4. REGIONAL STUDIES

In the academic field of international management, the concept of regionality plays a crucial role in understanding how management practices, business strategies, and organisational behaviours are shaped by regional contexts. Regionality refers to the influence of geographical, cultural, economic, and political factors specific to a region on the way businesses operate and manage their activities. These factors are often deeply rooted in the historical and social fabric of the region, making them essential for researchers and practitioners who seek to comprehend the complexities of international business.

The study of regionality in international management recognises that global business is not a homogeneous practice; rather, it is influenced by the unique characteristics of each region. This regional perspective helps to identify and analyse the differences in management practices across various parts of the world, allowing for a more nuanced understanding of global business dynamics. Below is an overview of how regionality is reflected in international and comparative management, with a focus on key geographical areas such as the "Western world," Japan, China, and the Gulf area.

4.1. “Western” management (Balázs Vaszkun)

4.1.1. Introduction

The "Western world," encompassing North America and Europe, has long been at the forefront of shaping global business practices and management theories. This region's influence is deeply rooted in its history of early industrialisation, its pioneering role in the development of modern management thought, and its leading position in global economic and political affairs (Warner, 1997; Wren, 1994). As such, the Western world has significantly contributed to the academic field of IB, IM and CM, not only through the creation and dissemination of management theories but also by setting standards and norms that have been adopted worldwide. As we stated earlier, nearly 61% of empirical research use a one-country sample in IB, out of which 89% are Western countries.

This essay will explore the role of the Western world in international and comparative management, examining key management concepts, the evolution of business practices, and the region's impact on globalisation and corporate governance. The discussion will include an analysis of the cultural, economic, and political factors that have shaped management practices in the West, as well as the challenges and opportunities that arise from the region's dominant position in the global economy.

4.1.2. The Development of Management Models in the Western World

The Western world has been the cradle of many foundational management theories that continue to influence global business practices today. These theories, developed primarily in the United States and Europe, have shaped the way organisations are structured, how managers lead, and how businesses operate in a global context.

The Classical Management Theories

The roots of modern management can be traced back to the classical management theories that emerged during the late 19th and early 20th centuries in Europe and North America. These theories laid the groundwork for systematic management practices and introduced concepts that are still relevant today.

One of the earliest and most influential management theories was scientific management, developed by Frederick Winslow Taylor in the United States. Taylor's work focused on improving productivity through the systematic study of work processes and the application of scientific principles to management (Taylor, 1911). His approach emphasised standardisation, division of labour, and the use of time and motion studies to optimise productivity. Although scientific management has been criticised for its mechanistic view of workers, it has had a lasting impact on management practices (see Ford for example), particularly in manufacturing and operations management (Raff, 1996).

In Europe, Henri Fayol, a French industrialist, developed administrative theory, which focused on the principles of organisation and management. In the 1910s, Fayol identified five key functions of management—planning, organising, commanding, coordinating, and controlling—and proposed 14 principles of management that have become foundational concepts in management education (Fayol, 1956). Fayol's work laid the groundwork for modern management education and has influenced the development of management practices in both the public and private sectors.

Another significant contribution from Europe was Max Weber's theory of bureaucratic management. Weber, a German sociologist, emphasised the importance of a formal organisational structure based on clear rules, a defined hierarchy, and impersonal relationships (Weber, 1947; Weber et al., 1978). His concept of bureaucracy aimed to create a rational and efficient organisational system that minimised the influence of personal relationships and arbitrary decision-making. While the term "bureaucracy" often carries negative connotations today, Weber's ideas have profoundly influenced the design and functioning of large organisations, particularly in government and public administration.

Human Relations and Behavioural Theories

As management practices evolved, there was a growing recognition that the classical theories' focus on efficiency and structure needed to be balanced with an understanding of human behaviour and motivation. This shift led to the development of human relations and behavioural theories, which emphasised the importance of employee well-being and the social dynamics within organisations.

A pivotal moment in the development of human relations theory was the Hawthorne Studies, conducted at the Western Electric Hawthorne Works in the United States during the 1920s and 1930s. These studies, partly led by Elton Mayo and his colleagues, found that social factors, such as group dynamics and employee morale, had a significant impact on productivity (Gillespie, 1991). The Hawthorne Studies highlighted the importance of considering the human element in management and paved the way for the development of theories that focus on motivation, leadership, and organisational culture.

Another significant contribution to the behavioural approach was Abraham Maslow's hierarchy of needs, a psychological theory that has been widely applied in management. Maslow proposed that individuals have a hierarchy of needs, ranging from basic physiological needs to higher-level psychological needs, such as self-actualisation (Maslow, 1943). This theory has been used to understand employee motivation and to design work environments that fulfil employees' needs, thereby enhancing job satisfaction and performance.

Douglas McGregor, an American social psychologist, further developed the behavioural approach with his Theory X and Theory Y. McGregor proposed that managers' assumptions about their employees influence their management style. Theory X assumes that employees are inherently lazy and require strict supervision, while Theory Y assumes that employees are motivated and capable of self-direction (McGregor, 1960). McGregor's work encouraged managers to adopt more participative and empowering management practices, which have become increasingly prevalent in modern organisations.

Structural Adaptation

After WW2, the Marshall Plan brought an exceptional opportunity to American large companies to grow and internationalise their activities. The M-form structure became the dominant organisational form in American corporations by the mid-20th century, as highlighted by Chandler (1962) and Palmer et al. (1987), who saw it as an efficient way to manage territorial growth both domestically and internationally. This structural shift has been the result of an adaptation to the internationalisation of companies (Guillén, 1994).

Parallel to these developments, Bertalanffy's system theory in the 1950s challenged the classical principles of organisation (Bertalanffy, 1951). He argued that these principles were incompatible with the complex, ever-changing environments in which modern firms operated. Their work laid the groundwork for contingency theory, which sought to explain how organisations could achieve "fit" with their external environment (see Vaszkun & Koczkás (2024)). Unlike closed systems, which focused on internal processes, open systems considered the broader environment in which organisations operated. This shift marked a significant departure from earlier management theories that were inwardly focused. Open systems, coupled with contingency theory, encouraged managers to look beyond the confines of their organisations to better adapt to external changes, a critical approach in an increasingly globalised world.

We must notice the lasting influence of Structural Adaptation and contingency theory on management practice, particularly in the field of corporate consulting. Management consultancies such as McKinsey, BCG, and Delta played a significant role in popularising these theories, helping countless organisations restructure to achieve better alignment with their external environments. This practical application of management theory contributed to the enduring relevance of contingency theory as a mainstream organisational framework.

These theories not only provided a framework for understanding how organisations operate in complex environments but also laid the groundwork for future developments in strategic management and leadership. By moving beyond the "one-best-way" approach of earlier management theories, Structural Adaptation and open systems theory helped organisations become more adaptable, flexible, and responsive to external pressures, ensuring their continued relevance in a rapidly changing world.

Strategic Competition

In the late 1960s and 1970s, American companies, once dominant in the global market, began to face unprecedented competition. The economic slowdown in the United States contrasted sharply with the rapid rise of Japan as an industrial powerhouse. By the mid-1980s, the United States' share of global industrial output had dropped to 21%, compared to Japan's 19% (Locke, 1996). Japan's trade surplus with the US, which reached $56 billion in 1986, further underlined the competitive challenge. This shift prompted American firms to re-evaluate their operations, leading to widespread restructuring, layoffs, and increased emphasis on productivity and efficiency (Kenney, 1993).

In the 1970s and 1980s, the US business sector initiated significant deregulation, aiming to free the economy and enhance productivity. Strategic planning, once considered a corporate luxury, became an essential tool for survival. However, traditional strategic planning proved inadequate to meet the demands of global competition. Instead, a more dynamic approach to strategy, which Mintzberg (1994) describes as "genuine strategic thinking," was required. This shift led to the emergence of strategic management as a core discipline, pioneered by thinkers such as Igor Ansoff, whose work on corporate strategy (Ansoff, 1988) laid the foundation for the field.

Japan's success during this period served as both a model and a challenge for American firms. Books such as Vogel's Japan as Number One (1979) and Ouchi's Theory Z (1981) highlighted the effectiveness of Japanese management practices, particularly their emphasis on quality, teamwork, and long-term planning. The adoption of these practices in the US, particularly in the manufacturing sector, led to the rise of lean production, a method that focused on reducing waste and improving efficiency. This approach, heavily influenced by Japanese manufacturing techniques, became a cornerstone of American corporate strategy in the 1980s and beyond.

Ultimately, while Japan's rise was a catalyst for change, the broader paradigm shift towards global competition was driven by deeper structural forces (Vaszkun, 2012). The opening of global markets, the development of information and transportation technologies, and the rise of emerging economies all contributed to the widening competitive arena. As Porter's theory (1985) of competitive advantage suggests, companies needed to differentiate themselves by focusing on unique strengths and capabilities to survive in this new environment. This strategic approach, whether through cost leadership, product differentiation, or niche focus, became essential for firms facing increasingly intense global competition.

4.1.3. The Influence of the Western World on Global Management Practices

The Western world's dominance in global economic and political affairs has enabled it to shape management practices worldwide. This influence is evident in the widespread adoption of Western management theories and practices by multinational corporations (MNCs) and in the globalisation of business education.

The Role of Multinational Corporations

Multinational corporations, many of which are headquartered in the United States and Europe, have played a significant role in disseminating Western management practices across the globe. These companies often implement management practices that reflect Western values, such as individualism, innovation, and efficiency, in their subsidiaries and operations around the world.

One of the key challenges for MNCs is balancing the need for global standardisation with the need for local adaptation. Western MNCs often seek to standardise their management practices to ensure consistency and control across their global operations. However, they must also adapt these practices to fit the cultural, economic, and regulatory environments of the countries in which they operate. This tension between standardisation and adaptation has been a central theme in international management research (Bartlett & Ghoshal, 2008).

Western MNCs have also contributed to the development of global leadership practices, which emphasise the ability to manage and lead diverse teams across different cultural contexts. The rise of global leadership as a field of study reflects the growing recognition that effective leadership in a globalised world requires a deep understanding of cultural differences and the ability to navigate complex international environments (Mendenhall, 2008).

The Globalisation of Business Education

The Western world has also played a leading role in the globalisation of business education, particularly through the spread of MBA (Master of Business Administration) programmes. The MBA, which originated in the United States in the early 20th century, has become the standard qualification for aspiring managers and business leaders worldwide.

Many of the world's top business schools, such as Harvard Business School, INSEAD, and London Business School, are located in the United States and Europe. These institutions have been instrumental in shaping global management education, promoting Western management theories, and setting standards for business practices. Graduates of these programmes often carry Western management concepts and practices into their careers, further disseminating them around the world (Pfeffer & Fong, 2002). One of the carriers of these concepts appears to be the case study methodology.

The case study method, which originated at Harvard Business School, has become a cornerstone of business education in the Western world. This teaching approach involves analysing real-world business scenarios to develop problem-solving and decision-making skills. The case study method has been widely adopted by business schools around the world and has influenced how management is taught and practiced globally (Ellet, 2007).

The Western Approach to Corporate Governance

Corporate governance refers to the systems, processes, and principles by which companies are directed and controlled. The Western world, particularly the United States and the United Kingdom, has been a pioneer in developing corporate governance practices that emphasise transparency, accountability, and shareholder value.

The Anglo-American Model of Corporate Governance

The Anglo-American model of corporate governance, which is prevalent in the United States and the United Kingdom, focuses on maximising shareholder value and ensuring that management acts in the best interests of the shareholders. This model is characterised by a clear separation between ownership and control, with shareholders owning the company and a board of directors overseeing management (Shleifer & Vishny, 1997).

Furthermore, in this Anglo-American model, boards of directors are typically composed of a mix of executive and non-executive directors, with a strong emphasis on the independence of non-executive directors. This independence is intended to ensure that the board can effectively monitor management and protect the interests of shareholders. The concept of board independence has been widely adopted in corporate governance codes around the world (Cadbury, 1992).

Shareholder activism is another key feature of the Anglo-American model. In this model, shareholders are encouraged to actively engage with the companies they invest in, using their voting rights to influence corporate decisions and hold management accountable. Shareholder activism has become a powerful force in corporate governance, particularly in the United States, where institutional investors and activist shareholders often push for changes in corporate strategy, governance practices, and executive compensation (Bratton & McCahery, 2015).

The European Model of Corporate Governance

While the Anglo-American model of corporate governance has been highly influential, Europe has developed its own distinct approach to corporate governance, reflecting the region's different legal, cultural, and economic contexts. The European model of corporate governance, particularly in countries such as Germany and France, places a greater emphasis on stakeholder interests and the role of employees in corporate decision-making. Thus, it is often described as stakeholder-oriented, meaning that it considers the interests of a broader range of stakeholders, including employees, customers, suppliers, and the community, in addition to shareholders. This approach reflects the region's social market economy and its emphasis on social welfare and economic justice (Aguilera & Jackson, 2003).

One of the most distinctive features of German corporate governance is the practice of codetermination, where employees are represented on the company's supervisory board (Gorton & Schmid, 2004). This system ensures that employees have a voice in corporate decision-making and that their interests are considered alongside those of shareholders. Codetermination is seen as a way to promote industrial democracy and social harmony, and it has been influential in shaping corporate governance practices in other European countries.

European corporate governance codes, such as the German Corporate Governance Code and the UK Corporate Governance Code, provide in general guidelines on issues such as board composition, executive compensation, and shareholder rights. While these codes are not legally binding, they have become an important tool for promoting good governance practices across Europe (Hopt, 2011). Troilo et al. (2024) found about European CG codes that there is a positive and significant relationship between higher emphasis on strategy in CG codes and return on assets (ROA), the probability of paying dividends, and investing in research and development.

4.1.4. Challenges and Opportunities in the Western World

While the Western world has played a leading role in shaping global management practices, it also faces significant challenges and opportunities as it navigates the complexities of the modern global economy.

Globalisation has both enhanced and challenged the Western world's dominance in international/comparative management. On the one hand, globalisation has enabled Western MNCs to expand their operations and influence worldwide, spreading Western management practices and values. On the other hand, globalisation has exposed Western companies to increased competition from emerging markets, particularly in Asia, where companies are developing their own innovative management practices.

One of the key challenges for Western companies operating globally is managing cultural differences and diversity. While Western management practices are often based on individualism, competition, and short-term results, many other cultures place a greater emphasis on collectivism, cooperation, and long-term relationships. Western companies must adapt their management practices to fit these cultural contexts, which can be challenging but also offers opportunities for learning and growth (Hofstede, 2001). The same is also true today for internationalising Asian companies: their subsidiaries located in the Western world must find their ways in managing diversity.

Another effect of globalising economies weights on Corporate Social Responsibility. As Western companies expand globally, they are increasingly held accountable for their social and environmental impacts. The rise of corporate social responsibility (CSR) reflects a growing recognition that companies have a responsibility to contribute positively to society, beyond merely generating profits. Western companies can lead the way in developing and implementing CSR strategies, but they also face scrutiny and criticism, particularly when their practices are perceived as inconsistent or hypocritical (Carroll & Shabana, 2010). More recently however, large Asian (especially Chinese) companies must also face a higher level of expectations towards CSR practices (Koczkás, 2024a, 2024b).

As concerns about climate change and environmental sustainability grow (Csedő, 2023; Csedő et al., 2024), from the 1990s, Western companies have been under increasing pressure to develop and adopt green technologies and sustainable business practices

(Csedő et al., 2023). The Western world has been a leader in promoting sustainability, but it also faces the challenge of transitioning to a low-carbon economy while maintaining economic growth and competitiveness (Magyari et al., 2022). Green innovation presents a significant opportunity for Western companies to lead in the development of sustainable technologies and business models (Porter & Linde, 1995). At the same time, sustainability and green innovation are also a must for larger Asian companies today (Chen et al., 2018; Guoyou et al., 2013; Quan et al., 2023).

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