

# The Investment Analysts Journal

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# Die Beleggings- Navorsers Tydskrif

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Over the past one hundred years the image of private enterprise has changed dramatically and even now is in the process of significant modification. During the nineteenth century the firm presented few problems to economic theorists. It was a business unit, usually set in a competitive environment, which through the motive of profit, both co-ordinated factors of production and satisfied wants. Today things are different. Modern technology has not only resulted in the emergence of vast corporations and the narrowing of the range of competition, but wants are no longer a necessary precondition for production and even the notion of profit maximisation has been subjected to sceptical comment and criticism.

In a world where the future is unknown and where technological change makes it increasingly unpredictable, profit is not a certain result of hard work or enterprise. It is increasingly subject to risk, and such is the relationship between profit and risk that the bigger the one, the greater does the other become. In such circumstances, profit maximisation implies risk maximisation and this we know from experience and empirical study is something the modern mature corporation generally seeks to avoid. Indeed, it has been suggested by a number of writers, including J. K. Galbraith and Ezra Solomon, that contemporary management, uniquely separated in its control from business ownership, may be more concerned with achieving a safe profit rather than a maximum return to shareholders.

To such writers, the firm is no longer what it was to the theorists of preceding generations. It has ceased to be a vehicle simply for the optimisation of the returns to a particular group and is increasingly a vehicle through which a surplus, created by production, is allocated to a number of different parties. These include employees, suppliers, customers, the revenue authorities and even society at large, as well as owners. On what basis should that surplus be allocated between these contenders especially when giving more to one invariably means giving less to another? The old notion was that all costs should be minimised and all revenues maximised so that the biggest amount possible could be distributed as dividends. Today, also in South Africa, we acknowledge that workers should be paid a living wage whatever the balance of demand and supply in the labour market, that the consuming public should be safeguarded by proper, even if costly, attention to quality, and that social costs, too, should be taken into account when assessing the contribution of modern industry to national well-being.

All these matters are of the greatest importance to two

Die beskouings oor private onderneming het gedurende die afgelope honderd jaar dramatiese veranderings ondergaan, en is tans nog besig om betekenisvol te ontwikkel. Gedurende die negentiende eeu het die onderneming weinig probleme vir die ekonomiese teoretici ingehou. Dit was 'n sake-eenheid, werksaam in 'n klimaat van mededinging, wat, aangespoor deur winsbejag, produksiefaktore saamgevoeg en in behoeftes voorsien het. Vandag is die toestand geheel en al verskillend. Hedendaagse tegnologie het gelei tot die ontstaan van reuse-ondernemings en 'n smaller area van mededinging. Behoeftes is nie meer die grondrede vir produksie nie en selfs die maksimale winsmotief word tans in 'n skeptiese lig gesien.

In 'n onsekere wêreld waarvan die toekoms vanweë tegnologiese veranderings, steeds minder voorspelbaar is, kan dit nie sondermeer aanvaar word dat harde werk en ondernemingsgees met winste beloon sal word nie. Winste is in 'n toenemende mate afhanklik van risiko en die verhouding tussen die graad van risiko en die omvang van winste is van so 'n aard dat dit neig om direk eweredig te varieer. Onder die omstandighede dui winsmaksimalisasie dus op risikomaksimalisasie. Ondervinding en empiriese studie dui egter daarop dat dit juis dié toestand van sake is wat deur die hedendaagse volwasse ondernemings vermy wil word. Verskeie skrywers soos J. K. Galbraith en Ezra Solomon het inderdaad bevind dat hedendaagse bestuur, in 'n toestand waar beheer en eienaarskap van mekaar verwyder is, verkies om na 'n veilige wins in plaas van maksimum opbrengs vir aandeelhouers te strew.

Sover dit dié skrywers aangaan, is die onderneming nie meer wat dit was vir die teoretici van die vorige geslag nie. Dit het opgehou om bloot 'n middel te wees om optimum winste vir sekere groepe te behaal, en word almeer beskou as 'n middel vir die verdeling van 'n produksiesurplus onder verskillende groepe. Hierby word ingesluit werknemers, leweransiers, klante, die belastingowerhede, eienaars en selfs die gemeenskap as geheel. Op watter basis behoort die surplus tussen deelnemers verdeel te word, veral as in ag geneem word dat 'n verhoging in die aandeel van een noodwendig moet lei tot 'n vermindering in dié van 'n ander? Die tradisionele opvatting was dat alle koste tot 'n minimum beperk en alle ontvangste op die hoogste peil gebring moet word, ten einde die groots moontlike winsuitkerings in die vorm van dividende te maak. Teenswoordig word algemeen aanvaar, ook in Suid-Afrika, dat werknemers op 'n bestaansloon geregtig is, ongeag die stand van vraag en aanbod in die arbeidsmark, en dat die verbruikerspubliek beskerm moet word by wyse van deeglike sorg oor kwaliteit selfs al beteken dit groot

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of the articles contained in this issue of the Investment Analysts Journal. To modern theorists and practitioners alike a business unit, especially where the stake of workers and others is large, is not something that can be left solely to the private regulation of its immediate owners. How it functions, its effect on the environment and its level of efficiency, are of interest to a much wider circle.

While neither the Investment Analysts Society nor The Investment Analysts Journal are presently committed to one side of a controversial issue, it can be suggested that the establishment of an SEC type body in South Africa would have an importance beyond the mere protection of investors. It would concern, too, the very efficiency of capital markets and thereby have far reaching consequences for the valuation of securities and costs of capital as well. It would not, however, avoid the problem associated with the changing nature of profit in modern capitalist society. That problem would remain whatever the system of regulation and control. But it is reasonable to assume that the problem would be more frankly faced and more completely solved if we become more open about the business units that together constitute our economy and more determined to combat the influence of obscurantism.

The Editor

uitgawes. Laastens moet ook die sosiale opofferings in ag geneem word, wanneer die bydrae van die moderne nywerheid tot die nasionale welvaart beoordeel word.

Aan dié faktore word aandag gegee in twee referate wat in hierdie uitgawe van Die Beleggings-Navorsers Tydskrif verskyn. Moderne teoretici sowel as persone wat in die praktyk staan, is dit eens dat die sake-eenheid, waarvan werknemers en ander breër groepe afhanklik is, nie meer in die uitsluitlike beheer van sy onmiddellike eienaars gelaat kan word nie. Hoe dit funksioneer, die invloed op die omgewing, die vlak van doeltreffendheid, is faktore wat breër implikasies het.

Terwyl nóg die Beleggingsnavorsers Vereniging nóg Die Beleggingsnavorsers Tydskrif oor dié geskil standpunt wil inneem, word dit tog gevoel dat die daargestelling van 'n 'S.E.C.'-tipe liggaam in Suid-Afrika 'n groter belangrikheid sal hê as slegs die beskerming van beleggers. Dit mag selfs die einste doeltreffendheid van kapitaalmarkte raak, en daardeur belangrike gevolge vir die waardasie van sekuriteite en die koste van kapitaal hê. Die probleem van die veranderlike aard van winste in die hedendaagse kapitalistiese stelsel sal egter nie hierdeur vermy word nie. Dié probleem sal bly voortbestaan, ongeag die stelsel van kontrole en beheer. Maar dit is redelik om te aanvaar dat 'n eerlike siening van die probleem, en vordering in die oplossing daarvan, moontlik word indien ons bereid is om die sake-eenhede waaruit ons ekonomie saamgestel is, vir ondersoek te ontbloot en die neiging tot verdoeseling daadwerklik te beveg.

Die Redakteur