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МЕНЕДЖМЕНТ

Учебно-методическое пособие
по дисциплине «Менеджмент»

Рекомендовано методической комиссией Института экономики и
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В настоящем пособии изложены учебно-методические материалы по курсу «МЕНЕДЖМЕНТ» для иностранных студентов, обучающихся в ННГУ по направлению подготовки 38.03.01 «Экономика» (бакалавриат).

Пособие дает возможность студентам расширить основные знания о методах менеджмента, овладеть умением комплексно подходить к вопросам управления, использовать различные источники информации; развивать экономическое мышление

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I. Introduction to Management

I.1. Managing and Managers

A. Defining Management

There is a great number of definitions of management; most of them presume that it is about achieving goals by arranging for others to complete tasks. However management is not only that but much more complex process – in fact, there is still no universal definition accepted. Our definition is as follows:

Management is the process of planning, organizing, leading, and controlling an organization's human, financial, physical, and information resources to accomplish organizational goals as effective and efficient as possible.

Two integral concepts form this definition – those of four major functions of management – planning, organizing, leading, and controlling that will be considered in more details later, and attainment of organizational goals in both effective and efficient way.

B. What Managers Do

Organizations are an integral element of civilized life for they enable people to accomplish things they could not do as individuals; and new ways to improve them and make them more effective tools for serving human needs must be constantly sought.

Managers work with and through others – both inside and outside the organization: subordinates, supervisors, other managers and customers, clients, suppliers. Managers are responsible for getting things done – not only for their own work but also for actions of their subordinates. As they have subordinates and other resources in their disposal, managers are expected to complete more than other members of organization.

Resources – both human and material – are always limited as well as time - that is why managers have to find a balance between needs and goals. They must assign appropriate subordinates to perform particular tasks thinking analytically

and conceptually breaking a problem down into its components and analyzing them, at the same time viewing the entire task in the abstract and relate it to other tasks.

Organizations consist of people who inevitably disagree and quarrel that can lower morale and productivity; not to get disputes out of hand, managers have to play the role of mediators calming conflicts down that requires respective skills and tact.

No organization runs smoothly all the time facing a variety of problems – financial, human, organizational and so forth, and managers are to make difficult decisions expected to help to solve problems and overcome obstacles.

C. Managerial and Organizational Performance

Success of an organization in reaching its goals and meeting society's needs is determined by how successfully its managers do their work. Managerial performance influence organizational performance greatly; both of them can be measured in terms of two concepts: effectiveness and efficiency.

Effectiveness is the degree to which the organization reaches stated objectives. A manager is effective if he selects the right goal to accomplish, a product or service that customers value.

Efficiency considers the amount of resources spent to achieve organizational goals: how much raw materials, finances, and human efforts are needed to produce some volume of output. Managers should seek to minimize costs of goods produced to be efficient.

Thus, the ultimate accountability of managers is to achieve high performance by reaching organizational goals in an efficient and effective manner.

D. Excellence in Management

In many industries, there are excellently managed firms consistently profitable, successful in responding to customer needs and providing a challenging and rewarding environment for their employees. Rather than having any secret strategy or unique market situation, they just do the fundamental organizational

tasks very well. Management consultants Thomas Peters and Robert Waterman derived eight attributes of the excellent managerial style, in their research:

1. A preference for doing something rather than sending a question through cycles of analyses and committee reports.
2. Staying close to customers - learning their preferences and catering to them.
3. Autonomy and entrepreneurship - breaking the corporation into small companies and encouraging them to think independently and competitively.
4. Productivity through people - creating in every employee the awareness that his best efforts are essential and that every of them will share in the rewards of the company's success.
5. Hands-on, value driven - insisting that executives keep in touch with the firm's essential business.
6. Stick to the knitting - remaining with the business the company knows best.
7. Simple form, lean staff - few administrative layers, few people at the upper levels.
8. Simultaneous loose-tight properties – fostering a climate in which there is a dedication to the central values of the company combined with tolerance for all employees who accept those values.

The effort to learn from successful companies is an important for managers seeking to create the conditions for excellence in their own organization.

E. Managers Typology

The term manager identifies people responsible for subordinates and organizational resources. Clearly, there are different kinds of managers; they can be classified by their level in the organization: top, middle, and first-line managers.

Top managers are relatively small group of executives controlling the organization. Typical titles there include «president», «vice-president», and «chief executive officer» (CEO). They establish organizational goals, overall strategy, and operating policies.

Middle managers are responsible for implementing the policies developed by top management as well as supervision and coordination of the actions of the third level – first-line managers.

First-line managers direct the actions of operating employees only; general titles for them are «supervisor», «foreman», and «office manager».

Another classification of managers can be made by the scope of the activities they are involved in. The functional manager is responsible for only one direction of organizational activity, such as sales, marketing, or finance, whereas the general manager is responsible for all the activities of the unit - division, subsidiary, or the whole organization.

F. Management Functions

Management is a complex process, and it is easier to understand it when presented as a series of separate functions that make up a whole thing. Those are planning, organizing, leading, and controlling.

Planning. Plans provide the organization with goals and set up the best procedures for achieving them. When the goals of the organization are defined, a number of objectives for its subunits is to be established. Then programmes for reaching them in a systematic manner acceptable to managers and employees are designed. Plans are made both by top management for the entire organization covering periods of several years and by middle or first-line managers for organizational departments for much shorter periods up to next day.

Organizing. Once managers have defined objectives and set up programmes to achieve them, they are to assign executives to perform specific tasks – a number of people that are able to carry out the programmes successfully. This step includes recruitment, placement, and training of personnel to complete the plans established.

Leading. After the staff has been recruited and trained, the next step is to get executives to perform in ways that will help them to accomplish the objectives established. There, a manager has to arrange for movement toward the organizational objectives working directly with people.

Controlling. Finally, a manager must ensure that the actions of his subordinates indeed move the organization toward the goals stated. To do this, a manager establishes standards of performance, evaluates current performance compared against them, and takes measures to correct the situation if something is done wrong.

The sequence of steps in managerial process has been presented but the interrelationships in there are deeper than any model can describe, and sometimes in reality, the process does not include every of four stages mentioned above.

G. Managerial Skills and Roles

Certain skills and roles are generally required of all managers regardless of specialty; they do certain things and have certain responsibilities. Management skills are talents needed for effective performance.

Managers play several different roles that can be divided by three basic categories: interpersonal, informational, and decisional.

There are three interpersonal roles in the manager's job: figurehead – taking visitors to dinner, attending ribbon-cutting ceremonies, and similar; leader – hiring, training, and motivating employees; liaison – permanent dealing with people outside the organization.

Also, there are three informational roles: monitor – who actively search information that may be of value; disseminator – who transmits relevant information back to others in the workplace; and spokesperson – who deals with people outside the organization or its department.

The information the manager acquires by performing informational roles influence important decisions he makes. Henry Mintzberg identified four decisional roles: entrepreneur – voluntary initiator of change; disturbance handler – who responds to such problems as strikes, copyright infringements, and energy shortages; resource allocator – who decides to whom some resources and managerial time should be given; and finally, negotiator – who holds negotiations as a representative of the organization.

Managers should obtain some specific skills to be effective. Key managerial skills are commonly classified by technical, interpersonal, and conceptual; in addition to them, diagnostic and analytic skills are pre-determinants of manager's success.

Technical skills are those necessary to complete specialized tasks – for example, in the fields of medicine or bookkeeping; they are especially important for first-line managers who should know how to perform tasks assigned to their subordinates.

Interpersonal skills are needed because managers spend significant time interacting with other people both inside and outside the organization.

Conceptual skills are determined by ability to think abstractly. Managers should have mental capacity to realize cause-and-effect relationships, to comprehend the way all components of the organization work together.

Diagnostic skills are necessary for a manager to enable him to diagnose a problem in the organization by studying its symptoms.

Analytic skills are managerial ability to find out the key variables in a situation, understand the links between them, and decide to which of them he should pay main attention.

H. Training Managers

To be able to do their job well, managers must improve their skills – so they should be trained.

Technical skills are the easiest for a manager to acquire, Katz believes; they are generally well covered in colleges and in company-sponsored training programs.

Human skills are more difficult to learn; nevertheless, business schools and company programmes make serious efforts in order to help managers improve their methods of dealing with people based on anthropology, sociology, and, most important, psychology.

Conceptual skills are difficult to teach as well, Katz believes, mainly because it relates to mental habits that have to be developed earlier in life. One

method to help managers improve those skills is sending them to courses in strategic planning.

1.2. The Evolution of Managerial Theory

A. Classical Management Theories

People have created some kinds of groups and organizations since prehistoric times; however, theories of management began to be developed just in XIX century – those were scientific and organization management that formed classical school.

Among main forerunners of scientific management, Robert Owen (1771 – 1858) and Charles Babbage (1792 – 1871) can be named. Owen improved working conditions working conditions at the mills he owned and argued that it would bring increase in production and profit. Babbage was one of the first advocates of division of labor. He believed each worker should be trained in just one skill and be responsible only for only one operation; modern assembly lines base on many ideas of his.

Scientific management was mainly developed by Frederick Taylor (1856-1915). He based his managerial system on production-line time studies – he broke jobs down into its components to find out the best way of every operation; Taylor's methods led to significant increase in productivity.

Other great contributors to Scientific Management were Henry Gantt (1861 – 1919), and Frank (1868 – 1924) and Lilian Gilbreth (1878 – 1972). Gantt enhanced motivation of workers and managers – if a worker completed his daily plan he would win money bonus as well as manager who supervised him. The Gilbreths designed a three-position plan according to which, a worker would do his present job, prepare for the next highest one, and train his successor, all at the same time.

Second branch of classical management was classical organization theory mostly developed by Henry Fayol (1841 – 1925). He believed management not to be a personal talent but a skill that could be taught. Fayol divided business

operations into six activities, namely technical, commercial, financial, security, accounting, and managerial. The last was on Fayol's primary focus. He defined five managerial functions – planning, organizing, commanding, coordinating, and controlling, close enough to four functions considered earlier, and 14 principles, mostly about unity and order.

B. Behaviorism Management Theories

The reason for the behavioural school to emerge was statement that the classical approach did not reach complete production efficiency and workplace harmony. The behaviourists sought to strengthen classical organization theory with the insights of sociology and psychology. The main contributors to that approach were Hugo Muensterberg (1863 – 1916) and Elton Mayo (1880 – 1949).

Muensterberg applied the tools of psychology to increase productivity; his principles were: (a) finding workers with mental qualities most suitable for job; (b) creating ideal psychological conditions; and (c) using psychological influence to motivate employees.

Mayo was especially famous for the Hawthorne Experiments in which employees were divided into groups by the criterion of working conditions. Financial incentives were not appeared to improve productivity but management concerns about welfare of workers. To Mayo, the concept of “social man” motivated by social needs and responding more to work-group pressures than to managerial control was to replace the old concept of “rational man” driven by economic needs.

C. Quantitative Management Theories

The quantitative school emerged during World War II, with forming operational research teams consisting of scientists. Due to expertise of various specialists in those teams, considerable technological and tactical breakthroughs were reached. Today the management science approach presumes bringing specialists from relevant disciplines together to construct a mathematical model

that is able to solve a problem, providing management with rational basis for making a decision.

D. Systems Management Theories

Systems theory and contingency approach are relative newcomers to the field of management; they are not yet supported enough by research and practice to be considered as distinct schools of thought, however, they can enrich our understanding of three classical schools.

A system can be defined as a set of interrelated components that function as a whole. As for organizations, material, human, financial, and information inputs enter the system from the environment, then through technologies and management transformed into outputs in the form of a product or service, profits and losses, employee behaviours, and information. And the environment reacts to these outputs and provides the system with feedback.

Systems may be either open or closed, under the criterion of interaction with their environment; all organizations are open systems, just the degree of reciprocity may vary.

The elements of the system are interrelated subsystems, and changes in one of them influence others. Systems are characterized by the processes of synergy stating that organizational subunits appear to be more successful cooperating than working alone, and entropy presuming that any system decays and may fail if not adjusting to environment changes.

Thus, systems theory helps managers to understand interaction between organizational subunits and that with environment, the value of cooperation and take measures to avoid entropy.

Contingency Approach presumes that managerial behaviour is influenced by, or is contingent on, a wide range of components; it cannot be completely derived from other situations, and “one best way” to act under all circumstances cannot be found, in contrast to three classical schools.

E. Integrating Management Theories

Every of five approaches described above contains aspects useful for a manager that may be considered within one framework. Indeed, the scientific research of jobs provided by the classical school can help increase organizational effectiveness and efficiency. Using concepts of behavioural approach, a manager can better understand the special importance of motivation, leadership, and communication processes. Quantitative management theory gives to managers useful techniques and tools. Systems theory helps them to glean interrelations between organizational subsystems and environment. Finally, contingency approach reminds that any tool or technique may not work perfectly in concrete situation.

There has recently been growing interest in management theories and practice. New approaches appear; one of them, Excellence in Management, has been considered earlier, another probably prospective one is Theory Z.

Theory Z presented by William Ouchi in 1981 seeks to unite common American and Japanese business practices into one framework. There are serious differences between them in seven important dimensions; nevertheless, Ouchi attempted to find a middle course (Figure 1).

Figure 1. Combining American and Japanese business practices

<i>Dimension</i>	<i>American Type</i>	<i>Japanese Type</i>	<i>Type Z</i>
Length of employment	Short-term	Lifetime	Long-term
Mode of decision-making	Individual	Collective	Collective
Location of responsibility	Individual	Collective	Individual
Speed of evaluation and promotion	Rapid	Slow	Slow
Mechanisms of control	Explicit	Implicit	Implicit control with explicit measures

Specialization of career path	Specialized	Non-specialized	Moderately specialized
Nature of concern for the employee	Segmented concern for employee as an employee	Holistic concern for employee as a person	Holistic concern, including family

Middle course derives directly some characteristics from one type, some – from the other, and incorporate the rest of them. Ouchi’s ideas became a success, and many organizations have been trying to implement them.

1.3. Management Context Expanded

A. The External Environment

For an organization is an open system, it has to interact with its environment - set of forces and conditions surrounding and permeating it. A company exchange resources with the environment transforming inputs into outputs and surviving by that.

Three kinds of organizational environment are to be stated: internal, general, and task environment.

An organization’s internal environment, called its climate or culture as well, is formed by the perceptions its members share in the aspects of its nature, values, style, norms, and character.

The task environment of the organization includes specific organizations that are likely to affect it, namely customers, competitors, suppliers, unions, associates, and regulators.

Its general environment consists of non-specific elements surrounding it that might influence the activities of the organization; those are economic, technological, sociocultural, political-legal, and international elements.

Putting together, task and general environment form an organization’s external environment.

B. The General Environment

An organization's general environment includes five main elements mentioned above.

The economic environment reflects general economic health of the region the organization operates in, formed by purchasing power, unemployment rate, interest rates, and so on.

The technological environment issues scientific and technological advancements in both industry and society.

The sociocultural environment is made of demographic characteristics - age, gender, beliefs, together with norms, values, and customs of the organization's personnel.

The political-legal environment includes government regulations at the regional and state levels as well as political activities changing legislation and influencing company behaviour.

The international environment represents events taking place in foreign countries as well as opportunities for domestic companies in other countries.

C. Changing Views of the Manager's Role

As time passed, the concept of a manager's role might have changed either. Robert Hay and Ed Gray suggested three consequent phases of managerial responsibility.

Phase I, profit-maximizing management, emanated from Adam Smith's *Wealth of Nations* (1776). The attitude then was "what is good for me is good for my country", and entrepreneurs only increased production driven by their self-interest.

Phase II, trusteeship management, came with The Great Depression in 1930s; managers were expected not only to fight for profits but also serve as trustees mediating the colliding claims of workers, stockholders, customers, and suppliers. The equation changed into "what is good for our company is good for our country".

1960s brought Phase III, quality-of-life-management. Profits remain essential but managers would neither produce nor sell unsafe goods; they also recognize government as a partner in efforts to solve problems of society. The motto is now “what is good for society is good for our company”.

II. Making Planning Effective

II.1. The Nature of Organizational Goals

To enable managers to organize, lead, and control, plans must be established in which it is defined what needs to be done, how and when it needs to be done, and who is to do this.

Plans set up organizational goals at the different levels of abstraction which can be classified as purpose, mission, and objectives.

The purpose of an organization can be considered as its basic goal, defined by societal context it operates in. The ultimate concern of most organizations is their own survival.

An organization’s mission is at an intermediate level of abstraction; it is the best path to fulfill an organization’s purpose.

An organization’s objectives are at the lowest level of abstraction, in the form of statements of how to reach the mission of an organization. Usually they are expressed in more specific terms and are much more concrete than an organization’s mission.

II.2. Operational Plans

Organizational plans are arranged in accordance with the structure of an organization. At each level, plans perform two functions: (a) providing objectives plans at the lower level are to meet; (b) establishing the means to accomplish the objectives stated in the higher plans.

There are two main types of plans: (i) strategic, designed to meet organizational goals; (ii) operational, defining the ways and means of completing the strategic plans.

Strategic plans, in turn, are divided into two prevalent kinds: single-use, implemented to meet a specific purpose and then dissolved; and standing, for handling recurrent and predictable situations.

II.3. The Link between Planning and Controlling

Controlling can be simply stated as the process of ensuring that actions match plans. The most general link between these two management functions is budgeting. Budget is a key part of planning process for it is about allocating resources to achieve organizational goals. Budget overrunning is frequently the sign that actions don't conform to plans. There are organizations, in which employees take part in planning, and due to this, they can better control their own activities to ensure they go towards the goals.

II.4. Barriers to Effective Goal Setting

Goal setting process inevitably faces a number of barriers. Among the most frequent of them are the following:

Inappropriate goals – goals inconsistent with the organization's purpose or / and mission; for example, business giving all its profits to charity or church trying to make profit.

Unreachable goals – goals so extreme that fulfilling them is virtually impossible. They are destructive for the reason that regardless of its performance, an organization would fail in the eyes of many people if its goals were unattainable.

Overemphasis on quantitative or qualitative goals. Sometimes, pursuing just one of them, a manager can get a negative effect on the other. Thus, the emphasis on quantitative goals may result in unfair slighting of the less tangible aspects of an employee's performance, and that on qualitative goals may create difficulties for assessing the results of an employee's activity.

Improper reward system. Reward system is a barrier to goal setting if people may be rewarded for poor goal setting or punished for proper goal setting. For example, if a goal is easy to reach, a manager is more likely to fulfill it and be

rewarded whereas who tried to accomplish more difficult goal and failed may be punished.

To make goal setting and planning more effective, several statements may be useful.

1. Understand the purposes of goals. Goals provide a target to reach and set up a framework within which the organization is expected to be while accomplishing them.

2. State objectives properly. Objectives ought to be as specific, concise, and time-related as possible: they should define the specific outcome being sought, include all relevant variables but not to be too wordy, and specify relevant time frames of reaching goals.

3. Ensure goals are consistent. An organization pursues a large variety of goals, and it is crucial that they not conflict with each other.

4. Make goals acceptable and committable. Employees are not likely to work wholeheartedly if they do not accept and commit goals for accomplishing which they take efforts.

5. Establish effective reward system. Individuals are to be rewarded primarily for effective goal setting and then for successful goal reaching, and not to be afraid that failure to meet a complicated goal will not automatically lead to punishment.

III. The Organizing Process

III.1. Division of Work and Organizational Structure

Organizing is how work is arranged and resources are allocated among members of the organization so that stated goals can be efficiently reached. The process of organizing presumes balancing an entity's needs for both sustainability and change – moving coherently toward goals and adjustment to changing environment.

A. The Importance of Organizing

Organizing process includes several steps, by Ernest Dale:

1. Detailing all the jobs that have to be done to reach organizational goals. To achieve goals, the tasks of the organization as a whole should be determined initially – purchasing equipment, recruiting personnel, coordinating with community, and the like.

2. Breaking the total work down into activities one person or a group of them can do. In other words, work must be appropriately divided among members of the organization considering their qualification and level of work load.

3. Combining the work of members of the organization logically and efficiently. As an organization grows, it is necessary to group individuals with related tasks by departments – production, marketing, sales, and others.

4. Setting up a mechanism to coordinate the work of individuals. Interests of individuals or departments may conflict, and coordinating mechanisms keep members of the organization to keep on going towards goals and reduce inefficiency.

5. Monitoring the effectiveness of the organization and adjusting to maintain it. For organizing is an ongoing process, reevaluation of previous steps is needed from time to time to ensure it is appropriate to reach stated goals.

However, it is important to understand that there is no universal way for organizations to be designed, as specific factors such as technology, environment, and people's values, that make organizational structure be corrected.

B. Division of Work

Lots of organizations begin their activities being small; sometimes they consist of just one person who can perform all operations. But as their scopes extent, more people are necessary, and to organize them efficiently, manager is to group employees into departments specialized on distinct affairs.

Historically, the division of labour was the reason for dramatic increase in productivity, as no one is physically able to perform all the operations in complicated tasks, nor develop all skills needed. That is why assignment different executives – those who can do some operations better than other people – for various parts of complex task is necessary. Such division allows people to improve

their specific skills and become successful in their field contributing to society's welfare.

C. Organizing and Organizational Structure

In its broadest sense, organizing means the process of making organizational structure match to its objectives, resources, and environment. Organizational structure, in turn, refers to arrangement and interrelationship of the parts and positions of a company, specifying its division of work and shows the links between different activities.

An organization's structure includes five important dimensions:

1. Specialization of activities referring to the specification of work tasks (division of labour) and the aggregation of these tasks into work subunits (departmentalization).

2. Standardization of activities meaning procedures an organization uses to ensure the predictability of its actions such as job descriptions, regulations, and operating instructions.

3. Coordination of activities concerning procedures that integrate the functions of subunits inside the organization.

4. Centralization / decentralization of decision making defining the scale of concentration of decision making power. If high-level decisions are made by top management or even by a single leader, an organization's structure is called centralized; and if decision-making power is extended to middle and lower management levels, this is decentralized structure.

5. Size of the work units considering number of employees in a work group.

Thus, managers are to organize the structure that should be coherent with the company's objectives, resources, and environment.

III.2. Coordination and Organizational Design

A. Coordination

To increase the productivity and overall efficiency of their organizations, managers break work down into specialized departments that simultaneously generate the need for coordinating activities divided henceforth. Coordination is the process of integrating the objectives and actions of the separate organizational subunits in order to reach the organization's goals efficiently. Non-coordinated, they would begin to pursue their own particular objectives, often harming the larger organizational interests.

B. Span of Management

A manager's ability to set up effective coordination partly depends on the number of subordinates reporting directly to him. That number is called the span of management. Many of recent studies concluded that the universal maximum of subordinates one manager could supervise was six.

Too wide a span may lead managers to overextending themselves and paying little attention to their subordinates whereas too narrow a span may mean managers are underutilized and result in structure with too many supervisory levels that slowing work down.

C. Organizational Design

One of the company's key points is determining an organizational structure appropriate to the goals of the organization, the industry it operates in, technology applied in there, and the people working for it. Throughout the management evolution, there have been several concepts actively put into practice.

The first modern theory concerning organizational design was the classical approach mostly developed by Frederick Taylor, Henry Fayol, and Max Weber (1864 – 1920). They believed that an organization will be the most efficient and effective if it has a hierarchical structure based on a legalized formal authority. Members of such organizations are driven by a sense of duty to the organization

and by a set of rational rules and regulations. Weber defined such structure as bureaucracy.

The primary strength of the bureaucratic organizational model is that division of labour, reliance on rules, a hierarchy of authority, and employment based on expertise used in such a structure may improve efficiency.

But the pursuit of an ideal bureaucracy leads to the following disadvantages:

1. The bureaucracy is inclined to be rigid and inflexible.
2. Human and social aspects within the bureaucracy are neglected.

The bureaucratic model was an important milestone in the management theory development; but as the environment became more complex, and understanding of behavioural processes deeper, that model gave way to other perspectives.

The human relations movement encouraged the behavioural approaches to organizational design, the most famous of which became System 4 created by Rensis Likert. This concept argued that managers should emphasize supportive relationships, establish high performance goals, and use group decision-making.

The major strength of that approach is its recognition of the individual value of an organization's employees; the disadvantage, however, is the attempt to implement «one best way» for all organizations whereas what works for one firm may not work properly for another. Hence newer models have been developed taking into consideration contingency factors.

According to the current contingency approaches, the most appropriate organizational structure is shaped by the particular circumstances of the environment at a time given. The manager's job, in the contingency view, is to find an effective «match» between the organizational structure and key variables that affect the organization, such as company's strategy, the environment, the technology it uses, and the characteristics of its members.

The advantage of the contingency approach is that it offers the management a chance to view situations from all possible angles therefore solving problems before they happen.

The contingency theory, however, is not without its flaw. In situations where a quick decisions are necessary, this approach may prove to be a handicap for the management as it takes time to evaluate possible reasons for a particular situation.

Another approach to the organizational structure is the Matrix design. It presumes creating a fundamentally new type of organizational structure. Essentially, that concept is based upon departmentalization by function and project, or product.

At the top of the organizational chart in the matrix design are functional units headed by vice presidents of production, engineering, marketing, and finance. Along the side of the organizational chart are a set of positions termed project managers; each of them heads a project group consisting of employees from the functional departments. An employee may be a member of several groups and report to both functional superior and project manager.

The main advantages of the matrix design are its flexibility allowing the organization to cope readily with environment changes; improved motivation and commitment as each team member assumes a major role in decision making; personal and human resource development, for such a system provide wide opportunities to learn new skills.

However, three major problems are still considerable:

1. Power and authority confusion. Employees may be uncertain to whom they are expected to report, especially if they are assigned to a functional manager and several project managers at the same time.
2. Group problems. Group takes longer time to make decision; also discussions may become excessively focused on, instead of primary objectives.
3. Costs. A matrix design is expensive as more managers and staff may be necessary.

But in spite, these disadvantages can possibly be offset by the positive sides, for increasing environmental uncertainty may bring more organizations to the matrix design.

III.3. Patterns of Authority, Delegation, and Decentralization

A. Influence, Power, and Authority

To let an organization function efficiently, a formal authority system must be established by informal bases of power and influence. Managers rely on more than their legal authority to bring their subordinates to cooperation; they use their experience, knowledge, and leadership abilities. As a matter of fact, effective managers have rarely to apply their formal authority to influence employees.

The terms power, influence, and authority are close to each other but they differ in some relations.

Influence is actions that, either directly or not, lead to a change in behaviour or attitude of another person or group. For example, employees may be influenced by their studious colleague to increase their productivity.

Power is the ability to bring to bear influence. That one has power who is able to change the behaviour or attitudes of others.

One type of power is formal authority based on the recognition of the legitimacy of the attempt to exert influence. Some individuals have right to exert influence within recognized boundaries derived from their formal positions in an organization.

B. Line and Staff Authority

Formal authority derives from subordinates' acceptance that it is necessary and desirable to obey to orders their supervisors make. The term «authority» is also used in distinction between line and staff positions, or roles in the organization.

A line position is a position in the direct command chain responsible for reaching organizational goals. On the other hand, a staff position presumes to provide expertise, pieces of advice, and support for line positions.

The main difference between line and staff roles is their purposes: line's purpose is to strive directly towards organizational goals, while staff contributes by advice and assistance. As for authority, that of line is formal deriving from the organizational hierarchy. Staff authority is less concrete and often takes a form of simple advising, and line manager can choose whether to use or avoid them.

The importance of line roles is that the managers holding these positions are ultimately responsible for organizational performance. That of staff positions may not seem so obvious; however, the expertise of staff managers often contributes significantly to overall performance.

C. Delegation and Decentralization

There are reasons for managers to assign a portion of their total work load to others; such process is called delegation. Subordinates help ease the manager's burden by doing some operations of the organization's work in which they may have had special training, or been more familiar with particular work issues.

The process of delegation is implemented in three aspects. First, a manager assigns responsibility by giving the person a work to complete. Also, that person is given the authority to exert while doing the job. And finally, the subordinate is obliged with accountability to the manager.

Unfortunately, the delegation process sometimes faces problems. The most common of them are the follows:

The manager may doubt he has chosen the right subordinate to assign for job, or worry that performance of the subordinate may threaten his own advancement. The subordinate, in turn, may be afraid of failure possibly bringing some punishment, or that additional responsibility will not be rewarded properly.

The process of authority delegation can be extended to the whole organization - that is defined as decentralization: power and authority are systematically delegated throughout the organization to middle and lower-level executive managers. Hence, in a decentralized organization, decision-making power and authority are delegated as far down the command chain as possible, in contrast with centralized ones, in which power and authority are remained at the higher management levels.

Many organizations implement decentralization in some degree taking into consideration the following determinants:

1. The external environment: the higher the complexity and uncertainty of the environment, the greater the tendency to decentralization.

2. History of the organization. Companies are tended to go on the way they have kept in the past, and it relates to their choice in terms of centralization and decentralization as well.

3. Nature of the decision. The riskier and costlier the decision, the more likely firms to centralize.

4. Abilities of lower-level managers. The less abilities to make high-quality decisions have lower-level managers, the higher the level of centralization is likely to remain.

There are no universal guidelines for companies to use while deciding whether to decentralize or not. Even within the same industry, firms implementing either of two approaches are successful. For example, two largest chemical firms in the United States, Du Pont and Dow, have kept opposite directions over the years – Du Pont has remained decentralized, while Dow has been much more centralized, and both have been extremely profitable. Eventually, the appropriate degree of decentralization is determined by environment conditions.

III.4. Staffing and Human Resource Management

The most important resources an organization has are its human resources which are people supplying the organization with their work, creativity, talents, and drive. Therefore, selection and training executives relevant for performing tasks, searching for those who would best contribute to firm's success are undoubtedly among the most crucial challenges to a manager.

Staffing is the managerial function dealing with hiring, placement, training, and development of organizational personnel.

A. The Staffing Process

The composition of an organization's personnel is not constant – changes happen permanently, for some executives get promoted whereas others leave for new job or are fired. So, the organization has to adjust to ongoing personnel changes, and staffing appears to be the process of continuing procedures to keep

the organization provided with appropriate people in the right positions at the convenient time. The steps of that process are as follows:

1. Human resource planning designed to ensure that the organization continuously and appropriately meet its personnel needs. It is made through analysis of internal factors, such as current and expected skill needs, department expansions and reductions, and external factors, such as labour market as well. That analysis results in plans implemented at other stages of the staffing process.

2. Recruitment that is defining a pool of candidates to get the job, usually through professional media or agencies.

3. Selection. Job candidates defined earlier are assessed through résumés, interviews, and other means.

4. Induction and orientation. Selected newcomers are introduced to their colleagues, acquainted with their duties, and organization's values and goals.

5. Training and development. Training is about improving skills needed for present job whilst development programs are aimed to give employees broader knowledge to prepare them for possible promotion.

6. Performance appraisal. Employee performance is compared against objectives established for respective position and, depending on the result, probable reward or punishment.

7. Transfers – shifts of an individual from one job, level, or location to another. The common types of transfers are promotion – a shift to a higher position in the hierarchy; lateral moves – a shift from one position to another at the same level; and demotion – a shift to a lower position in the hierarchy.

8. Separations. If an individual is pronounced ineffective, he may be got rid of. Or, for some reasons, he makes a decision to leave the company himself. The most common forms of separations are resignation, layoff, discharge, and retirement.

B. Evaluating the Effectiveness of Human Resources Departments

The effectiveness of a human resources department is assessed by how it contributes to the organization's productivity, and job satisfaction. The criteria of

effectiveness include such factors as turnover rate, morale, and accident rate. Nowadays, with rapid development of information technologies, computer-oriented human resource information systems (HRIS) facilitate many routine administrative chores simplifying such processes as recruiting, job analysis, successful planning, and government reporting.

IV. Leading

IV.1. Leadership

A. The Nature of Leadership

Leadership is undoubtedly one of the most talked and written about topics in the field of management. Indeed, it is an integral part the process of managing consists of; leadership is one of those elusive attributes that opposes effective managers to those who are less effective.

Earlier we found out the likenesses and differences between power, influence, and authority; leadership derives from power, or potential ability to affect the behaviour of others.

Leadership can be defined as the skillful use of power. Leaders have power and use it to influence other people, whereas they may not have formal authority.

It is difficult sometimes to differentiate management and leadership. Management is basically founded on legitimate, reward, and coercive power, that comes from hierarchical superiority of ones over others. Leadership may also include those kinds of power, but it usually depends more on referent and expert power, more abstract and relying on charisma. Thus, an individual may be either a manager or a leader without being the other. In an organization, a manager may get things done executing his authority only, or may add to that legitimate requests and coercion. Under other circumstances, someone who has no formal authority at all may be able to use personal identification or inspirational appeal to influence people's behaviour. The former is a manager, but might not be a leader, whereas the latter is vice versa.

B. Contingency Approaches to Leadership

There are various factors that can influence leadership behaviour. The contingency approaches to leadership seek (a) to detect factors, most important under a particular set of circumstances and (b) to predict the leadership style that will be the most effective under those circumstances.

The most well-known contingency models of leadership are Fiedler model, path-goal approach, and situational theory.

The first of them, developed by Fred Fiedler, is the most thoroughly researched one. Its basic presumption is that it is quite difficult for managers to alter the management styles that have helped them develop successful careers. Hence he believes attempts to change managerial style to match the particular situation to be inefficient and useless. So, not manager is to adjust to circumstances, but appropriate manager should be assigned for particular situations; for example, a mostly authoritarian manager is likely to take the position requiring directive leadership.

The second one is the path-goal approach to leadership developed by Martin Evans and Robert House. It is based on the expectancy model, considered previously, which states that a personal motivation depends on his expectation of reward, and the attractiveness of reward. The path-goal approach defines a leader as the source of rewards; it tries to find out how different types of rewards and leadership styles influence the motivation, performance, and satisfaction of employees. Managers determine the availability of «goals» (rewards) and make clear the «paths» to be kept to reach them.

And the third major contingency approach to leadership is situational leadership theory formulated by Paul Hersey and Kenneth Blanchard. It states that the most effective leadership style differs with maturity of subordinates, by which desire for achievement, willingness to accept responsibility, and task-related capacity and experience are meant. As subordinates develop and mature, the manager needs to change his leadership style - from detailed instructions, through encouragement of their further efforts and providing them with greater

responsibility, to letting them act «on their own». So, the manager who develops subordinates, enhances their confidence, and helps them learn their work will permanently be shifting style.

C. Leadership Theory Perspectives

Some integration of present leadership theories can be expected in the future, perhaps, as stated by contingency perspective, the models are expanded to incorporate more variables, namely intelligence, training, and experience. Three approaches are the most likely to get considerable attention.

The first of them are social-learning / behaviour-modification approaches. They focus on the way leaders influence subordinates' behaviour by rewards and punishments. As to this model, meaningful constraints of the leaders' effect are limits on time and resources, the task requirements, and the conditioning power of the leader's own superiors.

The second possibly influential movement in new leadership theories is researches on the self-managed groups, those in which employees are highly autonomous and self-directed. The major contributors, Josef Finkelstein and David Newman, believe that one of the keys to productivity is the ability of groups to manage their own work. Charles Manz and Henry Sims, researchers of self-manage groups, state: «The leader of the future may be the person who, rather than providing subordinates with specific directions, can help others find their own way».

A third area of growing concern focuses on individuals having exceptional effect on their organizations. They may be called charismatic or transformational leaders. Transformational leaders, as stated by Bernard Bass, motivate people to do more than what they initially expected to do, by raising their sense of the importance and value of their tasks. Robert House suggests that charismatic leaders communicate a vision or higher-level goal that captures the commitment and enthusiasm of followers. As a conclusion, transformational leaders may possess huge potential for renewing institutions in decline and helping individuals find meaning and excitement in their job and lives; however, they can pose horrific

dangers as well if their goals and values counteract the basic tenets of civilized society.

IV.2. Motivation, Performance, and Satisfaction

A. The Nature of Motivation

Employee motivation is one of the major concerns of managers. Motivation is an iterative process affecting the inner needs that energize, channel, and maintain behaviour.

The process of motivation begins with inherent needs and drives motivating, that is causing to move, the individual to work toward certain goals which the person has accepted in the belief that they will meet inner needs and drives. When those goals are reached, the individual consciously or unconsciously judges whether the efforts he made have been worth making. Reinforcement, or what happens as a result of behaviour of making efforts, affects other needs and drives as the process is repeated; hence its cyclical nature derives.

Employee motivation is one of three basic things, along with ability and environment, that determine performance: to perform effectively, a person must know how to do the work (ability), must have the appropriate setting, materials, and tools to do the work (environment), and must want to do the work (motivation) - that is why it is so important for managers to keep employees motivated. Workers might be highly qualified and have the newest equipment, but if they are not motivated to do the job, they are likely to do the bare minimum necessary.

B. Motivation in Organizations Early Views

As management thought was developed, managers used different models of motivation; there have been three most influential approaches.

The traditional model of motivation is related to Frederick Taylor and the scientific management school. It presumed that workers could only be motivated by financial reward and had little to contribute beyond their labour. Over years, employees sought job security rather than temporary and minor increases in wage only, and the size of financial incentive has been reduced.

Eventually the traditional approach to motivation became no longer adequate; Elton Mayo along with other human relations researchers found that the boredom and repetitiveness of tasks reduced motivation; they believed managers could encourage employees by acknowledgement of their social needs are by making them feel useful. Thus, workers were given some freedom in decision making; informal work groups were paid greater attention.

Later theorists such as Abraham Maslow and Chris Argyris suggested that employees were motivated not only by money, as in the traditional model, and by desire for satisfaction, as in the human relations model, but also by the need for achievement and meaningful work. Then, managers should share responsibility for reaching organizational and individual objectives, with every person contributing to the whole performance on the basis of his interests and abilities.

C. Contemporary Ways of Looking at Motivation

Motivation theories have strived to understand how motivation influences work performance; three main approaches are content, process, and reinforcement theories.

The content approach suggests that managers can determine employees' needs by observing their actions and that managers can predict subordinates' actions by becoming aware of their needs. That concept seems simple, but different and permanently changing needs among individuals make motivation process far more complicated.

Rather than focusing on the content of needs and their driving nature, the process approach emphasizes how and by what goals individuals are motivated. The basic element of this concept is the notion of expectancy – id est, what a person anticipates is likely to occur as a result of his behaviour. For example, if an employee expects that exceeding performance will lead to promotion, and if he strongly desires to get promoted, he will be seriously motivated to show exceeding performance.

Reinforcement theories, also often called behaviour modification or operant conditioning, seek to answer how the consequences of a past action influence

future movements in a cyclical learning process. People usually prefer pleasant outcomes, so they are likely to avoid behaviours leading to unpleasant consequences, that concept states.

D. The Impact of Past Consequences on Behaviour

An influential – and simultaneously – approach to influencing human behaviour is based on observations that the aftermaths of an individual's behaviour under some circumstances influence that individual's behaviour in similar situations in the future. To change people's behaviour, techniques, known as "behaviour modification", have been designed on the basis of this principle. An employee tends to repeat his actions that have brought him positive consequences and to avoid actions that have led to failure. So, if a manager wants to change subordinates' behaviour, he has to change the aftermaths of behaviour. There are four techniques managers can use to modify the behaviour of employees.

1. Positive reinforcement. That is a consequence that encourages repetition of a given behaviour; they are divided into primary, such as food and water, that satisfy biological needs, and secondary (the common of them are praise, promotion, and money); for positive reinforces differ among individuals, manager should establish a reward system matching all the team members if possible.

2. Avoidance learning. It takes place when individuals learn to avoid unpleasant consequences; for example, an employee strives to enhance his performance not to be reprimanded or punished.

3. Extinction. That is the absence of reinforcement in case of undesired behaviour; that technique is commonly used to deal with overly inquisitive or moderately disruptive subordinates.

4. Punishment. Measures like demotion, severe criticism, docking pay, and denial of privileges are typical forms of punishment.

Behaviour modification techniques are criticized mostly because of punishment practice, the latter is supposed to be used less than positive reinforcement, by behaviourists. Most organizations accept right positive reinforcement and, less, extinction as effective motivation instruments.

E. Integrative approaches

Every of the approaches to motivation described in the previous section focuses on one of three sets of characteristics, namely individual, job, and work situations; integrative approaches seek to combine those sets in their analysis. One of them, the expectancy approach, has got huge support from research; it attempts to account for differences between individuals and between situations.

As stated by David Nadler and Edward Lawler, the expectancy approach derives from four assumptions about organizational behaviour.

1. Behaviour is determined by a set of forces in the individual and in the environment.
2. Individuals come to conscious decisions about their behaviour in organizations.
3. Needs, desires, and goals of individuals are different.
4. Individuals choose among alternative behaviours based on their expectation of outcome following the definite pattern of behaviour.

These assumptions are integrated into the so called expectancy model combining three main aspects: performance-outcome expectancy, valence, and effort-performance expectancy.

Performance-outcome expectancy. Individuals contemplating a definite behaviour expect certain consequences; for example, showing excellent performance, different employees expect to be praised, given a bonus, or not rewarded at all.

Valence. The outcome of a particular behaviour has a specific valence (encouraging power or value) for each individual. For example, promotion to a more paid position must have a high valence for individuals who value money primarily.

Effort-performance expectancy. People's expectations of the degree of difficulties they are going to face while performing the task affect their decision on whether to proceed or not.

Thus, the expectancy model gives managers some recommendations on how to motivate employees, namely determining the reward system, adequate and valued by each subordinate; and setting the level of performance that should be desirable for managers and achievable for employees.

F. Guidelines for Effective Motivation

There are inevitable contradictions between the practices of motivating employees in many organizations and conclusions of recent theories which may exist because the newer theories are unknown to managers or unfamiliar with them. Richard Steers and Lyman Porter suggest to managers some points of current approaches to work motivation:

- a) Managers must actively and intentionally motivate their subordinates;
- b) Managers should understand their own strengths and restrictions before trying to modify those of others;
- c) Managers have to recognize that employees have different motives and abilities;
- d) Reward should be linked to performance, not to non-merit-based dimensions;
- e) Jobs should be designed to offer challenges and variety;
- f) Management should cultivate an organizational culture oriented to performance;
- g) Managers should stay in touch with employees and remedy problems as they arise;
- h) The active cooperation of employees should be pursued in improving the organizational output.

V. Managerial Control Efficiency

V.1. Organizational Control Defined

Management control is a systematic effort to establish performance standards with planning objectives, to develop information feedback systems, to compare actual performance against those defined standards, to detect if there are

any deviations and evaluate them, and to assure that all corporate resources are used in the most effective and efficient manner.

By Robert Mockler, control is divided into four steps.

Initially, standards and methods to measure performance are to be set. For this to be effective, the standards should be defined in meaningful terms and accepted by the individuals involved, and the methods of measurement are to be accurate.

The second stage is measuring the performance. The critical thing there is not allow too long periods of time to pass between performance measurements.

The next step is to assure whether actual performance matches the standards or not. The results measured are compared against the targets set, and managers decide if they should correct some aspects.

And the final part is to take corrective actions if measurement has found out any deviations. Corrections may involve changing both activities of the organizational operations and the standards established.

There are many factors making control an integral component of modern organizations. The most important of them are changing environment of organizations, the increasing complexity of organizations, the fallibility of organizational members, and the managers' need for delegating authority.

The concept of control seems to make many organization members feel uncomfortable, as the movement toward greater independence and self-actualizations for individuals has been growing. Yet control is necessary for an organization to help reaching its goals. The appropriate degree of control may be found in recognition that excessive control will harm both the organization and individuals within it, while inadequate control will lead to wasting resources and making it more difficult to accomplish goals. Thus, managers are to keep the proper equilibrium between appropriate organizational control and individual freedom.

V.2. Types of Control

What forms of control is a manager to use? There are some approaches to this question. The main choice is to be made between cybernetic and non-cybernetic control.

Cybernetic control can be defined as the type of control that monitors and manages a process by means of a self-regulating mechanism; the key feature of that is a strong feedback mechanism. An organization may set up such a computerized ordering system checking the employee attendance or ordering a material until inventory reaches a certain level.

Non-cybernetic control, on the other hand, requires an external monitoring system. As for inventory system, in this case it is controlled by an external agent such as technology manager.

An organization can establish control according to timing. If some parts ordered are inspected when they arrive (before transformational process), this is preliminary control. If a checking takes place while repairs are being made (during transformational process), such a control is called screening. Finally, after the product has been made, quality control is taken (after transformational process), and this is postaction control.

V.3. Steps in the Control Process

Regardless of the type of control system an organization needs, there are four general steps in any control process.

1. Establishment of standards. A standard is a target system which subsequent performance is to be compared. The set of them should be derived from the organizational goals as much as possible and, on a broader level, reflect organizational strategy.

2. Measuring performance. The easement of performance is an ongoing process for most organizations, and to enable control to be effective, relevant performance measures are to be valid.

3. Comparing Performance against Standards. Performance may be lower, higher, or equal to stated in standards. The issue is how much leeway is permissible before remedial action is taken.

4. Evaluating and Action. The final step in the control process is to evaluate performance via the comparison made in the previous step. After assessment, one of three following actions is to be taken:

a) Maintaining the status quo, when performance is more or less measures up to the standard;

b) Correcting the deviation; taking efforts to make performance match the standards, the most likely action;

c) Changing standards. If the deviation is extremely high, it may witness that inadequate standards have initially been established, and their correction is needed.

VI. International Management

VI.1. The Nature of International Management

Globalization of the world economy has changed the entire business environment, from the way products are made to the way they are marketed, and to whom, as well as the companies and countries-competitors. Many businesses now interact with customs, suppliers, or competitors based in other countries - they can be defined as international businesses; if these interactions involve several countries, the organization is called multinational business; the examples of such companies are Coca-Cola and IBM.

Several factors have contributed to the growth of international trade in recent years. For one thing, time needed to travel and communicate around the world has been drastically reduced. As John Naisbett assumed in his book, *Megatrends*, the globe has become a world economy. Activities and events are communicated fast, and it is much easier to manage a worldwide network of activities.

However, the level of involvement in multinational business has increased for almost all countries in the world. To be better prepared for today's and

tomorrow's business arenas, it is important for us to monitor the environment of international management to see how it will influence the way national companies conduct business.

VI.2. The Increasing Internationalization of the World Economy

The multinational character of business is increasing as well as that of many non-business activities, such as enrollment of foreign students in universities, international tourism, and international telecommunications. Although there are a great number of reasons for a company to decide to go international, they all can be classified as aggressive and defensive, as by Donald Ball and Wendell McCulloch.

Aggressive reasons are those which support an attempt to increase profits and sales, and expand markets. The most common of them are the following:

1. Open new markets.
2. Make greater profits.
3. Acquire products for the domestic, or other foreign market.
4. Satisfy management's desire for expansion.

Defensive reasons for entering international markets include the desire to protect profits, sales, and markets. Among them are the following:

1. Protect domestic and foreign markets.
2. Guarantee a supply of raw materials.
3. Acquire technology.
4. Reach geographical diversification.
5. Seek politically stable bases for new operations.

The reasons for going international differ in accordance with some factors, for example time. In the middle of the XX century, trade barriers were comparatively high, and companies having gone overseas acted primarily on the defensive. As time passed, those barriers were lowered, and many companies switched to more aggressive strategy to take advantage of their superiority over

foreign countries in technology, marketing, and management by tapping the inexpensive labour market to be found in a variety of countries.

VI.3. The Multinational Management Challenges

Organizations have to be alert to the political-legal, economic, sociocultural, and technological aspects in the international scale of their environment as well as in the domestic. Particular attention must be paid to the international environment, for differences and changes are, as a rule, much greater in magnitude abroad than in the home country. Unexpected events or conditions can make a primary impact on foreign operation, investments, and markets, as was in the case of the revolution in Iran, up to virtually complete destruction of business operations in a foreign country.

Monitoring and dealing with problems in the international environment are more difficult than uncovering and coping with obstacles in the domestic environment. Each foreign country is different from the home country and also from other foreign countries. One more difficulty is that managers instinctively understand the basic situation and coming trends in their domestic environment, but may take a long time to develop a «gut feel» for a foreign environment.

VI.4. Selecting the Managerial Approach

The question which managerial approach to choose is actual for the domestic market, and in the case of a foreign market its importance is even greater, as the factor of national specifics arises and becomes one more issue for a company.

Geert Hofstede has conducted a set of studies in 40 countries on differences in national character; he cites four aspects describing important distinctions of a national culture:

1. Individualism versus collectivism. It evaluates an individual's relationship with others and the degree to which the desire for personal freedom is played off against the need for social ties.

2. Power distance. It assesses the way a particular society comprehend the inequality among people. At one end of the scale are countries and people that

attempt to play down inequality as much as possible. On the other end are cultures that take large imbalances in power, wealth, and status for granted.

3. Uncertainty avoidance. It estimates how a society copes with the uncertainty of the future. A weak-uncertainty-avoidance society is one that does not feel threatened by this uncertainty and is generally tolerant and secure about the future. A strong-uncertainty-avoidance culture, on the contrary, wishes to overcome future uncertainties by establishing institutions that create security and minimize risk. These include legal, religious, and technological institutions.

4. Masculinity versus femininity. Society is defined as masculine if there are extensive divisions of social roles by gender and as feminine if these divisions are comparatively small.

Taking into consideration the differences between nations he found, Hofstede comes to a conclusion that it is unrealistic to expect any management approach to be applicable worldwide.

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