

**INTERNATIONAL
COMPARATIVE
MANAGEMENT**

CEPTUREANU
Eduard Gabriel

CEPTUREANU
Sebastian Ion

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B-dul. N. Bălcescu nr. 27-33, Sector 1, București

Tel.: 021.315.32.47

www.editurauniversitara.ro

e-mail: redactia@editurauniversitara.ro

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comenzi@editurauniversitara.ro

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CHAPTER 1

FUNDAMENTALS OF INTERNATIONAL COMPARATIVE MANAGEMENT

International comparative management concept

A distinct feature of the last decades is represented by the expansion of comparative approaches in science. Scientific disciplines like comparative law or comparative literature has gained reputation and proved their scientific potential and practical viability. In this context, international comparative management emerged as a distinct scientific discipline, even though later than others, and as a new field in management research.

Nowadays, in virtually any university or business school, international comparative management is part of the curricula, while many international scientific events on this topic take place every year. Its proliferation may be explained by its specificity, pragmatic usefulness, and large diversity of national and cultural issues which has to be known, understood and considered by managers in their endeavor of making the companies more efficient and effective.

International comparative management have been used to learn more about cross-cultural management practices and researchers in this field are particularly interested in identifying elements of organizational design

theory and practice that are universal, and thus can be found in all cultural contexts, and elements that will necessarily be different due to the impact of culture and other environmental conditions.

Practitioners of international comparative management studies must be neutral in their preferences between different countries and cultures and avoid assuming that a particular cultural orientation or management style is better than any other.

While international comparative management should be viewed and treated as a distinct research field notice should be taken of its close relationship to the important topic of cross-cultural or inter-cultural management studies which is primarily concerned with identifying and integrating the appropriate mix of knowledge, insights and skills that are needed in order to adequately deal with national and regional cultures and differences between cultures while attempting to manage organizations whose employees, customers and/or other business partners operate within more than one culture

As such, international comparative management comprises cross-cultural management studies by comparing the behavior of managers and employees in various cultures and countries in order to identify issues that may arise due to different cultural attitudes and design processes, that can be used to overcome problems and reduce conflicts so that everyone within these multi-cultural organizations can work effectively together to achieve the planned objectives.

Appreciation of international comparative management issues is essential for companies that expand and globalize their operational activities since the pre-existing management knowledge base developed during

their purely domestic stage will no longer be adequate to deal with new countries and cultures.

In this context, comparative management theory and practice are at the forefront of scientific and socio-economic change.

1.1.1. International comparative management definition

Like any emergent science, international comparative management does not have a generally accepted definition. For instance, William Newman argues that "*international comparative management deals with similarities and differences in local management practices in different countries*". A step forward brings Raghu Nath's, who considers that "*generally, international comparative management focuses on comparing the similarities and differences between management systems and economic contexts*".

Edwin Miller proposes a more comprehensive definition of international comparative management than the previous ones. Thus, he considers that "*international comparative management concerns managerial process on a multinational basis by focusing on detection, identification, classification, measurement and interpretation of similarities and differences relating to factors such as managerial processes, concepts and techniques*".

In our opinion, embedding the above definitions, international comparative management is "*a scientific discipline that studies managerial processes of organizations operating across national cultural contexts, focusing on identifying and analyzing managerial similarities and differences in order to promote the international transfer of managerial know-how and*

increasing organizational functionality, efficiency and effectiveness”.

1.1.2. Necessity of international comparative management

According to Raghu Nath, international comparative management necessity relies on several reasons.

a) The comparative approach is unavoidable. The human being, by nature, assesses and compares permanently. The assessment is explicit or implicit, by reference to an ideal, a standard or a known situation. International business development processes causes the comparison to gain importance, which is reflected in emergence of international comparative management.

b) Mankind is experiencing a strong international interdependence in all areas of activity, especially in business. In the last three decades more than 50% of world economic output is achieved in international business, not necessarily in multinational corporations but in small business, also.

c) Comparative study of the realities of different countries make it easier for managers to understand them rather than understanding only the realities of their own country.

d) Consideration of managerial and cultural phenomena in a country widens the variables considered in managerial process. This contributes to a more comprehensive understanding of management, with multiple consequences on the accuracy of theoretical and pragmatic solutions available.

e) On individual level, international comparative management is likely to develop people's ability to assess accurately and completely what is happening in other

countries. On this basis, their contribution to economic activities may increase considerably.

1.1.3. Issues and dilemmas in international comparative management

Since international comparative management is an emerging discipline, it has to cope with several issues and dilemmas.

a) Unresolved semantic problem, a major problem for any emergent science. As a result, currently, the same terms have different national understandings or even content. For example, *culture* is used in the sense of national framework, the specific mentality of the population from a country, or the mechanism and structure of national economy. Under these circumstances, accurate and effective communication approaches may be significantly affected;

b) Neglecting to a certain extent the organizational effectiveness; this is one of the main goals of international comparative management, reducing its usability by companies;

c) The gap between the management practices used in the large international corporations and those provided by international comparative management. So, it seems companies involved in international relations are less willing to use management tools developed by international comparative management. So far, there is no data if these tools are not appropriate for these companies or they are not aware of them.

1.1.4. History of international comparative management

Stage 1. Emergence (1950-1960). International comparative management theory emerged in the '60s in United

States. During this period the first theoretical investigations of management on a multicultural basis were performed and first theoretical frameworks were developed.

Stage 2. First development period (1960-1972). After initial difficulties, in the next decade a feverish period of scientific research was recorded, during 1965-1972. Research effort was significant and materialized in more than 11,000 studies and articles. International comparative management prestige as a scientific discipline grown rapidly and as a result, a considerable part of US universities were introducing it in the curricula, as well as some of the best universities in Western Europe and Japan.

Stage 3. Stagnation (1972-1980). After 1972 a relative stagnation was recorded, both in theoretical research and empirical investigations, which extended to the early 80s. While continuing to develop in terms of significant number of papers published, academic interest was somewhat reduced and the number studies did not meet previous year's levels due to:

a) in this period the number of North American "business schools" has greatly increased in numbers, and academic leadership focused on compulsory disciplines, no longer having time or resources to pay equal attention to optional disciplines as international comparative management;

b) a number of international foundations - like Ford Foundation - which have had a major role in financing scientific research, have reduced the amounts allocated for international comparative management research.

However, during this period of stagnation qualitative dimension of international comparative approaches improved, laying the foundation for the next period.

Stage 4. Second development stage (1980-1990). It witnessed a new boom in the international comparative management development as a scientific discipline. Comparative management saw wide international proliferation, both scientific and educational. Significant efforts are made to improve scientific systematization and synthesis of scientific knowledge, while some of the major papers are published.

1.3. Main international comparative management approaches

Despite its short history, there were outlined several schools in comparative management.

1. Schollhammer typology

One of the first classifications of international comparative management approaches belongs to Schollhammer:

a) Socio-economic approach, emphasizing the critical role of management in economic growth;

b) Environmental approach, emphasizing the influence of environmental factors on the management in a transnational approach;

c) Behavioral approach, which focuses on the behavior of leaders in various activities, regions, countries or cultures;

d) Empirical approach, mixing different management approaches which share no common characteristics, but include elements resulting mainly from field investigations that have served some interesting theories and research hypotheses.

2. Miller typology

Subsequently, Miller proposes a different type of typology, which although consider some of the issues addressed by Schollhamer introduces some new ones. According to him, there are three main international comparative management approaches:

a) *Economic development and environmental approach*, which is actually a combination of the first two of Schollhamer approaches;

b) *Behavioral approach*, that focuses on explaining the behavior of individuals and groups in different enterprises, cultural and national entities;

c) *Contingency approach*, which focuses on the relationship between enterprise, management and its environment.

3. Nath typology

a) *Socio-Economic (Economic development) approach*. Early theoretical and empirical international comparative management investigations conducted in the 50s – 60s belong to this approach. The socio-economic approach is based on the proposition that the choice of management styles and beliefs should be tied to the stage or level of economic and industrial development in the country where the manager is operating. Harbinson and Myers, the main scholars of this approach, have identified four stages of economic development which they believed represented the universal and inevitable progress from an agrarian feudalistic society to an industrialized-democratic system for all countries and then described corresponding appropriate management styles for each of these stages. As such, they argue that managerial input plays a significant role in achieving industrial and economic development and

conclude that management philosophies are converging towards a democratic and participatory approach, in line with developments in economic processes.

Socio-economic approach emphasizes the idea that management, in addition to specific developments over time and across borders, have a basic background with universal applicability. Management phenomena are studied and investigated in particular at macro level, taking into account the priority of economic developments in each country considered.

Limitations:

a) unilateral consideration of management, almost exclusively in terms of economic factors, neglecting management at microeconomic level, which is essential for economic development;

b) poor usability, largely because microeconomic issues are ignored;

c) it does not include any attempt to evaluate whether or not specific elements of the management styles contribute to organizational effectiveness;

d) it does not recognize or explain differences in management styles among companies in the same country operating within the stage of industrial development; e) it ignores the real possibility that managers in countries at different stages of economic development may nonetheless use similar management practices;

f) it suggests that managers cannot proactively modify their management styles on their own and must await external events that cause the country to development - transition to the next stage of economic a somewhat dispiriting proposition for ambitious and entrepreneurial managers in a developing country.

Contributions:

a) major contribution to establishment of international comparative management as a science;

b) studies and field research gave a new impetus to development of management in general, especially with regard to the economic purpose of its approaches, essential for the development of human society;

c) encouraging scholars to undertake research on management systems in countries outside of the United States.

b) Environmental (ecological) approach. Emerged during 60s to 70s, this approach conceptualize the environment as a framework for management analysis. On this basis the effectiveness of management is examined as a function of environmental factors - sociocultural, legal, political, economic, etc. Their entire design is synthesized as a model with variables which influences management and effectiveness in a macroeconomic approach, widely used in literature. An important factor that contributed to the proliferation of this school was Farmer's great organizational capacity, promoting many scientific events with broad international participation and his rich publishing activity.

This approach argue that elements of the management process (e.g., planning, organizing, staffing, directing, controlling and policy making in operational variables areas) are affected by cultural - risk-taking preferences, attitudes - achievement and various types of external constraints (i.e., educational, sociological, legal-political and economic) and that the management process affects management and managerial effectiveness which ultimately determines firm and system efficiency

Limitations:

a) over-emphasize environmental variables, giving management a passive role, only receiving outside influences, which obviously does not correspond to reality. All global management practice shows that usually management comes in strong interrelationships with environment, influencing each other;

b) another limit lies in the relative failure to capitalize on theoretical analysis and empirical researches, for instance there are no investigations designed to quantify the intensity of the correlation between environment and management;

c) another alleged shortcoming of this model is that it is static and does not take into account changes in certain of the environmental factors that will occur as a result of industrialization;

d) the failure of to explain why two seemingly similar firms operating under comparable environmental and cultural conditions often use very different management styles and processes.

Contributions: a) environmental approach provides a framework for analyzing the phenomena of international comparative management, more comprehensive than that provided by economic development approach;

b) multidimensional approach of international comparative management. As a result, there is a considerable enrichment of theoretical and methodological approaches and pragmatic analysis performed;

c) the explicit inclusion of culture as a significant variable in determining the content and effectiveness of managerial practices provided a means for examining what was going on inside the firm at the micro level and how cultural factors might be impacting the behavior and

performance of workers and the overall organizational effectiveness of the firm.

c) Behavioral (socio-psychological) approach. Established few years later - 1965-1975 - behavioral approach marks a step forward, although somewhat unilaterally oriented, in international comparative management. Through its many prestigious representatives - M. Davis, D. Narain, Ghisseli, M. Porter - it manages to bring into discussion behavioral variables such as attitudes, beliefs, personal values etc.

This approach is the first one switching from macroeconomic perspective, defining for previous approaches - to microeconomic one, at organizational level. Behavioral school is focusing on specific management phenomena interdependencies in different countries with variables set to organizational, groups or categories of staff levels. Behavioral approach pays particular attention to operational variables relating to attitudes and values scale. On this basis it tries to explain structures and behavioral patterns of individuals and groups within organizations that operate in various countries.

The behavioral approach includes a number of different types of research studies and assumes that managerial practices, and their effectiveness, are a function of a range of cultural variables including beliefs, value systems, attitudes, perceptions, behavioural patterns and managerial philosophies.

The behavioral approach is a micro model that is primarily interested in examining and interpreting the psychological characteristics of managers and their employees in the workplace and how those impact the way that groups within the firm interact and perform research

efforts under the umbrella of the behavioral approach have included national character profiles; studies of the attitudes and perceptions of managers regarding key management concepts and activities; and studies of prevalent beliefs, value systems and need hierarchies in various cultural groups.

Limitations:

a) ignoring aspects of business efficiency, hence their poor applicability,

b) insufficient adaptation and validation of research tools to the requirements of transnational investigations, mainly because they were designed and used in United States;

c) the failure to explain the reasons for the identified differences and recommend strategies that can be used to effect changes through to be necessary to improve organizational effectiveness;

d) concerns have been raised about vague “culture” definitions of and overly simplistic lists of cultural variables that ignored important factors thought necessary for a fuller understanding of the relevant socio-psychological environment in a particular country or region;

e) behavioral researchers have often cite culture as a basis for explaining differences when in fact there is a strong likelihood that other environmental variables provide a better explanation.

Contributions:

a) it highlights the major role that human factors play in management phenomena in a transnational approach. Starting from this premise, it highlights significant differences in management practice across various countries and specifically between different ethnic or occupational groups.

b) notice, with convincing arguments, special attention to be given to transfer of management practices from one culture to another, from one company to another;

c) the research confirms the existence of significant differences among cultures and countries with respect to the aforementioned cultural variables and the results provide a cautionary note for managers seeking to transfer managerial behaviors and styles across cultural boundaries.

d) Organizational theory approach. A development of behavioral approach, it supplements the cultural variables used in behavioral approach with consideration of additional factors borrowed from the field of organizational theory including the size and structure of the firm or performance indicators.

Limitations:

a) most of the studies focusing on this approach have been limited to a small number of interviews with persons from a limited number of firms in each country and the results have been aggregated at the national level such that managers cannot easily identify patterns or relationships that they can apply in their own firms.

Contributions:

a) the organizational theory approach is often cited as being more practical with greater utility for managers seeking answers to their day-to-day issues and problems.

e) Open systems (eclectic) approach. Chronologically, it was established in the 70s – 80s, capitalizing to a certain extent previous approaches contributions. A major influence on its emergence and content has the broad proliferation of systems theory. This approach comprises many of the best known exponents of international