A PROPOSAL FOR DEVELOPING AND IMPROVING MANAGERIAL RESOURCES IN COUNTRIES OF THE MIDDLE EAST

by

Freydoun Mazhari

A Thesis Submitted to the Faculty of the

DEPARTMENT OF MANAGEMENT

In partial Fulfillment of the Requirements
For the Degree of

MASTER OF SCIENCE

In the Graduate College

THE UNIVERSITY OF ARIZONA

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SIGNED: Freydoon Maghsoudi

APPROVAL BY THESIS DIRECTOR

Leslie L. D. Shaffer — April 23, 1965

DR. LESLIE L. D. SHAFFER
Associate Professor of Management

Date

ACKNOWLEDGMENTS

The author wishes to express his sincere gratitude to Dr. Leslie L.D. Shaffer for his patient guidance and encouragement throughout the past year. Thanks are due to Professor Jack P. Hoag and Professor Paul Loveday for their kind interest and criticism in the preparation of this thesis.

I am also deeply grateful to General Mohamad Mazhari whose unselfish support and continuous encouragement has helped to make the completion of this thesis possible.

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ABSTRACT

It is the belief of leaders in underdeveloped countries that industrialization is the key to a rapid rate of economic growth. The nations of the Middle East have been hampered by the lack of qualified high-level managerial resources which are necessary for a successful program of industrialization.

It is the purpose of this thesis to propose a program of managerial development which would make the countries of the Middle East self-sufficient in the internal generation of managerial talent. To achieve this end, the nature of management and the current methods of managerial development employed by these countries were studied. On the basis of this need, a proposal is reached.

According to this proposal, the governments of these countries should assume the prime responsibility for initiating a managerial development program. The instrument through which this can be accomplished is an independent manpower agency to determine the need for managerial resources and to act as a coordinator of all institutions that can take an active part in managerial development. Among these institutions, the universities will need to assume a position of leadership by providing a curriculum

geared to the industrialization requirements of the countries. The universities will also need to gain the acceptance of the business community through research and consulting activities.

CHAPTER I

INTRODUCTION AND BACKGROUND

Introduction

The purpose of this thesis is to study and analyze management and methods of managerial development in countries of the Middle East so that a proposal for more effective methods can be reached. The need for such a study is evident: the lack of sufficient high-level managerial talent has often been described as a bottleneck to the economic development of underdeveloped nations. The elimination of this bottleneck will make a high rate of economic development more feasible and enable these nations to take their place in the modern world. It is hoped that this study will lead to a re-evaluation of the present methods employed in the Middle East and result in the initiation of more progressive and efficient approaches to this problem.

The Problem of Underdeveloped Nations Today

In this day of the hydrogen bomb and the race to the moon, two-thirds of our fellow men live in economically underdeveloped areas. Colin Clark, the Australian economist, summarized this state of affairs well when he said that he

found the world to be a "wretchedly poor place" with a very uneven distribution of income. Eighty-one percent of the world's population, the overwhelming majority, he discovered to have a standard of living of less than $10 per week per breadwinner.[1] According to Asa Briggs, dean of the School of Social Sciences at the University of Sussex, England, economic indices show that between the poorest 1.5 billion people--the bottom half of the human population--and the average standard of living prevailing in the advanced countries the disparity is on the order of one to ten. Even more significant is the fact that the economic indices show that the disparity between the two classes of nations is widening.[2]

According to United Nation's estimates, the total annual income of the 1.3 billion inhabitants of these underdeveloped areas was approximately $170 billion in 1960. The developed nations, with a total population of 653 million, had a total annual income of $920 billion.[3] These wide variances in income are but one indicator of the characteristics that are common to underdeveloped nations.

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1. P. T. Ellsworth, The International Economy (New York, 1950), p. 790.

2. Asa Briggs, "Technology and Economic Development," Scientific American, Vol. 209, No. 3 (September 1963), 52.

3. World Economic Survey, 1963, United Nations, New York, 1964, p. 26.

Professor Harvey Leibenstein of the University of California, Berkeley, classified these characteristics into the following categories: economic, demographic and health, technological and cultural-political.[4] The economic characteristics included were a high proportion of the population in agriculture (70-90 per cent), disguised unemployment or cases in which the worker is employed, but in a relatively inefficient manner, little capital per head, practically zero savings for the mass of the population, high proportion of expenditures on food, low volume of trade per capita, poor credit facilities and poor housing. The typical demographic features include high fertility and mortality rates, dietary deficiencies, poor health and inadequate sanitation. Low land productivity, crude technology, inefficient communications and transportation are included under the technological characteristics. Finally, a high degree of illiteracy, prevalence of child labor, absence of a middle class, traditional values and an inferior status of women were cited under cultural and political characteristics.

In many of these underdeveloped areas, agriculture was once highly developed, but centuries of warfare, migration, invasions, ignorance, poverty and disease have resulted

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4. Harvey Leibenstein, Economic Backwardness and Economic Growth (New York, 1960), pp. 38-45.

in the decline of production from the land. To a large extent, the problem of these areas is the problem of their farm populations. Educationally, there is about 5 percent illiteracy in industrially developed areas as contrasted to about 80 percent illiteracy in the underdeveloped countries. There are about 176 teachers to every 100,000 persons. These comparisons have been made to point out the chronic nature of the problems confronting these areas, and the progress which has to be made to elevate them to a standard of living which is free from hunger, disease and ignorance.

What Is an Underdeveloped Country?

The terms "underdeveloped," "undeveloped," and "less developed" started to assume their present technical significance in San Francisco in 1945. The term "backward" was current at the League of Nations, but the founders of the United Nations felt that the nations usually denoted by this term would resent the moral stigma attached to it. What is meant by "underdeveloped" is simply that there are certain areas where the per capita incomes are lower than certain other more developed areas. There are other measures used, of course. Some economists include the proportion of the population involved in agriculture. Whereas one person out of three obtained his living from agriculture in Europe and one person out of five was dependent upon agriculture in the United States in the early

1950's, in Asia and in Africa three out of every four persons obtained their living from the land. Another measure of development that has come into use more recently has been the percentage of agricultural products in the national economy. According to this method, the greater the percentage of agricultural products in the national market, the lower the stage of development.

What is Economic Development?

Economic development is a combination of methods by which the capacity of the people of a certain area to produce (and hence to consume) may be increased. It means an introduction of better techniques, the installation of better and more capital equipment, a rising of the general level of education and the particular skills of labor and management; and an expansion of internal and external commerce in order to take better advantage of opportunities for speculation.[5] According to James E. Duesenberry, economic development is a shorthand term for a process in which the people of a region come to exploit, to a fuller extent, the productive resources available to them. The process has many aspects among which the most important are (1) the

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5. Eugene Staley, World Economic Development (Montreal: International Labor Office, 1945), Series B, No. 36, p. 5.

reorganization of economic life which permits maximum utilization of existing resources and known productive techniques, (2) the acquisition of new capital resources and (3) the acquisition and application of new techniques either by discovery or by learning from other people.[6]

It is universally accepted that the single, most important goal of economic development is the improvement of the standard of living of all members of a society. All too often in the past this goal has been pushed aside in favor of massive projects and military build-ups. The result has been a failure to reach the grass-roots of the society for which the need for development is most urgent.

It is the belief of a majority of the leaders of the underdeveloped areas that industrialization is the key to economic development. Requests for assistance which have been filed with the United States and the United Nations have generally been for the expansion of industry. This attitude is prevalent because it has been firmly established that for every great region of the world, living standards tend to be higher when the relative importance of agriculture as a field of employment is smaller. Therefore, a radical difference in the structure of national

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6. James S. Duesenberry, "Some Aspects of the Theory of Economic Development," Exploration in Entrepeneurial History, III, No. 2 (December 1950), pp. 63-102.

output and employment between Asiatic and Western countries lies in the different divisions of national employment and output among primary, secondary and tertiary industries. In most Asiatic countries, over 70 percent of the population is engaged in primary productions as contrasted with 7 to 30 percent in the world's highest income countries.

Industrialization, as it relates to material changes, means an increase in the kinds and quantities of real capital. As a country becomes more industrialized, a larger amount of real capital is generated and a larger percentage of the population is engaged in industry. Greater real capital resources mean greater real production, and hence an improved standard of living. According to Dr. A. Pepelasis of the University of California,

> Economists and government officials in both advanced and underdeveloped countries have often blamed poverty and the low rate of economic change of underdeveloped countries on capital scarcity. They regard capital as the dominant factor, the primum mobile, for economic growth.[7]

Managerial Talent as an Important Factor to Economic Development

As it was pointed out, industrialization has become an almost universal goal towards which most nations are moving. To the underdeveloped countries, it is a process

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7. Adamantios Pepelasis, Economic Development (New York, 1961), p. 96.

whereby fast economic growth may be achieved. To the advanced countries, the broadening and expansion of industrialization mean a yet higher standard of living and greater economic power. Varying groups of economists have varying concepts as to the relative importance of the factors involved in the industrialization process. The concept which is most relevant to the important role of managerial resources in industrialization states that, in the march towards the realization of this goal, capital, technology and natural resources are but passive agents. The active forces are the human agents who control the organizations and institutions which modern industrialization requires.[8]

In using this perspective, management has been treated as an economic resource or a factor of production just as capital, labor or natural resources. It follows that managerial resources must be accumulated and effectively used for productive activity just as any other resource. The problem of accumulating and developing managerial resources is very similar in many respects to the development of the other factors of production. This will be brought out in detail in this thesis.

In an article in the Quarterly Journal of Economics,

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8. Frederick Harbison and Charles Myers, Management in the Industrial World (New York, 1959), p. 19.

Frederick Harbison has established six propositions which are fundamental to the understanding of management as a factor of production.[9] The first proposition is in regard to the size and complexity of the organization. Essentially, it states that complex organizations make greater use of managerial resources. An industrial firm which involves the functions of finance, production and marketing will require a great deal of administrative skills which had not existed in the pre-industrial period of any developing nation.

The second proposition, which deals with markets, states that as the market structures and mechanisms become more complicated, the use of managerial resources will have to become more intense. When one considers the variety and complexity of the newly developed management tools such as accounting, budgeting, forecasting, economic analysis and advertising, it clearly becomes apparent that highly trained personnel who specialize in these functions must be utilized.

The third proposition states that capital-intensive industries will require an accordingly high investment in high-talent managerial resources. In other words, if there are large expenditures for equipment and machinery without

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9. Frederick Harbison, "Entrepreneurial Organization as a Factor in Economic Development," Quarterly Journal of Economics, Vol. 70 (August 1956), 367-379.

a corresponding investment in technical, professional and managerial personnel, the result will be a low rate of productivity in operations. The machinery that physically replaces labor will require greater investment in personnel who specialize in planning, production scheduling and other control functions. From another viewpoint, the industrial firm which employs a large technical force must make use of the best and most experienced top management available to coordinate their activities and to build the foundations for future development.

Proposition number four states that innovations will not be possible without heavy investments in high-level managerial resources in today's industrial framework. The colorful period during which the individual inventor developed a new product or process in his garage laboratory through his own ambitious effort is fast being replaced in industrially advanced nations by industrial research laboratories which employ a battery of the best technical minds available throughout the world. Such an operation represents a vast investment in high-talent personnel and equipment; an individual could hardly compete against such an organization. The National Science Foundation estimates that the total spending for research and development in the United States increased from $3.6 billion in 1953 to $10.9 billion in 1961. It was also estimated that the number of scientists

and engineers employed in this function in private industry rose from 164,000 in 1954 to 319,900 in 1962.[10]

The risk bearing entrepreneur who sacrificed everything to develop, produce and market his product can no longer be a match for the organization which employs high-level managerial talent who perform specialized functions such as product development, production engineering, market research, advertising and selling. The competitive economics of today demand that such an organizational complex should exist because of constant innovations. Without top-level managerial resources to coordinate and direct these specialized functions, the system could not exist. This is not to say that the individual has lost all significance as a force in the industrial economics of the West. He is still the basic unit upon which every organization is based, and it would be safe to assume that this will always remain true. The point being made here is that the individual operating on his own initiative has been reduced in importance by the complex organizations which make use of specialization.

The fifth proposition concerns management and productivity. Put simply, this proposition states that

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10. Earl B. French, Personnel Problems in Industrial Research and Development (New York: Cornell University Press, 1963), p. 4.

management is the prime determinant of labor productivity, assuming that capital and raw material inputs are the same. The desire for higher productivity in the underdeveloped nations as well as the advanced nations demands that high-level managerial resources be fully utilized. The specialization of labor in the industrialization process creates many varied and complex tasks which must be properly performed. There is no need to delve into the numerous professional specialties such as the selection, training and development of a work force or the functional specialties such as maintenance and methods engineering and plant layout. It is not hard to find company case histories in which the proper utilization of these factors by high-level managerial resources has shown substantial increases in labor productivity.

The final proposition refers to the quality of management: management behavior in the organizational structure is not always rational; it cannot be otherwise since human nature does not permit it. The business organization never operates at full efficiency because of the non-productive activities that are involved in eliminating "organizational frictions," or frictions that result from human interaction. The economic inefficiencies of organizational friction can usually be traced to a poor organizational structure, difficulties in communication or

personality and group conflict. There are no absolute rules or laws for good organization building, but it is possible to differentiate between a relatively good organization and a bad one; it is possible for a qualified manager to observe and correct the causes of such conflicts.

The last two propositions relating to the qualitative dimensions of management are meant to emphasize that it is not only management resources as such that are required for economic development. Management has its qualitative aspects when it is combined with capital and labor; it is high-level managerial resources which are required to produce optimum results when combined with investment and labor.

A conclusion which can be drawn from the above propositions is that, as industrialization progresses into an advanced stage, the proportion of managerial resources in the labor force of the industrial society must increase. Due to the fact that organizations and procedures are much more complex in an industrial society, the use of managerial resources must become more widespread. In the words of Frederick Harbison, "Economic progress, to the extent that it is associated with industrialization, is made possible by a substitution of <u>both</u> capital and management for labor. Consequently, the accumulation and the productive employment of high-level managerial resources, like the

accumulation and productive employment of capital, is a universal imperative in the industrialization process."[11]

Methods for Developing and Improving Managerial Resources

It has been shown that the development and improvement of managerial resources is an important aspect of economic development. In their efforts to create the required managerial resources, the underdeveloped nations have four different methods available to them through which these resources can be developed. They include (1) foreign investment of capital with technical and managerial resources in local projects, (2) the importation of managerial resources by local establishments, (3) sending nationals abroad for study and training and (4) the development of managerial resources locally.

Traditionally, underdeveloped nations have depended on foreign investment of capital with technical and managerial resources as the means for initiating industrial activity at the early stages of economic development. At this stage, the underdeveloped nations have neither the capital nor the trained human resources for exploiting their natural resources on a large scale. The advanced countries

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11. Frederick Harbison and Charles Myers, Management in the Industrial World (New York, 1959), p. 19.

therefore become a source whereby the natural resources of a country can be utilized as well as becoming a means for training the nationals who work with them. The large international companies that operate out of New York, London, Paris and Amsterdam normally provide training programs in the countries they operate in so that nationals can assume positions of responsibility.

The importation of managerial resources by local establishments is dominant in cases where the local capital is available but where the necessary managerial talent is not. It is a common practice today for private or public groups in underdeveloped nations to import the latest equipment necessary to establish a factory and also to import the qualified personnel to operate the factory. This practice temporarily relieves the problem of the shortage of managerial resources. Meanwhile, the nationals working along side the imported personnel will have a chance to learn and eventually replace them.

The sending of nationals abroad for training is necessary when the educational and training institutions of an underdeveloped nation are unable to meet the requirements of the country. The well-established educational institutions of the advanced nations provide an immediate source for supplying the underdeveloped nation with qualified personnel.

The final method for developing the managerial resources of an underdeveloped nation is through local efforts. A variety of institutions, such as the government, educational institutions and international agencies, may be involved in the development of managerial resources. Without a doubt, educational institutions have always been the most important factor in developing high-talent manpower.

In their efforts to provide their economies with the necessary managerial resources, the underdeveloped nations utilize a combination of the four methods of managerial development mentioned. In the following chapters, each method will be brought out more fully through specific examples.

During the course of research for this thesis, it was discovered that although many references are made to the need for managerial development by the political and economic leaders of the Middle East, there seems to be no awareness as to how large or in what areas these needs exist. In other words, there have been no comprehensive surveys conducted in any country in the Middle East to measure the extent of the need for high-level managerial talent. This problem is analyzed further in the final chapter.

In studying the managerial resources in the Middle East, it was necessary to select representative countries which would provide an adequate cross-sectional view of all

the countries involved. The countries chosen were Egypt, Israel and Iran.

Egypt was chosen to represent the Arab nations such as Syria, Lebanon, Iraq, Jordan and Saudi Arabia. The choice was made because Egypt is by far the most industrialized of these countries and has shown the greatest amount of activity and advancement in the field of management and industrialization in the last decade. It is similar to the rest of the group in its social institutions, traditions, customs and religion. Egypt is also internationally recognized as a leader in the Arab World.

Israel was chosen because it is in a class by itself. There is no other country like it in the Middle East. The causes surrounding its emergence into a dynamic and growing nation are very unique. The special circumstances warrant an individual study of its managerial resources.

Finally, Iran was chosen to represent the group of Indo-Aryan nations consisting of Turkey, Pakistan and Afghanistan. The choice was motivated by a personal interest since Iran is the author's home country. In any case, it does serve as a satisfactory representative of this group. Like the rest of the group, it is an Islamic country with the same general social institutions and traditions. On a comparative basis, the economic and

industrial base of Iran is well advanced and it does deserve attention.

Together these three countries will represent all the countries of the Middle East. There are other countries which might have served as well, but it is the opinion of the author that a fair representation on the basis of national uniformity has been made.

CHAPTER II

MANAGEMENT AND MANAGERIAL DEVELOPMENT IN EGYPT

The Industrial Setting

Egypt is a nation with high aspirations for economic development but possessing few of the basic requirements that are necessary for a rapid rate of growth. Basically, there are three factors which hamper Egypt's efforts to industrialize. These factors include a small agricultural economy, the lack of sufficient mineral deposits and an extremely huge population problem.

Due to an extremely low rainfall, only about 2.5 percent of the total land area of Egypt (6 million acres) is suitable for cultivation. The majority of the agricultural areas are situated along the Nile River where irrigation is possible. Except for a small amount of oil reserves, Egypt lacks the mineral deposits usually associated with large-scale industrialization.[1] The biggest obstacle to Egypt's rapid economic growth is the population explosion it has been experiencing. During the past fifty years

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1. The Development of Manufacturing Industry in Egypt, Israel and Turkey (New York, 1958), p. 2.

the living standards of a major portion of the population have been declining because agricultural and industrial production has not been able to keep up with the population increase.[2] The United Nations Department of Economic and Social Affairs estimates that this population increase was approximately 110 percent between 1882 and 1927.[3] The life of a majority of these people has been described as a "vicious circle of poverty" from which it is very difficult to escape. The average life expectancy of an average Egyptian is about half that of a white American, or 30.2 years as against 60.6 years.[4]

It is the intention of the New Regime, which was established in 1952 under the leadership of Gamal Abdel-Nasser, to improve the existing conditions in Egypt through a program of rapid industrialization and various other social and economic measures. These measures include such projects as the Aswan High Dam, land reform, the nationalization of foreign-controlled industries and a recently initiated program of socialization.[5]

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2. Frederick Harbison and Charles Myers, Management in the Industrial World (New York, 1959), p. 154.

3. Development of Manufacturing Industry in Egypt, p. 1.

4. Daniel Lerner, The Passing of Tradition Society (Glencoe, Ill.: The Free Press, 1958), p. 217.

5. Ethel Mannin, "Nasser and His Socialism," Middle East Forum, Vol. XL, No. 2 (February-March 1964), 17-21.

The Aswan High Dam is probably the most significant step forward in Egypt's efforts to industrialize. Irrigation water from the dam will increase the present cultivated areas by at least 25 percent. It will also improve the drainage of cultivated land and provide protection against the high floods that damage crops and property. The completion of the dam will increase the country's production of hydro-electric power by 500 percent. This power will be used to create new industries and to expand existing ones. The dam is expected to increase the national income by about $700 million annually and increase the state revenues by about $65 million.[6]

The construction of the dam was begun in January, 1960 and the first of its two stages was completed in May, 1964. The complete project will cost approximately $1.2 billion. The dam is being built with the aid of the Soviet Union which provides materials and technicians. Upon its completion, it will be the world's largest rockfill dam in terms of volume, capacity and as a source of electric energy.[7]

The Soviet Union is also contributing to Egypt's

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6. The High Dam, Egyptian Government Publication, 1963, pp. 23-24.

7. "Aswan, Spring-board of a New Surge in the U.A.R.," The Scribe, Vol. VIII, No. 4 (May 1964), 19-31.

industrial expansion through training programs for Egyptians and the establishment of new industrial enterprises. Fifty-five enterprises have been or are being built with Soviet aid and over a hundred contracts had been signed as of 1964.[8]

The industrial sector of the Egyptian economy is relatively small. In 1962, the private and public industrial sectors contributed about 20 percent to the national income of Egypt.[9] Employment in the industrial sector for the same year was approximately 350,000 or about 16 percent of the total labor force. In the industrial establishments employing more than 10 persons, the firm employing 10 to 49 persons represented 79 percent of this group and employed 19 percent of the workers. The firm employing 50 to 499 workers represented 19 percent of the group and employed 32 percent of the workers. The firm employing 500 and more workers represents 2 percent of the group and employs 49 percent of the workers.[10] The medium and large sized firms are much more significant in terms of the number of people they employ and the contributions they make towards national income.

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8. Moscow News, No. 19 /698/ (May 9, 1964), p.14.

9. Charles Issawi, Egypt in Revolution, London: Oxford University Press, 1963, p. 74.

10. Charles Issawi, p. 174.

The larger industrial establishments are characterized by modern plants and equipment. Technologically, the main textile manufacturing plants in Egypt are among the best in the world. This is also true of the fertilizer plants, petroleum refineries and one new steel mill which went into operation near Alexandria in 1958. These establishments are under Egyptian management but are dependent on foreign countries for machinery and equipment. As of 1958, most of the industrial enterprises in Egypt were under private control.

In 1957, the Economic Organization was created to act on behalf of the state in directing and controlling the enterprises in which the government held shares. This organization comprises 48 companies which are involved in a wide variety of manufacturing activities. The Economic Organization has also financed the establishment of nine new companies which are wholly owned by the state.[11]

Egypt's industrial production was approximately doubled between the years of 1952 and 1957. Not being satisfied with the existing rate of industrial development, plans were made in 1957 to again double industrial production within five years. By 1959, industrial production had increased by about 15 percent. In 1960, a new Five Year

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11. Harbison and Myers, p. 157.

Plan was inaugurated and is still in effect.[12] The costs of the current industrial expansion are being met with the aid of West Germany, Japan, the Soviet Union and the United States. Attempts are being made to develop markets for Egypt's industrial goods in Africa and other Arab countries so that much needed foreign exchange may be obtained for the purchase of raw materials and machinery. The development of these markets is still in its initial stages.

The Present Nature of Management in Egypt

This analysis of industrial management in Egypt is primarily based on a study of 58 firms involved in textiles, steel and metal processing, petroleum and printing. The study was conducted by Ibrahim Abdelkader Ibrahim and Frederick Harbison between the years 1953 and 1955. The study covered firms of various sizes located in all parts of Egypt.[13] Dr. Charles Issawi, Professor of Near and Middle East Economics at Columbia University calls this the most authoritative study on this subject.[14]

These firms were categorized into four main types. The first type represents the large independent enterprises

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12. Charles Issawi, p. 172.

13. Frederick Harbison and I. A. Ibrahim, Human Resources for Egyptian Enterprise (New York, 1958).

14. Charles Issawi, p. 188.

employing the traditional methods of management which were prevalent in the United States not more than fifty years ago. The second type consists of locally owned and operated enterprises which are beginning to make use of the modern concepts of scientific management. This type is represented by the Misr Group which is an Egyptian banking organization that has specialized in financing local industrial ventures since 1920. The third type represents the foreign controlled establishments and the fourth type consists of the state owned and operated enterprises.

Foreign Owned and Operated Enterprises

The role of the foreign owned and managed companies in the industrial and managerial development of Egypt has been very profound. The English, French, Dutch and Americans are responsible for the establishment of Egypt's first large industrial enterprises; even as late as 1936 the foreign firms were dominant in most areas of industry. They have given the country's industrial development a strong Western influence through their willingness to share their ideas and experiences with Egyptian companies and government departments.

Today, due to increased Egyptian investment in industry plus political developments which have restrained the foreign companies, those which are Egyptian owned and

operated have surpassed the foreign based firms in most industries. These foreign companies may be fading in their influence and power within the business community now, but they still warrant careful attention because of the important influences they have exerted in the areas of development of organizational resources and the attitude of the business community towards the process of industrialization.

In terms of organizational structure, the foreign firms have always been more advanced than their Egyptian counterparts. This is to be expected because these foreign companies are subsidiaries of huge corporations which have international operations and are natural pioneers in organizational development in newly industrializing nations. The foreign companies generally have native Egyptians on their boards of directors in proportion to the amount of capital that they have invested in the company. Effective control of the companies is still maintained by the parent organizations through a resident general manager. Egyptians may assist in the administration of these companies, but they very seldom participate in or influence major policy decisions.

The foreign firms are much easier to study and define because they have formal plans of organizations, detailed sets of rules and operating procedures, position

descriptions and classifications and clearly established demarcations between line and staff. The lines of communication are more formal and the enforcement of regulations more vigorous. The factories of these companies are usually neater, more orderly and better laid out. Top management makes use of staff departments and assistants to escape the details that are involved in the operation. As a general rule, more authority and responsibility is delegated to middle and lower management than is true in the Egyptian companies.

In most of the foreign enterprises, all the first-line supervisors and most of the middle management group consists of Egyptians. In areas where direct contact with workers or the native population becomes necessary, Egyptians are called in to fill the position. Egyptians also occupy administrative and supervisory positions in accounting, with more positions opening to them in engineering and management of plant operations. However, key positions in engineering, manufacturing, marketing, accounting and general administration are still retained by the foreigners who maintain the right to control the complete operations. The Egyptians that are on the payroll of these foreign companies are well trained and well paid, but they remain subordinate to the foreign control of these companies. This policy is quite understandable from the viewpoint of the foreign

companies who have a great deal of capital at stake and who wish to protect it as much as possible. However, such a policy is very likely to create a great deal of resentment among the nationals who feel that their lives and future are being dictated by foreigners. This feeling is especially strong when the nationalistic emotions of a nation are at a high level.

The foreign companies are better equipped to improve and develop the professional and managerial resources in their organizations because they possess the necessary facilities and capital. Egyptians from the professional and middle-management group are sent to the home country for training programs, plant inspections and general educational development. Specialists are brought in from the parent organizations to introduce new methods and to train the local staff. Some of the prominent companies such as the Anglo-Egyptian Oil Company (Shell) have initiated extensive training programs in Egypt for skilled workers, supervisors and members of the middle-management group. Programs for the development of managerial resources have been greatly increased since the end of World War II when the foreign companies became aware of the necessity of utilizing more Egyptians in top administrative positions. New laws regulating the number of foreign personnel that could be employed in these companies were introduced in 1956

and 1957. In 1958 Law No. 114, stating that a majority of company directors had to be citizens of Egypt and Law No. 115, stating that the use of the Arabic language was compulsory in all business firms, were passed.[15] Previously, the number of Egyptian citizens on company boards was set at 40 percent and a majority of the firms had been using English and French as their official business language. Both of these laws reflected the nationalistic aspirations of Egypt at the time that were intended to reduce the influence of the foreign firms.

As a general rule, the foreign companies employed a relatively large number of naturalized Egyptians who belonged to the minority groups of Italians, Armenians, Maltese, and Jews. The members of these minority groups were usually educated in foreign schools, could usually speak several languages besides the native Arabic, had a good knowledge of Western culture and in general were very aggressive in making a place for themselves in the Egyptian business community. However, this practice led to deep resentment on the part of the Moslem majority in Egypt. This employment policy led to friction within the organization and criticism from the rest of the business community and government circles.

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15. Charles Issawi, p. 57.

The foreign companies are trying hard to change this policy, but their efforts to Egyptianize their organizations is difficult. Well trained Moslems refuse to work when they know that the top jobs are out of their reach. The nationalistic aspirations of young Egyptians who want to see their country develop will induce them to work for local enterprises at a far lower salary than offered by the foreign companies. This trend plus the fear of nationalization of all foreign firms has limited the growth and development of foreign firms in Egypt for the past 15 years. In 1956, there were approximately 650 firms that belonged to foreigners. By 1960, the various nationalistic measures taken by the government had reduced foreign establishments until practically all industry was in Egyptian hands.[16]

Large Independent Enterprises

This category is best exemplified by Mr. Ahmed Abboud who is by far the most successful industrialist in Egypt. He owns a near monopoly in areas such as sugar production and refining, the production of industrial alcohol and the production of artificial fertilizer.

All of the enterprises in the Abboud complex are run by an iron hand and through the personal direction of Abboud himself. His presence is felt in every company he

16. Charles Issawi, p. 178.

manages even when he is abroad for extensive periods of time. Abboud has a very low opinion of most managers and administrators. It is his opinion that unless the managing director of a company exerts strong influence over his own managers, they will waste time and valuable assets.[17] Abboud's managers have bare offices and few staff assistants because he believes that managers should be in the factory supervising the work rather than wasting time in an office.

Abboud hires his managers purely on the basis of experience and ability rather than education. If new machinery or a new process is involved, he will hire foreigners until local personnel become fully acquainted and can take over. Foremen and supervisors are hired on the basis of their ability to make the workers produce at a fast pace.

The Abboud enterprises contain no systematic plan for either the selection or promotion of key personnel. Since there is no formal system for advancing into top managerial posts, the people promoted are those who are loyal to Abboud, and carry out directions in detail. Needless to say, there is no plan for management development in the entire complex.

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17. Harbison and Ibrahim, p. 42.

From the standpoint of organizational efficiency and Egypt's general industrial development, there are significant shortcomings in enterprises of Abboud's type. First, the success of these enterprises is dependent on constant directions from the top. Second, there are no top-level executives to whom responsibility can be delegated for carrying out decisions. Third, the autocratic rule of Abboud prevents the development of self-reliant managers with the imagination and foresight that modern industrial organizations demand. Fourth, these enterprises are established on a loose foundation of obtaining personnel from other enterprises rather than through a conscientious program of internal development. In this regard, these enterprises act as a drain on the rest of the industrial community and do not contribute to it.

The Misr Group

The Misr Group represents the largest single Egyptian owned and operated industrial complex. The companies in this group are controlled by the Misr Bank, which has financed industrial ventures in Egypt since 1920. These enterprises are mainly involved in textiles which comprises the largest manufacturing activity in the country. There are four major companies centered around textiles with various other enterprises scattered throughout the country.[18]

18. Harbison and Ibrahim, pp. 44-47.

The formal organizational structure of the companies in the Misr Group is fairly standardized. Each company has a board of directors which delegates administrative responsibility to a managing director. The managing director delegates most of his responsibility to a general manager but still remains active in the day-to-day management of his company. The general manager has departmental managers and sectional chiefs who report directly to him. This middle management group also consists of the head of staff departments such as accounting, personnel and technical services. The last level of managers consists of the supervisors and foremen who are responsible to the sectional chiefs.

The selection of the members of the top and middle management team is made primarily on the basis of college and university education. In the initial stages of the development of these companies the use of foreign personnel was especially important because local personnel were not available. Today, however, university graduates and civil servants with administrative experience are a good source of managerial talent. They are usually sent abroad to undergo a training program before they enter the managerial group.

The majority of the managers in the Misr Group have an engineering background with little education in administration. One of the outstanding features of the Misr

organizations is that they are aware of their administrative shortcomings and are taking positive measures to remedy the situation. Top priority has been given to the development of their top managerial resources; they are intent on creating and maintaining a group of professional managers.

The most important current source of top managerial resources in the Misr organizations is through internal development. Managers and engineers are shifted from one company to another to observe various processes. This is especially true of the junior executives. Members of the top management group are continuously sent abroad to observe new processes, inspect and buy the newest equipment and to attend educational programs. The typical Misr executive has been to America, Europe and Asia to inspect textile factories and to observe the establishments of major international competitors.

In an over-all view of the Misr organization, it can be said that the companies have a rather straight-line organizational structure in which the power generally rests with the production executive. By the standards of industrially advanced countries, this organizational structure might be regarded as underdeveloped, especially in the weak staff departments which are not fully utilized. However, in a country where it is hard to find any clearly formulated concepts of administration, the Misr organizations

clearly stand above the other industrial enterprises in Egypt in this respect.

The Government Owned and Operated Enterprises

The Egyptian government is involved in a variety of industries including public utilities, transportation, communication and manufacturing. The management of these enterprises can be divided into three groups according to the degree of autonomy they possess in administering their factories, that is, the degree to which they are subject to laws and regulations of the civil service.

The Egyptian State Railways is an example of government enterprises that are under the full control of civil service rules and regulations. All the managers and workers of the railways are members of the civil service and as a whole are subject to the procedures and pay scales which apply to all government employees. The Director-General of the railways theoretically possesses the right to hire and fire whomever he chooses, but he is subject to so many broad political forces that this becomes impossible. Management is also subject to numerous regulations which have no applicability to the operation of the railways. Despite a staff of well trained engineers and professional managers, the railways are poorly equipped and poorly managed.

The government oil refinery in Suez is an example

of government enterprises experiencing a transition from full government control to a certain degree of autonomy which enables it to develop its own managerial organization. The top management which took control of the refinery in the reorganization of 1953 had the training and experience necessary for the maximum utilization of the human resources available. Both the managing director and the general manager had learned the modern concepts of organization through training and travel abroad. They drew up plans for a functional organization with definite job specifications. This was the first time any of the government owned enterprises had taken such a progressive step.

The last example of government owned enterprises is the Egyptian Iron and Steel Company. The company was built in 1954 through the joint efforts of the Egyptian government, several Egyptian banks and Demag A. G., a German corporation which contributed machinery and technical assistance. The president and general manager of the company are both engineers who have done post-graduate work abroad and who have extensive administrative experience. The choice of these men plus the fact that modern concepts of sound organizational building are being applied signifies a new awareness of the need for top management with successful experience in management as well as in technical competence. Demag A. G. has provided 250 German engineers

and technicians as part of its responsibility for the installation and technical operation of the plant. The German engineers are supplemented by 300 Egyptian engineers who receive on the spot training.

Current Measures for the Development and Improvement of Managerial Resources in Egypt

It has been noted that the development and improvement of managerial resources would be a great asset to Egypt's efforts to industrialize. Following a top management conference led by Egyptians and foreign management leaders in 1957, it was admitted by all the groups involved that the need existed for more intensive management training. According to a questionnaire distributed at the conference, the areas of production planning and control received the greatest emphasis. Write-in notes also emphasized the need of training in how to delegate authority and the division of responsibility between top and middle management.[19]

Various efforts over the last decade to form groups of managers for study and discussions were given a big push in 1958 after a study and recommendation by a group of Ford Foundation consultants who were researching in the field

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19. Jane Dustan, Training Managers Abroad, Council for International Progress of Management (USA), Vol. I (New York, 1960), p. 76.

of management development in the United Arab Republic. The study sparked interest and activity on the part of business and government leaders. The combined efforts from both the public and private sectors of the business community shows promise for the management movement in Egypt because of this new solidarity. We have already seen the contributions made by the industrial organizations toward this end in their internal managerial development projects. It is now time to turn our attentions to various other groups who are doing their share in this respect. The bulk of the following information on these groups was obtained from a report by the International Committee of Scientific Management called Organized Efforts to Advance the Art and Science of Managing in Selected Countries.[20]

Management Associations

The Management Association of the United Arab Republic is a group of managers and management consultants who hold periodic meetings to discuss scientific management subjects. It was founded in 1958 and has yet to create a formal program of management promotion, the translation of management information from other languages into Arabic and management training courses. The Association is evidence of

20. International Committee of Scientific Management, Organized Efforts to Advance the Art and Science of Managing in Selected Countries, CIOS (Geneva, 1960), p. 262.

an emerging group identity and organized effort by individuals to give momentum to the management movement.

Productivity Center

The Productivity Administration, which is a department of the Ministry of Industry, has evolved from earlier groups started in 1954 as an organization of business, labor and government. The government initially filled all its posts with civil servants and lost the support of industry. The primary activities of this organization were pilot plant studies with the help of foreign consultants to demonstrate the effects of introducing production engineering tools. More recently, the organization has been involved in the establishment of in-company training courses for industrial enterprises with the help of U.N. experts. Occasionally, short seminar programs have been conducted for senior managers, but the most ambitious project to date is the establishment of a foreman training program aimed at training nearly 10,000 foremen a year. This project was in the planning stages when this report was made. As of 1961, this program was in full operation under the name of the Vocational Training Center.[21]

Universities

University training in management came into

21. Charles Issawi, p. 189.

existence several years ago when Egyptian university professors began visiting American universities for management training programs. The demand for training in business administration at the universities is high, but there is a lack of qualified personnel to teach this subject. Most of the business administration classes in Egyptian universities are very large and prohibit close teacher-student relations. Lectures are the most widely used teaching method; student participation is very limited. Texts have to be translated into Arabic before they can be utilized; and since it takes so much time and effort before these texts can be introduced into the university curriculum, some of the present books being used in business administration classes are 20 years old.

Management Schools

The Institute of Management Development is the outstanding example in this category.[22] It was founded in 1959 following a Ford Foundation study of management development in the United Arab Republic. This organization promises to become one of the most important steps forward in the advance of management in recent years. Its activities will include management training for top and middle managers, management research, publications and assistance

22. Charles Issawi, p. 189.

to other organizations involved in the development of managerial resources in Egypt. Plans are underway for the purchase and construction of training and residence facilities.

Public Administration Schools

The Institute of Public Administration was founded in 1954 with the help of the United Nations. The initial survey and final proposals were made by the U.N. while the financing of the operation was a joint proposition. The Institute conducts public administration training and research and also provides educational literature and teaching materials on public administration to other organizations in the country. The courses offered include principals of administration, organization, personnel administration, financial administration, employee relations and other management subjects in addition to courses in government. The attendants of this program are civil servants nominated by their ministries. They average 37 years of age with an average of 12 years of experience in the civil service.

All of the above organizations have been established in the past ten years. They are all testimony to the growing realization that the development of top-level managerial talent is a very important factor to the economic development of Egypt. There is no doubt that while this thesis is being written, there are new plans being initiated and more

plans being implemented for the specific purpose of managerial development and improvement in Egypt.

In conclusion, it can be said that Egypt now possesses the nucleus of a managerial class and the necessary basic institutions to fulfill its plans of widespread industrialization. These basic institutions include the educational institutions which are improving in their efforts to produce high-level technical and administrative manpower, the progressive private institutions such as the Misr Group which generate managers and the various other associations already mentioned. Significant as these advances may be, the basic problems of agriculture, population and meager natural resources still remain. These are problems which must be relieved before a fast rate of economic development can become a reality.

CHAPTER III

MANAGEMENT AND MANAGERIAL DEVELOPMENT IN ISRAEL

The Industrial Setting

Israel is a small nation in every respect except the zeal of its people in up-grading their nation. In land area it is about the size of Vermont (2.1 million hectars or about 8,000 square miles); however, due to a limited water supply and large portions of wasteland in the southern section of the country,[1] only approximately 17 percent of it is arable land. Israel has a population of about 2 million people; 10 percent of this total are Arabs, another 500,000 are non-European Sephardic Jews, and the remaining portion are mostly Central And Eastern Europeans. The population of this tiny nation tripled in the short period of a decade because of the vast migrations in the post-World War II period.[2] The only known mineral resources which can have any commercial use in Israel are phosphates in the Negev Desert and mineral salt extracts from the Dead Sea.

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1. United Nations, The Development of Manufacturing Industry in Egypt, Israel and Turkey (New York, 1958), p. 1.

2. A. J. Meyer, Middle Eastern Capitalism (Cambridge, Mass., 1959), p. 15.

When the state of Israel was established in May, 1948, the large-scale immigrations of European and Asiatic Jews followed. The government was so involved in the task of absorbing these people and establishing the necessary social services for them that the development of industry was left primarily to the private sector of the economy. After the National Assembly passed a law to this effect in 1952, large sums of capital from abroad and from within the country were invested in industrial projects. This inflow of capital averaged approximately $350 million annually from 1952 through 1962. The main sources of this capital have been restitutions and reparations from Germany, United States government loans and remittances from charitable institutions.[3] The Israeli Confederation of Labor, known as the Histadrut, played a very important role in the establishment of several basic industries which included construction and cement production.

More recently, the prime movers of the industrial sector of the Israeli economy have been the Histadrut and the government.[5] A large proportion of the industrial

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3. Nadav Safran, The United States and Israel (Cambridge, Mass., Harvard University Press, 1963), p. 178.

4. Development of Manufacturing Industry, p. 6.

5. Irvin Sobel, "Management in Israel," Management in the Industrial World (eds.), Frederick Harbison and Charles A. Myers (New York, 1959), pp. 186-190.

establishments in the private sector have either been bought out by The Histadrut or been taken over by the government. The result of this trend has been an economy well balanced between the private sector which controls 40 percent of the ownership, the government sector with 30 percent ownership and The Histadrut with the remaining 30 percent.[6]

The Histadrut warrants special attention as a prime mover in the industrial sector of the Israeli economy. The labor movement was organized early in Israel's statehood and with a definite program was able to persuade its members to pool what savings they had for various economic undertakings. Soon the labor movement was able to establish several industries with the aid of sympathetic groups. The active drive of The Histadrut towards capital-intensive industrial projects along with the later industrialization program of the government forced the private sector of the economy into trade and consumer and soft-goods industries. Histadrut in turn went into the basic industries which supplied the country's vast demands for the building materials necessary to construct roads, houses, railroads and new cities.

The small size of the population, the limited

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6. Irvin Sobel, p. 199.

market available for manufactured goods and the limited capital available for industrial projects are factors responsible for the small size of most Israeli firms. The average workshop employs less than 10 people, There are 10 firms which employ over 500 people, with the largest establishment employing 2,000 people at its peak.[7] These large firms which are mainly involved in basic industry are growing in size and importance with time. Their influence on managerial practices and the attitude of the government towards industry has been very important. From a country which was primarily agricultural until the middle of World War II, Israel has grown today into the most technologically advanced and industrialized economy in the Middle East.

Management and Managerial Development in Israel

In order to better understand the nature and status of the managerial class in Israel today, one has to look at the attitudes and philosophies which were prevalent in pre-state Israel and how they affected the evolvement of managerial thought. Basically, the pre-state settlers of Israel held to the belief that the act of immigration was a renunciation of all previous social relations and

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7. Irvin Sobel, p. 188.

existence which had led to the down-grading and exploitation of Jews. Because of this belief, there was almost no profit-motivated private ownership group to speak of until the middle 1930's. The belief of complete social equality held by pre-German settlers placed physical labor on a higher status level than occupations requiring mental work. This contributed to a very low opinion of entrepreneur-owners and managers alike. The principle of equality held that all persons possessed the same capacities to manage and that the desire to leave manual work for managerial positions was an attempt on the part of the person to put himself in a class apart from and above physical labor. Until 1952, all managerial posts were rotated on an equal basis on all agricultural cooperatives and the principle of equal pay was applied. The principle of equal pay was also practiced in all Histadrut industry and leadership until 1952.[8] Given this situation, there were no economic or social incentives upon which a managerial class could develop. The situation is summed up well by Irvin Sobel:

> Other factors of equal significance impinged not only on the development of management but on the formation of a significant private entrepreneurial class. Such aforementioned forces as the early absence of both a middle class and a profit-oriented group, the limitation on both natural resources and in private capital

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8. Irvin Sobel, pp. 190-206.

> resources, the heavy emphasis upon agriculture, the limited scope of the market, and the strength of the nationalist spirit, not only contributed to the failure of an industrial entrepreneurial group to rise but made it easy for the Histadrut to assume these functions. The result was a heritage of defeatism and frustration by both managers and entrepreneures in the private sector.[9]

As Israel's statehood approached in 1948, a professional managerial class had not yet evolved. The most advanced industrial organizations in the Histadrut had not yet evolved formal organizational structures and most appointments or promotions to new posts were made on a political basis. At this point, the most important and influential type of manager in Israel was what S. N. Eisenstadt calls the "institutional type." This manager usually held some key position in one of the various cooperatives or large industrial enterprises in the public or semi-public sector of the economy. His main objective was to increase the economic activity and assets of his organization by whatever means were available to him; however, the guidelines on which he operated were not purely economic ones. According to Mr. Eisenstadt, "he saw himself as furthering the general social values of the society, as helping the general colonizatory movement and expansions through the enlargement and development of his own organization . . .

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9. Irvin Sobel, p. 192.

while very adept at economic calculation, he saw them as subsidiary to these goals and expected other people to see his activities in the same light."[10] This attitude illustrates the ultimate in the concept of social responsibility of business establishments to the community. The manager did not conceive himself as being in a class apart from the rest of the population nor did he believe that his position warranted a different viewpoint on economic matters.

Israel possessed the basic factors which are essential to the development of a modern managerial class. The European population was well educated and culturally on a par with the various national groups on the continent. The Hebrew University and Israel Tachnical Institute, staffed with prominent German professors, were first rate institutions of higher learning. Various Jewish organizations which were involved in the establishment of Israel's statehood were producing high-rate managerial talent among their ranks. The Jewish population also consumed large quantities of literary materials; management books and materials were sold in large numbers every year. A recent survey revealed that subscriptions to the Harvard Business Review in Israel as a percentage of the population was among the highest in

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10. S. N. Eisenstadt, Social Aspects of Political and Economic Development (The Hague, 1961), p. 61.

the world.[11] The potential existed, previous to statehood, but it had not yet been utilized.

Statehood created the need to industrialize, and industrialization demanded the presence of high-level managerial talent throughout the country and in every sector of the economy. The two main factors which were greatly responsible for this new need were the new capital-intensive technologies which demanded a large number of technicians and managers and the high cost of goods in the economy resulting from the lack of natural resources and a low level of productivity from the Israeli labor force.[12] Once these facts were realized, the philosophies and attitudes of the government and the general public in respect to managers and their place in society began to change. Not only were they accepted but they were sought after in and out of the country; the development of high-level managerial talent was pursued by various groups in a systematic manner.

Today management in Israel is approaching a stage of development which is considered progressive by American and Western European standards. From its previous position as a repressed group it has emerged into what Irvin Sobel

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11. International Committee of Scientific Management, Organized Efforts to Advance the Art and Science of Managing in Selected Countries (Geneva, 1960), p. 58.

12. Harbison and Myers, p. 195.

calls a "distinct functional entity"--broadminded, determined and very flexible in its approach.[13] Until about 1953, a great deal of attention was given to mechanization, time and motion studies and incentive plans to remedy the low productivity of Israeli labor. When the productivity increases from these measures began to slow down, there was much more attention given to the relationships between the quality of managerial resources and labor productivity.

There are several reasons why Israel's managerial class is characterized by the functional approach. The approach is a result of the training and experience that the managers have gained in various institutions which generate managerial resources. These institutions, such as the Israeli army and the educational institutions of higher learning, will be discussed later in more detail. Even though the functional approach is used, management specialization as is found in the United States is not widespread due to the relatively small size of the average Israeli business enterprise. In the few cases where size warrants such specialization, the necessary staff functions and managerial specializations are to be found.

The present trend, however, is towards the combination of several functions and the establishment of a more

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13. Irvin Sobel, p. 198.

general knowledge in managerial groups. The philosophy behind this trend is to create a management which is flexible and which can adapt itself to various situations. This eases the problem of managerial shortages for one thing, and also relieves the small enterprises from the high costs which would be induced if specialists were employed in every area of activity. This trend has been responsible for the growth and increased activity of management consulting firms which can supply a high degree of specialization of functions when it is needed. There is one more characteristic of the management method in Israeli firms which is quite distinct. In theory, the decision-making process is centralized in the hands of management. In actuality, it is a democratic-participative process whereby management and labor join forces.[14] The previously mentioned ideals of a society based on equality and democracy are still a very basic force in Israel and their influence is felt in every phase of life.

Managers, along with various other professional groups, are becoming increasingly overt in their demands for certain basic rights which have been denied them by the old socialist and equalitarian standards. These professional groups were not alone in their efforts to elevate their

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14. Irvin Sobel, p. 203.

status because the Histadrut and the Mapai party provided them with solid support. Greatly increased salaries, higher bonus potentials and a possible reduction of taxes for upper-middle and middle income groups are a few of the achievements made since 1956. The Histadrut has also established a section called the Professional Department within its ranks. The one occurrence which is clearly indicative of management's new place in Israel's society was its recent triumph in securing the right to dismiss workers on the basis of inefficiency or lack of necessity. There had previously existed a very strong seniority system which had the solid support of the trade unions; it was only through the efforts of Histadrut, the Mapai party and the Manufacturers Association that the old system was eliminated.

The managerial class in Israel was faced with a quite unorthodox set of circumstances in its early stages of development as compared with other nations in the Western world. As Irvin Sobel puts it,

> In most, if not all previous cases of successful industrialization it has been the management and entrepreneurial group which was initially unified, which set the pattern of development and which initially had almost unlimited control and prerogatives. It is generally labor, or some other protest movement which later unifies and attempts to control or limit these prerogatives. In Israel the reverse has been the case; namely, it was managers and entrepreneurs who had little or no status and limited prerogatives. Management was confronted by a unified labor movement which had decisive influence upon the determination

> of the web of rules for the labor force. It has been management which has slowly gained a will to protest and to share in the rule-making process. Conceivably, industrialization in Israel will ultimately create the same general balance as in other societies which started at the opposite end of the authority spectrum.[15]

A survey conducted by the International Committee of Scientific Management in 1960 revealed that Israeli firms are faced with a constant shortage of trained managers to supplement their management staffs. The problem is compounded due to the fact that the existing staffs are already spread thin throughout the expanding industry. These firms occasionally seek and hire managers abroad to assume top executive positions and the constant migrations sometimes bring with them individuals who are capable of assuming managerial positions due to past experience.[16] The booming economy and the demand for high-quality managerial resources cannot depend on such haphazard means for meeting its requirements. Thus, systematic programs whereby the managerial requirements can be met internally have been embarked upon by various sectors of the economy.

As can be expected, the Histadrut with its complex of industrial enterprises was in a position where it needed managerial resources and also possessed the necessary

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15. Irvin Sobel, p. 200.

16. Organized Efforts . . . in Selected Countries, p. 59.

capital to embark on an internal managerial development program. The activities of the Histadrut in this respect led to the establishment of the Israel Institute of Productivity in 1951. The Institute was affiliated with the Department of Labor; however, it remained autonomous under a tripartite board of directors consisting of the Histadrut, the Manufacturers' Association and the government.

The activities of the Productivity Institute were initially restricted to productivity studies through mechanization, time and motion study and the use of incentive plans. After the usefulness of the above productivity studies declined, the attention of the Institute was turned towards management training in 1953. Since then, the training functions of the Institute have been turned over to the Israeli Management Center and new programs have been embarked upon. These new programs include industrial research projects within specific industries, technical information services and certain managerial productivity studies.[17] Plans are presently underway for the establishment of full-scale consulting services. The objectives of this new project are to assist various enterprises in locating their difficulties and to help company managers in introducing modern techniques and principles of administration.

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17. Organized Efforts . . . in Selected Countries, p. 64.

The Institute is active in promoting management education and training activities with its close affiliation with Hebrew University, the Israel Institute of Technology (Technion) and the Israeli Management Center.[18]

Even though the private sector is shaking loose the social and economic chains which had kept them in a secondary role in the industrialization of Israel, it has yet to form into a cohesive group to further its interests or create a systematic program of management development. Efforts by Israeli managers to form a management association for the purpose of management training, development and research have met with strong opposition from the Histadrut trade union group. The union felt that the formal grouping of managers could develop into a manager's bargaining group or into a pressure group which would be detrimental to the best interests of their worker members. The establishment of a management association has been averted; however, the trade union has been instrumental in the establishment of the Israeli Management Center (IMC).

The Israeli Management Center, which was founded in 1958, resembles a national management association more than any other existing organization in the country. The IMC is closely affiliated with the Institute of Productivity, but

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18. Organized Efforts . . . in Selected Countries, p. 61.

yet it is said to be fully autonomous.[19] It has a ten member Board of Directors consisting of two members from private industry, two members from public industries, two members from the Histadrut and four members from the Institute of Productivity. IMC combines training programs of the type offered by the American Management Association with regional chapter activities like the Society for the Advancement of Management. There are presently about 700 dues-paying members; these members are involved one way or another in the centrally-planned courses and seminars in general management, financial management, manufacturing management, marketing management, research management and office and small enterprise management.

The only management association which can truly be classed as belonging to the private sector is the Haifa Industry Manager's Club. The club was founded in 1958 and is composed of 20 top managers who tend to be very exclusive. The stated purpose of the organization is the improvement of management and the protection of the manager's prerogatives in the determination of economic and social policy. Needless to say, the influence exerted by this group and the amount of their activities is very limited.

The government per se has had no systematic program

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19. Organized Efforts . . . in Selected Countries, p. 65.

for managerial development and improvement. It has collaborated with other organizations such as the Institute of Productivity and the IMC for this purpose. The government's greatest contribution to managerial development has been its efforts to create a favorable climate which would allow the growth of the managerial and entrepreneurial groups. The capital-intensive developmental projects and the various other industries which are under government ownership and control will be sure to benefit from the growth of these professional groups by utilizing them in their operations.

Institutions of higher learning such as the Hebrew University and Technion are keeping pace with the various other organizations involved in managerial development. The long waiting lines for openings in the departments of industrial management and engineering at these schools reflects the need for even more intensive measures in expanding the existing programs. A great deal of cooperation exists between the universities and the industrial community; university professors in the fields of management and engineering often serve as consultants to industry and government.

Finally, efforts to improve and develop managerial resources are being augmented by aid from foreign countries and from the Israeli armed services. Foreign firms located

in Israel have provided in-plant training as well as training at the home base much in the same manner of the foreign firms in Egypt. Various international agencies such as the International Labor Organization, the United Nations Technical Assistance and the United States Operations Mission have also provided services such as vocational training and management conferences.[20] The Israeli army with its efficiently organized supporting industries has supplied the economy with highly experienced, functionally oriented managers from its young leadership group.

Conclusion

It has only been about ten short years since the managerial class in Israel began to grow and develop into a dynamic force in the little nation's economy. As it has been pointed out, there have been many significant advances made: the wide base for managerial development, the social acceptance of the managerial class and the cooperation between the educational institutions and the industrial community are a few prime examples. However, it would be a mistake to presume that the managerial class has overcome all its obstacles and is at present a functionally-oriented group comparable with its counterparts in the United States

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20. Irvin Sobel, pp. 199-200.

and Europe. The progress which has been made is a step towards the realization of this goal; many changes have yet to be made and many obstacles overcome.

Among the major obstacles which have to be overcome are the compressed wage-scales which still provide little incentive to the selection of management as a field of endeavor, political manipulation in the public and semi-public industrial organizations, the stubborn resistance to change from groups such as the trade unions and the defeatist attitude of the small scale, family oriented firms which are still predominant in the private sector of the economy. As a class, the managers of Israel have shown that they are very determined and vigorous through the progress they have been making. If they can maintain the rapid progress that they have shown in the past, they will be assured of a permanent, prestigious status in the nation's future.

CHAPTER IV

MANAGEMENT AND MANAGERIAL DEVELOPMENT IN IRAN

The Industrial Setting

Iran occupies an area of 628,000 square miles, or roughly the equivalent of the land areas of Texas, Nevada, Arizona, New Mexico and California combined. Much of the land area is unsuitable for agriculture due to vast salt deserts and mountain ranges; however, agricultural products are generally produced in sufficient quantities to support the needs of the 22 million people who inhabit the nation. The country has extremely good potentials for industrialization because of the vast mineral resources that it possesses. Not only does Iran have one of the world's largest oil reserves, but it has also large deposits of lead, chromite, coal, zinc, copper and iron.

As in almost every other Asiatic country, Iran had very little industry at the end of World War I. No conscientious program of industrialization was embarked upon until 1930, when Reza Shah Pahlavi, the father of Iran's present ruler, initiated a new economic policy with the aim of making Iran a self-sufficient country. The government was given the primary role for industrializing the nation

and the Ministry of Economics was formed to regulate all industry, commerce and agriculture.[1] The government initiated new industries on its own and in some cases with various private groups.

The government also established a system of monopolies which extended into every phase of commercial and industrial life. Imports and exports were under strict control so that valuable foreign exchange could be used to the best ends possible. Various industries such as oil, tobacco, tea and sugar production were also made into government monopolies. The revenues from these sources were used in the establishment of new industries. Industrialization was also encouraged in the private sector; industries which would supply vital local needs, export needs and the needs of the new trend towards urbanism were especially encouraged.[2]

The industrialization program initiated by Reza Shah was a product of the joint efforts of foreign specialists and Iranian specialists educated abroad. Plant locations and designs were determined by top European engineering firms. In most cases the most modern plant equipment and machinery were imported from Europe. The advent of World

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1. Donald N. Wilber, Iran, Past and Present (Princeton, N.J., 1958), p. 246.

2. Ibid., p. 247.

War II and the abdication of Reza Shah brought the industrialization program to a standstill. At this point, there were approximately thirty fairly large industrial establishments owned and operated by the government in addition to about 200 other industrial plants in the private sector.[3]

After World War II, a more comprehensive program of industrial development was started. There was greater emphasis given to the basic industries; the government took several measures to stimulate greater activity in the private sector. All new industrial establishments were exempted from all duties and taxes for a full five years from the start of their operations. A law was established exempting all industrial machinery from custom duties. Easily obtainable credit facilities to the private sector were very instrumental to the establishment of many new industries. The government kept pace with the private sector--old plants were enlarged and modernized while new plants were built. It was estimated in 1963 that there were about 10,000 industrial plants of various sizes in Iran employing two million workers.[4]

In 1956, an independent government agency known as the Plan Organization was established to assume the major

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3. Donald Wilber, p. 250.

4. Iran Today, Vol. II, No. 1 (Tehran, 1963), 8.

responsibility for developing the economic and social potentials of Iran. The organization was alloted more than $1 billion for the first seven year phase of its operations, the capital being derived mainly from oil revenues. The development of the nation's industries are a part of the Plan Organization's numerous tasks; the attention given to industrial development as related to agricultural and social development is small considering the importance of industrial development to the nation's future. Various state-owned industries which have been in the red in the past few years are now being rehabilitated and offered for sale to interested groups in the private sector of the economy through the Plan Organization.

As a result of a 7 year plan which ended in 1961 and now a 5 year plan which began in 1962 and will run until 1968, three great dams have been erected to provide for the eventual irrigation of 320,000 acres of land and the generation of 500,000 kilowatts of electricity. More than 3,000 miles of primary and secondary roads have been built and the capacities of two southern seaports on the Persian Gulf have been tripled. Textile production has increased by three times, cement production by 15 times and water systems have been introduced to 300 towns and cities. Malaria has been virtually eradicated and education has been

expanded so that illiteracy is now 70 percent.[5]

There are various factors which are working in Iran at the present to determine the nation's industrial future. A study of these factors was made by Dr. William Voris in 1958.[6] The factors favorable to the development of industry include the necessary natural resources already mentioned, improving agricultural methods which are providing the necessary base and raw materials for an industrialized economy, strong government support through progressive laws and liberal loan policies, a plentiful and inexpensive labor supply which is beginning to drift from the rural to the urban areas, a high rate of foreign investment in recent years for developmental purposes, and finally a very high demand for products and services within the country.

The first of the factors Dr. Voris mentions as unfavorable to the development of industry within Iran is the lack of enthusiasm by the influential people towards industrialization. This lack of enthusiasm is even converted into an active resistance in many intellectual and governmental circles. This conservative outlook is diminishing today as more and more economic and political leaders in the country, including the Prime Minister, speak out for

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5. Sidney Lens, "A View of Iran," The Progressive (New York, March 1965), p. 33.

6. William Voris, Educational Needs in Industrial Management in Iran, 1958. (Mimeographed).

the need for industrialization.[7] The second factor mentioned as hindering industrial growth is the government's active role as a manufacturer and as an over-active supervisor of the business community. The final factors mentioned in this respect include the customs, traditions and education of the labor forces which are basically unsuitable to an efficient industrial labor force, limited transportation facilities and a lack of sufficient administrative knowledge which is seriously hindering industrial development. Another factor which could be added to Dr. Voris' list is the corruption which is prevalent within the government's large bureaucracy. This corruption can not be measured because so much of it is hidden and because it exists at so many levels. However, the fact that it exists makes it a barrier to social and industrial development.

Iran is well on its way to becoming an industrialized nation. Dr. Voris concludes that although obstacles do exist now, they are only temporary and that the industrialization of Iran is inevitable. In a recent radio and television interview, H. I. M. Mohamad Reza Shah Pahlavi stated that in a matter of twenty years, Iran could and would approach the living standards enjoyed by most European nations today. There is no doubt that the potential

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[7] Tehran Economist, Vol. XII, No. 560 (November 14, 1964), 31-35.

for such a transition exists, however, a great deal more effort than is presently being exerted will have to be shown before this prediction can become a reality. This is due to the slow rate of economic growth in recent years that has been below 4 percent.[8]

Present Nature of Management in Iran

Basically, the forms of managerial practices present in Iran today correspond very closely to those of Egypt and Israel. The foreign-based firms in Iran employ the same methods as their counterparts in Egypt. In most cases they are the same international organizations operating in various Middle Eastern countries. Again, the government owned industries of Iran are plagued by the same problems Egypt is experiencing in trying to operate an industry through the civil service with all of its inherent inefficiencies.

There is one approach to studying the managerial practices in Iran which has not yet been utilized in the previous chapters--the role of the family in determining managerial practices. This approach is especially applicable to Iran for three reasons.

First, the extended family is the basic social unit in Iranian society, just as it is in almost every other

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6. Donald N. Wilber, Contemporary Iran (New York, 1963), p. 211.

Middle Eastern country. The individual owes his prime loyalty to the family. The family is the vehicle through which all activities are accomplished; this includes everything from small personal matters to large commercial or industrial undertakings. Secondly, there is a high concentration of ownership in a small landed aristocracy. This aristocracy consists of about a thousand families who own almost all the land in the country and who until recently completely controlled the financial and political forces in Iran. Third, the landed aristocracy is shifting its wealth to industry to avoid an almost certain disaster. They feel that the Western impact on Iran and the various progressive measures being taken by the government, i.e., land reform, will eventually deprive them of their landed wealth. Thus, the former landlords are becoming the present day industrialists in Iran's emerging economy.

To understand how the managerial practices in Iran are affected by this trend, a closer look will have to be taken at the nature of these families. As stated before, the basic loyalty of these new businessmen is very probably to the family and only secondarily to the firm. This phenomenon has a significant consequence. According to A. J. Meyer, ". . . the creation of rational capitalistic enterprise becomes difficult indeed when it conflicts with the

noble Oriental tradition of taking care of one's family."[9] This conflict manifests itself in the widespread use of nepotism, padded payrolls, etcetera. According to the value system of these people, this is the right way to conduct their affairs.

These families which for generations have been landowners have shifted into industry without any background in commercial or industrial activities. According to Dr. William Voris,[10] this group is characterized by a high mark-up mentality (entering a business venture with the specific goal of gaining extremely high returns on the money invested over a short period of time) without too much concern for the long-run development of the enterprise. The prevalence of this attitude makes it extremely difficult to introduce and adopt modern managerial methods such as cost analysis, budgeting, forecasting, etcetera, in these firms.

The earlier dominance of large landowners in Iranian society has influenced the attitudes and policies of the new industrialists in dealing with subordinates and workers. The Iranian peasant was treated as a serf in the huge landed estates. The situation is very similar in the new industrial

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9. A. J. Meyer, Middle Eastern Capitalism (Cambridge, Mass., 1959), p. 39.

10. Personal Interview, July 1964.

enterprises where the workers are dealt with authoritarian and somewhat paternalistic managerial policies. Since these workers have been unable to band together for mutual protection in unions, their only consolation has been government legislation that provides them with minimum insurance and general profit-sharing plans.[11]

According to Dr. Voris in his report, "One of the most startling facts which came from this study was the almost complete lack of knowledge by the industrial leaders of this country that there is such a thing as a science of management or administration."[12] Such a fact is startling, however, when one considers the background of these industrialists, the fact becomes more understandable. The problem in this case is not only convincing this new industrial group that such a science of management exists. They also have to be persuaded to accept and use this body of knowledge if they are to survive the competition of foreign goods which find their way into the country.

Current Measures for the Development and Improvement of Managerial Resources in Iran

A survey that was made in 1958 by the Plan Organization showed that there were serious shortages in top-level

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11. Keyhan, "Profit Sharing Plan for Workers," (March, 1964), p. 4.

12. William Voris, p. 8.

managerial resources in Iran and that the shortage would become more chronic with each passing year. Due to conflict between the Plan Organization and the Ministry of Labor over procedural rights, the survey was abandoned and no new statistics in this respect have been published.[13] The seriousness of this shortage today was reflected in a speech made by the president of International Machine, Inc., to a group of Iranian students in Berkeley, California in March, 1964. He stated that his company abandoned plans to open a branch in Iran when the qualified nationals necessary to operate it could not be found.

According to the survey of the Plan Organization, many of the new small industries begun during that period were in difficulty due to inexperience and the lack of proper management. The importation of foreign specialists eased this problem to a certain extent, but it was only a partial solution. The great majorities of the foreign specialists in Iran at that time were in the services of the government associated industries. The private sector which comprises about 75 percent of the total industry in Iran was left without the benefit of these specialists and without any real solution to solving this problem.[14]

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13. Wilson F. Harwood, Advice to the Plan Organization, p. 16.

14. E. A. Bayne, American Universities Field Staff, "Persian Horizons," May 1960, pp. 12-13.

The strongest attempts to solve this problem have come from the Plan Organization and the University of Tehran. The Plan Organization has tried to generate top-level managerial resources within its ranks through the use of foreign specialists. The three main groups which have been used to this end to date have been the Technical Bureau, the Harvard Advisory Group and the Governmental Affairs Institute.[15] The Governmental Affairs Institute, which was financed largely by the U.S. foreign aid program, made the most significant contributions in the development of managerial resources. According to John B. Shallenberger of the International Committee of Scientific Management,

> . . . Qualified observers credit the work of the institute in assisting government-owned companies to be the single most effective effort in that that direction (top-level managerial development). Gearing their program carefully to the cultural environment and adjusting their speed and aggressiveness to the speed of comprehension and limitations on the personal rate of exchange to the managers dealt with, these consultants are said to have achieved gradual and substantial progress within the firms involved and among the managers trained or assisted.[16]

The assistance of the Institute was mainly in the areas of general management, finance, organization, and personnel administration.

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15. Wilson F. Harwood, Advise to the Plan Organization of Iran, Governmental Affairs Institute. (Mimeographed), p. 5.

16. Organized Efforts . . . in Selected Countries, p. 42.

The University of Tehran has tried to alleviate the problem through the expansion of its facilities in training industrial leaders. The Institute for Administrative Affairs under the Faculty of Law was founded in 1954 by the government for the purpose of providing training for professional personnel in administration for government service. Courses in business administration were also taught, but were not emphasized. Between 1954 and 1959, an International Cooperation Administration contract was signed between the University of Southern California and the University of Tehran to establish a post-graduate program in Business and Public Administration.

By the last year of the contract, which was in 1961, 150 non-government employees had taken the program along with the civil servants. Since 1958, American professors at the University of Tehran have served as advisors only while approximately 30 Iranian scholars educated in the U.S. have replaced them in their teaching capacities. The University has also met with some degree of success in offering seminar programs in specific management subjects through the use of visiting professors; however, these efforts have not led to any wide-spread enthusiasm on the part of established managers in the industrial community.[17]

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17. Organized Efforts . . . in Selected Countries, p. 45.

Spontaneous efforts by managers themselves to take an active part in management development and improvement in Iran are almost non-existent. There have been no efforts to form a management association and what professional and business societies that do exist have shown very little interest in management matters. As a matter of fact, there appears to be dissension among industrial leaders, and some hostility of managers towards the University. Mr. Shallenberger states that,

> The biggest need for the long run future of management training in Iran, according to a well-educated Iranian manager, is for the repression of mutual distrust between industry and the University. He says that it has been very hard to extract from the University invitations to businessmen to assist in programming management training activities and equally hard to persuade business leaders, when they do receive invitations, to accept and take an active interest in the program.[18]

Besides the University and the Plan Organization, there are various other institutions which contribute in one way or another to the development of managerial resources. Organizations such as the Bank Melli and the National Iranian Oil Company send their top managers abroad for training. The American Friends of the Middle East provide services for placing trained managers and technicians in suitable jobs. The Industry and Mine Development Center translates management texts and bulletins into Persian for

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18. Organized Efforts . . . in Selected Countries, p. 45.

local consumption and promotes a program of management seminars and conferences.

Conclusion

The problem that existed a decade ago in developing Iran's top-level managerial resources still exists today. There are numerous attempts being made today to develop and improve these resources, however, they lack coordination and an ultimate goal such as self-sufficiency.

There is no attempt being made to solve the problem of the family-dominated firms in the private sector of the economy that comprises about 75 percent of all the industrial enterprises in Iran. While progressive measures have been been taken in the Plan Organization and at the University of Tehran, the main problem has been side-stepped. The amount of progress made in the future will depend upon whether the private sector will accept and welcome the use of modern management techniques and how well the University does in persuading them to do so.

CHAPTER V

A PROPOSED SOLUTION FOR RESOLVING THE MANAGERIAL RESOURCE PROBLEM IN THE MIDDLE EAST

The Need for Internal Development of Managerial Resources

It was pointed out in Chapter I that there are four methods of developing the managerial resources of any country. These methods include (1) foreign investment of capital with technical and managerial resources in local projects, (2) the importation of managerial resources by local establishments, (3) sending nationals abroad for training and (4) the development of managerial resources locally. Egypt, Israel and Iran, which have been the case examples in this study, utilize each of these methods to some degree. Israel, for example, emphasizes internal development much more than Iran which is dependent on sending nationals abroad and importing foreign specialists.

Each of these four methods of development have their advantages under certain conditions. Foreign investment of capital along with technical and managerial resources is an important means of initiating industry during the early stages of development. The sending of nationals abroad for

training is necessary when local institutions are not properly equipped to give nationals the education that an industrializing society needs. These are conditions which demand an immediate solution to the problem at hand. However, the use of foreign investment, the importation of foreign specialists and the sending of nationals abroad have outstanding weak points when considered on a long-term basis.

The use of foreign investment creates strong conflicts as industrialization progresses in the underdeveloped countries. The prime motive of any firm operating anywhere in the world is profit. Foreign firms which go to the underdeveloped parts of the world seek to increase their profits, not to offer technical and administrative assistance to the local enterprises. The countries these foreign firms operate in will eventually want greater internal growth and greater control of the economy, thus leading to conflict. The nationalistic aspiration of the people grows into a resentment of the foreign firms. In Egypt these attitudes led to the restriction of the foreign firms and their eventual reduction to an impotent force in the economy.

The importation of foreign specialists poses a variety of problems. The first is being able to select an individual and put him into a completely different environment without reducing his efficiency. The second problem is that of communication. Not only may he not understand

the local language, but the customs and habits of the specialist's co-workers may be completely different than his. Cost is another important factor. It is difficult to persuade a well established American or European specialist to go abroad without offering him large compensations. Finally, the effectiveness of this specialist may be reduced by the resentment of local workers who dislike taking orders from a foreigner. This attitude is a reflection of the feeling of nationalism which pervades most underdeveloped countries.

The sending of nationals abroad for study and training involves extremely high costs and often very few benefits. The high cost diverts capital resources which could be used to build educational institutions at home. According to United Nations estimates, almost 50 percent of the students who go abroad from Israel, Egypt and Turkey never return to their own countries.[1] This consists of quite a heavy drain of the high-level manpower resources these nations need. There is also the problem of the students learning a new language and adapting the knowledge acquired abroad to local conditions.

In the long run, no country in the Middle East can afford to place exclusive reliance on sending its nationals

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1. United Nations, The Development of Manufacturing Industry in Egypt, Israel and Turkey (New York, 1958), p. 8.

abroad or importing foreigners to supply its internal needs. The generation of the required managerial resources must take place within the country if it is ever to satisfy the ever-increasing demands of industrialization. The internal sources of managerial development such as educational institutions, industrial enterprises and professional societies must be fully developed and utilized to this end.

The Role of the Government

All the countries of the Middle East possess mixed economies in which the government has an active role. In every case the responsibility for the social, cultural and economic welfare and development of these nations rests on the shoulders of the governments. The development of the high-level manpower resources in any of these countries should be no different. It is the responsibility of the respective governments of each of the countries in the Middle East to take positive steps in providing the facilities and the proper atmosphere in which these resources can be fully developed and utilized. As the moving force and responsible agent for managerial development, these governments must take two fundamental steps.

First, they must adapt the principle of a critical minimum investment in managerial resources.[2] According to

2. Frederick Harbison and Charles Myers, Management in the Industrial World (New York, 1959), pp. 88-92.

this principle, a country which wants to industrialize must generate and accumulate a critical minimum quantity of high-level human resources and utilize them to their utmost capacities. W. W. Rostow defines this principle, as applied to capital investment, as a "booster program" to get the country on its feet and headed in the proper direction.[3] The mechanics of this principle call for a substantial increase in the activities associated with the development of manpower resources. The final aim of this principle is a self-sustained growth of the needed resources.

Second, the governments will need to establish an independent agency in charge of manpower development. These agencies must be independent so that political considerations and civil service laws and regulations will not hamper their efforts. This type of public organization has been used in both Iran and Egypt and has proven to be much more effective in its operations than government agencies that operate under civil service laws. An example of this type of organization in Iran is the Plan Organization which was established to develop the social and economic potentials of the country. In Egypt, the state-owned Iron and Steel Company was established as an independent organization

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3. W. W. Rostow, "The Take-Off into Self-Sustaining Growth," Economic Journal, vol. 66, no. 261, p. 46.

and proved to be very effective. However, a manpower agency established for the purpose of manpower development does not exist in any country in the Middle East.

By creating a manpower agency and committing it to the principle of a critical minimum investment in managerial resources, the governments will fulfill their obligations as the moving forces in managerial development. The manpower agency from this point on will become the arm of the government in these matters; once the agency has been established and its goals defined, the government itself will no longer play an active role.

The Role of the Manpower Agency

We can establish one definite pattern that typifies Egypt, Israel and Iran in their efforts to develop their managerial resources. In each country, there is a general awareness of the necessity of top-level managerial resources and in each country there are various attempts being made to develop these resources. However, no one knows how great the need is or how great the need will be tomorrow, or in what areas the need will be the greatest. Furthermore, all attempts at developing these resources are haphazard and lack coordination. This very basic problem demands strong support and direction from the governments involved and an efficient organization to lead the way toward a solution. This is the justification for an

independent manpower agency.

In approaching this problem, the agency will have to divide its activities into two parts: initial and long range activities. Among its initial activities, the agency must assess the present manpower resources available in the country and provide long-term projections as to future needs in the industrialization process. To carry out such a project, the agency must create a research team of experts that can compile the necessary data and translate it into the specific needs of the country.

Secondly, the agency must point out the areas in which the need for managerial resources is the greatest. For example, the basic need in Israel may be for managers with broad backgrounds in administration while the need in Egypt may be for highly trained production engineers. It is the duty of the agency to define the need as well as to measure it.

Third, the agency should develop a program to make possible the maximum utilization of the available resources. A good placement program for university graduates from within the country, students returning from abroad and managers generated by industrial enterprises will be assured of entering jobs best suited to their talents. At the same time these resources can be diverted to areas where they are needed the most. This program will be especially useful

in the initial stages of development when the required manpower resources are most scarce.

Once these initial activities are started, the agency can focus its attention on other more long range activities. First, the agency must act as the coordinator of all activities within the country that relate to manpower developments. There are various organizations in any country that contribute to managerial development. Public agencies, private firms, educational institutions and professional groups are some examples. By coordinating the activities of these groups, the agency can reduce duplication of efforts and keep the various groups informed of new trends within the country. Another significant outcome of this activity will be the fact that a feeling of solidarity will evolve when the groups are drawn together.

Secondly, the agency should keep a running record of all its programs and evaluate them on the basis of its initial objectives. These records should be the basis of action for all future activities in manpower development.

The Educational Institutions and the Business Community

Throughout this study, numerous organizations have been pointed out which aid in the development of managerial resources within a country. These organizations include industrial enterprises, professional groups, government

agencies and universities. The university is the most important organization in this group which is properly equipped to generate the required manpower resources an industrializing nation needs. According to Dr. William Voris,

> Education in the science of industrial administration is primarily the responsibility of the national university in any country. This does not preclude consulting firms, government agencies, and private industrial companies from assuming portions of the responsibility. The university should be, and usually is, the primary force in the development of science through research, and also the leading light in educating those capable of absorbing the science.[4]

The fact that the universities hold such a high status is disputed by very few people. However, it should be pointed out that the success of the universities is dependent on the support they receive from the business community. This point cannot be over-emphasized because the long range effectiveness of these universities will ultimately depend on the degree of acceptance and cooperation that the business community gives to them. No matter how well a program for managerial development is devised by the university, it will be useless unless members of the business community send representatives to these programs or accept its graduates in their ranks.

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4. William Voris, Educational Needs in Industrial Management in Iran, 1958. (Mimeographed).

This problem has become evident in many instances, especially in the establishment of the Beirut Management College in Lebanon. In the early stages of its operations, leaders of the business community refused to send representatives to attend classes because they doubted its value. After several years of constant effort and persuasion, the classes were started and have proven to be very popular.[5]

Since the relationship between the business community and the university is such an important factor in the success of any program for managerial development, it should be given special attention. The manpower agency has already been mentioned in this respect as a potential conciliator and coordinator between these two groups. However, it should be the responsibility of the university to establish closer contacts with the business community through a well-planned aid program.

In Israel the universities and the business community enjoy an excellent relationship. University professors in the field of management and engineering often serve as consultants to industry while the departments of industrial management and engineering are filled to capacity at the universities. On the other hand, the business

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5. H. P. Guenther, "The Beirut Management College: An Experiment in Management Training for a Developing Nation," Middle East Journal, Vol. 17 (1963), 368-382.

community in Iran is greatly disillusioned by the lack of contribution of the university to the problems of industry.[6] This attitude has led to bitter feelings between the two groups in Iran. At the same time, members of the business community generally fail to attend the programs and conferences at the university.

The university holds the key to this problem. It must convince the business community that it can provide it with valuable man power and information. To accomplish this objective, the university must become the primary business research organization within the country. By providing the business community with important business data, it can slowly reveal its abilities as a significant contributor to industrialization. Secondly, the members of the faculty at the university should make themselves available to the various industrial enterprises that could benefit from their knowledge. This direct contact could be the strongest unifier between the two groups. Through the use of these two steps and the efforts of the manpower agency, the two groups could be drawn closer together and make possible a coordinated, total effort towards the solution of the manpower resources in the Middle East.

Needless to say, the university cannot spend all of

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6. Voris, p. 8.

its time trying to convince the business community of its worth. There will be vital challenges facing it in its efforts to meet the requirements for producing high-level manpower. The first problem lies in the fact that higher education in Middle Eastern countries has been established with the primary goal of providing purely technical specialists and government officials. Neither the theoretical mathematician nor the political scientist can provide an industrialization nation with its manpower requirements. The educational curriculums produce the required industrial engineers and managers.[7]

Another problem closely associated with the establishment of a new educational curriculum is the development of a science of management to suit each individual country. It is generally accepted that the ideas, techniques and practices of management developed in the U.S. and Europe are usable in many underdeveloped countries of the world; however a different system of application will be required.[8] Dr. Voris agrees that much of the knowledge of scientific management developed in the United States is applicable to areas of the Middle East and that it is the

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7. For a broad study and recommendations to this problem, see Dr. Voris' Educational Needs in Industrial Management in Iran.

8. Ted F. Cooke, "Personnel Problems in Foreign Operations," International Management Series, no. 2 (1956), pp. 33-40.

duty of the university to develop a unique management philosophy through its research facilities and departments.[9]

Also in regard to the educational curriculum of the university, a two-pronged approach should be used to provide management training for members of the business community who already hold positions of executive responsibility as well as for those individuals who are beginning their management training at the university. The Beirut Management College is an excellent example of the former. Its two-year program of night classes three times a week for established managers has proven very successful.[10] The universities of Israel are an excellent example of institutions that used to emphasize the classics and law but are beginning to give priority to areas of greatest need such as the social sciences, industrial engineering and management.

The formal education that the universities can supply is a very important step towards the development of managerial resources in any country. However, formal education by itself will not be sufficient. The need goes beyond that.

> By itself, formal education does not generate managerial resources. They must be developed on the job. The universities may prepare people for

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9. Voris, pp. 8-10.

10. Guenther, pp. 368-382.

> management, but they do not train managers. The task of the educational institutions is to give a man broad education and intellectual sensitivity--just as color sensitivity is built into the finest photographic films. The development of technical and managerial skill, however, takes place only upon exposure to the light of practical experience on the job. Thus, industry itself is the proving ground and final producer of managerial and high-level technical resources.[11]

In the final analysis, the importance of closer ties between the universities and the business communities once again emerges. The universities should not remain as isolated towers of purely theoretical endeavor. Instead, they can offer more constructive assistance if they adjust to the economic and business requirements of their respective countries. As it has been indicated, this objective can be accomplished through research and consulting services to industry. Once this transformation has been made and the business community is willing to accept the university as a partner in the progress of industrialization, then the process of managerial development can go into full motion. If there is no free exchange of ideas and mutual trust between the two groups, all attempts to develop managerial resources will be weak and unproductive.

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11. Harbison and Myers, p. 89.

Conclusion

It is the opinion of the author that the ideas suggested would contribute in making the countries of the Middle East self-sufficient in producing the high-level managerial talent that industrialization requires. The time span over which this could be realized would depend on the amount of opposition each of the steps might encounter and the time it would take to overcome them.

Before any program for managerial development can be initiated, there has to be a strong awareness among the leaders of the nation for such a need in the industrialization process. Unless this existed, it would be impossible to muster the proper financial support such a program requires. Higher education, especially in the technical fields which require a great deal of equipment, involves large amounts of financial outlays. When such a need becomes apparent to the national leaders of these countries, the necessary financial support is more readily obtained through the utilization of the principle of a critical minimum investment in managerial resources as proposed at the beginning of this chapter.

There has always been a rather weak awareness of a need for high-level managerial resources in these countries. The fact that foreign specialists are imported by various government agencies in the Middle East is an

acknowledgment that a vacuum exists. It is important today that the national leaders become aware that the best long-run solution to this problem lies in the internal development of managerial resources. It is becoming evident that such an awareness has developed in the Middle East. The Prime Minister of Iran, speaking before a national management conference held in Ziba Kenar in 1962, stated this need when he said, "There is no doubt that study and research in the administrative affairs and conducting relevant training programs will contribute a great deal to the improvement of the general and social conditions of the country."[12]

Once it has been conceded that such a program is justified and the capital resources for its execution made available, there will be a great deal of opposition among government agencies to the establishment of an independent agency for manpower development. The bureaucratic tendency is for each agency in the civil service to increase its

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12. 1962 Management Course Year Book - Iran (Tehran, Iran, 1962), p. 9. The original content of the speech by the Prime Minister included the phrase "barname ijad kardaneh modiriat," which has been translated into English as "Training Program." However, the Persian meaning is much broader in scope than the English. It comprises not only the usual formal training program as understood in the U.S., but also a comprehensive program for the development of managerial resources throughout the entire country.

payroll and personnel as much as possible. A new function, new capital resources and additional personnel signify greater power. In order to bypass this opposition, the agency must be created directly through the office of the chief executive branch of the government. This same method has been used in Iran and Egypt in the creation of independent agencies.

The next opposition force will be met in the universities. As it has been pointed out, the traditional curriculum of Middle Eastern universities has consisted of law, philosophy and the arts. The faculties of these colleges are so strong and deeply entrenched that it would be difficult to initiate broad changes in the face of their opposition. Israel found a solution to this problem by appointing top administrative officials to the universities who were open-minded to change and who could exert pressure on the entrenched faculties. As it was pointed out in the chapter on Israel, the universities in that country are now more oriented towards producing the needs for the industrialization process. This method could be employed in the other Middle Eastern nations which have not been as fortunate as Israel in this respect.

The final opposition to a program of managerial development will come from the business community. The family-oriented firm which is based on feudal relationships

will not be easily willing to accept the scientific management techniques of today. Since the family firm is the single greatest industrial and commercial factor today in the Middle East, the final success of this program will depend on how soon and how well they are induced into active cooperation with the developers of managerial resources in the country. Previously in this chapter, several methods were described which could bring about this change. These included aid to the business community through research activities in the universities as well as the interaction of ideas between business leaders and the university faculty.

Strong as these oppositions are, they have been met and overpowered in some areas of the Middle East. Israel's educational institutions are experiencing a transition and Lebanon's family-oriented firms are coming out of the shadows and taking an active part in managerial development at the Beirut Management College. The fact that these changes are taking place does not mean that the problem is solved as yet. There are only small indications of what is possible in the rest of the Middle Eastern countries. As slow as these advances are, they are basic, and extremely important to the success of managerial development in the Middle East.

It is felt that the utilization of the proposed

solutions, as developed in this thesis, will provide a more comprehensive and systematic approach to resolving the problem. Depending on the rate of progress of each country in establishing this proposed program, it should provide a practical means of eliminating the current managerial bottleneck that now hampers a higher, more satisfactory rate of economic growth in the Middle East.

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