

# TOWARDS EUROPEAN MANAGEMENT



*Keith Thurley & Hans Wirdenius*

# **Towards European Management**

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# Preface

All *serious* books are difficult to write and produce and this volume was very far from an exception. The main ideas behind the book emerged from the experience of twenty-seven years of close collaboration between the authors on a number of projects in applied social research on work organization and behaviour. The framework used comes from these projects. It was not easy to create as the authors come from different disciplines and from cultures which are distinct and different in many subtle ways. The English language is widely used throughout Europe but the meanings attached to words can be very different to those current in the United Kingdom. A 'cross-cultural' book has to be based on the creation of a vocabulary of key concepts with shared meanings which then have to be communicated back to those within the original cultures. A book on 'European management' has to do more than this as it has to make sense to those within more than a dozen cultures. This is clearly a difficult task and we cannot claim to achieve anything more than, hopefully, a promising start.

Realistically, such a start comes mostly from a detailed knowledge of the Scandinavian and British managerial situations and this bias in perspective should be recognized. In recent years, however, the authors have been involved in research projects and teaching in several European countries and in particular grateful acknowledgements should be given for the stimulation and ideas provided by colleagues in the current European Foundation Project on the Changing Roles and Functions of Lower and Middle Management. This must include Jørn Pedersen (European Foundation), Flemming Agersnap (Denmark), Serge Alecian (France), Guiseppe Della Rocca (Italy), Eric Andriessen (Netherlands), Rosemary Stewart (UK), Wolfgang Staehle (West Germany) and Ricardo Peccei (LSE).

The arguments in the book were tested in a special course for business studies undergraduates run by the authors in the Spring

Semester (1988) of the Copenhagen School of Economics. Thanks are due to all the students on the course and the support of Flemming Agersnap and many colleagues from the Institute of Organization and Industrial Sociology at the School. FARådet, stressing the international perspective in research, provides a favourable environment for work and idea exchange across borders, and we are very grateful for having benefited from this when working on the book.

It is also important to thank all friends and research colleagues who have directly contributed to the ideas in this book, especially Pjotr Hesselning (Erasmus University, Rotterdam), Tom Lyons (Irish Productivity Centre, Dublin), Desmond Graves (Templeton College, Oxford), Henri Claude de Bettignies (INSEAD), Finn Strandgaard (Network, Copenhagen), Bob King (ICI) and Rolf Lundin (Umeå University, Umeå). We are particularly grateful for the help received in preparing the book from Annie Robinson (Pitmans) and Pia Jäärf (FARådet).

European management is a term which invites a sceptical response. How can such an animal exist? Clearly, it is not easy to find or define common elements in managerial practice which are unique to work organizations operating in Western Europe.

The approach adopted here is to use the term as a short-hand expression to denote the *search* which is now under way to try to find answers to the following questions:

(a) Is it possible to distinguish a specific European approach to management in contrast with American and Japanese competing managerial philosophies?

(b) What type of strategies of change are required within the European context in order to achieve a more effective organizational response to world competition?

(c) What can be learnt from applied social scientific research on the nature of organizational failures in the European context and their implications for managerial roles?

(d) Given the advent of the 1992 Single European Market and the different historical and cultural traditions among European nations, on what basis can the management of European organizations be reformed?

Such questions arise from the specific political, economic and cultural challenges facing European firms, communities and individuals in the transitional years of the 1990s as a new European state is painfully being evolved. It should be made clear that the starting point for our thinking is the possible role for

management within this new political context. Management is assumed here to be too important within high technology and advanced societies to be seen as an issue merely of technique or a problem just of organizational efficiency. One of the main barriers to solving such issues is the narrow framework within which business schools throughout the world discuss managerial questions. Leadership, for example, is analysed in terms of social psychological concepts of management style. Corporate strategy decisions are seen as mainly relating to product market requirements. Contingency theory is used to demonstrate the need for a relativist approach in which even organizational culture is seen as reflecting top management decisions on the requirements for organizational survival and growth.

The fact that every organization is different and faces different demands and requirements should not obscure the reality that managerial decisions and choices are not simply about the rational use of resources. There is, of course, a view expressed by several management writers that managerial authority is only legitimate if it is confined to such rational organizational decisions. This is, however, an ideological position related to the view of neoclassicists such as Lionel Robbins that economics deals with the use of resources to *given* ends. The reality, in all societies, is that managerial choices reflect social, cultural, political and philosophical beliefs and world-views. In Western and Eastern Europe this is both recognized and accepted as inevitable. This means that the study of management must include an analysis not only of what those choices imply but also what they should imply. The study of management has to be placed in its political and cultural context.

There are three local European historical events in the 1980s which suggest an urgent need for reconsidering the basis for reconstructing management and managerial systems. First, in the United Kingdom, there is a national initiative to establish a comprehensive qualification system for managers based on achieving educational awards, such as a diploma or an MBA. This is seen as leading to the acceptance of managers in posts only if they are 'chartered' by possessing such qualifications. This approach is married to the concept of increasing the differential rewards for managers over specialist technical staff particularly by the use of performance related pay and bonuses. Such an approach, if successful, could create a more distinct managerial élite with the obvious risk that motivation for non-managerial staff could be threatened. The acceptance of this approach raises the issue of

access to management training and careers and also that of the acceptance of such a new élite by their subordinates.

Secondly, in Sweden, the Employers' Confederation (SAF) has, over the last five years, been stimulating research into the styles of leadership for top management in Sweden, raising the question of how such Scandinavian management should be fostered. The search for new policies and structures starts from a Swedish as well as from an international perspective. It is based on the analysis of the changing nature of the economic structure of Sweden, both in terms of products, services and new consumption groups. The fostering of such a research programme is directly related to thinking among Swedish politicians, industrialists, civil servants and professionals about future options for Sweden as an independent state. Concepts of management are here directly related to political goals.

Thirdly, as referred to above, the possibilities for European Union and the progress of the Single European Market, ultimately, directly challenge the thinking behind such national managerial initiatives. If managers and professionals are to have the freedom to move across national boundaries in search of work, and if companies are to be encouraged to develop trans-European organizations then European-wide education and training systems are required. A move to an open market across Europe challenges every traditional assumption about managerial roles and behaviour in every member state. It also challenges such assumptions in states like Sweden which are so interconnected with the European Community.

This book therefore is about the future and not the past. It assumes that detailed knowledge of existing systems and their differences is useful – but only in the short run. If things are on the move, then it is prudent to analyze such changes, but also to look to possible patterns for the future which may provide a model and a source of hope.

Keith Thurley and Hans Wirdenius  
February 1989

# Summary of the argument

Management practices, structures and policies clearly vary considerably between firms, industries and countries; what is less often realized is that the meaning of management itself – the concepts used, assumptions implied in the authority exercised and the objectives pursued – is not universal, although this is assumed to be the case by many practitioners. One reason for this is the domination of American managerial theory throughout the world, although this is now challenged by the ‘Japanese management’ school. It is argued here that the emergence of the Single European Market (1992) and its consequent changes provides an opportunity to define a distinct European approach to management which could help to spearhead the structural organizational changes necessary to improve the competitive power of the economies of European countries. This will not be easy to achieve as there is a profound sense of pessimism over the future of European society among many European intellectual and cultural leaders. The main need is to overcome the ambiguity over the role of managers in European society. Without this, effective organizational changes can hardly take place. Such ambiguity is not solved by consultants; nor is it likely to be solved by the wholesale acceptance of American ‘enterprise culture’ or Japanese type company commitment.

The starting point for a European approach is a realistic assessment of actual managerial practice in all three critical levels of organizational behaviour: running and controlling production systems (supervisory management), steering and coordinating ‘business units’ (operational management) and leading and designing strategic initiatives (enterprise management). Such ‘knowledge in use’ has to be integrated with a social scientific understanding of management, organizational behaviour and strategic approaches to the planning of change. Four types of



change strategies are needed to build a framework for planning change. Essentially the problem of designing effective change strategies depends on the judgement of how to combine such strategies (based on power, expert methodology, research, and project group experimentation) together in the right sequence and how to evaluate such initiatives to learn from mistakes and improve effectiveness, step by step.

The design of change strategies at the enterprise level implies developing the capacity for strategic choice between continuous incremental changes, regeneration programmes and the design of completely new systems. The model of change strategy proposed starts from the search for new objectives and includes the development of a broader vision for the future of the enterprise. The deepening of involvement for all levels of staff has to be pursued, alongside setting new standards of performance and developing new products and services. Eventually there will have to be major changes in work organization and a new reliance on 'built-in' evaluation processes to assess degrees of success and failure. A case study from a Swedish construction firm illustrates this approach and shows the crucial role of the chief executive in initiating change.

No strategic change will be effective, however, unless operational and supervisory management are deeply involved in supporting the change programme. The neglect of supervisory management is one key to declining European organizational effectiveness. This is rooted in the traditional social structure of European societies; candidates for higher management graduating from universities and business schools keep away from too much involvement in the steering of production systems. Unless this is reversed, the supervisory management level will continue to be defined as a lower status routine operation not suitable for the most able and creative managers. Improving production system effectiveness means improving control over input specifications (input efficiency), specifying and controlling throughput (system efficiency), and specifying and controlling output standards (output efficiency). Compared with the human relations, socio-technical systems and organizational development approaches, the total control movement has been the most advanced in tackling such problems of system performance. A case study of failure to change a supervisory system from an OD initiative is given to illustrate the importance of attempting organizational changes rather than simply attempting to change attitudes. Such changes will have to vary according to production system requirements.

A suggested model approach to change at the supervisory management level starts with the identification of production system malfunctions and utilizes supervisory group projects and experimentation as well as 'third-party' research and consultancy to arrive at a complete diagnosis. Changes to the system design will then require 'political' action, preferably by negotiation, and after objectives have been set, the new system can be developed and training and self-development programmes started to improve the skills and knowledge of the supervisors for running the new system. Evaluation processes should be 'built-in' from the beginning. Such a process of change will vary according to whether manufacturing, service or R&D type production systems are involved. What is essential is that supervisory managers and other employees clearly participate in steering the whole process.

The urgency for developing a European management approach rests on the judgement that there is a long-term structural decay in the viability of management within European firms. This is a crucial weakness in meeting the challenge of increasing Japanese and American competition, particularly through direct investment projects. The traditional élite systems of management cannot solve chronic problems of lack of organizational integration due to fragmentation of loyalties and interests by specialist function, status level and geographical location. It is difficult for them to stimulate organizational learning or to utilize fully the talent within the firm that is available.

Two fundamental dimensions of policy choice can be presented in this situation. The first concerns the extent to which 'pluralism' (the recognition of interest group objectives) is accepted and the second refers to the extent to which system integration can be achieved. Both goals are necessary for European management. The Single Market will provide opportunities and necessities for a range of changes of business strategy, from changing the mix of the home market portfolio to the setting up of European level organizations to develop new products and services. To exploit such business opportunities to the full, European management has to combine scientific and rational thinking with pragmatic solutions, the utilization of new ideas with employee commitment and support for creative learning. Only under such conditions will management achieve real legitimacy. Legitimacy for management allows strategic change to take place.

For the individual manager, European management means a requirement to pursue a wide variety of roles at different stages of a career. Such roles will be found partly through internal job

mobility and partly through changing employers. A balance has to be struck between corporate objectives, social and political objectives and personal and individual goals. Only in this context can a full commitment of employees to change strategies be demanded.

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# 1 The meaning of 'European management'

## 1.1 A starting point

In his classic film comedy of the 1950s, *Jour de Fête*, Jacques Tati played the part of a French postman in a small village who was so impressed with a film of the super-efficient American postal service that he tried his own way of speeding up deliveries. The joke lay in the incongruity between the traditional French style of living and the postman putting speed and efficiency above all else.

In retrospect, it can be argued that this film went to the heart of the European response to the world situation which followed the end of hostilities in 1945. American influence has been profound. The decisive importance of American military power in ending World War II, the crucial aid given through the Marshall Programme, the nuclear protection against communist military domination, the attraction of a free democratic society combined with high economic efficiency were plain to see. American films and TV programmes were so popular everywhere that governments allowed free access. Mass consumption styles – MacDonaldis, Levi jeans, Coca-Cola, etc. – and rock and pop music have spread in popularity among the young even further, across the Iron Curtain, long before the new world of Glasnost. And yet there is another side to the rapid acceptance of American culture and American ways of behaving. Voices – often reactionary in tone – are heard, criticizing the loss of the old ways of living. Political radicals and conservatives point out, with some relish, the flaws in a society in which Kennedy was assassinated, blacks meet so much discrimination and where *Dallas* and *Miami Vice* are such 'role models'. Innovators tend to respond to American ideas by claiming that their own proposals are different and unique.

All these tendencies can be found in the world of management and managerial ideas. Although Europe can claim to be the source of much of what is labelled 'classical theory' in management studies

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(Fayol, Urwick and, of course, Max Weber could be quoted), it is American management theory – scientific management, human relations, quality control, etc. – which has dominated management teaching in European universities and business schools in recent years. American bestsellers on business practice translated into European languages (e.g. Peters and Waterman, 1982) are the books which are most read by the top managements of European firms. American business schools – Harvard, MIT, Stanford and Chicago – are prized as the most valuable mid-career experiences for European executives, and the famous American consulting firms – McKinsey, Arthur Andersen, etc. – hold a large share of the management consulting market in Western European countries.

The reaction to this American influence has been complicated in the last decade by the rise of the Japanese management school and the growth of Japanese direct investments in European countries. Much of this debate, however, has arrived in Europe through the works of American specialists on Japan (Ouchi, 1981; Pascale and Athos, 1980). The typical first response of European managers, like that of Tati's postman, was to read such literature and then try to find an approach which was better and different. However, as European investments in the United States have increased in the late 1980s, so the American orientation of top management is clearly likely to increase.

### 1.2 Defining 'European management'

Given this situation it is perhaps surprising that – apart from the the stereotypes of national characteristics and sociological studies of careers and of the social origin of managers – there has been little consciousness within European countries of distinct national approaches to 'management'. The most widely read books comparing management between European countries were by an American, David Granick (1962, 1972). If 'British management' or 'German management' meant little, 'European management' meant even less. At the most, it could be claimed that the term 'European management' refers to a sense that 'excellence' in a European context may mean something different from a perceived 'California style' run company.

Exceptions, however, are recent studies published by researchers at FARÅdet and intended for managers. In one study, based on interviews of Swedish top leaders from large corporations,

government authorities, labour market organizations and politics, a Swedish alternative to the generally fostered Japanese leadership model was launched (Edström, Maccoby, Rendahl and Strömberg, 1985). In another series of case studies the researchers portray Swedish management philosophy of today and claim that a 'doctrine shift' is under way in the management of public and private organizations in Sweden (Beckérus and Edström, 1988). A comprehensive analysis of ongoing and future changes of Swedish economic and industrial life, its values and steering has been presented by de Geer and his colleagues (1987).

Another Scandinavian example is Lindkvist (1988) at the Institute of Organization and Industrial Sociology at the Copenhagen School of Economics who puts the question if it is possible to talk about Nordic management. Making an interpretation of historic literature and responses from Nordic researchers he concludes that the Nordic countries have a unique social organization which makes it difficult to export their management practices to other cultures.

For many managers management is a universal science and 'good management' is the same throughout the whole world. If European firms are not acting in a rational way defining their product market portfolio and carrying out the consequent business strategy systematically, then they are not efficient, anymore than they would be in Cincinnati or Houston.

Part of the origin of these ideas arises from the way that international management is taught in business schools as a set of *universalistic* principles which can accommodate local cultural differences. A recent textbook by Steven Globerman (1986) discusses the use of various techniques by which business decisions can take into account political risks and differences in values between societies. These include the use of 'socio-cultural checklists', the Delphi technique (taking opinions of experts), attitude surveys and use of multiple scenarios of possible alternative future states. He argues:

'As noted above, cultural differences do not as a rule prohibit doing business internationally, although they often oblige management to modify the way business is done from region to region. While modifications may be required, to a greater or lesser extent, in virtually all of the international firm's activities, the particular areas that seem to be most affected by cultural differences are the marketing and personnel-relations functions.'

(p. 149)



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The implications of this approach are clear enough. International companies have to research such local differences thoroughly and then, if necessary, change their marketing policies and their personnel policies to suit local conditions. There is no sense here that the basic assumptions of the firm's management or their objectives might have to be reconsidered in a different society.

The approach followed by the authors is more in line with that of another popular (British) textbook writer, Michael Brooke (1987). He is rightly sceptical about the nature of 'cultural data', especially from questionnaire surveys, and points out that so-called 'national differences' may reflect occupational cultural traditions and the effects of company size and structure. He argues, however, that:

'Little support is found for extreme universalistic assumptions which are apt to produce more problems than are solved, as superficial resemblances are pressed into support for minimizing the cultural differences. Undoubtedly there is much to be learnt by one culture from another in tackling the problems of industrialization, but the universalistic view suggests that the learning is all one way. Who is to say, on currently available evidence, whether the American emphasis on individual responsibility is more effective than the Japanese on group decision-making in either or both countries? Or vice versa?' (pp. 226-227)

In this passage, Brooke shifts the issue away from the problem of demonstrating that cultural differences are important for managers to understand – which he takes as self-evident – to the much more interesting question of how different cultural assumptions may influence management practice and lead to competing models of excellence. This is the question behind our exploration of European management. How far do current and emerging European social, cultural, economic and political aims and objectives lead to a model of management which is distinct from American or Japanese models?

'European management' should therefore be understood to refer *not* to current practice but to a *possible alternative approach*.

### 1.3 The 1992 campaign

At the time of writing, the European Community is engaged in a major debate about the implementation of the Single European Market scheduled to start in 1992. This involves the abolition of controls on cross-border trade and on the movement of labour and