THE EXTERNAL BUSINESS ENVIRONMENT, NOT JUST CULTURE, IMPACTS MANAGERIAL STYLES AND EFFECTIVENESS

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Comparative management studies focuses on gaining a better understanding of management styles, attitudes and practices in different countries. Implicit in this effort is the recognition that managers in different countries are confronted with a unique set of challenges arising out of the particular external business environment in which they are operating and it is important to propose a framework of the environmental factors (i.e., external forces that flow primarily from outside the firm) that every manager, regardless of his or her nationality, must take into account. While there is no single, or best, way to categorize the multiple factors that might impact the operations of a firm, a useful classification separates and focuses on economic, political, legal, cultural and demographic factors. Each of these major categories can, in turn, be further broken down into distinct categories to facilitate a more robust and systematic analysis that includes such things as natural resources, technology, institutions, religion, and population growth and migratory habits.[2] When assessing elements of managerial style and/or specific management practices it is essential to do so with due regard for the external environment in which the activity is occurring. In some cases, environmental differences will have little impact on how managers act; however, as described elsewhere in this publication environmental factors such as culture definitely play a role in the way that firms are managed and the effectiveness of specific managerial styles and practices.

There is substantial evidence to support the proposition that, as Child and Warner put it, "the cultural perspective has for some time provided the dominant paradigm in comparative studies of management and organization".[3] Numerous scholars have made their professional reputations by conducting extensive studies of business organizations

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[2] General environmental factors (i.e., economic forces; technology forces; political and environmental forces; and demographic, cultural and social forces) should also be taken into account by firms and their managers during the course of their strategic planning process. In addition, a firm looking to launch operations in a new foreign market should conduct an extensive environmental analysis of that market before a final decision to proceed is made and the results of that analysis should be incorporated into the firm's international business plan and the specific export plan for that market.

[3] J. Child and M. Warner, "Culture and Management in China", in M. Warner (Ed), Culture and Management in Asia (London: Routledge Curzon, 2003) (also citing D. Hickson and D. Pugh, Management Worldwide: The Impact of Social Culture on Organizations Around the Globe (London: Penguin, 1995)).

around the world that concluded that "culture" was the key factor in explaining differences between countries and culture is a comfortable reference point for managers experiencing frustrations about how their directives are being received by colleagues—managers and subordinates—from other countries with different values and beliefs. However, while culture is certainly an important part of the environmental factors listed below, notice should be taken of the "institutional perspective" that Child and Warner explained as follows: "A contrasting perspective emphasizes that management and business have different institutional foundations in different societies. Key institutions are the state, the legal system, the financial system and the family. Taken together, such institutions constitute the distinctive social organization of a country and its economy. The forms these institutions take and their economic role are seen to shape different 'national business systems' or varieties of capitalism (citations omitted). In turn the norms and rules of such systems impact importantly on corporate and managerial behaviour."[4]

Child and Warner acknowledged that there is far less understanding of the impact of the institutional elements of these "systems" on organizations but also pointed out that the institutional perspective does appear to offer opportunities for greater understanding of what factors influence managerial behaviors.[5] Proponents of the institutional perspective argue that social structures and processes become so embedded within societies as time goes by that it becomes difficult, if not impossible, to distinguish them from societal culture and that eventually one can no longer identify either culture or institutions as the primary cause for why things are the way they are within business organizations.[6] Institutional theorists also point out that culture and institutions influence one another—institutional elements, such as laws and regulations, are not likely to be effective or long-lasting if they fly in the face of cultural norms and values; however, new institutional elements will, at least in the short-term, modify the culture to the extent that they trigger changes in the attitudes and behaviors of members of society subject to such laws and regulations.[7] Notwithstanding the foregoing, however, it is understood, as Child noted,

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[4] Id. Examples of works relating to "national business systems" cited by Child and Warner included R. Whitley, Business Systems in East Asia (London: Sage, 1992); and R. Whitley, European Business Systems: Firms and Markets in their National Contexts (London: Sage, 1992).

[5] For further discussion of the basic principles of "institutional theory", see P. Tolbert and L. Zucker, The Institutionalization of Institutional Theory, in S. Clegg, C. Hardy and W. Nord (Eds), Handbook of Organization Studies (London: Sage, 1996), 175-190.

[6] Child and Warner argue that the cultural values of respect for hierarchy and family social collective observed in Chinese society are based both on Confucianism and legal codes promulgated and enforced by the state with the result being the hierarchical and collective orientation seen in both Chinese culture and institutions (e.g., legal rules are oriented toward social obligations to higher authority rather than recognizing and protection individual rights).

[7] Child and Warner offer several examples of what they refer to as "same culture, different system", including West and East Germany and Mainland China and Hong Kong, and argue that "the impact of institutional differences is sufficient for Hong Kong

that "culture and institutions tend to influence different aspects of management and organization."[8] With regard to culture, Child explained that its primary impact is on individual attitudes and behavior, including inter-personal behavior, and that culture was likely to be particularly important with respect to the motivational consequences of managerial practices and styles, norms of communication, the willingness to take individual responsibility, the conduct of meetings, and modes of conflict resolution. Institutions, on the other hand, are relevant to matters shaped or constrained by formal norms and rules including systems of corporate ownership, accountability and governance, conditions of employment and collective bargaining, and the reliance on formal contracts for intra- and inter-organizational transactions.[9]

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managers to regard managing operations in the Mainland as problematic" (citing J. Child, L. Chung, H. Davies and S. Ng, Managing Business in China (Hong Kong: Hong Kong General Chamber of Commerce, 2000)).

[8] J. Child, Culture, Contingency and Capitalism in the Cross-National Study of Organizations, in L. Cummings and B. Staw (Eds), Research in Organizational Behavior, Volume 3 (Greenwich, CT: JAI Press, 1981), 303-356.

[9] Id.