UBB Cluj-Napoca FSEGA Department of Management

Management in the global context

Topics to prepare for the admission exam to the *Entrepreneurship and Business Administration* master program

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§1. What is management?

An *organization* is a group of people working together in a structured fashion to attain a set of goals. This organization may be a company, but also a sport club, a university, a church etc. Every time two or more persons are engaged in a systematic effort to accomplish an activity, they are an organization.

Management is the process of administering the activity of one organization or of one division of that organization. *To manage* means to handle, to be in charge of, to control, to administer that activity.

Frederick Winslow Taylor (1856-1915), the "father of scientific management", defined management as *knowing exactly what you want people to do, and then seeing that they do it in the best and cheapest way*.

The word *management* comes from two Latin words, *manus* (hand) and *agere* (to drive, to act), resulting *manum agere* (to drive by hand, to handle). The word became *maneggiare* (to handle, especially a horse) in the old Italian, then *mesnagement* (later *ménagement*; to care) in the old French, from where it was borrowed in English and became *management*. Nowadays this word is used in all languages, including French and Italian.

Another important pioneer in management thought, Henry Fayol (1841-1925), defined management by naming its major components: *to manage is to forecast and plan, to organize, to command, to coordinate and to control*. This was the first approach to the functions of management. The contemporary approach is a little different: forecasting is only a means used in *planning*; commanding is replaced by *leading* (which has a dramatically wider meaning); and coordinating is not only a function, but the core part of management, being exercised through all the functions. Thus the four functions of management are *planning, organizing, leading and controlling*.

Considering these four major components, we may define *management* as *the process of achieving organizational goals by engaging in the four functions of planning, organizing, leading, and controlling* (Bartol & Martin, 1994, p. 6).

In fact, the word *management* has different meanings:

- ✓ The act (activity) of managing something.
- ✓ The group of top managers of one organization.

- ✓ People in charge of running a business.

Management is performed through the deployment and manipulation of resources. Organizational resources are: human, financial, physical, and information.

- ✓ *Human* resources are the people needed to get the job done.
- ✓ *Financial* resources are the money the organization uses to reach its goals. The financial resources of a business organization are profits and investments from stockholders, and, occasionally, cash borrowed for different purposes.
- ✓ *Physical* resources are a firm's tangible goods and real estate, including raw materials, office space, production facilities, office equipment, and vehicles.
- ✓ *Information* resources are the data that the organization uses to get the job done.

Many authors talk also about two additional resources: intellectual and intangible, pointing to human thoughts and feelings, beyond the professional knowledge and skills addressed by human resources.

§2. Who is a manager?

A *manager* is *someone whose primary activities are a part of the management process* (Griffin, 1990, p. 7). Please notice that this does not mean that the manager has subordinates – a manager in not necessarily a leader, but a person who is administering one activity. Anyway, a manager is usually a head of a work unit or department, or the head of the entire organization, so he/she is *the person responsible for the work performance of group members* (DuBrin, 2009, p. 2).

A manager holds the authority (the formal power) to commit organizational resources, even if the approval of others is required. In fact, a manager is someone who has a measure of control over any of the following: time, workloads, decisions, technology, equipment, money, standards, meetings, and/or other people.

There are many managerial job types in any organization. These managerial jobs vary on the basis of two important dimensions (Figure 1):

- ✓ A vertical dimension, focusing on different hierarchical levels;
- ✓ A horizontal dimension, addressing variations in managers' responsibility areas.

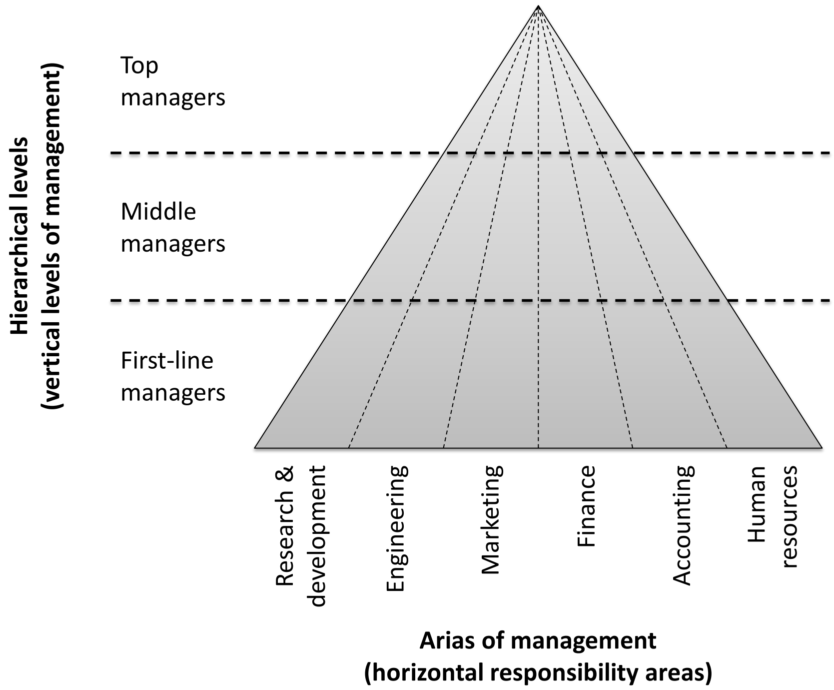

Figure 1. Types of managers by hierarchical level and responsibility area

Along the vertical dimension, managerial jobs fall into three categories: top, middle, and first-line management.

1. *Top managers* are managers at the very top levels of the hierarchy. They are ultimately responsible for the entire organization and have direct responsibility for the upper layer of middle managers. Top managers' typical titles are: *chief executive officer* (CEO), *president, executive vice president*, *executive director, senior vice president*. They are often referred to as *executives*.
2. *Middle managers* are managers beneath the top levels of the hierarchy, who are directly responsible for the work of managers at lower levels. They may have direct responsibility for other middle managers or for first-line managers. Organizations, particularly very large ones, often have several layers of middle managers. Their titles may be: *manager*, *director of*, *chief*, *department head*, *division head* etc.
3. *First-line managers* are managers at the lowest level of the hierarchy, who are directly responsible for the work of operating (non-managerial) employees. Their titles often include the word *supervisor*.

Taking into account the arias of management, there are many managerial jobs, as following:

- ✓ Marketing managers: primarily concerned with getting the products into the hand of clients.
- ✓ Financial managers: deal primarily with an organization's financial resources.
- ✓ Operations managers: primarily concerned with creating organization's products and services.
- ✓ Human resource managers: concerned with hiring, maintaining, and discharging employees.

- ✓ Administrative managers (general managers): not associated with any particular management specialty.
- ✓ Other kinds of managers: other management specialties than those already described.

It is important to distinguish from managers and supervisors. The word *supervisor* originates in the Latin *super* (over) + *visor* (to see), meaning *overseer*. The supervisor's job consists only of overseeing one or more organizational resources, inspecting and monitoring them. Managing is wider: not only to inspect and monitor things, but also to make predictions, to plan ahead, to decide how things will change and develop. The major difference between any manager and a supervisor stems from their viewpoints: while the supervisor is mainly concerned with the present, the manager is concerned with future, present and past.

The manager also has to be distinguished from the *leader*. A leader is someone who sets direction in an effort and influences people to follow that direction; in other words, a leader is someone in front of other people. As long as the manager has subordinates, he/she has to be a leader, but management cannot be reduced to leading – in addition to leading, managing includes planning, organizing, and controlling. A leader deals with people (he/she influences subordinates), while a manager deals with activity (and this includes influencing those subordinates who have to perform that activity).

§3. The functions of management

To accomplish goals, the manager performs four managerial functions: planning, organizing, leading, and controlling.

1. *Planning* involves setting *goals* and deciding how best to achieve them (making *plans*). Basically, it consists of *making decisions*. An important part of planning addresses issues related to encouraging *change* and *innovation*.
2. *Organizing* focuses on *allocating and arranging* human and nonhuman *resources* so that plans can be carried out successfully. Through this function managers determine which tasks are to be done, how tasks can best be combined into specific jobs, and how jobs can be grouped into various units that make up the structure of the organization. Staffing jobs with individuals, along with other components of human resource management (HRM), is also part of this function – HRM operates with allocating and arranging human resources, so basically it is basically a component of organizing.
3. Leading involves *influencing others* to engage in the work behaviors necessary to reach organizational goals. The basic blocks of leading are *motivating* (providing employees with reasons to do their job), *leadership* (directing and helping to outline a vision), *communicating* and *managing the group* throughout the different stages in its development. Please notice that leading deals with human beings, with their feelings and psychological

states, and not with human resources (number of employees with a certain specialization and professional knowledge and skills); it does not mean to allocate human resources, but to influence individuals and groups to do their job.

4. *Controlling* is aimed at *regulating* organizational activities so that actual performance conforms to expected organizational standards and goals. To do this, managers *monitor* ongoing activities, *compare* the results with expected standards or progress toward goals, and *take corrective action* as needed. Please notice that controlling means regulating the activity and not verifying and evaluating the employees (which is part of HRM, a component of organizing).

Although the same managerial functions apply to all three hierarchical levels of management, there are some differences in emphasis (Figure 2). Planning and organizing tend to be more important for top managers than for middle or first-line managers, because top managers are responsible for determining the overall direction of the organization and allocating resources. In contrast, leading is substantially more important for first-line managers, since they are charged with the ongoing production of goods or services.

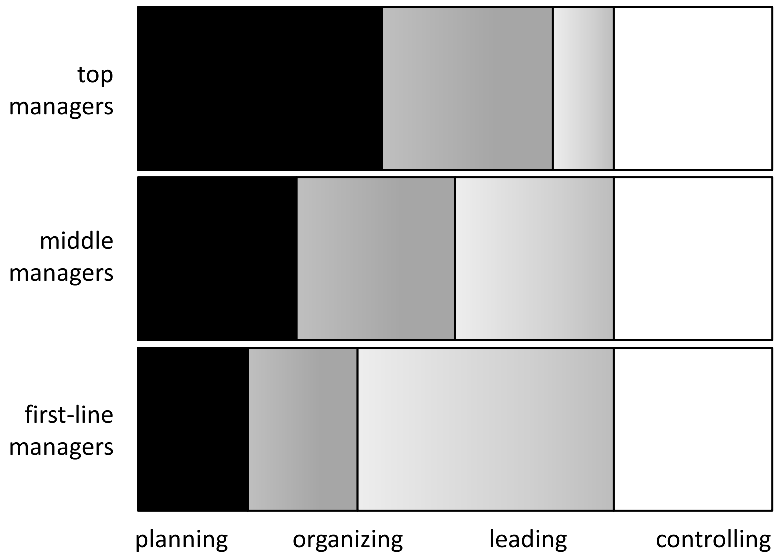

Figure 2. Use of management functions at different hierarchical levels

(Bartol & Martin, 1994, p. 21) (Adapted)

§4. The process of management

A helpful approach to understanding management is to regard it as a process. A process is a series of actions that achieves something (DuBrin, 2009, p. 6).

To achieve a goal, the manager uses resources and carries out four major managerial functions, as presented in the previous section. Figure 3 illustrates the process of management.

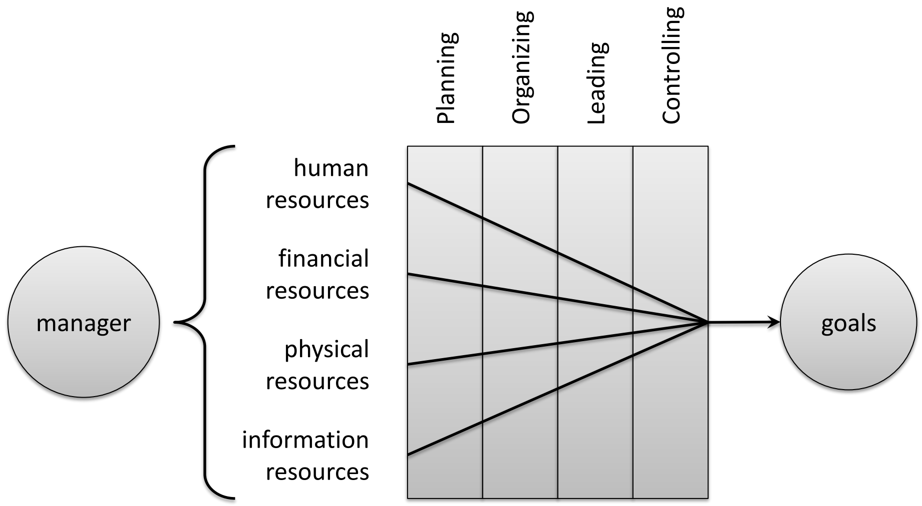

Figure 3. The process of management

(Griffin, 1990, p. 7)

§5. Managerial roles

The manager has many roles within the organization or department. A *role* is an organized set of behaviors associated with a particular office or position.

The most popular approach to managerial roles belongs to Henry Mintzberg. According to him, there are 10 managerial roles, grouped into 3 categories: decisional, informational, and interpersonal (Mintzberg, 1973).

Decisional roles involve making significant decisions that affect the organization. These roles are:

- ✓ *Entrepreneur*: acts as initiator, designer, and encourager of change and innovation.
- ✓ *Disturbance handler*: takes corrective action when organization faces important, unexpected difficulties.
- ✓ *Resource allocator*: distributes resources of all types, including time, funding, equipment, and human resources.
- ✓ Negotiator: represents the organization in major negotiations affecting the manager's area of responsibility.

Informational roles pertain to receiving and transmitting information so that managers can serve as the nerve centers of their organizational units. These roles are:

- ✓ *Monitor*: seeks internal and external information about issues that can affect organization.
- ✓ *Disseminator*: transmits information internally that is obtained from either internal or external sources.
- ✓ *Spokesperson*: transmits information about the organization to outsiders.

Interpersonal roles grow directly out of the authority of a manager's position and involve developing and maintaining positive relationships with significant others. These roles are:

- ✓ *Figurehead*: performs symbolic duties of a legal or social nature.
- ✓ *Leader*: builds relationships with subordinates and communicates with, motivates, and coaches them.
- ✓ *Liaison*: maintains networks of contacts outside work unit who provide help and information.

Further researches extended Mintzberg's findings. Also, the modern approaches associate these roles with the functions of management (they are closely related). Andrew DuBrin enumerates 17 roles, grouped according to the managerial function they belong to, as described next (DuBrin, 2009, pp. 9-13).

Planning has two managerial roles related to: strategic planner and operational planner.

- ✓ *Strategic planner*: (a) setting a direction for the organization; (b) helping the firm deal with the external environment; and (c) developing corporate policies.
- ✓ *Operational planner*: (a) formulating operating budgets and (b) developing work schedules for the unit supervised.

Organizing has five roles that relate to it: organizer, liaison, staffing coordinator, resource allocator, and task delegator.

- ✓ *Organizer*: (a) designing the jobs of group members; (b) clarifying group members' assignments; (c) explaining organizational policies, rules, and procedures; and (d) establishing policies, rules, and procedures to coordinate the flow of work and information within the unit.
- ✓ *Liaison*: developing and maintaining a network of work-related contacts with people. This means (a) cultivating relationships with clients or customers; (b) maintaining relationships with suppliers, customers, and other persons or groups important to the unit or organization; (c) joining boards, organizations, or public service clubs that might provide useful, work-related contacts; and (d) cultivating and maintaining a personal network of in-house contacts through visits, telephone calls, e-mail, and participation in company-sponsored events.
- ✓ *Staffing coordinator*: trying to make sure that competent people fill positions. Specific activities: (a) recruiting and hiring staff; (b) explaining to group members how their work performance will be evaluated; (c) formally evaluating group members' overall job performance; (d) compensating group members within the limits of organizational policy; (e) ensuring that group members are properly trained; (f) promoting group members or recommending them for promotion; and (g) terminating or demoting group members.
- ✓ *Resource allocator*: dividing resources in the manner that best helps the organization. Specific activities: (a) authorizing the use of physical resources (facilities, furnishings, and equipment); (b) authorizing the expenditure of financial resources; and (c) discontinuing the use of unnecessary, inappropriate, or ineffective equipment or services.

- ✓ *Task delegator*: assigning tasks to group members. Specific activities: (a) assigning projects or tasks to group members; (b) clarifying priorities and performance standards for task completion; and (c) ensuring that group members are properly committed to effective task performance. Notice that the role of task delegator could be considered a part of the role of organizer.

Leading is associated to eight managerial roles: figurehead, spokesperson, negotiator, coach, team builder, team player, technical problem solver, and entrepreneur.

- ✓ *Figurehead*: engaging in ceremonial activities or acting as a figurehead. Specific activities: (a) entertaining clients or customers as an official representative of the organization; (b) being available to outsiders as a representative of the organization; (c) serving as an official representative of the organization at gatherings outside the organization; and (d) escorting official visitors.
- ✓ *Spokesperson*: answering letters or inquiries and formally reporting to individuals and groups outside the manager's organizational unit. As a spokesperson, the manager keeps five groups of people informed about the unit's activities, plans, and capabilities. These groups are (a) upper-level management, (b) clients and customers, (c) other important outsiders (such as labor unions), (d) professional colleagues, and (e) the general public.
- ✓ *Negotiator*: trying to make deals with others for needed resources. Specific activities: (a) bargaining with supervisors for funds, facilities, equipment, or other forms of support; (b) bargaining with other units in the organization for the use of staff, facilities, and other forms of support; and (c) bargaining with suppliers and vendors about services, schedules, and delivery times.
- ✓ *Coach*: (a) informally recognizing employee achievements; (b) giving encouragement and reassurance, thereby showing active concern about the professional growth of group members; (c) giving feedback about ineffective performance; and (d) giving group members advice on steps to improve their performance.
- ✓ *Team builder*: (a) ensuring that group members are recognized for their accomplishments (by issuing letters of appreciation, for example); (b) initiating activities that contribute to group morale, such as giving parties and sponsoring sports teams; and (c) holding periodic staff meetings to encourage group members to talk about their accomplishments, problems, and concerns.
- ✓ *Team player*: (a) displaying appropriate personal conduct; (b) cooperating with other units in the organization; and (c) displaying loyalty to superiors by fully supporting their plans and decisions.

- ✓ *Technical problem solver*: (a) serving as a technical expert or advisor and (b) performing individual contributor tasks, such as making sales calls or repairing machinery on a regular basis.
- ✓ *Entrepreneur*: suggesting innovative ideas or furthering the business aspects of the firm. Specific activities: (a) reading trade publications and professional journals and searching the Internet to keep up to date; (b) talking with customers or others in the organization to keep abreast of changing needs and requirements; and (c) getting involved in activities outside the unit that could result in performance improvements within the manager's unit. These activities might include visiting other firms, attending professional meetings or trade shows, and participating in educational programs.

Controlling is fitted by two roles, those of monitor and disturbance handler.

- ✓ *Monitor*: (a) developing systems that measure or monitor the unit's overall performance; (b) using management information systems to measure productivity and cost; (c) talking with group members about progress on assigned tasks; and (d) overseeing the use of equipment and facilities (for example, telephones and office space) to ensure that they are properly used and maintained.
- ✓ *Disturbance handler*: (a) participating in grievance resolution within the unit (working out a problem with a labor union, for example); (b) resolving complaints from customers, other units, and superiors; (c) resolving conflicts among group members; and (d) resolving problems about work flow and information exchange with other units. Notice that disturbance handling might also be considered a leadership role.

§6. Manager's work

Henry Mintzberg studied the work methods of the managers and found that managers differ drastically from their popular image as reflective, systematic planners who spend considerable quiet time in their offices poring over formal reports. He found three major characteristic of the managers' work:

1. Unrelenting pace;
2. Brevity, variety, and fragmentation;
3. Oral contacts and networks.

The work of managers is extremely complex and it is based both on scientific methods and personal abilities – it is said that management is a mix of science and art. As a science, management is governed by rules and principles, and it uses scientific methods, tools and approach. As an art, management relies on: (a) personal experience; (b) personal skills as charisma, flair, wit, intuition; this is the empirical side of management. In the context of our world there is no place for empirical management (one based only on art) – art is needed, but science is indispensable.

For managers to do their job, act out roles, and engage in planning, organizing, leading, and controlling, they need a sound knowledge base and key management skills.

The *knowledge base* of managers includes information about the following:

- ✓ An industry and its technology.
- ✓ Company policies and practices.
- ✓ Company goals and plans.
- ✓ Company culture.
- ✓ The personalities of key organization members.
- ✓ Important suppliers and customers.

In addition to having a knowledge base, managers need certain skills to carry out the various functions of management. A *skill* is the ability to engage in a set of behaviors that are functionally related to one another and that lead to a desired performance level in a given area.

Three types of skills are necessary for managers: technical, human, and conceptual (Bartol & Martin, 1994, p. 16).

1. *Technical skills* reflect both an understanding of and a proficiency in a specialized field.
2. *Human skills* are associated with a manager's ability to work well with others, both as a member of a group and as a leader (who gets things done through others).
3. *Conceptual skills* are related to the ability to visualize the organization as a whole, discern interrelationships among organizational parts, and understand how the organization fits into the wider context of the industry, community, and world.

The three levels of management differ in the importance attached to the key skills (Figure 4). Generally, conceptual skills are most important at the top level, since top managers have the greatest need to see the organization as a whole, understand how its parts relate at one another, and associate the organization with the world outside. In contrast, first-line managers have the greatest need for technical skills, since they directly supervise most of the technical and professional employees who are not managers.

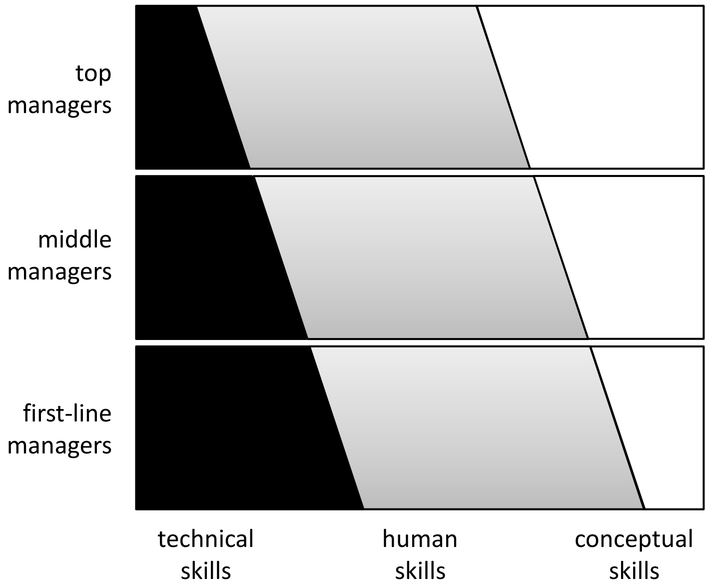

Figure 4. Use of key management skills at different hierarchical levels

(Bartol & Martin, 1994, p. 22) (Adapted)

1.1.2. Organizational environments

It is very important for managers to understand their environment – an organization is an open system that has many interactions with the external environment, and its effectiveness is dramatically affected by the internal conditions.

There are two major types of environments: external and internal. Figure 5 exhibits these two major environments along with the structure of external environment.

Figure 5. The internal and external environments of the organization

Source: (Bartol & Martin, 1994, p. 70)

§1. The external environment

The *external environment* is everything outside an organization that might potentially affect it. The boundary that separates the organization from the external environment is not always clear and precise. For example, stockholders and part-time workers are part of the organization, but they are also part of its external environment.

The external environment is composed by two layers: the general environment (mega-environment) and the task environment.

The *general environment* (*mega-environment*) reflects the broad conditions and trends in the societies within which an organization operates. It consists of five major elements: technological, economic, legal-political, sociocultural, and international.

1. *Technological* element: the current state of knowledge regarding the production of products and services.
2. *Economic* element: the system of producing, distributing, and consuming wealth.
3. *Legal-political* element: legal & governmental systems within which an organization must function.
4. *Sociocultural* element: the attitudes, values, norms, beliefs, behaviors, and associated demographic trends that are characteristic of a given geographic area.
5. *International* element: the developments in countries outside an organization’s home country that have the potential to influence the organization.

The *task environment* consists of the specific outside elements with which an organization interfaces in the course of conducting its business. It may include five elements: customers and clients; competitors; suppliers; labor supply; and government agencies.

1. *Customers and clients*: individuals or organizations that purchase an organization’s products and services.
2. *Competitors*: other organizations that either offer or have a high potential of offering rival products or services.
3. *Suppliers*: those organizations and individuals that supply the resources an organization needs to conduct its operations.
4. *Labor supply*: those individuals who are potentially employable by an organization.
5. *Government agencies*: agencies that provide services and monitor compliance with laws and regulations at local, state or regional, and national levels.

§2. The internal environment

The *internal environment* consists of the general conditions and forces within the organization. Its major components include the board of directors, employees, and the organizational culture.

The *board of directors* is elected by the stockholders and is charged with overseeing the general management of the firm to ensure that it is being run in a way that best serves the stockholders' interests (Griffin, 1990, p. 93). The may be inside directors and outside directors.

1. *Inside directors* are also full-time employees of the firm, usually holding top-management jobs.
2. *Outside directors* are elected for a specific purpose – to assist with financial management, legal issues, and so forth.

The core part of the internal environment is the organizational culture.

Organizational culture is a system of shared values, assumptions, beliefs, and norms that unite the members of an organization (Smircich, 1983).

Three major aspects of organizational culture affect the organization: direction, pervasiveness, and strength.

1. *Direction*: the degree to which a culture supports, rather than interferes with, reaching organizational goals.
2. *Pervasiveness*: the extent to which a culture is widespread among members.
3. *Strength*: the degree to which members accept the values and other aspects of a culture.

The components of the organizational culture form many layers, ranging from the deepest level of beliefs to the most superficial level, that of cultural practices, as shown in Figure 6.

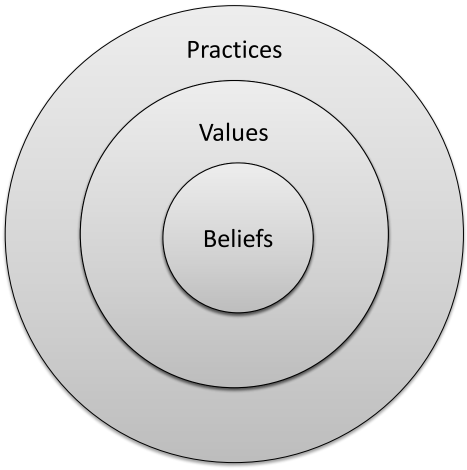

Figure 6. Culture's layers

The cultural *beliefs* are basic assumptions that something is true or false.

The cultural *values* are assumptions that something is good or bad.

The cultural *practices* (manifestations) are norms and behaviors built on the basis of shared beliefs and values. They are the visible area of a culture. They are usually called *cultural artifacts*. The most important such manifestations are symbols, stories, rites and ceremonials; all those are designed to convey cultural values and to transmit to the organization's members what is expected from them.

- ✓ A *symbol* is an object, act, event, or quality that serves as a vehicle for conveying meaning.
- ✓ A *story* is narrative based on true events, which sometimes may be embellished to highlight the intended value.
- ✓ A *rite* is a relatively elaborate, dramatic, planned set of activities intended to convey cultural values to participants and, usually, an audience.
- ✓ A *ceremonial* (*ritual*) is a system of rites performed in conjuration with a single occasion or event.

An organization culture has many characteristics that differentiate it from other cultures. The following list exhibits some of the most significant such characteristics:

- ✓ Member identity: the degree to which employees identify with the organization as a whole rather than with their type of job or field of professional expertise.
- ✓ Group emphasis: the degree to which work activities are organized around groups rather than individuals.
- ✓ People focus: the degree to which management decisions take into consideration the effect of outcomes on people within the organization.
- ✓ Unit integration: the degree to which units within the organization are encouraged to operate in a coordinated or interdependent manner.
- ✓ Control: the degree to which rules, regulations and direct supervision are used to oversee and control employee behavior.
- ✓ Risk tolerance: the degree to which employees are encouraged to be aggressive, innovative and risk-seeking.
- ✓ Reward criteria: the degree to which rewards such as salary increases and promotions are allocated according to employee performance rather than seniority, favoritism or other nonperformance factors.
- ✓ Conflict tolerance: the degree to which employees are encouraged to air conflicts and criticisms openly.
- ✓ Means-ends orientation: the degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve those outcomes.
- ✓ Open-system focus: the degree to which the organization monitors and responds to changes in the external environment.

In order to help describe and understand the culture of an organization, Johnson presents a cultural web, which brings together the major components of organizational culture (Figure 7).

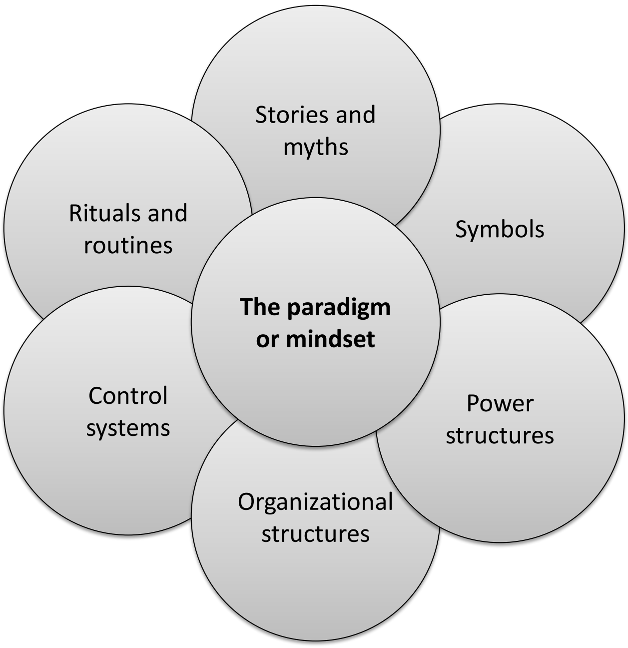

Figure 7. The cultural web of an organization

Source: (Johnson, p. 31)

C. Handy describes four main types of organizational cultures: power culture; role culture; task culture; and person culture (Handy, 1993).

- ✓ *Power culture* depends on a central power source with rays of influence from the central figure throughout the organization. It relies on trust, empathy and personal communications for its effectiveness; there are few rules and procedures, and little bureaucracy – it is a political organization with decisions taken largely on the balance of influence. It is usually found in small entrepreneurial organizations.
- ✓ *Role culture* is often stereotyped as a bureaucracy and works by logic and rationality. It rests on the strength of strong organizational "pillars" – the functions of specialists in different areas. The work and interactions are controlled by procedures and rules, and coordinated by a few senior managers. Role or job description is often more important than the individual and position power is the main source of power.
- ✓ *Task culture* is job-oriented or project-oriented. Task culture seeks to bring together the right resources and people, and utilizes the unifying power of the group. Influence is widely spread and based more on expert power than on position or personal power.
- ✓ *Person culture* is where the individual is the central focus and any structure exists to serve the individuals within it. Hierarchies and control mechanisms are possible only by mutual consent. Individuals have large autonomy and any influence over them is likely to be on the basis of personal power. It usually occurs when a group of people decide that it is in their own interests to band together. Examples are groups of barristers, architects, doctors or

consultants. Although it is found in only a few organizations many individuals have a preference for person culture, for example university professors and specialists.

Sometimes organization culture is subject to change. Since a culture involves fairly stable assumptions and norms, it can be extremely difficult to change. One procedure for changing organizational culture consists of five main steps:

1. Surfacing actual norms: listing the actual norms that are susceptible to influence employee attitudes and actions.
2. Articulating new directions: discussing the current direction of the organization and the behaviors that are necessary for organizational success.
3. Establishing new norms: developing a list of new norms that are supposed to have a positive impact on organizational effectiveness.
4. Identifying culture gaps: identifying the areas in which there is a major difference (gap) between actual norms and new ones.
5. Closing culture gaps: agreeing on new norms and designing means of reinforcing them.

§3. Analyzing environmental conditions

There are two major issues related to environmental conditions: the organization-environment interface and the characteristics of the environment.

The *organization-environment interface* is the nature of the interactions between organization and external environment. There are many approaches to explaining these relationships. The most relevant views are the population ecology model and resource dependence model.

1. The *population ecology model* (*natural selection model*) focuses on populations or groups of organizations and argues that environmental factors cause organizations with appropriate characteristics to survive and others to fail.
2. The *resource dependence model* highlights organizational dependence on the environment for resources and argues that organizations attempt to manipulate the environment to reduce that dependence.

The external environment has many *characteristics* which may be relevant for different purposes. Two of them are particularly useful in analyzing the environmental situations faced by organizations: environmental munificence and environmental uncertainty.

1. The *environmental munificence* is the extent to which the environment can support sustained growth and stability.
2. The *environmental uncertainty* is a condition in which future environmental circumstances affecting an organization cannot be accurately assessed and predicted. The degree of environmental uncertainty is a function of two major factors, complexity and dynamism.

a. The *environmental complexity* refers to the number of elements in an organization's environment and their degree of similarity.

b. The *environmental dynamism* refers to the rate and predictability of change in the elements of an organization's environment.

The overall degree of environmental uncertainty can be assessed by using the two major dimensions of complexity and dynamism. The situations the organizations have to face are shown in Figure 8.

Environmental dynamism \ Environmental complexity	homogeneous	heterogeneous
stable	**Low uncertainty** 1. Small number of similar external elements 2. Elements stay the same or change slowly Example: *Funeral homes*	**Moderate low uncertainty** 1. Large number of dissimilar external elements 2. Elements stay the same or change slowly Example: *Insurance companies*
unstable	**Moderate high uncertainty** 1. Small number of similar external elements 2. Elements change rapidly and unpredictably Example: *Women's apparel*	**High uncertainty** 1. Large number of dissimilar external elements 2. Elements change rapidly and unpredictably Example: *Software companies*

Figure 8. Assessing environmental uncertainty

Source: (Duncan, 1979, p. 63)

1.2. Planning

Planning, as a function of management, involves setting goals and deciding how best to achieve them. This function also includes considering what must be done to encourage necessary levels of change and innovation.

Planning provides a basis for the other major functions of management – organizing, leading, and controlling – by charting the course and providing the steering mechanism.

1.2.1. Establishing organizational goals and plans

This section will review the major aspects of organizational goals and plans, as components of a continuous process.

§1. The overall planning process

The most important components of planning are: mission, goal, objective, and plan.

- ✓ The *mission* is the organization's purpose or fundamental reason for existence. The mission statement is a broad declaration of the basic, unique purpose and scope of operations that distinguishes it from others of its type. The *mission statement* may refer to many aspects and it is usually made up of some or all of the following nine components (Fred, 1989): (1) customers, (2) products or services, (3) location, (4) technology, (5) concern for survival, (6) philosophy, (7) self-concept, (8) concern for public image, and (9) concern for employees.
- ✓ A *goal* is a future target or end result that an organization wishes to achieve.
- ✓ An *objective* is a narrower target and refers to a shorter time frame. But many authors use the terms "goal" and "objective" interchangeably.
- ✓ A *plan* is the means devised for attempting to reach a goal.

An overall view of the planning process is shown in Figure 9.

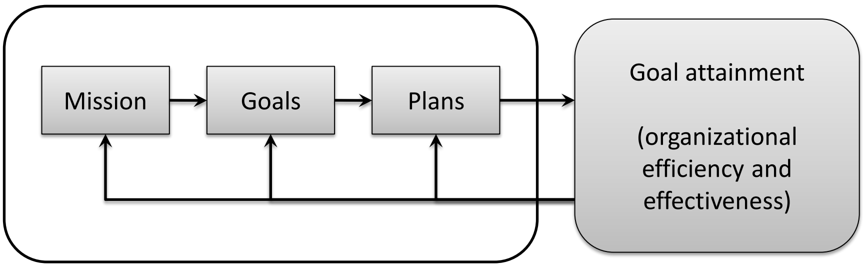

Figure 9. The overall planning process

Source: (Bartol & Martin, 1994, p. 136)

§2. Organizational goals

Organizations usually have three levels of goals: strategic, tactical, and operational, as shown in Figure 10.

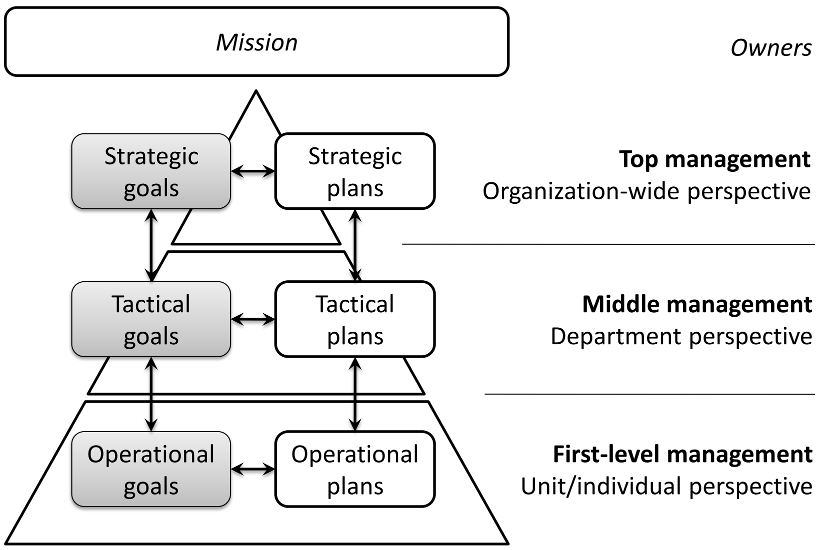

Figure 10. Levels of goals and plans

Strategic goals are broadly defined targets or future end results set by top management. They typically address issues relating to the organization as a whole and may sometimes be stated in fairly general terms. Strategic goals are sometimes called “official goals”.

Tactical goals are targets or future end results usually set by middle management for specific departments or units. They spell out what must be done by various departments to achieve the results outlined in the strategic goals. Tactical goals tend to be stated in more measurable terms than is sometimes true of strategic goals.

Operational goals are targets or future end results set by lower management that address specific measurable outcomes required from the lower levels.

The three levels of goals form a *hierarchy of goals*. Within this hierarchy, goals at each level need to be synchronized. In this way the levels of goals form a *means-end-chain*. For example, the goals at the operational level must be reached in order to achieve the goals at the tactical level – the tactical goals are the end, while the operational goals are the means (for that end).

The most significant benefits of goals are:

- ✓ Goals can increase performance.
- ✓ Goals help clarify expectations.
- ✓ Goals facilitate the controlling function of management.
- ✓ Goals increase motivation.

Goals facilitate performance in a complex way. The major components involved in enhancing performance are shown in Figure 11.

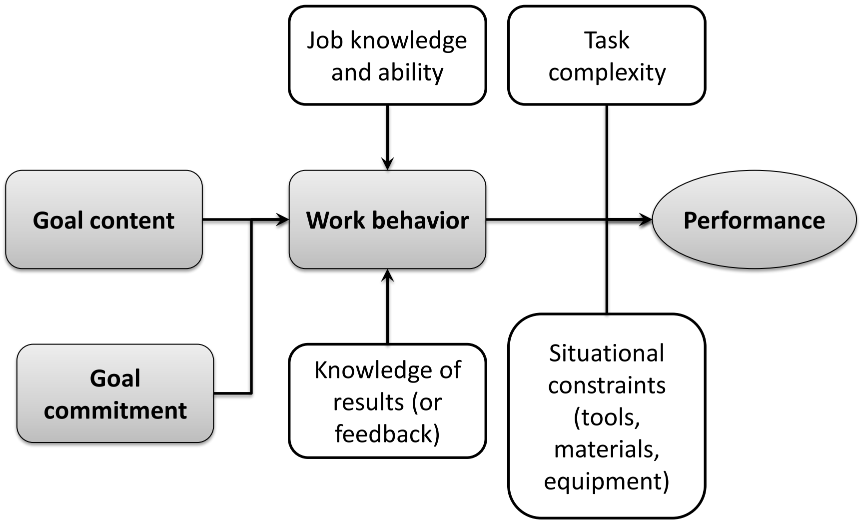

Figure 11. How goals facilitate performance

Source: (Bartol & Martin, 1994, p. 144)

There are two major aspects of the goals that are able to enhance performance: goal content and goal commitment.

In order to get employee motivation, the *content of the goals* must have five characteristics – goals should be: (1) challenging, (2) attainable, (3) specific and measurable, (4) time-limited, (5) and relevant.

Goal commitment is one's attachment to, or determination to reach, a goal. There are five major factors contributing to goal commitment: (1) supervisory authority, (2) peer and group pressure, (3) public display, (4) expectations of success, and (5) incentives and rewards (only positive ones). There is also another factor that may be sometimes helpful: participation.

§3. Organizational plans

Organizational goals have little meaning unless careful consideration is given to how they will be achieved. While goals are desired ends, plans are the means used to bring about the desired ends.

Plans differ by level in the organization (according to the levels of the goals; see Figure 10), by time horizons (as a consequence of levels), and also by extent of recurring use.

According to level in the organization there are three types of plans: strategic, tactical, and operational.

Strategic plans are detailed action steps mapped out to reach strategic goals. They address such issues as how to respond to changing conditions, how to allocate resources, and what actions should be taken to create a unified and powerful organization-wide effort. Strategic plans are developed by top management and cover a long time horizon (years).

Tactical plans are the means charted to support implementation of the strategic plan and achievement of tactical goals. They cover intermediate time frames (1 to 3 years) and are more specific and concrete than strategic plans. Tactical plans outline the major steps that particular departments will take to reach their tactical goals and are developed by middle managers. Strategy focuses on resources, environment, and mission, whereas tactics deal primarily with people and action.

Operational plans are the means devised to support implementation of tactical plans and achievement of operational goals. Their time frames are of less than 1 year (even days). Operational plans are developed by lower-level managers and they spell out specifically what must be accomplished over short time periods in order to achieve operational goals.

On the basis of how frequently they will be used, there are two types of plans: single-use plans and standing plans.

1. A *single-use plan* is a plan aimed at achieving a specific goal that, once reached, will most likely not recur in the future. There are two major types of single-use plans: programs and projects.
    a. A *program* is a comprehensive plan that coordinates a complex set of activities related to a major nonrecurring goal. A program typically involves several different

departments or units, is composed of several different projects, and may take more than one year to complete.

b. A *project* is a plan that coordinates a set of limited-scope activities that do not need to be divided into several major projects in order to reach a major nonrecurring goal. A project often has its own budget. It may be one of several related to a particular program, or may be a separate, self-contained set of activities sufficient to reach a particular goal.

2. A *standing plan* is a plan that provides ongoing guidance for performing recurring activities. There are three major types of standing plans: policies, procedures, and rules.
   a. A policy is a general guide that specifies the broad parameters within which organization members are expected to operate in pursuit of organizational goals.
   b. A procedure is a prescribed series of related steps to be taken under certain recurring circumstances.
   c. A rule is a statement that spells out specific actions to be taken or not taken in a given situation.

According to time horizons, there are three types of plans: short-range plans, intermediate-range plans, and long-range plans (Figure 12). In environments that change rapidly, long-range planning may focus on periods of less than 5 years, while in stable environments long-range planning may extend to periods of 10 to 20 years. Tactical goals and plans typically address periods from 1 year to 5 years. Operational goals and plans generally involve periods of 1 year or less.

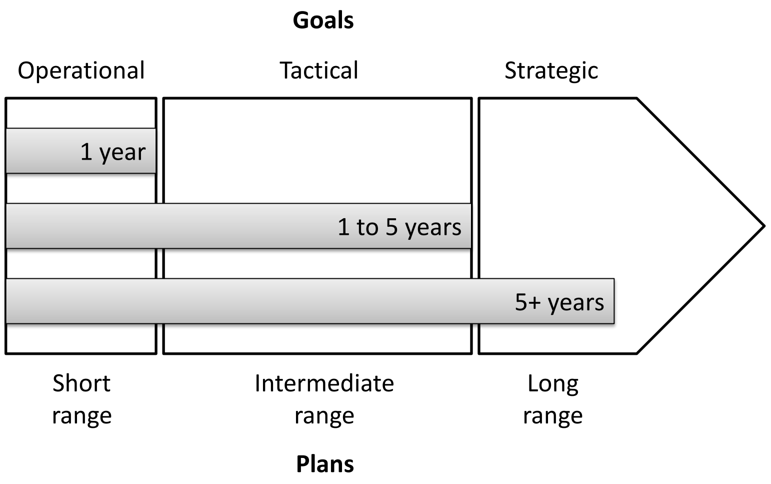

Figure 12. Time horizons of goals and plans

Source: (Bartol & Martin, 1994, p. 154)

1.2.2. Managing innovation and change

Most experts agree that requirements for innovation in organizations must be an integral part of the planning process. This section probes ways that managers can effectively facilitate needed innovation and change.

The importance of change nowadays causes managers to become increasingly interested in issues of change and innovation. It is useful to distinguish between these two terms. Change is wider than innovation – innovation is a more specialized kind of change. All innovations imply change, but not all changes are innovation.

§1. The nature of change and innovation

Change is in any alteration of the status quo.

Innovation is a new idea applied to initiating or improving a process, product, or service (Bartol & Martin, 1994, p. 199).

Innovations in organizations can range from radical new breakthroughs (such as laser technology) to small, incremental improvements (such as an improved paper tray on a computer printer).

There are two major types of forces for change and innovation: internal forces and external forces.

The *external forces for change and innovation* stem from the external environment and are basically of two types:

- ✓ External forces that pressure organizations to change in ways which are less than desirable.
- ✓ External forces that open up opportunities for applications of innovative ideas.

The *internal forces for change and innovation* develop from a variety of sources like: alterations of strategies and plans, ethical difficulties (arisen because of employee behaviors), decisions that entail changes and innovations, organizational culture shifts, reorganizations, technological advances, leadership changes and so forth.

The most important characteristics of innovation are:

- ✓ Innovation involves considerable uncertainty.
- ✓ The process of innovation tends to be knowledge-intensive.
- ✓ The process of innovation is often controversial: resources aimed at a particular innovation effort could presumably be used to pursue alternative courses of action.
- ✓ The innovation process crosses organizational boundaries: development and implementation frequently involve more than one business unit, increasing the complexity of the effort.

§2. Organizational life cycles

Life cycles are predictable stages of development that organizations typically follow. The evolution through each stage requires certain changes in order for organizations to survive and grow. Otherwise, organizational termination may occur.

Organizational termination is the process of ceasing to exist as an identifiable organization.

There are three major ways of organizational termination: bankruptcy, liquidation, and merger or acquisition.

1. *Bankruptcy* is a means whereby an organization that is unable to pay its debts can seek court protection from creditors and from certain contract obligations while attempting to regain financial stability.
2. *Liquidation* occurs when the entire organization is either sold or dissolved.
3. A *merger* occurs when two or more organizations combine into one organization. The *acquisition* is the purchase of all or part of one organization by another.

Organizations tend to evolve through four major stages of development, as presented in Figure 13. Each stage requires that changes be made in the methods of operating if the organization is to survive and prosper.

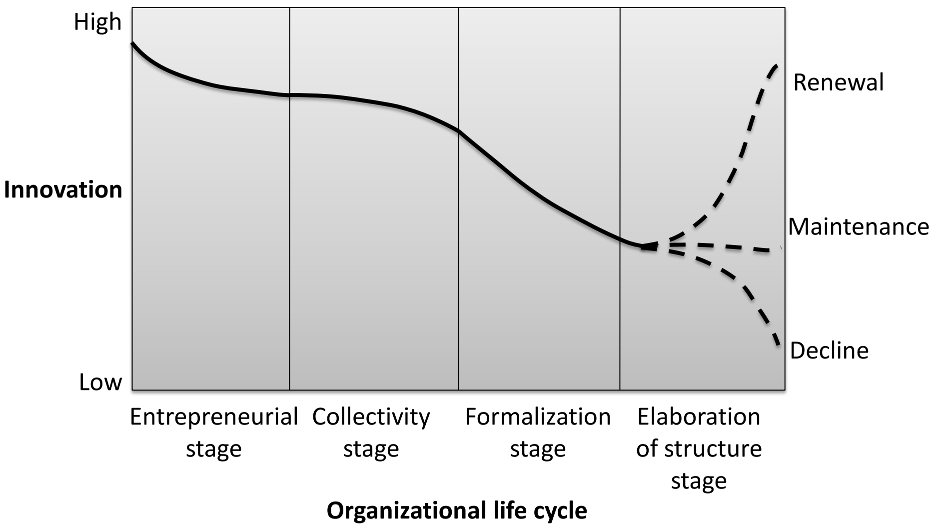

Figure 13. Potential effects of the four life-cycle stages on innovation

Source: (Bartol & Martin, 1994, p. 203)

1. At the *entrepreneurial stage*, a new organization is created. The major characteristics of this stage are:
   - ✓ Innovation: the organization usually is created to support an invention or a major innovation.
   - ✓ Entrepreneurship: frequently, the organization is formed through the initiative of a single individual and is a one-person show, although a few others may be involved initially.
   - ✓ Leading: since the organization is still in its infancy, there is little planning and coordination.
   - ✓ Directing: the prime inventor, or entrepreneur, makes the decisions.
2. At the *collectivity stage*, the entrepreneur is joined by a few dedicated others who believe in the idea. The major features of this stage are:

- ✓ Motivation and commitment: there are strong feelings of group identification and a real sense of mission. Members put in many long hours, demonstrate a high level of commitment, and receive much of their pay in stock that is relatively worthless at that point.
- ✓ Informality: the structure and communication patterns are informal; major decisions may involve the group.
- ✓ Directing: a crisis usually occurs when growth accelerates and the informal management systems provide inadequate leadership direction and control.

3. At the *formalization and control stage*, the organization is characterized by a more formalized structure. The most important key points of this stage are:
   - ✓ Organizing: departments are usually organized according to major specialized areas.
   - ✓ Focus on results: emphasis at this stage tends to shift toward efficiency and maintenance of market share.
   - ✓ Bureaucracy: rules and procedures become more commonplace and there is greater centralization of control.
   - ✓ Consolidation: innovation is replaced by a more conservative stance that may unwittingly discourage risk taking and future innovation.
4. At the *elaboration-of-structure stage*, managers begin to seek ways to streamline the excess bureaucratization that cropped up during the formalization and control stage. The most important characteristics of this stage are:
   - ✓ Decentralization: decision making is decentralized, often by organizing departments around specific products or services.
   - ✓ Revitalization: the chief aim of efforts is revitalization, the renewal of the innovative vigor of organizations.

§3. The change and innovation process

Innovation is a special type of change. The processes of change and innovation are similar, although innovation tends to be more difficult because it moves beyond traditional changes and relies on incorporating significant new ideas.

Managers are usually involved with two types of change: reactive change and planned change. *Reactive change* occurs when one takes action in response to perceived problems, threats, or opportunities. *Planned change* involves actions based on a carefully thought-out process that anticipates future difficulties, threats, and opportunities.

Daft and Steers suggest that when managers engage in planned innovation and change, they typically follow six steps (Daft & Steers, 1986):

1. Perceiving an opportunity or a problem.

2. Diagnosing the situation and generating ideas.
3. Presenting a proposal and adopting the change.
4. Planning to overcome resistance.
5. Implementing the change or innovation.
6. Monitoring and evaluating the results.

The most important reasons for people's resistance to change are:

- ✓ Self-interest.
- ✓ Misunderstanding and lack of trust.
- ✓ Different assessments of the virtues of the change.
- ✓ Low tolerance for change.

One well-known approach to overcoming resistance to change belongs to Kurt Lewin and it is a three steps model. Since the change mainly involves altering the organizational culture and/or procedures, the three steps are related to employee behavior, as following:

1. Unfreezing: developing an initial awareness of the need for change.
2. Moving: focuses on learning the new required behaviors.
3. Refreezing: reinforcing the new behaviors, usually through positive results, feelings of accomplishment, and/or rewards from others.

The most important methods that managers can adopt to help overcome initial resistance to change and facilitate unfreezing are:

- ✓ Education and communication.
- ✓ Participation and involvement.
- ✓ Use of facilitation and support.
- ✓ Negotiation and agreement.
- ✓ Manipulation and co-optation.
- ✓ Explicit and implicit coercion.

§4. Key organizational change components

Significant changes or innovations usually involve alterations in one or more of these key components: structure, technology, human resources, and culture (Figure 14).

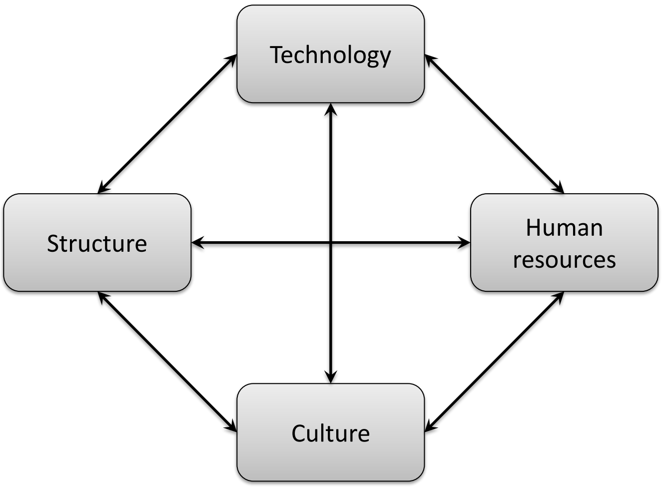

Figure 14. Key organizational change components

Source: (Bartol & Martin, 1994, p. 218)

Organizational *structure* is the pattern of interactions and coordination designed by management to link the tasks of individuals and groups in achieving organizational goals. Changes in structure may range from major reorganizations to small "fine-tunings".

Technology involves the knowledge, tools, equipment, and work techniques used by an organization in delivering its products or services. Changes in technology are reflected both in major new products and services and in frequent improvements in current products and services.

Changes in *human resources* are typically aimed at altering the knowledge, skills, perceptions, and behaviors needed to do the job. Changing individuals generally relies on training and development activities.

Organizational culture is a system of shared values, assumptions, beliefs, and norms that unite the organization's members. Major organizational changes often require alterations in organizational culture.

§5. Organizational development

Organizational development (OD) is a change effort that is planned, focused on an entire organization or a large subsystem, managed from the top, aimed at enhancing organizational health and effectiveness, and based on planned interventions.

Interventions are OD change strategies developed and initiated with the help of a change agent.

The *change agent* (or the *consultant*) is an individual with a fresh perspective and a knowledge of the behavioral sciences who acts as a catalyst in helping the organization approach old problems in new or innovative ways.

The OD process consists of three major steps: diagnosis, intervention, and evaluation (Figure 15).

Figure 15. The organizational development process

1.2.3. Decision making

The focus of this section are (1) the kinds of problems that managers attempt to resolve through decision making, (2) the appropriate steps to take in the decision process, as well as (3) creativity, an important ingredient in innovation.

§1. The nature of managerial decision making

Decision making is the process through which managers identify organizational problems and attempt to resolve them.

An effective problem solving process generally includes four steps:

1. Identifying the problem.
2. Generating alternative solutions.
3. Evaluating and choosing among alternative solutions.
4. Implementing and monitoring the chosen solution.

The decision-making process involves only the first three steps – once the decision is made, the problem is not solved but it requires implementing that decision (Figure 16).

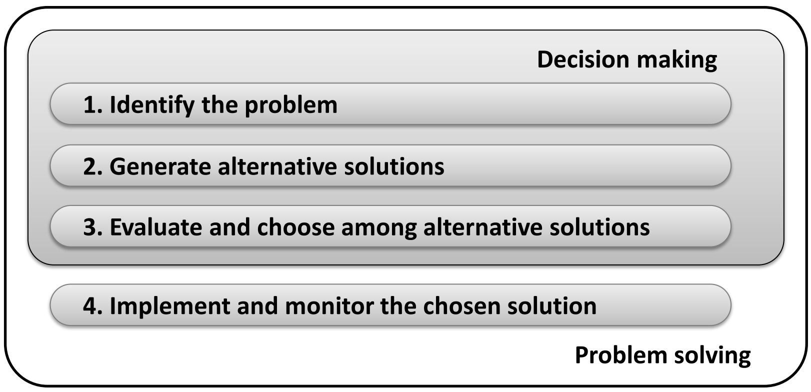

Figure 16. Steps in the decision making and problem solving processes

Managerial decision making typically centers on three types of problems: crisis, noncrisis, and opportunity problems.

A *crisis problem* is a serious difficulty requiring immediate action.

A *noncrisis problem* is an issue that requires resolution but does not simultaneously have the importance and immediacy characteristics of a crisis.

An *opportunity problem* is a situation that offers a strong potential for significant organizational gain if appropriate actions are taken.

§2. Differences in decision-making situations

Generally, managerial decision situations fall into two categories: programmed and nonprogrammed.

Programmed decisions are those made in routine, repetitive, well-structured situations through the use of predetermined decision rules.

Nonprogrammed decisions are those for which predetermined decision rules are impractical because the situations are novel and/or ill-structured.

Top management deals primarily with nonprogrammed decisions, while the lower managerial levels are involved mainly in making programmed decisions.

§3. Managers as decision makers

There are two major types of models regarding how managers make decisions: rational and nonrational.

The *rational model* is a model that suggests that managers engage in completely rational decision processes, ultimately make optimal decisions, and possess and understand all information relevant to their decisions at the time they make them.

The nonrational models suggest that information-gathering and information-processing limitations make it difficult for managers to make optimal decisions. Within the nonrational framework, researchers have identified three major models of decision making: satisficing, incremental, and garbage can.

1. The *satisficing model* states that managers seek alternatives only until they find one that looks satisfactory, rather than seeking the optimal decision. The satisficing model is based on the concept of bounded rationality, which suggests that the ability of managers to be perfectly rational in making decisions is limited by such factors as cognitive capacity and time constraints. Henry Simon suggests that managers tend to follow the satisficing model rather than optimizing their decisions.
2. The incremental model states that managers make the smallest response possible that will reduce the problem to at least a tolerable level.
3. The garbage-can model states that managers behave in virtually a random pattern in making nonprogrammed decisions.

§4. Overcoming barriers to effective decision making

Managers often do not follow the four-step process outlined in Figure 16. In addition, they face several barriers to effective decision making. The major means of overcoming the key decision-making barriers are:

1. Accepting the problem challenge in the first place. Four basic reaction patterns may characterize the behavior of individuals when faced with a legitimate problem in the form of a difficulty or an opportunity: (1) complacency, (2) defensive avoidance, (3) panic, and (4) deciding to decide. The first three are barriers to effective decision making. The fourth one, deciding to decide, is a more viable approach for decision makers to follow.
    a. *Complacency* is a condition in which individuals either do not see the signs of danger or opportunity or ignore them.
    b. *Defensive avoidance* is a condition in which individuals either deny the importance of a danger or an opportunity or deny any responsibility for taking action.
    c. *Panic* is a reaction in which individuals become so upset that they frantically seek a way to solve a problem.
    d. *Deciding to decide* is a response in which decision makers accept the challenge of deciding what to do about a problem and follow an effective decision-making process.
2. Searching for sufficient alternatives.
3. Recognizing common decision-making biases:
    a. *Framing*: the tendency to make different decisions depending on how a problem is presented.
    b. *Prospect theory*: a theory positing that decision makers find the prospect of an actual loss more painful than giving up the possibility of a gain.
    c. *Representativeness*: the tendency to be overly influenced by stereotypes in making judgments about the likelihood of occurrences.
    d. *Availability*: the tendency to judge the likelihood of an occurrence on the basis of the extent to which other like instances or occurrences can easily be recalled.
    e. *Anchoring and adjustment*: the tendency to be influenced by an initial figure, even when the information is largely irrelevant.
    f. *Overconfidence*: the tendency to be more certain of judgments regarding the likelihood of a future event than one's actual predictive accuracy warrants.
4. Avoiding the decision escalation. Escalation situations are situations that signal the strong possibility of escalating commitment and accelerating losses. Nonrational escalation, or the escalation phenomenon, is the tendency to increase commitment to a previously selected course of action beyond the level that would be expected if the manager followed an effective decision-making process.

§5. Group decision making

The most important advantages of group decision making are:

- ✓ More information and knowledge is focused on the issue.
- ✓ An increased number of alternatives can be developed.
- ✓ Greater understanding and acceptance of the final decision are likely.
- ✓ Members develop knowledge and skills for future use.

The major disadvantages of group decision making include:

- ✓ It is usually more time-consuming.
- ✓ Disagreements may delay decisions and cause hard feelings.
- ✓ The discussion may be dominated by one or a few group members.
- ✓ Groupthink may cause members to overemphasize achieving agreement.

Groupthink is the tendency in cohesive groups to seek agreement about an issue at the expense of realistically appraising the situation. Group members are so concerned about preserving the cohesion of the group that they are reluctant to (1) bring up issues that may cause disagreements, and (2) provide information that may prove unsettling to the discussion.

The major steps that help enhancing group decision-making processes are:

1. Involving the group in decisions when the information and knowledge of the group have an important bearing on the decision outcome (that way, the time consumed by group decision making can probably be justified).
2. Considering carefully the composition of the group.
3. Setting up mechanisms that help avoid groupthink.
4. Using techniques that enhance creativity.

§6. The creativity factor in decision making

Creativity is the cognitive process of developing an idea, concept, commodity, or discovery that is viewed as novel by its creator or a target audience. Creativity is not a quality of a person; it is a quality of ideas, of behaviors, or products.

Creativity requires two types of thinking: convergent and divergent.

Convergent thinking is the effort to solve problems by beginning with a problem and attempting to move logically to a solution.

Divergent thinking is the effort to solve problems by generating new ways of viewing a problem and seeking novel alternatives.

The following three basic ingredients are necessary for creativity:

1. *Domain-relevant skills*: skills associated with expertise in the relevant field. They include related technical skills or artistic ability, talent in the area, and factual knowledge.
2. *Creativity-relevant skills*: a cognitive style, or method, of thinking that is oriented to exploring new directions, knowledge of approaches that can be used for generating novel ideas, and a work style that is conducive to developing creative ideas.

3. *Task motivation*: the individual must be genuinely interested in the task for its own sake, rather than because of some external reward possibility, such as money. Primary concern with external rewards tends to inhibit the creative process.

The creativity process involves several stages. One commonly used model of creativity has four stages, which are described below:

1. Preparation: gathering initial information, defining the problem or task requiring creativity, generating alternatives, and seeking and carefully analyzing further data relating to the problem.
2. Incubation: involves mainly subconscious mental activity and divergent thinking to explore unusual alternatives.
3. Illumination: a new level of insight is achieved, often through a sudden breakthrough in “eureka” fashion.
4. Verification: testing the ideas to determine the validity of the insight. Convergent, logical thinking is needed to evaluate the solution. If the solution does not prove feasible, it may be necessary to cycle back through all or some of the previous steps.

Many techniques are used for enhancing group creativity. Two major such techniques are brainstorming and the nominal group technique.

Brainstorming is a technique that encourages group members to generate as many novel ideas as possible on a given topic without evaluating them. Four basic rules are involved in brainstorming:

1. Do not criticize ideas while generating possible solutions.
2. Freewheel: offer seemingly wild and outrageous ideas.
3. Offer as many ideas as possible.
4. Combine and improve on ideas that have been offered.

The nominal group technique is a technique that integrates both individual work and group interaction within certain ground rules (steps):

1. Creating individual ideas: the individual members independently prepare lists of their ideas on a problem.
2. Presenting the ideas: each group member presents his/her ideas in a round-robin session (one idea at a time from each group member in turn) without discussion. The ideas are recorded so that everyone can see them. If a presented idea triggers a new idea for someone else, that member adds the new idea to his/her list for presentation on a future round-robin turn.
3. Discussing the ideas: when all the individual ideas are recorded on the group list, the members discuss the ideas for clarification and evaluation purposes.

4. Choosing one idea: the members silently and independently vote on the ideas, using a rank ordering or rating procedure. The final outcome is determined by pooling the individual votes.

1.3. Organizing

In fulfilling the organizing function, managers allocate and arrange both human and nonhuman resources in ways that enable plans to be achieved successfully. In the process, the organizing function provides a valuable tool for fostering innovation and facilitating needed change.

1.3.1. Organizational structure

This section presents the basic elements of organization structure. Organization charts, job design, types of departmentalization, and methods of vertical and horizontal coordination are important parts of a well-structured organization.

§1. The nature of organization structure

Organization structure is the formal pattern of interactions and coordination designed by management to link the tasks of individuals and groups in achieving organizational goals (Daft & Steers, 1986, p. 283).

Organization structure is the formal structure of the organization – it is official, designed by management for specific purposes. Organizations also have informal structures which usually emerge because of common interests or friendship.

Organization structure consists mainly of four elements:

1. *Job design*: the assignment of tasks and responsibilities that define the jobs of individuals and units.
2. *Departmentalization*: the clustering of individual positions into units and of units into departments and larger units to form an organization's hierarchy.
3. *Vertical coordination*: the various mechanisms required to facilitate top-to-bottom coordination, such as the number of individuals reporting to any given managerial position and the degree of delegation of authority.
4. *Horizontal coordination*: the various mechanisms needed to foster coordination across departments, such as task forces and interdepartmental teams.

The process of developing an organization structure is referred to as *organization design*.

The *organization chart* is a line diagram that depicts the broad outlines of an organization's structure (Figure 17).

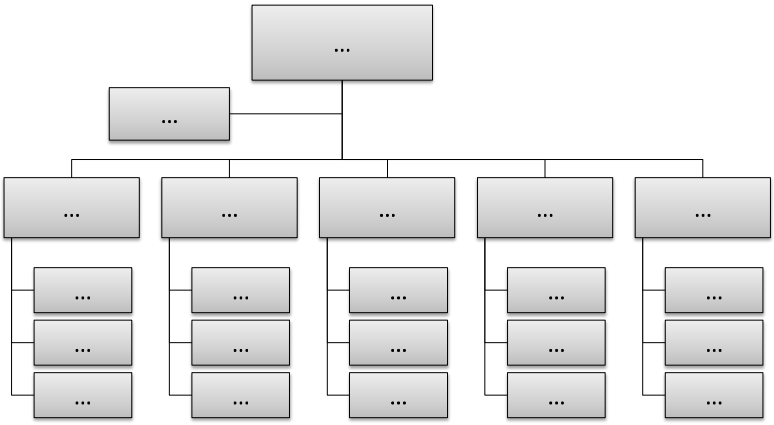

Figure 17. Organization chart

Organization charts vary in detail, but they typically show the major positions or departments in the organization. Organization charts are particularly helpful in providing a visual map of the chain of command.

The chain of command is the unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.

§2. Job design

Job design is the specification of task activities associated with a particular job. Job design is a consequence of work specialization.

Work specialization is the degree to which the work necessary to achieve organizational goals is broken down into various jobs.

Job design is important to the organizing function for two major reasons:

1. Task activities need to be grouped in reasonably logical ways; otherwise it may be very difficult for organization members to function efficiently.
2. The way that jobs are configured (or designed) has an important influence on employee motivation to perform well.

Job design has two major dimensions: job scope and job depth. *Job scope* is the number of different tasks an employee performs in a particular job. *Job depth* is the degree to which individuals can plan and control the work involved in their jobs.

There are four major approaches to job design: (1) job simplification, (2) job rotation, (3) job enlargement, and (4) job enrichment.

Job simplification is the process of configuring jobs so that jobholders have only a small number of narrow activities to perform (Figure 18).

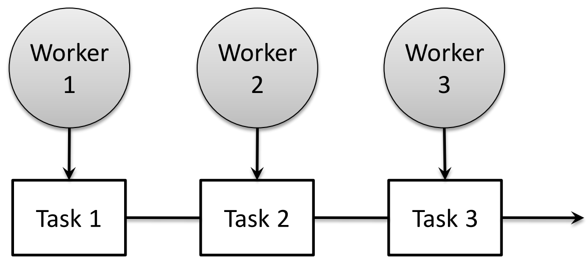

Figure 18. Job simplification

Job rotation is the practice of periodically shifting workers through a set of jobs in a planned sequence (Figure 19).

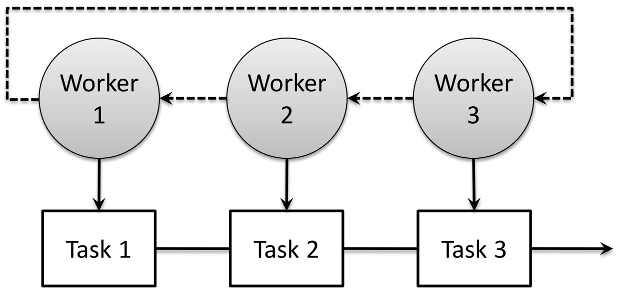

Figure 19. Job rotation

Job enlargement is the allocation of a wider variety of similar tasks to a job in order to make it more challenging (Figure 20).

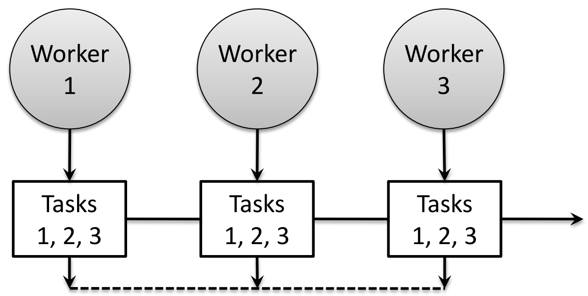

Figure 20. Job enlargement

Job enrichment is the process of upgrading the job-task mix in order to increase significantly the potential for growth, achievement, responsibility, and recognition. Job enrichment increases job depth. Hackman and Oldham developed the *job characteristics model*; according to this model, there are five core job characteristics:

1. *Skill variety*: the extent to which the job entails a number of activities that require different skills.
2. *Task identity*: the degree to which the job allows the completion of a major identifiable piece of work, rather than just a fragment.
3. *Task significance*: the extent to which the worker sees the job output as having an important impact on others.

4. *Autonomy*: the amount of discretion allowed in determining schedules and work methods for achieving the required output.
5. *Feedback*: the degree to which the job provides for clear, timely information about performance results.

A related aspect of designing jobs is creating alternative work schedules. The *alternative work schedules* are schedules based on adjustments in the normal work schedule rather than in the job content or activities. The most important alternative work schedules are:

1. *Flextime*: a work schedule that specifies certain core hours when individuals are expected to be on the job and then allows flexibility in starting and quitting times as long as individuals work the total number of required hours per day.
2. *Compressed workweek*: a work schedule whereby employees work four 10-hour days or some similar combination, rather than the usual five 8-hour days.
3. *Job sharing*: a work practice in which two or more people share a single full-time job.

§3. Types of departmentalization

Departmentalization is the clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organizational goals.

There are four major types of departmentalization:

1. *Functional*: groups positions into units on the basis of similarity of expertise, skills, and work activities.
2. *Divisional*: groups positions according to the similarity of products or markets.
3. *Hybrid*: combines aspects of both previous forms.
4. *Matrix*: superimposes (overlays) a horizontal set of divisional reporting relationships onto a hierarchical functional structure.

§4. Methods of vertical coordination

Vertical coordination is the linking of activities at the top of the organization with those at the middle and lower levels in order to achieve organizational goals.

Five particularly important means of achieving effective vertical coordination: (1) formalization, (2) span of management, (3) centralization versus decentralization, (4) delegation, and (5) line and staff positions.

Formalization is the degree to which written policies, rules, procedures, job descriptions, and other documents specify what actions are (or are not) to be taken under a given set of circumstances. Formalization helps bring about vertical coordination by specifying expected behaviors in advance. Formalization is needed especially in large organizations; small organizations can usually run very informally, with few written documents specifying policies and procedures.

The *span of management* (or the *span of control*) is the number of subordinates who report directly to a specific manager. With too many subordinates, managers become overloaded, experience difficulty coordinating activities and lose control of what is occurring in their work units. With too few subordinates, managers are underutilized and tend to engage in excessive supervision, leaving subordinates little discretion in doing their work. Spans of management can be wider under the following conditions (Daft & Steers, 1986, p. 294):

- ✓ Low interaction requirements.
- ✓ High competence levels.
- ✓ Work similarity.
- ✓ Low problem frequency and seriousness.
- ✓ Physical proximity.
- ✓ Few nonsupervisory duties of manager.
- ✓ Considerable available assistance.
- ✓ High motivational possibilities of work.

Spans of management for various managerial positions directly influence the number of hierarchical levels in an organization. A *tall structure* is one that has many hierarchical levels and narrow spans of control. A *flat structure* is one that has few hierarchical levels and wide spans of control. Because of various problems with tall structures, many companies have been downsizing. *Downsizing* is the process of significantly reducing the layers of middle management, increasing the spans of control, and shrinking the size of the work force. A closely related term that is often used synonymously with “downsizing” is “restructuring”. *Restructuring* is the process of making a major change in organization structure that often involves reducing management levels and possibly changing components of the organization through divestiture and/or acquisition, as well as shrinking the size of the work force.

Centralization is the extent to which power and authority are retained at the top organizational levels. The opposite of centralization is *decentralization*, the extent to which power and authority are delegated to lower levels.

The most important positive aspects of centralization are:

- ✓ It is easier to coordinate the activities of various units and individuals.
- ✓ It helps ensuring that similar activities are not carried on by different organizational units.
- ✓ Top managers usually have the most experience and may make better decisions.
- ✓ Top managers usually have a broader perspective and can better balance the needs of various organizational parts.
- ✓ It promotes strong leadership in an organization because much of the power remains at the top.

The most important positive aspects of decentralization are:

- ✓ It eases the heavy workloads of executives, leaving them more time to focus on major issues.
- ✓ It enriches the jobs of lower-level employees by offering workers the challenge associated with making decisions.
- ✓ It leads to faster decision making at the lower levels.
- ✓ Individuals at lower levels may be closer to the problem and, therefore, in a better position to make good decisions.
- ✓ It often leads to the establishment of relatively independent units, such as divisions.

Four main factors lead to decentralization: (1) large size, (2) geographic dispersion, (3) technological diversity, and (4) environmental uncertainty.

Delegation is the assignment of part of a manager’s work to others, along with both the responsibility and the authority necessary to achieve expected results. *Responsibility* is the obligation to carry out duties and achieve goals related to a position. *Authority* is right to make decisions, carry out actions, and direct others in matters related to the duties and goals of a position. *Accountability* is the requirement to provide satisfactory reasons for significant deviations from duties or expected results.

A *line position* is a position that has authority and responsibility for achieving the major goals of the organization. Line departments have *line authority*, which is authority that follows the chain of command established by the formal hierarchy (Figure 21).

A *staff position* is a position whose primary purpose is providing specialized expertise and assistance to line positions. Staff departments have *functional authority*, which is authority of staff departments over others in the organization in matters related directly to their respective functions (Figure 21).

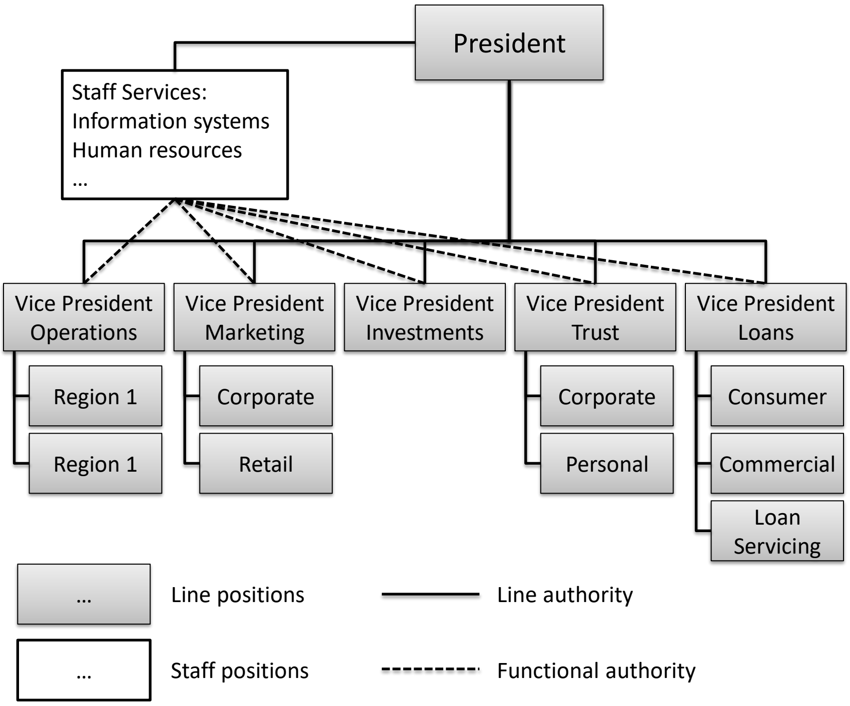

Figure 21. Line and staff departments of a bank

Source: (Daft & Steers, 1986, p. 300)

§5. Methods of horizontal coordination

Horizontal coordination is the linking of activities across departments at similar levels. Three major means that are particularly useful in promoting horizontal coordination are (1) slack resources, (2) information systems, and (3) lateral relations.

Slack resources are a cushion of resources that facilitates adaptation to internal and external pressures, as well as initiation of changes.

An *information system* is a set of procedures designed to collect (or retrieve), process, store, and disseminate information to support planning, decision making, coordination, and control.

Lateral relations are the coordination of efforts through communicating and problem solving with peers in other departments or units, rather than referring most issues up the hierarchy for resolution.

1.3.2. Organization design

Managers need to take a strategic approach to designing organizations, assessing alternative structures, and considering contingency factors that have an influence on the effectiveness of structural choices.

§1. Designing organization structures: an overview

Which comes first: strategy or structure? Major companies generally follow a pattern of strategy development and then structural change, rather than the reverse. Nevertheless, organizations often change their strategies in order to better utilize their resources to fuel growth.

Having a certain strategy, the effectiveness of a particular type of structure is also influenced by certain contingency factors, such as the dominant type of technology used or the organization's size. The major components influencing the design of effective organization structures are presented in Figure 22.

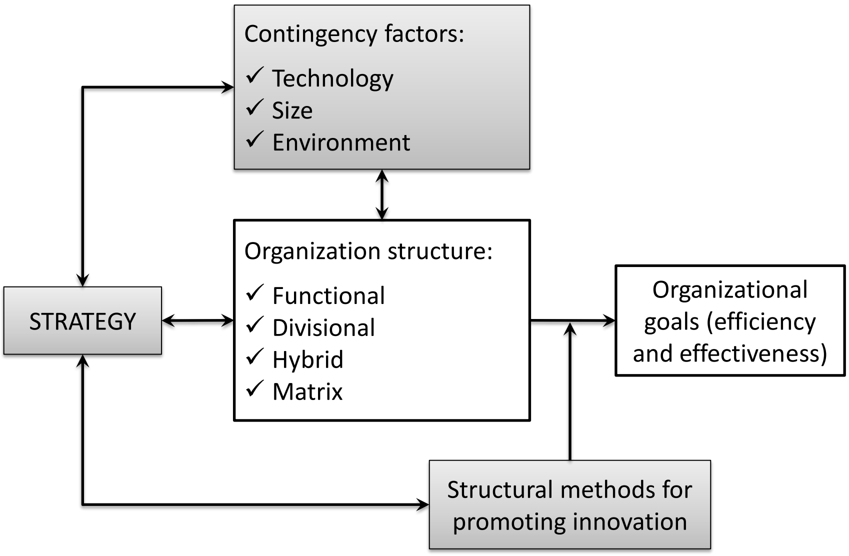

Figure 22. Factors influencing organization design

Source: (Daft & Steers, 1986, p. 312)

There are four major types of structures, according to the types of departmentalization: functional, divisional, hybrid, and matrix. They are often referred to as organization structures or organization designs. Each type has advantages and disadvantages, and it's the fittest in certain conditions.

§2. Functional structure

Functional structure is a type of departmentalization in which positions are grouped according to their main functional (or specialized) area – positions are combined into units on the basis of similarity of expertise, skills, and work activities (Figure 23).

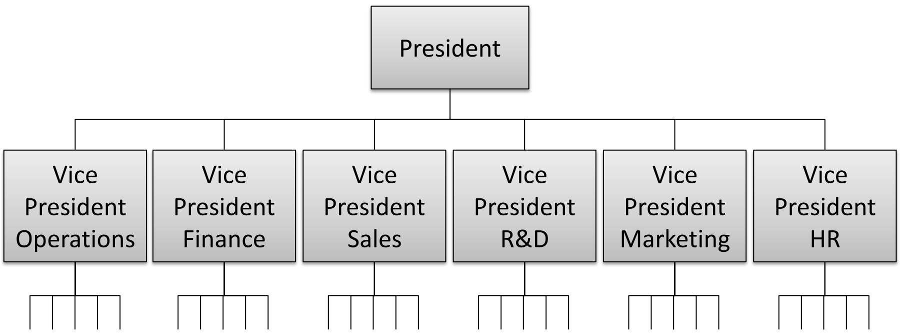

Figure 23. Functional structure

The common functions are:

1. Production (operations): combines activities directly related to manufacturing a product or delivering a service.
2. Marketing: focuses on the promotion and sale of products and services.

3. Research and development (R&D): responsible for producing unique ideas and methods that will lead to new and/or improved products and services.
4. Finance: concerned with obtaining and managing financial resources.
5. Accounting: deals with financial reporting to meet the legal matters affecting the organization. Accounting and finance are often referred to as a single function.
6. Human resources: responsible for attracting and retaining organization members and enhancing their effectiveness.

Advantages of functional structure:

- ✓ In-depth development of expertise.
- ✓ Clear career path within function.
- ✓ Efficient use of resources.
- ✓ Possible economies of scale.
- ✓ Ease of coordination within function.
- ✓ Potential technical advantage over competitors.

Disadvantages of functional structure:

- ✓ Slow response time on multifunctional problems.
- ✓ Backlog of decisions at top of hierarchy.
- ✓ Bottlenecks due to sequential tasks.
- ✓ Restricted view of organization among employees.
- ✓ Inexact measurement of performance.
- ✓ Narrow training for potential managers.

Uses of functional structure:

- ✓ *Small or medium-size organizations*: small and medium-size organizations that are not so large as to make coordination across functions difficult – such organizations frequently have a limited number of related products or services or deal with a relatively homogeneous set of customers or clients.
- ✓ *Stable environments*: large or more diverse organizations, such as insurance companies, which operate in relatively stable environments in which change occurs at a slow enough rate for the various functions to coordinate their efforts.
- ✓ *Inter-related products*: large organizations when considerable coordination is required among products.

§3. Divisional structure

Divisional structure is a type of departmentalization in which positions are grouped according to similarity of products, services, or markets (Figure 24).

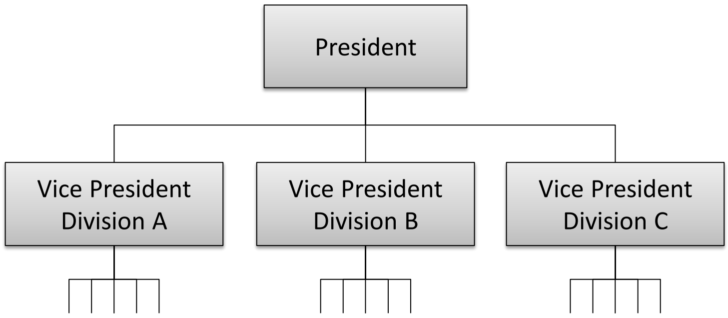

Figure 24. Divisional structure

There are three major forms of divisions: (1) product divisions, (2) geographic divisions, and (3) customer divisions.

Product divisions are divisions created to concentrate on a single product or service or at least a relatively homogeneous set of products or services (Figure 25).

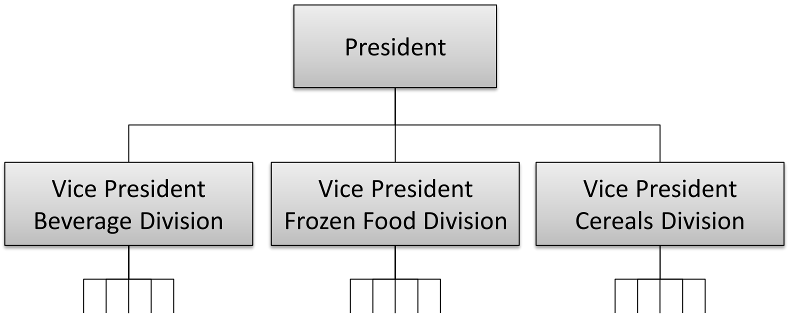

Figure 25. Product divisions

Geographic divisions are divisions designed to serve different geographic areas (Figure 26).

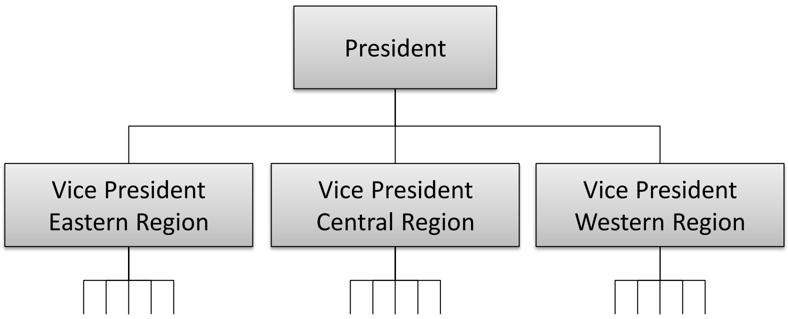

Figure 26. Geographic divisions

Customer divisions are divisions set up to service particular types of clients or customers (Figure 27).

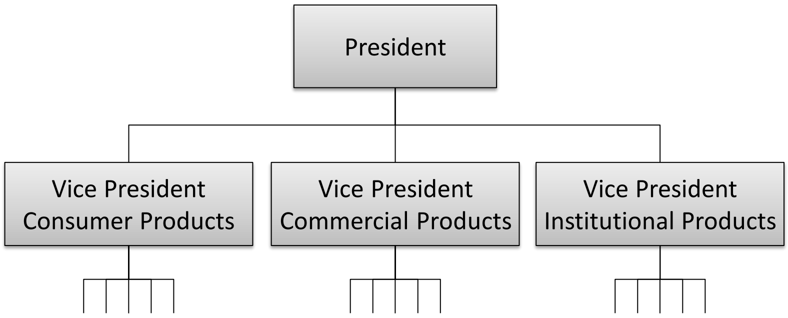

Figure 27. Customer divisions

Advantages of divisional structure:

- ✓ Fast response to environmental change.
- ✓ Simplified coordination across functions.
- ✓ Simultaneous emphasis on division goals.
- ✓ Strong orientation to customer requirements.
- ✓ Accurate measurement of division performance.
- ✓ Broad training in general management skills.

Disadvantages of divisional structure:

- ✓ Duplication of resources in each division.
- ✓ Reduction of in-depth expertise.
- ✓ Heightened competition among divisions.
- ✓ Limited sharing of expertise across divisions.
- ✓ Restriction of innovation to divisions.
- ✓ Neglect of overall goals.

Uses of divisional structure:

- ✓ *Large organizations with multiple targets*: large organizations in which there are substantial differences among either the products or services, geographic areas, or customers served.

§4. Hybrid structure

Hybrid structure is a structure that adopts parts of both functional and divisional structures at the same level of management (Figure 28).

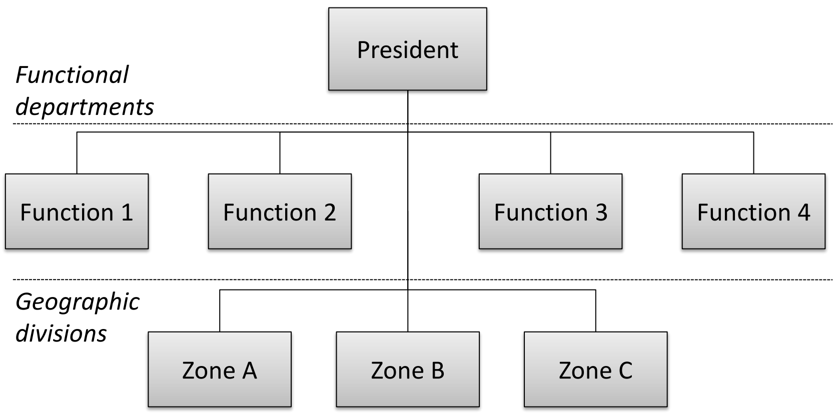

Figure 28. Hybrid structure

Advantages of hybrid structure:

- ✓ Alignment of corporate and divisional goals.
- ✓ Functional expertise and/or efficiency.
- ✓ Adaptability and flexibility in divisions.

Disadvantages of hybrid structure:

- ✓ Conflicts between corporate departments and divisions.
- ✓ Excessive administrative overhead.
- ✓ Slow response to exceptional situations.

Uses of hybrid structure:

- ✓ *Uncertain environments* + *functional expertise*: organizations that not only face considerable environmental uncertainty that can best be met through a divisional structure but also require functional expertise and/or efficiency.
- ✓ *Powerful organizations*: medium-size or large organizations that have sufficient resources to justify divisions as well as some functional departmentalization.

§5. Matrix structure

Matrix structure is structure that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure (Figure 29).

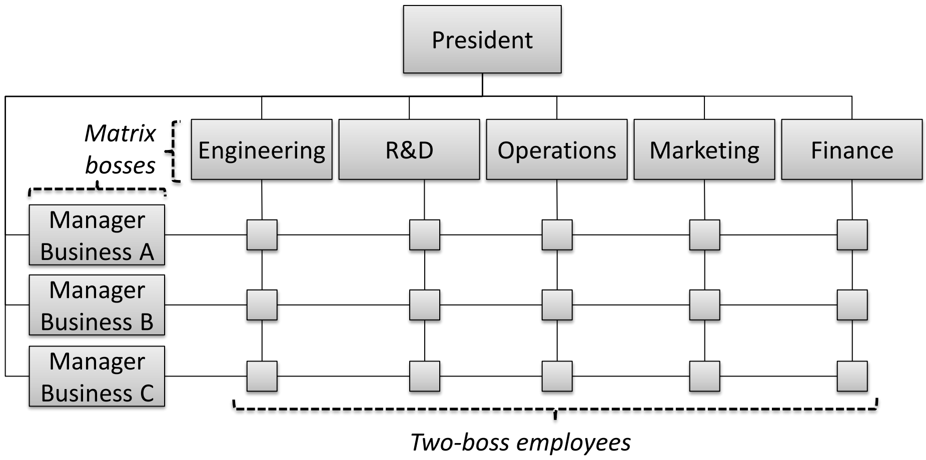

Figure 29. Matrix structure

Advantages of matrix structure:

- ✓ Decentralized decision making.
- ✓ Strong project or product coordination.
- ✓ Improved environmental monitoring.
- ✓ Fast response to change.
- ✓ Flexible use of human resources.
- ✓ Efficient use of support systems.

Disadvantages of matrix structure:

- ✓ High administrative costs.
- ✓ Potential confusion over authority and responsibility.
- ✓ Heightened prospects for interpersonal conflicts.
- ✓ Excessive focus on internal relations.
- ✓ Overemphasis on group decision making.
- ✓ Possible slow response to change.

§6. Weighing contingency factors

The best structure for a given organization depends on such contingency factors as (1) technology, (2) size, and (3) environment.

Technology is the set of knowledge, tools, equipment, and work techniques used by an organization in delivering its product or service. There are two critical aspects of technology: technological complexity and technological interdependence.

According to *technological complexity*, there are three different types of technology and each one requires an appropriate organization structure:

- ✓ Unit and small-batch production: products are custom-produced to meet customer specifications, or they are made in small quantities primarily by craft specialist.

- ✓ Large-batch and mass production: products are manufactured in large quantities, frequently on an assembly line.
- ✓ Continuous-process production: products are liquids, solids, or gases that are made through a continuous process.

Technological interdependence is the degree to which different parts of the organization must exchange information and materials in order to perform their required activities. There are three major types of technological interdependence:

1. Pooled interdependence: a relationship in which units operate independently but their individual efforts are important to the success of the organization as a whole.
2. Sequential interdependence: a relationship in which one unit must complete its work before the next unit in the sequence can begin work.
3. Reciprocal interdependence: a relationship in which one unit's outputs become inputs to the other unit and vice versa.

Organization size is most typically measured in number of employees, but there are also other ways to measure it, such as gross sales or profits. There are four major trends identified of size effects on structure:

1. As organizations grow, they are likely to add more departments and levels, making their structures increasingly complex. With functional structures, such growth creates pressure for a change to some type of divisional structure.
2. Growing organizations tend to take on an increasing number of staff positions in order to help top management cope with the expanding size. This tendency levels off when a critical mass of staff has been achieved, but it helps lead to the third trend.
3. Additional rules and regulations seem to accompany organizational growth. While such guidelines can be useful in achieving vertical coordination, the unchecked proliferation of additional rules and regulations may lead to excessive formalization and lower efficiency.
4. As organizations grow larger, they tend to become more decentralized. This is probably due in part to the additional rules and regulations that set guidelines for decision making at lower levels.

The firms have different structural characteristics, depending on whether they operate in a stable or in an unstable environment. A stable environment is one with little change over time. An unstable environment has rapid change and uncertainty. There are two major issues related to the influence that environment has upon organization structure: (1) mechanistic and organic characteristics, and (2) differentiation and integration.

Mechanistic and organic characteristics have effects on the organization as a whole:

1. The firms that operate in a stable environment tend to have relatively *mechanistic characteristics*: highly centralized decision making, many rules and regulations, mainly hierarchical communication channels, emphasis on vertical coordination, limited delegation from one level of management to the next.
2. The firms that operate in a highly unstable and uncertain environment are far more likely to have relatively *organic characteristics*: decentralized decision making, few rules and regulations, both hierarchical and lateral communication channels, much of the emphasis on horizontal coordination, considerable delegation from one level to the next.

*Differentiation and integrati*on have effects on various units within the same organization:

1. *Differentiation* is the extent to which organization units differ from one another in terms of the behaviors and orientations of their member and their formal structures.
2. *Integration* is the extent to which there is collaboration among departments that need to coordinate their efforts.

Ch. 2. Comparative management

Comparative management is the simultaneous study of management or business practice in two or more different cultures, countries, companies, or departments.

Raghu Nath defines comparative management as dealing with differences and similarities of managerial systems and practices in different cultural settings (not only in different countries).

Richard Farmer, on the other side, suggests that comparative management deals with problems of managerial performance in various countries.

Anyway, the major goal of comparative management is the international transfer of managerial know-how.

The most important elements that are subject to such comparisons are:

- ✓ Management methods and techniques.
- ✓ Management subsystems.
- ✓ Managers' background and behavior.
- ✓ The behavior of groups and individuals.
- ✓ Planning: strategy, decision making, creativity etc.
- ✓ Organizing: organization design, job design, human resource management etc.
- ✓ Leading: motivation, leadership, communication, conflict management etc.
- ✓ Controlling: operations management, information systems, quality management etc.
- ✓ National economy management.
- ✓ Business environment, including legal, political and other components.

- ✓ Cultural aspects.

The major differences in management are a consequence of cultural differences between societies. This chapter will present the most important theoretical aspects of the culture, as well as a well-known model of describing cultures, proposed by Geert Hofstede, and then will cover management in countries like USA, Japan, and some European states.

2.1. Cultural background of management

2.1.1. Culture and its components

§1. What is culture?

Basically, *culture* is the way of living specific to the members of one community. There are many definitions of culture, each one outlining important characteristics of it, such as:

- ✓ A group of people way of living.
- ✓ The way people use to solve their problems.
- ✓ Thinking patterns and existence manners widely spread.
- ✓ A group's patterns of thinking, feeling and acting.
- ✓ Group solutions for problems of external adaptation and internal integration.
- ✓ The sum of knowledge, aptitudes, and usual behavior patterns shared and transmitted by the members of a society.
- ✓ A system of knowledge and norms used for perceiving, believing, assessing and acting.
- ✓ The structured manner of thinking, feeling and reacting of one human group; it represents the group's specific identity.
- ✓ A system of values, behaviors and symbols that distinguishes the members of a group from the members of another group.

One of the most important and interesting definitions is provided by Geert Hofstede: culture is the collective programming of thinking, that distinguishes the members of a group from the members of another; in other words, culture is the software of the mind.

§2. Culture's layers

Culture is composed by many layers (levels) – some are visible very easily, others are very hard to perceive and understand; some are superficial and easy to change, others are deeper and very stable. There are many approaches of culture's layers, one simple model distinguishing between beliefs, values, and cultural practices (Figure 30):

1. Beliefs are basic assumptions about the world and life – judgments that teach people that something is true or false. This is the deepest layer, extremely hard to change.

2. Values are judgments that teach people that something is good or bad. Values are consequences of beliefs. Maybe they are the most important elements of the culture; in fact, culture is often defined as a set of values.
3. Cultural practices (cultural manifestations) are norms and behaviors that stems as a result of beliefs and values shared by the members of the community. They are the most visible and accessible part of culture. The most important such practices are symbols, stories, rites and rituals; all these are designed to convey meaning about the world, telling people what is expected from them:
   - ✓ A symbol is an object, act, event, or quality, that serves as a vehicle for transmitting a meaning.
   - ✓ A story is a narrative based on true events, often embellished in order to outline a desired value.
   - ✓ A rite is a set of actions relatively elaborated, planned, intending to transmit cultural values to participants and usually to an audience.
   - ✓ A ritual (or a ceremonial) is a system of rites performed in certain circumstances or at certain events.

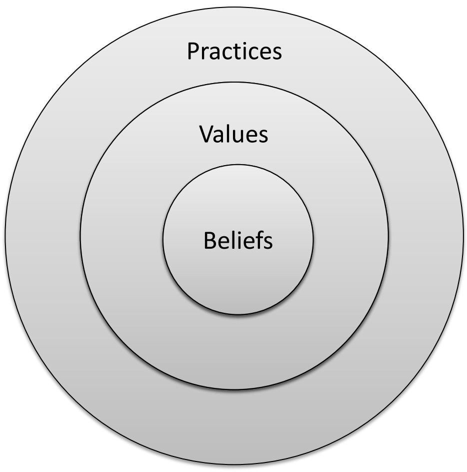

Figure 30. Culture's layers

A particular type of cultural elements is that of attitudes – stable tendencies to evaluate objects, people, situations, or specific categories, and to react to them. Attitudes are the link between values (which are broader judgments) and behavior.

§3. Culture's traits

The most important traits of the concept of culture are:

- ✓ Culture is *collective*: does not reside within an individual.
- ✓ Culture is *learned*: acquired by learning and experience.

- ✓ Culture is *shared*: appears from joining the values and behavior of the other members of community.
- ✓ Culture is *symbolic*: exists in people's mind, it's the spiritual mirror of social relations and attitudes.
- ✓ Culture is *structured*: many levels; relations between elements.
- ✓ Culture is *inherited* (*persistent*): transmitted through generations.
- ✓ Culture is *dynamic/adaptive*: it changes continuously, mainly on the impact of other cultures.
- ✓ Culture is *complex*: composed by many sub-cultures.
- ✓ The relation between culture and people is bivalent: the individual is under the influence of culture, but also particular individuals may influence culture (for example, the leader is building the organizational culture).

§4. Culture's effects

The culture of one community has the following major functions:

- ✓ Delimits one community from others.
- ✓ Give the community a specific identity.
- ✓ Provides people with a sense of belonging to their community.
- ✓ Increases the stability of the community's social system (help controlling the members of the community).
- ✓ Moves the interest from the individual itself to the entire community.
- ✓ Gives a meaning to all things.

But culture also has a few negative consequences, since the culture is:

- ✓ A barrier to change.
- ✓ A barrier to diversity.
- ✓ A barrier to acquisitions and mergers (for organizations), or a base for separatism (for ethnic/religious/… communities).

The negative side of culture is emphasized by Geert Hofstede in this way: "Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster".

2.1.2. Hofstede's cultural dimensions

The Dutch professor Geert Hofstede performed a research in IBM subsidiaries in more than 70 countries, applying a questionnaire to more than 116000 employees. He found that societies differ on the basis of five major dimensions:

1. Power distance: the attitude toward social inequality.
2. Individualism: the attitude toward group integration.
3. Masculinity: the attitude toward achievement and success.

4. Uncertainty avoidance: the attitude toward the unknown.
5. Long-term orientation: the attitude toward time flowing.

§1. Power distance

Power distance (PD) is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. In other words, power distance is the amount of inequality among people's power and wealth.

Power distance exists in any community, but it may be very small or, on the contrary, very large.

Power distance depicts the importance that people give to status differences. It describes attitudes, not official hierarchies, and it should not be understood as the height of managerial hierarchy. It is defined from below, not from above – it is endorsed by the followers rather than by the leaders. As Hofstede says, authority survives only where it is matched by obedience. In a society with a large PD index, the relationship between the boss and the subordinate follow the model of feudal relationships, *loyalty in exchange for protection*. Other characteristics of a society with a large PD:

- ✓ A managerial function is seen as a high social rank rather than a function within a structure.
- ✓ Function is actually confused with the individual.
- ✓ Abusive management/leadership (abuse of power).
- ✓ Paternalistic hierarchical relationships (father-to-son).
- ✓ A high rank brings other high ranks.
- ✓ Oligarchy.
- ✓ No or very weak middle class.
- ✓ Social classes system doesn't allow changing yours.
- ✓ Children follow their parents' occupation/vocation.
- ✓ Subordinates obey and flatter their superior; they fulfill even unofficial orders.
- ✓ Every subordinate tries to get closer to his superior to the detriment of his/her colleagues.
- ✓ Managerial functions bring privileges.
- ✓ Hierarchical promotions take a very long time.
- ✓ Greetings and addressing according to the difference between statuses.
- ✓ "The boss is always right".
- ✓ "Rules are for losers".

The smallest PD indexes are characteristic to Israel and protestant societies: Austria (11), Israel (13), Denmark (18), New Zeeland (22), Ireland (28), Iceland (30), Sweden and Norway (31), Finland (33), Switzerland (34), United Kingdom, Germany and Costa Rica (35), Australia (36), Netherlands (38), Canada (39), USA and Luxemburg (40).

The highest PD indexes are characteristic especially to catholic/orthodox and Islamic countries: Slovakia (105), Malaysia (104), Iraq (96), Guatemala, Panama, Saudi Arabia and Bhutan (95), Philippines (94), Russia (93), Romania, Albania and UAE (90), Serbia (86), Surinam (85), Mexico and Venezuela (81), China, Honduras, Syria, Angola, Bangladesh and Ghana (80).

§2. Individualism

Individualism is the extent to which personal achievements are encouraged. In other words, individualism is the extent to which ties between people are loose and chaotic – everybody is supposed to look after him/herself. Little individualism is called “collectivism”. Thus, *collectivism* is the extent to which individuals are integrated into groups, or the strength of the relationships between people.

Individualism is depicted in three major dimensions of inter-human relationships:

- ✓ *Span*: the number of persons one has relations with. The span is small in individualist societies and large in collectivist societies.
- ✓ *Strength*: the intensity of these relations (how much one depends on the other). The strength is small in individualist societies and big in collectivist societies.
- ✓ *Predetermination*: the basis on which different persons have close relations. People in individualist societies use to have friends according to their personal preferences, while people in collectivist societies have strong relations according to the belongingness to the same groups.

There are a few mistakes to avoid in understanding individualism. Fir example, individualism is not selfishness (egoism), as it may appear. Collectivism has no political meaning and it is completely different from communism. Collectivism is not to be seen as “herding”. But also it does not mean social harmony.

Characteristics of a society with a strong individualism:

- ✓ Ties between individuals are loose.
- ✓ Weak, even chaotic, relationships between people.
- ✓ The individual doesn’t expect for others’ help.
- ✓ The individual cares for himself and his family only.
- ✓ Children leave their parents’ home very early – nuclear family is predominant.
- ✓ Children learn to take their own way.
- ✓ The individual is encouraged to grow free and independent.
- ✓ An individual is perceived through his personal traits.
- ✓ Social focus on individuality and individual rights.

The most important aspect of individualism is its relation with the economic development of the nation. On the basis of his research, Hofstede suggests that the more individualist a country is, the wealthier it tends to become.

The most individualist countries are: USA (91), Australia (90), UK (89), Canada and Netherlands (80), New Zeeland (79), Italy (76), Belgium (75), Denmark (74), Sweden and France (71), Ireland (70), Norway (69), Switzerland (68), Germany (67), South Africa (65), Finland (63).

The most collectivist countries are: Guatemala (6), Ecuador (8), Panama (11), Venezuela (12), Colombia (13), Indonesia and Pakistan (14), Costa Rica, Fiji, Ghana and Burkina Faso (15), Peru (16), Taiwan and Trinidad-Tobago (17), South Korea (18), El Salvador (19), Honduras, Albania, China, Vietnam, Thailand, Bangladesh, Singapore, Cape Verde, Sierra Leone, Ethiopia and other countries in western Africa (20).

§3. Masculinity

Hofstede defined masculinity in two very different ways, but they eventually point to the same phenomena.

First, *masculinity* is the extent to which the roles of the genders differ inside that society. These roles are very different in a masculine society, and very similar in a feminine society.

On the other hand, *masculinity* is the extent to which men's values point to assertiveness and competition rather than to modesty and care for others. Thus, masculinity is associated to arrogance, while it's opposite, femininity, is associated to modesty. In other words, *masculinity* is the extent to which people are trying to accumulate success, money and material things, and *femininity* is the extent to which people are searching for harmony and the quality of life.

The gender differentiation that puts the basis of masculinity includes the following:

- ✓ Different behavior (man is assertive, woman is delicate).
- ✓ Different roles (tasks) in managing the household.
- ✓ Different values.
- ✓ Different interests.
- ✓ Different levels of education (sometimes).
- ✓ Different specialization in education.
- ✓ Different occupations/professions.
- ✓ Different opportunities to get important/managerial positions.

In fact, what is different across the world is only the behavior of men, while women act everywhere in a similar way. Men are assertive and arrogant in masculine societies, but they are modest and caring in feminine countries (). Thus, masculinity is a measure of the differentiation between genders.

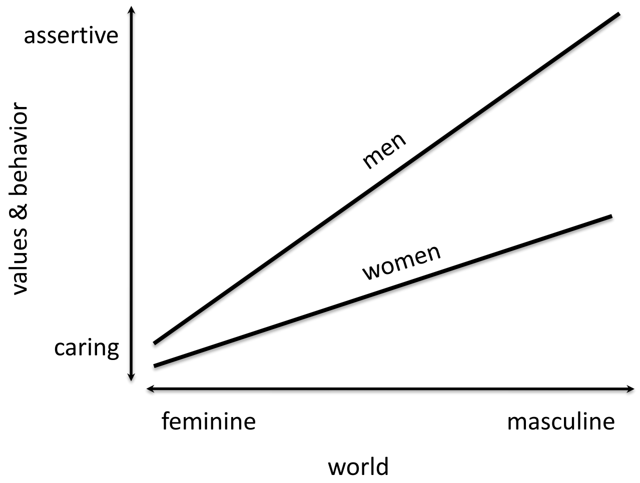

Figure 31. The relation between masculinity and each gender behavior

Source: adaptation from (Hofstede, 1996, p. 103)

Characteristics associated with strong masculinity:

- ✓ Pride, display of personal skills.
- ✓ Domination, ambition, trying to excel.
- ✓ Admiration for what is strong.
- ✓ Competition, conflict.
- ✓ Conflicts are managed by confrontation.
- ✓ Heading for wealth and achievement.
- ✓ Society, organizations and family are led by men.
- ✓ Women succeed only if having a masculine behavior.
- ✓ Wife manages the household, husband brings money.
- ✓ The state has a great martial tradition.
- ✓ Work is humanized by job enrichment.
- ✓ Rewards are distributed on the basis of equity
- ✓ It is said that "humans live for working" (in contrast to "working for living").

Characteristics associated with little masculinity (with strong femininity):

- ✓ Modesty (to know your own place), moderation, simplicity.
- ✓ Trying to excel is ridiculed.
- ✓ Egalitarianism.
- ✓ Concern for social harmony.
- ✓ Concern for the quality of life.
- ✓ No sexual discrimination or harassment.
- ✓ Men and women behave similarly.
- ✓ Conflicts are managed through compromise and negotiation.

- ✓ Work is humanized by socialization.
- ✓ Rewards are distributed on the basis of equality
- ✓ It is said that "humans work for living" (in contrast to "living for working").

Masculinity is the only dimension with no impact upon the wealth of the country.

Countries with the highest individualism indexes: Slovakia (110), Japan (95), Hungary (88), Albania (80), Austria (79), Venezuela (73), Italy, Switzerland and Iraq (70), Mexico (69), Ireland and Jamaica (68), UK, Germany and China (66), Ethiopia and Dominican Republic (65), Poland, Colombia, Lebanon and Philippine (64), Ecuador and South Africa (63), USA (62), Australia (61).

The most feminine countries are: Sweden (5), Norway (8), Iceland (10), Netherlands (14), Denmark (16), Slovenia (19), Costa Rica (21), Finland (26), Chile (28), and Estonia (30).

§4. Uncertainty avoidance

Uncertainty avoidance (UA) is the extent to which people feel uncomfortable in unstructured situations; in other words, society's lack of tolerance for uncertainty and ambiguity. It may be described as "Man's search for Truth".

Uncertainty is not risk. *Risk* is a situation in which two alternative endings are possible: "this or that"; in this case, the individual may fear of a certain bad thing. But in the case of uncertainty, anything may occur; the individual feels anxiety, he/she has a strong psychic discomfort.

The main tools that communities use in order to reduce uncertainty are (1) the law (the rules) and (2) religion (both dogma and religious institutions).

Characteristics of a society with a high UA index:

- ✓ Many rules; strictness & severity.
- ✓ Very many written rules, usually ignored by everybody.
- ✓ "What is different is dangerous" – this attitude is an important source of xenophobia.
- ✓ Conservatism.
- ✓ Organizations are very similar ("standard").
- ✓ Managers are concerned with routine activities.
- ✓ Individual or high-risk decisions are avoided.
- ✓ Employees are not ambitious.
- ✓ Little work satisfaction.
- ✓ Little creativity (no rewards).

Countries with the highest UA indexes are: Greece (112), Portugal (104), Guatemala (101), Uruguay (100), Russia (96), Belgium and El Salvador (94), Poland (93), Japan, Serbia and Surinam (92), Romania and Albania (90).

Countries with the smallest UA indexes are: Singapore (8), Jamaica (13), Denmark (23), Bhutan (28), Sweden and Hong Kong (29), Vietnam (30), Malaysia (36), UK and Ireland (35), China, India and Nepal (40).

§5. Long-term orientation

Long-term orientation (LTO), as a cultural dimension, is a little hard to understand and it may be define in many ways:

- ✓ The extent to which society follows the traditional values associated with a long perspective, thrift, and perseverance.
- ✓ The extent to which society is concerned with the future, not with the past and the present.
- ✓ The extent to which society values Virtue regardless of Truth (virtue being understood as thrift and perseverance).

In societies with a strong LTO people value actions and attitudes that affect the future. The most important such values are:

- ✓ Thrift.
- ✓ Moderation.
- ✓ Persistence/perseverance.
- ✓ Shame.
- ✓ Wisdom.
- ✓ Social relationships based on status.
- ✓ Work ethics.

In societies with a reduced LTO people value actions and attitudes that are affected by the past or the present, such as:

- ✓ Respect for tradition.
- ✓ Fulfilling social obligations.
- ✓ Protecting one's own face.
- ✓ Guilt.
- ✓ Immediate stability.
- ✓ Personal stability.
- ✓ Reciprocation of greetings, favors, and gifts.
- ✓ Normative statements.
- ✓ Ease of change.

An increased LTO is specific to Orient, and a reduced LTO is characteristic to Occident.

Countries with a high LTO index: China (118), Hong Kong (96), Taiwan (87), Japan and Vietnam (80), South Korea (75), Brazil (65), India (61), Thailand (56).

Countries with a very small LTO index: Pakistan (0), Nigeria and the other west-African countries (16), Philippines (19), Norway and Burkina Faso (20), Canada (23), UK, Zimbabwe, Senegal and other east-African countries (25), USA (29), New Zeeland, Tanzania, Syria and Iraq (30).

§6. Country clusters

The countries of the world may be grouped in clusters according to Hofstede's cultural dimensions, as depicted in Figure 32.

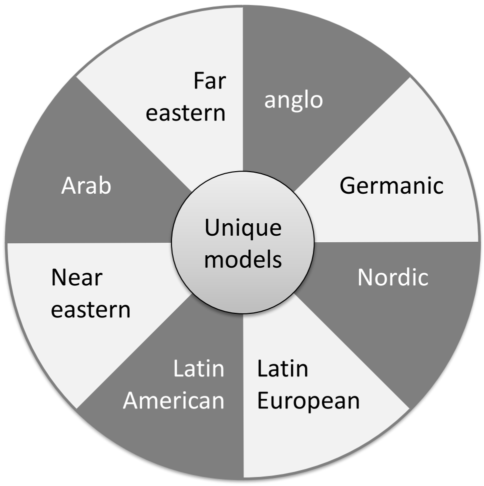

Figure 32. Country clusters, according to employee attitudes

Source: (Ronen & Shenkar, 1985, p. 449)

The clusters in Figure 32 are composed mainly by the following countries:

1. Anglo: UK, Ireland, USA, Canada, New Zeeland, Australia, South Africa (English-speaking countries, but also countries like Ireland).
2. Germanic: Germany, Austria, Switzerland (German-speaking countries).
3. Nordic: Denmark, Norway, Sweden, Finland, Netherlands (Scandinavian countries and the Netherlands).
4. Latin European: France, Italy, Spain, Portugal, Belgium (European countries speaking romance languages, except Romania and the Republic of Moldova).
5. Latin American: Argentina, Venezuela, Chile, Mexico, Peru, Columbia etc. (Spanish-speaking countries in America).
6. Near eastern: Iran, Turkey, Greece, Russia, Romania, Serbia etc. (countries in near Eastern and Eastern Europe).
7. Arab: Saudi Arabia, United Arab Emirates, Kuwait, Iraq, Oman, Syria, Egypt (Arab-speaking countries).
8. Far eastern: Indonesia, Malaysia, Philippines, Thailand, China, Hong Kong, Singapore, Taiwan, Vietnam etc. (countries in far eastern, except Japan and India).
9. Unique models, countries that do not match any cluster above: Israel, India, Japan, Brazil.

2.2. Management in USA

2.2.1. Cultural background of USA

USA is a confederation formed by 50 states and a federal district. US population is 309 million (2010 estimate), world no. 3. It has a great ethnical and cultural diversity, collecting immigrants from all over the world. US economy is the largest and most powerful in the world. After the Cold War, US remained the only military superpower. US surface is 9.826.630 km², also world no. 3. The terrain consists of two mountain chains, hills, plains, and desert. The climate is extremely diverse, ranging from tropical to arctic, including arid and semiarid; anyway, it is mostly temperate. USA is affected by numerous natural hazards: tsunamis, volcanoes, earthquakes, hurricanes, tornados, mud slides, forest fires, flooding, and permafrost.

The confederation has no official language. 15 out 50 states have no official language as well. English is the only official language in 28 states, but also one of multiple official languages in other 8 states (along with French, Spanish or local languages as Hawaiian). Of course, English is the language used by a large majority (82% of the population), followed by Spanish and others.

As of government, USA is a federal presidential constitutional republic.

The motto of US is “In God we trust”.

As depicted in Figure 33, the culture of the USA may be characterized on the basis of Hofstede’s model as following:

- ✓ Individualism is huge (91) – world no. 1.
- ✓ Masculinity is rather high (62) – Americans are interested in accumulating power, appreciation, and material wealth.
- ✓ Power distance is rather small (40).
- ✓ Uncertainty avoidance is Average (46).
- ✓ LTO is small (29) – attitudes very favorable towards change; business may be initiated very easily.

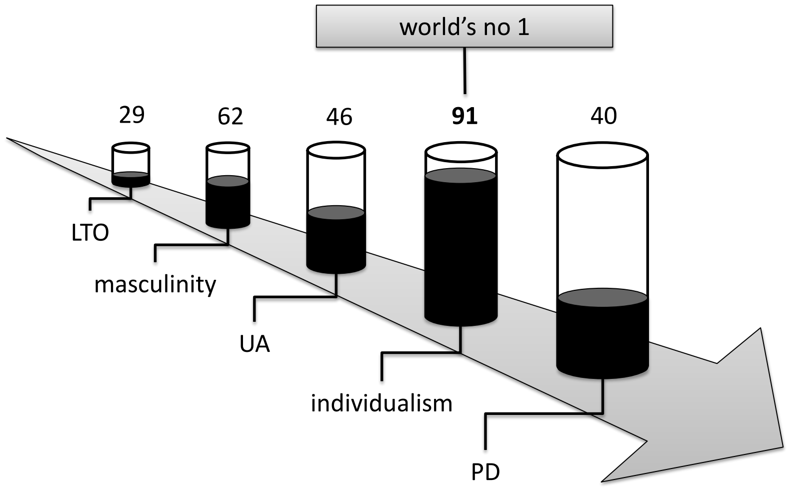

Figure 33. US culture through Hofstede's cultural dimensions

This mix of cultural scores is almost perfect for sustaining economic development.

The most important values which compose American culture include:

- ✓ Individual liberty.
- ✓ Unlimited personal growth.
- ✓ Focus on earning.
- ✓ Activity and work.
- ✓ Liberalism.
- ✓ Effectiveness and pragmatism.
- ✓ Ends-orientation (in opposition to means-orientation).
- ✓ Ethics.
- ✓ Equality of rights and chances.
- ✓ Pride to be an American citizen.

A major value of American culture points to multiculturalism, reflected in the traditional motto of this country: "E pluribus unum" ("Out of many, one"), promoting the idea of unity in diversity.

All those cultural aspects are reflected in four statements that describe management in USA – the principles of American management:

1. Unbounded growth of industries, through the state protection of a real competition.
2. Guarantee of individual independence and small business stimulation.
3. Diversity fructification, through conflict toleration and multiculturalism encouraging.
4. Individual merit recompense.

2.2.2. US national economy

American national economy is the world's strongest. It is also one of the world's most stable economies. It also has the highest technological level and USA is the main exporter of managerial methods and techniques. The country is the leading industrial power in the world, highly diversified and technologically advanced; the strengths include industries as petroleum, steel, motor vehicles, aerospace, telecommunications, chemicals, electronics, food processing, consumer goods, lumber, mining.

The most important indicators that reflect the size and strength of the American national economy:

- ✓ GNP [trillion $, 2007-2009]: 14.56; 14.61; 14.26.
- ✓ GNP per capita [thousand $, 2007-2009]: 48.3; 48.1; 46.4.
- ✓ GNP growth rate [%, 2007-2009]: 2.1, 0.4; -2.4.
- ✓ Inflation rate [%, 2007-2009]: 2.7; 3.8; -0.7.
- ✓ Investment rate [% GDP; 2007, 2009]: 15.6; 12.5.
- ✓ Unemployment rate [%, 2007-2009]: 4.6; 5.8; 9.4.
- ✓ Population below poverty line [2004]: 12%.

US economy is genuinely market oriented and it may be described as liberalism. State interventions are meant only to support competition; basically, this means that state is buying on the private market. Small business is predominant. 60% of the companies are involved in services and retail. The firms are more flexible than European or Japanese ones.

The structure of US economy is reflected in the following structure of occupations (2009):

- ✓ Managerial, professional, and technical: 37.3%.
- ✓ Sales and office: 24.2%.
- ✓ Manufacturing, extraction, transportation, crafts: 20.3%.
- ✓ Other services: 17.6%.
- ✓ Farming, forestry, and fishing: 0.7%.

2.2.3. Management in US organizations

The structure of American companies is generally tall and completely formalized. It has a reduced span of control. Organizing is very strict, based on a narrow specialization of jobs and employees. There is a clear delimitation of managers from workers. The standard organizational structure is functional, but other types (clients, areas, products; more recently: matrix) are also used.

Figure 34 shows the typical organization structure of an American company:

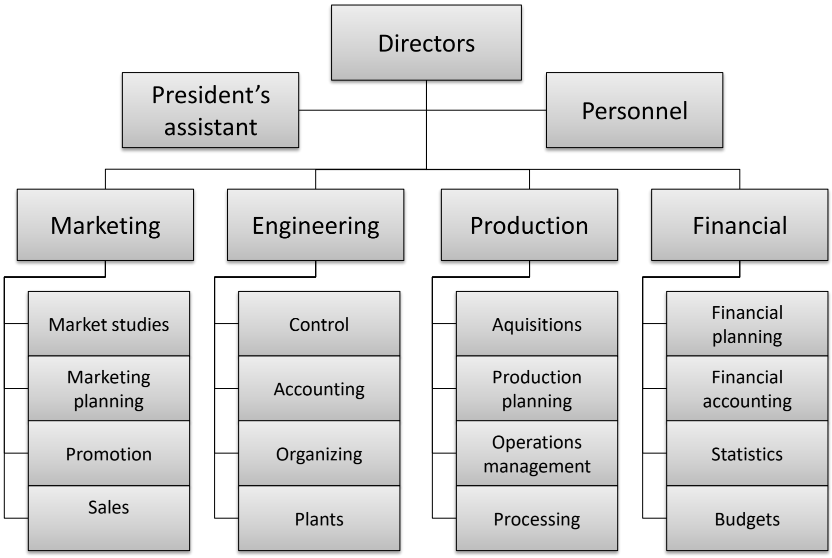

Figure 34. Typical organization structure in American companies

There is a great differentiation of compensation in American organizations, which are paying the biggest salaries and wages in the world. Top managers may gain up to tens of million USD a year. The salary differentiation is also high on one hierarchical level. Remuneration is applied on the basis of individual results. The focus is on productivity, sometimes to the detriment of quality. There is a heavy competition between colleagues, stimulated by the huge salaries that are given to successful employees. Fast promotions are available when getting excellent results. Certificates have little importance, proved skills are more relevant. Young people are preferred, because they are supposed to be more creative and to possess good theoretical knowledge.

Top managers in big companies have business or technical studies followed by MBA or management Ph.D. graduation.

American managers are not afraid to take high risks, because they use to make completely detailed plans ("the best way to predict the future is writing it"). They are the world's businessman model: practical, innovator, and incisor. They make decisions quickly and operatively. Decision-making is usually individual, and responsibility is also individual.

Leadership in American companies is generally task-oriented, but it is more and more "humanized" through socialization. The American manager is open to dialog, accessible ("everyone is equal to the other"). They tend to have a preference for heterogeneous teams, with the intention of a proper handling of inter-individual differences.

Communication in American organizations is low-context (very explicit). Employees are characterized by extraversion, individualism, competitiveness, and fair-play. They are trying to be independent from their organization. The employees in American companies usually have a strong self-determination. Their motivation is based on the need for status, a need that may be fulfilled especially through promotions and money. This is an important source for a large personnel turnover.

2.2.4. Liabilities of management in USA

Despite the leading position in nowadays world economy, the American management and economy have a certain number of weaknesses, including the ones below:

- ✓ USA is a society of lawyers in detriment of engineers.
- ✓ Professional training is the employee's concern.
- ✓ GDP is military oriented.
- ✓ Pollutant industries are moved away from USA (usually into Latin American countries).
- ✓ Small business is very unstable.
- ✓ Americans managers have little knowledge about other cultures.

2.3. Management in Japan

2.3.1. Cultural background of Japan

Japan is composed by four main islands (95% of its territory) and about 3000 smaller islands. The total area is 377,835 km² (60th in the world, smaller than California). It is a juncture of three tectonic plates and for this reason many earthquakes occur (4-5 a day) and there are many volcanoes there; many of them are active, and the Japanese ground is made of lava, inappropriate for agriculture. There are also many tsunamis and typhoons. The climate is predominantly temperate, but varies greatly from N (cold) to S (subtropical).

The population is 127,078,679 (2009 estimation; 10th in the world). 98.5% of the inhabitants are Japanese; ethnic minorities are very small: Koreans 0.5%, Chinese 0.4%, and others 0.6%.

As a government, Japan is a parliamentary democracy, constitutional monarchy. There is no official language of the nation; several Japanese dialects are recognized as regional languages.

During the centuries, Japan was under many influences from China, via Korea. After a long epoch of isolation, in the last 150 years the country was strongly influenced by the US society.

Along with the traditional Japanese religion, Shinto, there are many religions/philosophies that came from China and the rest of Eastern Asia, as Buddhism and Confucianism. The importance of Buddhism is increased because this philosophy has conveyed along with it many social elements of the areas passed through.

As depicted in Figure 35, the culture of Japan may be characterized on the basis of Hofstede's model as following:

- ✓ Individualism is average (46) – this is the cause of group orientation in Japanese management.

- ✓ Masculinity is huge (95) – there is an important negative discrimination of women; on the other hand, Japanese people are searching for the quality of life and not for power and wealth.
- ✓ Power distance is also average (54).
- ✓ Uncertainty avoidance is very strong (92).
- ✓ LTO is very high (80), based on specific Asian philosophies and/or religions.

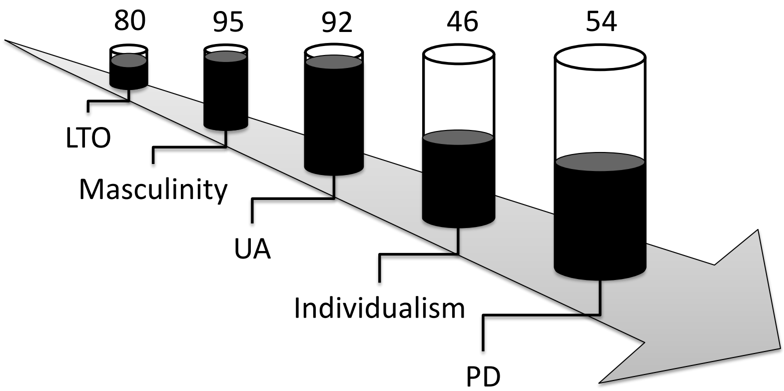

Figure 35. Japanese culture through Hofstede's cultural dimensions

The most important values which compose Japanese culture include:

- ✓ Fairness.
- ✓ Loyalty.
- ✓ Respect for ancestors and the past.
- ✓ Wisdom.

A leading role in Japanese culture is taken by Bushido ("Way of the warrior"), a code of conduct adhered to by samurai (analog to Western chivalry code), promoting values as loyalty, honor, obedience, duty, filial piety, self-sacrifice.

All those cultural aspects are reflected in four statements that describe management in Japan – the principles of Japanese management:

1. Loyalty to leader and organization.
2. Group harmony by all means.
3. Humans should not be left unengaged.
4. Admiration for and interest in the success of others.

2.3.2. National economy of Japan

Japanese national economy is seen as an "economic miracle" and it is called "the great tiger". It moved in about 150 years from a feudal agricultural to a top industrial economy. After 1973, Japan became a genuine Mecca of management. It uses to be the second world's economic power and the third world's large economy (after US and China). There were dramatic economic growths: 10% in the ’60s, 5% in the ’70s, 4% in the ’80s, and 1.7% after. One of the sources of this growth was the orientation toward development – only 1% of GNP goes to the army. But since the beginning of ’90s, the Japanese management was in a crisis.

Japanese economy is focused on top technologies. The main industries in Japan are: motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, and processed foods. Because of natural conditions, Japanese economy is strongly dependent on expensive imported raw materials, so it has to do high quality exports, in order to be able to buy those materials. There is a tiny agricultural sector, highly subsidized and protected; Japan imports 55% of consumed food. In the same time, Japan is exploiting the only favorable natural condition of it: fishing – it has 15% of world’s production.

The unemployment rate is traditionally low: 2-3%; 4% in 2008; 5.6% in 2009 (estimation).

An important characteristic of Japanese culture is the strong work ethics.

Japan is facing two major long-run problems:

- ✓ The great national debt (GDP 182%).
- ✓ The dramatic aging of population.

Japanese management was admired by the world for two interesting features that are now vanishing:

- ✓ Keiretsu: a group of widely different organizations acting together; it is generally built around a bank.
- ✓ Employment for life (but it is actually rather a myth).

There is a tide and effective co-operation between companies and the state in Japan.

Also, there is a strong co-operation between large companies and their providers (smaller companies), what is called “organic co-operation” (Figure 36).

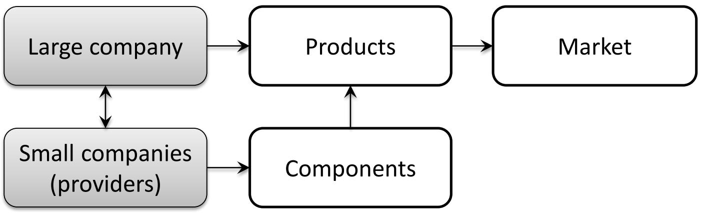

Figure 36. Organic co-operation

A few advantages of organic co-operation are:

- ✓ Efficient collaboration: the large company will not have to face a materials or component shortage.
- ✓ The large company is financing the small ones.
- ✓ The large company is supporting the small ones when in trouble (hiring their employees in case of failure etc.).
- ✓ Small companies’ employees accept decreased wages (down to 40%) » reduced costs for the large company.

Another distinct feature of Japanese management is the innovation strategy. Unlike in Occident, where the development is discontinuous, based on generations of products, in Japan the process of technological improvement is smooth and continuous (Figure 37).

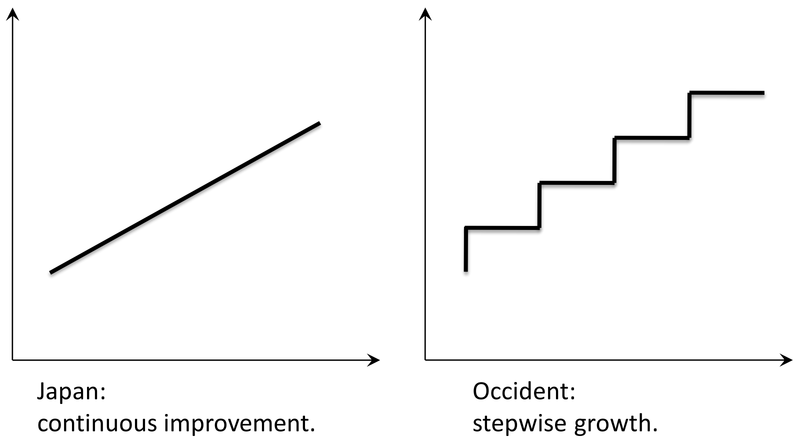

Figure 37. Innovation strategy in Japan and in occidental world

2.3.3. Management in Japanese organizations

The Japanese organization structures are flat (with a small number of hierarchical levels) and with a large span of control. The boundaries between operational managers and workers (focus on working group) are not as clear as in the Occidental world. There are limited specialization and division of labor – units with large variety of activities are predominant. Accordingly, Japanese companies have a preference for generalists, not specialists. A consequence of this is job rotation.

The Japanese culture, focused on group membership, is reflected in many organizational elements. For example, employees are working in common office rooms. There is no competition between co-workers. The employee is judged against his/her loyalty to the organization and his/her integration into the group, and not according to his/her technical competence. The individual "has 2 families": one at home, one at workplace. Remuneration based on seniority, not on direct outcomes. The employees agree for decreased wages and salaries in case of company problems. If making mistakes, the employee is not fired but moved to another job.

The employee has to prove much self-control and to have work and business ethics.

There is still important gender discrimination at the workplace, manifested traditionally through remuneration; gender discrimination is not official nowadays, but women still have worse jobs.

Japanese leadership is paternalistic, based on human relations similar to those within a traditional family. This relation is called "oyabun-kobun" and it is similar to such relations as: father to son, older brother to younger brother, husband to wife, older friend to younger friend etc. Devotion to your superior is more important than devotion to your parents ("My parents gave me birth, but my schoolteacher made a man out of me").

Japanese people give a great importance to social status. The hierarchical promotions are slow and based on seniority. Motivation is based on enriching the job.

The company is concerned with professional training. Recruitments begin from school (many schools belong to companies). Diplomas are important for hiring. Companies prove a high interest for newcomer integration (6-month training before engagement). They also have the tendency to hire relatives of owners/employees. Employees may sometimes be “lend” (for enriching the work).

There are some factions within the organization and an important consequence is the development of a strong groupthink. Personal relations prevail. Communication is high-context (very meaningful, without many words).

Management by objectives is popular in Japanese companies. The concern for quality is strong (manifested through two important programs, “Zero defects” and the quality circles). Operations management is based on just-in-time technique. Another particularity of Japanese management is the decision-making process (Figure 38). Unlike in the Occidental world, Japanese make group decisions (while Americans make individual ones) and they discuss the problems from the bottom to the top of the hierarchy. The main stem in the problem-solving process is the substantiation.

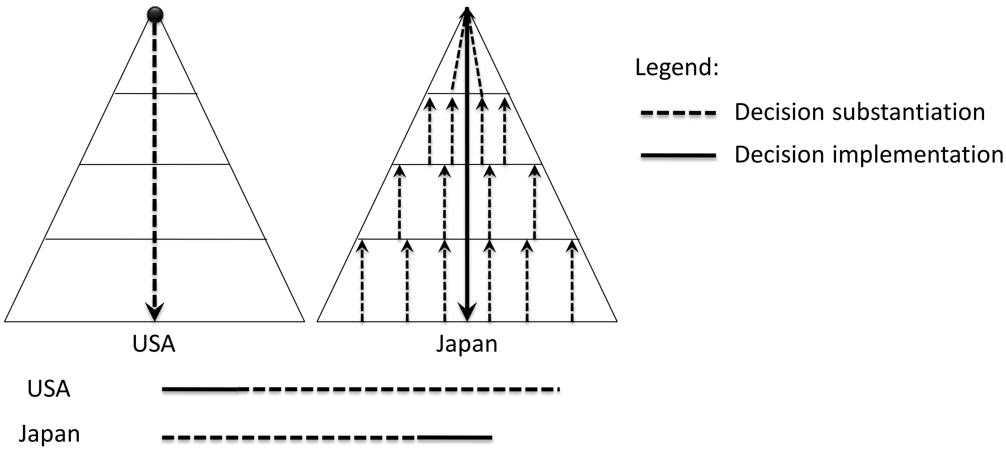

Figure 38. Decision making in USA and Japan

2.3.4. Liabilities of management in Japan

The main incriminations about Japanese management that are raised by Occidental countries are:

- ✓ Dumping policy: products are launched at very low prices, below their production cost, and they will increase in price after gaining clients’ loyalty.
- ✓ Dissimulated protectionism: ecologic requirements for imports, but the Japanese themselves do not meet those requirements.
- ✓ Ideas theft: they buy Occidental products to disassemble, improve them and then sell on Occident markets.
- ✓ Business ethics: very different from the occidental one, it allows offering gifts; also, social status has a great importance, in detriment of professional skills.