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SOME PROBLEMS OF BUSINESS ADMINISTRATION IN AUSTRALIA AND NEW ZEALAND

by

Misao Sekiguchi

Dispositions of Australian Business

1. Environmental Features of Business

The environments of business in Australia, with small population and hence narrow markets, are in many aspects different from the administrative conditions that advanced nations have been involved in the 1960s. The particularities of such environmental conditions, side by side with conditions implied in individual enterprises, are very essential from the viewpoint of synthesized business administration. So this report shall begin with analyses of environmental conditions.

Industrialization in Australia began to advance only after World War II. It is not so well known that the industrialization policy has been backed by a population policy. The significance of her population policy should be considered not only with its character of a closed policy on immigration as has been expressed by the word White Australia, but also as the major factor determining the scale of whole labor force and markets and also facilitating a balanced economic growth without any decline in the standard of living.

Australia had a high rate of annual population increase of 2.3% on average from 1948 to 1965, and future increases are expectable, although the absolute number of population is still small. A point to be considered here, however, is the direction of immigration policy amidst the trend of population increase, and the proportion of immigrants as labor force.

The immigration policy has become increasingly, though slowly, positive and open. According to a report submitted to the Advisory Committee for Immigration, settlers have shown gradual increases from 97,777 in 1959 to 147,507 in 1965; during the seven years a total of about 720,000 persons has been accepted, net of leavers. However, such receive of immigrants amounting to 100,000-odd persons per annum is not sufficient to enable one to expect a

rapid pace of industrialization in respect of manpower as well as effective demands.

In addition some problems lie in the quality of settlers itself.

According to statistics by the Immigration Department, in the age composition of immigrants those who were immediately available as labor force (ages 15 to 49) accounted for 66.9% in 1959 and 60.5% in 1966; thus about 60 to 70% has added to labor force. On the other hand, those who were below 15 years old, 8.6%, have entered labor force, while the then 45–49 agers, 2.5%, have become old increasingly. In the composition of occupations for 1959, skilled tradesmen (and women) were most numerous, counting 16,441 persons, followed by unskilled and semi-skilled workers (male and female) of 15,993, merchants and clerical employees of 5,626, and farmers, fishermen and hunters of 4,046, while professional and semi-professional persons totaled 4,684. For 1966 tradesmen numbered 15,129, unskilled workers 8,895, clerical employees 6,824, professional and technical persons 6,575 and service-industry workers 5,834. Thus between the two years there can be seen some betterment in quality, yet the mainstay still consists in skilled and unskilled laborers. This character has served to fulfill workers of medium and small firms, rather than being a powerful promoter of industrial development. In short it is impossible to expect among settlers a high grade of technical element. This has necessiated earnest efforts of training technicians and administrators, as well as establishing general economic systems.

Next to labor force, another problem of environmental conditions regards funds or capital, hence the capital market.

According to a report of the Commonwealth Government, in 1962 the investment resources consisted of 34% from personal and guaranteed-fund savings, 33% from reserved profits and depreciation allowances of corporations, and 33% from surpluses of public institutions and capital inflows from abroad. The report says such inflows from abroad, while making up only 9% of the total, have played a big role in that they are accompanied by technological know-hows and serve to maintain linkages with the major industries of advanced countries. Of the total amount of them in 1962, about 90% came from the British Commonwealth and America.

By official data for 1965/66, the investments from abroad have risen, though with some fluctuations, from A$ 305m in 1962 to 547m in 1963, 451m in 1964, 548m in 1965 and 641m in 1966.

Personal savings amounted to 12% on average of personal disposal income, though being affected by year-to-year changes in corporations' profits. They constituted, however, 21.1% of total domestic investment resources in 1965/66, still an important resource. In this fiscal year 14.7% of investments came from abroad and 28.5% from depreciation allowances.

Descriptions of credit organizations and the system of capital market shall be omitted here since other reporters may refer to them.

Next, needless to say in a developing country like Australia the effects of governmental administration are large. Especially as a business environment the factor of administration bears particularities by its structure and functions. So we must observe the functions and structure of government.

In the relation between the Commonwealth government and the state government, the latter has authority preceding to the former excepting the case of nation-wide problem—a relation born from the constitution of this country. For example, promotion of industries is carried according to state's policies, the Commonwealth government making intervention or support only in case national interests are concerned. A recent remarkable instance is the problem of contractual relations with foreign nations that has been raised between the central and local governments in connection with the development of iron mines in Western Australia. However, it should be noted, the degrees of such intervention or support by the Commonwealth government are not always equivalent among states since industrial policies are particular in each state according to its conditions.

Such a relation between the central and local governments can be observed also in the problem of arbitration in labor-management relations. However, the principle of wage settlement, that is, examination by the Commonwealth government and arbitration by the state government, has recently become insignificant; the general move is toward compulsory arbitration by a commonwealth committee for mediation and arbitation. Consequently behaviors of labor unions are becoming more and more offensive. Recently wage settlements take a form of "total wages" rather than basic pay plus margin. This gives evidence of the stronger effects of the Commonwealth government. And it may be said to have been derived from such nature of Commonwealth arbitration that in 1967 the principle of male-female equal pay was established, whereas formerly the basic rate for female had been 75% of male's.

These administrative environments—duplicity by Commonwealth and state and different influences by them—are more or less giving complexity to the intervention and incentive to business.

2. *Particularities of Business Administration in Financial Structures*

Now, under the above-described environmental conditions, what characteristic features have Australia's enterprises?

In the industrial structure, manufacturing, primary production and commerce rank in order of produce respectively constituting 26.4%, 23.7% and 15.2% in 1948/49, which have by 1964/65 changed to 28.5%, 14.0% and 14.2%, representing a smaller weight of the primary industry. Thus industrialization has been on the gradual advance but a rapid progress is impossible because of the limitations by environmental conditions.

Under such a structure of economy, the sector of medium and small busi-

nesses comprises the service, retail, construction and professional industries, while bigger enterprises involve manufacturing, mining, finance, big-sized commerce and construction, public utilities and transportation. In the former sector competition is prevailing while in the latter the state is tending to the concentration of power by monopolization and oilgopolization.

According to a study by P.H.Karmel & M.Brunt, as of 1959 the fixed assets of the highest-rank 10 manufacturing companies made up more than 18% of the total of manufacturing; for the highest-rank 25 companies the percentage was more than 25%. The highest-rank four trading firms accounted for 8.5–9.5% of total sales in 1961/62. Four mining companies constituted about 30% of total produce in 1960. And in finance 4 companies owned 40% of total assets of the sector. Such a state of economic concentration may be observed more concretely with individual enterprises as follows.

The positions of 10 biggest companies listed in the Australia Securities Exchange are shown in Table 1, data for 1961. This list excludes giant enterprises registered in foreign countries and operating in Australia as well as their subsidiaries, such as General Mortors-Holden, Ford, British Motor, Volkswagen, International Harvester, Sunbeam, Shell, Esso, Kodak, Philips Electrical, Unilever, Colgate Palmolive, H. J. Heinz and so on.

Anyhow, the economic concentration in Australia has been promoted by big enterprises, domestic as well as foreign-capital-related. Ownership and domination by these big companies are presented by a research on 299 manufacturing companies made by E. L. Wheelwright & J. M. Miskelly.

By this study, 36% of ownership of the 299 companies is kept in hand of foreign companies; only 6% by Australian companies and financial institutions respectively (1962–64). This fact suggests the character of business control and an aspect of the dispositions of enterprises in Australia.

If these positions of ownership are to represent the state of control, 141 companies, 47.2% are under control of foreign companies and 10 companies, 3.3%, under joint control by foreign and Australian enterprises; thus about one half of all companies, either partly or wholly. Such foreign control covers 53.7% of total assets (1,896 million pounds).

Table 2 shows asset composition and profitability of manufacturing companies, selecting 5 companies from each of 5 sections. It must be noticed, however, that the estimates are rough since information is very limited. The grouping comprises (GI) materials, (GII) machinery, equipment, technical products, (GIII) durable consumer goods and (GIV) non-durable consumer goods.

Generally speaking foreign-linked companies have better asset composition, the proportion of liquid liabilities being lower than Australian companies. Profitability of Australian enterprises is not so high, excepting G. M. Holden, again suggesting the constitutional weakness and immaturity of Australian business. In the case of Broken Hill Pty, even allowing for the

Table 1. Assets and Operations of Ten Biggest Manufacturing and Trading Companies (as of 1961)

Rank	Company	Total Assets	do.	Net Returns (a) Net Profits (b)	Operation
		£m	£m	£m	
1	Broken Hill Proprietary Co., Ltd.	293.1	343.1('62)	(a) 54.1 (b) 14.7	Manufacturer. Monopolistic in steel and wire. By-business in coal, shipbuilding, pipe and tube.
2	Colonial Sugar Refining Co., Ltd.	95.0	119.0('63)	(a) 10.9 (b) 4.58	Manufacturer. Actually monopolistic in sugar refining, 20 % of total production. By-business in chemicals and construction materials.
3	Imperial Chemical Industries of Australia and New Zealand Ltd.	79.6	69.8('63) (parent co. only)	(a) 6.1 (b) 2.8 (parent co. only)	Manufacturer. The largest chemical producer. Big maker of paint.
4	Reid Murray Holding Ltd.	63.7	—	—	Trader. By-business in finance, real estate and manufacturing. Wholesale and retail of dried products and consumer goods.
5	Myer Emporium Ltd.	53.9	—	—	Trader. Biggest department store with 11 shops in 7 cities. 2.8% of total retail sales.
6	Ampol Petroleum	51.0	—	—	Trader. Distributor of oil products. By-business in development of oil fields and manufacture of tire. Rank 5 among distributors.
7	British Tobacco Co., (Australia) Ltd.	49.9	59.62('64)	(a) 6.36 (b) 3.00	Manufacturer. Predominant in tobacco industry, governing 50% of market in 1960
8	G.J. Coles & Co., Ltd.	48.3	—	—	Trader. One of the two predominant chain stores. Recently buyed up food and grocery chains.
9	Australian Consolidated Industries Ltd.	47.0	56.3('62)	(a) 8.3 (b) 2.9	Manufacturer. Monopolistic in glass manufacture. By-business in plastics, carton, case and ceramics.
10	Woolworth Ltd.	45.8	—	—	Trader. Another one of dominant chain stores. Recently buyed up food chains.

developing stage of mining and steel industry, its overmuch amount of liquid liabilities seems to be derived from excessive protection, telling imperfect disposition at the early 1960s letting alone the state in future.

A material published as a guide book from the Department of Secondary Industry gives us the following information, that is, inter-firm comparison of financial ratios.

The ratios illustrated in this book refer to 5 companies selected from 25 light-machine-working companies in need of engineering. These values also can be taken to reflect an aspect of the disposition. The ratio between operation profits and utilized assests in the 5 companies is respectively 10%, 18%, 14.3%, 7.9%, and 4.0%. This ratio is dissolved into the ratio between operation profits and sales and the ratio between sales and utilized assets. The former is the sales-profits ratio, being respectively 6.1%, 15.0%, 13.1%, 8.1% and 2.0%. The latter is the used-assets rotation rate, being 1.64, 1.20, 1.09, 0.98 and 2.0 times. From these figures we could make estimation of the efficiency and profitableness of assets, and by contrasting to Table 2 find particularities of them. That is to say, it is to be desired that the sales-profits rate should reach about 10%; if it is below this, it must be said relatively low. The guide book says Company A (the first of the five figures shown) is low in this rate.

The ratio of production costs and sales is respectively 70.4%, 73.0%, 69.4% 72.5% and 79.0%, on average 72.8%. Company A has a relatively low rate of production costs. The ratio of distribution-marketing costs to sales is 17.7%, 8.0%, 13.1%, 13.7% and 15.0%, on average 13.5%. So Company A has larger marketing costs than other companies. The ratio of overhead costs to sales is 5.8%, 4.0%, 4.4%, 5.7% and 4.0%, on average 4.78%. By the book, this is also high in company A.

The ratio between liquid assets and fixed assets in these 5 companies is 188 to 34, 213 to 91, 219 to 116, 288 to 84, and 123 to 53; in all the liquidity is high. This is of course because these companies carry business that requires engineering. However, as to the ratios between materials, goods-in-process and finished products, companies No. 4 and No. 5 seem to have some problems.

Thus, we can suppose existence of many problems concerning business disposition and administration, and must expect further improvement in the efficiency of enterprise.

3. Problems Referring to Business Personnel

Of course the said business personnel involves top manager, administrator, engineer and general employees (white as well as blue collar). As has been already mentioned in connection with the quality and quantity of settlers, it cannot be said that the general employees, notably blue collar, are well trained qualitatively. So the problem of quality, as well as quantity, of business personnel is becoming increasingly impressing in accompany with industrialization.

This means shortages of skilled labor force, and hence many programs of

Table 2. Asset Positions and Profitableness of Twenty Representative Manufacturing Companies in Australia

Company	Capital (1) £m	Gross Assets (2) £m.	Net Assets (3) £m.	Liquid Liabilities (2)-(3) £m.	Net Returns (4) £m	Net Profits (5) £m.	(5)/(2) %	(4)/(2) %	(5)/(1) %	(4)/(5) £m.
1. B.H.P (steel)*	112.70	282.0	54.1	227.9	54.1	14.7	0.52	1.91	13.04	39.4
2. Shell Petroleum Australia (refinery)*	9.00	50.8	42.0	8.8	5.4	0.6	1.18	10.63	6.97	4.8
3. ALCOA of Australia (aluminium)*	18.5	23.8	21.6	2.2	—0.48	—0.57	—	—	—	—
4. Australia Paper Mng. (pulp, paper)*	21.9	49.1	41.1	8.0	5.9	2.1	4.27	12.0	9.58	3.8
5. Australia Consilidated (paper goods, package)*	23.0	56.3	43.1	13.2	8.3	2.9	5.15	14.7	12.60	5.4
6. Clyde Industry (heavy industry)**	4.18	20.38	15.59	4.79	1.95	1.15	5.64	9.56	27.5	0.8
7. International Harvester Australia (farm equip.)*	5.00	25.2	20.0	5.2	2.8	1.5	5.95	11.1	30.0	1.3
8. Cable Maker Australia (cable,wire)**	2.40	6.2	4.5	1.7	1.0	0.3	4.84	16.1	12.5	0.7
9. Australian Electrical Industry (electrical machine)**	4.00	11.1	9.1	2.0	0.85	0.26	2.34	7.66	6.05	0.59
10. Amalgamated Wireless (A/ASIA)**	3.00	14.4	9.95	4.45	2.3	0.78	5.41	15.9	26.0	1.52
11. G.M. Holden (auto)**	13.75	114.0	78.9	35.1	41.2	19.2	16.8	36.14	139.6	22.0
12. Ford Motor Australia (auto)**	16.57	53.1	29.6	23.5	—2.5	—0.003	—	—	—	—
13. Dunlop Rubber Australia (rubber, tire)***	15.6	42.6	31.2	11.4	5.8	2.45	5.75	13.6	15.7	3.35
14. Email. (refrigerator, washer)**	5.58	21.1	14.2	6.9	1.3	0.6	2.84	6.16	10.75	0.70
15. Electric Industry (radio, televi)**	6.52	30.8	18.2	12.6	1.68	0.67	2.14	5.45	10.27	1.01
16. Yarra Falls Limited (woolen textilis)**	2.49	8.14	6.09	2.05	0.6	0.192	2.36	7.37	7.71	0.408
17. Riverstone Meat (meat, ham. bacon)**	1.00	10.5	1.09	9.41	0.09	—0.04	—	9.00	—	—1.3
18. Petersville Australia (dairy products)***	4.49	16.76	12.02	4.74	1.38	0.58	3.46	8.23	12.9	0.80
19. Colonial Sugar (sugar, tee, coffee)***	21.16	119.0	88.2	30.8	10.9	4.58	3.85	9.16	21.64	6.32
20. Carlton & United (beer)***	15.76	44.3	37.9	6.4	7.1	3.1	6.99	16.02	19.67	4.0.

Asterisk *1962, **1963, ***1964.

Financial values were adapted from E. L. Wheelwright & J. Miskelly; Anatomy of Australian Manufacturing Industry, 1967.

training have been prepared.

Such technical training in this country has been carried by special facilities within business, side by side with the traditional system of apprenticeship. Such extent of training, however, is not sufficient to catch up the process of industrialization and technological innovation. For example, according to a report of a fact-finding committee on the apprentice system in Western Australia, a continuing increase of skilled workers up to 1972 is required, and the numbers by the apprentice system must be doubled.

Such requirement has been born from increased demands for skilled workers in inter alia metal and electrical industries, and more generally for "process workers," that is, tradesman, inspector, supervisor or technician-type workers.

In addition to these changes in demands, in accompany with the shift of age-pattern of population, the age-composition of labor force has entered the stage of problem requiring selection and training of supervisors.

By a material titled "Training for Future Labour Force," published by the Australian Institute of Management, during 1961 and 1966 there was an increase of more than 510 thousand in total labor force, of which the largest growth was the group aged 40–59 counting 204 thousand. The group of 20–24 agers numbered 134 thousand, while below-20 agers only 92 thousand.

On the other hand, in the projection for 1966 to 1971, an increase of 600 thousand is expected, and for 1971–75, 621 thousand. The projection is as shown in Table 3.

It is supposable that some change may arise in the pattern of age composition. From the viewpoint of training the problem concerns the group under 20 years old, which has shown an increase of 920 thousand (14%) up to 1966, but is expected to decrease by 9.3 thousand by 1971 declining to 12% of total

Table 3

The Estimated Work Force*

The following table shows the estimated work force for 1963 and the projected work force for 1966, 1971 and 1976:

Age Group	NUMBER OF PERSONS 1961 Census	1963 Estimated	1966 Projected	1971 Projected	1976 Projected	MOVEMENT 1961-1966	1966-1971	1971-1976
Under 20	557,900	607,600	649,900	640,600	654,700	+ 92,000	− 9,300	+ 14,100
20-24	513,800	540,800	647,700	839,500	895,500	+133,900	+191,800	+ 56,000
25-39	1,376,600	1,376,700	1,428,000	1,627,000	2,024,800	+ 51,400	+199,000	+397,800
40-59	1,472,800	1,547,500	1,677,000	1,848,000	1,953,900	+204,200	+171,000	+105,900
Over 60	304,000	313,800	332,700	377,400	424,600	+ 28,700	+ 44,700	+ 47,200
TOTAL	4,225,100	4,386,400	4,735,300	5,332,500	5,953,500	+510,200	+597,200	+621,000

*Assumes an estimated 100,000 immigrants a year.

Source: Commonwealth Treasury: Projections of the Work Force 1963-1967.

labor force, and further by 1976, even with a possible 14 thousand increase, to 11%.

Contrastively the age group of 25–39 will reach 398 thousand by 1976 to make up 65% of total rise and 34% of total labor force.

On the basis of these estimates, the direction of training for younger workers is predicted. Its basic figures are shown in Table 4 below.

Table 4. Youths in Labor Force and Training

Year	Males Aged 15	Enrolled at School	School Graduate	Under Apprentice	Not under Apprentice
1964	102,757	34,937	67,820	21,600	46,220
65	102,626	35,919	66,707	21,500	45,207
70	112,129	42,609	69,520	23,500	46,020
75	127,000	53,340	73,660	26,700	46,960

It is prospected that those "not under apprentice" will not receive any regular and systematic training. The figures of them pose the problem. Thus systematic training—implying the conditions of industrialization and technical progress—for every sector of labor force must be charged first by employers themselves.

Next, the training for administrators and supervisors comes to be an urgent task in accompany with the change in age-pattern and the qualitative level-up of work. However, training for such personnel in work posts is substantially difficult, as has been experienced also in Japan. So it must be charged on technical institutions or management institutions.

The actual state and programs of education for the third item are reported in a material of the Australian Universities Committee as follows.

In 1963, 69 thousand persons were being educated at universities, 34 thousand in technical institutions, and 15 thousand in educational colleges, totaling 118 thousand. Among them those related to the institutions are expected to rise to 56 thousand in 1967, 81 thousand in 1971, and 96 thousand in 1975. Those related to the universities are estimated at 86 thousand in 1967, 112 thousand in 1971, and 125 thousand in 1975. It is conceivable that some tens of percent of them will constitute future personnel of business administration in those fields of economy, law, management or engineering.

Business-related education in universities will be described later. Here some words shall be spoken about the establishments of training for administrators and supervisors already being employed.

A representative one of such facilities is the Australian Institute of Management. The training programs at its home office in Melbourne (it has seven branches in major cities) are as below.

Its "general education program", of one-year course, covers about 40 items for the sake of middle-class workers and supervisors, employing various methods such as lecture, lecture-series, study-group, discussion as well as

conference.

The contents include, not only general management, but also financial management, marketing, office management, personnel management, public relations, production, and transportation and training as well as treatment of mechanization data.

The "management training" is divided into some thirty courses, aiming at development of ability and promotion of business achievements for senior and middle-class workers as well as supervisors. Each course is limited to a small group of 10 to 12 persons. The term of a course is generally short, differing among courses. Major ones of them are executive development course (8 units, 8 weeks), basic management course (120 hours), management process course (150 hours), communication in management course (3 days), business economics (2 days), production planning course (20 sessions, each in 2 hours), counselling course (3 days), creative problem-solving course (3 days), supervisor's course (50 hours), TWI course (20 hours), office administration course (5 days), personnel management course (8 units, 8 weeks), training officer's course (9 weeks), salesmanship course (12 hours), and secretary's course (5 and half days).

In addition to these there are some new-developed courses such as business statistics (5 days), management and financial affairs for senior administrator (7 days), new-product development (2 days), human behavior in organization (5 days) and decision-making in business (4 days) and, as an international seminar, comparison of business between Japan and Australia —all reflecting recent situations. Thus it is supposable that the AIM's programs, with varied contents, are considerably wishful. Still they cannot be said perfect for business personnel, and so business education in universities is being increasingly emphasized as a master course. The business education in university is divided into graduate-college curriculum and college curriculum. In Melbourne University the first year of master course contains 4 curricula, each requiring 2 seminars or lectures per week through the year, and at least 2 curricula must be completed since 2 curricula of specialized fields in the university are exempt from study. The curricula involve (1) accounting and financial affairs, (2) economic structure and policy, (3) business statistics, and (4) human behavior in business.

In the second year 8 curricula must be studied: (1) business policy, (2) organization theory, (3) administrative process, (4) managerial economics, (5) marketing management, (6) financial management, (7) company financial policy, (8) investment analysis, (9) business fluctuation, (10) marketing theory seminar, (11) integrated marketing strategy, (12) management information systems, (13) administration in government, (14) personnel management, and (15) problems in organizational behavior. Selection is allowed from among these.

There are other facilities of business education, for example, the Heming-

way Robertson Institute.

This institute is said to have made much contribution in bringing up accountants in this country. It was founded early in this century by Hemingway and Robertson, both chartered accountant, and has educated a large number of accountants. This is represented in the recent results at four accountant-examination organizations. Candidates for examination who had studied at the Institute constituted 89.6% of the total at the Bankers' Institute of Australia, 86.7% at the Institute of Chartered Accountants, 52.1% at the National Institutes of Accountants and 40.4% at the Australian Society of Accountants.

The institute has its head office in Melbourne and branches in Sydney, Brisbane, Adelaide, and Hobart. Lessons are given by attendance or correspondence. Beside accounting courses, it has commercial study, office management, banking, business training for girls, as well as—as modern management training—sales management, business administration and advertising courses. And further a new service to modern management has been added, that is, introduction to digital computer covering basic principles and concepts, Introduction to systems design and analysis, IBM System/360 Model 20 (30) Programming, IBM report program generator programming system, Cobol programming system, and Comprehensive program planned.

Thus being an educational institution, the Institute is supplying numerous talented men who are actively working not only in Australia but also in New Zealand and other areas.

This is an example of facilities for education and training. In view of these activities of bring-up of administrator, supervisor and other specialists, it may be expectable that future conditions related to these personnel and ability be fulfiled.

As a good reference to these aspects may serve T. N. Robertson ed., Monopolies and Management, 1964, which compiles reports by L. Wrwick on general education and occupational training and one by N. G. R. Wills on management and Australian universities. And the problems of personnel administration are described in M. Kangan, Personnel management for Australia, 1964, though a tiny book.

Above we have attempted a summarization of some aspects of dispositions of Australian business on the base of limited materials and observations. In conclusion, in every principal condition there lies a distance from that of advanced industrial nations, and no strong points of business can be found. The above-described major conditions appear to be working mutual restraints. The high labor mobility and its direction do not seem to have much transmitting relation to labor morale and productivity.

However, either with economic policies or business administration, a posture toward steady progress can be strongly felt. We wish to keep incessant attention on what a new course will be taken tomorrow stepping out from the dependency on Britain, and in what ways the problems surrounding business

dispositions will be solved, referring to information on closer relations between Australia and Japan.

Around the Problems of Business Administration in New Zealand

New Zealand has still smaller population than Australia, counting only 2,727 thousand as of March 1967. Hence the markets are also narrower.

Under such a condition its value of factory production has come barely to $133.5m in 1964/65. The factories number 9,753, and employees 211 thousand. The factory production makes up 20.1% of total domestic output; the stage of industrialization is still to come. Taking 1955/56 for base, the output of 1964/65 is 1.8 times as large.

On the other hand, consumer expenditure is measured as 1,110m pounds for 1964/65, constituting 64% of GNP. Compared with this, the factory output of $133m may tell the position of industrial production.

Total labor force counts 1,030 thousand in 1966; even for 1970 it is projected to be 1,120 thousand.

Investment depends on the proportion of savings to GNP. The rate of savings was 25.72% in 1960, 21.07%, in 1961, 20.78% in 1962, and 21.81% in 1963—thus about 20% of GNP. The share of productive investment from savings is conditioned by the scale of production of a country. According to data by the Statistics Bureau investment in fixed capital accounted for 21.5% of GNP in 1960, 22.9% in 1961, 23.3% in 1962 and 22.2% in 1963. Housing and other fixed capital investment was 12.1%, 12.6%, 13.7% and 12.7% respectively.

By the words of C. A. Breis, the strategic factor of New Zealand is technological progress ("Strategic Factors in New Zealand's Economic Growth, 1965 to 1975," 1965). The said technological progress, as the problem of investment in education and research, pertains to development and use of new products, advance of production, management and labor skills, and new methods of business administration. It is a wide-range investment including not only commercial but also non-commercial education and research.

Now let's consider the present state of business administration in view of an economic scale assuming population of 3,250 by 1975.

On the condition of the growth rate of labor force of 1.5% to 2.5% and that of savings of 14% to 18%, one may get an idea on where the emphasis of technological progress should be placed.

According to an analysis made by the Reserve Bank on the balance sheets of public companies, the following features are seen. As shown in Table 5, during 1954 and 1964 fixed assets have increased by as much as 9 percentage-points, and accordingly liquid assets and investments have decreased. Contrastively long-term liabilities have shown a rise of 8 percentage-points.

These positions of company assets and capital reveal the need of efforts

Table 5. Proportion of Total Assets and Liabilities

Liabilities	1954	1964	Assets	1954	1964
Liquid liabilities	31%	27%	Liquid assets	48%	42%
Long-term liabilities	12	20	Investments	15	12
Shareholders' funds	57	53	Fixed assets	37	46
Total	100	100	Total	100	100

Table 6. Companies Stocks, Income, Expenditure, Etc.

Income Year	Stocks at End of Period	Income		Gross Profits	Dividends Paid
		Sales and Services	Interest and Rents		
	£ (million)				
1954-55 ..	259.6	1,670.8	32.5	268.6	31.9
1955-56 ..	279.9	1,770.8	36.5	284.1	32.9
1956-57 ..	287.7	1,880.7	41.6	307.2	35.9
1957-58 ..	315.6	2,051.3	46.0	332.0	42.6
1958-59 ..	327.7	2,144.3	49.9	355.4	36.2
1959-60 ..	338.9	2,300.5	56.9	388.8	41.3
1960-61 ..	384.7	2,550.9	64.5	441.6	54.3
1961-62 ..	397.3	2,665.7	71.8	468.4	56.9
1962-63 ..	414.8	2,809.3	78.1	504.7	62.7

Income Year	Expenditure			
	Purchases	Salaries and Wages	Interest and Rents	Depreciation
	£ (million)			
1954-55 ..	..	237.5	25.2	28.4
1955-56 ..	..	260.4	28.9	31.2
1956-57 ..	1,228.8	279.9	33.0	36.0
1957-58 ..	1,358.7	300.5	33.1	40.1
1958-59 ..	1,390.7	317.1	37.9	41.5
1959-60 ..	1,471.0	335.1	40.4	41.6
1960-61 ..	1,653.3	368.4	47.0	46.2
1961-62 ..	1,692.3	398.1	54.4	50.9
1962-63 ..	1,767.2	419.1	58.5	55.7

of improving profitability and productivity. The overall trend is observable in Table 6. The necessity of technological progress has been made more urgent by the situations. So below let's us see the state of education and training related to new methods of production and management.

The business administration in New Zealand has been characterized by her social, economic and cultural backgrounds; in particular there is born mobility that renders possible promotion within business for administrators, supervisors or skilled workers. This has been pointed out by R. S. Milne in his

"Management in New Zealand Manufacturing Industries," 1963.

The Technical Correspondence Institute is a big one of such educational facilities, with enrolled students counting 13 thousand. Its contents extend over a wide range, being divided into five departments of General Studies Dept., Techniciand Dept., Building Trades Dept., Engineering Dept. and Motor Trades Dept.

The Technicians Dept., for example, has 18 courses, 10 of which can give qualifications, including New Zealand Certificates in Engineering (5 years), New Zealand Certificates in Draughting (5 years), New Zealand Certificates in Building, as well as Technicians Certificate (3 years) and Technical Teacher's Certificate (3 years) and so on. They are intended to bring up élite technicians and instructors of metal, wood and other work.

The Management and Commerce course involves Banking, Customs Agents and Customs Officers, Legal Authority Administration, Real Estate Agency and Transport, each educating respective personnel. This course of 3 to 4 years makes a preparation course to the national examination by the Institute of Management, but sometimes such qualification is given by this course.

The N. Z. Institute of Management, an educational organ, is responsible for national examination. It provides various courses such as NZIM Management Diploma, NZIM Certificate of Administration, NZIM Supervision Certificate, and NZIM Existing Diploma.

Aiming at education for administrators and supervisors, its courses cover the following fields. (a) General Management, (b) Financial Management, (c) Management Marketing, (d) Office Management, (e) Personnel Management, (f) Production Management, (g) Public Relation and (h) Supervision. Table 7 shows relations among these.

In the first year of the Industrial course (see Table), 45 hours are allocated to Foremanship & Supervision A, and 46 hours to B.

In the second year, Personnel Management covers 27 lectures in 54 hours. In the third year, Management Science involves 45 hours, Financial Management I 50 hours, and Marketing 54 hours, thus totaling 149 hours, fairly many hours.

In the final fourth and fifth years, 50 hours are allocated to Financial Management II, 54 hours to Organization & Administration, 50 hours to Management Economics, and some unknown hours (probably about 50), totaling 204 hours.

Thus there have been many people who have acquired respective qualifications through such many years' education and gradually entered business as fixed personnel. So moves of supervisors from firm to firm are rather rare, in contrast to the case of Australia. The NZIM has twelve branches over the country, each having particular courses.

The above is only an outline of the situations around business administraration in New Zealand. Much of the materials I have brought home is still

awaiting analysis. I wish to have another occasion to present a more precise report.

Table 7

<table>
<tr><td>Year
5

4</td><td colspan="3">FINANCIAL MANAGEMENT II
QUANTITATIVE TECHNIQUES
ORGANISATION AND ADMINISTRATION
MANAGEMENT ECONOMICS</td><td>N. Z. I. M

MANAGEMENT

DIPLOMA</td></tr>
<tr><td rowspan="2">3</td><td>BUSINESS</td><td>INDUSTRIAL</td><td>RETAIL</td><td rowspan="2">N.Z.I.M. CERTIFICATE IN
BUSINESS
INDUSTRIAL
RETAIL
ADMINISTRATION</td></tr>
<tr><td>Financial M'gement I
Marketing
Management Science</td><td>Financial M'gement I
Marketing
Management Science</td><td>Financial M'gement I
Marketing
Management Science</td></tr>
<tr><td>2</td><td>Personnel M'gement
Administration II</td><td>Personnel M'gement
Production M'gement</td><td>Personnel M'gement
Administration II</td><td rowspan="2">N.Z.I.M. SUPERVISION CERTIFICATE IN
BUSINESS
INDUSTRIAL
RETAIL</td></tr>
<tr><td colspan="3">Point of entry as set out on previous page.</td></tr>
<tr><td>1</td><td>Administration I
Salesmanship
Money Banking & Finance</td><td>Foremanship & Supervision A
Foremanship & Supervision B</td><td>Retail Administration

Retail Merchandising and Salesmanship</td></tr>
</table>