



RAE - Revista de Administração de Empresas

ISSN: 0034-7590

rae@fgv.br

Fundação Getulio Vargas

Brasil

Carrillo, Jorge Miguel

DEVELOPING MANAGEMENT SYSTEMS FOR EMERGING COUNTRIES

RAE - Revista de Administração de Empresas, vol. 41, núm. 4, octubre-diciembre, 2001, pp. 6-14

Fundação Getulio Vargas

São Paulo, Brasil

Available in: <http://www.redalyc.org/articulo.oa?id=155118329001>

- How to cite
- Complete issue
- More information about this article
- Journal's homepage in redalyc.org

redalyc.org

Scientific Information System

Network of Scientific Journals from Latin America, the Caribbean, Spain and Portugal

Non-profit academic project, developed under the open access initiative

DEVELOPING MANAGEMENT SYSTEMS FOR EMERGING COUNTRIES

Jorge Miguel Carrillo

Professor of the Management Department at ITESM, Mexico City Campus.

E-mail: jocarril@campus.ccm.itesm.mx

RESUMO

A aplicação das teorias de gestão de países industrializados em diferentes contextos tem sido questionada por muitas décadas. No entanto, ainda não há fundamentação teórica bem definida para compreensão dos sistemas de gestão dos países não-industrializados. Este artigo, ao detalhar as características das estratégias, das estruturas, dos processos decisórios e dos sistemas de gestão em países em desenvolvimento, fornece algumas diretrizes para o desenvolvimento das teorias de gestão desses países. A análise evidenciou que a complexidade das forças ambientais dos países em desenvolvimento tem dificultado a aplicação das teorias de gestão importadas dos países industrializados. O artigo conclui que as organizações globais devem parar de tentar transferir e adaptar esses sistemas de gestão para os países em desenvolvimento e que uma abordagem clínica pode ser mais efetiva.

ABSTRACT

Application of Western management theories in different contexts has been questioned for several decades. However, there is still no well-defined theoretical framework for understanding management systems in non-industrialized countries. This article provides some guidelines to develop these frameworks by elaborating some of the major characteristics of strategies, structures, decision-makings and management systems in Developing Countries (DC). The analysis showed evidence that the complexity of national environmental forces of DCs has made the application of Western management theories more problematic in these countries. The article concludes that global business firms should realize that it is time to stop transferring these management systems to DCs and trying to adapt their organizations to these systems and that a clinical type of approach may be more effective.

PALAVRAS-CHAVE

Sistemas de gestão, países emergentes, teorias de gestão, globalização, cultura organizacional.

KEY WORDS

Management systems, emerging countries, management theories, globalization, organizational culture.

INTRODUCTION

As business activities become international and most recently global, and geographical borders between countries vanish, there are closer and more frequent interactions among organizations, firms, industries and institutions both within and between countries. The fast pace of change in macro-environmental forces has had significant influence on organizations and their management practices over the last two decades. Therefore, understanding how organizations in different countries adapt, resist and generally manage themselves may be one of the key success factors for global business activities in the new century.

Most of the theoretical and empirical studies of organizations and management issues have been developed based on samples from industrialized countries or firms and organizations established in these countries. Researchers have been questioning the applicability of Western theories of organizations and management systems to non-industrialized countries for at least the last two decades (e.g. Clark, 1998; Gopinath, 1998; James, 1997). In their review of administrative theories in developing countries, Kiggundu *et al.* (1983) describe how the applicability of Western theories has been questioned by studies that have considered macro-environmental forces. North (1994) and Olson (1992) claim that successful national business systems of industrialized countries may not be successful in other parts of the world. Recognizing the limitations of Western management theories across nations will provide impetus for developing new theoretical frameworks for understanding management activities in non-industrialized countries. One way to improve our understanding is to analyze management systems of so-called less-developed countries, with the assumption that this can provide useful information to us (Miller, 1953). How, with what means, and from what perspectives these less-known systems should be observed are the type of questions that provide a starting point for proposing guidelines for developing better theoretical frameworks for understanding management systems in different contexts.

Since more than 70% of the world population lives in developing countries (DCs), and the majority of the world's natural resources and market opportunities are in these countries, both practitioners and researchers have become more interested in understanding their social and business activities. This is why DCs, as one of the well-known clusters of non-industrialized countries, are used in this study. Although the external environment of organizations has global, national and industry levels, the focus of this study is on their national environment. Despite the vital role of management systems in the organizations and institutions of DCs, there are few theoretical and/or empirical studies on this topic. The purpose of this study is to provide some guidelines for

developing theoretical frameworks for management systems in DCs. Recent theoretical and empirical studies on management issues and organizations in DCs, along with some of the classical management and administrative theories (such as those introduced by Barnard, Chandler, Drucker, Simon, Thompson, and Roethlisberger) are used in this study. Since

THE SOCIOECONOMIC AND REGULATORY UNCERTAINTIES HAVE HAD A POWERFUL INFLUENCE ON THE NATURE OF MANAGEMENT SYSTEMS IN DEVELOPING COUNTRIES.

environmental factors play a major role in the development of all social phenomena, some of the main regulatory, economic, cultural, and organizational characteristics in DCs are described in the first section. The next two sections provide a brief overview of organizational strategies and structures, their relationship, and decision-making process in DCs. The last two sections describe the essence of management systems in these countries, and suggest related principals and guidelines for future theoretical frameworks.

THE SITUATION IN DEVELOPING COUNTRIES

Historically, countries have been classified based on their economic conditions using indicators such as GNP or GDP. Many groupings have been proposed, such as industrialized, developed, advanced developing, newly industrialized, developing, less developed, and undeveloped. Institutions such as the United Nations, the World Bank, and even independent researchers have been using these categories of countries for many years. For the purpose of this study, it is assumed that there are a large number of countries in a cluster named developing countries (DCs). However, developing countries are not nearly as homogenous as industrialized countries (Krugman and Obstfeld, 1994). They vary significantly in many respects, and may be categorized into subgroups in terms of their stage of development Kim (1998). Indeed, there are some common characteristics that have separated these countries from so-called industrialized countries. Since every social phenomenon is perceived differently both within and between nations, these commonalities

should not be taken as a source for generalized rules. However, a brief description of these characteristics will contribute to a better understanding of organizations and their management activities in DCs. Therefore, what follows are some of the common traits that may help to make this cluster more meaningful.

Regulatory and economic situations

Uncertainty is a fundamental characteristic of regulatory and economic reality in most DCs. Environmental regulation in developing countries is currently one of the most unpredictable factors facing potential investors (Walde *et al.*, 1996). “Not only has environmental legislation in these countries changed

commercial goods and services. Infrastructure facilities traditionally have been constructed and operated by governments of these countries. In many parts of Asia and in Eastern Europe, governments and other types of “non-market” institutions have traditionally been leading organizations’ activities (Besley, 1995). Therefore, intricate relations between business and government actually appear to be the norm throughout the developing world (Khanna *et al.*, 1997), and as long as government officials have discretion, companies often end up working with them. Along with governments, business groups (BGs), as specific types of institutions, play a vital role in economic and social activities in most of the DCs. Business groups have a variety of names in different countries: the *chaebol* in South Korea, *grupos economicos* in Latin America, and also *family businesses* in Indonesia, Taiwan, Pakistan, and many other DCs. In some DCs, BGs function to allocate inputs such as honesty and trustworthy competence on the part of high-level managers – inputs that are otherwise poorly represented (Leff, 1978). This is why states in most of the DCs actively participate in the public and private sectors of the economy and are in fact leading actors. In South Korea, state policies support business concentration (Sakong, 1980). In Taiwan, the state owns and manages a range of public corporations producing commodities on an import substitution basis. In almost all DCs, states impose import controls on selected products and promote industrial development in export products through special tax incentive programs (Hamilton and Biggart, 1992). There are also cases where BGs might evolve largely independent of state influence or with an identity quite distinct from that of political groups, such as in Mexico (Camp, 1989). There are also situations where key government actors themselves form their own firms and BGs, such as the Suharto family in Indonesia. Policy distortion (as described by Ghemawat and Khanna, 1998), and social and cultural factors, may be the main reasons for existence of BGs in DCs. It takes more time to establish a BG in DCs, but it may have longer life compared to BGs in industrialized countries since they are part of the social and cultural structure of DCs.

High degrees of uncertainty and turbulence; centralized economic and political power and control; relatively weak and unstable legal systems; undeveloped and/or less developed infrastructure; and lack of development of financial institutions such as stock markets and investment banking are some of the common regulatory and economic situations of DCs.

Cultural dimensions

The movements toward internationalization in the last three decades and globalization in the 1990s have brought more attention to the characteristics and effects of culture

NATIONAL CULTURE IS A MAJOR SOURCE OF DIFFERENCES BETWEEN ORGANIZATIONS AND THEIR MANAGEMENT SYSTEMS IN INDUSTRIALIZED COUNTRIES AND DCs.

rapidly and frequently in the last decade, it has also had a considerable interpretative margin and been enforced with varying degrees of zeal” (Verhoosel, 1998). Domination of powerful families, political groups, religious groups and/or business groups who can impose or override rules and regulations based on their own interpretations and interests, have made the regulatory environment even less predictable. Most of these countries are paying a considerable price for this regulatory uncertainty. Besides this regulatory uncertainty, most of these countries have a history of economic problems. According to a report by Martinez (1999), although global GNP has risen from \$3 trillion to \$30 trillion over the last 50 years, the wealth has been distributed unevenly, and the disparities between rich and poor have only grown. The same report indicates that 1.3 billion people in the developing world live on a little less than a dollar a day. With the exception of about ten large emerging countries, the majority of Africa, South Asia, and Latin America has experienced economic decline during the past 30 years (Garten, 1997). Developing countries are generally charged with having gone on a “foreign borrowing binge”.

The socioeconomic and regulatory uncertainties have had a powerful influence on the nature of management systems in DCs. In fact, the public sector plays a dominant role as the provider of basic

on management theories. National culture is another major source of differences between organizations and their management systems in industrialized countries and DCs (Hofstede, 1980). The wrong kind of culture may undermine performance (Lorsch, 1985). There are two main theoretical approaches in cross-cultural management literature for describing the relationship between culture and management systems. The first suggests that the main reason for the difference between management activities is probably not cultural differences; rather it is the turbulent socioeconomic climates that set poorer, less developed countries apart (e.g. Austin, 1990). On the other hand, a larger group of researchers believe that the “country differences” on value dimensions are sharper than the “country differences” in management activities. This means that countries have distinctive value systems, and that distinctive features of national management systems arise through the values into which managers are socialized (e.g. Adler, 1997; Morris *et al.*, 1998). Based on the latter perspective, the applicability of management theories stops at national borders and there is no such thing as universal management theories (Hofstede, 1993).

Based on Hofstede’s (1980) model, people in most of the DCs accept that power in institutions and organizations is distributed unequally; in other words, DCs have a relatively high degree of power distance (Jaeger, 1990). People in these countries are relation oriented and caring for others is more important for them than performance or acquisition of things or money. This is labeled “low degree of masculinity” in Hofstede’s cultural dimensions. High degrees of uncertainty have made these societies feel that they are always threatened by uncertain and ambiguous situational factors. It has created a behavioral pattern of avoiding risks and any source of uncertainty. As a result of this, DCs have a relatively high degree of uncertainty avoidance (Jaeger, 1990). For people in developing countries, context plays an important role in determining an individual’s perceptions and behavior (Jaeger, 1990). Their traditional beliefs indicate that causality and control of outcomes are more external; they utilize associations among events that may not have much logical or cause-effect relationship.

Thus, although cultural dimensions vary both within and between nations and in spite of methodological limitations of measures used for these cultural dimensions, there still are some commonalities among these dimensions within DCs. It may be concluded that high power distance, high uncertainty avoidance, and low individualism are some of the common cultural dimensions among most of the DCs.

Characteristics of organizations in developing countries

Organizations in DCs have been described based on economic or market conditions, cultural dimensions, or

even authority or political perspectives. Hamilton and Biggart (1992) argue that an authority or political economic approach with a Weberian emphasis produces the best explanation for industrial arrangement in DCs. Environmental factors are the main driving forces for organizations and their actions in DCs (Kiggundu *et al.*, 1983). Organizations are in fact seen as the creatures of their environment. Organizations in DCs try to keep away

ENVIRONMENTAL FACTORS ARE THE MAIN DRIVING FORCES FOR ORGANIZATIONS AND THEIR ACTIONS IN DCs.

from uncertainty and normally prevent dealing with it. That is why organizational identity as the pattern of response in dealing with uncertainty (Thompson, 1967) is almost absent in DCs. They are bound by strong social values and norms, which shape both their objectives, and ways to achieve those objectives. Researchers claim that even the most cosmopolitan and technical sectors of DCs have not completely converged in their values and managerial behavior (Morris *et al.*, 1998). They do not follow the economic or rational models as do those in industrialized countries. It seems that treating organizations in DCs as collective actors driven by their environmental forces will shed more light on the nature of this phenomenon.

One of the main sources of differences between organizations in industrialized and developing countries is the way that individuals contribute in an organization and also their perception of inducements. Individuals’ contributions in DCs are not only in the form of capital, skills or efforts, but also of social relations and/or connection with authorities. Sometimes family names, social position, and/or connections are the only resources that individuals bring to organizations. For the same reasons and because of differences in the nature of individual expectations, inducements are also perceived differently in DCs. What they need is long-term protection and support in their uncertain environment. This means organizations should provide them with inducements that help them to survive.

Formal organizations are highly influenced by informal organizations in most DCs. These two types of organizations influence each other and are also mutually dependent (Barnard, 1938). It is believed that there are informal organizations within every formal organization. The complexity of organizations may change according to how these influence each other. Informal systems of communication such as friendship

and group and family relations play an essential role in keeping members of organizations together in these countries. This may provide better opportunities for informal organizations to grow and dominate the formal ones. The “*guanxi*” in China, the “*inhwa*” in South Korea, and the tight personal and family relations as the foundation of organizations in Arabic countries are some of the examples for the significance of the role of informal organizations in DCs.

HIGH DEGREES OF POWER-DISTANCE AS WELL AS HIGH DEGREES OF UNCERTAINTY AVOIDANCE HAVE MADE COMMUNICATION AND AUTHORITY PROCESSES LESS DYNAMIC IN DCs.

In summary, lack of organizational identity, strong influence of environmental forces, strong resistance to change (due to a high degree of uncertainty avoidance), concern for survival, the vital role of business groups and informal organizations, and goal ambiguity are some of the main characteristics of organizations in DCs. These in fact have made it more difficult to understand organizations and their management systems in DCs. Researchers and analysts accustomed to working with “rational” models (developed in industrialized countries), have been trying to use their models to understand these systems for decades, but only during the last two decades has it been realized that these models are not applicable in DCs.

STRATEGY AND STRUCTURE IN DCs

Are strategy and structure, and the relationships between them, culturally bounded? Does structure follow strategy in DCs? To respond to these questions, it is important to refer to the characteristics of organizations in DCs. Since most of the large and major firms in DCs are owned or highly regulated and controlled by their governments, administrators have rarely changed their daily routine and their position of power except under pressure. In most industrialized countries, technological, economic and market pressure have made administrators change their long-term goals and objectives, adopt new courses of actions, and allocate the resources necessary to achieve these goals (e.g. Chandler, 1962). This process has in fact increased the complexity of their systems and made them adapt their administrative structure by moving

toward decentralization. In DCs, the pursuit of survival and certainty plays a major role in shaping strategies and structures of their organizations. Those at the top level of these organizations mostly pursue survival objectives, and people at the lower levels seek certainty to protect themselves in their highly uncertain environment. Strategies and structures that are not adapted to survival and certainty create difficulties for internal and external communication and eventually serious conflicts. When lines of communication between individuals and external authorities are not aligned with the stated strategies, individuals try to override the existing designs by every possible means in order to create their desired balance. The negative products of this process are corruption and over-regulation. This tends to expand the interpretative margin of rules and regulations and is in fact one of reasons for high regulatory uncertainty in these countries. This in fact is a clear indication of the significant impact of environmental forces on strategies and structures in these countries.

Individuals as complex systems cooperate with organizations based on their bounded rationality (Simon, 1945). Simon claims that this rationality is limited by three major elements: values, skills, and knowledge. In a context where values and conceptions of purposes are individualistic, the communication process will become more dynamic. There will be a wider area of rationality for individuals, and therefore, administrative organizations will seem to be less important. In a context where values are mainly collectivistic, the communication process will become less dynamic. There will be more limitations for area of rationality for individuals, and as a result of this, administrative organizations will become more important. The latter is in fact the case in most of the DCs. High degrees of power-distance as well as high degrees of uncertainty avoidance (Jaeger, 1990; Blunt, 1988) have made communication and authority processes less dynamic in these countries. In other words, since there is a limited area of rationality for individuals, centralized structures are more popular among DCs. The majority of the centralized structures used in DCs are imported from abroad (mainly from those countries that have supported them politically and technologically) and have been reinforced by their environmental forces.

DECISION MAKING IN DC ORGANIZATIONS

Decision-making is not a one-time action but a process in which human beings (who are constrained by time and space) are its core elements. Every one of the decisions made by each individual is subjected to his/her understanding of the time and space in which the decision has been made. Thus, decision-making as a subjective construct should follow a pattern shaped by time, space,

and individuals' understandings. This is what Ackoff (1970) called the "decision-making process boundaries" within which decisions are made. Dynamic objectives with two-way relationships with the environment normally affect the direction and boundaries of this process. Ackoff believes that there is no one decision that can resolve the problem of managing, since it needs to follow an incremental improvement. This is in line with what Braybrooke and Lindblom (1963) named incrementalism. As Ali (1993) argues, most recent research and studies on cross-cultural management maintain that managers can adapt different decision styles, depending on the pattern of organization and individual characteristics (Blyton, 1984, Yukl, 1981), and also cultural background (Hofstede, 1980; Tayeb, 1988). Managers may display a variety of decision styles, depending on the situation and the type of decisions involved.

Since people in most of the DCs have low degrees of masculinity and individualism (in terms of Hofstede's cultural dimensions), they tend to ignore small changes. A small change may be defined as a change in a relatively unimportant variable, or a relatively unimportant change in an important variable (Braybrooke and Lindblom, 1963). According to theories developed in industrialized countries, corporate managers should be involved with the overall direction of organizational strategic management process, and those at initiating level should in fact make and define strategies (e. g. Bower, 1970). However, in DCs, those at institutional level are defining strategies and most of the time institutional level strategic processes remain with no definition and therefore no initiation. It is left to time and/or environment to solve them. For this reason, there are always a backlog of decisions to be made in organizations of these countries. Historically, they end up making big decisions to make big changes that are often followed by crises and/or revolutions. This is because the avoidance of small changes ends up obscuring the potential role of incremental decisions in resolving an organization's problems. Therefore, when organizations in DCs face significant changes, they don't have enough knowledge and understanding to handle them. This can be one of the reasons for perceiving "big decisions" as one of the best solutions for management problems in these countries. But since organizations and their members need more time to adapt themselves with these rapid changes, there is always a significant gap between words and actions in these countries. They have followed extraordinary strategies such as opening up a national market to world competition, closing all doors to becoming independent, and/or changing the entire management teams to catch up with the accumulated problems that have not been solved for a long period of time.

The World Bank and IMF used to claim that the

answer to all Africa's problems was to open up their national markets to the world competition and free trade (Brown, 1996). Unfortunately while the IMF and the World Bank have persuaded more than thirty African governments to follow their advice, the result has been even more economic decline in these countries than in those that did not adopt structural adjustment programs. Organizations in DCs with significant natural resources such as oil, gas, gold, copper, etc., have tried to keep themselves secure by staying under their governments' umbrella (such as in the Middle-East and some South American countries). Organizations in those DCs with

ORGANIZATIONS IN INDUSTRIALIZED COUNTRIES REACT AND SOLVE PROBLEMS AS THEY ARISE (SHORT-RUN REACTION TO SHORT-RUN FEEDBACK).

no natural resources have been trying to ensure their security through funds and loans from the World Bank or IMF (such as African, Asian, and South American countries). But in both cases their social and economic problems have turned out to be worse after several decades, because of less attention to the problems with their management systems and incremental decisions that should have been made.

Decision-making generally follows an adaptive process (Cyert and March, 1963). This process takes into account the inherent organizational conflicts and the external factors. In DCs, lack of appropriate sources of information for managers, characteristics of the environmental forces, and also lack of internal consensus about organizational goals among members of organizations, have reduced the importance of the decision-making process. Most firms operate with considerable latent conflict of goals. Their decisions are not to solve the existing conflicts, but to stay away from the centre of conflicts and problems as much as possible. Organizations in industrialized countries react and solve problems as they arise (short-run reaction to short-run feedback). They don't treat the environment as exogenous, but something to be predicted and controlled. In practice they establish standardized business practices among groups of firms, which collectively seek to eliminate uncertainty (Cyert and March, 1963). One of the standard operating procedures is planning which reduces a complex world to a somewhat simpler one. In DCs, however, the tendency is toward being more passive when facing problems. Decisions are made to avoid problems rather than to control and solve them. Uncertainty is mostly avoided by

maintaining existing conditions; therefore, decisions are made to increase the stability of whatever is in hand, as long as it brings more stability and minimum change. Decision-making in DCs may also be guided by searching for problems. But, since there are rarely organizational slacks, the vulnerable areas for search will be power positions and structural stability. Organizations learn when, where, how and what type of decisions they should make to adapt to their traditional organizational goals and structures.

IN SOME DCs, PLANNING HAS BECOME A PART OF ADMINISTRATION, BUT IT IS NOT A GENERAL STANDARD OPERATING PROCEDURE YET.

Planning may be seen as one of the remedies for these countries. It is argued that in complex situations planning is inevitable, because it provides time to look at the interrelated cause-effect relationships (Ackoff, 1970). It is an anticipatory decision making process. In some DCs such as South Korea planning has become a part of administration, but it is not a general standard operating procedure among these countries yet. Highly government controlled economic systems have also reduced the scope and the role of decisions made by managers of organizations in DCs (Badran *et al.*, 1981). Therefore, the vital role of environmental forces, the limited role of top managers in making major decisions and the lack of organizational identity have reduced the impact of internal arrangements in achieving emergent goals in organizations of DCs.

MANAGEMENT SYSTEMS IN DEVELOPING COUNTRIES

There are different perspectives to explore management systems. Drucker (1954) perceives management as an institution in a society that makes its resources productive and leads to economic advances. He identifies three jobs for managers: managing a business, managing managers and managing work and workers. Management may also be seen as an administrative phenomenon – as a process to cope with uncertainty (Thompson, 1967). Thompson considers the co-alignment for three sets of variables (people, technology and task environment, and organization design and structure) as the basic administrative functions. Defining the nature of

management work is another way to understand management as a multidimensional construct. Mintzberg (1973) defines major dimensions of managerial work in three categories: interpersonal roles (figurehead, leader, liaison), informational roles (monitor, disseminator, spokesperson); and decisional roles (entrepreneur, disturbance handler, resource allocator, negotiator). These are in line with Drucker's (1954) five basic operations for the work of a manager (setting objectives, organizing, motivating, communicating and establishing performance yardsticks, and developing people). Researchers in the field of management define managerial work in narrow terms such as planning (Hart, 1992), organizing (Bartlett and Ghoshal, 1995) or controlling activities (Gupta and Govindarajan, 1991). The most common point in all of these studies is that management involves a decision-making process to fit external and internal factors of organizations. As Thompson (1995) describes it, the administrative aim is to match what it takes for strategy execution with the way things are done. The stronger the fit, the better the execution of strategy. Considering cultural dimensions, stormy socio-economic climates and also resource scarcities, it can be imagined how complex this matching process can be in DCs.

Researchers have built theories on specific dimensions of managerial work in different contexts. They have ended up with three main theories: situational, universalism and convergence. Situational theory suggests that there are many models of management, not only across nations and levels of industrialization but also within nations (Campbell *et al.*, 1970). Universalism theorists (Hage and Finsterbusch, 1987; Mintzberg, 1973) suggest that all managers are motivated by a common drive for efficiency that causes them to mimic best world wide administrative practices. Convergence theory suggests that management routines among nations with similar cultural and industrialized backgrounds will naturally converge to a common set of enduring routines (Chandler, 1986; Hofstede, 1993; Redding, 1994). In most of these studies, managers and their activities are perceived based on dimensions developed in industrialized countries. Perhaps all managers actually do engage in similar activities with similar time allocations, but the underlying motivation for these activities, the manner in which they are carried out, and the meanings that managers interpret from them might have situational and/or convergence influences (Lubatkin *et al.*, 1997). Appropriateness of design, structure and assessment can be judged only in light of the conditions, variables and uncertainties present for the organization; and these judgements are significantly influenced by the perceptions and beliefs of those participating in the administrative process (Thompson, 1967). As long as we take the management system as a purely scientific or physical process driven by economic or technological factors, it will

be seen as a transferable package. But if managers and organizations in a given context are more concerned about competition, economic and technological issues, it cannot be concluded that the management system is a technical instrument or a mathematical model to make efficient use of the organization's resources. It should be realized that since human beings (as a complex natural system) are the main element of these constructs, a pure scientific or economic approach would not provide a thorough understanding for them.

Management systems should be capable of:

- a) receiving signals from interactions within and between internal and external factors;
- b) providing effective and efficient feedback to every elements of organization;
- c) being sensitive to the external and internal changes;
- d) being able to keep the organization balance on a right track toward its consensus goals.

In summary, management systems in industrialized countries are more sensitive to competition and economic objectives than to political and social objectives; used to working with well defined and rational models; very sensitive to small changes; and used to making as many decisions as required. In contrast, management systems in DCs are less sensitive and sometimes not at all sensitive to competition and economic objectives compared to social relations and political objectives; significantly concerned about informal organizations and used to working with less defined models; less sensitive to small internal and external changes; and trying to make as few decisions as possible. Considering decision-making processes and management systems of DCs, it is suggested that:

Proposition 1: Management systems of organizations in DCs are less concerned about small internal or external changes.

Proposition 2: Management systems of organizations in DCs are significantly shaped by their national

environmental forces rather than by other internal or external factors.

Proposition 3: Goal ambiguity and survival strategy are two main characteristics of management systems of organizations in DCs.

Proposition 4: Management systems of organizations in DCs are less concerned about making incremental decisions.

Proposition 5: In DCs, a management system that can make big decisions and move the organization to a position where the past accumulated problems are less visible is perceived as more acceptable than those that follow an incremental decision making process.

Proposition 6: In DCs, management systems are more focused on short-term problem-solving than in onong term business development.

Proposition 7: The industrial environment in DCs lack a critical mass of specialization in technologies, which results in the utilization of second generation technologies.

CONCLUSION

Since organizations and management systems are significantly interdependent on their social context, transferring social technologies across borders is more complex than transferring physical technologies. This study claims that the complexity of national environmental forces of DCs has made the application of Western management theories more problematic in these countries. Since management theories are built through an interaction process between human beings and reality, it is suggested that a clinical type of approach is more effective in developing theories of management systems in DCs. Global business firms should realize that it is time to stop transferring Western management systems to DCs and trying to adapt their organizations to these systems. These systems should be observed from inside by means (measures) that have been developed in their context. ○

BIBLIOGRAPHY

ACKOFF, R. L. *A concept of corporate planning*. New York : Wiley, 1970.

ADLER, N. *International dimensions of organizational behavior*. 3. ed. Cincinnati : South-Western College Publishing, 1997.

ALI, A. J. Decision-making style, individualism, and attitudes toward risk of Arab executives. *International Studies of Management & Organization*, v. 23, n. 3, 1993.

AUSTIN, J. E., KHON, T. O. *Strategic management in developing countries*. New York : Free Press, 1990.

BACKER, A. A politico-economic view of the debt-servicing capacity of emerging economies. *Intereconomics*, v. 33, n. 5, 1998.

BADRAN, M., HININGS, B. Strategies of administrative control and contextual constraints in a less-developed country: the case of Egyptian public enterprise. *Organization Studies*, v. 2, n. 1, p. 3-21, 1981.

BARNARD, C. *Function of the executive*. Boston : Harvard University Press, 1938.

BARTLETT, Christopher, GOSHAL, S. Transnational management: texts, cases and readings in cross-border management. Homewood : Irwin, 1995.

BESLEY, T. Nonmarket institutions for credit and risk sharing in low-income countries. *Journal of Economic Perspectives*, v. 9, n. 3, p. 115-127, 1995.

BLUNT, P. Cultural consequences for organization change in a Southeast. *The Academy of Management Executive*, v. 2, n. 3, p. 235-240, 1988.

BLYTON, P. Some old and new problems in employee participation in decision making. *International Social Science Journal*, v. 37, n. 2, p. 217-231, 1982.

- BOWER, J. *Managing the resource allocation process: a study of corporate planning and investment*. Homewood : Irwin, 1972.
- BRAYBROOKE, D., LINDBOLM, C. *A strategy of decision: policy evaluation as a social process*. New York : The Free Press, 1963.
- BROWN, M. B. *Africa's choice after thirty years of the World Bank*. Boulder : Westview Press, 1996.
- CAMP, R. A. *Entrepreneurs and politics in Twentieth-century Mexico*. New York : Oxford University Press, 1989.
- CAMPBELL, J., DUNNETTE, M., LAWLER, et al. *Managerial behavior, performance and effectiveness*. New York : McGraw-Hill, 1970.
- CHANDLER, A. D. *Strategy and structure: chapters in the history of the industrial enterprises*. Cambridge : The MIT Press, 1962.
- CHANDLER, A. D. *The evolution of modern global competition*. [S. L.] : [s. n.], 1986.
- CLARK, C. Reconciling Western management ideas with far Eastern realities. *Long Range Planning*, v. 31, n. 4, p. 523-529, 1998.
- CYERT, R. M., MARCH, J. *A behavioral theory of the firm*. New Jersey : Prentice Hall, 1963.
- DRUCKER, P. F. *The practice of management*. New York : Harper and Brothers, 1954.
- GARTEN, J. E. *The big ten: the big emerging markets and how they will change our lives*. New York : Basic Books, 1997.
- GHEMAWAT, P., KHANNA, T. The nature of diversified business groups: a research design and two case studies. *Journal of Industrial Economics*, v. 46, n. 1, p. 35-61, 1998.
- GOPINATH, C. Alternative approaches to indigenous management in India. *Management International Review*, v. 38, n. 3, p. 257-276, 1998.
- GUPTA, A., GOVINDARAJAN, V. J. Knowledge flows and the structure of control within multinational corporations. *Academy of Management Review*, v. 16, n. 4, p. 768-792, 1991.
- HAGE, J., FINSTERBUSCH, K. *Organizational change as development strategy: models and tactics for improving Third World organizations*. Boulder : Lynne Rienner Publishers, 1987.
- HAMILTON, G. G., BIGGART, N. W. Market, culture and authority: a comparative analysis of management and organization in the Far East. In: GRANOVETTER, M., SWEDBERG, R. (Eds.). *The sociology of economic life*. Boulder : Westview Press, 1992.
- HART, S. An integrative framework for strategy-making process. *Academy of Management Review*, v. 17, n. 2, p. 327-351, 1992.
- HOFSTEDE, G. *Culture's consequences*. Beverly Hills : Sage, 1980.
- HOFSTEDE, G. Cultural constraints in management theories. *Academy of Management Executive*, v. 7, n. 1, p. 81-94, 1993.
- JAEGER, A. The applicability of Western management techniques in developing countries: a cultural perspective. In: JAEGER, A., KANUNGO, R. (Eds.). *Management in Developing Countries*. London : Routledge, 1990. p. 131-145.
- JAMES, M. A. Conceptual framework for aligning managerial behaviors with cultural work values. *International Journal of Commerce & Management*, v. 7, n. 3/4, p. 81-102, 1997.
- KHANNA, T., PALEPU, K. Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, v. 75, n. 1, p. 41-51, 1997.
- KIGGUNDU, M. K., JORGENSEN, J. J., HAFSI, T. Administrative theory and practice in developing countries: a synthesis. *Administrative Science Quarterly*, v. 28, p. 66-84, 1983.
- KIM, L. Technology policies and strategies for developing countries: lessons from the Korean Experience. *Technology Analysis & Strategic Management*, v. 10, n. 3, p. 311-323, 1998.
- KRUGMAN, P. R., OBSTFELD, M. *International economics: theory and policy*. 3. ed. New York : Harper Collins College Publishers, 1994.
- LEFF, N. Industrial organization and entrepreneurship in the developing countries: the economic groups. *Economic Development and Cultural Change*, v. 26, p. 661-675, July, 1978.
- LORSCH, J. W. Strategic myopia: culture as an invisible barrier to change. In: KILMAN, R. H. et al. (Eds.). *Gaining control of corporate culture*. San Francisco : Jossey-Bass, 1985. p. 84-102.
- LUBATKIN, M. H., NDIAYE, M., VENGROFF, R. The nature of managerial work in developing countries: a limited test of the universalist hypothesis. *Journal of International Business Studies*, Fourth Quarter, 1997.
- MARTINEZ, A. B. The new world order and what we make of it. *World Policy Journal*, v. 16, n. 3, p. 69-78, 1999.
- MILLER, G. A. What is information measurement? *American Psychologist*, v. 8, p. 3-12, 1953.
- MINTZBERG, H. *Managerial work*. New York : Harper and Row, 1973.
- MORRIS, M. W., WILLIAMS, K. Y., LEUNG, K. et al. Conflict management style: accounting for cross-national differences. *Journal of International Business Studies*, v. 29, n. 4, p. 729-747, 1998.
- NORTH, D. C. Economic performance through time. *American Economic Review*, v. 84, p. 359-368, 1994.
- OLSON, M. The hidden path to a successful economy. In: CLAGUE, C., RAUSSER, G. (Eds.). *The emergence of market economies in Eastern Europe*. London : Blackwell Publishers, 1992.
- REDDING, S. G. Comparative management theory: jungle, zoo or fossil bed? *Organizational Studies*, v. 15, n. 3, 1994, p. 323-359.
- SAKONG, I. Macroeconomic aspects of the public enterprise sector. In: PARK, C. K. (Ed.). *Macroeconomic and industrial development in Korea*. Seoul : Korea Development Institute, p. 99-128, 1980.
- SIMON, H. *Administrative behavior*. New York : The Free Press, 1945.
- TAYEB, M. *Organizations and national culture*. Beverly Hills : Sage Publications, 1988.
- THOMPSON, J. D. *Organizations in action*. New York : McGraw-Hill, 1967.
- THOMPSON, J. D. Participatory approaches in government bureaucracies: facilitating the process of institutional change. *World Development*, v. 23, n. 9, 1995.
- VERHOUSEL, G. Foreign direct investment and legal constraints on domestic environmental policies: striking a "reasonable" balance between stability and change. *Law and Policy in International Business*, v. 29, n. 4, p. 451-479, 1998.
- WALDE, T. W., NDI, G. Stabilizing international investment commitments: international law versus contract interpretation. *International Law Journal*, v. 31, p. 215-230, 1996.
- YUKL, G. *Leadership in organizations*. Englewood Cliffs : Prentice-Hall, 1981.