



## AGRIBUSINESS IN A SOCIAL-CONSCIOUS ENVIRONMENT\*

### Perspective

The agribusiness firm is not a closed system. Instead, it exists within, and becomes an integral part of, a complex socio-cultural-economic complex. Over time, our agribusiness firms have become the artifacts which describe the progress and priorities of our rural society. The evolution of our agribusiness industry, therefore, closely parallels that of rural America -- the analogies between the two are numerous.

Of course, rural society, itself, is not monolithic. It is composed of an amalgamation of heterogeneous segments, differing in heritage, background, and life style, yet unified by a few common goals, aspirations, and choice of vocation. Rural America's goals, like those of its component individuals, are emotional and motivational. They vary widely through time, particularly from one generation to the next. Yet our rural American society has been unique in the extent to which one goal has remained dominant over time and across recent generations. I am referring to that goal which calls for the continual quest for an increase in economic productivity. As proof of this goal's pervasive dominance, I ask how many times this past year have you heard or read a statement suggesting, "The average American farmer now produces enough food in one year to feed \_\_\_?\_\_\_ people." I recall this statement

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\* Views expressed in this article represent those of the author and are not to be attributed to Washington State University.

from my days as a vo-agr. student in high school. Yet the statement, and its emphasis on economic productivity, continues to dominate the goal-directed activities of rural America.

The results of this pervasive quest for enhanced productivity have been spectacular. A virtually limitless quantity and variety of agricultural products are now being produced. Although food product scarcity continues to plague half of the world's population, "affluence" has become the major distinguishing characteristic of American society.

In its reflection of society's goals, our agribusiness industry has also reflected this preoccupation with economic productivity. Large amounts of food and fiber products are now available for public consumption. Vast improvements in both quantity and quality can be well documented. Yet only recently has the agribusiness industry become aware of the fact that these improvements are no longer good enough. Society has changed. It not only wants large quantities of nutritious food, it asks for both of these without the further use of polluting chemicals and fertilizers. It not only wants high quality building materials, it asks for them without adding to air pollution and without reducing the aesthetics of our nation's forested lands. We're confronted with a new consumer in a social-conscious environment. The objectives of this paper are: 1) to describe this so-called new consumer, 2) to consider the agribusiness industry's reaction to its new market environment, and 3) to discuss a means by which an agribusiness firm may develop a higher degree of social consciousness.

## **A New Consumer**

A. H. Maslow, in his book Motivation and Personality (New York: Harper and Row, Publishers, 1954), characterizes human behavior as intrinsically self-serving and goal-directed. Maslow maintains that human beings seek satisfaction of physiological and psychological needs which are arranged in order of primacy; i.e., basic level needs (survival and safety) are prepotent and demand fulfillment prior to the satisfaction of higher level needs (love, esteem, self-respect). As man satiates one level of needs, he is then motivated to satisfy those of the next highest priority level.

The American consumer now finds himself living in an era of affluence. Hence the most basic physiological needs have lost their motivational significance to most of the buying public. Much of our society is now beginning to climb up the needs hierarchy. Postwar technological advancements have further propelled our consumers upward to the point where their motivational desires are reflected in the new demands they are making of products (and producers). The so-called "consumer consciousness" of modern American society testifies to this premise -- as does the experience of several agribusiness firms now awaiting litigation resulting from charges of inferior products, misleading claims, and environmental degradation. Who would have guessed twenty years ago that the general public could force an agribusiness firm to openly advertise the health hazard of its own product, e.g., cigarette manufacturers?

On a more personal level, the act of consumption is becoming more expressive of individual priorities. The affluent American consumer now seeks the satisfaction of needs which require not only the act of consumption, production, and distribution in the conventional sense, but also, and often principally, the satisfaction of more aesthetic needs of a higher

order. E. J. Kelley, in his book, Toward Scientific Marketing, (ed. Stephen A. Greyser, American Marketing Assoc., Chicago, 1963, p. 170) says, "People are not as likely to see themselves as consumers in the future, but as something else -- perhaps as individuals creating their own style of living by using the services of business." In other words, your product, its functional attributes, and its performance features will soon become little more than a vehicle through which the consumer's desired image is conveyed to others in society. Sound absurd? Not really. For example, this past summer I purchased a four-wheel drive pickup truck. Why did I request four-wheel drive? Well, of course, I was attempting to satisfy my functional desire for increased mobility during our long, hard, Pullman winters. But aside from the functional attributes of the truck, it also satisfied my personal desire to express to others my interest in outdoor sports, such as hunting, fishing, and skiing. Hence, the truck manufacturer sold to me not only the product and its functional performance, but also a "vehicle" through which I might express to others my desired life style.

## **Agribusiness Reaction**

The new consumers now comprise the market for most of the agribusiness industry's output. The new consumers have not suddenly appeared, but have evolved slowly through the postwar period. Hence, the agribusiness industry, like others, has had adequate time to adjust to those new demands associated with the increased importance of consumers' higher level needs. Unfortunately, not all firms have made all of the necessary adjustments. Adjusting one's business goals from an economic productivity orientation to one more compatible with our new social-conscious environment is no easy task. In the past, the agribusiness firm was attuned to respond to the needs of its customers. Today, the same firm must react more to the preferences of all

society, much of which is not, and never will be, the firm's customers. The socio-cultural practices of some agribusiness operations have received increased emphasis as a result of management's growing awareness of the plight of those economically and socially disenfranchised. Yet, more often than not, such adjustments have been in response to direct public opinion and governmental pressure.

Does your firm possess a social consciousness, or are your firm's actions still dominated by your desire to pursue the single goal of increased economic productivity? In the future, there may be little choice. Your customers and all of society may require that your firm enhance its level of social consciousness. Too many agribusiness firms still retain an antiquated view of their consuming public; i.e., they view their customers as an occupationally-similar chunk of society, when they should be viewing their consuming public as an assemblage of distinctively different individuals. A firm's social consciousness must facilitate this change in outlook. In addition, however, the social consciousness must: 1) justify the existence of your firm to an increasingly critical public, 2) provide, to stockholders, support which rationalizes corporate-sponsored social programs, 3) be visible (i.e., be promoted), and yet, 4) be sufficiently flexible so as to be, if not universally acceptable, at least non-alienating.

### **Market Myopia**

The agribusiness industry has, in recent years, been subjected to a seemingly unending series of public charges. Fertilizer and agricultural chemical manufacturers and retailers have been charged with polluting our streams and air. Food processors have been charged with injurious altering of the content of our food products. Even food retailers are now finding the fingers pointed in their direction suggesting that they, alone, contribute to the inflationary spiral of prices. Are agribusiness firms really

this antisocial? I think not. In fact, they are suffering from a severe case of "market myopia." The marketing process must, of course, be the ultimate focus of all business activity. Effective marketing entails the transfer of ownership or possession of products (services) to consumers through refinement to their (the consumers) specifications. To survive and succeed, the firm constantly must adjust to shifts in consumer specifications. And as noted earlier, consumer specifications, including the expectations and motives associated with the purchase of the product, have changed rapidly over the past two decades. Much of our industry has remained too shortsighted (myopic) to foresee these dramatic changes. Of course, products must still meet basic performance expectations, just as basic level human needs demand fulfillment within Maslow's hierarchy (e.g., food must be nutritious and satisfy hunger). But products designed to conform to such traditional performance criteria now are being judged by additional standards of acceptability (e.g., is the food also "safe," does it contribute to health as well as maintain it, does its consumption provide desired social connotations, etc.). The relevant dimensions of a product's marketability -- those attributes which determine whether a product will sell or not emanate increasingly from the upper levels of the consumers' needs hierarchy. Food processors, farm supply retailers, machinery and equipment dealers, and others must now recognize that the social image of their entire firm is evaluated through its products and the degree to which they satisfy the new hierarchical needs of the customer and the general public.

### **Management's Social Responsibility**

At the heart of the major issue facing management today is the question of the degree to which a social and environmental consciousness are consistent with the attainment of long-standing business goals.

Traditionally, management has circumvented or totally ignored the issue. In the past, business intervention to correct social inequities or environmental hazards has been interpreted as being in conflict with the profitability objectives of the firm or as falling more properly within the sphere of governmental responsibility. Now an abrupt change is taking place -- and rightfully so.

For example, the hottest new area of controversy in managerial accounting centers on something called the "social audit" (see September 23, 1972 issue of *Business Week*, pages 88-92). For the first time, major American businesses are actively searching for ways of measuring their performance in programs that affect the society around them. Two Harvard professors are suggesting that the traditional financial balance sheet be supplemented by an audit of the firm's contribution to and/or burden on society (see "*The Corporate Social Audit*," by R. A. Bauer and D. H. Fenn, Jr., Russell Sage Foundation, Publisher). And just last month, the American Institute of Certified Public Accountant's appointed a committee to develop "standards and techniques for measuring, recording, reporting, and auditing the social performance of a business firm."

### **Achieving a Social Consciousness**

In short, it has become evident that a business firm can no longer afford to be without a social consciousness. Failure to achieve such a consciousness and act accordingly will be mirrored in a declining stream of income and provide an open invitation to charges of antisocial conduct. So how should the business manager proceed? Three professors from Texas, Utah, and Florida (see "*The Environmental Role for Marketing*," by W. T. Anderson, L. K. Shapre, and R. J. Boewadt, *M.S.U. Business Topics*, Summer 1972, pages 69-71) have proposed that, like consumers, the managers should develop a needs hierarchy for

their own firms. Such a structure, they argue, would provide the basis for achieving a social consciousness that is responsive to the higher level needs of the modern consumer. The professors' hierarchy would contain the following levels of business firm needs:

**Survival:** Like a human being, the most fundamental need of the business firm is concerned with survival. In the short run, this need may be satisfied by black ink on the financial ledger. Yet over the long run, management should realize that survival really depends on *doing something right* from the standpoint of satisfying those new consumer needs discussed earlier.

**Security:** Once the firm's survival needs have been satisfied, security needs become the next level of concern. In most firms, long-run security is attained by forecasting, planning, and long-range programming. In these processes, management scans the environment in search of threatening actions by competitors, the new consumers (activists), or their regulatory bodies. Once such actions are observed, management attempts to find ways to sustain revenue flows sufficient to support his firm's functions. Stabilizing flows of sales revenue necessitates the adoption of a consumer-conscious orientation. In essence, the firm must respond *with* its environment, not *against* it.

**Corporate image:** Corporate image constitutes the third hierarchical level. These needs are evidenced by the firm's desire to develop consumer brand loyalty and/or competitive recognition as a distinct market power. Achieving both loyalty and market power evidences the firm's historical commitment to customer satisfaction. But the achievement of a corporate image does not exempt that firm from the responsible exercise of its market power as manifested in various forms of customer exploitation. It is at this hierarchical

level that many firms begin to bog down. They associate governmental or regulatory compliance with the fulfillment of their social responsibility. Actually, such compliance stipulates the minimal acceptable level of performance in this area. Much still remains to be done before the final two hierarchical levels can be transversed.

**Social consciousness:** As noted above, the “responsible use” of market power necessitates the adoption of a social awareness extending beyond the mere consumer satisfactions embodied in your product’s attributes. A true social consciousness may, according to Anderson, Sharpe, and Boewadt, evolve from: 1) intra-firm pressures, i.e., the result of introspective analysis by management of the social responsibilities of the firm, 2) public pressures, i.e., society’s expectations of business conduct as stated by our leaders or as interpreted by societal opinion, 3) governmental or regulatory pressures, i.e., formalized legal prescriptions of ethical business conduct.

Ideally, of course, the intra-firm pressures should become the major source. Historically, the latter two have been predominate.

**Environmental consciousness:** The counterpart of self-respect for the individual may be termed environmental consciousness in the context of the agribusiness firm. In recent years, American society increasingly has been made aware that a business which actively pursues a single goal of economic productivity does exact a social cost on all of society. If a firm is to succeed in achieving an environmental consciousness, its management must first recognize the potential impact of its decisions or actions on the surrounding community. The impact will not necessarily be ecological in nature. In fact, it could even be economic or cultural. Regardless, the firm must fully accept the responsibility for

disruptions it may cause in these areas, not for altruistic reasons but, rather, for its own long-run survival motives. And, it must recognize that such disruptions, no matter how minor or short-lived they may be, are becoming more identifiable and more severely scrutinized than ever before.

## Conclusion

Agribusiness survival and success in a social-conscious environment will require not only shortened reaction time to changes in society’s wants and needs, but also the anticipation of probable consequences of the goal-directed operations of the firm. For the manager who must plan for the future, the hierarchy of business needs discussed in this paper represents a framework for a firm’s acquisition of, and reaction to, a social consciousness. Firms must reorient their policies and products toward satisfying the higher level needs of their customers and society in general. When it concerns matters of an unfavorable social or environmental impact, Morrell Heald maintains that, “the issue of what is private and what is public about private enterprise becomes extremely difficult to resolve,” (see “*The Social Responsibilities of Business*,” Case Western Reserve Univ. Press, 1970). The cost of ignoring this issue is not profit; the cost is your own survival.



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