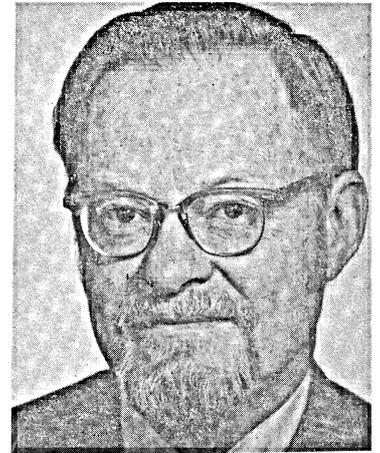


## MANAGEMENT EDUCATION — QUO VADIS?



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My specific assignment for the seminar today is "Management Education — Quo Vadis" with the general request that it be discussed "against the background of the contemporary situation in the western business world." I rather like an assignment like that because it provides one with a good deal of latitude. It reminds me of an outstanding history professor I once had who did not want to restrict his students as he thought we should develop ideas in our own way. Following this approach he once gave a final exam with one question, "What about the American Civil War?" No answer around the topic could be very wrong. So I feel I can approach the present topic from just about any direction and be somewhat correct.

I think the contemporary situation in the western business world can be characterized by one word, and it will be no surprise to you that that word is "change". The pace of change seems to accelerate. Moreover, more often than it should it catches us basically unprepared. It is not so much that we do not see the changes coming, as that their timing, or the shape in which they appear, catch us by surprise and so unready to handle them expeditiously and effectively.

In thinking about the topic I first tried to set down several kinds of change occurring now and which are likely to continue to be important with which managers are going to have to deal. So far as possible I have tried to pick those which are pervasive so that managers of almost any type of complex organization are going to have to deal with them since they will impact almost everyone.

1. In a very fundamental sense, the economic environment is changing. We have grown accustomed to such statements as "We have solved the problems of production with which all peoples were so concerned so long. The remaining problems are those of distribution."

Seldom has our crystal ball been so wrong. We

are witnessing throughout the world, and especially in the western world, serious shortages of all kinds. Almost overnight it seems the pressures on resources of rising world population and rising world output have hit us. The most obvious, although perhaps not the best example is the shortage of energy. It is not that there were not many people telling us that low cost sources, for example, of petroleum were no longer expanding except in the Middle East in a way to keep up with our increased demand for them. This was evident in the United States, for example, where the absolute production of domestic petroleum has remained constant for the last three or four years, while the increased demand was met by imports. Likewise, natural gas usage as a provider of energy was expanding much faster than our discovery and development of sources and spot shortages began to appear last year in the U.S. The same problem is true of a number of other types of natural resources — iron, copper, nickel, and so on. At the secondary and tertiary levels of production likewise, we have not expanded capacity to keep up with the pace of demand.

The cumulation of pressures on natural resources and on capacity to produce were suddenly brought home when last year's worldwide protein shortage coupled with the Arab boycott of oil to the western world brought a sharp intensification of inflationary pressures. Along with general inflation, it has brought a sharp relative shift in the costs of energy compared with labor and with capital. Whereas for decades the rising cost of labor has encouraged a shift to substitutes in the form of energy using capacity, we are now confronted with a situation where the costs of energy are rising relative to labor. Thus in addition to expanding general capacity, we must also shift its composition away from energy and labor and toward capital.

Yet this in turn will mean tremendous demands for capital. In fact, even rough calculations of the aggregate demand for capital over the next decades make one wonder if the major nations can generate adequate supplies.

The implications for public policy are of major import. It is doubtful that the capital markets under present institutional arrangements are adequate to the task. Ways must be found to make the profit motive operate to increase hugely the level of investment. Likewise our tax policies must be shifted to encourage saving at the expense of consumption. To mention one other area, major balance-of-payments problems recently uncovered can only be exacerbated as we move into this new era.

The implications of the developments in the economic sphere are quite broad for management education, I think. The forces at work are strong and many firms will be threatened with extinction before these changes have worked themselves out. To avoid the worst blows and to anticipate the directions from which they are likely to come, management will need a thorough understanding of both domestic and international economics. It is often said that the field of business administration as an academic discipline grew out of economics. In the last decade or so many of our management programs have moved away from a significant emphasis on economic understanding beyond the elementary. This is particularly true at the level of the M.B.A. Yet it is from these programs that we particularly look in the future for the top management of major corporations.

2. Another major change in the milieu within which management must operate involves the sharp increase in environmental concerns. This type of concern has hit with varying impact in different countries, but is certainly a major factor in the U.S. The effort to correct abuses here has substantial impact on business and management. For example:

Can bring severe government restrictions

For autos the successively more complex emission controls have added sharply to costs. Firms using large amounts of water, or which have offensive discharges as byproducts of their production processes, are subject to requirements of major investments to control their wastes.

Similar requirements affect firms discharging pollutants into the air.

Thus one of the reasons capacity has not expanded adequately in recent years is that so much investment has gone into pollution control which does not expand capacity in most

cases, and not directly into productive capacity.

As an aside, an interesting aspect of this from an economist's or businessman's point of view is that the criteria used are not economic.

An economist's way would be to compare at the margin the cost of successive increments of, say, purity of water, with its value to society and stop when the marginal costs = marginal revenue. In fact, most of the efforts have been in terms of absolute standards, without reference to cost.

It is evident that the natural scientists have been more successful in gaining the ear of government and the public than have economists and businessmen.

3. Likewise there is increased public concern for the social and economic and political problems of various groups in the society. This brings with it a strong demand that something be done about them. Two examples will suffice.

(a) One is the field of personal and health care. The U.S. was far behind many countries in this and for a long time relied heavily on private initiative and where this did not suffice, on private charity. Thus care for the aged was a matter of individual saving, family responsibility, or in some cases of private retirement systems. In recent years this is no longer the case. Government has entered heavily into the process, though without displacing private efforts. Thus we have a very large but mixed system of old age and survivor care. The same thing is true of what we call welfare, the care of persons who for various reasons are unable to care for themselves in a modern society.

Moreover, these mixed systems of public and private care are interesting in that not only the government but also much of the private portion is handled on a nonprofit basis. Thus there is a very large sector of hospitals, old age retirement homes, nursing and convalescent homes, and similar institutions which are private but nonprofit.

It is generally felt that the administration of these programs both in terms of organization and operation leaves a great deal to be desired and there is a great unfilled need for trained administrators. A very important question from the point of view of management education is where and how the future administrators of such nonprofit institutions are to be educated.

(b) The other example of increased public concern with the problems of individual groups in society which I had in mind was the field of equal employment opportunities. Beginning in the 50s

and particularly in the 60s there were in the U.S. a series of civil rights acts. In essence these not only forbade any kind of discrimination in hiring or in opportunities for promotion on the grounds of race or sex, but in addition they called for what has come to be called affirmative action. This means that an employer must take special steps to seek out and hire groups formerly discriminated against. In addition he must not just give equal opportunity at promotion, but again must affirmatively attempt to provide conditions such as special training or education which will assist the person to make advances in his occupation.

The sanctions for inadequate performance under these laws are substantial. In class action cases major firms have paid millions of dollars in fines and in damages to injured members of such groups. In many cases individuals have sued their employers and received back pay, interest and damages covering many years of discrimination. In one instance, amusing to an outsider but not to the firm involved I'm sure, a woman sued her employer. The firm referred it to their legal department where a female attorney took one look at the case and immediately joined in the suit.

4. Change can also be expected to result in an increased pace of product innovation. This means, for example, that one can anticipate that the period between the development of a new product or service and its appearance on the market will be shorter. Likewise the pace of change will surely mean that there will be much more choice for consumers and so interproduct competition will sharpen.

Such changes may well further emphasize the market oriented approach to management decision making. Co-ordination among research, planning, and marketing will need improvement. Inventory controls and improved logistics and physical distribution must be provided. We still use the rule of thumb that distribution involves about half of total cost and I would anticipate that major effort will go into improving this function.

As automation and the use of computers increases in production and distribution including the control of inventory, additional important implications for management and management education unfold. In particular it is likely that as these methods substitute decision rules for experience, that there will be a tendency for real decision making to shift up the management ladder as lower levels get more and more automated.

5. It seems to me we can expect an increased rate of obsolescence of managerial skills. This can be expected to come from two circumstances. One is the problem of a growing discrepancy in any

particular case between the kind of expertise which the manager has acquired over the years from a combination of education and experience and its adequacy to the changing demands of his job, the work structure, and the technical conditions of production and distribution. For example, the introduction of computers can mean the displacement of judgment and experience by solutions based on systems analysis.

6. Finally, the pace of change is important not only in production and distribution and in social systems. There is also occurring a significant accretion in our basic knowledge about management and managerial skills and methods. For example developments in systems analysis, operations research, organization theory, mathematical and statistical methods, and numerous other areas can leave a manager who does not have the opportunity to keep up, more and more obsolete as time goes on. Such deterioration in his relative knowledge position may well leave him damaged in his level of position with his firm, in his money return, his self esteem, and may even lead to unemployment. This has major implications for the organization and delivery of education. Education becomes of major importance not only to the young but to individuals throughout their working lives.

The areas of change already cited certainly do not exhaust those impinging on management education. For example, it might have been appropriate to talk about the remarkable development of international business and its impact on management education. Perhaps they are sufficient, however, to give an indication of the scope and power of the winds of change affecting all of us interested in management and education for management. As I have gone along I have suggested some of the implications for business administration and management. Perhaps we can now draw a few of these together in a summary fashion and suggest some possible trends as education for business and administration attempts to react and hopefully to anticipate many of these changes,

#### IMPLICATIONS FOR MANAGEMENT EDUCATION

First I think we will find a need to expand programs in what may perhaps best be called by the old fashioned name, political economy. The student must achieve a better understanding of the economic, social, political, and technological environment which impinges on the corporation and which interacts with it to provide both constraints on the corporation, but also in many instances opportunities for successful enterprise. This part of the program should aim to assist students to

develop an understanding of the positioning of the corporation in the social system, acquaint them with differing perspectives on the future of the corporation, and hopefully provide them with tools to help them in their efforts at environmental forecasting.

Second, it is imperative that we improve our research posture in the disciplines necessary to management. The pace of change and the growing complexity of organizations makes it more and more difficult to control and direct them effectively. We need advances in knowledge not only in the various functional fields but in our understanding of the actual practice of general management. Cookbook maxims and intuition are no longer adequate. We must continue the work toward a solid discipline based on research and observation.

Third, we must recognize that more and more the field of management deals with a broad spectrum of the institutions of our society. When we talk about administration we are really talking about the management of any complex organization. This means not only those in business but also the broad and growing range of nonprofit organizations. This includes government at all levels from national to local; health care and health delivery systems; educational administration; cultural administration for museum, opera, and fine arts; and so on.

I do not mean to suggest that identical educational programs are necessarily suitable for all these areas. For one thing the distinction which the terms "for profit" and "nonprofit" make for the bottom line of the financial statement are important. But still there are a number of subjects which are important to each of these fields which are also common to each of them. For example, they must all be concerned with the social, economical, and political environment; they use similar tools of analysis and information such as accounting, and statistics; they must all deal with people and their relationships so that organization theory and personnel management are important to them; likewise they all need to understand the processes and constraints upon policy making and planning for the organization.

So I think that the changes which we have seen operating will more and more lead to the development of what we may call, to epitomize the kind of changes involved, schools of management or administration and not separate schools of business administration, public administration, or hospital administration.

Finally, I think the future will need and see the rapid expansion of what in the U.S. we call continuing education. The idea that education is for the

young will have to be abandoned. We need to think of education as a lifelong program available to individuals continuously or in planned stages.

One can distinguish a number of groups for whom management education on a lifelong basis would be important. First would be the individual who finds that his education is obsolete in terms of advances in knowledge of management or in terms of the changes which have taken place in his job. Such a person may be dropped by the wayside unless he can be retooled at appropriate intervals during his career. Note too, that this is important not only to the individual. The employer too has an interest and investment in its employees. I think that firms will find that as changes in technology, products and markets come along, that they must give increased attention not only to planning for the changes themselves, but also to planning for the effects they will have on their personnel. They will need to see to it that their present employees are prepared for the changes in terms of new techniques and knowledge and reorientation to the new job. Thus both the individual and the firm have a vital interest in continuing education.

Likewise, an older function will continue to be of importance. This is providing opportunities to persons who may be perfectly adequate in their present positions but who wish to improve their capabilities so that they can advance. The traditional night school illustrates the concept. But there has also been a strong increase in what are called management development programs. These are often outside the regular curriculum of a business school. The subject matter may be highly specialized or it may be very broad. Particularly important, the level of person involved may be from foreman to top management.

One more very interesting group coming to the fore in these continuing education programs is what in the U.S., at least, is a relatively new sort of clientele. This is the person who has two or more distinct careers.

Perhaps the largest group in my own country involved in this are retired military personnel. These people will frequently come out of the armed services with full retirement benefits at ages in the forties and fifties. They are still vigorous and by no means ready to quit. We get a number of these people in our own M.B.A. program. Likewise, my own university has employed a number of such persons in various administrative positions around the campus. Still a different group, more and more people, as part of a plan of personal career development and personal fulfillment, plan to shift at particular stages in their lives from, say, business, to a government position, and perhaps even from there to a nonprofit private institution

involving them in somewhat different requirements and different types of personal satisfactions.

To conclude, then, I think it is abundantly clear that the changes occurring in our contemporary world are having and will have a major impact on management and on education for management. I have suggested some implications which it seems to me will affect the future of

management education. I am sure others will draw different inferences and so see the future of management education in different ways. As a result no doubt different schools of business and administration will direct their future activities in different ways. This is fortunate, for we cannot all be right on everything and so it is well to have alternatives able to all of us.

## DIE BENUTTING VAN MENSLIKE HULPBRONNE IN SUID-AFRIKA – QUO VADIS?



Dr. W.J. DE VILLIERS

Die basiese verantwoordelikheid van professionele bestuur is teenoor die aandeelhouders, die werknemers in die organisasie, die mense wat sy produkte of dienste benut en ook teenoor die land en sy inwoners. In hierdie artikel word veral aandag geskenk aan die verantwoordelikheid van bestuur teenoor die werknemers, die land en sy inwoners. Hierdie verantwoordelikheid is dan ook dié verantwoordelikheid wat nou (veral in Europa) soveel aanleiding gee tot sosialisme en wat 'n nuwe denke in die bestuurswese na vore bring.

### OMGEWINGSFAKTORE

Enige strategie en beleid ten opsigte van die ontwikkeling en beter benutting van menslike hulpbronne moet deeglik rekening hou met die toepaslike faktore binne die onderneming self maar spesifiek ook met die omgewingsfaktore. Voordat ons vra: Quo Vadis/waarheen?, moet ons ook vra: waarvandaan kom ons?

In dié verband moet kortliks gelet word op die volgende aspekte: ekonomiese groei, hoër produktiwiteit en hoër lewenstandaarde (veral onder die minder bevoorregte mense) en wat dit in werklikheid behels.

Ten einde hierdie vrae te beantwoord, is dit aangewese om die ontwikkelingspatrone wat in ander lande voorgekom het, te ondersoek in 'n poging om perspektief op die Suid-Afrikaanse omstandighede en situasie te probeer vind.

As uitgangspunt kan Rostow se ontleding van

die proses van ekonomiese ontwikkeling nuttig aangewend word. Hy onderskei tussen vyf stadia van ekonomiese ontwikkeling wat, volgens hom, deurlopend is. Die verskillende fases is: die tradisionele fase, die oorgangsfase, en wegspringfase, die fase van rypheid en die fase van hoë verbruik. Met hierdie ontleding as agtergrond, kan die tydperk 1910—1950 in die ontwikkeling van die Amerikaanse ekonomie in oënskou geneem word en dan vergelyk word met die tydperk 1950—1990 in Suid-Afrika.

Waar staan Suid-Afrika ten opsigte van hierdie ekonomiese groei? Ten einde hierdie vraag te beantwoord, moet die volgende gegewens in oorweging geneem word.

In albei gevalle is dit duidelik dat die relatiewe bydrae van die sektor Landbou *afgeneem* het terwyl dié van die sektor Nywerhede gedurende die twee tydperke *toegeneem* het.

Dit is natuurlik so dat in die proses van ekonomiese ontwikkeling, die persentasie van die totale werksmag wat in werklikheid in die Landbou sektor werk, afneem terwyl die persentasie van die totale arbeidsmag in die sektore Nywerhede en Dienste toeneem.

In die Amerikaanse geval het die ontwikkeling in terme van die verspreiding van die totale arbeidsmag ook weliswaar ooreenkomstig hierdie patroon plaasgevind; m.a.w. daar was 'n *afname van die arbeidsmag* in die Landbou sektor met 'n *dienooreenkomstige toename van die arbeidsmag*