Convergence and divergence an emerging evolving

CONTRAST AND COMPARE WHAT THE LITERATURE HAS TO SAY ON WHY DESPITE THE ADVANCE OF GLOBALIZATION COUNTRIES IN THE MAIN INDUSTRALIZED COUNTRIES CONTINUE TO DIVERGE IN IMPORTANT WAYS. HOW MIGHT THESE DIFFERENT IMPACT THE SORT OF SKILLS MANAGERS DEVELOP IN DIFFERENT COUNTRIES.

“ There has been a fundamental shift in world economy. We are moving away from a world in which national economies were relatively self contained entities, isolated from each other by barriers to cross-border trade and investments, national differences in government regulation, culture and business systems (Hill 2007: 4).”

‘ Over the past 30 years, international trade and investment has grown much faster than the world economy (Lasserre 2007: 11).’ By employing more resources, companies have been expanding its global presence. Thus, globalization refers to the shift toward a more unified and inter-reliant world economy. One of the drivers of globalization is the emergence of multinational companies (MNCs). The challenge faced by the MNCs is between coordination of their endeavors and sharing of knowledge.

However, there has been a growing debate on convergence and divergence due to globalization. What exactly convergence and divergence mean? Convergence is a tendency of companies to adopt similar management practices. Despite the location of the companies, they are becoming alike in terms of structure, technology and ways of operating. Businesses grew rapidly as a result of globalization and institutional change. There is an evidence to support my argument as (Geppert et al. 2002 cited in ???)

stresses impact of globalization, incorporating cultures, institutions and firm-level practices as a driving force for convergence. However, the initial phase of convergence was characterized by the structural aspects such as technology and economic change. Moreover, MNCs adopt uniform practices and are imitated thorough a process of benchmarking. Thus, due to rise in multinationals and globalization of market place, the expectations of managers and corporate cultures are becoming more and more influential than national culture.

There are a number of practices adopted by different countries in order to deal with the issues of training and development of their managers. Divergence protagonists (Hofstede 1995 and Alder 1996 as cited in Rhodes et al. 2008: 3) paper, argue that 'employees are likely to exhibit a range of different attitudes and behaviours; this results in varied implementations of the same management practice.' To illustrate, an organization may adapt same enterprise resource planning system universally, but could have various Human Resource policies in different markets it penetrates. Exporting, joint ventures, strategic alliances, licensing and franchising etc. are some of the ways which the companies can follow in order to diverge or converge their management practices or operations. As a result of this, I believe, management practices followed in different economies continue to diverge.

Basically, the differences in the management practices can be viewed from two fundamental aspects:

Institutional

a) Varieties of capitalism

b) Business Systems

Cultural

This paper considers the institutional lens.

There is a further evidence to support that institutions can be defined as " a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons, and organizations as durable entities with formally recognized members, whose rules also contribute to the institutions of the political economy" (North, 1990: 3 cited in Hall and Soskice, 2001 : 9)."

Through institutional lens we can understand different country systems of management development. In addition to this, social and institutional arrangements form a fundamental basis in constituting the social structures in a given country/ region which means that how firms are established and the structuring of labor markets. Furthermore, once firms are constituted and labor market are in place, they have long-lasting consequences that influence norms and values, serve vested interests, foster expectations and generate societal effects (Rubery and Grimshaw 2003 cited in ????). Moreover, factors such as customs and practices (Brown 1972 cited in ????), social norms (Wootton 1955 cited in?????) and traditions regulate the relations between interest groups and reconcile disputes. Thus, societal system has a strong influence on how managers use these skills, the authority conceived and the responsibility they have.

In varieties of capitalism, it is said that the political economy is characterized by multiple actors such as firms, individuals, producer groups, or even government. Actors, however, need to maintain good relationships internally and externally. Firm's success depends heavily on its ability to co-ordinate. There are five spheres in which firms face co-ordination problems. Firstly, in the sphere of industrial relations, firms need to synchronize bargaining power over wages, the working conditions they provide to its employees, trade unions and other employers. Secondly, in vocational training and education sphere, firms face the problem of securing labor force with the desired skills, ' while workers face the problem of deciding how to invest in what skills' (Hall & Soskice, 2001: 7). In addition to this, firms turn to corporate governance to access finance. However, the issue faced by the firms is to assure its investors a fair return on investments. Moreover, in inter-firm relations sphere, enterprises need to coordinate with the external environment like suppliers, stakeholders, government, clients etc in order to maintain the stable demand for its product, access to technology and supplies of inputs. This is, however, crucial for the firms to remain competitive in the market. Lastly, firms face problem of coordination with their own employees. ' Their central problem is to ensure that employees have the requisite competencies and cooperate well with others to advance the objectives of the firm' (Hall & Soskice, 2001: 7).

Thus, with respect to national political economies, they can be compared in the way the firms resolve the coordination problems they face in the above mentioned spheres. There are two types of political economies, ' liberal market economies' (Hall and Soskice, 2001: 8) and ' coordinated market economies’ (Hall & Soskice, 2001: 7). In Liberated Market Economies (LMEs), firms use hierarchies and competitive market arrangements to coordinate their activities. Also, there is very less industry coordination and contracting is usually formal with respect to prices. In Coordinated Market Economies (CMEs), firms rely on non-market relationships to build their core competencies. They usually follow relational or incomplete contracting and network to exchange their private information. Depending on supportive institutions, firms in CMEs resolve their coordination problems through strategic interactions with other actors.

According to (Whitley, 2007 : 36), he argues that, “ the development of cohesive business systems at the national level depends, inter alia, on states establishing stable rules of the game governing economic decision making.” There are five distinct types of states:

Dominant developmental states: In this, industrial clusters function as agents of the state.

Arms length: they are not involved in firms’ strategies or behaviour, but prefer function remotely and allow ‘ market forces’ (Whitley, 2007 : 39) to determine the result.

Business Corporatist : these states provide support to the intermediary organizations with greater independence by delegating some of its powers and give them representational monopoly. Thus, they work closely with associations of large companies and sometimes encourage peak associations of labor unions to participate in framing policies.

Inclusive corporatist : here, states try to organize unions at national level in order to deal with the distribution issues and to administer the income policies.

Therefore, the above mentioned states, “ develop different kinds of approaches to the regulation and management of capital and labor markets, as well as institutionalizing varied political cultures and legal systems” (Whitley, 2007 : 41). As a result, such kind of an approach leads to standardization of formation of interest group, labor relations and skill formation systems. As far as skill formation system is concerned, arm’s length states rely on market forces to establish their training programmes through apprenticeships, professional examinations or educational establishments by delegating these processes to a number of external groups in order to evaluate output. They develop more flexible ways assessing and certifying the practical skills and expertise (Whitley, 2007: 45). On the other hand, dominant developmental states take active part in organizing training programmes and do not involve employers and unions. Hence, the assessment of practical skills is usually gained through practical experience. Collaborative states coordinate with companies and state agencies in skill formation system. However, countries dominated by business corporatist states depend on public schools and universities to standardize their training programme. Inclusive corporatist states, on the other side, integrate state schools with trained employer in include participation of labor unions.

But according to (Hall & Soskice, 2001: 147) different product market strategies are facilitated by a workforce with particular skill profiles. In addition to this, different types of social protection influence the propensity of individuals to invest in particular skills, which in turn determines the skill profile on the economy.

There are basically three main types of skills which are associated with the product market strategies and differ in terms of transferability.

Firm specific skills are gained by on-the-job training. These skills are least transferable. They are important on the part of the employers who carry out the training.

" Industry or occupational skills are usually associated with vocational and educational training (VET) and transferable jobs within specific industries" (????? xerox). Here, coordination is of utmost important between the firms to stop poaching. Generalist skills are transferable easily between the work places. A manager/ employee while investing in any particular skill must consider future job security and return on investment in skills. This gives rise to the institutions which are needed for employment and unemployment protection. However, skill profile and training system in countries like UK, US, Australia etc. regarded as LMEs differentiate than those in CMEs like Germany, Austria, Sweden etc. Thus, from (Ramirez, 2004: 438-40) and (Hall and Soskice, 2001: 170) it can be said that vocational training system in Germany is carried out through dual apprenticeship system that is through vocational colleges that focuses developing industry and firm specific skills. Since it has highly skilled workforce and severe training to its managers, there is a high level of harmony between managers and workers.

Whereas in Japan, the emphasis of training is more at company level. Hence, the skill profile of this economy is firm specific. The vocational training system in Netherlands and Denmark is strong but, unlike Germany skills are more industry than company specific. Education at university level is occupational in nature, making employees more mobile (Estevez-Abe et al, 2001) as cited in (Rhodes et al., 2008) paper . UK focuses on general skills rather than firm specific skills. As a result of this, there is a high degree of mobility among managers, employers invest very less in these types of skills.

Conclusion: