In This Issue

Schultz's 'Rings of Management'

L.E. Schultz is the CEO and founder of Process Management International (PMI), a consulting firm devoted not only to practical quality improvement, but also to evolving its theoretical underpinnings. Because, referring to Deming's views, there is no observation, no experience and no management without a theory.

In this paper, Schultz offers his 'Rings of Management,' based on the four rings of *Environment* Management, *Process* Management, *Personal* Management and *Strategy* Management. When implemented properly, this four-ring approach will help organizations create an environment in which continuing improvement is a way of life for all employees.

Schultz subscribes to the idea that there are definitely evolving management *systems* or technologies and that one such technology, associated with the name of Deming, has emerged after World War II. Such specification is debatable, however, because business geniuses like Henry Ford, Tomas Bata, George F. Johnson, James F. Lincoln and Fletcher Jones have successfully practiced total quality management even before the war. Their practices have been overtaken by 'corporate man' and forgotten by ahistorical management theorists. All this is changing now and Schultz's paper attests to that.

An important – and perhaps the most important – concept in the four-ring approach is the beginning of the integrative thinking in the area of ring overlaps: the Cross-Functional Management (CFM), that is used to coordinate activities when processes involve more than one section, department or division – that is, always.

Most successful world-class companies are already operating entirely in the CFM region or, in other words, all four rings have become concentric and thus a system has been created. CFM helps employees become more flexible, broader in their perspective, and mutually more cooperative and helpful.

Schultz then analyzes and describes in detail all the 'rings' and their overlaps, as viewed from the vantage point of his consulting experience. These are often very practical steps and advices towards practical implementation of total quality management. Organizational transformation, large-scale and pervasive, is required for adopting the new management technology which is today sweeping through the competitive world.

In order to remain competitive, American industries have to abandon hierarchical command model of management, transform employees from 'hired hand' to co-owners and business associates, recognize knowledge as the main and the only true form of capital, stop atomization and specialization, start on the road towards integration, and take charge in redesigning business education. It is happening, but in other countries and other cultures it is happening much faster and with greater resolve.

It is necessary to abandon the narrow, one-person dominated teachings and schools, because they soon convert to ideology, dogma, inflexibility and cult. Total quality management is the very opposite: rich, multifaceted, infinitely flexible, continuously evolving, always changing and adapting, young in its heart and joyous at its core . . .

There is, and certainly should be, an infinite variety of ways of delivering requisite quality to customers, employees, consumers and citizens.

Nodoushani's "Entrepreneurial Age"

All businessmen, managers and politicians, both in the West and in the East, do swear by entrepreneurship, wish for it, hope for it, pay big money just for a glimpse of it. It takes some guts to call this theory-free, science-free and action-free entrepreneurship "a culture of paper tigers."

Professor Nodoushani has written an essay which does not shed ink tears over the *paper entrepreneurship*.

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Entrepreneurs on paper, entrepreneurs with paper, entrepreneurial buying and selling of paper, shuffling of paper, creating paper maché enterprise, paper-stuffed thoughts, greenmail and golden parachutes. Nowhere any product, no service, no process, no individual risk and service to the public: just shuffling of paper and other people's money.

No theory, no purpose, no criteria, no nothing. Courses on entrepreneurship concentrate on personalities or cultural backgrounds of individual entrepreneurs, on "the secrets of *my* success" kind of trash.

There was even a course in the U.S. called "Corporate Raiding, The Art of War!" The fear of corporate raids is one of the major causes of U.S. short-term orientation and quality/productivity decline. Many U.S. business schools contributed directly and aggresively to the U.S. economic decline.

There is a lack of systems thinking in both management and entrepreneurship. Innovations are systems-based, cooperative and interactive exploits of systemic novelties, deviations and customer-contacts.

Rather than a "lone entrepreneur" we now have an "amoeba"-system of intrapreneurial autonomous profit centers and teams, the nucleii of new business venturing within companies. These "amoebas" are organized at a zero-level hierarchy, in a closed, circular organizational design of autopoiesis, and controlled through a totally decentralized system of management service. In fact, the management itself is just one of the profit-center "amoebas".

Nodoushani writes about so called "democratic free enterprising," which is nothing more than an old Moravian Bat'a-system of management, Kyocera's "amoeba" system or current Central European agrobusiness organizations. There is a good dose of rediscovering the wheel, lack of knowledge of autopoiesis and no mention of the "amoebas". Instead of inventing new slogans of "democracy", we should more profitably study the self-organizational trends of Japan, Europe and even in the U.S.

There is a strange "wheel-reinventing" nature to the Nodoushani's paper, plagued by non-autopoietic thinking of paleo-ackoffians, yet we are treated to a nice summary of the kind of Bat'a-system in a section called "The Changing Concept of Business Venturing." We have seen these systems fully and safely working in today's Moravia, Japan and even the U.S.A. What we have not seen is a good theory underlying all this exciting practice.

Can there be a good theory of management without a theory of autopoiesis, without a theory of "amoebas", without a theory of the multiplicity of criteria and without a Bat'a-system of some kind? Of course not. It is about time to start building an organizational theory of the new era of the integrated process management. Any practice without a theory becomes and remains only a war story – a scourge of the U.S. "modern" entrepreneurial MBA education.

Maruyama's "Contracts in Culture"

There exist vast cultural differences in the concept and practice of *contract*. Not everywhere is "contract" a legal concept that must be executed in a prescribed form and where any promises and agreements (without such prescribed forms) cannot be considered contracts. Yet, in many cultures, non-formal, spoken, verbal or even non-verbal agreements cannot be breached without risking more severe punishment or damage than any written contracts in the West. In fact, in many cultures, if one requires to write down an agreement, it will destroy the trust and render the agreement invalid.

Understanding this topic is especially crucial for the multinational corporations in less developed countries as well as for the joint ventures projects in the Central Europe of today. Many Cental Europeans are turned off by the informal nature of unwritten promises, proposals and suggestions of the Westerners, while their own propensity towards non-honoring and breaking even the written is incomprehensible to the other side. No joint ventures of any import can evolve in such an environment.

Maruyama shows very clearly why in some cross-cultural exchanges "pouring money in" could be a nonsense and default could be logical and morally correct solution. The providers of money are unsophisticated (and greedy) enough to continue providing money loans even under such hopeless cultural conditions and discrepancies.

Maruyama is a very diligent researcher. He brings in bribery and corruption cases from Poland, Romania, Czechoslovakia, Greece, Egypt, Bangladesh, Malaysia, Singapore and Thailand – and tries to unravel them through a unified and consistent theory. He learns that socialism breeds bribery and corruption because services and things are more important and therefore preferred to money.

It is the tragedy that the countries of Central Europe where services and things are everything and money is nothing, there is now a ruling clique of misinformed and uneducated pseudomonetarists who ignore the people's need for things and services and peddle paper money, vouchers, coupons and paper shares instead. Local money is not a universal instrument of transaction.

Maruyama used a loop diagram analysis to disentangle the role of bribery and corruption in different cultural settings. In fact, he uses ''bribing'' as a variable around which all diagrams are being constructed. The needed change will take many years. It is reported that just bribes advanced in Volkswagen-Skoda sweetheart deal amounted to 30 millions DM. International firms must understand and live with it also for many years. Especially in Central Europe, quality and quantity of products and services will remain very low for many years, at least for the duration of the current papermonetarist clique of the international speculative capital. Unemployment will be their immediate problem which they are prepared to ''solve'' through state intervention, state unemployment handouts and public kitchens.

Prof. Maruyama concludes that diagrams for Poland, USSR, Romania and China contain no elements which could be used as sources of change, making it impossible to induce changes of the type ''X causes Y'', the foundation of the theories and policies of his H-type mindscape. Such theories and practices of contracts are inadequate and of limited use in international business.

Datta and Yu's 'Merger & Acquisition Analysis'

Mergers and acquisitions are not just and only matters of finance and economics. In fact, most of them fail not because of finance and economics, but because of the human problems of organization, management, culture and habits.

The high failure rate of acquisitions attests to the fact that financial analyses, deals and arrangements can secure neither sufficient post-acquisition performance nor fulfill pre-acquisition expectations.

The paradox is clear: systematic acquisition process is a corporate tool for increasing the probabilities of success, assuring about 50 per cent failure and so decreasing the success probabilities. The reason is fundamental and persistent misunderstanding and misinterpretation of the acquisition process as being somehow related only to finance and economics: why of course the organizational, behavioral and cultural issues are more important and even dominant in the real process of mergers and acquisitions.

Financial considerations and deals are, or should be, only instrumental to implementing a well thought out organizational, cultural and managerial merger plan. Other than just financial 'wizards' are needed. Like acquisitions, also joint ventures have been plagued by high failure rates. Joint ventures with Eastern Europe are failing and will continue to fail, as they will with Japan, USSR, Western Europe and even within the USA. Yet, they should not fail at such alarming rates, especially when prepared by true organizational experts according to true organizational theories of human systems management.

Merging of different and often incompatible habitual domains of business is not a simple matter to be left to eternal MBAs who never outgrow the simplistic thinking of their financial heydays. Merging of two organizations has to overcome deep-rooted and enduring domains of thinking, organizing and managing in different companies, groups and individuals.

Datta and Yu have attempted to provide a more integrated and more system oriented program for merger and acquisition projects. In addition to *financial* factors, they consider also *market* factors, *competitive* factors, *technological* factors and *so-*

cio-political factors. It is clear that a financial specialist of the MBA kind has no way of grasping such complex system issue.

Successful acquisitions abroad are based on efficiencies gained from reorganization and rationalization of operations, from improved managerial skills and from complementary skills and competencies gained from synergies of new and different activities realized *because* of the acquisition: the nature of financial deals is rarely in the picture.

Targeting and merging firms with incompatible habitual domains result in the acquisition destroying, rather than creating, value. If long-term destruction and dissipation of value exceeds value creation, than the money spent on the process contributes to the wastefulness and ultimate decline of such finance-dominated economy.

Acquisitions, mergers, joint ventures, etc., are important and integral part of successful human systems management. These great tools should not be left in hands of incompetent people or receive 'bad press' just because of their incompetence. They should be targeted for Total Quality Management (TQM) approach.

Bassiry's "Multinational Corporations"

Professor G.R. Bassiry is presenting an alternative strategy for multinational corporations (MNCs) in global economic integration, with a special emphasis on less developed countries (LDCs). The conflict between the MNCs and LDCs is now almost mythical with no resolution alternative in sight.

Central European economies have now entered the stage as a new family of retrograded LDCs with an unhealthy appetite for Western MNCs, ready to repeat all the mistakes and experience all the failures of so many LDCs before them.

Bassiry still views the giant MNCs as primary vehicles of global economic integration – because economic integration is *the only* hope for all LDCs and especially those of Central Europe. Yet, there is still *no integrative thinking* in LDCs, only virtual orgies of specialization, division of labor, atomization, monoculture and "quick" pseudomonetarism.

It is more than difficult for any integrative MNCs to even function in such splintered, uncertain and putsch-prone environments. Yet, function they must, because they might be the only hope for LDCs.

Professor Bassiry does not study Central Europe, but only Iran, Chile and Zaire. Fundamentalist, socialist and nationalist extreme regimes and ethically dysfunctional associations are not likely to be typical environments for any integrative MNCs. In fact, MNCs have been misused by the hosts for promoting income inequality and thus worsening political instability in LDCs. This could very well – if no learning takes place – play all over again in LDCs of Central Europe of today, especially in Czechoslovakia, where the rulers' ethical dysfunction is the highest. The socio-political instability of LDCs is increasing.

Bassiry attempts an alternative strategy for MNCs, based on "enlightened self-interest". This is understood as the pursuit of profits through a conscious choice of a long-range strategy of constructive engagements in a host country, which would minimize risks and assure a continuing flow of high profits over a long period.

Such constructive engagements should be comprehensive and fully integrated in terms of the economic, socio-cultural and political variables of the MNCs' immediate environments.

This can only be attempted through direct MNCs' relations with native political elites. The MNC-native government relations should not deteriorate because of conflicts over taxes, profit sharing, ownership and corruption as a consequence of frequent changes in leadership or regime. In Central Europe there are also new conflicts based on plain hate, envy and misplaced superiority complex.

It is therefore mandatory for MNCs to display requisite cultural sensitivity and social responsibility, especially in hiring, advertising and observance of social customs and religious practices. The MNC should *blend* into the local culture of the host country. There exist relevant social, economic and political groups in society whose interests should receive consideration by MNC strategists.

Prof. Bassiry's is a useful and noble attempt. But shouldn't it be directed more towards the host countries, their governments and their power elites? Without them, without their full understanding of MNC's global role, there can be no success.