

# The Art of Management of Development Economies

*By* Dole A. Anderson

The importance of the role of management in the economic development of a nation is now widely accepted. In the beginning of the Decades of Development through which we are now passing, the problem seemed to be that a society could achieve sustained economic growth only if it could accumulate capital. More recently, the importance attributed to scarcity of capital has declined and in its place, increasing attention has been given to the development of a variety of labor services, particularly skilled labor and creative management, as crucial factors in achieving economic growth. This paper will make some observations on what appear to be distinctive elements in the art of management as it is practised in developing economies. The observations are generalized from experiences in other economies than Thailand but the author would expect that deeper knowledge of this country will confirm their applicability here. Some characteristics of these economies which define the special nature of the managerial function include: steady and significant rates of growth in the private industrial and commercial sectors; a dualism or coexistence of a small number of high-technology undertakings, usually foreign, with a large number of small locally-managed firms using simple technology; a broadening and deepening national market with increasing competition, and limited exportation except in products of the primary sector.

## **Creating an Atmosphere of Excellence**

Anyone who has travelled in developing countries has probably had the experience of bouncing along a road full of pot holes in a wheezing and rattling taxi on the way to an airport. To step from the decrepit taxi into a gleaming jet operated by the national airline is usually a shock, as well as a lesson in a problem of developing societies. The issue is not private versus public enterprise or administration, for

both the unmaintained highway and the jet plane were owned and operated by the government while the taxi represented something close to the pure case of competitive private effort. What is important in the example is that *the nature of the process* of producing a good or service is a determinant of the *quality* of the output. The jet airplane represents an extremely exacting and precise technology which requires the greatest care and gets it, since the price of failure is so high. On the other hand, the taxi and the highway demand little and get less; while preventive maintenance is appropriate for these technologies too, it is not required because the price of failure is low and repair after breakdown is probably all that will be done. A prominent development economist generalizes the case this way:<sup>1</sup>

“Since (developing countries) would tend to do badly the jobs that may be done either well or badly, it is clear that these countries would have a comparative advantage in jobs that must be done well if they are to be done at all.”

From this argument comes our first observation on the art of management in developing economies,—the need for the creation of an atmosphere of excellence throughout the organization.

The characteristics of new firms in an industrializing society, together with certain elements in their environment, work against an atmosphere of excellence. The spur of competition is frequently lacking because the market is so small that there is room for only one firm, or because inadequate transportation creates a protected market in a region, or because legislation handicaps foreign suppliers in order to nourish the infant firm. The labor supply is thin and raw, perhaps recently transferred from the agricultural sector and struggling to make the enormous adjustments to the strange world of city living and factory work. The manager is beset by interruptions in the flow of raw materials and inadequacies in the supply of electricity and communications. Often, he feels he is being unnecessarily harassed by government officials.

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<sup>1</sup> Albert O. Hirschman, *The Strategy of Economic Development*, New Haven, Yale University Press, 1958, p. 144.

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To cap it all, while the society may pay lip service to his role in development, it probably considers business administration a profession far inferior in status to government or military service, or to law or higher education.

With all of these impediments to excellence, the manager is often counselled to adopt the simple solution, which is certainly easier and more assured at the moment. And yet the process of industrialization itself leads to changes in these elements of the manager's environment ; competition is intensifying, the quality of the labor force is improving, transportation and utility services are developing, and the profession of management even begins to acquire status.

Students of development sometimes characterize modernizing societies by their time lag behind the most modern ; thus a particular developing society is described as being today where the industrialized Western nations were, say, 50 years ago. But the lag is of course not one value but a range, — from a few years, as in the introduction of color television, to centuries, as in some practices in the agricultural sector. Hence, no firm can count on any significant respite in the time available to modernize. This is especially true where the developing society welcomes foreign capital ; while the foreign firm may not bring the latest model machines, it does arrive with the most modern attitudes and methods which can be even more challenging.

The thesis of Hirschman's that jobs which can be done badly or well will probably be done badly led him to hypothesize certain activities which might be particularly well suited to underdeveloped countries, — machine — rather than worker — paced operations, process — rather than product — centered industries, activities that must be maintained in top working order and which must observe high quality standards for their output, and large - scale ventures. While this hypothesis is particularly suggestive for those agencies charged with promoting industrial development, there is a carryover to our concern with the art of management.

It is management which sets the tone and image of the firm by defining goals and implementing them. If management believes that the success of the venture in the long - run depends on the efficient production and the effective distribution of a

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quality product and if management can communicate this attitude to every member of the organization, then a tone of excellence has been set. However, to implant standards and controls is not easy. As we have seen in the example of the jet plane, it is easiest in the case of a complex and demanding technology. But even within an airline organization, the farther away from the plane itself, the poorer the performance; it is probably impossible to create among baggage handlers or reservations clerks the same striving for excellence that motivates the flight crews. In addition, the production activities of the firm are better performed than the administrative activities. This is so because they are inherently easier to perform; their material is more tractable and their product can be measured and tested. The standard of an atmosphere of excellence of course requires calipers out on the factory floor but it also would seem to require accounting machines in the offices for, despite its many virtues, the abacus does not give a printed record. Obviously, this is not to argue for PERT in a cottage industry or systems analysis applied to the corner grocery store. But it does argue for consideration by the firm in a developing society of the possible adaptability of any management tool or practice which is being used by the better firms of the same size in a highly industrialized society.

#### **Commitment to Skill Development**

The industrial plants and commercial offices and stores in a developing society are often some of the most effective school rooms the society has. It is unfortunate that this is so and management is always uncomfortable at being cast in the role of educator. But industrialization requires a wide variety of new skills which the educational system has typically neglected.

Much education in traditional societies is acquired for status; it is an act of consumption rather than an investment to improve future productivity.<sup>2</sup> The production of lawyers in Latin America far beyond the society's ability to utilize them in

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<sup>2</sup> On the relationship between manpower training which is economically necessary for development and that which is educationally desirable, see Guy Hunter, *High-level Manpower for Development*, Volume III, Part I of *Higher Education and Development in South-East Asia*, UNESCO and the International Association of Universities, 1967., p. 19.

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this profession is a frequently cited example. With this orientation toward the acquisition of a diploma which carries high status, education tends to become a not very serious game where the goal is a piece of paper rather than a developed mind and new attitudes. It is not surprising that management in developing economies finds itself heavily committed to the training and education<sup>3</sup> of its personnel. If we view industrial and commercial firms as the "consumers" of the human resources which members of the labor force offer and the educational system of the society as the "producer," it is evident that in the early stages of industrialization there has been little time for feedback from the consumer which specifies the kind of product he needs.

It is of course not the function of the formal educational system of a society to provide all of the skills required by the personnel employed in an industrial firm. But as the economy develops, more and more of the basic skills will be provided by educational institutions, from literacy which is achieved in the early years of formal schooling, on through to the mechanical skills taught in vocational institutes and the education provided at the university level. Also, we must recognize that even in the most highly industrialized societies which already have a pool of trained and experienced technicians, the firm still provides additional training or indoctrination in the company's preferred practices and procedures. Finally, each day on the job should mean further skill development of the individual. This will occur, however, only if he is encouraged by the atmosphere of excellence described above and is given the opportunity to use his skills and make his own mistakes. It is just as important for the middle-management trainee as for the apprentice machine-tool operator to learn by doing the job, but it is much less likely that he will get the opportunity, particularly in the family-owned firm which is so common in developing societies.

A commitment to skill development implies a recognition that the firm's investment in people is as important as its investment in plant and machinery and

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<sup>3</sup> We distinguish here between the *training* of workers and supervisors in the techniques of their jobs and the *education* of management in the planning and execution of the firm's activities.

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deserves as much of management's interest and energy. The forms of this support include on-the-job training programs within the firm, where the skill development is efficient and so obviously pertinent to the worker's job. They also include support for and cooperation with vocational institutes, productivity centers, professional societies and the research and teaching activities in engineering and business at the university level.

### **Development of the Manager**

The art of management in a highly-industrialized society involves a life-long exercise in the development of the manager himself. In developing societies, the quantity and quality of management is a much more acute problem. In fact, nearly all small and medium-sized firms in developing societies are directed by people who are not yet managers or are just beginning to become managers.

A principal source of indigenous industrial entrepreneurship in all societies has been the trader or merchant class, which brings not only its developed skills but also its accumulated capital to the development of the private sector.<sup>4</sup> However, the management of a firm involves a far wider range of personal characteristics and developed skills than is required for profitable trading. More specifically, the trader has little experience in organizing and directing the efforts of many people or in the technical aspects of production.<sup>5</sup> During the industrialization process, another group of entrepreneurs comes to the fore in the field of durable consumers goods or as small sub-contractors and suppliers of the larger assembly-type industries. This group has the technical knowledge of the mechanical or machine trades but lacks the financial and administrative skills necessary to guide the growth of the firm out of a garage where it started as one man

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<sup>4</sup> Reed Moyer, *Marketing in Economic Development*, Occasional Paper in International Business No. 1, Graduate School of Business Administration, Michigan State University, East Lansing, 1965 summarizes the contributions of the trader class, from Adam Smith's observations down to recent research.

<sup>5</sup> See Bert F. Hoselitz, "The Entrepreneurial Element in Economic Development," in Karl E. Ettinger ed., *International Handbook Management*, New York, McGraw-Hill, pp. 222-24.

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and a lathe and into a factory. Clearly, the development of managerial talent in the person of the owner-manager and of his assistants, -- the middle-management group--is crucial in the developing economy.

The beginning of the first school of business administration in the United States 85 years ago started a controversy that lasted for decades over whether the manager is "born" a manager or whether he is "made" one. When Joseph Wharton gave money to the University of Pennsylvania to start a college program in business, his hope was to fit "Young men of inherited intellect, means and refinement . . . for the actual duties of life." At that time, he argued, only lawyers, doctors and the clergy were getting a useful, practical education. But, these sons who had inherited "intellect, means and refinement" needed to be taught how to organize "great amounts of capital and great numbers of laborers and to maintain discipline among the laborers." Wharton proposed the teaching of practical things like "the causes of panics and money crises, the nature of pawn establishments and of lotteries, the nature of stocks and bonds."

The view today of the abilities and skills required of a modern manager, taken from a recent research study in the United States, lists the following:

1. an above - average intelligence, including analytic ability and judgement,
2. breadth and flexibility of mind and imagination,
3. the ability to accept responsibility and to make decisions in the face of uncertainty,
4. a strong personal motivation,
5. general administrative skills, including the capacity to plan, to organize, to lead others, etc.,
6. skill in interpersonal relations, and
7. a facility in verbal communication.

The enormous difference between these descriptions of managerial abilities and skills reflects the development of a new area of knowledge.

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When Joseph Wharton proposed university education for business management, an argument began which continued until quite recently somewhere in the world. One view is that the businessman is born that way ; he cannot be produced by any formal learning process. Not so, went another ; the speculator, who is one type in the business world, may be a person born to take risks. The administrator or manager however is largely "made," but in the School of Experience, and not in any university. But, another argument went, the trouble with an education in the School of Experience is that the course takes too long ; by the time the student graduates, he is too old to work. Today, the arguments have been largely forgotten in a compromise. With the list above of requisites of a manager it is clear that the manager needs all the help he can get and from every quarter ; being born with the right basic equipment, the indirect experience and sharpening of skills available in formal study during university courses and management development programs, the informal learning through professional societies and journals and of course the direct experience of learning by doing.

If this life-long exercise in the development of the manager himself is commonplace in the industrialized nations today, it is equally important in the manager of developing countries and probably more difficult to achieve. For he is isolated from the centers of innovation, attempting to adapt what has been developed elsewhere to a culture whose characteristics are imperfectly known and changing rapidly. The absence of the competitive spur is another factor making the task of managerial development more difficult because the level of tension created by a number of firms operating in the same field is lower. The manager in a developing society is probably more preoccupied with the constraints of his external environment than is his counterpart in an industrialized society. Finally, the lower status of business and of managers in developing societies probably creates a psychological obstacle to attempts at self-development by the manager.

#### Summary

The strategy of economic development assigns a crucial role to the management of firms in the private and public sectors of developing economies. Three observations have been made regarding the art of management in these societies.

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First, the pressures to set low standards of performance, and to achieve even less, are strong in a developing economy. The result is neither desirable for the society which is under-going development nor for the long-run interests of the firm. Management must adopt a deliberate strategy of creating an atmosphere of excellence. Rather than a negative attitude that the best known practices are "too sophisticated yet" or "do not apply here," management should purposefully examine the best for possible adaptation to his firm.

Second, management in a developing economy must be even more committed to, and involved in, the skill development of its employees than is the case in a highly industrialized economy. A wide spectrum of skills are required but not available in sufficient quality or quantity, because of lags in the form and content of formal education and because the consumer has not yet defined the product he needs. Thus the manager is necessarily both educator within the firm and patron of the professional societies and the educational institutions of the society.

Finally, management must be concerned with its own development. By the nature of industrialization, a managerial class must be brought into being in a hurry. Many who must act as managers do not yet merit the title and they must avail themselves of all the avenues and aids to becoming managers.

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