

MANAGERIAL BEHAVIOR AND CORPORATE GOVERNANCE – VECTORS OF THE ORGANIZATIONAL OPTIMIZATION PROCESS

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Abstract

As organizations increase their size and reinvent themselves structurally and financially, acting globally, their managers must recognize that the task of leading an international company is different from managing a company operating only in one country.

The reality is that acting globally the decision maker should take into account several legal systems, tax systems and different accounting systems, to mention just some of the new elements of diversity occurred in the new entry markets.

From another point of view, Enron scandal, among other corporate scandals, submitted to harsh criticism the valences and the so-called fundamentals of global capitalism and corporate governance and has fueled numerous doubts regarding the correctness of the behavior of those who decide in multinational companies.

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Key Words: *organizational optimization, managerial behavior, corporate governance*

Introduction

Globalization was described in the early '90s as the final stage of development for international management. Globalization seems to require that companies with international activity to be conducted by highly qualified managers to meet the challenges and responsibilities of the so-called global markets. Ten years later, the scenario has changed considerably. As globalization has placed power in the hands of large corporations, the management of these companies has become a major concern not only for international firms and their managers, but also for governments and other institutions. (Boddewyn, J. et al (2004).

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Despite the importance of these changes and events, literature is not comprehensive enough to highlight not only the growing power of transnational corporations (TNCs) and the corresponding implications for managers and for exercising its entire range of stakeholders identified in the millennium society.

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Discussion

Management as activity of leading a group of people to achieve a common goal requires and it is based on experience and talent. Among the qualities required of a manager can mention: *ability to lead people, flair, communication, self-control, intuition, ability to make meaning, originality, confidence*, etc.

Practice shows that the chances of success increase when management besides specific personal qualities exist some specific management knowledge there.

"*International managers*" must decide where to locate production to maximize the economies of scale and diversity (the range) and minimize costs of production and trading. A good manager must decide whether it is ethical to use extremely cheap labor and work with almost nonexistent environmental standards, as many of the activities outsourced to poor countries or developing. They decide to which markets will be expanding, and in which way, following the strategy etc.

International managers must prove people with excellent professional and personal skills, with good understanding of the business world, the concepts related to macroeconomics and global politics. The task they have to accomplish is very complex and requires a complete set of procedures that allows fewer errors in decision making.

Contemporary management issue lies in selecting the right people for achieving strategic objectives that have solid theoretical knowledge, especially practical skills.

This was emphasized by Henry Mintzberg in the book "*Managers Not MBAs. A Hard Look at the Soft Practice of Managing and Management Development*". (Henry Mintzberg (2004)

In this referential paper for Management Science, Professor Henry Mintzberg gives us a very solid reasoned critique of how managers are educated and the effectiveness of management science. In Mintzberg's work we can find some recommendations aiming thoroughly and somewhat controversial contemporary management reform. The author points out that conventional programs Master in Business Administration (MBA) is designed almost exclusively for young people with limited managerial experience, the programs focusing on theories, in the form of analysis and technique and minimizes actual experience and understanding of economic phenomena. As a result, the graduates remain with the impression that management is fully distorted by the application of formulas, in

order to deal with complex situations. Mintzberg argues in a convincing manner that this was "*corrupting and dehumanizing effect*" not only in the practice of management, but also on organizations in general, regardless of their specificity.

Next immediate step in the evolution of management science and organizations became leadership. Today's organizations and management teams at their level need both effective leaders and effective managers to run a successful operation. While there is some apparent similarity (for example, that both involve components that affect workers, authority and power are generally attributed to both positions, etc.) can be found, there are some significant differences (for example, management is often more task-oriented, leadership is associated more with inspiration and vision).

Zaleznik argues that management and leadership require different types, while Rost argues that leadership is a multidirectional influence, while management has a unidirectional influence (Kotter, J. (1990).

It is necessary to differentiate between management and leadership to a new level of reasoning and efficient operation ie *the corporate governance*, which in the opinion of Ana Lucia Guedes and Alexandre Faria is presented in the following way: "*managerial activity is closely related to practice and powers of managers of international companies, while the government is more closely related to practices and actors' higher order skills and networks that constrain and enable managers to have international practices and skills*" (Ana Lucia Guedes, Alexandre Faria, 2007)

Parochialism and ethnocentrism may explain why literature has long been overlooked aspects of governance that are so important, especially in the new global economic context. Different authors have pointed out that American researchers have developed conceptual architecture, claimed to be infallible in scientific world, on business models, without being sufficiently aware of contexts, research models and values of non-US. (Boyacigiller, N., Adler, N., 1991).

A paper that analyzes corporate governance as "mediator" between the market and the investor is Leora F. Klapper and Love Ines (Leora F. Klapper and Inessa Love, (2002). The authors of this paper are based on a series of simple questions, but the answers are complicated and also uncertain.

Can a company that is "locked" in a country with an uncertain legal environment to distinguish and offer more protection for its investors by adopting good corporate governance practices? Finally, the adoption of best practice corporate governance enshrined in logic does matter more in countries with better legal systems than in those with unclear legal system?

Empirical tests of these authors show that better corporate governance is highly correlated with better operating performance and market value. The same tests show that corporate governance is correlated with variables related to the degree of asymmetry of information, contracting imperfections facing the company, which we associate with firm size, sales growth and intangible assets.

Also related to globalization and corporate governance, there are authors who argue that "in addition to international management optimization, allowing the formation of a growing number of" partnerships between organizations" (Ohmae, K. (1989). Therefore, they assume that partnerships between large corporations and local governments are equally beneficial to all stakeholders. (Bartlett, G., Ghoshal, S. (1989) Specifically, they state that these networks are more efficient than industrial policies, led by governments.

Conclusions

There have been significant advances in the field of organizational behavior and management in recent decades. Manager's approach markets more proactive in an effort to keep pace with their dynamic and systemic changes. Managers understanding to organizational design and alternative forms of organization increased with understanding to what can be called "change management". The available tools to managers are more sophisticated today than decades ago, but the business environment and the challenges are more complex and more pressing as well.

Managers must find new ways to achieve effective coordination and collaboration within organizations to facilitate the transfer of knowledge gained and implementation of innovations and recognize that the task of leading an international company differs from that of managing a company operating only in one country.

Being assent to Henry Mintzberg claims, I believe that the contemporary management's problem lies in selecting the right people in order to achieve strategic objectives, these people must have solid theoretical knowledge, and especially practical skills. Managers should base their ideas on theoretical knowledge or flair, but especially on previous experiences related to business.

Corporate governance has been a topic of great interest due to past facts disclosed by the financial and economic crisis started in 2008. Corporations have lost credibility with consumers, a turning point where they must decide whether to keep the same strategy and the same way of managing local and international situations and take into account these new challenges related to ethics in business even if in the short term will mean reducing profits. Empirical tests have shown that better corporate governance is highly correlated with better operating performance and market value.

I must say that this article is part of my PhD thesis entitled "*Optimization of organizational structures in the context of business internationalization*", publicly presented in November 2012.

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