

A REVOLUTIONARY MANAGEMENT CHANGE: NEW MANAGERIAL PARADIGM “MANAGER-RELEVANT STAKEHOLDER” INSTEAD OF CLASSICAL PARADIGM “MANAGER-SUBORDINATE”

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ABSTRACT

The paper is structured in five sections. In introduction are presented the key points identified by authors regarding the recent changes in approaching the management, stakeholders and social responsibility, which have determined many prestigious specialists to ask, “management reinvention”. The second section presents the concept of “managerial paradigm” and its essential role in functioning and performance of the organisation management. Managerial paradigm “manager subordinate”, which predominates from centuries in organisations, is described and the necessity to replace it is outlined. Section four deal with the managerial paradigm “manager relevant stakeholder” focusing on definition, parameters, and main advantages. In the last section are presented the arguments which demonstrate why this new managerial paradigm is a revolutionary change in company management theory and practise and the need to disseminate and implement it.

KEYWORDS: *management paradigm, paradigm “manager-relevant stakeholder”, paradigm “manager-subordinate”, social responsibility, stakeholder.*

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1. INTRODUCTION

During the last decades in management theory and practise have been *accelerated and complex changes*. We have fulfilled an evaluation of these changes focusing on relationships among company management, internal and external stakeholders and social responsibilities.

The key points resulted are the followings:

- The transition to the knowledge-based economy, digital transformation, industrial revolution 4.0 and other contextual changes, have created a large number of unexpected opportunities, threats and challenges for organisations and their managers and stakeholders.
- There are multiple and notable changes in companies’ stakeholders and social responsibilities, only partially successfully.
- The development of many new theoretical and pragmatical elements, very creative and performant in certain management areas, like SCM (supply chain management), CRM (customer relationship management), CSR (corporate social responsibility), humanistic management and others.

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- The appearance of many limitations regarding theoretical and pragmatical approaches of company management, internal and external stakeholders, and social responsibilities.
- The crisis generated by COVID-19 pandemic and Ukraine war reveal and amplify these limitations.
- The company management, despite of some notable advances, continues to be too traditional, not being able to sufficiently reshape and to valorise contextual opportunities and to respond to grand societal challenges.
- These key points regarding the content and evaluation of the management theory and practise explain why numerous reputed management specialist and well known national and international organisations have asked for radical changes even the *management reinvention*. Among this we mention:
- Renegade Brigade Manifesto (Hamel, 2009) in which 136 renown professors and top managers from USA, Canada and Western Europe have appreciated that the modern management (management 1.0), which dates back late nineteenth, has reached the limits of improvement and they have elaborated a roadmap for reinventing management, for building management 2.0.
- The Compact for Responsive and Responsible Leadership - A Roadmap for Sustainable Long-Term Growth and Opportunity elaborated by 100 world leading business and adopted at Davos Forum in 2017 (World Economic Forum, 2017), incorporates the requirements to remodel the company leadership and management.
- The famous professor Freeman (2017, p. 8) considers that "is the need for a new era of management thinking, the one based on the idea of stakeholders. We need to reinvent management theory and practise".
- One of the best CEO in USA top companies (Joly, 2021), says that a stakeholder era has started in organisation management, in which we need a refoundation of business and capitalism.
- Numerous other management professors, organisations and consultants sustain the management reshape (e.g., BCG, 2020; Carlsson-Szlezak et al., 2020; ICSB, 2021; Narayandas et al, 2020; Popa et al., 2019; Romeo et al., 2020; Waldron & Wetherbe, 2020).

2. MANAGEMENT PARADIGM CONCEPT

The management reinvention, the profound management changes involve the management background, management fundamentals. This means to deal with management paradigm, a topic not very often approached. We start with the paradigm concept which has a relatively short history, the first definitions have been elaborated by Kuhn in 1962 (Kuhn & Hacking, 2012) and by Baker and Hart (Baker et al., 1998). According to Merriam-Webster Dictionary, "the paradigm is a philosophical and theoretical framework of a scientific school or discipline within which theories, laws, and generalisations and the experiments performed in support of them are formulated".

For management field we did not find any definition for paradigm although have been presented some variants of management paradigms (Gioia & Pitre, 1990; Hartikainen & Virtanen, 2019; Hensley & Myrk-Dubout, 2018; Laloux, 2014; Levine & Luck, 1994). None of these managerial paradigms refers to the entire organisation management. They focus on production management (Levine & Luck, 1994), management performance (Hensley & Myrk-Dubout, 2018), predictability and control (Hartikainen & Virtanen, 2019).

We have identified and defined the managerial paradigm, which is the basic entity of management, which incorporates the two indispensable constituents of every managerial process and relationship in any organization:

- A person who has the role of manager, who exercises management functions (prevision, organization, coordination, motivation, and control-evaluation) through specific decisions, actions and behaviours and who retains the position of boss or manager.
- A person who operates alone or with other persons in making managerial decisions, taking actions and adopting behaviours in order to implement the manager decisions; this person retains the position of a managed person (subordinate).

The managerial paradigm, through its two constituents that interact, determines the existence and the conducting of the managerial processes and relationships in any human entity. Through the managerial paradigm are established the *essential elements* that influence the work content and the performance to be generated within the management processes and relationships and within the organization involved:

- *Paradigm components or constituents* (like company owner, manager or executant, an important supplier or byer employee from another organization working temporarily with the company, etc.
- *Interests to be considered and followed* by the company owner, by the person who manages, by a person who is managed, by the organization suppliers, etc.
- *Objectives to be attained*, which could be both common objectives for constituents and specific objectives for the manager, for the executant, for the organization supplier, etc.
- *Ways to determine the objectives and the tasks to be fulfilled*, by order, consultation, collaboration, negotiation, etc.
- *Main resources to be used* regarding information, knowledge, tools, space, money, etc.
- *Nature of the management relationships* – hierarchical, collaboration, cooperation, etc.
- *Type of communication* between constituents, like top-down, dialogic, horizontal, bottom-up, unidirectional, etc.
- *Content and methods of motivation* regarding reward, punishment, financial, moral, etc. elements.
- *Performance focused* on business, social, ecologic, etc.

Managerial paradigm is the core of management theory and practice, decisively influencing all their components.

3. MANAGERIAL PARADIGM “MANAGER-SUBORDINATE”

We have identified that in our times, as in centuries past, the managerial paradigm “manager-subordinate” has been predominantly in the numerous organizations in all fields of human activity. In table 1, we present its main parameters.

During the last few centuries, the managerial paradigm “manager-subordinate” has proved to be very useful in ensuring the functionality and development of numerous organizations in all fields. It presents many advantages (Nicolescu & Nicolescu, 2022) and it has generated, directly and indirectly, many contributions to the proper functioning of organizations and their effective and efficient management.

Concomitantly, it presents frequent and influential limitations. Analyses indicate that the megatrends (industrial revolution 4.0, digital transformation, ecologization, transition to the smart economy, etc.) and the recent crises – world economic crisis 2008-2009, COVID-19 pandemic crisis, and present crisis generated by Ukrainian war, amplify ”manager-subordinate” paradigm limitations making very necessary essential changes within management processes and relationships, so that company management can be capable of generating the high level of efficacy, efficiency and performance asked for by the organization, their internal and external stakeholders and society.

In these conditions a new managerial paradigm is necessary, with other characteristics, functionality and performance, that is able to implement the requirements, challenges and opportunities provided by digitalization and transition to a knowledge-based economy, valorising the best management practices referring to open strategies, humanistic management, stakeholders, social responsibility, innovative approaches, artificial intelligence, management of human resources and other major elements of organizational management.

Table 1. Parameters of “manager-subordinate” managerial paradigm

No.	Parameters	Characteristics
1	Components	Organization manager, owner, organization executant
2	Main interests to be considered and followed	Owner and/or organization interests
3	Objectives to be fulfilled	Owner and/or organization objectives, which reflect the main owner’s interests
4	Main resources to be used	A large variety of resource equipment, land, building, knowledge, computers, money, etc. which are the owner’s property. Employees’ skills, information and knowledge approached frequently like company owner’s resources
5	Ways to determine the objectives and tasks to be fulfilled	Top-down approaches, manager using his/her authority in order to determine subordinate objectives and tasks, even by imposing them on subordinates
6	Nature of human relationships used	Predominantly hierarchical with a strong formal, authoritative dimension
7	Types of communication used	Predominantly top-down communication, both via direct contact and online, with some feedback bottom-up from subordinates
8	Motivation involved	A variety of ways to motivate, using both reward and punishment, frequently paying attention predominantly to financial motivations
9	Performance to be achieved	Predominantly business performance, frequently with emphasis on quantitative aspects and short-term horizon

Source: authors

4. MANAGERIAL PARADIGM “MANAGER-RELEVANT STAKEHOLDER”

The proposal of the managerial paradigm “manager-relevant stakeholder” is based on the following *main arguments*:

- (a) The contextual development based on the digitalization and transition to the “smart economy” amplifies the negative impact of the managerial paradigm “manager-subordinate” limitations on the organization, stakeholders, society, etc.
- (b) Increase of the stakeholders’ number and their powerful influence on the companies functionality, performance and sustainability.
- (c) In the company management, especially that of corporations, major attention has been paid to certain important stakeholders - customers, suppliers, NGOs - through the development of innovative managerial mechanisms like CRM (for customers), SCM (for suppliers) and CSR (for NGOs and local communities), which have contributed greatly to the large access and utilization of knowledge and other stakeholder resources.

(d) The birth of the germs for the new managerial paradigm, within the innovative stakeholders' managerial mechanisms mentioned (CRM, SCM and CSR).

The new managerial paradigm does not consider all company stakeholders, but rather it takes into consideration only the most important and influential for the organization. For them we have developed the *relevant stakeholder concept* (Nicolescu & Nicolescu, 2022).

A relevant stakeholder could be defined as a stakeholder with a major impact exercised by him-/herself currently and/or later on the organization's functionality, development and performance, that should be taken into consideration in order to achieve company competitiveness and sustainability. Determination of the relevant stakeholder is based on the evaluation of two categories of elements, referring to:

- stakeholder (interests, characteristics, resources and potential).
- organization (interests, characteristics, and development, reflected in the vision, strategy, policies, management system, organizational culture, etc).

Concomitantly, the manager, the other constituent of the "*manager-relevant stakeholder*" paradigm is approached in a new vision, quite different compared with the classical manager.

The managerial paradigm "manager-relevant stakeholder" could be described and characterized by the elements incorporated in table 2.

Table 2. Parameters of "manager-relevant stakeholder" managerial paradigm

No.	Parameters	Characteristics
1	Components	Company manager Relevant internal and external stakeholders
2	Main interests to be considered and followed	Company interests Relevant stakeholder interests
3	Objectives to be fulfilled	Common objectives resulting from win-win negotiations, taking into consideration and harmonizing the main interests of each component
4	Main resources to be used	Company resources Relevant stakeholder resources – knowledge, information, networks, computers, soft equipment, buildings, tools, money, etc. – to be shared and utilized in order to achieve common objectives
5	Ways to determine the objectives and tasks to be fulfilled	Participative and collaborative approaches and ways, using win-win negotiation in order to harmonize the main elements involved, based on a reasonable compromise
6	Nature of the human relationships used	Collaborative and constructive relationships based on respect, trust and commitment from both components, directed to the achievement of the common objective
7	Changes to be implemented	Focus on the multiple, rapid and radical changes demanded by relevant internal and external company stakeholders under impact of fast and complex contextual challenges
8	Types of communication utilized	Mainly dialogic communication, facilitating understanding, continued cooperation, creativity and entrepreneurial approaches and achievement of common objectives
9	Motivation involved	Strong motivation of both components, generated by harmonization of interests, common objectives, collaborative relationships, trust, dialogic communication, etc. It is possible to use a large variety of tools and approaches based on intrinsic and extrinsic motivations, financial, social, and moral nature, individual and organizational, etc.

No.	Parameters	Characteristics
10	Performance to be achieved	Multidimensional and sustainable performances – economic, social, ecologic, educational, etc. – reflecting the specific interests of each component and common objectives negotiated from the beginning

Source: authors

Managerial paradigm “manager-relevant stakeholder” could generate many advantages:

- Achievement of common and/or harmonised decisional, actional and behavioural community in company
- Increase of the social responsibilities of the company, external and internal stakeholders
- Team spirit increasement
- Amplification of stakeholder motivation for efforts and performances
- Fulfilment of joint actions of internal and external stakeholders
- Intense sharing of stakeholder and company resources
- Synergy increasement at the level of relevant stakeholders and company
- Generation of the higher added value in companies and at the external stakeholders
- Development of sustainable relationships between organization and relevant stakeholders.

Without any doubt, the managerial paradigm “manager-relevant stakeholder” also presents *some managerial and organizational limitations* regarding the complexity, difficulty, and cost of implementation.

The new paradigm, manager-relevant stakeholder, determines radical changes in all components of the company management. In order to valorise it to a high level, increasing the organisation performances and sustainability, there are necessary to develop specific managerial mechanisms. The authors have designed two innovative managerial mechanisms based on the new paradigm – managerial synapse and company-relevant stakeholders-based management system (Nicolescu & Nicolescu, 2022).

5. WHY IS THE MANAGERIAL PARADIGM “MANAGER-RELEVANT STAKEHOLDER” A REVOLUTIONARY CHANGE IN COMPANY MANAGEMENT?

The main arguments to support the revolutionary change and the impact of the new managerial paradigm on the organisations and their management, can be summarised as follows:

- Company management approaches the man, the main producer and possessor of knowledge and intellectual capital, as a personality and motivates him intensely.
- Organisation management focuses on the knowledge and intellectual capital, which are the determinant for organisation functionality and performances in the knowledge and digitalization-based economy.
- Company management at higher level attracts and uses in the organisation the intangible and tangible resources of the relevant internal and external stakeholders.
- Organisation is focused on the multiple objectives (business, social, ecological, human, etc.) win-win negotiated with its relevant internal and external stakeholders.
- Organisation management is based on the win-win principle in all relationships with individual and organizational stakeholders involved in its activities.

- Organisation management it is intensely innovative and motivating, being centred on the valorisation of the intellectual capital and digital transformation.
- Individual and organisational behaviours of the company and its stakeholders are flexible, collaborative and entrepreneurial.
- Company, managers and relevant stakeholders assume multidimensional responsibilities.
- Company management uses managerial synapse and company-relevant stakeholders - based management system, which are able to integrate and motivate organisation relevant stakeholders and to valorise at a higher-level intellectual capital.
- Organisation management generates high performances and sustainability for company and relevant stakeholders due to all previous elements.

In our opinion, the elements incorporated in this paper represent convincing arguments for the dissemination and implementation in the organisation of the new managerial paradigm "manager-relevant stakeholder". This paradigm and the innovative elements associated (company social responsibility, pentagon of relevant responsibilities, managerial synapse, company-relevant stakeholders based-management system and others) can contribute significantly to reinventing the organisation management according to the new challenges, threats and opportunities, generated by industrial revolution 4.0, digital transformation, transition to the knowledge based economy and other mega-shifts.

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