2. Business and the Good Society

By LELAND HAZARD

SAMUEL JOHNSON quipped to Mrs. Thrale, "Trade could not be managed by those who manage it if it had much difficulty." Except for the eighteenth-century use of the word "manage," which did not become prevalent with respect to business until the twentieth century, this piece of wit is among the most outmoded of the great man's sayings. Trade—by which I mean investment, production, and distribution in a world of exploding population, leaping technology, and social ferment—*does* involve difficulty. Since the turn of the century, and in mounting numbers in the past twenty-five years, American colleges, universities, and graduate schools have been offering to equip young managers to deal with such problems. How well have the schools been doing the job?

Two independent studies of the present status of American business education, and what it should become, have now been released concurrently. These extensive and well-organized reports are the fruit of some years of work by distinguished educators, economists, and specialists, aided by sophisticated advisers from business and other institutions. Grants from the Carnegie Corporation and Ford Foundation have made possible the two timely, independent works. They will have world wide influence on business education for years to come.

In the Ford Foundation report Robert A. Gordon examines the empirical evidence concerning the qualities needed by business—obviously in order to deduce from such findings what the principles of business education should be. He finds that "verified knowledge in this area is discouragingly slim." He finds that the "personal views of individual businessmen" on what they need in graduates from business schools are "all highly subjective and to some extent contradictory." He finds that even out of the mounting studies of psychologists and personnel experts "few generally accepted conclusions have as yet emerged" to correlate specific characteristics with successful executive performance. Despite the paucity of evidence, Gordon concludes that the basic skills and abilities required in business are:

1. analytical ability, judgment,
2. skill in interpersonal relations,
3. the ability to accept responsibility and to make decisions,
4. general administrative skills,
5. breadth and flexibility of mind, imagination,
6. facility in personal communication, strong personal motivation.

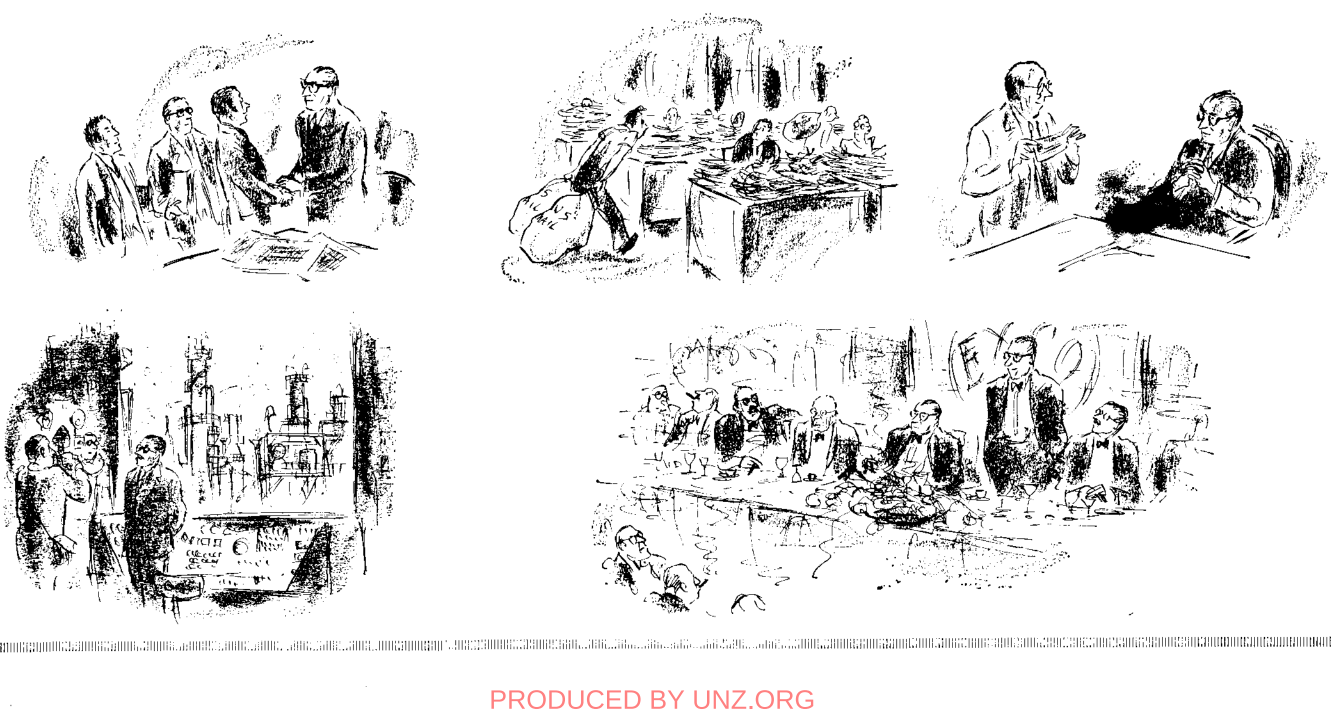
Perhaps it is not fair to point out that all of these qualifications are required also in any ecclesiastical hierarchy. But it would be more fair to say that many principles drawn from complex data usually seem obvious, once stated. "Yet," Gordon concludes, "there are relatively few business schools that adhere consistently to these principles in the details of their educational programs."

In a foreword Thomas H. Carroll, vice president of the Ford Foundation, hails the *trend* in business education (which now accounts for one out of seven degrees granted in higher education) toward increased emphasis on the social and behavioral sciences and upon modern mathematical and statistical methods. He comments, "Previously only the relevance of economics had been appreciated." But both reports demonstrate that only a handful out of 163 schools of business and 424 college and university departments of business are following the trend which Mr. Carroll notes. The reports regretfully suggest that business education has grown much more rapidly in quantity than in quality.

The studies call out in a harmonious duet for an upgrading of business education; for the introduction of more demanding curricula, despite evidence that students in business schools make a lower score on comparative intelligence tests than do students in many other fields.

Frank C. Pierson says in the Carnegie Corporation report that "busi-

From the first day to the twenty-five year dinner, today's businessman lives in two worlds.



ness schools could raise the content and quality of their programs materially and still meet the needs of the bulk of their students. . . . The business schools should concentrate their energies on developing the most demanding programs of which they are capable. . . ." Pierson urges studies which have genuine intellectual, analytical, and literary content, and he urges a de-emphasis of narrow professionalism and vocationalism. These last he would leave to the many facilities which exist in company training programs, evening schools, junior and community colleges, and the like. In other words, higher education for business is urged to be higher.

In general, the reports recognize that business, particularly large corporate business, lives in two worlds: first, the inner world of increasingly complex problems of finance, production, and marketing; and, second, the outer world—the political, legal, and social environment of business.

We have many new tools for analyzing the inner world: the disciplines of the behavioral sciences; the techniques of advanced quantitative analysis; the application of advanced mathematics and the computer to business problems are but a few. The uses of these tools are taught in only a tiny minority of business schools.

Unfortunately, the outer world is barely touched in most of the schools. The obvious needs are for an acquaintance with the humanities, an understanding of history as prologue to the future, and a comprehension of the totality of the society in which business must live. Finally, as George Leland Bach urges in a chapter of the Carnegie report, the business school must predict the society of twenty to thirty years hence. It is the society of that day, he unanswerably insists, in which our business school graduates will come to power and responsibility.

The pages of the reports call for an ideal business school whose faculty, ignoring time, might include a James Bryce, an Arnold Toynbee, and a William (or even Henry) James, as well as the teachers and scholars of techniques more usually associated with business. But the problem is how to put such a faculty together for an integrated program. As G. L. Bach puts it, "The assumption that the student will put together in his mind what the faculty cannot accomplish in theirs seems a dangerous assumption indeed."

Both reports breathe a moving humility, making it clear that much more data is needed, that many investigations are required, and that we need especially to study the decision-making process in action, within the business firm itself. Money from business—but

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3. The Hundred-Year Revolution

By FRANK W. ABRAMS

THE PETROLEUM industry is a century old this year. The story of oil's contributions to the economic development and material well-being of our nation during the past 100 years is a dramatic one. It is impossible to imagine today's modern, mobile society existing without oil.

Beginning with a thick, gummy, dirty-looking substance originally found oozing out of the earth's surface, men with the free man's itch to go places and do things created a cascade of useful products. In the process they made jobs for more than one and a half million people employed by forty-two thousand separate companies in the petroleum industry alone; they helped start countless other businesses; they provided an income of some $8 billion a year for farmers, educational institutions, small landholders, and states, in the form of royalties, rentals and bonuses; they piled up an annual revenue of almost $5 billion for government from sales and excise taxes on gasoline and other oil products, not to mention over $2 billion in real estate, production, payroll, and income taxes.

The important factor in this success story is not the material we had to work with but what we did with that material. The riches laid at the feet of the consumer were wrung from oil by men anxious to achieve and willing to take the substantial risks that have prevailed in our industry from the beginning. The important factor was not oil, but men. That our industry was early to recognize this truth, and to act on it, is to me one of its most noteworthy accomplishments.

For example, oil companies were adopting pension plans for their employees as early as 1903. Early in my employment with Jersey Standard I worked on shift schedules for process men that reduced the work week from eighty-four hours and allowed one day of rest in seven, and I helped design lavatory and locker rooms to replace "any place around the corner," as well as the proverbial nail for coat and overalls. As early as 1918 the company adopted an employee representation plan which gave workers an opportunity to be heard on matters affecting them. This was a real innovation in those days and yet it was only a little over forty years ago.

These were just the first of many steps by which a virtual revolution in working conditions has been accomplished in United States industry. Along with these innovations came the shorter work week, paid vacations, group insurance, savings and incentive plans, stock ownership by employees—all of the "fringes" which make up the rugged fabric of the greatest prosperity and security any working population has ever enjoyed. This is not to say that the oil industry single-handedly led the world to social progress. But its contributions have been considerable, and are definitely worthy of comment.

Even more significant, it seems to me, is the part which the oil industry has played in formulating and acting on a new concept of the role of the corporation in society, namely, that a corporation is more than an economic entity, that it is an integral part of the society which it serves and to which it owes its existence, and that consequently it owes obligations to that society.

Self-interest is understandably a prime consideration in business decisions made in a competitive economy; but, more and more, this motivation has been tempered with a broadening sense of social consciousness. This widening sense has been disclosed in many ways —in enlightened employee policies, for example. Voluntary financial contributions are other methods by which free enterprise meets social responsibilities.

One of the oil industry's most notable achievements has been its active support of higher education. Indeed, our industry was one of the first to act in this field. It was not an easy task, as I can testify from personal experience. There were legal difficulties to clear away. And there are still and probably always will be problems of how support can best be given and what institutions can best use any given sum. But the important thing is that corporations like those represented in today's oil industry have come to accept much responsibility for the support of higher education that was once the sole concern of individuals.

The United States has been developed by numberless constructive forces. The oil industry, which today supplies more than two-thirds of the energy used in this country, is one, and of course it owes much to many other industries. The significant thing is that so very many industries have grown in response to the opportunity which our country has offered freely to men and women.