Social and Economic Management in the Competitive Society

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by

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PREFACE

In many countries of the world there is a growing feeling of uneasiness about the economic situation and the related social consequences. In the USA and in Western Europe companies' losses on the market vis-à-vis foreign competitors, the losses in jobs and the increase in the number of poverty stricken families beget a recession-like feeling, which by itself further weakens the economy. In Eastern Europe errors made in the market reforms reduced the living standard even under the record low level hold by the Communist régimes. Every day the newspapers tell us that the recession is over, but we only see that scores of organizations go bankrupt, while others are heavily struggling to stay in business, that many people lost their jobs, but welfare measures are being reduced or abolished altogether. In some countries all this is endured with resignation, but in others widespread violence and riots tell the forgotten truth that a prolonged economic recession is a social time bomb. To dismantle it should be a common interest of all social factors.

By now we should have become aware that our society is not facing temporary market difficulties, but a much deeper and wider crisis with only one root in the worldwide economic developments, while other roots are social and psychological. These factors are intertwined, and therefore the answer to the crisis cannot merely be an economic cost-benefit analysis of organizational management. Sociocultural factors participate in the economic process even at the level of individual organizations, and what happens in them has backlash influences on the entire society. Therefore the problem is not the management of the individual organization, but the macroconception of management, which in the Western world of today separates the economic aspects from the social ones, and the individual organizations from society. This is a mistake, and greatly accounts for what is happening. The occurrences labelled as economic are by no means only the domain of economics, because they involve the behavior of real people with their social and psychological background.

This truth has to be well understood on the micro- and the macro-level if anything is to improve. You cannot expect your company to be profitable, unless there is a growing public of satisfied customers willing to repeatedly buy your products, but the product quality ensuring such a deepening consumer satisfaction can be attained only with a satisfied, creative and involved work force. You cannot fulfill this condition, if you downsized your company to a merely virtual organization, a holding company, with your worker-manufacturers living in Bangladesh on a most miserable pay, while your remaining employees are expecting to be laid off every other day. This is plain logic, and one wonders why it is not readily perceived.

Again, the psychosociological point of view gives the explanation. The post-modern society discarded the "new mandate" for business of the '1980s requiring that the objective of an organization be essentially to serve the public, while forging a partnership with employees and customers. The modern, not overtly declared objective is the achievement of maximal profit through the exercise of maximal power. The rest is history, the consequences are known: outsourcing, downsizing, virtual organizations *and* economic difficulties with the menace of social unrest.

In the new management conception which will be put forward, societal macroaspects will have to be taken into account when an organizational strategy is being planned. The proposed solutions primarily concern the macroaspects of economic management, and they depart from the customary line of thinking in that they relate the management of organizations to the social processes within society.

The economic situation is not only a cause but also an effect of organizational behaviors guided by society's values. These values which in a given society have a certain commonality, create **models of strategic management**, characteristic of the various society types, and are implemented by consensus of public opinion. In this book the analysis will concern the management model of collectivist-authoritarian societies, of liberal-individualistic societies based on unrestrained competition, of collectivist societies with participation in decision making (the Japanese model), and finally the management model which is nowadays emerging in the EEC countries.

The socioculturally determined management models produce holistic patterns of organizational behavior on the macro- and the micro-level. Managers are "set", feel compelled to comply with such patterns, and it is precisely these set-patterns which ensure the permanentization of erroneous organizational strategies blocking any attempt of a creative, alternative thinking. Solutions are sought not in a possible modification of the value laden behavioral stereotypes, but in pushing ahead with the same inefficient behaviors up to the point, where the social costs may prove unbearable. Thus the big organizations go ahead with laying off thousands of employees beyond any reasonable necessity, only for the sake of "downsizing", which has become some kind of fashion in recent years. At the same time newspaper headlines exultantly tell us that stable jobs will not come back, that careers are obsolete today, just as seems the family, if to judge by the movies and TV shows which extol the unwillingness of people to commit themselves. It is the same lack of commitment that today also characterizes the two-sided relationship between employees and organizations, and this in a time when politicians tell us that our main economic task is to stand up against foreign competition.

What are the big organizations doing to live up to this challenge? They are moving the production plants into the competitors' land, thus strengthening them by recreating there the jobs they liquidated in their own country, they are laying off their stable work force, at best transforming their workers into part-time employees, their sales personnel into "road warriors" with a weak link to the new "virtual offices" of the company, while other employees do not even have such links and become distant home workers. All this may save wages, social security payments or office space, but it alienates the work force and the broad public in general, severing their links with the organization physically and emotionally. After several years of such measures having been applied, it can be said for sure that their economic results did not support the expectations they arouse initially. On the other hand, organizations may be forced into such behaviors by interventions of the state bureaucracy which defy every principle of a competitive market economy, and then it is not the organizational managers who are at fault, but state technocrats, unsensitive to elementary cost-benefit thinking. In this sense the crisis does not concern the market economy as such, but its limitations by counter-productive, inconsiderate interventions of the state.

Every day we are told that in fact the problem has no other solution but accepting the situation as it is. This book will show that solutions do exist. Nothing really, objectively compels organizations, or for that matter administrators on a national level, to pursue wrong management strategies only for the sake of an emotional adherence to certain cultural patterns and fashions. The problem is solvable, because in the framework of a capitalist market economy there are management models which ensure profit and expansion despite international competition, precisely on the basis of strengthening the links with the own work force. In these organizations TQM, joint decision making and financial participation of employees are not mere jingles void of content, but a live reality. Of course, no management model which works in one society can be trasnsplanted as is into another, but an adaptation is perfectly possible.

As a first step we shall analyze the management models of our time, and see which of their characteristics yielded the best results on both the economic and the social level. The second step will be to indicate the necessary changes of managerial thinking and acting, which on hand of the analysis are possible within the framework of Western culture, in order to boost economic results with reasonable profits, while minimizing social costs. Such a new thinking does not ensure maximal profits and neither executives' arbitrary power, but it gives them and the shareholders a guarantee against huge losses or bankruptcy, and what is perhaps equally important, a guarantee against violent upheavals, which could in the future threaten their positions, or perhaps even more than that.

There was a saying after the French Restauration that the Bourbons had forgotten nothing, but neither had they learned anything from the past. We express the hope that our politicians and managers have learned the lessons of the XXth century's history: the Bolchevik Revolution, Hitler's *Machtübernahme* (takeover), Mao's and Castro's sweeping victories, all of which came as the aftermath of widespread, unbearable misery which could have been avoided. If it had, Hitler's charismatic speeches would have been acclaimed only by bunches of beer drinkers in the Breuhaus tavern in Munich, few if any would remember a political writer and agitator named Lenin (or only Ulianov), just as Santiago Carillo and Dolores Ibarruri went into general oblivion, as they were unable to gather any broader support for their radically revolutionary ideas in the atmosphere of relative well-being that exists in modern Spain. Their influence on the events of the Spanish Civil War in a misery-ridden country tells quite another story.

Even now the script is on the wall again. To ignore it may prove very dangerous. To heed it only means to refuse to be a prisoner of fashion, it means to return to the always solemnly proclaimed Western values of hard work and fair business management with an open mind for the economic and social achievements in other cultures.

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CHAPTER ONE

CULTURE AND THE SOCIOECONOMIC MANAGEMENT MODELS OF OUR TIME

Four simultaneous economic revolutions and the global turbulent fields.The externalities of economic decisions. Corporate social responsibility.The duty of business to prevent the degradation of the work force. Each society creates its own model of strategic management: Their common factor is power, the differences arein values, in the source, the content and in the styleof power behaviors. Society's culture, the values of individual managers and the resulting style of management.

It is disheartening that economists generally dwell on theoretical principles without being concerned with the always existing linkage between management decisions and the social occurences within society. Some 20 years ago Anshen (1970), Arrow (1973), Davies (1975) and others discussed the theoretical - philosophical coordinates of the problem of corporate social responsibility, but no attempt has been made to get down to the particulars. The problem is especially acute in the organizational management of today, which should address not only environmental pollution in neighborhoods, but also the economic and social ruin of peole affected by insufficiently warranted lay-offs. The latter could prove more destructive even for neighborhoods than environmental damage or the extinction of wild-life species.

Amidst a permanent threat of recession our problem is not so much that stockholders' money may be spent - *horribile dictu* (even the thought of it is frightening) - for purposes of the general society, transforming managers into civil servants (Friedman, 1962), but making our products and work places safer, our streets safer from criminal attacks and our whole society sheltered from the dangers of violent riots and upheavals.Those who do not see the linkage between such occurences and socioeconomic management in society, are simply playing ostrich. Research has proven that aggression is primarily determined by the extent to which an individual, or for that matter a group, believe others have violated social or personal expectations for behavior (Johnson and Rule, 1986), especially when the dissatisfaction is triggered by a feeling of relative deprivation, when a period of prosperity is followed by a sharp drop in socioeconomic easiness (Davies, 1962). In recent years the data published by the US Bureau of Census show an ever-increasing rate of criminality, especially in urban areas. It is significant that in his above-mentioned paper Davies puts forward a theory of revolution. Is it this we are waiting for ?

It is true that the socioeconomic situation is heavily influenced by the fact that we are increasing in numbers much faster that our capacity to create jobs, and consequently, there has to be higher production or a reduced corporate profit to provide the necessary means to feed the population (Kanawaty, 1981). It is further true that hardcore unemployed undergo a vicious circle of a deteriorating mental health which prevents their reintegration into the work force. This process further wrecks mental health making people less and less capable of holding a job (Brenner and Bartell, 1983). Finally, there are data that lengthily unemployed people tended to drop out shortly after being hired, however they would stay if fairly treated, if they were given an accepted insider status (Goodman, Salipante and Paransky, 1973). So the problem of social safety in society is to prevent the economic, social and psychological degradation of the work force, and this brings us back to management. The whole question is not only sentimental and philosophical-moral. Those hardcore unemployed become not only apathetic and despondent, but as already hinted, many of them are joining the antisocial groups of our cities, and they also constituted the hard core of rioters in Birmingham, in los Angeles and in other places. In Germany of the '1930s they brought Hitler to power.

Today the intensification of competition on a global scale based on the explosion of technological innovations creates tremendous competitional pressure, and common values among rival organizations are being swept away. Morality in business seems to have become political correctness, and this is quite another story. Today in the U.S.A. it is objectionable to fire an employee because of his/her race or gender, but it is not objectionable to lay off hundreds or thousands of them in ill-conceived downsizings. A strange competition seems to be under way among organizations as to who is capable of firing more workers, regardless of the social costs for society as a whole. What appears to be important for top management is to hold on to their power positions, and it seems to them that, since their power is linked to support received from shareholders, they may retain it through clinging to fashion-created images of organizational efficiency.

In the absence of a clear understanding of the situation and of its remedies, management strategies have become tributary to fashion and slogans, and what goes around in opinions held by the public, comes around in management policies.

In the last years there is an ever-recurring economic recession in forms that become more and more severe, and there is a need for long-term thinking in order to tackle a problem of such huge dimensions and dangers involved. Every day the newspapers report new bankruptcies and hostile takeovers. Last year some of the mighty Fortune 500 companies simply disappeared. In order to survive, companies liquidate important parts of their assets and also of their work force. AT&T and General Motors alone "killed" more that 10,000 jobs, and this is not only a matter for economic concern. The combination of an economic and a social débâcle constitutes a very ominous process. The solution lies neither in short-term improvisations, nor in sterile theoretical discussions. We have to find a **new pattern of strategic management** that fits both into the global situation of the economy, and into the social texture of the home society. To do this, we shall have to analyze the factors which produce and maintain existing models of management, and see how they can be amended or transformed. The approach must stress feasibility, otherwise it is again only a theoretical game.

Generally, managers are taught to see their narrow field of activity only. No help is given to them to become aware that the ever-returning recession of modern times is different from past crises, because of the global intensification of competition. If 30 years ago Emery and Trist (1965) spoke of the danger of turbulent fields in the economy, today we entered the whirl of a *global turbulent field* involving all countries, and not only their economies, but also their social fabric and their cultural-ideological style of life. The corporate world has been caught ill-prepared for this situation. They saw only the strain it put on businesss, but did not realize that both the causality and the chain of consequences lay beyond business occurrences. In global turbulent fields the competition is total, so there can be no purely economic solutions, which do not take into consideration the sociocultural aspects involved in the whole of the own society and in the society of the competitor.

In the classical form of turbulent fields Emery and Trist (1965) indicated the emergence of common values between competitors as the only possible solution to a situation which endangered society's existence. They taught that by accepting common values, competition could be institutionalized, made congruent with the principles of morality in business, a concept much *en vogue* at that time. The existence of competitors' common values revolving around morality is questionable today, as it was perhaps all the time. What looks sure, is that beyond the diversity of managerial styles in a given country *a common, culture-bound model of strategic management may be put into evidence.* Speaking from the angle point of a global economy, it should follow that there is not only one single solution to the economic crisis, because each culture responds in a specific way, but the answers have not identic efficiencies. This means that the solution given by some of the Western societies may not necessarily be the best. However, to take over behavior patterns from other societies is far from being a simple task, precisely because the behaviors of people and of organizations are culture-bound. Before any modification is possible, the culture in which the behaviors are anchored has to be made sensitive to changes. This *a fortiori* holds of management styles too.

Several years ago I was strolling in the shopping district of Kyoto, in Japan, and in a department store my attention was caught by two employees, a young man and a youg woman, whose only task was to make a deep bow before any customer who entered. They were not supposed to give information or to make security checks, just to bow. My first thought was: "What a waste of money", but for the public around it seemed all right, and so it was for management. Amused as I was by this business style, I recorded a shopping visit to the great Lafayette store in Paris, where to my deepest discontent, I was unable to buy what I had in mind, because the sales personnel had failed to show up. I stood there for a while together with other customers, and then we left. I thought : "What a waste of selling opportunities", but for the others it seemed all right, and so it was for management. I doubt whether either case could have happened in the U.S.A.

Business efficiency is not only a function of economic behaviors. When the sales personnel do not show up with the tacit acceptance of management, customers buy elsewhere, but in some societies such occurrences do not disturb management, because there are cultural and social factors which strongly influence the very concept of organizational efficiency. The Japanese public simply wants the bowing janitors to be there, just as the French or the Eastern European public give higher preference to good labor relations, even at the expense of customer satisfaction and higher profits. This means that despite all semblance, economic behavior includes not only economic factors. Although the latter are important, they are not exclusively so.

In recent years, in the corporate world much is spoken of four simultaneous economic revolutions, namely: 1) globalization, 2) computerization, 3) changes in management structure and style, and 4) information. According to the already mentioned trend of economists to isolate phenomena and narrow down them to their own specialty, these revolutions are considered economic in their causal texture and society's role should be to "embrace them and learn to adjust" (Stewart, 1993).

Globalization expresses the linkage of business occurrences in one country to what happens elsewhwere. The great companies are international, and the strength of international commercial links constrains organizations in one country, e.g. the U.S.A. or Britain, to find answers to decisions made by competitors in Japan, Singapore or in France. Nevertheless, although the relationship is a global one, decisions are made by individual organizations or by industrial branches, and what happens in one branch does hardly affect others. Stewart (1993) cites the example of the American copper industry influenced by shocks in African copper mining, but on Silicon Valley this had no impact. Nonetheless, the narrowed focus threatens to misinterprete the phenomenon. Business booms and crises in one country always past to other parts of the world, as did the events of the New York Stock Exchange in October 1929, or the business boom related to Western Europe's recovery after World War II. On the other hand, Shell Oil, Philips, or General Motors have always been truly international organizations, so from their point of view, there is nothing unusual and revolutionary in the new globalization. The new factor is that today new countries too have joined the club, and the number of companies with international interests have grown tremendously. The question is how economic organizations cope with this enlargement of foreign competition, with the loss of their monopolistic position on world markets. It translates into coping with the threat foreign competitors pose to the dominance and the power position of well established companies.

The computerization of the economy in recent decades has even more revolutionary characteristics, because the entire field is relatively new and its development had unforeseen effects on production technologies, company administration, marketing and distribution. In the latter domain the interlinking of computers may give customers more insight into the way commodities are produced, and what their real qualities and deficiencies are. It also gives the same insight to competitors and industrial spies, since the more computers of the business world are interconnected, via the Internet and private networks, the more exposed they are to break-ins (*Fortune*, February 3, 1997).

Another change computerization produces is a shift in the power balance within the organization in favor of top management. Computerization allows for the reduction of employee headcount, including the retrenchment of lower-level managers .Their work activity is taken over by the computer, and supervision is made much easier. If the "first economic revolution" posed a problem of power struggle among organizations in different countries, the "second economic revolution" entails power shifts between organizations and their customers, and within the organization in favor of top management. The real meaning of these revolutions seems to be in the shift of the external and the internal power balance of the organization and of management.

The third revolution in the economy is called management, and it revolves around the dismantling of middle management, the drastical flattening of organizational hierarchy and the installment of an organizational structure capable of being modified frequently. The newly created term is "reconfigurable", and one of the CEOs interviewed by Stewart (1993) wanted an organization reconfigurable on an "annual, monthly, weekly, daily, and even hourly basis." This idea had been aired less presumptively by Warren Bennis back in the '1960s, as he spoke of the possibility of temporary authority systems, temporary groups, temporary leadership, temporary assignments and democratic access to the goals of the firm. With scientific sincerity he had added that in the minds of many people these ideas brought confusion, disorganization and stress. They do so also today.

There is an additional less publicized aspect of organizational reconfigurability. The CEO-champion of a perpetually reconfigurable organization tacitly assumes that around him all will crumble and change, while only he himself will remain firm, hard and immovable like a rock in his managerial chair. The more he swirles around the others, the solider his powers are to become. Therefore he will stick to reconfigurabillity, and so will his colleagues in other companies, regardless of the damages they inflict. Here again the economic revolution plainly translates into a shift in the internal power balance of the organization, and again in favor of top management.

Of course, modern technology linked to computerization requires an organization capable of adjusting to the changing situations of the market. However, changes may be functional, and not structural. That is the way things are usually done in Asian countries, and by no means they can be labelled as lagging behind economically. Then why Western managers drag the economic revolution in a wrong, destructive direction? Here appears culture's influence on economic behavior, and we shall deal with this subject more in detail, but for the moment let us see the fourth economic revolution, the knowledge economy in an information age.

It is stated that as for now the highest capital asset is knowledge. It can be captured, deployed, and it creates an edge over competitors. There is a double consequence, so we are told, first a widening gap between the pay of college-educated employees and those with less education, and second, the boom of the knowledge-entrepreneurial business, consulting firms, for instance.

The importance of knowledge and more education in the economy of today is certainly a positive feature, and so is the gap between the pay given to people with more and with less education. But this is not the whole truth. College education is worth more, indeed, but only *if and when* people succeed in getting a job where such education is required. Actually, 25% - 30% of American college-educated youths are overqualified for their jobs, and paid in accordance with their lower function, and not with their higher education. Neither minority groups, nor women have been able to translate their educational achievements into financial status (Fitzgerald, 1986; Hartmann, Kraut and Tilly, 1986).

Also the second characteristic of the knowledge revolution in the economy, the spread of consulting firms, ceases to be a blissful development, if we are envisaging that the greater majority of those people had been employed, and had lost their jobs without gaining the security of their existence by self-employment. The failure rate of these small entrprises is very large, 40 per cent of them disappear in the first 6 years (Labich, 1993). In his time, Francis Bacon of Verulam could peremptorily state: *Scientia est Potentia* , Knowledge is Power, today the fourth economic revolution makes this adage less sure. Lastly, only knowledge for which there is demand is power.

Without any doubt, revolutionary changes have been taken place in the economy,but their analysis has been unilateral, confined to narrow economic cost-benefit considerations. It has given a partial, *qua* distorted picture of reality, and this distorted picture has been the basis for decisions in strategic organizational management. As a result we got a crisis, which so far in vain we struggle to overcome.

Some twenty years ago Self (1976) warned against "econocratic" decisions without taking into account social values. He stated that every issue of profit maximization is also an issue of distribution. Economic decisions have *externalities*, unintentional consequences outside the frame of reference of the decision maker. The detection of externalities requires an exercise of judgement, which in Self's opinion is necessarily controversial.

Or is it? Day-to-day evidence clearly shows that in a given society business management is conducted according to a specific pattern, model, which is not controversial in *that* society. The retrenchment of organizations became a basic trend of management in the U.S.A. , and it is not seriously challenged in the American press or in corporate conferences. Neither is French bureaucracy seriously challenged in France, or the preponderent role of the state in Eastern Europe. In Japan laying off workers is a measure of last resort, and there is no controversy on this issue in the Japanese society, which also accepts bureaucracy with only minor criticisms.

In a research conducted with more than 100,000 managers in 72 countries, Bollinger and Hofstede (1987) discovered important national and regional differences in the system of management, and the tendency was for these differences to strengthen and not to disappear. They referred to hierarchical distance, control of uncertainty, employee motivation, individualism and masculinity.

Not everybody supports this thesis. Zeleny (1990) contends that there is no fundamentally Japanese or American style of management, only good and bad management, fitting better or less into a particular stage and area of global business ecology. It so seems that this contention mixes up two issues: the differences in management styles and their efficiency. There is growing consensus that differences exist, but if they do, then Zeleny's open recognition is important, that certain styles (we shall add: the one existing in Japan) are more efficient than others (the management style existing in the U.S.A.).

One may be wondering why do regionally conditioned management styles exist in a global capitalist economy based on a free market and autonomous goal-setting in individual organizations. The point is that beyond the much vaunted "institutional selfishness" of economic organizations, their behavior is regulated by the society in which they live: by the coercive force of laws and the milder constraints of public opinion. Both are the expression of the characteristic value profile for the culture of that society. As such, culture is a basic regulator of behavior.

In Kluckhohn's (1962) definition culture is a totality of explicit and implicit patterns of and for behavior, acquired through social interaction and transmitted to other generations. It includes ideas, especially their attached values, common in groups of people, and it serves adjustive purposes. For the problem we are dealing with, the question is, how specific are the culturally-induced patterns of behavior on the organizational level. In the last decades much is spoken of an organizational culture, a synthesis of an historical heritage, a specific trade and a value system on which it rests, often without being consciously, outspokenly acknowledged (Thevenet, 1986). The impact of the organizational culture is most pervasive. It not only refers to symbols and questions of psychological climate, but to policies in matters of hiring and discharging employees, relations with customers, etc. However, company-specific as the organizational culture may be, it reflects society's general culture.

Management is the key figure in organizational culture. The latter has mainly been considered tributary to the personality and the values of the "founding fathers", and has been presumed to reflect what they liked or disliked, how they behaved in crises, what they rewarded and what they punished, and what their motives were for hiring people and for firing them. Yet, such a personalistic view on the creation of organizational culture is unilateral. As a matter of fact, the "founding fathers" themselves acquired their preferences and aversions through socialization in and by a specific socioeconomic environment, which together with age-related social experience is the most important factor of value formation (Krau, 1989b). It follows that the crystallization of an organizational culture far from being the imprint of a hero, is the result of a social process. It reflects the cultural patterns existing in the wider society and in the narrower socioeconomic environment of the future founder of an organization at the time he acquired his values and ideology.

In the U.S.A. of today a serious new generation gap is developing between the idealistically minded so-called "Boomers", the generation born in the optimistic years after World War II, and the younger "Busters", disillusioned and embittered, claiming that they did not get a fair deal and the opportunities the previous generation had. In their present role of employees or managers their behaviors and attitudes reflect the specific social and economic conditons under which those people grew up. Globerson and Krau (1993) put into evidence the impact of career frustrations suffered in Israeli companies by mid-level managers on their attitudes towards modernizing the organizational structure. The authors forecast the difficulties to come for the organizations which those people would run in time.

Although the socialization process is sequentially performed by a number of agents, and induces changes in preferences and values during the entire life span, Krau (1989b) demonstrated that the *modifications in values are along lines of constancy.* In his research he compared value profiles of adult persons with adolescent groups of different socioeconomic levels, and on hand of their values alone it was possible to trace the social mobility paths of their career development.

As such, culture's influence on organizations is more deterministic as might have been presumed, but at the same time it definitely has degrees of liberty. Each new generation of managers absorb an existing organizational preference for certain values, as they partly introduce their own values. However, according to Krau's data (1989b), the latter will make a sensible difference only if the new managers come from a different socioeconomic or sociocultural environment, compared with the previous generation. If the recruitment has been from the same social milieu, the constancy effect will prevail. In case the new top managers have been subjected to traumatic career experiences under the old management, they might accentuate a culture of power bahavior, in order to make up for the humiliations and stress they had suffered (Globerson and Krau, 1993), but the strategy and direction of management behavior would remain unchanged. The much vaunted revolutionary changes in management : servant, customerized, network management, are much less frequent than the impression created by enthusiastic magazine writers. These forms did not spread, because the **strategic management model** of our society is opposed to them. In each society the management pattern is determined by its value-dependent culture. Changes can be introduced only when there are shifts in the values endorsed by public opinion, or if new managers are recruited from a different social milieu with other value preferences, or from another society, as is the case in foreign takeovers.

Experts are convinced that outsiders more often succeed than fail in turning around troubled companies (Dumaine, 1993). It is the case of George Fisher with Kodak or Percy Barnevik with ABB, but also with López brought by Volkswagen from General Motors, Friedrich Schiefer, a McKinsey consultant veteran taken over by Bosch, etc. We should also mention the plants built by Toshiba or Honda in the U.S.A. It is common knowledge that management patterns are sensibly different there in comparison with other American companies.

The causal texture of the model of strategic management now appears in all its complexity. It is the product of society's culture in specific economic conditions, but neither the economy, nor society's culture directly produce a pattern of management in individual organizations, but only through the mediating action of the top managing body's profile of value preferences. The latter originate in the *Zeitgeist*, but they are formed in the course of individual socialization experiences in the person's social environment. Therefore the content of individual value preferences of managers are not mechanical copies of the *Zeitgeist*, although they reflect some of its content. On the one hand, a solid link is thus established betweeen society and its characteristic model of management, on the other hand being mediated through persons whose value profile depends upon their socialization experiences, there is enough room for flexibility and change in value adherences. Figure 1.1 presents this process in a schematic form.

The figure shows that the basic factors determining the pattern of strategic management are society's economy and its culture (value universe), influenced by its tradition. The values in a given social environment, in which a future executive is brought up, are under the influence of economic and social conditions. After a primary socialization in their home environment, the future chief executives go to college, where they are subject to a secondary socialization in professional values - again a mixture between professional values, as a body of knowledge and society's culture. After being recruited by their company with a value profile shaped by their home environment and their profession, the managers are subject to a third process of organizational socialization, which transmits the specific values of organizational culture, conditioned as they are again by society's general profile of value preferences. However, the future executives are not passive recipients of influences. Their organizational socialization also makes them ready to impart influences, recurrently shaping the organizational culture.

The picture is not complete without the rank and file employees . Although they have less influence, it would be a mistake to dismiss or neglect their impact altogether. Employees' values are strongly shaped by the requirements of their careers in the organization, and their aspirations make them receptive to management's conceptions, but nonetheless, these are the values of autonomous individuals who went through their own experiences of socialization.

The so emerged pattern of strategic management is not the last link of the chain. The whole process is cybernetical, where the final output serves as a recurrent input for the entire system. In a perpetual feed-back action the constituted pattern of strategic management in individual organizations transforms not only the culture of the organization, but has repercussions upon society's culture and its economy. However, it is clear that in order to have a "revolutionary" effect, the modifications in management style must be on a massive scale.

In the Western society of today this is not happening , and what we are witnessing is the absorption of technological changes by the existing, traditionally conditoned cultural profile. As a consequence organizations breed the same pattern of management again and again, although in some places efforts are being made to adjust to the newly emerged values and attitudes. Thus, endeavors to democratize organizations have led to greater worker participation, but in a majority of companies hierarchy is still firmly in place (Farson, 1995).

Society's culture has a binding influence on management through the moral authority of its values prescribing what is right and what is wrong. In the U.S.A. of today, it is wrong (politically incorrect) to make investments in companies which obtain their products from rain forests or by hunting animals, even if such investments are profitable, but it is right to lay off a great number of workers in the name of profitability (not always achieved through this procedure), condemning a greater part of them to starvation. In other countries, like Japan , Korea or Poland, it may be quite the opposite.

In its atempt to modernize the economy, the Polish governement negotiated the sale of the Polish automobile industry FSO to General Motors, but GM would acquire only the profitable portions and with only one third of the work force. The rest had to be closed down. Amidst tremendous financial losses the Polish government resisted, so they could save the workers. After five years of foot-dragging negotiations, finally the Koreans stepped in, and the whole industrial complex was acquired by Daewoo, who not only took the obligation to invest more than 1 billion dollars into FSO, but promised not to lay off any of the company's 21,000 workers for at least three years.