

Comparative Management

A Regional View



EDITED BY
Raghu Nath

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BUSINESS IN A GLOBAL ENVIRONMENT

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Center for Management
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For my wife, Lily, and our daughters, Ritika and Nitika

Preface

Two distinctive features of this book are its framework and the process by which it was assembled.

The book's development was guided by an open systems framework (Chapter 1), involving the interaction between the business and management system and its environment. In the comparative management field, there have been two major areas of work: one has concentrated on the environment whereas the other has focused on comparing business and management systems. Our framework integrates these two perspectives, resulting in the incorporation of both macrolevel (environmental) and microlevel (organization) factors. Further, the framework is compatible with current thought in the international strategy field, where the emphasis is on assessing both the environment- and organization-level factors and achieving a strategic fit between them.

Seven aspects of the environment included in the framework are the cultural milieu, the socio-political context, the economic system, the legal system, technology, transportation and communications, and the industry structure. Prior models in comparative management have focused primarily on discussion of economic, political, and legal factors. However, in recent years there has been an increasing emphasis on the role of culture. For example, a special symposium at the Academy of Management Annual Meeting held in August 1985 discussed the role of culture in comparative management. Also, many recent popular books have focused on the role of corporate culture. Comparative and policy studies have emphasized the importance of sociopolitical context. Though the literature in the management and comparative management fields has not usually dealt with infrastructure issues (such as technology, communications, and transportation), international executives and economic

development specialists have emphasized the importance of infrastructure. Issues related to infrastructure were the focal point of discussion at the "Partnerships Dialogue Conference" held in May 1985 in Pittsburgh. This conference was attended by leaders of government, business, labor, academic institutions, and media from over twenty-five countries.

At the microlevel, most of the comparative studies have focused on management philosophy, attitudes, and practices. In addition to these, we have included in the framework such areas as organization structure, processes, and policies, which have occupied an important place in organizational, policy, and strategy research.

In conclusion, we have drawn on a variety of sources to develop the framework, including scholars as well as leading international executives. Scholarly inputs have come from multidisciplinary sources such as international and comparative management, organization studies, policy research, system theory, economics, sociology, anthropology, area and economic development studies.

The second distinctive feature of the book is the process by which it was developed. The guiding perspective was geocentric rather than ethnocentric. A multistage process comprising the following action steps was implemented:

- First, as outlined above, a broad and comprehensive framework was developed, which integrated inputs from both scholarly studies and practicing international executives.
- Second, six regions or nations were selected to represent the worldwide diversity along economic, political, and cultural dimensions. These six regions or nations are the United States, Japan, Europe, China, Africa, and Latin America. We would have liked to include other regions and nations such as Australasia, South Asia, Middle East, and the four newly industrialized Pacific Rim countries (Hong Kong, Korea, Singapore, and Taiwan), but this would have made the book too long and unmanageable. In fact, limiting the volume to six regions or nations was the most difficult decision we had to make.
- Third, scholars were selected to write chapters on particular regions or countries based on the dual criteria of their knowledge-based expertise and cultural sensitivity. Therefore, the various authors of this book constitute a truly cross-cultural team of scholars.
- Fourth, an ideographic approach was used to develop each chapter. Using the framework as a broad guideline, each scholar developed

those themes that were appropriate to his or her region or country. Reading Chapters 2 through 7 will give the reader a good sense of the diversity that characterizes our world today.

- Fifth, after individual chapters were completed, a comparative analysis was conducted to identify similarities and differences between the regions and countries studied. Results of this analysis are reported in Chapter 8. In addition to suggesting fruitful areas for future research, results of the comparative analysis provide useful guidelines for the development of international business strategy.

The process employed in the development of this book can best be described as a "quasi-grounded-theory" methodology. As expected, the application of this methodology led to enhancement of the initial framework. We hope that this process will be replicated in the future, thus leading to even more comprehensive models in the comparative management field.

We are living in an interdependent world. Our students and managers need to acquire global rather than ethnocentric viewpoints. They need to learn how other environments and management systems are different from and similar to their own. We will be amply rewarded if this book contributes to this learning and the development of a "global" frame of mind.

Raghu Nath
Pittsburgh, PA
May 1987

Acknowledgments

Of necessity, a book such as this, which utilizes a broad framework, draws upon the prior work of many scholars from a variety of disciplines. In addition, I have benefited greatly from my conversations with leaders of business, government, and international organizations.

In particular, I must thank the authors who contributed to this book. Each did a masterful job of projecting the uniqueness of his or her region or country while staying within the broad guidelines provided by the framework.

Special thanks are due to S. Prakash Sethi, who encouraged me to develop the book. I have enjoyed working with Marjorie Richman, Barbara Roth, and others at Ballinger. They have been patient, understanding, and cooperative.

Finally, I must acknowledge contributions made by several of my doctoral students. Kunal Sadhu, in addition to coauthoring Chapter 8 with me, provided much needed assistance throughout this project. Amy Fried, Margie Jonnet, and Joyce Shelleman were helpful in copyediting various manuscripts. Won-Woo Park streamlined tables and figures and developed an outline for each chapter. And my secretary, Debbie Scott, cheerfully typed various versions of the manuscript.

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CHAPTER 1

Comparative Management

Raghu Nath

PURPOSE

The purpose of this introductory chapter is fivefold: to describe comparative management and why comparative management is important; to identify various approaches to the study of comparative and cross-cultural management; to trace the major developments in allied fields such as organization theory, development, and change, strategic planning and management, and industrial organization and policy; to describe various orientations to the accumulation of knowledge; and finally to discuss the multistage process that underlies the development of this book and briefly outline the major elements of the framework that provided overall guidelines for the next six chapters.¹

COMPARATIVE MANAGEMENT

Comparative management, defined broadly, focuses on the similarities and differences among business and management systems from different contexts. These comparisons could be profit versus nonprofit organizations, manufacturing versus service industries, small versus large organizations, successful versus unsuccessful companies, and developed versus developing countries. In this book, however, a limited but often used definition of comparative management is used: the study of organizations from different countries or cultures. Thus, in this book *comparative* and *cross-cultural management* are synonymous terms.

COMPARATIVE MANAGEMENT AND INTERNATIONAL BUSINESS

Comparative management is quite different from international business. Whereas comparative management is primarily interested in studying the similarities and differences among nations and management systems of different countries, international business is primarily concerned with the study of issues and problems that are related to the management of the multinational firm. Therefore, comparative management does not have as its major point of interest the special problems that arise with business activities across national boundaries. For example, the question of potential conflict between the nation state and the multinational firm, which receives major attention in international business studies, is not likely to be the central theme in comparative management studies (Robock and Simmonds 1983: 5).

These two concepts—comparative management and international business—are interrelated and overlapping. Therefore, the international manager may benefit greatly from comparative management studies.

REASONS FOR STUDYING COMPARATIVE MANAGEMENT

There are at least five major reasons for studying comparative management. First, we are living in an interdependent world. In 1978 about 30 percent of the world economic product (\$2,000 billion out of a total of \$8,800 billion) was generated by international business activity, most of which can be attributed to multinational corporations (MNCs) that operate in various countries of the world. It is important that managers of these firms be knowledgeable about these countries' cultures, political economies, and business practices. Even managers of primarily domestic firms are increasingly required to think in the global context. As the U.S. auto and steel industries have learned through experience, foreign competition can challenge an industry in its own backyard. Today no firm or industry is immune from foreign competition; all managers must think and plan in global terms.

Second, the comparative approach is inescapable. We measure and assess everything in relation to something, whether an implicit ideal or standard. The comparative approach is universal; it is not limited to management but has been applied to such disciplines as economics, sociology, psychology, law, education, religion, and literature.

Third, the study of different cultures or systems sharpens our under-

standing beyond the understanding that comes from knowing only our own culture. It develops an appreciation of and sensitivity toward diversity in human affairs, which is important in transacting business with people of other cultures.²

An example may illustrate this point. At a recent conference, I met with the director of the industrial development authority of a developing country. His organization has put together five major foreign direct investment projects involving many foreign firms. Although U.S. companies were technologically superior to European and Japanese firms that bid for the contracts, all five contracts went to non-U.S. firms, primarily because of the cultural insensitivity of the U.S. managers and their lack of knowledge of how business operates in that developing country. The development director indicated that delicate contract negotiations in his country are handled through informal channels, whereas Americans always pushed for formal contacts. This type of story is repeated many times in the literature. Hall (1959) in his book *Silent Language* cites many examples in which cultural insensitivity and lack of knowledge have been responsible for the failure of a foreign person in a new cultural environment.

Fourth, the study of comparative management widens the knowledge base by extending the range of variables over which a particular organizational or management phenomenon can be studied (Murdock 1965). For example, different cultures can be organized along a continuum on different variables. A given culture therefore represents only a limited range. By carefully selecting cultures, it is possible to considerably extend the range.

Fifth and finally, the most important reason for studying comparative or cross-cultural management is that it helps the individual to appreciate his or her own culture and environment. We often are not aware of our own culture and environment because we take them for granted. In fact, when the study of management was limited primarily to the United States, the role of environment or culture was completely ignored by scholars. As is discussed in the next section, it was the comparative management scholars who described the importance of culture and environment as crucial and critical factors in the study of management systems.

It is clear that the study of comparative management is important for every manager and student of management. Today's interdependent world requires managers to think globally and plan in a worldwide context. As Buckley (1985: 3), past chairman and chief executive officer of Allegheny International, states, "Globalism is the dominant business

force today." The study of comparative management can help the international frame of mind that is central to this concept of globalism.

HISTORICAL REVIEW

Economic and organization scholars historically have looked for universal laws. Until recently, scholars in these areas have either ignored the roles of environment and culture or treated them rather superficially. The main thrust of work in these areas has been nomothetic—that is, looking for relationships that are universally applicable. Comparative management scholars were the first ones to identify the importance of environment in the study of business systems.

VARIOUS APPROACHES TO COMPARATIVE MANAGEMENT

Major thrusts in the comparative management literature can be broadly classified into four categories (Nath 1975; Negandhi 1983): the economic development approach, the environmental approach, the behavioral approach, and the open systems perspective. A fifth approach emphasizes the role of culture in comparative management and has begun to emerge in recent years.

Economic Development Approach

This approach developed during the 1950s and is best exemplified by the work of Harbison and Myers (1959). The basic premise of this approach is simple: Managerial input plays a significant role in achieving rapid industrial and economic development. This approach is basically a macroapproach, concentrating on examination of trends in management development. Its basic assumption underscores an inherent logic that propels nations toward industrialization. The underlying model postulates four stages along the developmental path that leads a society from an agrarian-feudalistic system to an industrial-democratic state. Harbison and Myers (1959) conclude that a specific management philosophy is compatible with each of the four stages of economic development and that all management systems eventually tend toward the participative or democratic (theory Y) management philosophy.

In many ways, this approach is a sophisticated form of universal management theory that emphasizes the inevitable applicability of a given management philosophy to *all* organizations in all cultures and societies.