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**The Environment of Management
with Particular Reference to the
Syrian Arab Republic**

by

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**THE ENVIRONMENT OF MANAGEMENT WITH PARTICULAR
REFERENCE TO THE SYRIAN ARAB REPUBLIC**

by

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INTRODUCTION

The environment of management may be defined as the forces, pressures, systems, and opportunities which influence management processes, functions, and implementation strategies. It also may be defined in terms of available resources. Thus, some writers denote the environment by the natural, material, financial, and human resources in their relation to a specific organization or organizations.

Environment may be classified into two main types; the external and the internal. The external environment of management denotes the exogenous forces, pressures, systems, and opportunities which affect management directly and which may be influenced, indirectly, by the internal environment, in the long run. The internal environment of management denotes the indigenous forces, systems, and opportunities which are affected directly by the external environment. Thus, internal and external environment are interrelated.

A complete account of all the external and internal environments of management is not feasible and is beyond the scope of this paper. Therefore, discussion is limited to the general aspects of the environment of management. This general background is applied to the Syrian state owned corporations; normally called public corporations or public enterprises, to show in what ways the environment influences the operations of the state owned corporations in the Syrian Arab Republic.

THE EXTERNAL ENVIRONMENT

The main external environmental factors discussed in this part are culture, political structure, government, consumers, socio-economic situations, labor unions, infrastructure, and technology. Separate discussion of the influence of these factors on management is by no means a recognition that the external environmental factors are unrelated entities which stand alone in their relationship to each other and in their relationship to the management of an enterprise. It should be noted that aggregate or macro public enterprise managements are by themselves external environmental factors, which are affected by, and meanwhile, affect other external environmental factors. Thus, the discussion centers around the effects of the external environmental factors on micro management; that is, the management of individual enterprises.

1) Culture

Culture may be defined as "the complex of values, traditions, customs, attitudes, beliefs, and other meaningful symbols created by an aggregate of men living in an organized society to shape human behavior and the artifacts of that behavior as they are transmitted from one generation to the next" (Kroeber and Parsons 1958). From this definition some characteristics of culture can be drawn:

- 1) It denotes the way aggregates of people in an organized society live;**
- 2) It includes both material and non-material elements;**
- 3) It is an abstraction from and a product of behavior;**
- 4) It can be transmitted from one generation to another.**

This leads to the conclusion that culture is passed on from one generation to the next. Because the physical and social problems facing an organized society change over time and because culture is successively transmitted it may be concluded that culture changes over time. However, culture changes slowly due to the fact that most cultural elements are learned early in life. According to Engel, Kollat, and Blackwell (1978):

"It should be emphasized that cultural revolt normally occurs for only a small proportion of the culture that has been uncalculated. Change usually occurs very slowly, considering the entire spectrum of cultural elements."

Culture changes over time by adapting to changes in the physical and social environment in which the organized group is living. Accelerated technological change also has been changing cultures more rapidly than ever. The technological advancements in the last few years have led toward inter-cultural contacts. Since culture is learned, these contacts are diffusing many cultural elements in many parts of the world. However, the rate of change in cultures is different from one country to another and from one system to another (Daniels & Radebaugh 1994).

In a particular culture, there are many groups and subgroups. These groups and subgroups can be segmented according to various criteria; such as, age, location, social class, religion, and various other elements. However, groups and subgroups can be further identified according to their common characteristics. Arabs as a group share many cultural attributes. Their behavior in another country, outside their cultural boundaries, can be identified by others as foreign. However, there are many aspects of their behavior, which differ from other behavioral patterns of subgroups within their culture of which they are not members (Harris 1992).

An important element of culture is "value." Value may be defined as "a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means, and ends of action" (Cluckhohn 1962).

In other words, values denote the conscious and unconscious influence of certain ideas and beliefs about what is acceptable or unacceptable, just or unjust, right or wrong in a specific organized society.

The verbal expression of values is called attitude. Attitudes may be defined in different ways. Thus, McKeachie and Doyle (1966) define attitudes as [an] organization of concepts, beliefs, habits, or motives associated with a particular object. Any attitude denotes the evaluative pathway toward persons, events, or phenomenon. Allport (1955), defines an attitude as "...A mental and neural state of readiness, organized through experience, exerting a directive or dynamic influence upon the individual's response to all objects and situations with which he is related." Thus, attitudes include the affective; i.e., liking or disliking; the cognitive or belief elements which denote the object of the attitudes, its characteristics and relations to other objects, the frames of reference that define the significance of any stimulus; and the evaluatives which are usually made along many possible continua. In other words, attitude includes four basic elements:

- 1) **The extent of knowledge about the object, event, person, or phenomenon;**
- 2) **The point of view from which the individual looks at the object, event, person, or phenomenon;**
- 3) **How favorably or unfavorably the individual evaluates the topic in terms of the specific point of view;**
- 4) **The strength of one's feeling toward the topic at hand.**

Now, a discussion of how culture, values, and attitudes affect management seems in order. In their studies some researchers de-emphasize the influence of culture on management practice. Some examples cited by Hellriegel and Slocum (1982) in their seminal study *Management-A Contemporary Approach* may clarify this point: Ajiferbuke and Boddewyn (1968), in analyzing 22 cross-cultural studies said "that culture's claim to be the most significant variable in comparing management in different cultures was based on speculation rather than fact"; Haire and Ghiselli (1980) reported that "differences among individuals were much more important than differences

among countries"; Cummings, Harnett, and Stevens (1976) reported that 95 percent of the variability in management attitudes could be attributed to individual rather than cultural differences."

Some other studies report that culture is a significant variable in comparing management in different countries. Studies by Harbison and Meyers (1959) reveal that management is culture-bound. To say that there are similarities between the management of different countries is understandable, but to conclude from that, that culture is not a significant factor in dissimilarities, is contradictory to many studies such as those mentioned above and many more. Thus R.K. Ready (1967), a former colleague of the writer, concluded his study of the Community Savings Bank, at Mit Ghamr, Egypt by saying:

"How many Americans have failed to help -- have even hurt -- others by misunderstanding these problems of what are means and what are ends in the societies to which they have been called in the cause of industrialization? Therefore, ... leaders everywhere must address the moral implications of investment in the *social* frameworks."

Culture is not the only influence on management in any one country. Studies show that culture does influence management and that many foreign experts fail in their missions in foreign countries because they treat culture as a constant. The above-mentioned study is revealing about this point.

1a) The Environment of Management in the Syrian Arab Republic

In the Syrian Arab Republic, trading has always been a respected activity. Throughout their history, Syrians have mainly been traders and have consequently held positive attitudes about the process of managing these trading enterprises. In 1961, under the socialist mandate of the government, large business enterprises were nationalized. According to the law, subsequent corporations have been created as public, and not private; with the exception of specially singled out corporations which require high level technology and investment, such as petroleum exploration.

This situation created a paradox between the attitudes of the government about these nationalized businesses and the attitudes of the people about the government. In Arab countries, in general, people rely heavily on government for almost everything. This is particularly true in the Syrian Arab Republic. There a related attitude held by the majority of the people is that the government is rich and can afford to perform all activities without limitations. These attitudes reflect on public business corporations. Thus, most Syrians regard the public sector as a branch of the government which has unlimited resources and exerts external pressure on the government to function as such. At the same time, because the government functions with a centrally planned

economy, it has to accept this economic perception, while at the same time, it covertly exerts pressure on its nationalized businesses to make a profit.

For example, sometimes, to uphold their socialist principles, the Syrian policy makers may decide to reduce prices of some basic commodities for the benefit of the masses. There is no doubt that this is an appropriate economic objective. However, the method used to offer the people some financial incentives frequently undermines the basic objective of a public business enterprise, to be able to sustain itself. By reducing the price at which a particular enterprise sells its products to below cost, the enterprise incurs heavy losses because it has no reserves of the wealth producing factors of production.

A case in point is the reduction of sugar prices in the 1970s to below cost. This price reduction resulted in heavy losses to the sugar factory according to published data and sugar factory top managers (*Syrian Economy Annual Report 1975*). Moreover, because the price of sugar in neighboring Arab countries was higher than in Syria, many nationals of those countries smuggled sugar from Syria. Thus, the citizens of Syria, whom the government had intended to help by lowering prices, ended up being deprived of the sugar. This example can be extended to many other commodities, of which gasoline is an outstanding example. It should be noted that Syria until recently was a net importer of petroleum.

Thus, to take the stance, which the Syrian government does, that *the* basic function of a public corporation is not to make a profit may be acceptable on the one hand, but to say that it is not *one* of the objectives flies in the face of the reality that without public enterprises having some profit-making function the wealth producing resources upon which the country depends are depleted and all the people suffer as a result.

Syrian laws forbid the bankruptcy of public corporations, and therefore the delinquent corporations do not pay their debts with impunity because they know that the creditor corporations cannot subject them to foreclosure proceedings. As a result, public corporations buy the production of other public corporations on credit and perpetuate the debts. This situation stems from the accepted perception that public corporations are totally protected by the government bureaucracy. This does not mean that the public sector in all former or existing socialist countries have the same protection. In Slovenia, for example, a public corporation is dealt with in the same manner as a private sector corporation, and this was true even when Slovenia was a republic of the former Yugoslavia.

Internal pressures, as a corollary to the widely held attitudes toward public corporations, are numerous. First, many top managers of public corporations were once high government officials and consequently continue to hold the same attitudes as when they were in the government. Most of them have not taken any development programs or seminars on business management. Accordingly, they run their corporations as they ran the government. Some

awareness and adaptation to the principles of management is a must for these top level managers, but it is likely to be a slow process. Moreover, most operating decisions for public corporations in Syria are centralized and come from the government bureaucracy, with all the attendant inflexibilities built in.

By the same token, many workers feel that they do not have to protect the property of the public business because it is infinitely replenishable by the government. Consequently, material waste, machine breakdowns, and damaged products from poor handling are common symptoms in some public corporations. Although the trade unions direct massive training programs to educate not only the workers but some of the labor leaders as well, a change of attitudes takes more than a few days of training and is, again, a slow process.

2) Political Situation

The political environment of a country affects the behavior and performance of the business sector, in general, and of public business corporations specifically. Thus, in the Syrian Arab Republic, the Baath party, which is the only legal party in Syria, has a political impact on the public sector through its implementation of policy statements regarding the administration of the economy. Moreover, any changes in philosophy, such as changes in the country's international relations, affect the public sector in terms of trading abroad by restricting imports and/or exports.

The degree of centralization of strategic decision making concerning public sector operations in expansion and/or initiation of new endeavors, affect the public sector directly. At the present time most strategic decisions are made at the higher administrative level. The logic of this centralization is that coordination is necessary at this stage of industrialization. This is based on the assumption that unchecked contraction or expansion in one corporation may affect other competing or complimentary public corporations. Besides, an expansion in one sector may be at the expense of another sector. However, carrying centralization to its extreme, results in undue rigidity.

A direct influence of the Baath political party on a public business corporation is in the selection of its top manager. The party has the duty to screen prospective candidates for public business corporations. The party submits to the government the nomination of the candidate based on his/her ability to do the job, personal characteristics, and political integrity. Interviews with officials reveal that there are no established criteria for the nomination process. In other words, there is a high degree of subjectivity in the selection process. This obviously means that the participation of the political party in the selection of top management for public corporations has an effect on the behavior and performance of those managers. Thus, the Baath party lends its support to the authority of the top manager of a public corporation, by nominating him or her to the post. Meanwhile, the acceptance of the nomination carries the tacit acceptance of the political obligation as well as the managerial obligation to the state and the corporation.

However, "some top managers are more skilled than others in dealing with the conflicting demands made upon them by [various] political divisions; such as the local party quarters, the many control mechanisms, and the maze of regulations" (Harbison and Meyer 1959). It should be noted that selecting managers of public corporations on the basis of political integrity alone, regardless of capabilities, would provide the public sector with managers who are incapable of coping with the complex task of managing public corporations. On the other hand, even in non-centrally planned advanced countries, it may be difficult to find any manager who is completely "non-political" in his or her orientation and class affiliation. Therefore, a manager in the public sector, by necessity, should possess both political integrity and managerial competence. However, many public corporations in the Syrian Arab Republic lack professional managers.

3) Government

Between the 1960s and mid 1980s (*World Bank Annual Report 1985*) the role of government increased in all countries of the world, in general, and in developing countries, in particular. The role of government in the public business sector is multidimensional. In the Syrian Arab Republic, the government exercises this responsibility for the performance of the public sector through the voice of the Baath party and their People's Council. Thus, respective ministers have to submit reports about the performance of all agencies under their direction; including public corporations.

Taxation of the public business corporation is usually initiated by government. Some public corporations may be subject to exemptions or heavier taxes to encourage or discourage more activities. In other words, the Syrian government influences the public business sector through fiscal policies. Moreover, the public business sector taxes are a source of revenue to finance either depressed public corporations or to finance services such as health and education. In the Syrian Arab Republic, the earnings of the business sector are heavily taxed. However, the profitable public sector pays its taxes in full, because the corporations' accounts are subject to direct government scrutiny. On the other hand, the private sector, which is not subject to such controls, usually pays less than its share of taxes and therefore can afford to indulge in cut-throat competition with public corporations in the same line of business by sacrificing some of the additional profits for which taxes are not paid. This situation results in an unfair burden to the profitable public corporations.

Another way in which government influences the public business sector in Syria is by diverting resources from one firm to another. From the firm's viewpoint this may be looked upon as an unfair practice. From a national point of view, the practice may be warranted. Some corporations may not use their full productive capacity for some reason or another, whereas some others in the same industry are operating at full capacity. Transferring underutilized resources from one corporation to another one which fully utilizes its resources is a good practice in most cases. But transferring resources from a successful corporation to a failing corporation usually

results in problems for both corporations. Evidence of this exists in many developing countries, and Syria is no exception. Therefore, the criteria for transferring resources has to be established impartially in order to avoid subjective and intuitive transfers. The criteria should be different for each system, so as to insure that the less efficient corporations are not being rewarded at the expense of the more efficient ones.

Some former centrally planned countries and all non-centrally planned countries deal with transfers on a commercial basis. In other words, if a public corporation has more resources than it needs and can come up with alternative utilization of them, the firm can invest these resources in another public corporation. This situation, of course, is subject to the limitations of the national plan for the industry and the overall policies or directives of the government. The former Yugoslavia applied such a system successfully and Serbia as well as Slovenia are still applying such transfers successfully.

Another influence of government is through the amalgamation (merger) of corporations in similar or complimentary activities. Usually this is done at the early stage of socializing all or some of the business sectors. In Syria, for instance, many nationalized corporations were relatively small. To benefit from the economies of scale of operations and to circumvent the problem of shortage in professional managers, many of those corporations were amalgamated into larger units. The following table clarifies this point:

Union	Number of Corporations (x)	
	Before Amalgamation (Merger)	After Amalgamation (Merger) of 1969
Textiles	40	13
Engineering and Chemicals	43	18
Food	21	13

Source: Ministry of Industry, *Conditions of Industry in the Syrian Arab Republic*, Damascus, 1979.

However, amalgamation without analysis usually results in many problems which can be assessed in advance. Amalgamation of various corporations using different technology, having a different labor structure, operating at a different stage of its life cycle, and serving different market segments, will necessarily result in imbalances which will affect production and marketing adversely. Therefore, amalgamation has to be planned. This will necessitate clarifying the objectives of amalgamation; analyzing of resources, the strengths and weaknesses of each business unit under consideration, as well as the requirements of each corporation; developing alternative amalgamation schemes and organization structures; developing criteria for selecting among

alternatives; and assessing probable problems of post-amalgamation as well as developing solutions for such probable problems.

It has been stated earlier that public business corporations have to operate within their own bureaucratic structure, in addition to coping with government bureaucracy. Internal bureaucracy is usually within the reach of corporate management and consequently professional managers can deal with it. Government bureaucracy poses a problem to public business corporations in both advanced and developing countries. However, because developing countries need change most, the inter-relationship between government bureaucracy and public business corporations merits the attention of the policy makers. For example, requests for licenses for importing vital materials or equipment, which had been previously approved by the authorities, takes a longer period of time for clearance. Requests for spare parts may take months, while wealth producing equipment lies idle, costing the national economy fixed costs which could not be replenished.

The impact of government on the public business sector can be seen through direct controls. Most of these controls are run by the bureaucracy. Control agencies in the Syrian Arab Republic deal mainly with the traditional service sector. Establishing controls for the public business sector is the responsibility of those agencies. However, this poses problems for both the controlling and controlled institutions unless personnel is adequately prepared for the task.

The writer has directed two development programs for both middle level controllers and top management in the business sector of the Syrian Arab Republic. It has been found that the controllers and the controlled have less than favorable attitudes toward one another. Nevertheless, the control agencies usually impose bureaucratic and sometimes deleterious practices on public business corporations. In doing so, controllers apply existing regulations on the public corporation and make very clear that these practices can only be changed by changing the laws that apply to the public sector. For example, due to their lack of awareness about the importance of companies having a safety inventory of stock and because importation permits take a long time, controllers frequently question why there is a need for excess raw materials.

4) Consumers

The consumer is the core of the economy, whether he/she is a consumer of a public or private service or of a product produced by the private or public sector. The impact of consumers in the advanced countries is usually direct: Consumer groups are formed in order to question the producers either through the political, judiciary, legislative, or government machineries. This is due to the balance between social and economic development. Therefore, consumers in advanced countries are a driving force in pressuring the public business sector for safe and effective products, lower costs, and product availability. The U.S. Department of Consumer Affairs is an excellent example of how effectively this system works in advanced countries. Every state in the U.S. has a consumer affairs department in which to handle consumer complaints and concerns.

In developing countries, consumers are less active due to either the imbalance between social and economic levels of the society or because the social and economic levels of the economy are at a very low level. Examples of the imbalance between social and economic levels are prevalent in most countries in the Middle East. Examples of very low levels of social and economic structure can be found in many developing African countries south of the Sahara. In the Syrian Arab Republic, as in most Arab countries in the area, consumers' influence is indirect or nonexistent. Most consumers do not take any direct actions against a public corporation which produces goods that are useless or harmful to human safety. In many cases, consumers buy products which deteriorate rapidly and do not have replacement parts.

Indirect influence by consumers is conducted by complaining to the authorities. Since most consumers do not know the established channels for rectifying grievances, they submit their complaints at the highest level of government, usually, the President's office or the Premier's office, where the processing of the complaints becomes an impossible task. Most complaints are forwarded from the President or Premier's office to the respective ministries and from there on, they are handled by the bureaucracy. Few complaints are answered and most complaints vanish in the offices of one agency or another.

Another indirect approach consumers use to express their dissatisfaction is by buying foreign competing products. However, many low-income consumers cannot afford to buy the higher priced foreign products unless they are sold at the same price as domestic products, in this case, most consumers switch to the foreign products. Sometimes consumers will find that prices for foreign products are even lower than those of the domestic products. This is achieved by smuggling some products into the country without paying custom-duty on them. Thus, low quality products and the unavailability of local products in the market creates illegal trade, normally called the black market.

Often, the public corporation managers complain about the availability of smuggled products to the customs officials and subsequently ask them to tighten controls, usually to no avail. The answer to the problem is not to tighten controls because most controls are expensive. No country in the world has ever succeeded in completely controlling imported products, no matter how tight the control. The answer to this problem is to find out why the consumers shy away from certain locally made products manufactured by public business corporations and make them more attractive.

However, some enlightened Syrian consumers follow more direct approaches. Sending letters to the editors of leading newspapers, to members of the People's Council, or to the political party regional or national offices, are common practices of the more educated but dissatisfied consumers. A new broadcasting program called "Direct Line" has brought good results. However, organizing and channeling the demands and grievances of consumers is a national duty. Helping consumers to organize and informing them about their rights are important steps in the direction

of generating an understanding between the producing institutions and the beneficiaries of their products and or services. Public business corporations can benefit from this relationship by planning the quantities, qualities, and styles of their products on the basis of the expressed needs of their consumers.

Under any system of government, consumers are the most important factor in the society. All consumers, be they nationals or foreign, have a crucial role in the economy to varying degrees. There is no substitute for studying the needs, wants, and preferences as well as the characteristics and behaviors of the consumers. Without a scientific approach to the characteristics and patterns of consumption in the national and international markets, the implementation of the socio-economic plan will fall short of targets and consumers expectations.

5) Socio-Economic Situation

The socio-economic situation affects the public sector in many ways. Per capita income and income distribution affect the pattern of consumption and the amount of savings in the country. Thus, a relatively low base of per capita income results in a major portion of income to be spent on food and basic consumption items. An increase in income usually results in a higher propensity to consume rather than to save. This situation creates the need for more food and basic consumption items. In the face of the increased demand for such items, pressures are applied to the public sector to use its full practical capacity and to expand production. Moreover, this situation increases the need for importation of raw materials, semi-finished, or finished goods. In turn, the pressures on hard currency increases and channels a major part of the foreign currency into the importation of food products and reduces the availability of foreign currency to other sectors. Estimating consumption and planning production based on studies of consumers' needs is a must, so that the public enterprises engaged in manufacturing consumer goods may operate on the basis of well-defined targets and allotted resources.

Investment opportunities also affect the public sector. In the case of the Syrian Arab Republic, since corporations are in the domain of the public sector, private investors channel their investments toward areas where competition is not intense, and where demand and speculative profits are high. This situation creates an imbalance in the development of various sectors of the economy. An example of such imbalances is the channeling of private investment to relatively luxurious housing and land purchase. Such an imbalance causes more inflationary pressure which, in turn, affects the public sector directly. Thus, most construction expansions and new projects in the public sector cost far more than planned. An approach to create alternate investment opportunities which help channel private savings into areas of priorities from the national point of view is badly needed.

Social development in the short run places pressure on the public sector and creates opportunities for it. Establishing schools, universities, hospitals, cultural centers, housing for low

income groups, and the like, demand heavy investments. The role of the public sector in financing social investments through profits and corporate taxes cannot be underestimated. It has been stated earlier that a profitable public corporation's taxes are highest in the Syrian Arab Republic. However, most products, materials, equipment, and other services needed by the social sector are provided by the public sector or in conjunction with the public sector.

In the long run, these social development investments will pay dividends to the public sector in the form of a larger and better labor force, a healthier environment, and more educated consumers. This will, in turn, create opportunities for the public sector to introduce new products and to accommodate a higher demand for goods and services. On the other hand, it will create pressures to introduce better goods, new innovations, and better business practices. The common practice of forcing consumers to buy a product which he/she does not need along with a product that he/she needs, will no longer be tolerated. Social development will call for better enterprise planning and consequently for better sectorial and national planning for the business sector. However, the public corporations should be allowed to retain some of their earnings for reinvestment and expansion, moreover, the production capacity of corporations should be renewed.

6) Labor Unions

Labor organizations have been recognized in the Syrian Arab Republic. However, as most developing countries cannot afford major labor strikes, they are forbidden in Syria. On the other hand, the labor system provides for safeguards against dismissal of workers without proper cause. Thus, a manager cannot dismiss a worker without an investigation and without proving that the worker committed an act, or acts, which warrant dismissal. A worker also has the right to appeal. The labor union, on behalf of the worker, can carry the matter to management, higher authorities, or the court of arbitration. Penalties, such as cutting part of the worker's wages or suspension, is subject to appeal by the worker. However, some general managers of public enterprises complain that in many instances they fall under pressure to the extent that the guilty workers are not punished for their offenses. Consequently, managers of public enterprises have been able to fire workers in only a few cases.

Each labor union is responsible for the welfare of the worker joining that union. The union nominates the labor members to the board of directors of the public enterprises and assumes responsibility for ironing out differences between the workers and management. Labor unions are responsible for training workers; practically, culturally, and technically.

The General Labor Union coordinates the activities of all labor unions in Syria. It also participates in discussions of the general developmental plans, particularly with respect to labor. It also represents all unions abroad and provides for seminars, meetings for various local, and international unions. The General Labor Union provides training programs to labor leaders in

public enterprises. However, such programs are of a limited scope and for a limited number of workers. A plan for training all labor leaders to help their fellow workers raise their productivity levels and find solutions to problems is lacking.

Labor unions do not have the right of collective bargaining with public enterprise managements. Wages are centrally determined and promotions are based on seniority alone. Such a buffer system is applied on the assumption that an overall wage policy will ensure justice and equality, and subsequently the satisfaction of all workers. Thus, it is assumed that there is no incentive for a worker to leave his/her work for a higher paying job in other public corporations. Another reason which is often cited by higher authorities is the lack of acceptable criteria for measuring performance which ultimately becomes an incentive used by management to promote the workers who are loyal to them, rather than the ones who are efficient and productive. This may be true if public enterprise managers are not trained. On the other hand, a built-in incentive system is one of the basic ingredients to help raise the productivity of labor. Therefore, it is important to develop managers' abilities that enable them to increase the workers productivity along with viable incentive systems in their respective enterprises. Complete equality for people who are unequal in ability will hurt both the efficient and the less efficient. The former's efficiency is likely to deteriorate to the level of his/her colleagues, and the latter has no pressures to raise his/her efficiency. An incentive system based on efficiency and well-designed training programs to raise the level of performance of the workers are far better alternatives than a system of remuneration based on a completely uniform wage structure and a promotion structure based on seniority alone. Also, allowance should be made regarding the type, location, and environment of the specific enterprise. Many developing countries have done that to attract labor to depressed areas and to allow for differences in the environment of work.

Labor unions in the Syrian Arab Republic do not interfere directly in the operations of the enterprises. In other words, they cannot specify the numbers of workers to be employed, the technology to be used, the distribution of labor in the plant, and the like. This policy seems to be working well from the standpoint of external pressure. However, cooperation between management and labor at the existing stages of socio-economic development is needed to provide the Syrian Arab Republic with skilled labor, of which there are shortages in various crafts. At present, there are no well-designed overall programs to provide various enterprises with this badly needed skilled labor.

7) Innovations and Infrastructure

Innovations may be classified as either technical or non-technical. Schumpeter (1934) stated that innovations include new ideas or methods for producing an existing product at a lower cost in order to expand sales at existing prices. He also stated that an innovation could be the invention of a new product that could be marketed at higher prices. In other words, the concept of technological innovation includes both new physical processes, which were never used before,

and structural changes in the existing technology. Non-technological innovation pertains to the introduction of mental processes which were never applied before and/or changes in the structure of existing applied innovation. Whereas, the supersonic aeroplane or the computer is a technological innovation; the assembly line and decentralization are non-technological innovations. These are not physical innovations; they are mental processes applied to production and organization, respectively. [Thus], innovation ... includes not only new products such as plastics and new mental processes such as economic theory, but new organizations (grocery chains), new markets (electronic cooking), new promotion (singing commercials), and new raw materials (aluminum) (Dean 1951).

However, some writers define innovation as a combination of both technological and non-technological innovations. Thus, Dubin (1968) says technology consists of:

- 1) The tools, instruments, machines, and technical formulas whose employment is necessary to its performance; and
- 2) The body of ideas which express goals of the work, its functional importance, and the rational of the methods employed.

There is no objection to this mix, as long as the differences between physical technique and the application of mental processes are recognized.

According to Thompson (1987), technology can be classified into three categories:

- 1) Long-linked technology which is characterized by serial inter-dependence between organizational units. The production assembly line of an automobile factory is an example of such technology;
- 2) Mediating technology which joins together dependent persons. Financial institutions and utilities are examples of such technology;
- 3) Intensive technology which integrates many diverse technologies together to solve a problem or achieve a change in some objects. Research and development laboratories, computers, and the space programs are examples of such technology.

Kast and Rosenweig (1976) classify technology into different stages, ranging from simple craft knowledge to the more complex advanced technology. Their classification contains two separate but related dimensions which result in many combinations that can be found in different types of organizations as well as within the same organization.

Classification of technology is important to planning in the Syrian Arab Republic. Several public corporations in the same industry, which were nationalized in the early sixties, have been utilizing diverse technology. Such a state of affairs makes the task of planning production,

marketing, investments, and manpower a highly complex job. Furthermore, since pricing has been centralized, it has become very difficult to accurately estimate future costs and future revenues of the corporation. Hence, pricing became out of touch with the individual enterprise and market reality. A classification of the technologies which are used in public enterprises is needed to plan future developments in such technologies within the limitations of markets, investments, and manpower. Besides, such a plan may help management estimate the requirements of manpower more accurately and may help locate new plants more efficiently. Many such plants are not located in the most auspicious place from the standpoint of the economic, technical, and social needs of the country.

Technology can be looked upon from two viewpoints; namely the macro and micro levels. In the Syrian Arab Republic macro technology is given. In other words, managers of public enterprises cannot change the technologies in their respective organizations without very complex procedures. Thus, the approval of various government agencies is required. Moreover, the change should be allowed for in the government's five year plan or should be approved by the Higher Committee of Planning. In many instances new projects are contracted before studying the various available technologies. Consequently, either the wrong technology is selected or sometimes the wrong project altogether is established. A professional project evaluation team and a professional team for selecting technology or a team of both experts is needed in order to avoid expensive mistakes. The participation of either the prospective managers of new projects or the managers of the existing enterprises, in the case of expanding existing plans, is a must. Practicing managers often know the developments in their respective industries and are usually familiar with their problems. It is not suggested here that decisions, regarding establishing new projects or expanding existing enterprises, should be decentralized. Centralization or decentralization of such strategic decision making is a top policy decision. It is suggested that professional evaluators as well as practicing managers in the field should be consulted in selecting projects and technologies.

Studies have shown that the level of technology and the structure of organizations affect one another within a specific society. Thus, "every society has a technological base of skills, tools, and knowledge that its members and formal organizations use to provide for their needs. Each society differs in the degree of development of technology." Studies by Woodward (1965) and Zweiman (1970) have shown that technology has an impact on formal organization structure. In other words, technology is one of the variables which has a functional relationship with formal organizational structures.

"Technology, although not the only variable affecting organization, was one that could be isolated for study without too much difficulty. The patterns which emerged in the analysis of the data indicated that there are prescribed and functional relationships between structure and technical demands" (Zweiman 1970).

Technology is no longer confined to machines and equipment. It involves several activities, different degrees of complexity, and different degrees of human skills. Technical advance according to Woodward (1965) has a direct relationship to "the length of the line of command; the span of control of the chief executive. ..." Thompson (1987) states that "the ratios of managers to personnel, of clerical and administrative staff to manual workers, of direct to indirect labor, and of graduate to non-graduate supervision in production departments." Those findings suggest that organizations may be better analyzed by classifying them in terms of their technical systems and subsystems. Thompson concurs with Roman (1970) that those organizations with similar technological and environmental problems should exhibit similar behavior. Consequently, it may be said that non-technological innovations affect the structure of the organization as well as organizational relationships. Decentralization, self-service establishment, and the systems structure of the organization affects organizational relationships directly. However, it is extremely difficult to classify organizations in terms of their technology because of the unavailability of a standard classification system applicable to all enterprises.

The above discussion leads to the conclusion that firms in the same industry, but using different technologies, have different organizational needs. It has been stated earlier that most public enterprises in the same industry in the Syrian Arab Republic have different technologies, ranging from the least advanced to the highly sophisticated. One would then expect different organizational structures to create different policies in regards to production, marketing, financing, and human resources. Oddly enough there is a tendency to have uniform human resources policies, organizational structures, and relationships despite the differing requirements. Moreover, some projects are studied for years on the basis of existing technology. At the time the project is put into effect, technological advances may make the planned technology in the project more costly. No attempt is made "to develop technological forecasting." Countries which engage in planned socio-economic development cannot rely on intuition or historical data, particularly in deciding which technology is going to be used in certain developmental projects. Technology investment, which usually requires large expenditures of money, is normally planned for the long run. Developing countries such as the Syrian Arab Republic cannot afford to ignore the impact of innovation. This does not mean that every project in a developing country should use the latest technology. Such a course of action is prohibitively expensive, and even if a country could afford to do so, there are other factors such as the levels of available skills and values that may make such actions socially and economically undesirable. However, the impact of innovation should be studied and adjustments should be made within the limitations imposed by the internal and external environment.

Thus, social, economic, and political institutional adjustments as well as cultural adjustments are essential for the proper use of advance technology.

"While modern technology provides the potential for economic growth, lack of appropriate institutional responses can limit or even halt growth. The limits to

growth ..., therefore, are not to be sought in expanding population, food and raw material exhaustion or pollution, but in inadequate or wrong organizational and institutional responses to technological potential" (CERES, FOA, Review, 1976).

One of the misconceptions about socio-economic development in developing countries is that the use of advanced technology is a panacea for progress. Many of the advocates of such a viewpoint stress that output per man/hour is much higher in advanced countries than in developing countries because of the use of more sophisticated technology. Viewpoints like this are responsible for establishing many new plants which apply advanced technology in developing countries without the basic requirements to operate them efficiently. The results are usually disappointing. Thus, output per man/hour has been usually much lower than the corresponding output per man/hour in corresponding plants in advanced countries. In many instances, the production of such plants cannot be absorbed by local markets due to lack of marketing studies, either before or after establishing the projects. Therefore, such plants are operated at far less than their practical full capacity, with the concomitant result of higher fixed costs per unit produced, and a longer pay back period. This means that the productive resources which are usually scarce in developing countries are wasted. The resources, thus frozen in such projects, could have been diverted to other more productive projects, if such plants had not been established, or if the plants had been established in the proper size and within the environmental constraints of the country. The newly established textile factory in the Syrian Arab Republic is an example of this imbalance between size and market needs.

If the production of some new plants, which use advanced technology, is totally or partially geared to foreign markets, a change in technology used by international competitors will result in complex problems. Foreign competitors from advanced countries are likely to use the newer technology, either to produce new versions of the products, better quality products, or the same products at lower costs. In many cases, they introduce better substitutes which make the existing technologies, which are used in developing countries, obsolete. It should be noted that the costs of establishing a new plant and the costs of its operations are far higher in developing countries than the costs of the corresponding plants of the same size and capacity in developed countries.

In the last few years, automation and robotics (which refers to the development of wealth producing equipment that no longer depends on the physical capacities of humans) and the electronic processing of information have had a significant effect on the patterns of management operations in developed countries.

"The electronic processing of information by computers has also had significant effects on patterns of work... The kinds of occupations that exist, the pattern of

supervision, and the worker relationships are significantly altered by these types of changes in technology" (Bell 1987).

Associated with the technological and non-technological environment is the infrastructure. In every society which aspires to raise the levels of living for the masses, a minimum infrastructure which facilitates mobility, exchange, and the efficient use of productive resources is required. Roads, transportation facilities, communication facilities, water for operating plants, drinking water, power plants, utilities, and the like are basic requirements for the efficient use of resources and for putting national plans into effect. This does not mean that these infrastructures are not an integral part of planning, rather it suggests that without the minimum adequate facilities, plans are just ideas on paper. In many instances, plants are established without providing basic facilities such as power, water, roads, and communication. In the same instance, plants cannot access these facilities because they are too far away. The concomitant results of such decisions are the prohibitive costs of providing the needed infrastructure; either by extending the distantly located facilities, or by establishing new facilities to serve the misevaluated or mislocated plants, let alone the opportunity cost of not utilizing the plant until the facilities are provided. Thus, in many cases infrastructure planning is done separately from the planning of industry, agriculture, internal trade, services, and the like. Infrastructure is an integral part of any development plan, whether comprehensive, sectorial or otherwise; and it should be viewed as such. Moreover, in establishing new public enterprises or expanding an existing activity, such as tourism, the existing infrastructure should be reviewed to estimate whether or not it is adequate for supporting the new corporation or expanded activity, and to allow for any needed expansions in various facilities. Many plants were established in areas where infrastructure is deficient.

In the Syrian Arab Republic many public corporations are facing the problems of technology cited above. Moreover, many new plants are automated, without the corresponding changes in structure of organizations, as discussed earlier. Many automated plants utilize more manpower than needed, with the concomitant result of turning some of the equipment of those plants into mechanical, or even manual equipment. Advanced information processing electronics are used for simple calculations, which could be done manually or by simple calculators. Thus infrastructures required for the proper and efficient use of advanced technology, as well as other productive resources, are not incorporated as an integral part of planning. Non-technical innovation, which could help change organizational structure to support the acquisition of advanced technology, is not existent. Consequently, many new public enterprises are established, and many existing public enterprises are expanded without the proper evaluation of changes, which are needed in the existing infrastructure.

It is not suggested that the Syrian Arab Republic government should ignore advanced technology. But, it is of the utmost importance that the proper balance among physical, natural, financial, technological, infrastructure, and human resources be maintained. This is the only way to effect socio-economic plans. The appropriate institutional responses are prerequisites for

change. In other words, non-technological innovations are as important as technological innovations.

In a discussion about the external environment of public enterprises in the Syrian Arab Republic, it should be noted that the Bell classification of environment is partially applicable to the Syrian case. Bell states that "the attacker environmental system presents an organization with highly contradictory, inconsistent occurrences that are often hostile and difficult to deal with. The organization, however, is allowed to be fairly independent from it" (Bell 1987). In Syria, the environment may be labeled as a partial attacker, thus there is little cohesiveness in the structural components of the Syrian environment. Consequently, the powers and authorities of various institutions are not in balance. A review of some of these institutional environments in this paper clarifies this point. On the other hand, public enterprises are not allowed to be independent from their environment, as Bell's model asserts. As a matter of fact they are highly dependent on the environment. The difference between the model and actual practice in the Syrian environment may be due to the fact that Bell had the Western environment in mind. In addition to the partial attacker environment in Syria, there is a partial avoider environment. Thus, the work techniques prevalent within the Syrian Arab Republic require little initiative or self-responsibility from the organization members to deal effectively with the technologies within the environments.

Public organizations' managers perform avoiders' roles in order to evade risk and personal responsibilities, thus they escape from decision making. They prefer to work on safe, unmeasured assignments. Those managers are rewarded for conformist behavior and are punished for deviance. It can be contended that the environment in Syria is of an attack/avoider type. Meanwhile, the environment does not correspond exactly to the various designs used by Bell. The Syrian environment is a unique combination of designs, whereas public organizations are more or less of an avoider design.

The mechanisms which are used to adapt public organizations to their environments in the Syrian Arab Republic are varied and do not correspond exactly to specific models outlined by Bell. Thus, buffering is used by both the central government and the organizations. Buffering by the central government takes the form of a five-year plan, uniform employment laws, uniform public corporation laws, standard policies and procedures for public service organizations, and public business organizations, as well as for central pricing system. Buffering at the organizational level may take the form of stock piling materials, long-order periods for delivery of products, as well as exaggerating costs. Leveling techniques are occasionally used, particularly to encourage public corporations to export Syrian products abroad. Rationing techniques are widely used by the central government to allocate resources to various organizations according to a system of priorities. In many instances, however, the system of priorities is not a result of long run strategies. Basic consumption goods such as sugar, edible oil, and the like are also rationed at low prices which the low income groups can afford. Thus, the relationships between the environment and the public organization are complex. It is the responsibility of the individual management of

a public corporation to adapt to such a complex system. Unfortunately, management development programs are scanty and unprofessional. The Syrian Arab Republic needs a Management Development Institute to help improve the performance of current managers and prepare future managers. This is a very difficult job, but by designing development programs scientifically, Syrian managers could perform their jobs more effectively.

THE INTERNAL ENVIRONMENT

The internal environment of an organization may be divided into a human environment and a physical environment. The first comprises: top management, middle management, supervisory management, and employees. The latter comprises technology, finances, equipment, materials, and the like. Since the physical environment has been partly discussed earlier, and since the human element is the most important resource in any organization, the following discussion is limited to the human element.

1) Top Management

No organization can be better than its leadership asserts Peter F. Drucker (1974). Thus, the importance of top managers cannot be underestimated in the Syrian Arab Republic. Since corporations are mainly public, professional managers are those upon whom a major part of socio-economic development rests. However, since most strategic decisions concerning any public enterprise are made by the Premier, ministers, or by the manager of a holding public corporation (called the Union) which supervises several similar or complimentary business firms, the individual public enterprise manager has no latitude except in tactical decisions.

Moreover, many of those managers were high government officials who were transferred to manage public enterprises, without proper training on how to adapt to unfamiliar business situations. Consequently, many mistakes have been committed. In addition, many problems within the sphere of the enterprise are transferred to higher authorities. This does not mean that there aren't any competent managers in Syria. There are many successful managers who have consistently achieved more than the production and marketing targets, despite many environmental limitations. The human organizations through which these managers operate are healthy. The problem of top management in Syria is in developing the criteria for selecting managers, devising a system of their remuneration and motivation, and also planning their development. Motivation of managers is used here to connote both material motivation, such as their salaries, fringe benefits, bonus for achieving or surpassing targets, and the like, and nonmaterial motivation, such as giving them the authority and responsibility to make strategic decisions pertaining specifically to their enterprises and the like.

2) Middle Managers

The distinction between top managers and middle managers in Syria is not always clear. A production manager may be a top manager or a middle manager in a Syrian public enterprise. The difficulty of identifying middle management is shared by many writers. Koontz and O'Donnell (1980) recognized this by saying, "the middle manager -- a poor name for some remarkable people -- stand between the front line and top managers." In the Syrian public enterprise, the managing director, the production manager, the financial and administrative manager, and the commercial manager are members of the board of directors according to the law, and by definition are top managers. The assistants of the four functional managers are considered middle managers. Although middle managers are supposed to manage managers, their tasks also include planning for the accomplishment of their departmental objectives, as well as to refine control or solve problems. Due to the lack of competent firstline supervisors, the middle manager in the Syrian public enterprise is a doer rather than a manager. All the problems which usually face first-line supervisors are put on the lap of middle managers. If we add that most of the strategic decisions are made outside the public enterprise, one can visualize the frustration of these middle managers. Thus, most of the elements of a middle management position are inflexible. Most of the middle managers in such a position do not have the time to keep abreast of new knowledge and practices, new technology, and new methods of utilizing resources more efficiently.

Since the middle managers of today are the top managers of tomorrow, and since middle managers in the Syrian public enterprise system are performing supervisory functions and sometimes foremanship functions, a stand-by top managerial class is almost non-existent. The concomitant result is that many top managers perform middle management functions at the expense of overall problems which need their attention. In addition, the middle management vacuum is responsible for a stream of trivial problems sent to top management because of the lack of a filtration process. This is a serious matter which deserves the immediate attention of policy makers. A plan is badly needed for providing both public enterprises and government departments with competent middle managers. It is especially important to prepare the middle managers for top management positions because sooner or later they will become the top management of the organization. This may take time, but a country which has been aspiring toward rapid socio-economic development will necessarily restructure its organizations to utilize human resources efficiently. In this respect Peter Drucker (1974) says:

"This requires restructuring individual jobs, but also restructuring the organization and its design. In the knowledge organization, the job ... has to focus on the company's objectives... It can no longer be designed as was the traditional middle-management job, in terms of downward authority. It has to be recognized instead as multidimensional."

3) Supervisory Management

Unlike top and middle managers, the frontline supervisor manages performance. He is deeply concerned about the efficiency of subordinates. He does not manage managers, but leads his employees toward productive effort. The importance of this level of management should not be underestimated, because it bridges the gap between the bottom of the organization and middle management. Frontline supervisors interpret policies and plans to their subordinates. They help workers solve problems and they carry to middle managers information about the progress of the work, and the problems which could not be solved at the frontline of management. One of the basic factors at this level of management is to find innovative ways by which the subordinates can improve their contribution to the enterprise for which they work.

In most Syrian public enterprises, there are few competent front line supervisors. Most high school graduates or vocational school graduates would rather perform office work than supervise production of products and services. This is a reflection of their culture which considers manual work or blue collar work to be unrespectable. Most of the graduates, who were trained in vocational schools to become foremen or other supervisory roles, prefer to continue their university education in order to be eligible for technical work in public business or government. The pay structure and the prestige attached to such jobs attract many candidates. The concomitant result is that many frontline supervisors are not trained to carry on the responsibilities of the job. Thus, the pressure on middle managers to assume even the foremen function is usually great, to the extent that most of them became frontline supervisors in essence. The middle management vacuum is thus intensified. This vacuum is not only a quantitative one, but it is qualitative as well. A new policy for vocational training and a restructuring of the firstline supervision functions is a must. However, this cannot be done separately from restructuring the organization of public enterprises in Syria as a whole.

4) The Workers

In this discussion, the workers are dealt with as an internal force in the firm. The workers are an important and integral part of the human resources in any organization. Their needs, efficiencies, and their level of achievements decide to a considerable degree whether an organization is to achieve its objectives or not.

The workers in Syrian public enterprises have the right to organize, as discussed earlier under the heading of "Labor Unions." In addition, the government has made sure that the workers have representation on the board of directors for each public enterprise to participate in policy making at the top management level of the enterprise. In many instances, the member of the board of directors selected by labor does not differentiate between his/her role as a board member and a workers' representative. Thus, sometimes he/she defends some labor demands without regard to the problems in the context of the overall welfare of the enterprise. Recently, the General Labor

Union, with the help of professionals, designed and executed management development programs for those board members in order to differentiate their roles as workers and as member of the board of directors.

Regarding personnel policies for the workers, there is a tendency for a uniform condition of employment to exist, including pay scale. Promotions are on the basis of seniority. And in many instances fringe benefits, such as housing and schooling, are not satisfactorily provided. Thus, most workers prefer to work in either large cities or enterprises in remote areas where both development and skilled labor are needed. A revision of such policies is called for to allow for skills, regional conditions, and the like. Without such a review, the problem of skilled workers will be intensified in depressed areas of Syria such as Al Hassakah.

Another problem facing public enterprises is the drain of skilled labor by the Arab oil producing countries. It is natural that Arab countries, which have excess skilled labor, are willing to provide other sister countries with needed labor. But, a country like the Syrian Arab Republic has to have sufficient skilled labor to effect its own socio-economic development. Therefore, Syria adopted a policy of barring certain scarce skilled labor from working abroad. On the other hand, attracted by very high wages, many skilled workers find ways to work abroad. If the government offers the workers some financial and non-financial incentives this may ease this situation. Again, uniform labor personnel policies should be changed as a first step toward the solution of scarce skilled workers.

In the face of scarce skilled labor in the Syrian public enterprise, training plans should be effected. Unfortunately, there is no plan in existence to retrain unskilled and semi-skilled workers to become skilled. Training is done by senior workers or through trial and error, which is the most expensive method of training. Besides, the loss of money, time, and efforts due to the lack of skilled workers is enormous. Machine breakdowns, material waste, poor time management, and the deterioration of quality are common to some enterprises which lack adequate skilled workers.

CONCLUSION

In this paper both the external and internal environment with particular reference to the Syrian public business corporation are considered. It is clear that the external and internal environments are interrelated. Moreover, environments constitute both opportunities and pressures for the organization. The managers of public enterprises in Syria have to make the best of opportunities and operate within the constraints afforded them. Some environmental constraints, such as uniform employment policies, the drain of skilled workers and the middle management vacuum have to be dealt with at the national level, along with the sectorial and enterprise levels. The consumers who are the core of any business enterprise have to be studied in order to produce the products and services in accordance with their needs and preferences. Massive training of the state owned sector managers and controllers have to be executed thoroughly and efficiently in order for these corporations to be managed effectively. The Syrian government is trying to denationalize many corporations but the major problems that many of the state owned corporations face are run down wealth producing equipment and machinery which makes it difficult to sell many of these corporations to private investors, particularly the ones with very heavy losses. In accordance with World Bank recommendations, the debtor developing countries including the Syrian Arab Republic have to:

- 1) Remove consumer and business subsidies;**
- 2) Allow prices to be determined by the market mechanism;**
- 3) Liberalize international trade;**
- 4) Privatize losing state owned corporations;**
- 5) Reform government by reducing the excessive number of bureaucrats.**

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