

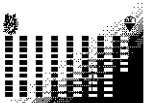
sección especial en idioma inglés

El Consejo Editorial de "Investigación Administrativa" ha decidido que a partir de este número de nuestra revista aparezca una sección especial en inglés, la cual presente artículos de interés en las ciencias administrativas, con fuerte contenido de investigación, para beneficio de los estudiantes de la Sección de Graduados de la Escuela Superior de Comercio y Administración y para los diversos suscriptores de la Revista que forman parte de la Colonia Norteamericana en México.

Este nuevo servicio a los lectores de "Investigación Administrativa" tiene como finalidad divulgar en México trabajos serios de investigación realizados por autores norteamericanos, que sirvan para el progreso de la administración mexicana. Desde luego, el Consejo Editorial seleccionará cuidadosamente los trabajos que se publiquen en esta nueva sección.

El primer artículo que a continuación ofrecemos a nuestros lectores es del Sr. Lee Hamilton, Gerente de National Association of Manufacturers, y es el resultado de la conferencia que dictó recientemente ante el Buffalo Chapter of the Administrative Management Society, originalmente publicado por The Atlanta Management Review, Georgia State University:

survival of business in a socially changing environment



Preoccupied as we are with solutions to the immediate problems of business management, we often fail to take the time to sit back and assess what is going on around us. True, we explore the past to find and correct our mistakes and to learn from our achievements. We even attempt to look ahead in an effort to identify new opportunities for growth and success. Most of us tend to be objective, analytical, and totally committed to entrepreneurship, but we have the tendency to become so involved in our day-to-day activities that we often do not see the broad-gauge trends taking shape around us.

In order to survive, **businessmen must become more acutely aware of nonbusiness-oriented forces in our society and interact with them to a greater degree than at present;** and, in the words of a T.V. program, "would you believe, **this requires a lot of creative managerial skills?**"

Many forces are presently exerting influence on the business community, and a number of activities are currently going on both in and outside the business community in efforts to meet the challenges generated by these forces.

THE CHANGING ENVIRONMENT

The purpose of the institution of business, which grew out of the basic needs of all people, is to produce and distribute goods and services. Business has successfully fulfilled its classic role as a producer of goods and services. Some of our current problems came into being because business decisions have consequences outside the business community. They always have. People have not changed. Businessmen have not changed, but our social environment and its demands upon business **have** changed.

What is our environment, and what are the demands being made of business and by whom? Many individuals and groups in our society are not satisfied with the old answers; and non-business-oriented elements in society have become very interested in the business system.

It is not the purpose here to affirm or deny the points of view expressed by these elements, but simply to call attention to a few of them.

Intellectuals speak

First, let me mention briefly the intellectual, particularly the social scientist. Robert Theobald, an economist and staff member of The Center for the Study of Democratic Institutions, has predicted that in the not too distant future 2 to 10 per cent of the labor force will be able to produce all the goods required by our society. Many people seem to believe his prediction. For some, the resulting concept may not be new, but many now believe that a person's income should not be tied to work performed.

In a different vein, let me quote from a speech by Ralph Nader¹ before the National Press Club in Washington last December. He called it "Taming the Corporate Tiger".

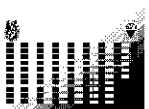
It is not necessary to reach into the future to raise concerns about the adequacy of the corporate institution to perform in the public interest. There are more than enough problems today. The forces streaming out of our large corporations are changing the nature of the economy, altering the man-made environment to the point of mass crisis and transforming our system of government.

The young protest

We need to look at student attitudes with respect to the business community. Many articles have been written during the last several months about student disenchantment with business. Capsulized, the students are asking: Where does business fit in the American society?

Deutsch and Shea, a public relations firm, ran a full page ad last year in the **Wall Street Journal**. It dealt with student attitudes toward business and said, "Above all they believe

¹ Attorney and free-lance writer.



business has failed to commit itself to the human issues of our times. Poverty, ignorance, famine, disease. . . . Business for them is removed from the mainstream of social and moral responsibility”.

This generation petitions, it marches, it pickets. It demonstrates in a variety of ways and for a variety of causes because it wants action rather than promises. Young people . . . and there are more of them than ever before . . . have committed themselves intellectually, emotionally, and physically to push, pull, tug, and twist the rest of us until we begin to fit into this ideal world they so obviously hunger for. Though we may frequently disagree with their objectives and their actions, perhaps these young idealists and activists will accomplish more than their older brothers and sisters, whose contribution to the history of collective action was goldfish swallowing, telephone booth stuffing, and panty raids.

Rightly or wrongly, these young people mirror the growing conviction of more and more Americans that social change inevitably follows from drastic technological innovation, that many of the major problems and issues of the day have both social and economic roots and fruits, and that businessmen must assume some responsibility for the results by playing a larger role in finding solutions—or be content to default to the public sector of our national life.

It is true some student comments have been made by wild-eyed, long-haired, rabble-rousers, and many of the reports from the campus make no pretense of offering a balanced cross section of the student body. We may dismiss the problem if we wish, but the dangers are great. This hue and cry is not from unfed, underprivileged masses. It is being expressed by sons and daughters of middle- and upper-income families.

Unless we learn to reach students, much of this young talent and ability will go charging off in every direction except American business. If their points of view go unchallenged, Amer-

ican business could wind up having to settle for second-rate employees in the future—in fact, second-rate employees who don’t have a very high regard for the business community’s contributions to the social and economic order.

Take the case of slums. If we pass through a teeming ghetto on the way to and from work, it doesn’t take much imagination to see that something is wrong. It is obvious that slums don’t generate much business for us, and bright young men that we need for future executives aren’t going to beat a path through slum alleys to get to our door. Nor will they want to live in a deteriorating city in order to work for us.

A manpower program that recruits and trains individuals so they can make a corporate contribution is not enough. Managers must also convince and demonstrate to employees that the institution of business is useful to society and that the individual’s contribution is important and distinguishable. This form of corporate climate cannot be created by a Madison Avenue formula; it requires creative management at its best.

The Church is concerned

As the third area, let’s examine the role of the church. “Is God dead?” is not the only question being debated by clergymen these days. Our ministers, priests, and rabbis are increasingly involved in issues and activities that are more secular than spiritual.

Clergymen are not only becoming active participants and leaders in the civil rights movements and slum clearance programs, they are taking firm public stands on such subjects as labor-management relations, income taxes, proposals for a guaranteed annual income, pricing policies, and even automobile design.

Let me refer to several recent editorials in religious publications. The Jesuit magazine **America** commented on the Schenley decision to recognize the National FarmWorkers Associa-



tion as bargaining agent for its workers by saying that farm workers "...would never achieve first-class citizenship until they were organized" and "would never be organized until they were brought under the umbrella of the nation's labor laws". The article continued by saying, "there is missionary work to be done among other companies... There are other states where the job of liberation has scarcely started. The coalition (labor with the churches and other groups) that scored the breakthrough in California must remain intact and battle-ready".

The nondenominational publication called **Church Woman** hints at the questions being debated by the influential distaff side of the church. One typical question asks: "What income sharing will be involved if the 1.4 million household workers are to receive a living wage?"

It would be difficult to find a more harsh indictment of the auto industry than the review of Ralph Nader's **Unsafe at Any Speed** that appeared in **Commentary**. It said in part:

Thanks to Mr. Nader's coldy impassioned challenge, one begins to realize that these swollen corporations have stifled creative engineering even while they have encouraged and in fact insisted upon the most appalling mediocrity among their executives. Is it strange that these foolish and cowardly men should have so much blood on their hands?... It is to Mr. Nader's honor that he is a true subversive, forcing us to reconsider the values shared by corporations and society — and, to a greater or lesser extent, by all of us.

Recently, Bishop Fulton J. Sheen named a young priest associated with a militant civil rights group as his Vicar to minister to the poor in Rochester, New York. The Bishop announced his appointment as "a very unusual step". He said, "The Church must be where the problems are, where hunger is where rooms

are cold and where difficult decisions have to be made".

Organized religion is evolving into a role that bears little resemblance to past patterns. The changes in the nature of society — technological, cultural, economic, political, as well as religious — are the prime responsible factors.

The church, according to many religious leaders, was no longer relevant to the times. It lost prestige, influence, and leadership because it ignored the changes taking place. Today it is using imaginative leadership to foster programs in an attempt to keep pace with the tide of current affairs. Organized religion is concerning itself with the problems of the inner city, such as housing, education, employment, health, social justice, and equality. All of these activities help mold the environment within which business operates, and these activities have economic consequences for business.

SOLUTIONS

What then are the new answers for businessmen to the changed and changing environment?

Business must be involved...

Perhaps a useful approach can be found in the two words "involvement" and "anticipation". The business community, if it becomes involved, can do more to successfully solve social problems than the government ever will be able to do; and, if industry and business will anticipate areas into which government is likely to move, timely action can preclude intervention.

This is not to suggest that business should assume **unlimited** public responsibilities. Business and government are **not** equally appropriate instruments of the public weal. Business is the economic manifestation of our free society and the principal reason for America's preeminence. But many of our activities in the



future must be devoted to solving social problems. If we continue to abdicate leadership in this area, the basic fabric — not only of free enterprise, but the concept of a free society — will be endangered.

Much of the public is aware that not many people in industry have been consciously, directly, and fully committed to solving social problems. Most businessmen have been even unwilling to consider problems of this type as business problems. Let me suggest that solutions to these problems are as vital to the future of a business as any finance, production, or marketing problem.

...For survival ...

I heartily concur with the philosophy that the businessman's role is to maximize profits. But let me hasten to add that if business and business leaders do not provide acceptable solutions for today's social problems **we will be forced to accept the leadership of many who not only do not believe in profit maximizing but who in fact question the necessity and desirability of profits.**

There is a responsible view expressed these days that enlightened management no longer views profits as the sole motivating factor of businessmen. From purely pragmatic evidence, I suspect that, contrary to certain historical writers of antibusiness fiction, profits have never been the only motivating factor, even though they have always been a good target for reformers. This point, however, is one of form rather than substance. Despite what we hear from time to time from some critics of our system, **there is no conflict between making a profit and meeting legitimate public responsibilities.** Only a profitable firm can behave as a responsible citizen, and there is no contribution that business can make in the public interest if it fails in its primary responsibility of making a profit.

In dramatic terms, I am suggesting that **management for survival** — creative use of

manpower, if you will— requires management to keep one eye focused on the social changes taking place and the other on the more traditional business problems. Be assured this will not result in a cross-eyed condition, because in a free society —a market oriented economy— the desires of society must be satisfied or we simply won't be in business very long.

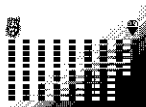
We, in business, have only two alternatives. **Either we voluntarily implement social goals or in the near future our actions will be spelled out for us by congressional legislation.** We still have the freedom today to make reasoned and resolute responses to social problems. Tomorrow our actions may be tightly controlled by government regulation. If our efforts are made mandatory, not only will be forced to take more costly and less efficient action, we may also forfeit our claim to being a responsible segment of society. The fact is that the businessman must lead the way, not only within his own company, but in his home town, his state, and nationally if we are to preserve and expand the best features of our economy. Businessmen have the experience and imagination; they should be the leaders.

....and anticipate society's needs

Public opinion polls have repeatedly shown that the nation will support viable alternatives to government intervention. What better ways is there to put the brakes on big government than for business to take initiative in solving social problems before Washington feels the need to act? This thought is echoed by George Champion, Chairman of Chase Manhattan Bank, when calls for "creative competition" between business and government to replace "creative federalism". The following examples will illustrate how business is addressing itself to this concept.

Pollution

The West Virginia Pulp and Paper Com-



pany invested \$4 million in an advanced biological process for treating industrial wastes. On the surface, this is not an unusual action, but the company also contracted to guarantee bond interest and amortization on \$5½ million worth of antipollution facilities for an agency of the State of Maryland and a Pennsylvania municipality. These two plants are treating **municipal sewage** in addition to industrial wastes.

Urban Renewal

Just a few months ago, Hallmark Cards, Inc., announced it would branch out from the greeting card business and back a \$100 million urban-renewal project. A twentyfive block section of Kansas City adjacent to Hallmark's corporate headquarters is involved. The company seeks to improve its neighborhood, but—and this is important—it also seeks profits in the deal.

U. S. Gypsum, a maker of building materials, bought six tenements in Harlem about two years ago and spent \$1¼ million in rehabilitation. The deal was a financial success, so the company has bought six more Harlem buildings, plus six in Cleveland, and now is shopping in Los Angeles, Chicago, Philadelphia, and San Francisco.

Warner & Swasey Company, a machine tool maker, renovated a Cleveland apartment building at a cost of \$115,000 and plans to sell it to a nonprofit group.

The American Plywood Association will invest \$150,000 in housing rehabilitation plan in a North Philadelphia slum.

One of the most publicized examples of city rebuilding occurred in Pittsburgh, where business initiative completely rejuvenated a run-down portion of the city. There were eight private projects involved, with a total investment of \$256 million. Two million dollars came from local government, and none from Washington. The most recent portion of the

Pittsburgh story was announced recently by the Pennsylvania Railroad, which has released plans to clear 148 acres (a square of forty city blocks) and erect apartment, research, and educational buildings. The land cost has been \$125 million to date. No government funds will be used, and there are potential profits.

To the earlier reference to profit should be added: The business dollar that goes to meet public responsibility must be a productive dollar if it is to benefit society; **any dollar spent that meets both the responsibility to owners and to society is a very productive dollar.**

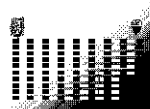
Employment

The business community is especially equipped to take action in areas of job development and job training. No one knows how much money is spent each year in this area, but it is estimated to be at least \$4.5 billion and maybe as high as \$20 billion. These few examples demonstrate the business attack on poverty through job training:

In 1962 the Yellow Cab Company in Chicago designed a training program to offset a shortage of cab drivers; seventeen hundred graduates of this program are now driving cabs. A restaurant instituted a course in food preparation for poor people. The Shell Oil Company worked up service station attendant program. Eighty-four per cent of the people placed in jobs as a result of these programs were formerly on relief.

Diamond Alkali in Houston needed more skilled operators, but many regular employees were not eligible because of reading, writing, and arithmetic limitations. An in-plant basic education program was started. Some employees advanced the equivalent of four grades with less than 100 hours instruction, and the cost was about \$140 per employee.

The NAM with a pilot program helped 38 low-skilled Corn Products employees increase their work skills. The average reading level of



group was the fifth grade when instruction began, and arithmetic skills averaged the fourth grade level. The workers averaged 73 hours of class work and increased their reading and spelling levels an average of three grades, and arithmetic three and one-half grades. One formerly unskilled worker now operates an electronically controlled starch dryer. Other workers have been advanced three and four pay grades.

Immediately after the Watts riots, H. C. McClellan of Old Colony Paint Co. sent a wire to 100 company presidents in Los Angeles requesting their presence at a meeting. The program that came out of that conference has resulted in over 12,000 jobs for Los Angeles Negroes.

Voluntary Services

There is another sector of society that is equipped to solve social problems—a sector that is neither public nor private but can be labeled the voluntary or independent sector.

Felix Frankfurter is reported to have said that the business of the U. S. is not business, but **civilization**. It is a fact that from earliest times the good American has found that, in addition to enriching his mind, earning a living, raising a family, and having fun, there has always been other work to do. This other work is found in our voluntary agencies, churches, schools, and other instruments of civilization, and it has grown constantly over the years. Philanthropic giving is now about \$11 billion a year, thirty million people do volunteer work, and thousands of institutions hold tax exemption certificates. It is estimated that businessmen contribute \$5 billion worth of time each year to charitable efforts, and the NICB estimates that top executives spend 80 per cent of their time on "good works".

When Alexis de Tocqueville came to the new world in 1830, he found that Americans had developed a unique way to solve public problems. They did this through voluntary "associations". When there was a problem—a

canal to be dug, a road a school to be built—a special group was formed to get this job done. There is a growing school of thought today that insists many current social problems presently being tackled by government can be better solved by this same unique independent action. Such action is thought to be capable of ending unemployment, crime, slums, poverty, water and air pollution.

Dr. George H. Gallup, the public opinion analyst, recently told a group of businessmen a finding of a nation wide study:

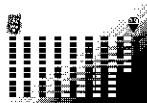
Three out of every four persons who had attended college said they would be willing to devote time each week without pay to the solution of such local problems as crime, housing, recreation, juvenile delinquency, traffic congestion, unemployment, and the like.

These people, Dr. Gallup said, "are ready and eager to go to work on the problems of special interest to them". Now here is a veritable Niagara of brain power that can be utilized by any state or local community at any time.

Does it work? Many people believe that it does, and there are many working examples: The Urban League is training and placing Negroes in jobs. Walter Reuther organized the Citizens Crusade Against Poverty because, in the words of Richard Boone, its executive director, "We had the feeling that big government cannot and should not be allowed to solve all our problems".

Richard C. Cornuelle, in his book **Reclaiming the American Dream**, explores the potential of the independent sector. He predicts an "explosion of action by independent agencies" on social problems of the last third of this century. Mr. Cornuelle has experience in the independent sector, having helped establish the United Student Aid Loan Fund, which has outperformed the federal government's student loan programs.

Many successful candidates in last fall's election ran on platforms to do all they could



to encourage nongovernmental solutions of social problems. The climate for activities of this type may well be improving.

How?

There is probably no sure method for business to **anticipate** problems and move to solve them before they reach crisis proportions. Nevertheless, the attempt must be made.

The social scientist is frequently viewed with alarm by the businessman as an ivory-towered intellectual who wants to upset the best social and economic system ever developed by man. The job of a social scientist, however, is to examine our society and tell us what he sees. We in the business community should listen to him, even if we don't agree with his proposals, because we live, work, and play in an industrial society that is concerned

and involved in subjects of social consciousness. It is likely that the social scientist can be of real service in pointing the way to new and productive paths of public action for business over and beyond the familiar field of education and medicine. Surely, there are many ways or business to contribute that have not been fully explored, and there, also, must be many ways as yet undiscovered.

Some corporations might want to consider forming a Shadow Board of Directors made up primarily of social scientists to function as policy advisors to the regular board. The fact is, we don't really know how a sociologist, an anthropologist, a clergyman, a journalist, an historian, and others might contribute to business if they also became involved. I have reason to believe they would introduce new dimensions to the operation of a business that would solve social problems, improve the climate for business, and increase profits.

