Influences of International Management Trends on Business Organisations in Papua New Guinea

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Abstract

This paper reviews management trends in the international business environment and discusses the challenges facing organisations in Papua New Guinea. It is argued that Papua New Guinea organisations need to invest in an integrated management approach built on management philosophies of total quality management, being a learning organisation, business re-engineering, change management and strategic management, if they are to compete successfully in the competitive business environment impacted by globalisation. The review also predicts that the next trend to have a major influence on the international business environment after globalisation is climate change and 'green management' strategies. Climate change will challenge organisations to re-visit their management practices and strategies to respond to the needs of the society in a changing business environment.

Key words: contemporary business environment, globalisation, integrated management framework, management trend
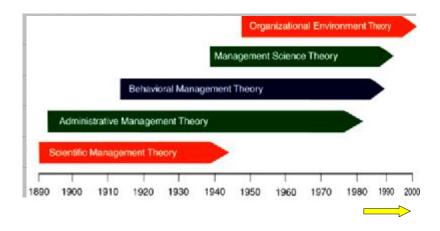
Introduction

Management trends in the 21st century are transforming the way organisations are managed in the contemporary business environment. Therefore managers need to be informed and be aware of the changes at the global level and the impact on their organisations so that they are able to respond accordingly to the changes in the contemporary business environment (Daft and Samson, 2009). Contemporary business environment in the context of this paper is referring to the management period from 1980 to the current time (2010). Discussions are based on literature review, analysis of postgraduate essays and interview notes from management executives studying for the Master of Business degree at Divine Word University in Papua New Guinea.

Management review (understanding the past, 1850-1970)

Daft and Samson (2009) claimed that evolution of management theories and practices over the years were driven by management problems and the changes in the business environment. Evolution of management theories comes in two periods, the classical period and the contemporary period. Classical management theories address problems in the organisation's internal environment particularly labour productivity. Classical management theories are scientific management, administrative management and behavioural theories. Contemporary management theories address problems in the

organisation's external environment. Contemporary management theories are management science and organisational environment theories. Other sub-braches of organisational environment theory are contingency and organisational systems theory.

Source: Bateman and Snell (1996)

Figure 1 Evolution of management theories

Frederick Taylor was the main contributor to scientific management (1856–1940). The scientific management concept of improving labour productivity through specialisation gained prominence in modern management practices particularly in engineering, technical and professions. The administrative management theory focuses on creating an organisational structure that leads to high efficiency and effectiveness. Henri Fayol was the main contributor to administrative theory (1895 -1980). Scientific and administrative management theories were influenced by industry revolution at the end of the nineteenth century and beginning of the twentieth century in Europe and the United States (Anderson, 1988).

The behavioural management theorists (1910–1950) focus on understanding human needs and providing incentives to motivate employees and encourage them to perform at high levels and be committed to the achievement of organisational goals. The behavioural school emerged because the classical approaches (scientific and administrative) did not achieved sufficient production efficiency and workplace harmony. While scientific and administrative management focused on the job and labour productivity, behavioural theories focus on human aspects that enhance labour productivity (Anderson, 1988).

Management science theory is a contemporary approach to management that emphasise the use of quantitative management models to help managers make decisions. Classical management theories were not able to provide the framework for organisations to respond to the needs of the society. During

World War II, (1940–1945), there was an urgent need for better ways of planning so military planners began using new management planning tools by applying mathematical techniques to defence problems and solve logistic problems. Management science theory facilitated the development of modern operations management (Anderson, 1988). Many of today's organisations have departments with management science specialists, such as information technology department, statistics department, and information and data management department.

Organisational environment is the theory of contemporary management (1980– current). Beamish (2008) argued that an organisation's internal environment is influenced by the forces in the external environment which can offer opportunities and threats on the organisation's management capacity and capability, so organisations need to develop strategies to respond to forces in the external environment. Figure 2 illustrates the evolution of management practices in the 21st century.

Period/Year	Classical Approaches	Events in the business environment influencing management functions
1890	Systematic Management	
1900	Scientific Management	**Industrial Revolution** Focus on employee productivity
1910	Bureaucratic Management	**Expansion of the organisations**
1920	Administrative Management	**Focus on the overall organizational system.** **Focus on the functions of management**
1930	Human Relations Management	**Focus on human factor (the staff performance and motivation)**
	Contemporary Approaches	
1940	Quantitative Management	**World War 2.** use of mathematics, statistics, and other quantitative techniques for management decision making and problem solving.
1950	Organisational Behaviour	
1960	Organisational Systems Theory	An approach to problem solving based on an understanding of the basic structure of systems.
1970	Contingency Theory	
1980	Total Quality Management	
1990	Learning Organisation	**Globalization:** Expansion of business at the global level. Influences of the macro environmental forces on the organisation
1990	Business Re-engineering	
2000	Strategic Management	
2010 Current	Next management theory?	**Major event in the current period ?**

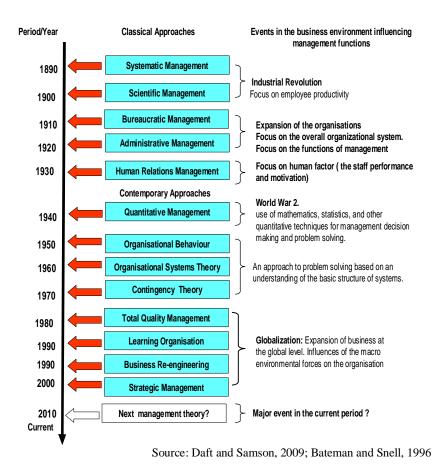Source: Daft and Samson, 2009; Bateman and Snell, 1996

Figure 2 Evolution of management practices

One of the key questions to ask when reviewing management trends is: *What issues are affecting the organisation or influencing the current management period, and which management theory and practice will guide the organisation to serve the needs of the society?*

Management trends in the contemporary business environment (understanding current times, 1980- 2010)

The period from 1980 to the current time is classified as the modern management period (contemporary business environment). Reinn (2005) argues that globalisation is a trend which is definitely reflecting the character of the contemporary business environment. Globalisation means expansion of business, political and cultural ideologies around the world. In the globalisation era, businesses are entering international markets, further expansion of the power of trans-national companies, and political influence by world governing bodies such as the World Bank, International Monetary Fund and the Asian Development Bank. Globalisation is impacting on business management practices. Simic (2005) highlighted that globalisation has dramatically increased the range of challenges for organisations competing in the contemporary business environment.

Implications of globalization on organizational management at the global level

Four major trends indicate the implications of globalisation on organisational management: (1) workforce diversity, (2) job flexibility, (3) flat organisational structures, and (4) networking, partnership and strategic alliances (Samson and Daft, 2009).

Diversified work force

Garvin (2003) argued that globalisation is having an impact on human resource management strategies of many organisations as the nature of work is changing. People are interacting with others who are different from themselves from biological, political, religious and cultural perspectives. Firms are expanding their business operations across borders so employees in the contemporary business environment need new relational skills to deal and communicate with people from different backgrounds. Organisations need new coordinating structures to accommodate different kinds of people in the workplace.

Daft and Samson (2009) found that organisations are encountering new challenges to deal with diversity as more women and people from minority backgrounds are entering the workforce in the contemporary business environment. Diversity issues including gender, political, cultural and religious dimensions of people's life. Responding to workforce diversity has increased organisational flexibility. For example, some organisations allow workers with

different needs to have different work and payment schedules, such as full-time and part-time to attract qualified personnel and retain them.

Job flexibility

Bateman and Snell (1996) state that flexibility is another major management trend noticeable in the global business environment influencing the way work is done. Flexibility is described as organisational systems, processes and people that can respond differently to different situations, where there are fewer detailed rules and procedures, greater autonomy, encouragement for initiative; customizable employment relationships, and shared responsibilities (Bateman and Snell, 1996). Job flexibility responds to differentiated customer needs, increased diversity in workplaces and an increased pace of change in technology and markets. Some organisations achieve competitive advantage by offering a flexible working environment to attract and retain the best workforce.
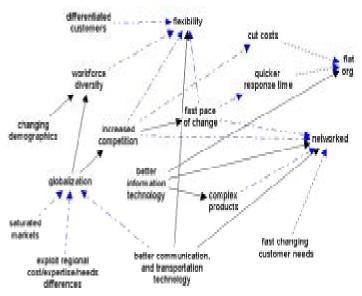
Flat organisational structure

Another noticeable trend in the contemporary business environment is right-sizing, re-structuring and flattening of the organisational structure. This trend is described by Robbins and Mukerji (1994) as having fewer levels of management and workers being empowered to make decisions. Lahiri and Reinn (2005) argue that organisations are rightsizing their structure as a result of globalisation creating intensified competition, which increases the need to cut costs and respond quickly to the market demands. Also changes in information technology are improving productivity and efficiency.

Beamish (2008) highlighted that increased competition enhances faster pace of change, as each competitor introduces innovations in order to outperform their competitors. According to Johnson and Scholes (1998), organisations that can develop new technologies faster, or adapt to changes in the market faster, are the ones that will survive the competition. To maximise response time, organisations have been flattening, downsizing, and networking. Bateman and Snell (1996) claim that flat organisations make decisions more quickly because each person is closer to the ultimate decision-makers. Smaller organisations are faster to respond to market demands because there are simply fewer different things going on, fewer competing goals and fewer people to coordinate. Organisations that flatten tend to simultaneously encourage horizontal communication among workers.

Partnership and strategic alliance

Another management trend that is having an impact on the way organisations are managed is partnership and strategic alliances. Beamish (2008) describes alliance as cooperative and shared decision making between two (or more) organisations for the purpose of securing a competitive advantage. Daft and Samson (2009) describe strategic alliance as a form of strategic partnering which also includes contracting, ownership integration and entering into

mergers and consolidations. Sporleder (2006) emphasises that network, partnership and alliances are important in industries with complex products where technologies and customer needs change rapidly. For Beamish (2008), alliance is established for a variety of reasons such as access to market, access to complementary technology, increase speed of innovations, and to learn about technology or markets. The mergers and alliances have grown very rapidly since the 1990s, strongly driven by the internationalising of business. Figure 3 illustrates management trends in the current period.

Source: 21st Century Organizational Trends, http://www.professorcezar.adm.

Figure 3 Management trends in the current period

The challenges of globalisation on organisations in Papua New Guinea

Globalisation offers challenges and opportunities for organisations in PNG. For instance, foreign companies are investing in PNG to stimulate economic growth. There are also environmental concerns as rapid growth increases pollution and environmental degradation (PNG Year Book, 2009). Multinational enterprises have sales offices and production facilities in countries all over the world so organisations in PNG face intense competition from foreign companies and imports of high quality foreign products.

Organisations in PNG need to invest in diversified human resources, recruit qualified people and create coordinating mechanisms to accommodate different kinds of people in the workplace. Organisations should allow workers with different needs to have different work and payment schedules, re-design jobs to promote job flexibility and offer initiatives to promote innovation and creativity in order to attract and retain employees. PNG is a diversified culture even at the local level (interview, DWU MLBA student, 2009).

Workforce diversity has important implications for management practices and can be a source of competitive advantage for organisations. Managers have to shift their philosophy from treating everyone alike to recognising differences and responding to those differences in ways that ensure employee retention and greater productivity while, at the same time, not being discriminatory. If diversity is managed properly, it can enhance creativity and innovation and improve decision making by providing different perspective on problems. When diversity is not managed properly, there is potential for high staff turnover, difficult communication and interpersonal conflicts (interview, DWU MLBA student, 2009).

Sporleder (2006) highlighted that, in the contemporary fast changing business environment, responsiveness, quickness, agility and the ability to adapt to changing demands are vital for organisations' survival. Organisations respond differently to different situations, with fewer detailed rules and procedures and greater autonomy, re-structuring and flattening the organisational structure, so that organisations can adapt to changes in the market faster. One strategy to compete successfully in the competitive business environment is to form strategic alliances with partner organisations in PNG and in other countries Strategic alliance is an important strategy for organisational success and long term growth (interview, DWU MLBA student, 2009).

Management practices in the contemporary business environment

In the era of globalisation, the contemporary business environment is more competitive and challenging than in the past. Beamish (2008) highlighted that the external business environment is constantly influencing a firm's capability and strategic decisions; organisations are competing with others for contracts, clients and customers; competitors are using proactive strategies to influence the industry environment by offering new products and services; and customers are well educated and aware of their options and demanding better quality goods and services. Firms competing in the contemporary business environment must engage in strategic actions to manage in a way that the organisation delivers goods and services that provide the best value to the customers (Johnson and Scholes, 2002). The following management practices are classified as management practices for the contemporary business environment (1) total quality management (2) learning organisation (3) business reengineering and (4) strategic management

Total Quality Management

Organisations competing in the competitive business environment are under constant pressure to improve their business performance, measure themselves against world class standards and focus their effort on the customer. To help this process many are turning to quality improvement models using Total Quality Management practice. This is a management philosophy that seeks to integrate all organisational functions to focus on meeting customer needs and achieving organisational objectives. In Total Quality Management, everyone is

committed to continuous improvement of their part of the operation in an organisation. Total Quality Management is now part of a much wider concept that addresses overall organisational performance and recognises the importance of processes within and outside of the organisation (Oakland, 1998).

Learning organisation

A learning organisation is an organisation skilled at creating, acquiring, and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights (Bateman and Snell, 1996). Organisations, like people, must continually learn new things to avoid obsolescence. Rather than merely reacting to change, they must anticipate change and stay ahead of it. In learning organisations, employees are given opportunities to know what is going on, think constructively about important issues, look for opportunities to learn new things, and seek creative solutions to problems. Garvin (1993) argued that, in an effective learning organization, the organisation should not be too structured. There has to be room for creativity so organisations can easily respond to new challenges with innovative solutions. A learning organisation copes well with the changes in the business environment.

Business re-engineering and change management

The world is changing fast with technological, social, economic and political forces influencing the global business environment. Organisations need to be informed of the trends and respond according to the changes to maintain their competitive position (Beamish, 2008). Organisations need to assess the factors in the business environment and respond accordingly by investing in the relevant business management strategies. Responding to the environment require changes to organisational structures and processes. Change is necessary otherwise an organisation's current management strategies will not be appropriate to match changing circumstances. Business re-engineering is the process of renewal; rebuilding the organisation and overhauling its way of doing business. Private and public sector reforms are examples of business re-engineering management practices in the contemporary business environment. Business re-engineering must be supported by change management strategies to ensure a smooth transition to new structures and processes in the organisation (Bateman and Snell, 1996).

Strategic management

Beamish (2008) defines strategic management as a set of decisions and actions used to formulate and implement strategies that will provide a competitive superior fit between an organisation and its environment so as to achieve organisational goals. A manager's role is to think strategically by studying the organisation's business environment, its market, industry and competitors, and to think about what the long term future might hold and how the organisation can best be positioned to stay competitive.

The overall strategic management process begins with the organisation's top management evaluating the organisation's current position with respect to its vision, mission, goals, and key business strategies. Management then scans the organisation's internal and external environments and identifies strategic factors that might require change. Internal and external events might indicate a need to redefine the mission or goals or to formulate a new management strategy at corporate, business or functional levels. The final stage in the strategic management process is implementation of the new strategy (Daft and Samson, 2009).

The challenges of contemporary management practices in Papua New Guinea

Management trends at the global level will continue to influence PNG's business environment and it is a challenge for organisations in PNG to review their management strategies and respond to the changes in the business environment. Bateman and Snell (1996) outline some of the trends that will continue to reshape organisational management functions in the next decade as follows: (1) organisations will be much smaller than the huge corporations of the past; (2) highly educated, technical oriented 'knowledge workers' will replace manufacturing employees as the worker elite; (3) the goal of business will be less making a physical product and more oriented to providing a service; (4) work will become less routine and predictable and require constant learning and complex thinking; and, (5) employees will have more independence than workers of the past and be expected to know more about the overall business and take greater responsibility for what they do.

The challenge for organisations in PNG is to do business successfully in the competitive business environment influenced by the forces of globalisation. For organisations to compete successfully in the competitive environment, they need to integrate the principles of the four key contemporary management practices into an integrated management framework. The key management practices are, total quality management, being a learning organisation, business re-engineering, change management and strategic management (Bateman and Snell, 1996). The integrated management framework should enable organisations to respond to the challenges of the contemporary business environment (interview, DWU MLBA student; 2009).

Organisations need to invest in Total Quality Management, where continuous improvement in all aspects of operations enables the organisations to deliver quality and satisfy both internal and external customers. Organisations in PNG should facilitate the culture of innovative and creativity in all aspects of their operations. Organisations should become learning organisations and learning should be part of their corporate culture. If the organisation senses that its current management strategies are not working well, then re-engineering should be a strategic option to be considered along with change management strategies to enhance smooth transition to new ideas (interview, DWU MLBA student, 2009).

Organisational reform can be successfully implemented with effective change management strategies and clear strategic direction. It is important for organisations to involve in strategic management planning. Organisations should have corporate plan that clearly define their strategic vision, goals and values, and key strategies to do business. With strategic plan, organisation should know where it is going and its future destination and with support from partners the organisation can be successfully management in competitive business environment (interview, DWU MLBA student; 2009).
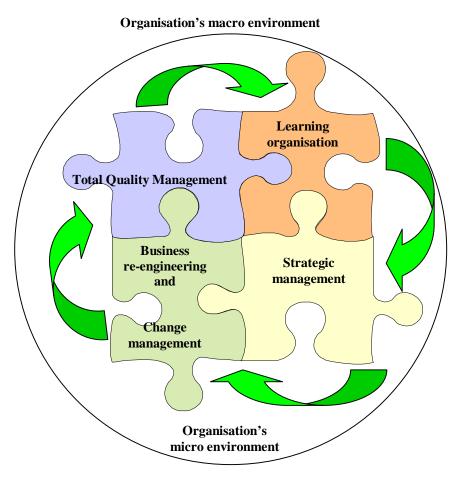
Organisation's macro environment

Figure 4 An integrated management model

Future management trends

Global economy and the corporate world's landscape could see a paradigm shift in the next decade. McKinsey Oakland (2008) stated that an important influence on management trends in the business environment will be 'the concern for the natural environment'. Similarly, Daft and Samson (2009) suggested that the next management theories and practices will focus on

creating a positive relationship between the natural environment, organisations and businesses.
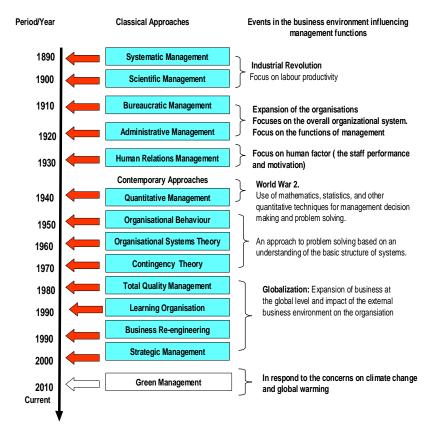
Global warming has been a prominent issue in European Union considerations. All European Union member states ratified the 1997 Kypto Protocol and many European countries had already taken actions to reduce greenhouse gas emissions prior to 1990. For example, Margaret Thatcher advocated action against man-made climate change in 1988, and Germany started to take action after the Green Party took seats in Parliament across the 1980s. Substantial activity by non-government organizations took place as well (Wikipedia, 2009). In Europe the notion of human influence on climate gained wide acceptance more rapidly than in many other parts of the world, most notably the United States. The table below shows how public perceptions about the existence and importance of global warming have changed. The worldwide consensus is that climate change is a serious problem (Wikipedia, 2009).

Statement	% agree	Year
Human activity is a significant cause of climate change	79	2007
Climate change is a serious problem.	90	2006
Climate change is a serious problem.	78	2003
It is necessary to take major steps starting very soon	65	2000

Surveys, by Pew Global between 2006 and 2009, show interesting trends in global opinion about climate change and global warming. A 15-nation poll conducted in 2006 found that there was substantial concern over global warming: roughly two-thirds of Japanese (66%) and Indians (65%) say they personally worry a great deal about global warming. Roughly half of the populations of Spain (51%) and France (46%) also express great concern over global warming, based on those who have heard about the issue. But there was much less evidence of alarm over global warming in either the United States or China, the two largest producers of greenhouse gases. Just 19% of Americans and 20% of the Chinese who have heard of the issue say they worry a lot about global warming. These were the lowest percentages in the 15 countries surveyed. Moreover, nearly half of Americans (47%) and somewhat fewer Chinese (37%) expressed little or no concern about the problem (Wikipedia, 2009).

Another survey – a 47-nation poll – conducted in 2007 found that the majority of countries were concerned about the impact of global warming. However there was a notable difference between the opinion of scientists and that of the general public. A 2009 poll found that 84% of scientists say the earth is getting warmer because of human activity such as burning fossil fuels, while only 49% of the public held the same opinion (Wikipedia, 2009).

In response to concerns about climate change and global warming, 'green management' has been added to future trends in management. This is reflected in Figure 5 which illustrates past, current and future management trends.

Period/Year	Classical Approaches	Events in the business environment influencing management functions

1890	Systematic Management	Industrial Revolution
1900	Scientific Management	Focus on labour productivity
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1920	Administrative Management	Focuses on the overall organizational system. Focus on the functions of management
1930	Human Relations Management	Focus on human factor (the staff performance and motivation)
	Contemporary Approaches	
1940	Quantitative Management	World War 2. Use of mathematics, statistics, and other quantitative techniques for management decision making and problem solving.
1950	Organisational Behaviour	
1960	Organisational Systems Theory	An approach to problem solving based on an understanding of the basic structure of systems.
1970	Contingency Theory	
1980	Total Quality Management	Globalization: Expansion of business at the global level and impact of the external business environment on the organsiation
1990	Learning Organisation	
1990	Business Re-engineering	
2000	Strategic Management	
2010 Current	Green Management	In respond to the concerns on climate change and global warming

Source: Daft and Samson, 2009; Bateman and Snell, 1996

Figure 5 Past, current and the future trends of management

The literature review has identified that climate change is becoming a critical management issue and will have a major impact on management functions and performance of organisations in the coming years. Organisations will be challenged to re-visit their management practices and invest in innovative strategies when responding to the needs of society because the current management approaches and practices will not be relevant in the changing circumstances. How organisations should respond to the green management concept should be topic for organizational research, discussion and debate.

Conclusion

The paper reviewed the management trends in the international business environment and discussed the challenges facing organizations in Papua New Guinea. The review identified that globalisation is a major force influencing management trends in the 21st century, creating a competitive business environment and impacting on organisations' management strategies. It is

suggested that organisations in Papua New Guinea need to adapt their strategies meet the challenges of successfully operating in the competitive business environment influenced by globalisation. It is argued that organizations should invest in an integrated management approach that is built on the management philosophies of total quality management, being a learning organisation, business re-engineering, change management and strategic management. These are the relevant and appropriate management practices of the contemporary business environment. The review also predicts that the next major trend to influence the international business environment after globalisation is climate change. Climate change will challenge organisations to re-visit their management practices and strategies to become 'green organizations' and meet the needs of society in a global business environment.

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