine of social collectivism to achieve social objectives which was the founding basis of the LCB/SMS and so this management curiosity now remains largely forgotten and no longer favoured although the drink problem persists.

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