

The manager role: refocusing the managerial paradigm

Interview with Vlado Dimovski

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VLADO DIMOVSKI

This is the first part of the interview with Vlado Dimovski. The interview was held before the COVID19 crisis, on February 5, 2020, during his visit to ESPM for lectures, sponsored by MPCC/ ESPM, and Professor Vivian Strehlau.

Vlado Dimovski is a Slovenian economist, philosopher, politician, consultant, and professor of management and organization at the University of Ljubljana. He has degrees in economics (MA, BA), philosophy (BA), management, and finance (Ph.D.). He got many awards and has been elected member of the European Academy of Sciences and Arts (since 2016). As a consultant, he has been working with World Bank/EDI, UNIDO, UNDP, McKinsey, A.T. Kearney, and Deloitte. He has been an advisor to numerous governments and institutions, like the Macedonian Prime Minister. In politics, he has served as the State Secretary for Industry, and as Minister for Labor, Family, and Social Affairs while Slovenia has entered the EU.



IJBMT: Good afternoon, Professor Dimovski. On behalf of ESPM and International Journal of Business and Marketing, we would like to thank you for your time and availability to share your knowledge and experience with us.

Vlado Dimovski: I want to thank you, ESPM, for having me here. I am glad because this is my first time in Sao Paulo and Brazil. And I would like to thank you for the university and the faculty kindness and for Vivian Strehlau to be so helpful and let me have two lecturers here with the students at this school.

IJBMT: It is our honor to have you here. Our first question is: You mentioned in your lectures that “manager replaces management.” In other words, the traditional POLC framework is out-dated. Could you explore this idea a little better, please?

VD: Yes, of course. As a professor of management and organization, I could talk a lot about that, you know. So, let us be brief and share some ideas. Management, as a word, was found in the 17th century for the first time. However, we know that management as a coordination of different activities could be found in old times in Greece. I always say, from a European perspective, we take ancient Greece as the cradle of civilization, even though today we must admit there are other cradles around the world. But, from the European perspective, that is where I am coming from, this is fair to say. There was, for example, the word “Stratego,” which is also part of the management world, and we are still using today. However, the term “Stratego” was used more for military purposes. From a terminological standpoint, of course, management dated back to the beginning of the cities, that probably needed some command to be built.

Now, back to your question. In modern times, a crucial part of management concept development was French. Fayol, for example, was a French industrialist. He came up with this idea of planning, organizing, leading, and controlling as a process. Nowadays, there have been many discussions about the role of managers, although there is no consensus that it should be changed. That is the case, for example, of those who follow Mintzberg’s management thought, because he talks about the managerial roles, about ten managerial roles. I believe this is one of the lines we have to explore more than we did in the past because the manager is a person that has the instruments of influencing stakeholders, influencing employees, influencing the development of the events, and so on.

We must look at nowadays management more through the manager role and explore what I call instruments portfolio through which he/she would have an impact. It is a modern world that we use instead of influence as we did in the past. I am not saying that this classical management approach as a process will disappear, but we will have to refocus the managerial paradigm in terms of the manager role.

One of the first things to consider is ethics. In the past, we never talked about - or not so much about - ethics, even though ethics, Nicomachean ethics, was a book published in old Greek times, but ethics is still a subject. It appeared in the modern economy in the last, maybe, 10, 15, 20 years. When I was studying management and finance in the United States, we never talked before about corporate social responsibility, or, at least, we did not talk about so much or not at all. Today, of course, this is one of the essential parts, for example, of the policies and the rules that are implied by corporations. It has changed. Ethics is personal. Therefore, ethics and corporate social responsibility are the essential company’s profile. That is why I think the management paradigm must change to be more personal than it was in the past, which has long-term implications. In words, it sounds easy, but when you start to understand the manager through all the tools he or she has in terms of the portfolio, it can have long-term implications.

Yesterday, in my presentation, I said that the word has many impacts. If you say the right word at the right time, we know it can have much impact in terms of motivation and more. That

is why I think we are moving slowly from the old and failed paradigm to the team paradigm, which is much more modern. In it, accountability is an issue, and the responsibility decision-making process is much more focused than before.

IJBMT: If I understood correctly, you are telling us that the research should focus more on the individual level than at the company level?

VD: Certainly yes! But, as business professors, we must look at this at three levels. The first level is the individual that is covered by Psychology. The second level, which we call organizational, is what is covered, basically, in the administrative organization. The third level, the one of society, is mainly covered by the economy. I would say that we are somewhere in the middle. That is why, for modern management, it is crucial to understand what is happening in the economy, not just in the national economy, because national economies are disappearing, we are becoming a global economy.

The modern manager also needs to know a lot more about Psychology than in the past because it is essential to understand how to deal with conflicts and conflict resolution. Each person will have a different approach to solving problems, which is why, to some extent, you are right. But what we are doing is always adopting the multilevel approach. We are trying to understand the reality of business in its complexity. As scientists, we need to know that we need to structure management issues at these three levels, and in their multiple dimensions. I hope I am not too scientific, but that is how we should understand the insights about management or organization.

IJBMT: It is essential to realize this complexity involved in the management process. In your opinion, how can this concept be applied to small and medium-sized companies, how should they deal with this complexity?

VD: I think it will be more comfortable than the traditional approach because if you look at a typical entrepreneur, small companies, they start with an idea. They do not have the structure, and they are not predicting. If you ask an entrepreneur what he will do, he will not know how to answer. He will say, "I don't know about organizational structure, organizational design," as if he were talking about the idea and how it will develop. He will be able to tell who the customers and the markets will be, what the process will be. He will conclude by saying that he will organize everything with a structure that he does not know, with a functional structure or any other one. Therefore, the structure is secondary to the strategy, as we know, from literature and practice. The entrepreneur will talk about his business but without the slightest idea of how to structure its management.



IJBMT: Are you describing the effectuate process?

VD: Yes! And basically, how do you put it in the designed shape, what we call design. I think the new approach we are looking for is more realistic than a personal management process. It is more natural. When it comes to micro or small companies, we are talking about more than 90% of companies. They run an essential part of the economy. The backbone, of course, is formed by large companies. But everything else, mainly in terms of services, is made up of micro and small enterprises.

IJBMT: Especially in terms of job creation

VD: Yes, and especially in terms of looking for new ideas. Small companies are much more fertile for new ideas than large companies, because they are less attached to structures, and more focused on strategy. But let us talk about knowledge-based companies. I am not saying that big companies are not knowledge-based or knowledge-intensive, but it is easier to make decisions to put the budget, for example, and change quickly, in a small company.

IJBMT: To respond to the market...

VD: Not only to respond to the market but to change it. Soon, it will probably be more realistic to deal with this new paradigm, for example, to analyze management.

IJBMT: You said that functional structures do not fit in modern times, but most companies still use this type of organizational structure. Can you estimate how many?

VD: I would say that in the Slovenian economy, which I know best, companies with functional structures would be around 70%. Companies still do not adopt the type of non-procedural structural design and continue with the functional design. It is seen in companies with production, finance, human resources, and other managers.

IJBMT: Would this happen even in more developed countries like Germany, Britain, America?

VD: Yes, it does. The large companies in these countries work with two types of organization, one is predominantly functional, and the other is divisional. Global companies apply what we call a hybrid of four types of organizational structure. They use different approaches, depending a lot on the local economies where they are present. Sometimes they enter a country with greenfield investments; sometimes, they acquire established companies. They also use different instruments to enter specific markets. It depends on the situation and the particular market. But yes, you are right: companies in these countries still basically use these two major types of organizational structure. There are many reasons for this.

First, I told you that at the beginning of the previous answer, the organizational structure always follows the strategy. So, sometimes companies are not consistent. The organizational structure requires a lot of work because it is necessary to deinstitutionalize to reinstitutionalize. So, we must fight the structures, the institutions, to launch the new ones. There is much resistance in terms of workers. For example, you probably also have had an experience that I always have when we do consult work in terms of restructuring the company. When we propose a new organizational structure, people will look at the structure and ask first, "oh, where am I?".

IJBMT: “Oh my God! Where is my position?”

VD: Exactly! And this is a major obstacle, because, of course, all change is inserted in a specific context. We call this out of context. You cannot just say, “let’s leave the constant context behind, make a change, and then it will be like a new organizational structure.” Of course, it does not work that way. Therefore, it requires the process that you know, and managers will have to follow the strategy. A book by Harvard Professor Kaplan, called *Execution Premium (Linking Strategy to Operations for Competitive Advantage)*, discusses this issue about the relationship between strategy and design. He says that most of these strategies fail and fail for different reasons. One reason, of course, is the structure, because there is considerable resistance to change. But failure is also mostly the manager’s responsibility, in terms of change or reform, for not preparing the company for the necessary changes.

IJBMT: Two questions in one, on this subject. Wouldn’t the many different types of structures that we teach in business schools not apply in practice? Are fantastic structures, different structures, innovative concepts being taught for nothing? At the same time, are startups starting wrong in terms of structure?

VD: Well, that is the thing. This is one question that tackles education...

IJBMT: ...that is our next subject!

VD: Education, and specifically business education, cannot keep pace with some sectors, such as the IT sector, which is so fast that changes are sometimes counted in days. Some industries, like apparel (or the rest of the industry), are slower.

However, in business schools, we try to provide companies with some frameworks. But we are terribly slow in business schools! Most business schools are too slow to keep up with changing business reality. First, because in some sectors, this is happening so fast that we basically cannot reflect on systematizing and proposing theories and practical actions, especially, as I said, for the IT sector, and some other industries that are connected to it. We cannot reflect on all the changes. This speed of change is factor number one.

Number two is because technological changes, like big data, for example, are not always detected immediately or immediately detected and applied to different businesses. Big data is an incredibly challenging change. McDonald’s, for example, and other big companies, are using big data because electronics have entered the field, and they want to use electronic processes. Today, we have the tools with which we can deal with big data. But in terms of organizational structure, things do not change that fast.

For us, business teachers, it ends up being easier to teach the classics than to reflect what is happening in the business. It is safer for us. We say, “Leave me with my framework!” One of the business schools’ main problems is that the courses are still set up in functional areas, such as finance, human resources, marketing, production, like this, like that. But current management requires horizontality. What we call in business schools the “business reality” is probably something from the past.

IJBMT: Talking about “business reality,” we had some types of companies representing the success of the market in the past. In your lecture, you showed that, in 2006, the world’s largest companies were in the energy industry. It is IT now. In your opinion, what comes next? What kind of sector will stand out in the future?

VD: The changes have been very rapid in recent years. The 2006 largest companies ranking had not been much different from the 90s. But, in 2016, the world’s largest companies’ cap-

italization increased by one third, according to the table I showed in the lecture yesterday. Besides, most companies came from the energy sector or were conglomerates like General Electric. And now, the largest companies are connected to the Internet of Things (IoT). The top five, by market value, are Apple, Amazon, Alphabet (Google), Microsoft, and Facebook. The banks that appeared in the 2006 world's largest companies list now were substituted by telecommunications companies, IT, and others. To know what the future big companies and sectors will be, we should look at the world today's problems. These problems are more fundamental than we think: issues of housing, access to water, the environment, ecology, and so on. Therefore, a possible future predictor is the European Union's agenda, which leans more and more towards the ecological sector.



IJBMT: What about healthcare? Because in the 2016 list, we can see Johnson & Johnson, the health care company. With the aging of the population, what about the health care sector?

VD: Definitely! The population aging requires a lot of health care, and the pharmaceutical industry will benefit from it. We know from empirical data that the older generation is the richest one, not the younger. And older generations have money for health care. Many funds are likely to be transferred to health services. The question is whether some global conglomerates like Johnson & Johnson, which is now on the list of the largest will remain, or whether others will emerge. I predict, too, that, due to globalization, the ranking first ten places will not be occupied only by American companies. Now we see, for example, that Alibaba has become especially important in retail. Therefore, it is likely that in the future, there will be companies from the world's different parts because globalization means that the world's other regions will develop, not just us in Europe. I predict, for example, that we will see large companies in India, large companies here in Brazil, large companies in Russia, particularly in the supply of gas, which will occupy positions on the world's largest companies lists in the future. In the next ten years, there will be a change in the company's order because IT will become part of the whole structure. There are likely to be new challenges. But, of course, the basics have yet to be provided, such as basic sanitation, medical assistance, food processing, things like that.

IJBMT: Who will push this change? Do you think that companies will change what is going on, or the new consumer mindset will make companies change faster?

VD: The world is not like a pyramid. So, there is no one to put pressure on, there will be superstructures, of course, that will be like a kick or will influence small and significant changes. Besides, there are groups of consumers. But in my view, consumers, in many parts of the world, are standardized. Taste is becoming standardized, as are other patterns of behavior.

IJBMT: Like global tribes living similar experiences...

VD: Yes. In the future, it is called a global tribe, which is a crucial diagnosis in today's world. For example, consumers are having standardized behaviors in terms of taste, packaging, delivery, and so on. The Internet is bringing them all together. Logistics companies are becoming increasingly important because now the link is direct between consumer and producer, a role that was once played by the trade. Increasingly, "trade" is carried out directly by the producing companies. We had a huge trade structure, with large and small retailers, thousands of companies. All this is disappearing, and consumers almost only meet the producer organization, and logistics organizations are performing the function it was made by trade, transferring goods from producers directly to customers and consumers.

IJBMT: Here we finish our interview. I want to thank Professor Vlado Dimovski, hoping you will have the chance to come back soon and share your knowledge. Thank you very much, professor.

VD: Thank you. It was a pleasure! Hope to see you soon!