

## The Management Style in Mercosur Countries and in Romania – I

Ionel Sergiu Pîrju<sup>1</sup>

**Abstract:** This study aims to familiarize the Romanian environment, but also the international one with the tradition of economic exchanges between Romania and the countries that make up Mercosur. The novelty lies in intercultural perspective that often proves determinant in the economical progress. Managers from different cultures, in this case those in Romania and those in South America, have specific ways to address the same type of problem. The knowledge of the differences between the two regions can be efficient for the beneficial growth of the economical exchanges. The article will be divided into two parts: the first part will appear in this issue and will include theoretical aspects on the economy of Mercosur countries and Romania, the management style and the particularities of intercultural management of the two areas, and in the next issue will be discussed the comparative analysis of the differences between the two areas and its importance, the motivations, characteristics and general considerations of the border collaborations. The hypothesis from which we started in making this essay is the following: between Romania and Mercosur countries exist distinct cultural specificity elements which affects the mutual economical exchanges and their development. Ethnic, historical, religious, communication, etc differences manifested in these countries can have an impact on the members of the international organizations generating attitudes between sellers on one hand and customers on the other. These positions against action can materialize in profit for some companies (countries) and poor performance for others. The purpose of the investigation is to analyze the elements of regional specificity of the four countries in South America and Romania, as well as the effect they had on the trade developments Romania-Mercosur. The interdisciplinary pragmatic model (Singer and Churchman) with holistic character is the reference in making this essay. The methodological system is constructivist, analyzing the subjective processes of the system and not just the noticeable behaviors, and the approach is mixed qualitative- quantitative.

**Keywords:** cross cultural; economical exchanges; trade bloc; common market; regionalism; proximity

---

<sup>1</sup> Senior Lecturer, PhD, Faculty of Communication and International Relations, “Danubius” University of Galati, Address: 3 Galati Boulevard, 800654 Galati, Romania. Tel.: +40.372.361.102, fax: +40.372.361.290. Corresponding author: pirjusergiu@univ-danubius.ro.

## 1. The Management Approach in Latin America

The South American market, like the Middle East one has always been characterized by political and economic instability, even if constantly has shown signs of gradual recovery. The experience of each culture: “has an important role in shaping, cognitive, affective and behavior patterns which people then presents them in different cultural spaces.” (Tuija, 2010, p. 143).

Despite the advantage due to similarities in language, in within Mercosur management practices varies from country to country mainly due to the influence of cultural factors (most of the population of Argentina, Uruguay and Paraguay have European descent, prevailing in the case of Brazil the association between indigenous, African and small number of Europeans). Because in this study was proposed the commercial relationships between Romania and the entire Mercosur block, it will be presented the general features of the management area omitting the particular cases that don't have a high relevancy for the topic.

As in the case of Romania in South America dominates a strong bureaucratic system that often disadvantage international economic exchanges. It can be said objectively that management in Latin America is marked by many contradictions, meaning that, although the company is receptive to innovation, most companies are managed traditionally and is investing slightly in training human resources and in development.

Apart the rich natural deposits and agro-food products which they market, the countries in the Cono Sur region haven't increased the GDP through the export of technology, automobiles, IT products etc. On the contrary, they are among the main importers of technology, being, overcome “*only by the Arab world. Although significant amounts are spent for the acquisition of modern technology, companies do not properly train their staff, showing no concern for this workforce training. According to research by Condo A. and Arias M. the lack of concern for staff training may be explained by the existence of a large workforce, having always the possibility to recruit staff, and by the fact that only large companies have training programs career for the employees*” (Arias, Condo cited Sandbag, p. 367).

Not only do workers need professional specialization, but also a large part of managers, so many international companies, as well as regional prefers managers from other countries (Europe, USA, Japan), because they have greater capacity to provide creative solutions for specific problems. In the South American societies, the social has a strong influence on the company, as shown by the following table.

**Table 1. Latin American culture and the management functions<sup>1</sup>**

Everything is-established by God, life can't be changed	Programming
People adjust to the environment, do not influences it	Work planning
The ideals are pursued with perseverance	Objectives
Work is needed, but along with it is needed luck, wisdom, etc..	Motivating employees
An agreement does not imply that the parties have the capacity to meet the obligations assumed	Negotiation
Planning are important, but only in the timing of priorities	Long or short term planning
Family situation and personal relationships prevail	Recruitment and rewarding
Dismissal affects the prestige	Promotion
Predominates family ties	Recruitment
Are adopted by the senior	Decisions
No importance is given	Data recording
Do not give advice to the superiors	Communication
Persons on a higher lever considers that they lose dignity if they perform specific activities of a lower hierarchical level	Fulfillment of the tasks
Assessment is made so that those who are not appreciate may not feel embarrassed	Rewarding

## 2. Making Decisions in Cono Sur Countries

The management style in the countries that form the Mercosur, is characterized by making decisions solely by the upper hierarchy, having a punctuality completely opposite of the German managerial spirit, authoritative relations within the enterprise, loyalty towards the leaders and a strong paternalistic character.

Making decisions in South America is a strictly task of senior managers, aren't at all consulted managers in lower positions, or workers, as it happens in Nordic countries. *"The decision making process is highly centralized, as seen in the*

<sup>1</sup> Adapted from Moran R.T. & Haris P. apud Constantinescu D. (2002).

*tendency of managers to focus the internal control at the highest hierarchical levels of organization”* (Constantinescu, 2002, p. 293).

The Latin spirit doesn't put value on punctuality like Saxons or the Japanese, South Americans are constantly late for official meetings where the label requires certain punctuality. There is the tendency to do more things at once, without focusing on one goal.

The machismo is a defining feature of the region, causing it to be felt in the business world, contributing to this situation the inequality of the income distribution. „*Although the potential market size is substantial, the large differences between various social classes in terms of income makes a lot of potential buyers unable to impose a certain quality of products and services*” (Burdus, 2006, p. 370).

The attitude of employees within an organization is often, a conformist one, fulfilling strictly the requirements. This can be explained by wage differences between the upper bodies and executors, the latter depending on the decisions of the leaders. Because of this loyalty often manifests itself not towards the organization, as it should, but to the person who can provide maximum protection.

In the whole continent the management has a paternalistic character, characterized by increased nepotism. Usually someone in the family is preferred that can be trusted than the person much better prepared, but not part of the circle of friends. Personal ties matter very much in relations with the government, church, or unions, which are addressed in a personal, informal manner. Due to global changes and new international requirements, more and more leaders of The South American countries seeks to distance themselves from the old values and privileges that characterized it by showing that the region wants to change.<sup>1</sup>

### **3. The Particularities of Mercosur Intercultural Management**

For the entire South American management system the way to do business is a hierarchical one, considering that most supervisors were chosen because of personal experience, and is below the dignity of those in leadership positions to consult with subordinates in making decisions.

---

<sup>1</sup> The most eloquent example is Brazil.

However in this third party area the management is paternalistic and the relations between employees often intersect with personal life. The practices in conducting a business can vary from one region to another, even within the same country. Taking example Brazil, in Mega-cities of Rio de Janeiro and Sao Paulo many companies are accustomed to operate according to international standards and principles.

Elsewhere, however (the cities of Mato Grosso, the upper basin of the Amazon), business practices are much less similar to international standards and more dominated by a strong patriarchal character. The desire for changing and acceptance of the new is quite slow in Latin America. The bustling economic and political past has produced a very low tolerance to any new change and its associated risks. Although many changes occur, they arise in a slow pace and are done after careful planning and evaluation. A business failure that occurs in any Mercosur countries leads to an increased mistrust, there is no concept of learning from mistakes. To be successful, any innovation must bring benefits from the very beginning, this is the way that can be accepted and implemented.

South American cultures are characterized through the establishment of very close relations when working, trying to avoid awkward situations between business partners. If in other cultures deadlines should be established in advance, in this region, their approach is very flexible. However due to the internationalization of the business, the latest generation of managers appreciate the need to meet deadlines on time.

There is a great difference in wages, and hence the lifestyle and the aspirations of the different social classes in all Latin American countries. The hierarchical nature is very well observed on the level of formality of people when located in a business situation.

The occupation, the level of responsibility are clearly defined and sacredly observed, and the decisions often can be based on personal preferences, so it is recommended to those who interact with South Americans to give enough time to develop personal relationships.

The powerful world ranking of business makes in the case of teamwork the manager to maintain his role as chief. Intercultural sensitivity is very high; the assessments must be addressed to the group and not individually.

In terms of communication and negotiation style, both Argentines and Brazilians prefer to do business with companies they already know. The people who negotiate usually don't have the final authority in making decisions. Especially in Argentina, Uruguay and Paraguay is very important the prior knowledge of business partners and with the start of a relationship the loyalty is directed mostly to individuals and not to the company they represent. It is very important for international companies to not change their negotiating team once started a business. To avoid misunderstandings it is advisable to seek the services of an interpreter, if the knowledge of Spanish and Portuguese are not pretty smooth. Due to the international legislation reluctance are used lawyers and local accountants in carrying out the activities.

For a more successful program in the international market in South American countries it should be given more trust to human capital and to open up the strict hierarchy because: 'organizations do not invent anything, people inside an organization do this, so it is very important for those involved in the management of intellectual capital, the leaders, to consider the human factor' (Noruzzi Reza, 2010, p. 126).

#### **4. The Particularities of the Intercultural Management in Romania**

The International Guidelines of Intercultural Management (Kwintessential. Co.uk) presents Romania as a country dominated by a powerful bureaucracy, the legal framework is unclear, and the judicial system rather slow. Each person within an organization has a different role which must be respected. It is widespread the view that supervisors are elected of experience and thorough knowledge in this field. Typically, the decision making, are not consulted persons that do not hold leadership positions.

In Romania, as well as in other hierarchical societies, managers adopt somehow a paternalist attitude towards employees, often Romanians adaptability to change is quite small, it is not regarded with enthusiasm, perhaps because of fears due to a failure (which has repercussions on both individual and group).interacting in non-professional problems. This can be explained by the following fact: "*the strong focus on large industry factories has led to widespread monopoly that destroyed the initiative and creativity, with strong negative effects on development*" (Sandbag, 2006, p. 287).

In Romania there is a tendency to respect the schedules and deadlines, especially by managers who recently joined the economical cycle required by UE competences. As in all South Eastern Europe, there is a strong hierarchical structure, expecting subordinates to follow the standard instructions without any personal opinion, and often is the right person who manages to circumvent the system and bureaucracy. In particular older people, perhaps because of the communist reminiscence, do not freely admit the mistakes, young employees being those who accept the personal responsibility.

In the former communist countries there is a tradition of teamwork, working groups are meeting often to discuss ideas and new plans to create. However, these plans are rarely implemented and the results are reflected by those who lived under the influence of two ideologies. The young generation is eager to accept challenges and take advantage of all opportunities presented.

Because of the western influence coming from the UE, but not only, also in Romania begins to penetrate the phenomenon of flexible specialization, which is a new type of labor organization: *“where strictly specialized workers, often with brief training, being replaced by highly skilled workers, which carries holistic complex tasks that using their skills at the same time physical and intellectual, whose work is flexible, not rarely with innovative content, varying substantially according to the range of manufactured products”* (Nicolescu, 2006, p. 132).

The new managers often meet in groups and share their ideas, but to become competitive in any field it should be carried out training procedures. A weak point for Romania is the slow pace that business runs because the system is very bureaucratic patience being a primarily attribute of foreign investors. Many decisions need legal advice, interpreters being needed to overcome the problems of the multicultural communication. Local banks enjoy a solid reputation, especially because of their affiliation to important international financial corporations. Things can take an upward turn given the fact that by 2013 Romania may receive a total of EU funds worth 32 billion Euros – for agriculture, health, infrastructure, education (Bari, 2010).

In the next edition will be presented: the Comparative presentation of cultural differences, the effect on international economic exchanges between Romania and the Mercosur, the importance of intercultural knowledge specificity, the comparative analysis of cultural differences between Romania and Mercosur, Romania's economic partnership with Argentina, Brazil, Uruguay and Paraguay,

UE - Mercosur agreements, the role of the Acquis Communautaire in the development of an economical partnership with Mercosur, the characteristics of the economical relations Romania - South America, the Mercosur motivation for developing an economic partnership with Romania, both exports and imports of Romania with Mercosur, Romania's economic relations with Argentina and their analysis, Romania's trade relations with Brazil, the analysis of bilateral trade Romania-Uruguay, the analysis of bilateral trade Romania-Paraguay, and general considerations on the bilateral trade Romania – Mercosur with a cross cultural interpretation.

## 5. Bibliography

- Bari, I. (2010). *Global Political Economy Treaty*. Bucharest: Economica.
- Bittencourt, G. et alli (2006). *Flows into Mercosur Countries, Winners and Losers in the FTAA and EU-Mercosur Agreement*. Montevideo: University of Uruguay Publishing House.
- Boyer, I. & Scuschny, A. (2010). *Quantitative assessments of a free trade agreement between Mercosur and the European Union*. Santiago de Chile, United Nation Publisher. Bulmer-Thomas.
- Burduş, E. (2006). *International Comparative Management*. Bucharest: Economica.
- Candidatu, C. (2006). *The Economical Integration. The perspectives for a Free Trade Zone in America*. Bucharest: Publisher ASE.
- Carrel, J. (2010). *An Epistemology of Intellectual Capital and its Transition to a Practical Application, Strategic Intellectual Capital Management in Organizations: Sustainability and Successful Implications*; Kevin J. O. Sullivan, Business Implications.
- Constanța, A.C. et alli (2009). *World Economy*. Bucharest: Pro Universitaria.
- Constantinescu, D.A. et alli (2002). *Comparative Management. Reports and case studies*. Bucharest: Semne.
- Hofstede, G. & Hofstede, G.I. (2005). *Cultures and organizations - Software of the Mind*. New York: Mc Graw Hill.
- Ionescu, V. (2011). The Evaluation of Risk Management of Implementation. International Conference „Military Science Universe”. Bucharest: Editura UNAP „Carol I”.
- Kets de Vries, M. (2001). *The leadership mystique. A user's manual for the human enterprise*. London: Pearson Education Limited.
- Kremljak, Z. (2010). *Risk Management*. 21st International DAAM Symposium. DAAM International Vienna, pp. 253-255.
- Lamsa, T. (2010). Leadership Styles and Decision-making in Finnish and Swedish Organizations. *Review of International Comparative Management*, vol. 11 (8), pp. 139 -149.



Lazăr, A. (2011). *Leadership and Management in XXI Century*. International Conference „Military Science Universe”. Bucharest: UNAP „Carol I”, pp. 28-38.

Miclea, L. (2007). *Mercosur in the South American regionalism*. Bucharest: ASE.

Reza Noruzzi, Mohammad (2010). The Necessity of Physics Quantum Skills Strategies, Intellectual Capital and the Study of Knowledge Management in the Crisis Era. *Acta Universitatis Danubius. Œconomica* (VIII), No. 3/2010, pp. 124 – 140.

Nicolescu, O. (2006). *Comparative Management*. Bucharest: Economica.

Pîrju, I.S. (2010). The Economical Partnership between România and Mercosur, International Conference, „European Integration Realities and Perspectives”. Galați: Universitară Danubius.

Pîrju, I. S. (2011). Macro-Economic and Military Considerations in the Countries of the Southern Common Market in International Conference „Military Science Universe” UNAP, Carol I”, Bucharest: Publisher UNAP „Carol I”, pp. 314-320.

Zaiț, D. & Spalanzani, A. (2006). *The research in Economy and Management*. Bucharest: Economica.

#### **Web sources**

<http://www.rau.edu.uy/mercosur/opretosp.http> Ouro Preto Protocol

<http://www.worldservicesgroup.com/countries.asp?c=ar&country=Argentina>

<http://www.inflacionverdadera.com/download/inflacion-indices.xls>

[http://www.indec.mecon.ar/nuevaweb/cuadros/74/grafpobreza1\\_ephcontinua.xls](http://www.indec.mecon.ar/nuevaweb/cuadros/74/grafpobreza1_ephcontinua.xls)

[http://www.mecon.gov.ar/secpro/dir\\_cn/ingreso.htm](http://www.mecon.gov.ar/secpro/dir_cn/ingreso.htm)

Intercambio Comercial Argentino, Datos prvisorios del ano 2009 y cifras estimadas del ano 2010, [http://www.indec.mecon.ar/nuevaweb/cuadros/19/ica\\_01\\_11.pdf](http://www.indec.mecon.ar/nuevaweb/cuadros/19/ica_01_11.pdf)

[http://www.ibge.gov.br/home/presidencia/noticias/noticia\\_visualiza.php?id\\_noticia=1766&id\\_pagina=1](http://www.ibge.gov.br/home/presidencia/noticias/noticia_visualiza.php?id_noticia=1766&id_pagina=1)

Newsweek International Edition, <http://www.newsweek.com/2008/07/25/weathering-the-storm.html>

<http://www1.folha.uol.com.br/folha/dinheiro/ult91u485398.shtml>

<https://www.cia.gov/library/publications/the-world>

<http://www.doingbusiness.org/data/exploreconomies/paraguay>

<http://www.ine.gub.uy/enha2006/flash/Flash%20Ascendencia.pdf>

[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results)

<http://www.worldservicesgroup.com/countries.asp?c=ar&country=Argentina>

<https://www.cia.gov/library/publications/the-world-factbook/geos/uy.html>

<http://www.doingbusiness.org/data/exploreconomies/uruguay>