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Comparative management and its effect on international business

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Abstract

Comparative management in International Business helps in providing a better view for comparison of International Management based on some important issues like styles of management, organizational structure, labor relations etc. in various countries. It helps in explaining, analyzing and understanding of various social and economic phenomena. It helps in dealing with the differences of management and other differences of various countries and their effect on International Business. Here we will explain about Cultural-institutional explanation in explaining the reasons for difference of management of various countries and to study the importance of management in Global business and International Economy.

Keywords: Comparative management, international economy, organizational structure, labor relations

Introduction

Comparative management means identifying, measuring and interpreting the common things and differences between behavior of managers, their techniques and practices adopted in different countries. It focuses on business and management from various aspects. It is the study of principles of management, and their application in various situations. International companies use different policies and strategies for comparison to remain in the competition. It is defined as the study of management in different nature and various environments which show different observations in different countries. Even if there is need for innovation, in recent years, comparative management has always accelerated due to advancement of technology, and the growing competition in the world. It depends on the ability of the management to understand the potential opportunities they have and optimum use of valuable resources. It is an important factor for the organization to gain competitive advantage. On this basis, it can be said that an organization's competitiveness is based on the capacity of its management and how well its strategies of comparative management are.

Over the last few decades, scope of strategic alliances is growing because it is not only the most common method used for international trade but it also helps the organization in gaining more knowledge and utilizing it fully. These alliances can be used for comparative management, for two or more organizations who needs to run their business globally by using technology, skills, and knowledge of each other and increasing of learning process for the development. It is done to assess the transferability and application of management and developing prescriptive guidelines and policies. It is the field of inquiry which focus on the variations in management and the organizations of the different countries. It is necessary to study the need of relationship of management and organization of different countries. It is also useful to compare and understand the phenomenon which is identified as a tool for doing research. It helps in designing various policies for the management from other various countries but the skills and knowledge of each country may differ from each other. The basic principles of management may be same but the goals and the way of doing business can be different. Due to different environmental factors, results are different. The ability of seeing the differences and how to behave in different situations becomes effective and the political conflicts between various multinational companies and their countries can be resolved and the healthy relationship can be maintained. Management is the most important factor for the growth of economy and improvement in production. Therefore, comparative management includes analyzing and comparing of various fundamental functions for determining environment of foreign country.

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Approaches to Comparative Management: Comparative management deals with detection of system, identify, classify and measure the similarities and differences between managerial structures, policies of the different organizations and between different countries. It focuses on cross-cultural elements of differences and indifferences. It is the field which is concerned with detection of system, evaluation of similarities and the reasons of differences. It is needed to understand the strategies and policies of the companies involved in cross-borders activities. So, the main objective of comparative management is to fulfill this requirement. For this a theoretical framework is formed where tools and methods are discussed to identify, classify, measurement and interpretation of the similarities and dissimilarities of the operations of different organizations of different countries.

For this purpose, some approaches are followed so that, the need of studying the comparative management can be fulfilled and the global trade and competition can become more intense. Some of these approaches are:

- **Socio-Economic Approach:** According to this approach, system of management is made up of 3 elements i.e. financial resources, authority and the class. Efficiency of managers is the result of these factors, and plays an important role in gaining an increased growth and industrial development. This approach studies only the macro factors and the micro factors like managerial behavior are ignored in this approach. It is criticized because it focus only on some elements like market size, technology, stages, growth of economy, social structure etc. for the Comparative purpose.
- **Ecological Approach:** This approach is an addition to the socio-economic approach. This approach is related to the contribution of managers towards the development of economy. According to the famous researchers, economic development is the outcome of efficiency of organizations in economic terms which determines the effectiveness of managers of the organization. This theory focus on the difficulties faced by managers in their economic conditions due macro factors of environment like technology, politics, technology etc. This theory focus on both objective and subjective approach for quantifying these important factors.
- **Behavioral Approach:** This approach determines the behavioral pattern of individuals and groups in the organization. This approach is basically focused on elements like attitude, belief, and perceptions of the managers regarding the concepts and policies of the management. Beliefs, attitude and values of an individual or a group are the elements given by the culture. It can be improved by creating linkage between these concepts and the practices of management, so that the effects of these cultural variables can be reduced. Market structure, size, physical conditions are also the part of socio-culture environment.
- **Empirical approach:** This approach doesn't need any model building or hypothesis testing to obtain the results, because according to this approach, they lack comparability in studies. The main role played by this approach is that the data collected which is empirical in nature, is developed up to the date. In this approach there are language related barrier to define the comparative management as the complete set of

concepts and the reluctance of researchers in understanding each other.

- **System Approach:** This approach believes that the results (economic or non-economic) obtained are a part of firm's climate recognized by its employees. Here the firm's climate means the atmosphere which is related to size, strategies of the organizations which may be psychological in nature. Although, this approach signifies an important role in comparative management, it has the lack of empirical work done by the researchers.

Importance of Comparative Management: It is necessary to know about the importance of Comparative management in the field of International business. To understand the competitive environment, study of comparative management is quite important. Understanding comparative management is important because:

- **To understand local conditions:** Some of the workforce go to abroad for working on international assignments, they have to face a lot of problems there while communicating with foreign employees and they lack motivation. To understand the local conditions in better way so that the managers can easily achieve their individual and organizational goals, study of comparative management becomes necessary.\
- **Knowhow of Foreign Managers:** It helps in knowing the managers of foreign countries in a better way, and to execute their jobs related to trade and cooperating them in accomplishment of their tasks.
- **Observing Cross-country culture:** Study of comparative management helps in knowing the different culture of the different companies of various countries and know about the similar problems and how to solve them with innovative technique, which further will lead to the improve in management.
- **To remove the differences:** Studying of comparative management helps in knowing the differences which are occurring in the cross-borders trade and also helps to find the solutions regarding how to behave in different situations and how to solve them.
- **To create Healthy relationship:** Comparative management also helps to make the managers aware about the conflicts between the companies of the other countries and the local country and also helps in managing the conflicts and making the relationship between countries and companies healthier.
- **Examination of Leadership differences:** With the study of Comparative management, the management becomes aware about the leadership differences of different organizations like process of doing operations, interactions with human, difference in social system, decision making, productivity strategies and management styles which are being used and helps in removing these differences.
- **Formulating the policies for FDI:** FDI is an important part of International Business. Comparative management helps in knowing about the financial needs of the companies of various countries and thus formulating FDI policies thereon.
- **Environmental Constraints:** Comparative management helps in identifying, describing, explaining, and predicting the impact of environmental factors i.e.

micro and macro factors on the international business and on respective companies and country.

Thus, it can be said that comparative management is very useful for trading globally. With the help of study of comparative management, we become able to identify environmental constraints and how to remove them. We also become able to know about various differences and techniques to remove them.

Scope of Comparative Management: Scope of Comparative Management is very wide because for doing the International business it is necessary to study the factors related to the international trade and to know how to managerial functions of other countries. Comparative management helps in knowing the differences between the companies and countries related to culture or managerial constraints and helps in resolving them so that trade can be done smoothly and the economies of the participating countries can grow and healthy relationships between the countries can be made. Scope of Comparative Management includes:

- **Authority Centralization:** Centralization of authority is the major cause of the differences of culture occurring in the business because the degree to centralize the authority for making necessary decisions regarding the business with the senior managers and opposing the discussion with downward authority in the organizational hierarchy.
- **Degree of Risk Tolerance:** Different culture has different levels of uncertainties and risks which are manageable by the managers of the organization comfortably.
- **System of Reward:** Different organizations have different rewarding system. Some organizations prefer to motivate the employees by measuring individual performance in the business while some organizations prefer to give incentives as the reward to a collective group based on group performance.
- **Formality Level:** Every organization have different level of formal management procedures on which they rely, and their difference cause difference in the results of the organizations, so study of comparative management is required.
- **Loyalty Towards Organization:** In some organizations, level of loyalty with the whole organization is high as comparative to the other organization where the loyalty of employees is inclined towards the particular group or any specific employer. So definitely, the differences will occur.
- **Cooperation Level:** Level of cooperation between the managers and the employees of the companies also vary from company to company or from country to country which encourages the competition among the employees to achieve the objectives of the company.

Need to Study Comparative Management: Comparative management is necessary for the field of International business because it helps in comparing and understanding the phenomena to do research. It is also helpful for designing the policies for management according to the policies of other countries because knowledge and skills of every country are different. Some of the reasons to study Comparative management are:

- **Assessment of transferability:** With the help of comparative management, we will be able to know the situations and problems which are arising in the organization. It helps to understand how to handle these situations and solve the problems.
- **Identifying impact of Environmental constraints:** Comparative management is helpful in identifying, describing and identifying the predictions and the affect which is created by environmental conditions of the organizations. It also helps in coping up with the competitive environment.
- **Developing Guidelines:** Comparative management helps in developing dictatorial recommendations which serves as a basis for the actions taken by the management of an organization. It helps in suggesting that there is a need to study strategies of other organizations to form a new recommendation.
- **Formulation of policies:** It helps in formulating the policies to help foreign direct investments for investing in multifunctional business and global market.
- **Knowledge of Cross-cultural management:** It helps in focusing the issues related to the leadership related to cross-culture, and comparing the attitude of the employees of the organization.
- **Management of transfer of International Technology:** It is used to study the differences of technology of the different organizations of the different countries.
- **Gathering Experiences:** With the help of Comparative management, organizations can easily gather the experiences of other economies of the world.
- **Forecasting:** Comparative Management helps in forecasting the issues related to global management. With the forecast, it becomes easier to formulate the new strategies.

Study of comparative Management is necessary to study the need of relationship of management and organization of different countries. It is also useful to compare and understand the phenomenon which is identified as a tool for doing research. It helps in designing various policies for the management from other various countries but the skills and knowledge of each country may differ from each other.

Conclusion

Emergence of comparative management takes place in multinational enterprises in today's world. It is also defined to identify measure and interpret variations and commonality, in different countries. It is basically the study of management in various environments and its analysis. With its help, knowledge of technology becomes easy to transfer between various countries. It is the cognitive process because it helps in determining firm's capacity for making strategies and their implementations based on its competency. As the no. of managers are going to work as foreign workforce to know about the managers in foreign countries for performing the tasks related to trade. It is beneficial as it helps in observing the foreign culture, and making our policies. New and innovative problem solving techniques are discovered which helps in improving the management.

At last, it can be said that comparative management is the study and analysis of management in various environment and the reasons behind various results of management in

different countries. It is very crucial element for the economic growth and the increase in production.

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