COMPARATIVE MANAGEMENT

What is it about??

**Comparative Management**

Focuses on the similarities and differences among business and management systems from different contexts.

**Intercultural management**

Intercultural management is the combination of knowledge, insights and skills which are necessary for adequately dealing with national and regional cultures and differences between cultures, at the several management levels within and between organisations.

(W. Burggraaf)
COMPARATIVE MANAGEMENT

- Why is it important?
- What can we gain from it?
- Levels of analysis
- Types of results
NEED TO CONSIDER DIFFERENCES IN AREAS AND FUNCTIONS OF MANAGEMENT

and in some key aspects which are central to the process of managing business, such as:

• **Centralised vs. Decentralised decision making.** There is variation across national culture in the extent to which important organisational decisions are made by senior managers, or whether decisions are made down the line with authority devolved.

• **Safety vs. risk.** In some cultures, managers have a very low tolerance of uncertainty and manage in ways to control this. In others, there is a much greater tolerance of uncertainty and much greater risk-taking.
• **Individual vs. group rewards.** In some cultures, there is emphasis on rewarding individual achievement. In other cultures the emphasis is on rewarding the group collectively.

• **Informal vs. formal procedures.** In some cultures, there is considerable use of informal procedures. In others, formal procedures are very important.

• **High vs. low organisational loyalty.** In some cultures, people identify less with their organisation or employer and more with their occupational group or profession.

• **Co-operation vs. competition.** Some cultures emphasise co-operation in the organisation, others foster competition.
APPROACHES TO COMPARATIVE MANAGEMENT

Socio-economic nature

Behavioural/psychological nature

- Behavioural: Ghiselli and Porter
- Economic development: Harbison and Myers
- Environmental (ecological): Farmer/Richman
- Open system perspective: Negandhi
- Culture: Hofstede
"A vital question for international business seems to be to what extent can American principles, practices and general know-how be transferred effectively to other countries, at what cost, and to what degree and extent is the overall process and effectiveness of management constrained by cultural variables?"

RICHMAN, B. (1965: 294), «Significance of cultural variables»
Academy of Management Journal 8, pp. 292-308
North America VS Europe

Past - future
Wisdom - vitality
Stability - mobility
Convention - informality
Necessity - abundance
Quality - quantity
Diversity - organization

Main results of comparative management research

1. There is no one way of doing things. The principle of equifinality applies to the functioning of social organizations; managers may achieve given objectives through various methods.

Negandhi, A.(1975), «Comparative management and organization theory: a marriage needed»
Academy of Management Journal 18, pp. 334-344
1. There is no universal applicability of either authoritarian or participating-democratic management styles. In general the United States can best be characterized as following democratic-participative style, while Germany, France, and most of the developing countries are authoritarian in their management style. The authoritarian style is not necessarily dysfunctional in developing countries. This perhaps may be the "right type" of leadership.
1. More objective measures are brought to bear in making managerial decisions with respect to compensation, objectives, goal setting, etc., in the developed countries; subjective judgement (emotions, religious beliefs) often enters the decision making processes in the developing countries.
1. There are similarities and differences among the managers around the world. Similarities are explained in terms of industrialization or the industrial subculture. Differences are explained in terms of cultural variables. The cultural factors are considered the most important influencing variables.
Country clusters

TYPES OF CROSS-CULTURAL MANAGEMENT RESEARCH

- Parochial Research
- Ethnocentric Research
- Polycentric Research
- Comparative Research
- Geocentric Studies
- Synergistic Studies
Comparative management construct: Negandhi and Prasad model

Management Philosophy
Management attitudes toward:
- Employees
- Consumers
- Suppliers
- Stockholders
- Government
- Community

Environmental Factors
Socioeconomic
Educational
Political
Legal and
Cultural

Management Practices
Planning, Organizing, Staffing, Motivation and Directing, Controlling

Management Effectiveness

Enterprise Effectiveness

Comparative Management » Research Strategy, Negandhi

The Industrial Firm

Socio-economic, Political, Legal, and Cultural Environments

Management Philosophy

Management Process

Management Effectiveness

U.S. FIRM IN U.S.A.

E₁

X₁

P₁

Z₁

DIFFERENCE DUE TO CHANGE FROM E₁ TO E₂

DIFFERENCE DUE TO CHANGE FROM X₁ TO X₂

U.S. FIRM IN INDIA

E₂

X₁

P₂

Z₂

INDIAN DOMESTIC FIRM

E₂

X₂

P₃

Z₃

ELEMENTS OF MANAGEMENT PRACTICES AND EFFECTIVENESS
US SUBSIDIARY VERSUS LOCAL FIRM

1. Recruitment of potential managers
   - Formally and systematically done. Open-minded on all potential sources for managerial personnel
   - Done on ad hoc basis. Restricted to small group of family members or relatives and friends

2. Recruitment of middle and senior managers
   - Formally and systematically done. Provided opportunity for advancement within the firm
   - Done on ad hoc basis. No systematic attempt at providing opportunity for advancement within the firm

3. Management education
   - Formally done. Regularly used outside training courses for personnel
   - Done on irregular or ad hoc basis

4. Attitudes toward management development
   - Visualized as necessary element in company's growth and survival
   - Considered as unnecessary expense

5. Treatment of existing management
   - Continuous evaluation. Ready to demote or fire second-rate and promote young and qualified
   - Little or no evaluation. Adherence to seniority
6. Delegation by senior management
- Delegate authority to subordinates
- Unwilling to delegate authority

7. Management structure
- Decentralized: individual positions are well defined and specified. Organization charts and manuals used.
- Centralized: individual positions are not well defined; authority line diffused. Organization charts not widely used.

8. Management communication
- Free flow of communication encouraged and demanded
- A great deal of secrecy and hoarding of information at all levels

9. Use of management consultants
- Used frequently
- Not used

10. Interfirm comparison at home and overseas
- Done on regular basis
- Not done at all or done on ad hoc basis
11. Market share
- Constant awareness of market share
- Not much concern

12. Objective of firm
- Growth and profits
- Profits

13. Assessment of performance
- Measured in terms of growth, long term potential human resources, profits, assets, and sales
- Measured in terms of short-term profits

14. Diversification
- Considered as desired objectives
- Undertaken as necessary evil

15. Future of firm
- Evaluated on long-term basis
- Evaluated on short-term or medium-term basis
16. Long-range planning
- Five- or ten-year horizons. Systematic and formalized
  - One- or two-year horizons. Done on an ad hoc basis

17. Use of budgetary control
- Used with considerable emphasis on its importance to the firm
  - Done haphazardly with less emphasis on its importance for the firm

18. Review of operations
- Regularly undertaken with feedback mechanism well developed
  - Done on ad hoc basis with no feedback mechanism

19. Capital budgeting
- Regularly done
  - Done on ad hoc basis or not done at all

20. Relationship of sales to production
- Production facilities are planned on creating greater demands for the goods
  - Production is based on serving short-supply market conditions (seller's market)
21. Advertising and public relations
- Seen as useful in creating public image of the company
- Used only as a necessary evil

22. Capacity, efficiency and productivity
- Assessed on regular basis
- No regular assessment

23. Plant capacity
- Utilized at the fullest possible level; regular maintenance
- Utilized as seems appropriate by top man without objective assessment. Irregular maintenance

24. Buying function
- Conceived as managerial function
- Conceived as clerical function

25. Suppliers
- Conceived as partners in progress
- Conceived as a necessary evil
26. Operational research techniques
- Uses various techniques to optimize plant capacity
  - Regards various techniques as status symbols rather than optimizing techniques

27. Creation of positive labour relations
- Conceived as management responsibility
  - Conceived as government/labour union responsibility

28. Assessment of good labour relations
- Done on regular and systematic basis
  - Done on ad hoc basis

29. Grievance procedure
- Carefully worked out, agreed by all parties and adhered to
  - Roughly drawn up and not always followed

30. Unions
- Conceived as having constructive role to play
  - Conceived as nuisance
31. Worker' output
- Belief that employees will give their best when treated as being responsible
- Belief that employees are lazy

32. Personnel function
- Conceived as top priority
- Conceived as clerical chaos

33. Training and education of workforce
- Conceived as necessary element of organizational activities; variety of training
- Conceived as necessary evil. Mostly on-the-job training for the blue-collar employee

34. Shortage of skilled labour and/or other labour
- Not taken for granted. Action to train up semi-skilled and unskilled personnel
- Acceptance of shortage of skilled employees as limiting factor

35. Method of payment
- Based on objective criteria. Attempts to pay higher than market rate
- Based on what they can get by with the minimum
36. Employees
- Conceived as resource
- Conceived as a necessary evil

37. Relationship of research department to production
- Close co-operation between two units
- Research department usually nonexistent, or if it exists operates as separate unit

38. Problems of firm
- Conceived as an opportunity to undertake cost-efficiency
- Conceived as fault of others - government, labour union, competition

39. Unprofitable products
- Ready to drop unless found useful for the long-range growth
- Unable to find out in the first place

40. Competition
- Conceived as healthy and necessary
- Conceived as unfair and destructive
1. Recruitment of potential managers

Formally and systematically done. Open-minded on all potential sources for managerial personnel

Done on ad hoc basis. Restricted to small group of family members or relatives and friends


9. Use of management consultants

Used frequently

Not used
### Abbas (1988)

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<thead>
<tr>
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<th>Arab Stereotype</th>
<th>American Stereotype</th>
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<tr>
<td>Recruitment of Personnel</td>
<td>Highly subjective, selection depends on personal contacts, nepotism, regionalism, and family name.</td>
<td>Relatively objective, standard developed, merit and experience are considered.</td>
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<tr>
<td>Use of Management Consultants</td>
<td>A sign of something is going wrong, used only in crisis situation.</td>
<td>Highly regarded and used frequently.</td>
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Comparative Management: Farmer and Richman Model

External Constraints
- Educational
- Sociological
- Legal-political
- Economic

Elements of the Management Process
- Planning
- Organizing
- Staffing
- Directing
- Controlling
- Policy making operating areas

Management and Managerial Effectiveness

Affect

Firm Efficiency

System Efficiency

Determine

Source: Farmer, R. and Richman, B., Comparative Management and Economic Progress
Irwin, 1965, p. 35
CRITICAL ENVIRONMENTAL CONSTRAINTS

(Farmer e Richman)

C1: EDUCATIONAL-CULTURAL VARIABLES
C2: SOCIOLOGICAL-CULTURAL VARIABLES
C3: POLITICAL AND LEGAL VARIABLES
C4: ECONOMIC VARIABLES
C1: EDUCATIONAL-CULTURAL VARIABLES

C11: Literacy level

C12: Specialized vocational and technical training and general secondary education

C13: Higher education

C14: Special management development programs

C15: Attitude toward education

C16: Educational match with requirements
C2: SOCIOLOGICAL-CULTURAL VARIABLES

C21: Attitude toward industrial managers and management

C22: View of authority and subordinates.

C23: Inter-organizational cooperation

C24: Attitude toward achievement and work

C25: Class structure and individual mobility

C26: Attitude toward wealth and material gain

C27: Attitude toward scientific method

C28: Attitude toward risk taking

C29: Attitude toward change
C3: POLITICAL AND LEGAL VARIABLES

C31: Relevant legal rules of the game
C32: Defense and military policy
C33: Foreign policy
C34: Political stability
C35: Political organization
C36: Flexibility of law and legal changes
C31: Relevant legal rules of the game:

Quality, efficiency, and effectiveness of the legal structure in terms of general business law, labour law, tax law, and general law relevant to business, degree of enforcement, reliability, and so on.
C4: ECONOMIC VARIABLES

C41: General economic framework

C42: Central banking system and monetary policy

C43: Fiscal policy

C44: Economic stability

C45: Organization of capital markets

C46: Factor endowment

C47: Market size

C48: Social overhead capital and external economies