

# THE RATE OF ECONOMIC GROWTH AND THE SOCIO-CULTURAL CURRENT

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**Abstract:** The increase of spendings with the prices of raw materials, energy and fuel has eventually, and almost inevitably, led to an unexpected rise in the demand for currency, a demand coming from the goods and services suppliers. The resulting effect was the surging of an accelerated inflationist wave, which in turn, produced the first warnings of a looming economic breakdown. From this point onwards, different other expenses became directly or indirectly engaged in relation to the volume of incorporated raw materials, to the employment of a highly skilled workforce, or to the necessity of technical equipment and machinery modernization.

Starting from Peter M. Chisnall's work, "Marketing: a behavior analysis" (3rd edition, McGraw-Hill, London, 2000), this study follows the interdependence of the behalf of goods manufacturers and managers, and on the other hand, behavioural attitudes on behalf of buyers and consumers; also exhibited and of importance are the stands taken by both sides in approaching an optimal strategy for their situation. At the same time, there is a clear indication of the impact socio-cultural changes exercises upon the dynamics and typologies of economic structures.

In addition to dire economic problems, such as industrial recession, structural unemployment, declining job opportunities, or severely restricted career prospects for school-leavers, there have been profound changes in cultural and social values and norms. The optimism which had infected public and private spending was shattered by the catastrophic rises in the costs of energy which resulted mainly from the setting up of OPEC in the early 'seventies. These massive increases generated an almost interminable list of demands for more money from suppliers of raw materials, components, finished goods and, of course, from organized labour(1).

The bandwagon of inflation careered on its headlong path to economic disaster, resulting, inevitably, in a high-cost, no-growth economy. From these depressive depths, Britain is painfully climbing.

A survey of senior executives in 10 Western European countries published by *International Management* in 2000 indicated that they have "a sense of foreboding over their inability to control external forces which will shape corporate destinies over the next decade"(1). Their prime problem is perceived as inflation: other major problems are coping with shortages of adequately trained personnel; costs of labour and energy; keeping pace with new technologies; government intervention; and fluctuating exchange rates. A majority of executives felt that their jobs would be automated even further, particularly related to information access, financial management, and planning.

Over half believed that their companies would have to enter into collective-bargaining type agreements with pressure groups, such as consumers and

environmentalists in connection with pollution control, product safety, and plant location. It is of some interest to note that UK managers were generally the most optimistic about their abilities to control factors influencing their performance in the future.

In the considered view of a highly experienced business consultant(8) it is most unlikely that the Western economies will regain the 'golden age economic growth rates of the 1960s' in the foreseeable future: they are experiencing not just economic and financial changes, but a basic questioning of the traditional social structures and cultural norms that underpin Western society. New production technologies, for example, will probably result in more highly automated, more capital-intensive mass production exploiting fully information technologies and the microprocessor. From these industrial changes, a four-sectoral economic structure may evolve:

a) Capital-intensive, highly automated and highly productive manufacturing and service activities, e.g., cars, airlines, telecommunications.

b) Labour-intensive, large-scale service sector, e.g., health, social welfare, and education.

c) Revived small-scale, entrepreneurial local sector, e.g., diverse industrial, commercial, and non profit ventures.

d) Revived household and neighbourhood sector, e.g., DIY, informal or unpaid work, often indistinguishable from leisure.

Although it is not yet possible to discern how these sectors will interrelate, the last two sectors are thought to be the main sources of new work opportunities. Micro-technologies are capable of turning many homes into industrial workplaces. Work will be expected to fit in with people's lives: there will be a 'flexi-life' approach to earning a living, involving, perhaps, part-time working at more than one job, more concern with job interest, shorter working hours, earlier retirement, and longer holidays. Greater emphasis will be placed on participation in decision making; business units may be run by small teams of equals whose expertise is shared to secure overall performance. Large companies are thought likely to become more like federations of small enterprises which, in turn, will draw on the services of outside specialist suppliers, many of whom will be self-employed, such as computer programmers and systems analysts.

In this projected new environment - which springs from 'wide-ranging societal and political changes' - management will have to become more entrepreneurial and also develop additional skills so that they can handle the uncertainty inherent in such complex conditions. Decision making is a fundamental management responsibility; risk is an inherent factor in decision making(5).

Business was perceived by managers to be on the defensive against organized consumer groups and unions. "Whether this new activism is due to the failure of business to meet the needs of society or to increased awareness on the part of non-business groups that the political process can yield significant results is of little consequence"(3). What is of concern is that business and society should hold such entrenched and contrary views.

The public had to receive more intelligent, fair, and 'openhanded' information on issues in which business and society were mutually concerned; political activity guidelines should be drawn up consistent with legal and societal constraints; managers should be assisted to work in the political arena.

This greater emphasis on better corporate communications echoes the concept of "rising expectations".

An individual company or industry cannot expect to be left alone to follow solely its own interests; if these are incompatible with society's views, i.e., how people think that industry or firm should behave, then, in the long run, society will use the political process to redress the position.

While admitting that the doom-and-gloom merchants had a case 'which certainly deserves a "plausible" reading in the probability meter, there are still some gaps in the scenario through which well-organized businesses can profitably pass. Innovation, for example, can spark off new enterprises: a shopping list of products for venture capital prospects could include: home computers, energy conservation technology, microprocessors, health monitoring devices, biochemistry, etc. Corporate leadership can also challenge traditional ways of responding to business situations: 'perhaps the greatest challenge of all will be the need to understand the business environment and to think about it strategically'. Corporate leadership should be involved not only in business matters but should also learn to cope with the increased complexity of the external world. This will demand specialized skills in monitoring trends in political and international affairs.

"Top management" will find that their roles will be extended, and part of their duties will entail acting as politicians, bargaining with numerous outside interests and managing the regulatory network'. It is this specific role which will be most relevant to corporate performance in the 'eighties, and it is alleged that at least part of the relative decline of US multi-nationals in the last decade can be attributed to their relative inexperience in handling highly political environments, dealing with socialist countries, bargaining with extremely powerful trade unions, and handling highbrow international finance. It is suggested that these matters may have been handled more expertly by European and Japanese firms because of their home environments.

Negotiation clearly involves sensitive political skills, of which Antony Jay wrote perceptively: "It is of course the increasing size of firms and corporations which makes it possible to study them in political terms' a small family firm can only be compared with a small feudal estate, and since both are entirely and personally run by the head of the family there is little revelation in the comparison. It is only as the commercial and industrial enterprises become as great and as complex as they are today that they begin to take on the apparatus of states and need to be studied as political institutions".(7)

Multi-national corporations which feature so prominently in transworld trading with highly complex networks involving commercial, technological, and political commitments, have revenues comparable with some sovereign states. Their bargaining powers are formidable although perceptions of their corporate behaviour have varied considerably.

Dr Jerome B. Wiesner, President of the Massachusetts Institute of Technology, reflected on the role of technology in a changing world, and declared that all of the highly industrialized nations face similar problems. Of these, perhaps the most troublesome are 'those which are the consequences of success' (12). Continued innovation is necessary to ensure economic progress, and as a result two groups of problems arise: the pragmatic and the conceptual. The first category cover identifiable factors such as economic, technical, and organizational matters affecting innovation. The second category are less readily identifiable and relate to the general idea that society holds about technology, economic and business behaviour, etc. Wiesner stated that a technologically based society must necessarily be in a continuing state of change and evolution; he regarded society as a "learning machine": "The 'most serious problem is

how to create a society which can learn more effectively to solve the growing numbers of problems calling for collective action”.

Competitive enterprise by itself cannot cope adequately with the concomitants of economic progress - pollution, education, social welfare, etc. These problems are common to all the mature industrialized economies. ‘Healthy industrial societies can only exist in a state of dynamic equilibrium that involves continuing adaptation to the changing man-made world and to a natural world that is changing as the result of people’s actions’.(12)

A highly useful method of examining and evaluating the options to decision makers is the *scenario* which has been described as a prose description of future events and societal conditions that makes apparent the many interrelated aspects of society affected by potential change.

In planning for the ‘eighties, Shell use two alternative scenarios: ‘The World of Internal Contradictions’ (WIC) and ‘Business Expansion’ (BE). The WIC scenario postulates slow growth and portrays an environment of underperformance combined with social stress. The BE scenario is more optimistic. Although trade cycles will no longer be predictable, and there will be in general a perplexed, uneasy environment, healthy growth could be achieved in the long term, provided that strong political leadership, more adventurous industrial policies, and more closely integrated methods of international trading were pursued.

Traditionally, as an American oil market research executive has observed, people in corporations made decisions on the basis of information from specialized sectors of management: research and development, technical/financial, sales, and production.<sup>8</sup> These inputs seemed adequate at a time of more stable attitudes and behaviour. Today, such information is incomplete without data about the social and political environment in which those businesses operate: “Understanding the changing nature of the corporate environment requires a variety of methods.

These include monitoring the media and the literature for important signals of change. But much of environmental research is public opinion research. It is through the following of public attitudes that one can follow and perhaps anticipate changes in the corporations’ social and political environment”.(14)

Marked shifts in values have been identified by observers such as Gordon Rattray Taylor, who defined values as “end-states” (viz. ways of life and patterns of behaviour); concepts such as “security”, “honesty”, “freedom”, “piety”, and “justice”.(10) Values are seen as determining attitudes; the former, Taylor asserts, have tended to be neglected on social research. In recent years, there have been ‘enormous shifts in values’ and social equality and spontaneity are now favourably regarded in Britain.

As the business climate changes — and reflects in some measure shifts in societal expectations and values — organizations of all kinds need to be aware of the likely impact of these fundamental movements on their operations. Past patterns of consumer behaviour, for example, are being radically altered by the high incidence of divorce in the UK, the significant growth of one-parent families, the growing number of households without children, and the decline in size of households.

In the USA, similar trends are evident. Since 1970 there has been “a dramatic increase in the number of persons living alone, which has helped to reduce the average household size”(4) .

Apart from consumption changes triggered by demographic trends, deep-rooted attitudinal shifts have been taking place over the past two decades. These have affected

not only consumption habits but have realigned responses to the whole concept and practice of modern business.

The dramatic decline of public confidence in American business, for example, has been researched by Yankelovich.(13) In 1968, 70 per cent of the American public thought that business tried to strike a fair balance between profits and the public interest, whereas in 1989 only about 10 per cent held that view; actuality – 8%. When business fails to come to grips with the complex problems of a radically changed global economy, the critics of the “business ethic” attract, with little trouble, eager recruits.

The fundamental shifts in attitudes and expectations indicate that business activities are now viewed far more critically than a generation ago.

The concept of social responsibility is being voiced in many circles: political, professional, academic, and trade unions, and also in the mass media. Industry and business practices are under close scrutiny; the essence of the business ethic is tirelessly debated; corporate behaviour is increasingly regarded with suspicion if not downright hostility.

Greyser suggested that three different models of the market place are perceived by marketers and by consumers, which may account for some of the conflicts that arise between marketers and public policy groups.(6) While no one model can account for every situation, the following are *basic* views that tend to influence individual perceptions:

a) *manipulative*: critics of marketing see it as ‘persuading/seducing less-than-willing consumers to buy’. Advertising is perceived as an important and powerful one-sided weapon in this unequal battle.

b) *service*: this pro-business model assumes that consumers are most intelligent, less malleable, and use advertising as helpful information on available choice of products/services. Businesses that meet the demands of these knowledgeable customers are likely to succeed.

c) *transactional*: derived from communications research, this model projects a somewhat sophisticated consumer who takes an active role in the process of exchange, evaluating advertising, extracting useful information, and dealing with firms that will supply products which will provide attractive benefits, both functional and psychological.

Marketers should determine how they view their markets are these projections based on objective information about how customers *actually* behave or do they derive from notions about how they *should* behave? Greyser suspects that much of the criticism of advertising and marketing originates from a concept of how people *should* behave; such idealized concepts fail to recognize the mixed motivations which characterize behaviour, including buying behaviour.

The obsessive pursuit of maximum profit by highly organized entrepreneurs who prosper in a *laissez-faire* economic environment by exploiting gullible customers hardly fits with reality. Businesses satisfy rather than maximize performance; some have suggested that sub-optimal performance is probably nearer to the mark in many cases. Management of enterprises is of very variable quality; market information is often poor; the concept of *laissez faire* is clearly as outdated as the horse tram, in view of the vast expansion in government regulations of business in the areas of health and safety, employment rights, trading and advertising practices, etc. Moreover, the consumer or customer, as discussed earlier, is by no means waiting to be “taken for a ride” by the first slick merchant who comes along.

Nowadays, the *transactional model* is closer to what is really happening in the market place.

This dynamic interaction between buyer and supplier characterizes behaviour in markets for many goods and services; the “hammer-it-home” concept of advertising, springs from a deficient understanding of the processes of communication.

Apart from exercising their rights as buyers — including the right to say “No” — customers and people in general are becoming increasingly interested in the behaviour of industries and firms, and searching questions are being asked about their policies on a diverse range of issues, e.g., employment, pollution, use of energy, business practices, and community support. The feeling that business should accept some degree of social responsibility beyond those constraints imposed by legislation is growing in the modern society; it has been a feature of the American economy for some 20 or more years. Management decision making should now take account of those issues in which the public at large has expressed interest and often alarm.

The chemical industry, for example, has attracted considerable and largely unfavourable attention in recent years. The President and Chief Operating Officer of the “Ciba-Geigy Corporation” has referred to the phenomenon of “chemophobia”, which has been used to describe the almost spontaneous, negative response that occurs when people hear the words “chemicals” and “chemical company”. “Chemophobia” is perceived to have significantly affected the industry in the USA because of more burdensome regulations, higher costs and reduced productivity, shorter effective patent life, lower returns on investments, less research, and, ultimately, fewer new drugs and other “chemical entities” introduced. Even if the pace of public regulations slackened, there are still many constraints to come through the pipeline of legislation; there is also the strong public sentiment against the chemical industry and against business in general.

In 1983, *Fortune* magazine featured the dramatic accusations against the Dow Chemical Company made by local environmentalists. It was alleged that this firm’s predicament could be explained as much in cultural as in scientific terms. From its foundation in the late eighteen-nineties, Dow set a style that combined scientific integrity with crustiness and a disdain for amateurs; this is echoed in the Chairman’s recent statement: “We play our cards close, maybe because we have a high regard for the value of technical information. We don’t back down easily or compromise. We are perceived as prickly, difficult, and arrogant”.

This tough, uncompromising attitude was evident when, as the result of an accident in a Monsanto, a small amount of dioxin escaped and 121 workers were affected. These victims were monitored over the next 30 years and in 1980 the University of Cincinnati reported that the death rate among them was below average, and the rates of cancer and other chronic diseases were at or below normal. Dow’s attempts to dismiss the dangers of dioxin by quoting results of soil samples and river pollution tests failed to appease critics, who accused it of trying to ... downplay the public health effects of dioxin. “I don’t understand why they think they can convince the public by having their corporate scientists say, (This toxic chemical isn’t so bad). People just don’t buy that kind of approach. Instead, why don’t they say «We recognise this is a serious problem and we’re going to do everything possible to get to the bottom of it.»”

It is recognized that while Dow’s ‘policies are generally sensible and its technology is advanced, though far from perfect’, its stubborn, strong-willed public posture has attracted hostile criticism, and its Chairman acknowledged that there is need to improve

their image. Perception, after all, is subjective, even in scientific and technical areas where few are really expert enough to provide objective assessment.

To counter the fear of man-made chemicals and the compounds involved in their production and distribution, Ciba-Geigy propose:

a) Chemical companies should voluntarily do something about buried wastes and abandoned dumps, Nineteen companies, including Ciba-Geigy, have formed a task force to study a proposed site.

b) Attempts should be made to find common meeting ground with groups previously viewed as antagonists, e.g., the National Agricultural Chemicals Association has agreed with the Agricultural Chemicals Dialogue Group, which includes church leaders as well as environmentalists and industry representatives, on jointly developed guidelines for advertising pesticides in Third World countries. The Chemical Manufacturers Association also works closely with environmental groups on siting hazardous waste management facilities.

These new horizons of corporate responsibility are in line with those who view the modern corporation as a socio-economic institution rather than an economic entity with only incidental social responsibilities.<sup>19</sup> Businesses are more exposed to the public gaze and expectations of corporate behaviour have been sharpened over recent years. A survey of 260 "top managers" and 326 operating managers drawn from *Fortune's* 500 Corporations list refuted suggestions by earlier studies that operating managers were likely to resist implementing corporate social responsibility policies.

There was 'little reason to suspect' that their behaviour would differ from the attitudes expressed in the survey, which coincided with those of top management. It is suggested by the researcher that managers in general seem to have come to terms with social responsibility as an element of corporate philosophy and are willing to take appropriate action to implement it.

Over 200 years ago, Adam Smith perceived that the interests of society followed naturally from the entrepreneur's concern with his business success: "Generally, indeed, [he] neither intends to promote the public interest, nor knows how much he is promoting it... by directing that industry in such a manner as its product may be of the greatest value he intends only his own gain and he is in this, as in many other cases, led by an <invisible hand> to promote an end which was not part of his intention".(9)

Today, the famous "hidden hand" is hardly likely to be strong enough to constrain the complex modern corporations which are so obviously different from Smith's classical entrepreneur.

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