

Hydroelectric power.

Under contract to the Agency for International Development the School starts a new experiment in assisting developing countries.

A Project for AID in Central America

By George C. Lodge, Lecturer and Administrative Assistant,
Division of International Activities

With the creation by Dean Baker of the Division of International Activities, the School has taken a new approach toward the fulfillment of its international responsibilities. Under the direction of Professor Harry L. Hansen, the Division is seeking to insure

- that international activities will result in returning knowledge to the School about a wide range of management problems abroad,
- that means will be available for the conversion of this knowledge into useful teaching material for the School's programs, and
- that the foreign activities themselves will be of maximum value to the persons for whom they are designed.

Major Foreign Engagements

With these intentions in mind, the School now has two major foreign engagements. The first, which has been under way for more than a year, is the establishment of an Indian Institute of Management at Ahmedabad, India. We are training faculty, preparing teaching material, and providing advice. This Institute is jointly financed by The Ford Foundation, the

Indian business community, and the Indian government. It will offer its first program this spring in a course for senior executives.

The second major foreign engagement started last spring. It is a similar effort to assist the Central American business community in the establishment of a Central American Institute of Business Administration (INCAE).

This project grew out of a request from the late President Kennedy and Teodoro Moscoso of the Agency for International Development (AID) to Dean Baker. They invited the School to undertake a program of management development in the six countries of Central America: Costa Rica, Guatemala, Honduras, Nicaragua, Panama and El Salvador.

We were informed that Central America was regarded as an area of special and critical importance by the U.S. Government and that a primary need in the region was an increase in the quantity of managers and an improvement in the quality of management. This was especially true because the region was well on the way toward economic integration and had, in fact, become the first group of developing countries to form a Common Market.

President Kennedy, in a speech in San José in the winter of 1963, committed the United States to providing major assistance to effect this integration.

Preliminary Investigation

In light of this request, Dean Baker dispatched Professors Henry Arthur and Thomas Raymond and me to Central America in April 1963. The assignment was to make a three-week preliminary investigation. We found that there was, indeed, a need for management development. And we felt that the School could make a real contribution toward meeting that need. Perhaps most importantly, we found an enthusiastic group of capable, influential, and progressive businessmen who were prepared to invest time and money to provide management education in the region. These men — three from each country — met with us in Guatemala City and agreed to return to their countries and establish national committees to promote the idea within the business community.

Upon our return to Boston, the Faculty voted to continue our investigation of management development needs and opportunities in Central America. The result was that last summer, from July 1 to the beginning of September, Professor Raymond and I returned with a seven-man research team¹ to identify the principal problems of managers in the region, to find out where previous management training efforts had fallen short, and to make recommendations concerning future activities of the School. The research was carried out under a grant from AID and with the active assistance of the Central American business community, especially the national committees which provided office space and many useful contacts and introductions. The findings of the

¹ Francis Aguilar, John Culbertson, Donald Henley, C. L. Kendall, David Kuechle, James Trees, and Jane Thomas. Professors Renato Tagiuri and Abraham Zaleznik, while not formally members of the team, were in the region for a short time.

research team were contained in a report to the Faculty, submitted in October, and in a later report to AID.

Central American Institute of Business Administration

During the course of the summer, each national committee designated one of their number, who in each case was an outstanding leader of business, to go to San Salvador, the capital city of El Salvador. These six men elected Francisco de Sola of San Salvador as their chairman and decided, then and there, to form the Central American Institute of Business Administration (INCAE). They became its Board of Directors and pledged development of this Institute.

The Board envisions an important role for INCAE. It hopes to broaden the vision of top managers in Central America so that they can see their problems more clearly in the midst of radical change and can realize the value of professional management. With this thought in mind the Board decided to offer a five-week advanced management program in Antigua, Guatemala, in July and August of this summer for about 40 Central American managers. The Board invited the Harvard Business School to conduct this program, and the Faculty voted in October to accept the invitation.



George C. Lodge



Thomas C. Raymond

AID will assist in financing this effort, although each participant will pay an admission fee of approximately \$1,000. The instruction will focus on Central American management problems as they were identified by the research team last summer. Actual Central American cases will be used. Classes will be conducted in English; but high-quality simultaneous translation will be available, and all teaching materials will be in Spanish.

Once the top managers of the region recognize the need for this type of training, INCAE hopes to train middle managers and eventually university graduates. The Board feels that the Institute will perform an extremely useful function in providing the first place where Central American managers can come together for several weeks to study their problems in some depth and to exchange views. This in itself will help solve one of the most basic regional problems — lack of communication and understanding. The Board hopes to recruit a permanent faculty for the Institute from among the Central Americans who are being trained in our International Teachers Program here at the School. It also expects INCAE to be a valuable center for research and consultation in the region.

The contract which the School is

negotiating with AID at this writing will provide funds for extensive preparation and case development for the Antigua program. It will also provide for additional research in the region to assist INCAE in getting off to a good start. That contract extends for one year from January 1, 1964.

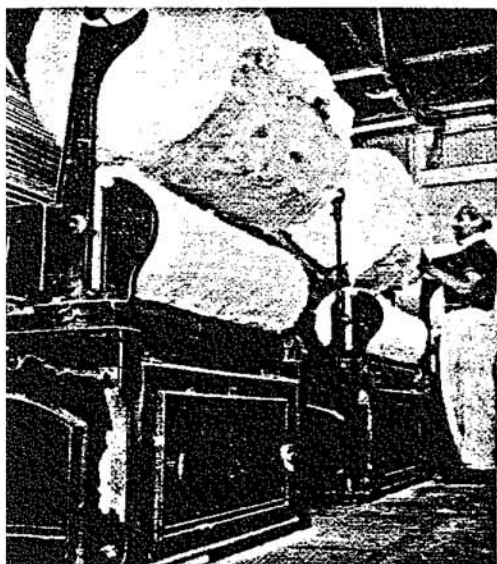
The research team felt that the School is specially qualified to be of assistance to INCAE at this stage in its development by virtue of

- its experience with teaching by the case method,
- its orientation toward practical problems as they really exist rather than toward theory,
- its background of teaching in various other developing areas of the world, and
- the extensive knowledge of numerous members of the Faculty in the international sphere.

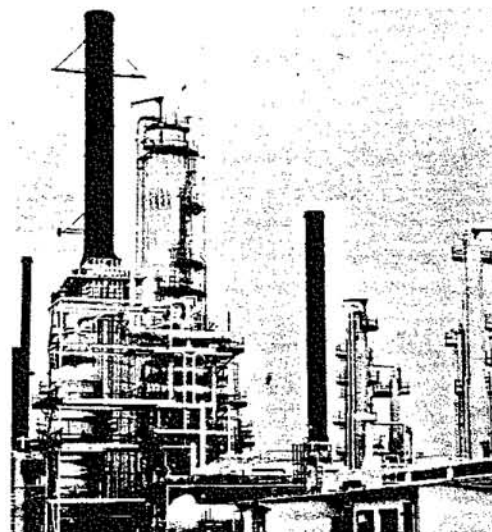
Perhaps most important is the particular — if not unique — competence of the School in relating general knowledge to specific problems and in getting practicing managers together to analyze those problems.

Why Central America?

Some have questioned the location of such an educational venture in Central America. "What about some of the other areas of Latin America or of the world?" they ask. The research team in answering this ques-



Central American cotton mill.



Modern oil refinery.

tion draws attention to the unusual opportunities in this area for the School to learn about managerial problems in developing countries. The team also underscores the opportunities for converting this knowledge into useful teaching material for use here and elsewhere.

Among other considerations in this regard is the fact that an enthusiastic and organized management group, with whom we have already worked successfully, has the determination, competence, and access to funds necessary to provide a sound base for future management development activity. Moreover, the region provides an excellent laboratory for research on the problems of management development in developing countries.

Comparing the six countries reveals great variety, ranging from Costa Rica, with the highest literacy rate in Latin America and the purest democracy, to Honduras, which is one of the most primitive countries in the hemisphere. There is Nicaragua, a semimilitary autocracy tending toward democracy and bursting with industrial enthusiasm. El Salvador is achieving remarkable industrial growth; so much so, in fact, that it recently attracted a branch of the First National City Bank.

Guatemala is currently a military autocracy, in which 50% of the population are unintegrated Indians. Panama, a commercial trading center for Latin America, of course, embraces the Canal with all the problems arising from it. In effect, therefore, we are dealing with six different societies at various levels of evolution. All of them, however, are bound by many ties, not the least of which is a common language.

Social and Strategic Significance

Central America is a region where the old social order is breaking down with new, still obscure, forms taking its place. Strategically located as the connecting link between North and South America on the Caribbean pe-

rimeter, it is thus a target for political intrigue and subversion.

The Central American countries are currently on the crest of a development wave which gives to the region a spirit of hope and optimism not found in many parts of Latin America. Change in this region can still proceed in an orderly way rather than through violent revolution — which seems all too likely in several of the larger countries of Latin America.

It is large enough to be significant (12 million population) and yet small enough to be a good research site in that movement and activities can be measured fairly simply and their effects judged relatively quickly. At the same time, the region is readily accessible (six hours by plane) and is easy to cover internally on the ground.

Central America provides the only example in the world of less-developed countries undergoing economic integration. This fact surely will be increasingly important as the rest of Latin America proceeds toward a Latin American Free Trade Association, and as similar regional efforts develop in Africa and perhaps Asia.

It is now the scene of vigorous international competition, not only among enterprises within the region, but also U.S., German, Swiss, British, and Japanese interests which the Common Market has attracted.

In short, Central America provides a convenient site for observing and studying most of the problems confronting not only local managers in developing areas of the world but also of U.S. companies doing business in those areas.

The region has the chance of becoming a model for the rest of Latin America as an example of regional integration, economic development, and political reform. It is too early, of course, to say whether it will actually become such a model. But it is certainly an exciting opportunity for the School to be a part of an adventure with such important possibilities. □

Fuller



Associate Dean Fuller

On January 1, Stephen Herbert Fuller took over the reins as Associate Dean for External Affairs from Professor Myles L. Mace. Mace, who had occupied the post for the past 18 months, is to be away from the School for the next few months on a consulting assignment to Anderson, Clayton & Co.; next autumn he will be back teaching in the area of international business. Fuller brings to his appointment an impressive array of qualifications and experience. Referring to him recently Dean Baker said: "With a little experience in this new job under his belt, Steve will be about the best-rounded man we've got."

Teacher, Director, Consultant

Fuller has been on the Faculty here at the School for the past 16 years.