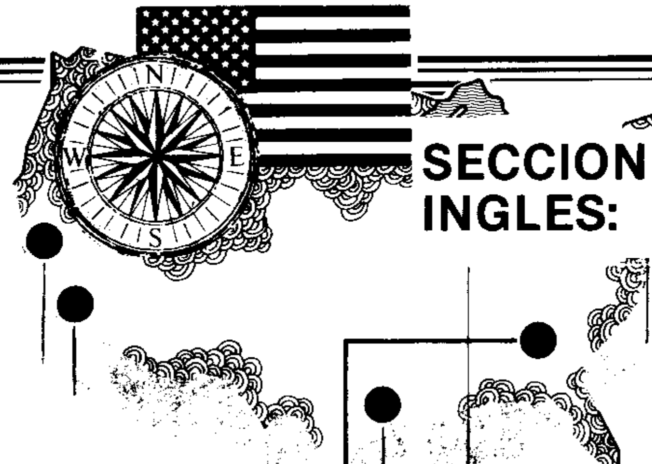
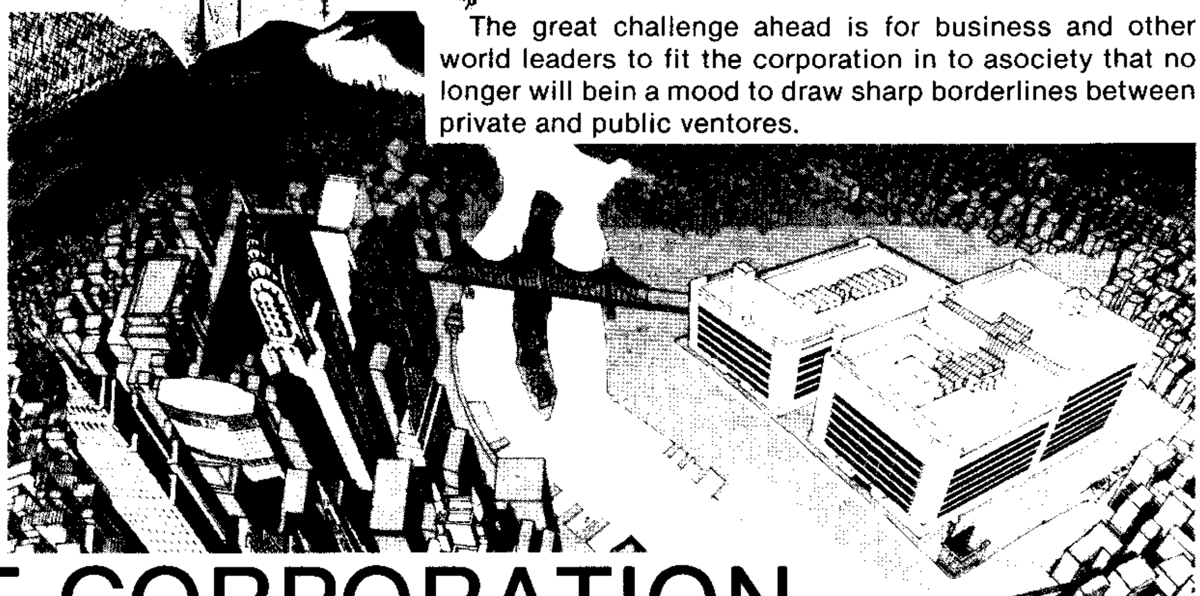


SECCION ESPECIAL EN IDIOMA INGLES:

The great challenge ahead is for business and other world leaders to fit the corporation in to asociety that no longer will bein a mood to draw sharp borderlines between private and public ventores.



THE CORPORATION IN THE 1980s:

A FUZZY BOUNDARY BETWEEN PRIVATE AND PUBLIC ENTERPRISE

ANDRÉ VAN DAM

It will require a concerted plan of action by the private and public sectors to restore equilibrium in the highly uncertain business environment. Society is in a testy mood. Its threshold of tolerance is incessantly sinking. Strong-throated minorities are demanding more from their institutions—including governments and business corporations—than the latter can supply at a cost the former are willing to defray.

Some of the distant early warning signals point to a society that gradually draws hazier boundaries between what is in essence private and what is strictly public. It is crucial to know whether private enterprise can work in the public interest—as the public perceives its interest. Also, in a world where private and public institutions grow more interdependent every year, can they maintain the once razorsharp borderlines that separated them?

Ever since the petroleum crisis, interdependence between the producers and consumers of strategic resources has been acknowledged. The 1980s may see a not too dissimilar mutual dependency emerge between the stakeholders in the modern corporation: owners, management, employees, suppliers, clients, and—last but not least—the community at large.

Such a reciprocal dependence is bound to conduce to cooperation between otherwise rivaling entities, be they governments or business firms. Mutual dependency implies a certain diffusion of power, which likely will tend to flatten the hierarchy inside the business corporation. If good business decisions are to add up to sound social choices, private and public interests are bound to converge in some time horizon.

Now, in mid-1976, this goal seems far away. Only a year ago, the chief executive officers of two of Europe's salient transnational corporations proposed to scores of their international peers to jointly establish a research and information center. It was to operate in juxtaposition to other such centers to be established in New York City (United Nations), Mexico (Latin America), and Havanna (Third World).

Managements cold-shouldered the proposition in what *The Economist* called a fateful decision. In the 1980s, however, neither the competitive nature of the marketplace nor the proprietary character of research and development will preclude such cooperation. It will be evident then that antitrust legislation, first enacted a century earlier for fear of insufficient competition, may well be amended to guard against the evils of inadequate cooperation.

This generation grew up believing that the role of private enterprise was to create wealth, with government an interested party in its equitable distribution. The facts of life today are that every year government accounts for a greater portion of the gross national product, and private enterprise is called upon to put its managerial capabilities to work for distributive purposes. To argue that legislation must solve this riddle is to ignore that the law cannot anticipate understanding.

What is needed is fresh thinking on—and understanding of—the purpose of private enterprise. Though "private," it is still owned by "the public" and therefore is more than ever in the public limelight as to how it performs in the public interest. But to conceive of private enterprise as being in the public interest will require nothing less than a novel set of business ethics.

This thesis, of course, risks being dismissed summarily as the fruit of utopian thinking, another by-product of the dreamers of a new international economic order. I have therefore selected at random four areas—employment, technology, advertising, and profits—where corporate management may eventually come to act in a pragmatic and concerted fashion to demonstrate its societal concerns. It is in these areas that the 1980s may see new symbiotic relationships flourishing between the private and public sectors.

Manpower—asset or cost?

Many tongues tell the proverbial folktale of a guileless peasant who gave shelter to a stranger on a cold night. The peasant became suspicious of the foreigner because he first blew on his hands to warm them and then on his soup to cool it.

In the 1970s, management creates the impression that it regards manpower warmly as an asset and cooly as a cost according to the economic and technical dictates of the moment. But sometime in the 1980s, management may come to consider manpower wholly as an asset. It will be a rather uncomfortable choice, for while it is fashionable to minimize costs, it is logical to optimize and conserve assets. But as E. F. Schumacher suggests in his book *Small Is Beautiful*, it is time to regard economics "as if people mattered."

The Volvo automobile plant at Kalmar, Sweden was designed with this precept in mind—to render workers productive as well as content by eliminating boring and alienating assembly lines. Automotive frames are delivered by specially designed wagons to teams of workers who proceed at their own speed at tasks of their own choice—but within a preset production goal per shift. The Kalmar experiment reflects an awareness that salary increases and fringe benefits help man to tolerate his work, but do not render it more humane.

Nor does the monotony of the large office foster creative and emotional expressions of personality. The concepts of self-realization and self-fulfillment are beginning to appear as often in business journals as economic growth and technical innovation were dealt with in the 1960s. Man can find his destiny neither in a whirl of processes and techniques nor in the bigness of the institutions he serves, be they public or private.

Job rotation, Kalmar style, is only one aspect of job enrichment, which in essence is the human interaction with technology. Other examples abound:

—An Italian company trains workmen in the maintenance of the equipment they operate.

—A German firm interchanges people engaged in production and quality control.

—One-third of all Swiss firms experiment with flexible workhours.

—Many corporations reduce the rigidity of work categories in order to decalcify organizational partitions.

It is indeed a long way from Taylorism to career thinking and even retirement planning at an early (middle) age when the sparkle and challenge of the job start wearing thin. And sometime in the coming decade, all management may wish to consider man as the end rather than the means of the production process.

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Social technology

Economic growth, technological innovation, and managerial daring have taken the industrial world to its apex of affluence in one generation. Man's landing on the moon, televised in color, generated a climax of euphoria over technological breakthroughs. And more surprises are in store, whether in laser beams, cryogenics, or synthetic foodstuffs.

Unfortunately, man has been unable to adjust socially to this quantum leap forward in technology. Our failure is witnessed by the fact that almost half the hospital beds in the world's ten richest nations are occupied by persons suffering from nervous or mental disorders.

The ecological cost of modern technology also has been intolerably high. Take the automobile. It has lightened man's burden and quickened his pace. It helped create the supermarket, worldwide tourism, and other new horizons. Its impact on the manufacturing industry has been prodigious. It is a major pivot of the modern economy. Yet the automobile violates about every ecological ethic. It creates two-thirds of all air pollution. It weakens man's roots in time and space. It kills 170,000 people per year and maims permanently half a million.

What is needed is a quantum leap forward in social technology, an advance that requires intimate collaboration in research and development, not only among corporations or between the private and public sector, but also among many disciplines—from urban planners to sociologists and from economists to educators. It serves little purpose to send a man to the moon when we fail to perforate the Sahara, which hides a reservoir of fresh water as voluminous as all the world's lakes combined. Fresh water, after all, may one day become scarcer than petroleum.

Social technology also means adapting advances to the pressing needs of the Third World. Techniques developed in rich nations, where capital is plentiful and labor expensive, cannot necessarily be applied to poor nations, where labor is abundant and capital scarce. In the coming decade, however, social technology will blossom under the umbrella of mutual dependency and international legislation. But it will require motivated management—with a gleam of world solidarity in one eye—to break through the seemingly impregnable obstacles to joint R&D in this era of adaptive technology.

Living down with the Joneses

In 1971, the *Harvard Business Review* published an article on "demarketing." Since then, social marketing, marketing under conditions of scarcity, and related themes have been spotlighted in many specialized journals. The 1974 world conference of advertising agencies urged the adoption of simpler lifestyles. Even the Royal Bank of Canada made this the theme of one of its monthly letters in 1975.

But demarketing may be only the tip of the iceberg. The hidden mass is man's dissatisfaction with material abundance. In the 1980s, advertising can come to play a major role in the search for simpler lifestyles.

Advertising can be honest and yet sell; it can be informative and yet be beautiful. But when the industrial world spends $40 billion a year to bombard the average urban citizen with 600 advertising messages a day, the time may have come for management to play the devil's advocate.

In its function of supply, advertising is designed to enhance production and profits. In its function of demand, advertising is meant to satisfy genuine public wants. In relating supply and demand, advertising assumes a responsibility that surpasses its marketing role. It encompasses matters of education, religion, and politics—in short, ethics. To the extent that values change—and they do change—the role of advertising must change.

Advertising may constitute a prime example of the central thesis that mutual dependency (between supply and demand) necessitates cooperation. Collective advertising campaigns may succeed in focusing attention on social needs where individual campaigns are apt to fail. For instance, in an ecologically conscious society, the wool industry may concertedly sing the praises of this renewable natural resource. In a waste-conscious environment, the glass industry may collectively advertise the returnable bottle and the pulp industry the recycling of paper products. Through promotion of creative leisure activities, advertising can assist man in his search for self-realization.

Management can hardly extol the virtues of thrift, hard work, and authority within its own organization when its advertising induces millions to gratify their most extravagant whims. Nor will it be "ethical" to advertise the merit of a household product if its manufacturing process risks contaminating the air. Finally, advertising cannot be allowed to foment conspicuously wasteful consumption when elsewhere failing crops condemn millions of children to misery. In a nutshell, this is the coming concept of a joint advertising effort for a simpler lifestyle.

Profits in a social role

The crux of the matter is whether future management can treat manpower as an asset, develop a social technology, and adapt advertising to a simpler lifestyle while aiming at an adequate level of profits. Only a fair return on capital can enable private enterprise to play such a public role. After all, profits are a measure of efficiency *par excellence.*

The widespread (institutional) ownership of corporate shares and the waning loyalty of shareholders to "their" corporations (as witnessed in the gyrations of the stock exchanges) diminishes the concept of shareholders as "owners" and will enlarge their role as basic suppliers of capital, so to speak. It is possible to envision that at some point in the future, management will commit the corporation to constituencies beyond the shareholders. Then if profits are no longer optimized solely because they are "in the public interest," the very function, source, and application of earnings must be defined anew. The role of profits—long accepted as a prime objective of business—should be crystal clear to the public. This is no luxury when we consider that early last year seven Nobel laureates jointly censured Western capitalism for creating a crisis by producing "primarily for corporate profit."

In a world where capital is coming into very short supply, management will compete for this scarce commodity on the strength of performance: the height and growth of profits. Only concerted planning can mesh competition for scarce money with the corporate challenges envisioned here. This, in turn, requires a degree of interaction between the private and public sectors to which the most talented should be invited to apply their joint creative skills.

The buffalo bird and the rhinoceros

The African buffalo bird lives on the back of the rhinoceros. In return for a gratis mobile home and food consisting of insects who also live on the beast's back, the bird renders its host a valuable service. When danger threatens, the bird with its fine sensory equipment shrieks loudly and flies off, thereby warning the rhino of impending peril.

In the complex and dangerous business environment of the 1980s, corporate management may need the sensory equipment of "public opinion." The Japanese, who have emerged as "Japan Inc." in their postwar industrial surge, provide a prime example of such symbiotic relationships between corporations, labor unions, and government. To a lesser extent, these relationships also exist in U.S. aerospace, communications, and defense industries. And they appear in urban development and in advanced science and technology.

Mixed private-public companies abound in Western Europe. The government becomes a suitable partner when risks are extraordinary or when the public sector constitutes the largest outlet.

In the 1980s, it may be fashionable for corporate executives to enter government service as part of their careers and for civil servants to work in corporations in order to broaden their experience. Think-tanks such as the Rand Corporation could be co-owned by the public and private sectors, or at a very minimum, interchange mutually significant information. According to one international expert on multinational operations, Dr. Samuel Pisar, even transideological cooperation between Western corporations and Eastern governments will flourish in the 1980s.

Portrait of a future manager

What is the profile of a manager who can wear both private and public hats? I envision such an executive as a yogi and a commissar—a combination of generalist, philosopher, and a strong natural leader; such are the qualities required of one who would successfully interpret and crystallize the values and objectives of the corporation in the broader framework of all its constituencies. He sets the atmosphere of corporate involvement where societal values can mix with working realities. He must have the ability to mesh individual goals and collective objectives and to relate corporate immediatism to long-range aspirations of all stakeholders in the enterprise. Such a manager puts private enterprise at the public service in a catalytic and rewarding role over and above the traditional part played by corporations.

Rivalry and secrecy will no longer be the cornerstones necessary for success under this manager. Instead, he will flatten the corporate hierarchy in order to foment osmosis between all participants and stakeholders in the enterprise. He may, for example, use advertising as a corporate window on society, and vice versa.

If this prospective view of management seems outright Arcadian to the pragmatic manager steeped in today's pressing problems, it may be pertinent to stress that trend is not destiny. Remember how the "Put a tiger in your tank" advertising slogan was switched to "Don't be fuelish."

Reversals of existing trends will abound in the modern manager's environment. In his portrait of *The Future Executive*, Harland Cleveland tells a story of an attractive young woman who drove her flashy sports car countertraffic on a one-way street. Stopped by a policeman, she queried him with this deceptively ingenuous question: "Officer, did it ever occur to you that the arrow may be pointing in the wrong direction?"

It may be opportune to ask this question every time we follow the road signs of our business in its environment. What if the arrows are pointing the wrong way?

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