

From  
the  
editor



## EDUCATIONAL AND TRAINING NEEDS OF MANAGERS

At the sixth Annual Conference of the European Foundation for Management Development held in Paris recently, a Report of the Committee on Educational and Training Needs of European Managers was tabled. The committee was chaired by C.C. Pocock (Royal Dutch/Shell, London), and further consisted of W. Busse von Colbe (USW, Cologne), C. Cavalle (IESE, Barcelona), L. Dusmet (IMEDE, Lausanne), G. Eminente (IFAP, Rome), I. Kenny (Irish Management Institute, Dublin), H. Lenerius (Volvo, Göteborg), M.A. Saias (University of Aix-Marseilles) and J.W.G. van Rosmalen (Heineken, Amsterdam), with A.C. Hubert (European Association of National Productivity Centres, Brussels) as secretary

For several reasons, the Report is a unique document. The description of the future environment in which managers, including South African managers, will have to operate commands a wide audience. Obviously, corporations and educational institutions will take note of the increasingly complex world of management and will adapt their policies and programmes to the future needs of the manager. The Report should, however, also be of great value to the opinion — moulders who are stimulating social and political changes: for change can only be brought to a successful conclusion through the orderly and at the same time imaginative process of management.

The future shape of South Africa will, to a large extent, be determined by the quality of management in public and in private affairs. This puts the focus back to our educational institutions and management development programmes.

In the South African Association of Business Management, there is an on-going dialogue between all parties concerned on the crucial issues which have been put forward in the Report. This is the fundamental role of the SAABM and the underlying rationale for its actions.

In this and the next issue of *Bedryfsleiding/Business Management* two excerpts from the Report will be reprinted with kind permission of EFMD, viz. "The Future Environment" and "The New Demands."

### EDUCATIONAL AND TRAINING NEEDS OF MANAGERS

(Excerpts from the Report of the Committee on Educational and Training Needs of European Managers (C.C. Pocock, Chairman), sponsored by the European Foundation for Management Development — Reprinted with permission)

#### Introduction

The management job is to integrate and optimise the application of three types of resource — physical, financial and human. Whereas in the '50s and '60s the problems managers faced were mainly physical and technical, for which their basic training in economics/accounting and engineering had provided them with a useful range of tools, the same is unlikely to be true for the coming ten years. For the basic problems confronting the corporation and its managers in the future are as likely to be social and political as economic and technological.

This is the thrust of the second part of this Report called 'The Future Environment'. The increased societal demands on the enterprise stem from its very success: as the vehicle of technological innovation throughout the world, it has brought about rising individual prosperity, expectations that the world should continue in this way and demands that society and its institutions grow more and

more open. This very success causes governments increasingly to use the corporation as a convenient lever for implementing an increasing range of its own policies; this means that the corporation has to integrate, within its basic economic and technological reasoning, social and political demands also.

Since corporations and managers cannot opt out of this increasingly complex and perplexing world, the third part of the Report — headed 'The New Demands' — examines the ways in which these demands can be met by the manager with the help of the corporation and the management schools. For the European manager needs an array of skills, and tools to exercise these skills, and he needs a sensitive awareness of the environment in which corporations have to operate. In both these areas the onus is on him to prepare himself but, in both, corporations and management schools can help. Corporations should see that managers are given ample opportunities for self-development. This calls for experience in different jobs and at different levels, training in line with an individual's changing needs, and education, which has a longer-term objective. Throughout his working life there should be developed, in discussion and by agreement with him, a phased programme of training and development opportunities extending from recruitment well into his 50s, in the form of '*éducation permanente*'. Some steps in these programmes can readily be carried out in close co-operation with the schools, either at the schools themselves or physically within the company and on the job. Within the corporation, procedures will be required and openings created in order to fit job opportunities with the development needs of these individuals at various stages in their careers.

### The Future Environment

8. Life is not broken down into watertight compartments. Hence, any categorisation of trends and problems according to their primary characteristics is to some extent an aberration of reality. However, such aberrations are necessary for clarity of presentation and focus of discussion. But in all that follows the reader should constantly be aware of the inter-mixing and cross-fertilisation of the various elements.

The order of presentation of problems follows a logical pattern: We put *social* change first — the key value, understanding of which is still rudimentary; this should increasingly influence the *political* which, in turn, will increasingly influence the *economic*. Finally, *technological* change in the future will continue to be of vital importance, but it should be much more the result, rather than the driving force, of these other changes. Yet all these influences form a continuum, each acting and reacting on the other.

### *Social*

9. 'The business of business is business' is a statement which appears increasingly out of touch with reality. Yet still the warning is not meaningless. Without economic viability any corporation, including those in the public sector, will fail in all its relationships, including in its basic *raison d'être*: the constantly improving supply of market-determined goods and services. But the social impact and the social objectives of business enterprise are increasingly recognised as necessary conditions of its existence. This change in thinking is due in large measure to the very success of the corporation as an economic system:

- as the motor of the prosperity of society
- as an agent for mobility and the development of individual talents
- as a stimulant of the 'open society'

10. It is easy enough to recognise that business acts in a social context and that, as social values change (e.g. rejection of traditional types of authority, the trend towards egalitarianism, demands for personal fulfilment, demands for consultation about changes), business policies and practices are inevitably affected and must adapt accordingly.

It is more difficult for many in business to accept that *business is an actor and agent for social change*. Research has clearly brought out how the attitudes generated by working in different types of work situation are reflected in and transferred to other social institutions, particularly in the family. The hostility of many groups in society towards corporations can be partly explained by the unwillingness of corporations to look at the non-economic repercussions of their consideration of man as *homo oeconomicus* (the status of women in many industries, and the treatment of guest workers are clear examples). Social reformers demand a total systems approach to the change of working environments as a necessary prerequisite to desirable changes in society. This movement has two repercussions, overlapping and to some extent contradictory.

11. The first is the demand that corporations *should do more*. Pressure groups on all sides demand that corporations go much further than the law requires in social and employment policies, in the protection of the environment and the consumer, and even in corporate political behaviour. Being one of, if not *the*, main social institution, corporations are increasingly being used as convenient levers to achieve political objectives more readily than through governmental machinery, and without the need to raise unpopular taxes.

12. On the other hand, there are pressing demands by all sorts of forces for corporations *not* to take actions which they may feel are economically essential and indeed in the main stream of the corporation's *raison d'être*. Pressures to cease investment in countries which are politically unpopular are one example; restrictions on rationalisation measures or closures another. Quite apart from the obvious human relations considerations, this latter implies a conviction that the corporate work force is an asset belonging to society as a whole which should not be dispersed or manipulated at the sole will of management. It may for instance become impossible to dismiss older workers or socially disadvantaged workers; or the corporation may be forced to recruit an annual quota of younger people and contribute to their continual education and up-grading; certainly more attention will have to be given to the recruitment and development of qualified women, and often of minority or other special groups also.

13. *Legislation* will become more restrictive if governments drift further into economic *dirigisme* as they try to respond to social and political pressures. Managers everywhere will be faced with a seemingly inexorable growth in the demands of the *bureaucracy*, and indeed in the power of the bureaucracy to influence and control management actions. And it is worthwhile drawing attention to a danger lurking in the structures of larger corporations: that of combating an external bureaucracy with its mirror image inside the corporation. Such a development bodes ill for those qualities which the modern corporation has given society: flexibility and the harnessing of creativity. Within the corporation the demands of industrial democracy, which hopefully could be a power for understanding, will restrict the freedom of action of managers and take time, effort and mutual persuasion. If the EEC notion of introducing a 'third force' into the supervision of business takes root there will be an additional element of outside pressure representing the public interest in a way which still remains undefined.

14. Another factor of potential importance for managers is the change in the *ownership* of industry. Since the decline of the personal or family owner/manager, and the inevitable remoteness of the individual small shareholder, the financial institutions can be considered as the most important lever of 'owner' pressure on management, but these institutions are reluctant to exercise this pressure short of evident crisis, when it may be too late. Enlightened managements do what they can to seek outside views and advice within their Board deliberations, but it seems that society will demand more. One tentative idea, the brain-child of certain union economists, has been proposed in Sweden, the Netherlands and the Federal Republic. It postulates that worker or union representation on the Boards of companies is not enough. It suggests that this must be supplemented by the actual ownership of shares, and indeed by the gradual building up of a controlling vote in union hands. It is too early to say what will come of all these pressures but it is clear that the traditional systems of ownership are under challenge.

15. An underlying problem, basic to the success of an advanced industrial nation, is the *attitude of youth* towards productive organisations in society. In all European countries many young people emerge from the educational system without either the cultural or vocational qualifications to fit them constructively into the industrial society they find around them. Has the education process kept pace with the changes in society, and can managers help to make it more effective? Managers in both public and private organisations should come closer to their national education systems at university level and in the secondary schools too, and influence them to understand better the problems of corporate life in the approach up to the 21st century. The educational institutions, and the educators especially, must understand that unless industry, which creates some two-thirds of the 'added wealth' in many countries, is encouraged to function efficiently, then all of society is at peril.

16. Overall, corporations are faced with a *dilemma*: individually in their workings even the largest corporations feel that their role should be *re-active*, adjusting to environmental changes, rather than *pro-active* in inducing them. Yet in the aggregate corporations shape people's daily lives at least as much as other societal actors. Hence, in the coming decade they will have to scrutinise the likely future impact on society of their combined decisions and practices, present and emerging. One area of current concern, vital in this context, is that of business ethics. It no longer appears acceptable for business to wait for society to evolve the rules. Business itself must reinforce its own codes of

behaviour. Business will be faced with the demand that it recognise some form of 'public accountability' and a corresponding requirement for the 'legitimising' of management authority — individual managers will have to earn authority rather than having it conferred on them. This development may indeed be welcomed; only by earning acceptance from his work force can the manager gain sound influence and natural authority with them.

### *Political*

17. Despite continual progress towards the economic integration of the *EEC* and some other country groupings, it is likely that in the period under review there will be no real political integration and little financial/monetary unity. Therefore corporations which are at present basically national will, even 10 years hence, still be looking at most of their plans and activities through national eyes.

In this context it must be admitted that business has on the whole been defensive about the development of Europe and has not done much to co-operate in its positive construction. If business can find its way to become more involved it may then be enabled and encouraged, by various means including legislation at the European level, to become more European in outlook and in planning, operating in several countries, interchanging key staff and sharing products, processes and services. Sub-contracting across frontiers will increase and the production of speciality lines will have to be shared out. This requires important policy agreements between *EEC* countries if duplication is to be avoided. Indeed, the limitations on national solutions which arise from European or international relationships must be recognised as a major inhibiting factor.

18. Relationships between *EEC/OECD* and the resource-rich *Third World* (*OPEC* plus a few other primary producers) will see significant changes. There will be an effective shift of financial power, and the eventual ownership of much of the world's development capital will be in new hands. This may result in sporadic financial confrontation, and probably in continuing pressure on the balance of payments and relative exchange rates between the developed countries. Certainly it will lead to higher commodity prices, but hopefully to greater stability also. Moreover, the concentration of purchasing power in new hands will offer great opportunities for exports of goods, for selling services and for the development of industrial/agricultural projects.

19. The position of the *Fourth World* lesser developed countries (*LDCs*) will be precarious. As of now they have lined up with *OPEC* in the search for a new economic deal: they are increasingly dependent on the oil producers' generosity, but these hand-outs have been selective and uncertain. Moreover, money alone does not create productive capacity, nor the markets to place the product. Much as we hope otherwise, and much as we are impressed by individual examples of enlightened aid and the realistic application of this aid in many cases, we find it difficult to forecast much change in the general prospect of inadequate development, sporadic crises and emergency rescue measures in the worst-affected of these countries. Indeed, we must doubt whether support measures such as the *Lomé Convention* will be adequate to cope with the brutal depth of the problem.

20. The *multinational corporations* constitute a special case. There is a considerable amount of knowledge on the historical development and current management of multinational corporations, but there is still a lack of understanding of the nature of new styles of organisation which are needed to help them cope with the new political challenges. In the future they will certainly have to give increasing attention to the national interest of their individual subsidiaries, and to encourage the economic viability of each national entity. Whether they are subsidiaries of corporations based outside Europe or themselves European-based with subsidiary companies in other countries, their multinational relationships and transactions will increasingly be under surveillance by inter-government or international bodies. There will also be a growing attempt at some sort of co-ordinated action by international union groupings, although here the extent to which these will be able to assume effective supranational influence remains doubtful.

We believe there are two possible outcomes for the multinational corporations: first, that public discussion — of codes of conduct for example — may lead to a better understanding of the unique contribution which they can make to the world economy, and thus to a general acceptance that in the proper conditions this contribution is to be encouraged; or, second, that the pressures become such that the multinational corporations fight shy and withdraw from positions of exposure. Already there are signs that these corporations are becoming reluctant to invest their own money or money borrowed in their name in countries of political risk. This raises serious questions for the development of new resources in the *LDCs*, in the absence of adequate internationally-backed financial guarantees. So it is becoming increasingly necessary not only for corporations but more importantly for the *LDCs* themselves that 'mutual insurance bodies' be developed to cover excessive corporate risk in politically sensitive areas.

21. In most European countries *union power* over collective working relationships is an established fact, at least in the negative sense that union power can usually prevent or delay changes to the *status quo*. In Italy, France and the UK this power has been used as a weapon of political confrontation. In the northern tier of countries it is more often exercised within the co-operative framework, though even there the situation appears to be changing. This issue of confrontation/co-operation will be the crucial arena for the management of corporations during the next 10 years. It is not just a question of bargaining about money, about how to divide the cake, or even about the size of the cake: it is the much more basic issue of the survival of the cook. Will the power-play continue inexorably from bargaining, via co-determination, to worker control and the disappearance of an industrial structure based largely on private capital? Or will society find a balance of counter-forces and retain some sort of equilibrium? Ideology will assume an increasingly important voice in the work-place; there is a dilemma here. National union leaders are often political activists seeking wider political objectives and exercising influence on issues much wider than mere worker relations. Workpeople do not necessarily share these wider aims, and management will need to be careful that in seeking, as it must, to maintain close relationships with its own work force, it does not at the same time alienate the union leadership, whose adaptation to changing times and circumstances management should help and encourage.

#### *Economic*

22. *Inflation* has been clearly recognised by governments in most developed countries as the chief current threat to economic well-being. Today it is probably on the way to being controlled, albeit at historically high levels; yet this control is being achieved only at the cost of other worrying problems:

- monetary and fiscal measures which depress the general standard of living;
- unemployment rates remain at levels previously considered unthinkable;
- industry is required to adjust painfully to new demand patterns, without the protection previously afforded by high growth and healthy cash surpluses available for self-financing.

Let us examine each of these in turn.

23. The control of inflation has required of most governments *restrictive measures* which are bound to be politically explosive. For the first time since the war whole working populations are discovering that there is no room for improvement in their purchasing power for a period of several years. This prospect may become politically unacceptable and could force governments to reflate abruptly. So far governments have strongly resisted such temptations but if they are forced to change course then we can predict with some certainty that *cyclical fluctuations*, both in demand levels and in inflation rates, will be more intense, more frequent and more difficult to anticipate than they have been in the last 15 years. The ability to insert correctly into these short-term fluctuations decisions having a medium/long-term impact becomes of much more critical importance than in the past. Unless the managers of our economies are very subtle and/or very lucky, we are quite likely to be faced with 'boom and bust' scenarios. Together with inflation, this threat has tremendous impact on the confidence required for investment.

24. Industry is faced with a combination of *new pressures*. Despite the signs that certain governments are worried about the share of national resources being devoted to public spending, yet it is a general observation that most governments feel themselves forced by political imperatives to pre-empt an ever-greater percentage of the national product for welfare and support payments, for the building of infrastructures and for combating unemployment. There are fewer resources left, therefore, for productive utilisation by industry. At the same time industry can no longer rely on healthy growth rates, indeed in whole areas of the economy it must be recognised that slow (or even zero) growth in domestic demand has become the norm — the post-war restructuring has been finished and stagnation in certain fields becomes inevitable, for a variety of reasons including decline in population growth, change in demand patterns, and market saturation. This leads to increased pressure to seek a greater share of the available world export markets. By definition this is impossible of fulfilment by every country — whoever gains, someone must make way — and this implies lasting problems for the established manpower-intensive industries, such as textiles and shipbuilding, which are particularly vulnerable to competition from countries where individual worker productivity is higher or manpower costs lower. European industry is therefore faced with the necessity to change its structure without the cash resources or the profit base to enable it to do so. Indeed, the situation is often exacerbated by official price controls and dividend limitations. Thus industry must restructure, yet all the public pressure is to retain and prop up the existing structure. The prospects for traditional manpower-intensive manufacturing industry are highly

worrying and call for dispassionate examination jointly with politicians, trade unionists and government officials.

25. Apart from the specifically low growth areas, the gradual shift in European economies away from traditional manufacturing towards more sophisticated products and processes, towards environmental and leisure industries and towards a *post-industrial service-based society*, is wholly necessary and will presumably continue. However, we should not believe that this shift will be easy. There is a reluctance to change, there is a lack of resources to facilitate this change, and it will be highly demanding in technological innovation and service-orientated expertise.

26. All these changes call for most difficult adjustments in the *labour sector*. It is certain that structural unemployment in the older industries will remain a festering problem and it must be recognised that the workers displaced are not easy to redeploy in the growth sectors.

Of particular significance is the question of the *international division of employment*. For if, as seems both likely and desirable, there is a movement in certain industries to export low to medium technology outside Europe, there is raised, in addition to the management of highly complex technological transfer (with all the relationships this implies between similar and dissimilar institutions, enterprises, agencies, research establishments, etc.), the problem of the exportation of employment opportunities at a time when the domestic labour market is already under-employed.

27. To judge by economic criteria alone, it seems likely that the stresses described above could result in high level of unemployment over protracted periods of time; government retraining programmes will help in this area but they cannot provide a complete solution. To this problem must be added, in many sectors, significant levels of *under-employment* — workers whose services are not wholly suitable or not fully required for changing industrial needs but who cannot, for whatever reason, be transferred or declared redundant. Whether these high levels of unemployment and under-employment will be politically or economically acceptable must remain questionable in spite of the fact that social support payments alleviate the financial burden of unemployment on individuals. Another serious concern is the widespread difficulty of absorbing school-leavers in jobs. We risk the spectre of young people being discouraged from ever entering gainful employment, and thus creating a mass of disenchanted youth living on welfare payments. In the light of such unpleasant pressures, it seems clear that immigration will no longer be permitted to fill the needs of less attractive work. This will cause problems in manning such jobs, particularly as employees will remain demanding as to the quality of job they are prepared to accept even in times of widespread unemployment. For it is a natural outcome of the educational revolution that people are no longer prepared to consider a job purely as a means to earn money for living expenses and for leisure. They demand fulfilment and self-respect in the job itself.

28. But the picture is by no means altogether hopeless. The difficulty of finding workers prepared to take on lower-grade jobs will lead to opportunities for the introduction of new systems and new technologies, especially in the public sector. And government, lacking flexibility in its own organisation, will be increasingly forced to have recourse to private enterprise for the provision of goods and services. Again, in addition to the new opportunities from the developing world, there should be considerable openings for sales and services, if not for direct investment, in the socialist states of eastern Europe.

### *Technological*

29. It has already been suggested (paragraph 8) that technological developments, rather than continuing to figure as the main driving impetus of change, as they did in the industrialised world through the '50s and '60s, will in some sense become a resultant of social and economic pressures. But it is also recognised (paragraph 25) that the continuing introduction of new and higher technology is imperative if traditional industrial structures in the developed world are to be adapted smoothly and in good time to the competitive pressures that bear upon them. It would be wrong to consider this move to higher technology purely as a palliative, as a means of curing the unpleasant consequences of industrial decline. Furthermore, research (for instance that by Prof. J Kendrick, Chief Economist at the US Department of Commerce) has convincingly demonstrated that technology is a net generator of employment, and in terms of numbers, not just of skills and education. Hence, to increase employment there is a need to enhance, rather than dampen, technological innovation.

Such innovation is, however, subject to three types of pressure:

- The 'people problem': people are supposed to resist technological change. This is true in a technocratic-bureaucratic society where change is imposed by a system or from above. The

organisational modes which could help overcome such barriers are outlined elsewhere in this Report. Furthermore, responsible trade unions are likely to seek an increasing amount of 'employment-creating' technology, which is by no means beyond the ingenuity of science and technology.

- The 'entrepreneurship problem': large organisations are supposed to inhibit the spirit of taking a chance on testing new ideas. Here certainly our state of knowledge and experience are very limited. Various ideas are, however, being propounded with the aim of overcoming the inertia of large organisations and the weaknesses of the small: large enterprises can, particularly by drawing more fully on the powers of the computer and the existing industrial modes of production, enhance the capacities of their personnel for technological innovation; and less painful creation, adaptation and restructuring of smaller companies can be facilitated by new forms of co-operative ventures. That all research points to the absolute need for face-to-face contacts for innovations to take place is yet another pointer to the need for open organisations.

- The 'capital problem': existing systems of financing new projects may have reached their limits. Yet technological innovation makes huge capital demands. To meet these demands not only will the existing system — especially that in public hands — have to be modified, but new financing systems will have to be thought up, developed and tapped.

This last point is not to deny an important, and growing, role to government. But this role must — if the total system is to remain viable — change, for instance, with a greater amount of present governmental work sub-contracted to the private sector. Particularly in this field of technology, governments will have a much greater leadership role to play. Recently Simon Ramo.<sup>1</sup> has put it thus: 'The bottleneck [in making the fullest use of science and technology] ... lies ... in the arrangement-making problem, the organising of team effort among government, private enterprise and science and technology'. Some aspects of this 'teaming problem' are touched upon below (paragraph 46).

30. There are demands too from the less-developed countries for advanced technology to be made available to them on favourable terms; the debate will continue and, to ensure that these countries have readier access to technology, without at the same time drying up the sources, some accommodation will probably emerge. But the debate pays too much attention to sophisticated technologies which may be quite inappropriate to the needs of the country concerned. Moreover, it treats the transfer of technologies as if these were items to be taken from a catalogue. It is insufficiently admitted that the truly fruitful transfer of technical knowledge comes with projects, with joint ventures and with the assignment of skilled people; indeed, future co-operative efforts are likely to pay increasing attention to training aimed not simply at installing and maintaining technologies but also their continuing development. There is a real mutual interest here between the LDCs and the developed world which no amount of international regulation can match.

31. Finally, there is the question of what might be called the 'ethics of technology'. It is not only in the nuclear and biological fields that the potential hazards to mankind, as well as the desirable effects of technological innovation, need to be recognised and weighed. Governments have a duty to be vigilant and demanding, and industry must be seen to be socially responsible in the development of technology, with lively concern for the effect of new discoveries and developments on the individual and the environment, with the needs of the individual and the environment increasingly being the starting points for technological developments. There is no absolute measure of environmental damage or pollution which can satisfy the most demanding critic, but proper public debate based on reliable cost-benefit calculations can in time satisfy the majority of people.



32. So it is clear that the European manager is not going to find life easy, not just because of the pressures mentioned above, some of which will come from forces which are hostile to the corporation and to the mixed economy in which it operates, but also because of other restraining factors. The framework of action of the European manager will therefore be fairly rigid and his problem will be to achieve within this framework a degree of freedom, mutual co-operation and relative efficiency.

<sup>1</sup>. Simon Ramo is Chairman of the Executive Committee of TRW Inc. and Chairman of the US President's Committee on Science and Technology.

*(to be continued)*