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Are underdeveloped countries undermanaged countries?

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Abstract

Where Capitalism goes management education follows. Management concepts, theories and practices emerged to meet the needs of capitalist praxis. Management as a branch of knowledge evolved as the result of interaction between economics and engineering. Managers do things rightly, while business leaders do the right things. Decision sciences and psychology extend support to the growth of business management studies as decision making became more challenging and capitalist praxis became more complex. World wars were fought and won, cold war emerged and disappeared and unipolar world gave way to multipolar world. Technology played a crucial role in these mega changes. Management education could not keep pace with these vast and rapid changes. Management educators say that there is a crisis in management education.

Economic growth and economic development do not mean the same thing. Economic growth is defined as increase in national income and per capita income. Economic development is a broader term. Economic development is defined as a process in which poverty, unemployment and inequalities decline. A country remains underdeveloped mostly because it remains an undermanaged country. Its natural resources and human resources remain undermanaged and underutilized. An underdeveloped country will become a developed country when it is managed well. As development economics emerged as a separate branch of economics, development management should emerge as a special branch of management science. The present paper is a small step in this direction.

Keywords: Management education, development economics, underdeveloped countries, Management for development.

Management education is, obviously, a part of education and education has been interrogated by philosophers over the centuries. Thinkers with varied backgrounds have contributed their thoughts on what to teach and how to teach and their views have been incorporated in a branch of philosophy namely philosophy of education. It is well known that western philosophy begins with Greek thinkers. Plato developed idealism as a philosophy of education. All education is really a remembering and relearning of ideas which a soul possessed in some level of existence before being born as a human being. Aristotle was a realist and he made realism as the basis of education. Realism as a philosophy has been increasingly influencing American education. American pragmatists like John Dewey and William James influenced not only education but also other areas like law, economics and even religion. Management education, in general, is shaped by American thinkers, text –books and universities. When American economy experiences downturn the global economy experiences the impact. It is natural that management education is interrogated in the prevailing context of global instabilities and uncertainties.

Development economics or economics for development emerged during the post- World War II period in response to the major challenges of that time namely decolonization of countries mainly in Asia and Africa, increasing expectations of people in the newly emerged nations for economic progress and prosperity and a general shift in focus on poor countries by the super powers of the time namely the Soviet Union and the USA in the context of the ongoing cold war in many parts of the world. International organizations like the IMF, the World Bank and the UNO allocated funds for research on problems of poor countries. Economists and other social scientists of these organizations, universities and research institutions began giving increasing attention to issues of underdevelopment.

In the 1970's it was increasingly realized that the benefits of economic progress of developing countries were not reaching the poor people of these countries. The distinction between economic growth and economic development was made. Economic growth was defined as increase in national income and per capita income of a country. Three important questions were asked, namely, what has happened to poverty? What has happened to unemployment? and what has happened to inequalities in income and wealth distribution? If there was a decline in three or two of the above, then the country could be described to experience economic development. Otherwise there was only economic growth and not economic development. What was produced, how it was produced and for whom it was produced would decide whether there was economic growth or economic development in the country. Imagine the per capita income doubled in a developing country and there was no significant decline in the poverty, unemployment and inequality in income distribution. Then there would be only economic growth not economic development. Economics underwent a transformation during the second half of the 20th century. A distinct branch of economics, namely development economics emerged. Policies based on theories were advocated by development economists. Governments of developing countries and international agencies could benefit from these contributions made by development economists.

During Adam Smith's time (1776) there were roughly 800 million people and now there are about 7.2 billion people which is about 9 times increase. The World Bank classifies countries into three main categories namely high-income, middle –income and low-income countries. A country with a GDP per capita of less than $1035 is a low-income country, a country with a GDP per capita between $1035 and $12615 is a middle income country and a country with a GDP per capita of above $12616 is a high-income country. The USA, Canada, Western Europe, Japan, Australia and a few other countries come under the category of high-income countries which are called developed or advanced countries. Around 15 per cent of 7.2 billion people of the world which is about 1 billion people live in developed countries. The low-income countries or underdeveloped countries are mostly in tropical Africa and South Asia. Though global poverty is falling, about 3 billion people still live with less than $1.25 per day which means that they are living in extremely miserable conditions. Development economists like Jeffery D. Sachs (2015) are writing extensively on problems of underdeveloped countries and policies suitable for such countries. The question which the present paper tries to highlight is whether underdeveloped countries are undermanaged countries. This question leads to the other related question namely whether management science can do anything about this problem.

It is interesting to note that there are a few countries which are high in GDP per capita and still low in well- being of the people. The Human Development Index (HDI) makes use of some indicators to measure educational, health and housing status of the people. The following table gives a comparison between two groups of countries.

Table 1: Ranking of GDP per capita and HDI for selected countries, 2013.

Country	GDP Per Capita Rank	HDI Rank	Difference
Some Countries with GDP Per capita higher than HDI			
United Kingdom	23	14	9
New Zealand	21	7	14
South Korea	30	15	15
Some Countries with HDI is higher than GDP percapita			
Qatar	3	31	-28
Kuwait	17	46	-29
Equatorial Guinea	41	144	-103

Source: HDI from UNDP and GDP from IMF (reported in Jeffrey D. Sachs (2015) *The Age of Sustainable Development*, Columbia University Press, New York, P. 63)

The numbers given above show that the problem of under management and mismanagement is not peculiar to low- income underdeveloped countries alone. A country with a high GDP per capita also may perform poorly in terms of human development programmes. The question why some countries developed when many countries remained underdeveloped attracted the attention of economists and other social scientists. For example, in an influential book "*Why Nation Fail*" (2012), the economic historians Daron Acemoglu and James Robinson explain the importance of "inclusive economic institutions" in economic development of countries. By inclusive economic environment they mean an economic, social and political environment which encourages innovations and hard work. In another interesting book "*The Mystery of Capital- Why Capitalism Triumphs in the West and Fails Everywhere Else* (2000), Hernando de Soto, a famous Peruvian economist explains how underdeveloped countries suffer due to unfavorable institutional arrangements and mismanagement of resources. Another economist William Easterly argues in his book "*The Elusive Quest for Growth- Economists, Adventures and Misadventures in the Tropics"* (2001) that foreign aid given by developed countries to the underdeveloped countries brings more harm than good in the poor countries. He says that foreign aid mostly benefits the dictators, rulers, the political class and the bureaucrats of under developed countries and not the needy and deserving people. These insights highlight the need for finding a solution to the prevailing problem of under management and mismanagement of resources in underdeveloped countries. Development economics emerged as a branch of economics to meet the challenges of the time. Similarly development management or management for development must emerge as a distinct branch of management studies. As a general observation it may be mentioned that where capitalism goes, management education follows. It follows that when capitalism is in crisis, management education is in crisis also and the question of relevance arises. A brief review of development of management thought and practice may be necessary to serve as a backdrop to the arguments presented in this paper.

About 63 years ago Peter Drucker wrote a book, "*The Practice of Management" (1954)* which many people consider as the first book to view management as a distinct subject of study. There were books on production, sales and marketing, finance and accounting, labour relations etc. before Peter Drucker's book. However this was a book on general management and it could be taken as the beginning of the discipline of management. If we ask an MBA student, he would mention, for example, Igor Ansoff, Edward de Bono, Henri Foyal, Edward Deming, Herzberg, Hofsteade, Joseph Juran, Philip Kotler, Douglas McGregor, Abraham Maslow, Michael Porter, C.K. Prahalad, Max Weber, Frederick Tylor etc. as influential management thinkers who enriched the field. If we again ask him to mention great management ideas, he would give a list of concepts like balanced scorecard, blue ocean strategy, customer relationship management, the 80:20 principle, the five forces of competition, the four P's of marketing, lean manufacturing, the learning organization, management by objectives, market segmentation, project management, outsourcing, six sigma, supply chain management, theories of X, Y, and Z leadership, total quality management, value chain and e-commerce. Understanding the management concepts, ideas and views of management thinkers enables one to fulfil the major organizational objectives of adding values to the product and managing people. In this context some questions like relevance and purpose of education in a business school arise. The need of the hour is to shift the emphasis from profits to the people and the planet. When Harvard Business School completed one hundred years, a few professors of the school took efforts to evaluate the status of management education. This effort which came out in the form of a book, concluded that 'knowing, doing and being' are the hallmarks of management education. One well-known management educator J. Philip (2009) says that all the three activities will be possible if one pays attention to 'Time Management'. Underdeveloped countries are, in a way, undermanaged countries mainly because the decision makers, in general, pay less attention to time management.

As already stated, management education has to undergo a transformation since the capitalist system is undergoing rapid and huge transformation mainly due to technological advancement and globalization. A brief review of what is generally being taught will help us in our task of finding the necessary changes. We shall briefly mention what Philip Delves Broughton (2009) who spent two years as a student, says about what is taught at Harvard Business School which is called "Cauldron of Capitalism". He says that the first year of the MBA course contains ten courses, five in each semester. In the First semester, there are finance I, marketing, operations, organizational behavior etc. In the second semester there are finance II, negotiation strategy, leadership and corporate accountability and a macroeconomics course called 'Business, government and international economics. In the second year, there is the elective curriculum and the student can choose from a wide variety of courses or work on an independent research topic. It is said that the entire HBS curriculum is made of case studies which are prepared or selected by the faculty, generally containing three to thirty pages. Fifty percentage of the marks are based on student's performance in mid-term and end-term examinations and the remaining fifty percent of the marks are determined on the basis of student's participation in class discussions. The goal of the entire exercise is to know how to run the most profitable business in a meritocratic, competitive and fair capitalist system. The huge problem is the kind of capitalism taught inside the class room and the kind of capitalism prevailing outside are different. The issue of future of management education has to be discussed in this challenging situation.

We shall briefly mention how capitalism is undergoing drastic and rapid transformation in recent years. Much has been written on this topic but we shall take the views of only two thinkers namely Joseph Stiglitz (2012) and Anatole Kaletsky (2010). For example, Stiglitz says that capitalist system is not working in the way it is supposed to work and as the result markets are neither efficient nor stable, that the political system namely democracy is not correcting the market failures and that economic and political systems are fundamentally unfair. There are rent –seeking activities in different sectors of the economy. It means that people who are close to political power make money illegally by exploiting the natural resources. Much of the inequality in income and wealth distribution is the result of rent–seeking behavior of individuals and organizations.

There is over financialization of the economy and as the result the financial sector grows at the cost of the real sector of the economy. Financial innovations are highly disruptive. Democracy has been increasingly reduced to being a government of the one percent, for the one percent and by the one percent. The supreme irony of the modern democracy is that the 99 percent of the people adopt the interest of the one percent as their own. Anatole Kaletsky (2010) says that there have been four historical stages in the evolution of capitalism. The first stage of capitalism was from the defeat of Napoleon in 1815 to the end of World War I. The second stage started with the New Deal of the 1930's, military Keynesianism, western European welfare states and ended with the stagflation of the 1970's. The third stage began with Margaret Thatcher in the UK and Ronald Reagan in the USA, privatization, and monetarist counter-revolution and ended with the global financial crisis of 2007-09. According to Kaletsky the era of market fundamentalism ended with the crisis of 2007-09 and the defining characteristics of the fourth stage capitalism are shocking and depressing.

Many observers point out that there is something terribly wrong in the system. Joel M. Podolny, (2009), for example, points out that the global financial crisis made people to doubt the standards of ethical behavior of mainly three institutions namely investment banks, rating agencies and business schools. He says, "People don't simply lack trust in business schools, they actively distrust them. In order to reduce people's distrust business schools need to teach principles, ethics etc. They need to place a great emphasis on leadership responsibilities-not just its rewards" (Podolny, 2009). Another observer states that in business schools, students are taught how to create barriers to competition and build monopolies in order to enhance profits even though the basic condition for efficient market system is competition. Some of the most important business innovation made during the last three decades were not intended to make the economy more competitive and efficient but to undermine competition and to circumvent government regulations framed to meet the objectives of the society. Everything has a price. Everything can be negotiated. Drug companies make huge profits and spend that money not on research to find life-saving medicines but on research on cosmetics and advertisements. Wars and preparation for war benefit the super-rich corporates. Even war is outsourced to contractors. Crony capitalism does not create value but allows unscrupulous individuals to amass wealth already existing in the form of forests, lands, minerals and other resources. In this scenario, one has to give a serious thought on what to teach in business schools.

Management for development is the need of the hour. A two-year MBA in management for development will have the following curriculum- in the first year there will be six papers namely accounts, operations, marketing, statistics, business economics and international economics. In the second year, there will be elective curriculum consisting of two streams – management for growth with the following papers- Strategy for profit, Marketing for profit, and Operations for profit, Negotiation for profit and corporate governance for profit. The other stream will contain similar titles but the crucial difference is that the learning will be for the people and the planet. The first year curriculum will be common for all students. By the time, the students come to the second year she/he determines her/his priorities. Those who will select the ‘for profit’ titles will join the rat race after graduation and those who select the titles ‘for the people and the planet’ will try to change the world for the better. Underdeveloped countries need better management of resources and people and for this purpose MBA (Development Management) course should be introduced in the Business Schools of developed as well as underdeveloped countries.

A group of leftist scholars at the University of Frankfurt in 1920’s developed a theory incorporating views of several influential thinkers like Kant, Hegel, Marx and Freud which came to be called the critical theory. One of the members of this group was Jurgen Habermas and he gave a classification of knowledge. According to Habermas (1972) there are three forms of knowledge namely technical, hermeneutical and emancipatory. Much of what is being taught in business schools falls under the category of technical knowledge and the aim is to enhance the value of the organizations and increase effectiveness of people management. Hermeneutical and emancipatory knowledge creation and dissemination need different orientation in pedagogy. Paulo Freire (1970), for example, explains how teaching can be emancipatory. Business situations in real life and cases have to be discussed to give the students a holistic view of economic and social reality. The ultimate objective in learning to obtain an MBA in ‘Management for Development’ would be improving the condition of the poor people and saving the planet. Increasing income inequalities, near stagnation in real wages of workers , negative interest rates, robots replacing humans, computers trading with computers in stock markets and the danger of another global recession appear to be serious enough reasons to revamp our understanding of the prevailing inadequacies of management education.

The issues raised in the paper need further discussion. There have been debates on the relative importance of relevance and rigor in management education. There are management theories developed in the context of the economic and business realities prevailing in western, advanced and industrialized countries. Similarly there are case studies developed on the basis of the business experience of multi-national corporations of advanced countries. There is a view that rigor of management theories and case studies can’t be compromised on relevance for Indian management studies and policies. The present paper aims to make a small contribution to this discussion by highlighting the issue of the need to introduce ‘development management’ or ‘management for development’ as an option in management studies.

This brings us to a brief discussion on the implications for management theory and practice. It is widely recognized that management education is undergoing a huge transition. The views presented in the paper have implications for management educators in general and management educators of developing countries like India, in particular. There is a need to rethink management education especially in the context of recent reports on failures of corporate governance in large corporates. The question of corporate succession in Tata and more recently in Infosys has been debated in lecture halls and management periodicals. These and other issues are related either directly or indirectly to the question of relevance. As explained in the present paper, there is a need to rethink our priorities in teaching functional areas like finance, production, marketing and human resources management in our business schools in the interest of serving people and protecting physical environment. In this sense, it is clear that the present paper has implications to all the stake holders of management education and research.

Conclusion

The major arguments of the paper may be recapitulated. Management education is in crisis because capitalism itself is in crisis. Market system is not working in a way it should be functioning. There is procedural democracy and not truly representative democracy. Dysfunctional inequalities are increasing. Environmental degradation is on the rise. These trends make people to rethink management education. Management for development is one option. However more research and debates are needed for refining this concept. Development economics emerged because the mainstream economics could not resolve issues of poverty, unemployment, and inequalities especially in underdeveloped countries. Economists could see clearly that 'trickledown economics' failed and economic growth did not benefit most of the poor people. In the same logic, management for development or development management has to emerge because the mainstream management theory and practice do not resolve managerial issues of 21st century globalizing world. Management thinkers and practitioners have to give serious thoughts on the increasing gap between theory and reality. Are workers paid according to productivity of labour? There are millions of 'working poor' who remain poor in spite of working. Are the CEO compensations justified? Are the tax heavens which benefit the rich and powerful MNC's and individuals at the cost of revenue of governments justified? There are similar disturbing issues in production, marketing, finance and corporate governance. Development management must emerge to say that the emperor is naked.

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