

**F O U R T H   E D I T I O N**

*International  
Management*

**C U L T U R E   A N D   B E Y O N D**

*Richard Mead and  
Tim G Andrews*



A John Wiley and Sons, Ltd., Publication



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# CONTENTS

<i>Preface</i>	xii
<i>Acknowledgments</i>	xv
<b>PART ONE INTRODUCTION</b>	<b>1</b>
<b>Chapter 1 International Management and Culture</b>	<b>3</b>
1.1 Introduction	3
1.2 Factors that influence decision-making	4
1.3 Using culture	6
1.4 Cross-cultural and International Management	16
1.5 Implications for the Manager	17
1.6 Summary	18
1.7 Exercise	18
<b>Case for Part One</b>	<b>20</b>
Chapter 1 Case: Slicing the Meat	20
<b>PART TWO CROSS-CULTURAL MANAGEMENT</b>	<b>23</b>
<b>Chapter 2 Analyzing Cultures: Making Comparisons</b>	<b>27</b>
2.1 Introduction	27
2.2 Comparative Analysis	28
2.3 Kluckhohn and Strodtbeck (1961)	29
2.4 Hall (1976)	30
2.5 Hofstede's Model	35
2.6 Applying Hofstede's Model	43
2.7 Implications for the Manager	45
2.8 Summary	46
2.9 Exercise	46

<b>Chapter 3 Analyzing Cultures: After Hofstede</b>	48
3.1 Introduction	48
3.2 Comparative Analysis since Hofstede	49
3.3 New Approaches	59
3.4 Implications for the Manager	61
3.5 Summary	61
3.6 Exercise	62
<b>Chapter 4 Movement in the Culture</b>	63
4.1 Introduction	63
4.2 Recognizing Significant Movement in the Culture	64
4.3 Economic Change and Cultural Movement in Japan	67
4.4 Other Factors Causing Movement	71
4.5 Implications for the Manager	77
4.6 Summary	77
4.7 Exercise	78
<b>Chapter 5 Organizational Culture</b>	79
5.1 Introduction	79
5.2 Defining and Analyzing Organizational Cultures	80
5.3 Organizational Culture and National Culture	85
5.4 Mitigating the Effects of the Environment	88
5.5 Implications for the Manager	92
5.6 Summary	93
5.7 Exercise	93
<b>Chapter 6 Culture and Communication</b>	94
6.1 Introduction	94
6.2 Appropriate Communication Across Cultures	95
6.3 One- and Two-way Communication Styles	101
6.4 Non-verbal Communication	106
6.5 Implications for the Manager	107
6.6 Summary	108
6.7 Exercise	108
<b>Chapter 7 Motivation</b>	111
7.1 Introduction	111
7.2 Needs	112
7.3 Intrinsic and Extrinsic Needs	114
7.4 How Context Influences Needs	116
7.5 Designing Incentives	118
7.6 Work as a Motivator	123
7.7 Implications for the Manager	125



7.8	Summary	126
7.9	Exercise	126
<b>Chapter 8</b>	<b>Dispute Resolution</b>	<b>128</b>
8.1	Introduction	128
8.2	Reasons for Dispute	129
8.3	Culture and Dispute	130
8.4	The Manager Resolves a Dispute	134
8.5	Negotiation	136
8.6	Implications for the Manager	142
8.7	Summary	143
8.8	Exercise	143
<b>Chapter 9</b>	<b>Formal Structures</b>	<b>146</b>
9.1	Introduction	146
9.2	Defining Structure	147
9.3	Bureaucracy	150
9.4	Culture and Bureaucracy	155
9.5	Implications for the Manager	159
9.6	Summary	160
9.7	Exercise	161
<b>Chapter 10</b>	<b>Informal Systems</b>	<b>163</b>
10.1	Introduction	163
10.2	Informal Relationships	164
10.3	Modeling Patronage	165
10.4	Patronage, Culture and Society	168
10.5	Some Variants: <i>Guanxi</i> and <i>Wasta</i>	172
10.6	Managing Informal Systems	174
10.7	Implications for the Manager	177
10.8	Summary	177
10.9	Exercise	178
<b>Chapter 11</b>	<b>The Culture and Politics of Planning Change</b>	<b>180</b>
11.1	Introduction	180
11.2	The Meaning of Planning	181
11.3	The Classic Planning Model	182
11.4	How National Culture Influences Planning	184
11.5	How Organizational Culture Influences Planning	187
11.6	The Politics of Planning	189
11.7	Implications for the Manager	192
11.8	Summary	193
11.9	Exercise	193

<b>Chapter 12 When Does Culture Matter? The Case of Small/Medium Sized Enterprizes</b>	195
12.1 Introduction	195
12.2 The Start-up in the United Kingdom and United States	196
12.3 The Start-up in Taiwan	199
12.4 The Anglo Family Company	201
12.5 The Chinese Family Company	203
12.6 The Middle Eastern Family Company	207
12.7 Assessing the Influence of National Culture	209
12.8 Implications for the Managers	209
12.9 Summary	210
12.10 Exercise	211
<b>Cases for Part Two</b>	212
Chapter 2 Case: Relations Between Manager and Employees	212
Chapter 3 Case: The Venezuelan Manager	213
Chapter 4 Case: Youth or Age, or Youth and Age?	214
Chapter 5 Case: The Vietnamese Bank	215
Chapter 6 Case: Bad Communication	216
Chapter 7 Case: Motivating Who?	217
Chapter 8 Case: The Nigerian Family Firm	218
Chapter 9 Case: No Job Description	219
Chapter 10 Case: Patronage in Europe	220
Chapter 11 Case: Improving Quality Control	221
Chapter 12 Case: Explaining Decisions Made by Small Business Owners	223
<b>PART THREE INTERNATIONAL MANAGEMENT</b>	225
<b>Chapter 13 Globalization and Localization</b>	229
13.1 Introduction	229
13.2 Defining Globalization	230
13.3 The Social Effects of Globalization	237
13.4 The Roots of High Globalization	240
13.5 Implications for the Manager	243
13.6 Summary	243
13.7 Exercise	244
<b>Chapter 14 Planning Strategy</b>	245
14.1 Introduction	245
14.2 The Formal Strategic Plan	246
14.3 Stages of Planning	247
14.4 Strategic Planning Based on Resources	250

14.5	Balancing Resources and Position	252
14.6	The Influence of Environmental Factors	253
14.7	Growth Strategies	255
14.8	Emergent Strategy	256
14.9	Scenario Planning	257
14.10	Implications for the Manager	259
14.11	Summary	259
14.12	Exercise	260
<b>Chapter 15</b>	<b>Implementing Strategy and Applying Knowledge</b>	<b>261</b>
15.1	Introduction	261
15.2	Identifying and Applying Knowledge	262
15.3	Organizational Capabilities and Competitive Advantage	264
15.4	Implementation and Communication	266
15.5	International Mergers and Acquisitions	271
15.6	Transferring the Implementation System	273
15.7	Implications for the Manager	275
15.8	Summary	276
15.9	Exercise	276
<b>Chapter 16</b>	<b>E-Communication</b>	<b>278</b>
16.1	Introduction	278
16.2	Controlling by E-Communication	279
16.3	Cross-national Implementation	282
16.4	Email Utilization: Exploring Culture's Consequences	284
16.5	Implications for the Manager	287
16.6	Summary	288
16.7	Exercise	289
<b>Chapter 17</b>	<b>Forming an International Joint Venture</b>	<b>290</b>
17.1	Introduction	290
17.2	Why Invest in an IJV?	291
17.3	Preparing for Success: The Four Compatibilities	295
17.4	Trust and Mistrust	297
17.5	Sharing Control	301
17.6	Implications for the Manager	304
17.7	Summary	305
17.8	Exercise	306
<b>Chapter 18</b>	<b>Risk and Control: Headquarters and Subsidiary</b>	<b>307</b>
18.1	Introduction	307
18.2	Risk for the Subsidiary	308
18.3	Control	312
18.4	Implications for the Manager	320

18.5	Summary	320
18.6	Exercise	321
<b>Chapter 19 Managing Human Resources</b>		<b>323</b>
19.1	Introduction	323
19.2	Applying Concepts of HRM	324
19.3	The General Functions of HRM	326
19.4	HRM Activities in Context	328
19.5	Recruitment	330
19.6	Performance Appraisal	332
19.7	Training	334
19.8	Retention	336
19.9	Implications for the Manager	338
19.10	Summary	339
19.11	Exercise	339
<b>Chapter 20 Controlling by Staffing</b>		<b>341</b>
20.1	Introduction	341
20.2	Staffing to Control the IJV	342
20.3	National Culture and Control	346
20.4	Local or Expatriate Top Management?	349
20.5	Implications for the Manager	354
20.6	Summary	355
20.7	Exercise	355
<b>Chapter 21 Managing Expatriate Assignments</b>		<b>358</b>
21.1	Introduction	358
21.2	What Expatriates Do	358
21.3	Expatriate Success and Failure	360
21.4	Expatriate Selection	363
21.5	Expatriate Training	365
21.6	Expatriate Support	369
21.7	Implications for the Manager	373
21.8	Summary	374
21.9	Exercise	374
<b>Chapter 22 The Expatriate Brand Manager</b>		<b>376</b>
22.1	Introduction	376
22.2	The Emergence of Global Brands	377
22.3	Role of the Expatriate Brand Manager	380
22.4	Brand Communication: Managing the Mix	382
22.5	Implications for the Manager	388
22.6	Summary	389
22.7	Exercise	390

<b>Cases for Part Three</b>	392
Chapter 13 Case: The Call Center Revolution	392
Chapter 14 Case: Baby Food	393
Chapter 15 Case: New Knowledge	394
Chapter 16 Case: Betafield	395
Chapter 17 Case: The Indian Joint Venture	396
Chapter 18 Case: Global Paper (1)	397
Chapter 19 Case: The Foreign Employee	399
Chapter 20 Case: Global Paper (2)	400
Chapter 21 Case: Appointing a Headquarters Manager to the Swiss Subsidiary	401
Chapter 22 Case: Teldaswift	403
<b>PART FOUR CONCLUSIONS</b>	405
<b>Chapter 23 The Culture of the Subsidiary: Convergence and Divergence</b>	407
23.1 Introduction	407
23.2 Corporate Cohesion and Cultural Shift	408
23.3 Convergence and Divergence	410
23.4 The Dual-pressure Perspective	412
23.5 Cross-vergence	416
23.6 Implications for the Manager	417
23.7 Summary	418
23.8 Exercise	419
<b>Chapter 24 Ethics and Corporate Responsibility</b>	420
24.1 Introduction	420
24.2 Ethics	421
24.3 Ethics Across Culture and Time	424
24.4 Ethics in Branding	427
24.5 Corporate Social Responsibility	429
24.6 Implications for the Manager	431
24.7 Summary	432
24.8 Exercise	432
<b>Cases for Part Four</b>	434
Chapter 23 Case: CAS	434
Chapter 24 Case: A Donation to the President's Campaign Fund	436
<b>APPENDIX: Planning a Dissertation</b>	438
<i>Bibliography</i>	443
<i>Index</i>	453

# P R E F A C E

In response to a survey of Fortune 1000 companies enquiring about “the biggest barrier in doing business in the world market”, cultural differences ranked at the top of the list (*The Guardian*, September 20, 2007). The report suggested that the failure to recognize these differences was the most common cause of failure for cross-national enterprises. (Other barriers ranked were the concerns of law, price competition, information, languages, delivery, foreign currencies, and time differences.)

Members of different cultures express different values and priorities when they make and implement decisions. These values influence work relationships, whether between superior and subordinate, peers, international joint venture partners, managers in head-quarters and subsidiaries, and others.

How do international managers recognize the opportunities and threats that cultural difference presents? And how do they respond?

The answers do not lie simply in learning more culture. The influence of culture is never stable and its effect on behavior can never be precisely predicted. Further, a range of other factors may intervene. These include the social and business environments, industry and organizational interests, and the personalities of the people concerned. The problem for the manager is deciding which have priority in any given situation.

Culture is **SOMETIMES** very significant; and on other occasions it is not, and the other factors are more so. The manager needs the skills to recognize **WHEN** culture is significant, to weigh its influence against that of the other factors, and then respond appropriately. This book aims to equip managers with these skills.

## **A: Who is the Book for?**

Students and managers can find the study of cross-cultural management frustrating unless it is related to some other aspect of the management syllabus. The book is recommended for those majoring in international management. It is also aimed at those with interests in:

- International human resource management;
- Strategic planning;
- Cross-cultural communication.

The globalization of business means that new managers are almost certain to work and interact with members of other cultures during their careers. They are increasingly likely to cooperate in global and virtual teams. This is true in headquarters as much as in the subsidiary or international joint venture.

*Whether or not all cultures are converging to the point at which the differences are so slight that they can be safely ignored is a matter of opinion, and arguments can be found on both sides.* The practical answer for today is that any final convergence is still a long way in the future. Today's manager cannot afford to ignore the obvious differences. These are real, and vitally affect the workplace.

## **B: What Makes the Book Different?**

In addition to the core topics discussed in most textbooks on international management, this book includes others that are not normally discussed in this context. They include:

- The influence of culture on family companies;
- Informal patronage, *Guanxi* and *Wasda*;
- The tension between globalization and localization;
- E-communication;
- Convergence and divergence in subsidiary cultures;
- The relevance of Western human resource management to other cultures;
- Corporate brand control – the lynchpin of the relationship between contemporary headquarters and the subsidiary.

Many MBA and other management students have to write a dissertation or report as part of the assessment exercise. This book includes an Appendix on planning the dissertation.

## **C: What's New About the Fourth Edition?**

This edition is co-written. In order to give the book wider scope and new insights, Richard Mead has been joined by Tim Andrews.

All topics have been revised and updated. The increasing importance of China and the Middle East in international business is recognized.

Some of the topics covered in single chapters in the Third Edition are now given two. These include cultural analysis (now in Chapters 2 and 3, and updated) and the planning and implementation of strategy (now Chapters 14 and 15).

All chapters are considerably shorter than in previous editions, but retain their core messages.

This edition consists of 24 chapters, as opposed to 18 in the Third Edition. The entirely new chapters are:

Chapter 16: E-Communication

Chapter 19: Managing Human Resources

Chapter 22: The Expatriate Brand Manager

Chapter 23: The Culture of the Subsidiary: Convergence and Divergence

There are also new sections on growth strategies, mergers and acquisitions, and corporate social responsibility.

Almost all the Introductions, Exercises and Cases are new. The Bibliography is radically revised and updated.

## **D: How are the Chapters Organized?**

The material is organized in four parts. Part One consists of an introductory first chapter. In Part Two, Chapters 2–12 focus on cross-cultural management, and examine how far culture influences behavior in the workplace and the internal systems of the company. In Part Three, Chapters 13–22 focus on global and strategic issues in international business, and emphasize the influence of non-cultural factors on decision-making and implementation. Part Four consists of two concluding chapters, 23 on cultural convergence and divergence in the subsidiary, and 24 on ethics. These two chapters rework many of the themes introduced earlier. Short case studies follow each part.

Finally, there is an Appendix on planning a management dissertation.

The *Instructors' Manual* that accompanies this book suggests alternative arrangements by which the instructor can structure teaching courses based on it.



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This book is for our families; Kullada and Paron, Air and Mae.

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# PART ONE

# Introduction

## PART ONE **Introduction**

**Part One** introduces the idea that in some situations, national culture significantly influences how members of an organization behave.

## CHAPTER ONE **International Management and Culture**

Decisions made within the organization are influenced by internal factors such as strategy and the skills held by the labor force, and factors within its business environment, including the market and the activities of competitors. The external factors also include national culture. National culture is defined.



# CHAPTER ONE

# International Management and Culture

## CHAPTER OUTLINE

<b>Introduction</b>	<b>Implications for the Manager</b>
<b>Factors that Influence Decision-making</b>	<b>Summary</b>
<b>Using Culture</b>	<b>Exercise</b>
<b>Cross-cultural and International Management</b>	<b>Notes</b>

## 1.1 Introduction

The book deals with international management, and has four parts. This part consists of a single chapter and is introductory. In Part Two, Chapters 2–12 deal with cross-cultural management topics, and focus on the influence that national culture has on arrangements within the organization. In Part Three, Chapters 13–22 deal with international management topics, and focus on the tensions between the organization and its international and global environment. To conclude, Part Four deals with cultural convergence and divergence in the subsidiary in Chapter 23, and ethics in Chapter 24.

### *1.1.1 When is national culture important, and when not?*

Some management scholars claim that national culture is the predominant force driving ALL decisions made in human organizations. But others dispute the notion that culture has any relevance to management at all.

This book rejects both extremes as oversimplistic. It takes the point made by Francis Fukuyama in a newspaper article (our italics) most economists do not accept that culture can explain economic growth, and treat culture as:

a residual category in which lazy social scientists take refuge when they can't develop a more rigorous theory. There is indeed reason to be cautious about using culture to explain economic and political outcomes. *Culture is only one of many factors that determine the success of a society.*<sup>1</sup>

We argue that culture is always LIKELY to be an influence on how an organization responds to its environment and structures, roles and relationships, and how its members make decisions, communicate, and respond to organizational structures. But in any particular event, culture may not be a factor, and even when it is, may not be the ONLY significant factor. Other possible influences include factors internal and external to the organization. Those internal include the organizational strategy and the personality of the chief executive officer (CEO); those external to (other than) national culture include economic conditions, markets, technologies, the activities of competitors, and so on. (Section 1.2 gives a more complete list, and shows how internal factors are moderated by the external.)

The problem for the international manager is to decide *under what circumstances is culture likely to be a significant factor and when not?* In any particular event, he/she needs to answer particular questions:

- How much weight should be given to culture as against other factors when explaining or predicting behavior?
- How much weight should be given to culture when seeking to respond to, or cause, behavior?

The book aims to develop skills of identifying when national culture is significant, and has to be taken into account in making and implementing plans, and when it can be ignored.

An understanding of culture and its influences does not guarantee successful decision-making; but it does reduce the possibilities of failure.

The book is principally aimed at decision-making in the private sector. But it also deals with topics relevant to managers employed by state sectors and international not-for-profit organizations. These include organizations with an extra-national identity (the United Nations, World Health Organization, the World Bank); national organizations such as embassies and cultural organizations (the British Council, Alliance Française, Goethe Institute); and non-governmental organizations (Amnesty International, OXFAM, Medecins Sans Frontières)

## 1.2 Factors that Influence Decision-making

Here is a list of SOME of the internal factors that influence decision-making within the organization:

- The CEO's psychological make-up;
- The organizational strategy;

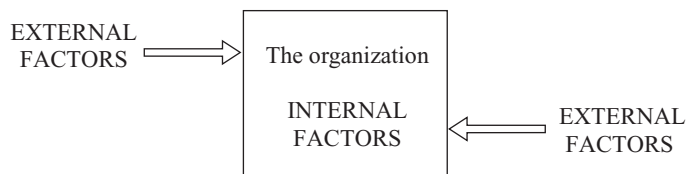
- Resources (financial, plant, staff, technology) already secured;
- Organizational history;
- Policies and systems;
- ORGANIZATIONAL CULTURE.

The EXTERNAL factors include

- decisions made by competitors;
- decisions made by suppliers;
- decisions made by customers;
- labor markets;
- technology;
- the national, regional and world economies;
- financial markets;
- local, national, regional, and international politics;
- laws and regulations;
- infrastructure factors (transport, power, etc.);
- trade unions;
- consumer groups;
- ethical and religious systems;
- factors in the green environment;
- industry norms;
- national culture.

It might seem that the internal and external influences can be easily distinguished – as in Figure 1.1. However, this model provides only a broad generalization. The internal factors are themselves influenced by the wider environment. For example, the formulation and implementation of strategy is influenced by analysis of market factors, the activities of competitors, and the economic environment. The organizational culture is influenced by the national culture; staff resources by the cost and availability of labor available in external markets; and so on. In practice, the boundary between the internal and external factors influencing decision-making in the organization is porous, as is shown in Figure 1.2.

When the company is dealing with a subsidiary or joint venture partner operating in another country, decision-making is influenced by its own environment *and* the environment of this second player. This second environment may be very different. Decision-makers



**Figure 1.1** The organization in its environment (1)



**Figure 1.2** The organization in its environment (2)

at the headquarters/first parent not only need to understand the internal structures and organizational culture of the subsidiary/second company but also need to understand factors of the environment within which it operates, and how these influence its interpretation of the headquarters/first parent's interests and strategy. These environmental factors include

- the other country's laws and regulations;
- its economic profile;
- its market conditions and competition from local companies;
- the other national culture.

The company is continually interpreting its external environment, and reinterpreting its own history, present capacities and possible futures, in terms of how best it can respond to this external environment. The company collects and analyses information about its external and internal environments, and in this sense it functions as a system for making interpretations. Then plans are made and implemented on the basis of the interpretations made.

This means that the importance given to culture, and the descriptive categories used, depend largely on the needs and interests of the person making the interpretation. This person may be a manager, consultant, or scholar. Their needs, and therefore their interpretations, may vary widely.

Here is an example. A communications professor saw the study of culture as vitally important in understanding what happens within the firm and how the firm communicates with its business environment. She was married to a macro-economist, who was employed to analyze and predict trade cycles, and notions of culture were irrelevant to this work. In fact, he dismissed the study of culture as a waste of time. Given their different professional interests and needs, this disagreement on the importance of culture was not surprising. And hence, it is to be expected that scholarly descriptions vary – depending on the interests and objectives of the person making the description. The next chapter gives examples.

### 1.3 Using Culture

Here we focus on one of the environmental factors listed above, NATIONAL CULTURE – and references below to “culture” are to national culture. Organizational culture is dealt



with as a separate phenomenon, in Chapter 5. As we shall see, these two phenomena differ in important aspects, and they should not be confused.

Values in the culture influence the behavior of members of this national community. This means that when members are working together in an organization, their shared culture means that they are likely to respond similarly to events in the world and decisions taken by management.

On the basis of cultural analysis, the manager can assume a degree of uniformity in the values held by group members, and hopes to be able to make generalizations about their behavior. These generalizations give a basis for predicting their future behavior in routine situations.

For example, your understanding of Culture X gives you a basis on which to predict how Culture X negotiators might respond to your offers, concessions, and refusals. It gives you an indication of how Culture X managers might respond to more or less centralized control. It suggests how the Culture X workforce might respond to a new incentive scheme, to group-based activities or an individually based activity, to competition between work groups, to pay-scales based on individual achievement or group achievement.

### ***1.3.1 Personal factors***

National culture is not the only factor influencing values and behavior. The individual's personality is molded by such factors as

- PSYCHOLOGICAL characteristics;
- GENETIC profile;
- GENDER stereotypes;
- AGE;
- SOCIAL constraints, including those imposed by family and social class.

Ideally, the manager needs to understand the personality of each one of those individuals for whom he/she is responsible, to realize their potential and to help resolve their problems. However, it is often not practical that decisions are based on the different needs of individuals. The manager who needs to motivate a unit of 10 employees can only afford to invest the necessary resources (of time, labor, research and so on) into tailoring 10 individual schemes if each individual is of extraordinary value to the success of the company, and if each individual has to have his/her needs correctly catered for. So, given the economic constraints on applying personality analysis to a small unit, is it possible for the manager to design an individual scheme for each of, say, 100? Or 1,000? More probably, the manager treats the 100, or 1,000, as a group with some shared identity. This means generalizing about their values and needs, testing this generalization by observation and experience, and acting on this basis. This explains why managers find it useful to apply CULTURAL ANALYSES as a support for (or substitute for) personality analyses.

### ***1.3.2 Predictability is limited***

However, the predictive worth of cultural analysis is limited. First, the manager can never precisely calculate the influence of culture against that of other factors in the environment listed in Section 1.2 – for example, economic factors. Second, in extraordinary and non-routine situations – say, a takeover, an unexpected bankruptcy, a natural disaster – individuals may respond in unexpected ways. They feel an overriding need to safeguard their own interests, and not to conform to group norms. In these cases, cultural predictions lose their validity. Organizations hate the non-routine, and in general fail to plan for drastic change – including their own demise. Third, every society produces persons whose psychological make-up makes them atypical, and persons who are inept at understanding their culture and accepting its norms. Every society produces social outsiders, criminals, and lunatics.

In sum, models of cultural analysis give the manager invaluable instruments that are applied in work of interpreting and predicting the behavior of the workforce. But, as we see throughout this book, these models are never 100 percent reliable.

### ***1.3.3 Defining national culture***

Scholars have produced hundreds of definitions of “culture”. Hofstede’s (1984) definition is still the best known to management scholars and is used here:

Culture is the collective programming of the mind which distinguishes the members of one human group from another . . . . Culture, in this sense, includes systems of values; and values are among the building blocks of culture. (p. 21)

This implies that

- a culture is particular to one human group and not others;
- it is learned, and is not innate. It is passed down from one generation to the next;
- culture includes systems of values.

Sections 1.3.4–1.3.7 examine the implications of this definition. Sections 1.3.8–1.3.13 deal with aspects of culture that the definition does not cover.

### ***1.3.4 Culture and the group***

The first point raised above is that a culture is particular to one human group and not others. This means that

- different human groups have different cultures;
- different human groups may respond to similar situations in different ways.

For example, the staff of an American organization were asked to contribute to a medical charity. In New York, each person made his/her decision about how much to contribute

on an individual basis, and did not consult with any other person either before or after the collection was made. A few weeks later, it was suggested that the Panamanian subsidiary subscribe to the same charity. Members of the subsidiary were unsure about how much each should give, and consulted in groups and with their local superiors to decide on a figure. Each person at each level of the company hierarchy contributed the same sum, but higher levels contributed more, and the local CEO most.

This shows different national groups responding to the same situation in very different ways – by deciding on the basis of individual interests, or by deciding on the basis of collective and hierarchical interests.

The notion of national culture assumes that the cultures of, say, the Japanese, Americans and Portuguese have their particular characteristics shared by members, and are distinct. This generalization is useful if you have to compare the three countries. Assume, for example, that you are trying to decide where to situate a new plant, and you need to take into account the likely behaviors of the workforces.

In much cross-cultural management, the national group is taken as the unit of analysis. This has certain advantages over the alternatives. The limits of subcultural groups below this level may be difficult to identify, and reliable data scarce. On the other hand, larger groups – which lack the shared historical and economic experiences that bind a nation – may permit only very loose predictions to be made.

For example, journalists and politicians like to distinguish between “Eastern culture” (or “Asian culture”) and “Western culture”. But this level of generality oversimplifies, and is potentially damaging because it blinds us to real differences within each region.

Japan, India, Iraq, and Hong Kong might be vaguely grouped in the Asian sphere, but the manager who expects the behavior of his/her Iraqi employees to correspond with that of Japanese employees may be making a serious mistake. Poland, the USA, Spain, and Finland all belong in the Western sphere, but their national cultures differ markedly. Similarly, the national cultures of the countries comprising the European Union differ enormously, and even its most fervent advocates of this rickety political structure are unable to identify any common value system.

The point was made in the UK by a Hindu correspondent writing to a newspaper after the September 11, 2001 attack on the World Trade Center:

Sir – Once again, I see that you are writing articles on Muslims and then suddenly referring to Asians [article reference . . .]. If you continue to use the term “Asian” then please refer to the citizens of this country as Europeans, as this will have the same validity.<sup>2</sup>

The same point applies in the case of the West – and always has. Gray (2000) writes:

The pot-pourri sometimes called Western civilization has always contained conflicting values. Greek, Roman, Christian and Jewish traditions each contain distinctive goods and virtues that cannot be translated fully into the ethical life of the others. The notion of a “western tradition” in which these irreconcilable elements were once fused cannot withstand philosophical – or historical – scrutiny. There was never a coherent synthesis of these values, nor could there have been. (p. 12)

### **1.3.5 National territory and the national group**

On the other hand, it is not always safe to assume a correspondence between national territory and the culture group. That is, homogeneity within the national culture cannot always be taken for granted. According to Barber (2001):

... less than 10 percent (about twenty) of the modern world's states are truly homogeneous and thus, like Denmark or The Netherlands, can't get smaller unless they fracture into tribes or clans. In only half is there a single ethnic group that comprises even 75 percent of the population. (p. 9)

This means that predictions of behavior are more reliable when made of populations that are relatively homogeneous; Japan is one, although even here important subcultural differences can be found between, say, mainstream Japanese, Korean Japanese, and the people of Okinawa, for whom home rule is an issue. Other populations are much more heterogeneous – in particular, in those countries that have welcomed large numbers of immigrants; the USA, Brazil and Canada, for example.

Barber (2001) comments that in the USA, multiculturalism is the rule and homogeneity the exception. Cuban Americans, Irish Americans, Chinese Americans, Black Americans and Jewish Americans share many mainstream “Anglo-Saxon” beliefs, in particular those associated with national symbols such as the Presidency and the Constitution. But their subcultures differ significantly. If you have to choose whether to site your new factory in Boston or Miami you cannot assume that the values of these different workforces will correspond. The influence of Irish culture is still strong in Boston, and in Miami, where many of your employees have Spanish as a first language, you might need to refer to models of Cuban culture.

The lack of precise correspondence between national territory and national culture is developed in Chapter 2, where we examine the problems arising in making comparative analysis.

### **1.3.6 Culture is learned**

The second implication of Hofstede's definition is that your culture is not programmed into your genetic structure. You learn it. In the case of a national culture, you learn most intensively in the early years of life. By the age of five you were already an expert in using your language. You had learned how to communicate different language functions appropriately; for example, how to

- interact with other members of your family;
- elicit rewards and avoiding punishments;
- negotiate for what you wanted;
- cause, avoid, and resolve conflict.

Your behavior as a small baby was at first indistinguishable from that of babies in any other society. But very quickly you learned to mold your behavior to the particular

constraints of your culture group, and to recognize the meaning of messages communicated by other members of the group.

Here is an example. Koreans learn in their childhood to be cautious of claiming “my” relationships; rather than “my mother” and “my house”, the well-behaved child soon learns to refer to “our mother”, “our house”. A Korean explained:

We try to avoid saying the word “my” something. And when we have to, we use a very polite form. When we are introducing something [as a topic] we use “our” – “our parents”, “our book”. “My” sounds very selfish.

When Koreans visit English-speaking countries, they compensate:

When Koreans come to England, they often say “parents” [rather than either “my parents” or “our parents”]. They know that “our parents” is wrong in English but they don’t like to say “my parents”. So they miss [the possessive adjective] out.

The Korean preference for the plural possessive adjective (“our” rather than “my”) reflects the collectivist values of the culture; Koreans are brought up to believe that they are united by common ancestry and descent from the same two original parents. Second, this shows Koreans aware of differences between their own and Anglo cultures.<sup>3</sup>

Who does the child learn from? In childhood, cultural values are passed on to you first by parents and family. Then friends and school mates influence learning. The American psychologist Harris (2007) claims that the biggest environmental influences on children occur outside the home, and the need to survive at school and mix with friends has a more significant impact on a child’s behavior than lessons learned in the home. Is the importance of peer values equally significant in all cultures? In Japan, the mother is mainly responsible for early rearing, while in Scandinavian countries the parents play more equal roles. In many Islamic societies the mosque plays a great part in educating the young than might the church in many Christian societies. In some areas of China, it is still common for small children to be brought up by grandparents, leaving parents free to join the labor force.

Much of the child’s learning is unconscious. When you began learning your mother language you were not aware of being inducted into the group culture. And so these values become second nature, and massively influence your behavior in later life. Because your cultural values are acquired so early and without conscious application, they are extremely deep-rooted.

### ***1.3.7 Values***

We saw in Section 1.3.3 that Hofstede’s definition of culture includes systems of values. Values are defined here as assumptions that members of a culture group about how they should behave and do behave. The person may never articulate these assumptions, or even think of them; we have seen that persons start learning their cultural values in early childhood, at a preconscious level. As such, these values are engrained and are slow to

change. Because they are taken for granted as the right way to behave, values strongly influence what behavior occurs.

Here is an example. In an Indonesian business school, students were separated into small tutorial groups for the last class of the morning. After this class, students waited in the reception area for all members of their friendship circle coming out of other tutorial groups before they went off to lunch together. A group of Americans were studying in the school at the same time. They noticed the Indonesian behavior and challenged it in class. Didn't this waste time? The Indonesians answered that paying respect to other members of their friendship group was how they "ought to behave", and they took this expression of loyalty for granted. An individual overlooked by his friends would feel betrayed, and this would have negative effects on them all. Then they challenged the Americans; how long do you wait for your friends after class? Two minutes at the most. To the Indonesians, this showed coldness and unfriendliness.

But there is one practical problem with focusing on this definition of culture. Most people are not good at describing their deepest values, and these are not easily accessible. The analyst cannot expect to learn much by asking direct questions such as "what are your values?"

Members' deep cultural values can be observed in their behavior, which provides a direct reflection. In this case, the Indonesians' relatively high collectivism was reflected in how they organized their lunch-hours, and influences a wide range of other work-place activities, it is evident in all their social and work priorities, loyalties, and relationships between groups. Whereas Indonesians hoped to achieve their goals through membership of, and loyalty to, a powerful group, the Americans expressed theirs in a drive to succeed on an individual basis. But until the two groups began to analyse each other's behavior, neither had thought to examine their own fundamental values.

### ***1.3.8 What other factors influence behavior?***

Hofstede says that culture INCLUDES values, which raises the question of what else is included. Here are some of the other factors, discussed in the sections below:

- BELIEFS;
- POLITICAL SYSTEMS;
- RELIGION;
- TECHNOLOGY;
- ARTISTIC CULTURE.

### ***1.3.9 Beliefs***

Individuals express their ideas about how the world is, or how it ought to be, by articulating their beliefs and attitudes. Unfortunately, even when a great number of people share and articulate the same belief, it may be only weakly predictive of how they will behave.

This is because people often do not behave according to their beliefs. The great majority of us everywhere profess some religious belief, and all religions condemn killing and theft.

But murders occur in all countries, and most of us have committed some form of theft at some time or another. Here is an example from the workplace. Most managers agree that communication initiated by subordinates is useful and important, and many may claim that “my office door is always open, and you can come and discuss your problems at any time”. Often, they believe this. But how many managers do you know for whom this is true? What often happens is that

- he/she is too busy and asks you to come back at some other time; OR
- he/she tells you that your problem is trivial and that you are wasting time; OR
- he/she hears what you say, but is thinking of something else; OR
- he/she listens, and promises to help, but forgets.

In these cases, behavior does not correspond with conscious belief. This suggests that you cannot reliably predict how people will behave in particular situations from their stated attitudes.

A survey conducted in Singapore found wide differences between public attitudes – which were “progressive” – and “traditional” domestic attitudes. Although 97 percent of the respondents believed that men and women should be treated equally:

78 per cent of men and 77 per cent of women agreed that husbands must always be the household head. In 83 per cent of households surveyed, the wife cooks, 77 per cent wash toilets, 80 per cent wash dishes and laundry 78 per cent do the ironing.<sup>4</sup>

To sum up; although culture includes beliefs (and attitudes, opinions, etc.), these are less reliable than values in predicting behavior. For this reason, the book focuses on values.

### ***1.3.10 Political systems***

A mature political system succeeds because it reflects values in the national culture. The gladiatorial party politics of the Anglo countries have evolved over 400 years, and express relatively high tolerances of conflict and uncertainty, and the relatively low power distances. The one-party Communist system developed in the People’s Republic of China gives the senior members of the ruling party centralized political powers that are not very different from those exercised by imperial courts before the Communist revolution.

However, the specific characteristics of political arrangements at any one time are also influenced by immediate considerations; for example, economic conditions, the country’s recent history, relations with its neighbors, and the ambitions and personalities of its leaders. Changes made in response to these problems and opportunities may be frequent but, although they can seem radical at the time, their effects are often short-lived. In practice, the policies followed by the government of the day may bear little relationship to the deep culture of the people. That is, a revolution in the political structures does

not necessarily reflect a change in the underlying value system. Adedaji (1995) made this point in the context of the official “transition to democracy” in Nigeria (1992):

Democracy cannot be decreed. Unlike instant coffee, there is no instant democracy. You cannot move from totalitarianism to democratic practice from one day to another. Democracy is more than just the ballot boxes, the political parties and all the institutional trappings. It is a way of life, a culture and a lifestyle at all levels of society and in all spheres of human endeavour. (p. 95)

Adediji is arguing that political models that suit, say, the USA or the UK, may not be appropriate elsewhere in different cultural settings. The same applies now; some American or other Anglo policy makers seem surprised that their concept of democracy has not been immediately welcomed in Iraq. And the point can be applied to management practice; what works well in headquarters may be inappropriate in the country of the subsidiary.

### ***1.3.11 Religion***

Most of the major religions are shared by a number of national cultures:

- CHRISTIANITY is the most widely practiced. The majority live in Europe and the Americas, and numbers are growing rapidly in Africa. Protestant Christianity emphasizes the individual's responsibility for his/her own actions, and in the Anglo cultures has had a major effect on business values associated with individualism and independent thinking.
- ISLAM is practiced mainly in Africa, the Arab countries, in parts of South East Asia, Afghanistan and in some countries and regions comprising the former Soviet Union – for example, in Chechnya.
- HINDUISM is most common in India. Beliefs emphasize the spiritual progression of each person's soul rather than hard work and wealth creation.
- BUDDHISM has adherents in Central and South East Asia, China, Korea, and Japan. Like Hinduism, it stresses spiritual achievement, although the rapid economic development of these regions shows that this does not necessarily impede economic activity.
- CONFUCIANISM has adherents mainly in China, Korea and Japan. The emphases on loyalty and reciprocal obligation between superiors and subordinates, and honesty in dealing with others, have influenced the development of family companies in these regions.

Even when the same religious forms are shared by a range of cultures, this does not guarantee common values expressed outside religious practice. Catholicism is practiced in Peru and Poland, and Islam in Indonesia and Libya, but the manager cannot predict the workplace behavior of Peruvians and Poles to correspond, or the workplace behavior of Indonesians and Libyans.



Robertson et al. (2001) examined the differences between beliefs and values in Saudi Arabia, Kuwait, and Oman. They found the same belief system operating in these countries, and that is deeply rooted in the common religion, Islam.

But values differ significantly; Saudis tend to have a stronger work ethic than Kuwaitis do, and are more independently motivated in the workplace. (p. 236)

Saudi Arabia may have a stronger emphasis on individuality in the workplace. (p. 240)

Religion expresses the culture and also influences it. That means that in some respects national cultural values may overlie the influence of religion. The implication is that Buddhists and Christians in Thailand may share common values associated with being Thai. Buddhism teaches moderation and the importance of seeking a middle way between extremes. But here is an educated Thai noting the contradiction between the behavior and religious beliefs of his townspeople:

Characteristically, the Muang Petch people are suited to be *nak-leng* (patrons). Killing and revenge is the name of the game, not necessarily based on any particular principle except for defending one's honour in the old way. We're quite extreme people which is strange considering that the people are mostly devout Buddhists.<sup>5</sup>

The implication is that the religion practiced by the group expresses a system of ethical belief, and is essentially idealistic. This means it may not be descriptive of how they actually behave. The international manager needs a basic understanding of the religious beliefs of the people whom he/she is managing, and to look for instances when behavior does express these beliefs, and when it does not.

### **1.3.12 Technology**

Modern technologies are used across all cultures and this fact is sometimes used as evidence to argue that all cultures are converging. But this ignores the important differences that occur in how technologies are used in different cultures. For example, some information technologies are used on a group basis in the more collectivist cultures, but on an individual basis in the more individualist cultures. When the international manager finds the same technology used in different cultures, he/she asks, for each culture:

- Who SELECTS the technology?
- Who USES it?
- Who DIRECTS use?
- What STATUS is given to those who use and direct use?
- What other ACTIVITIES co-occur with use?
- WHEN is it used?
- WHERE is it used?
- What is the use of this technology intended to achieve? WHY is it used?

When different cultures typically provide different answers to these questions about the same technology, cultural analysis is needed to explain the differences.

### **1.3.13 Artistic culture**

A common-sense of the term “culture” relates to artistic production, but this has little relevance to the needs of the manager in other industries. Arts and crafts immediately reflect the producers’ individual psychologies. And although they give some indication of the values held by the culture group within which they belong, the relationship between the art item and the values shared by the members of the culture group may be obscure, even to a skilled sociologist or art critic. In general, the international manager is not expected to have skills of predicting workplace values from artistic culture.

## **1.4 Cross-cultural and International Management**

In different circumstances, managers perform a range of different roles. These include leading, acting as figurehead, communicating information, negotiating, allocating resources, handling disturbances, planning, overseeing implementation of plans, and evaluating. Factors that influence which of these roles a PARTICULAR manager exercises, and how much emphasis he/she gives to them, include

- his/her personal psychology;
- his/her functional responsibilities;
- the organizational culture and history of the company;
- industry factors. Banks have relatively greater needs for hierarchical structures and controls than do advertising agencies. Advertising agencies need structures that facilitate rapid creativity;
- NATIONAL CULTURE. For example, in some cultures the manager is expected to emphasize control and direction elsewhere, to facilitate and participate.

The national culture of the workforce influences how they respond to the structures and systems planned and implemented by management. This means that a workforce in one culture may respond differently to a workforce in another. That is, in different cultural and industrial contexts, different management roles are emphasized. The international manager must be prepared for these different responses, and he/she adapts to the different contexts.

CROSS-CULTURAL MANAGEMENT is defined here as development and application of knowledge about cultures in the practice of international management, when the people involved have different cultural identities. These people may or may not belong to the same business unit.

Gooderham and Nordhaug (2004) define INTERNATIONAL MANAGEMENT as the generation and transfer of knowledge across settings and organizations (p. 1). O’Connell (1998) defines the notion as the planning, staffing, and control of international

business activities (p. 320). These activities occur between business units that are located in different countries, whether joint venture partners, headquarters and subsidiary, principal and agent, supplier and customer. Both emphases – international management as a knowledge-based activity and as a function-based activity – are applied at different points in this book.

The two terms do not correspond entirely. Some international managers in senior positions may have no face-to-face interactions with the other-culture workforce; many home-based managers deal with immigrant groups assimilated into a workforce that serves domestic markets.

### **1.4.1 Cross-cultural management skills**

A SKILL is defined as the ability to demonstrate a sequence of behaviors that are related to attaining a performance goal. The manager needs cross-cultural skills to manage a single-culture group when he/she is a member of some other culture. This situation occurs typically when the manager is expatriate, managing his/her company's subsidiary or other investment abroad. It may occur in headquarters when managing a group consisting entirely of immigrants.

The core assumption of cross-cultural skills learning is that the manager cannot expect to force-fit members of another culture into his/her own cultural norms. They cannot easily be made to accept his/her perceptions of reality as superior to values in their own culture. This is not an ethical matter so much as practical. The organization that attempts to impose its behavioral norms upon unwilling employees from another culture faces an uphill battle.

The manager also needs cross-cultural skills when managing diverse groups, including members from a range of cultures.

## **1.5 Implications for the Manager**

How can the material covered in Section 1.4.1 above be applied to your organization? Answer for your company or business school:

- 1 In what departments/classes are a range of cultures represented? What cultures are represented?
- 2 How far can the typical behaviors of these cultures be distinguished? What cultural values are reflected in these different behaviors?
- 3 Can you distinguish the effectiveness of culturally diverse groups from the single-culture groups? How?
- 4 If cultural diversity is managed:
  - (a) What tasks are allocated to the diverse groups?
  - (b) What benefits arise from diversity?
  - (c) What problems arise?
  - (d) How could the diversity be better managed?

## 1.6 SUMMARY

This introductory chapter has focused on the importance of understanding culture. Section 1.2 examined FACTORS THAT INFLUENCE DECISION-MAKING in the business environment. The relationship between internal and external factors is complex, and problems of responding to external factors are further complicated when the company is making international investments and is operating in more than one national environment. National culture is only one of the factors involved, and the manager needs skills of distinguishing when it is, and is not, significant. Section 1.3 saw that models of CULTURE are useful because they give the manager bases for predicting behavior within the culture group. A definition, commonly applied by managers, was discussed and its implications discussed. A culture is specific to a group, and is learned by its members. A culture includes systems of values, and values were defined. Section 1.4 examined the scope of CROSS-CULTURAL AND INTERNATIONAL MANAGEMENT.

## 1.7 EXERCISE

Cultural values that are thought desirable and normal in one culture might be undesirable and deviant elsewhere.

- 1 Rank each of the values below in terms of how far you think most members of YOUR culture group would agree. Rank on a 6-point continuum, from A ("strongly agree") to F ("strongly disagree"):
    - (a) Men should be competitive  
A (strongly agree): B (agree): C, D, E (disagree): F (strongly disagree)
    - (b) Women should be competitive  
A (strongly agree): B (agree): C, D, E (disagree): F (strongly disagree)
    - (c) Managers should participate with their subordinates  
A (strongly agree): B (agree): C, D, E (disagree): F (strongly disagree)
  - (d) Good work relationships are more important than task efficiency  
A (strongly agree): B (agree): C, D, E (disagree): F (strongly disagree)
  - (e) Powerful people should have privileges  
A (strongly agree): B (agree): C, D, E (disagree): F (strongly disagree)
  - (f) The manager should have all the answers to subordinates' questions  
A (strongly agree): B (agree): C, D, E (disagree): F (strongly disagree)
- 2 Compare your answers to those given by some other student, from another culture.
  - 3 Explain any differences.

## Notes

- 1 Francis Fukuyama. The Calvinist manifesto in today's globalized world. *New York Times* (reprinted in *Daily Telegraph*, March 17, 2005).
- 2 Letters to the Editor. *Daily Telegraph*, November 8, 2002.
- 3 In this book, the expression "Anglo cultures" refers to the mainstream cultures of Australia, Canada (outside Quebec), New Zealand, the UK and the USA.
- 4 Associated Press. Singaporeans don't practice what they preach on equality. *The Nation* (Bangkok), December 25, 1994.
- 5 Piya Angkinand. Of fear and honour. *Bangkok Post*, January 25, 1991.

# CASE FOR PART ONE

## Introduction

### CHAPTER ONE **International Management and Culture**

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#### **CASE** SLICING THE MEAT

*A Norwegian–American MBA student was studying culture, and began to think about how cultural values influenced her own behavior. She remembered that she had been taught always to slice a joint of meat into two pieces before baking it in the oven.*

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She phoned her mother and asked, “Mum, why do we Norwegians always bake meat in two halves?”

“I don’t know,” her mother said. “But we have to, we always do.” Then she thought about it, and said, “I’ll ask your grandmother.”

So she phoned her own mother and asked, “Mother, why do we Norwegians always bake meat in two halves?”

“I don’t know,” the grandmother said, “but that’s what my mother told me. I’ll ask her.”

The next day the grandmother visited the student’s great-grandmother and reminded her of the slicing. “That’s what you said we must do. But why?”

The old lady still had a good memory and answered immediately. “Because when you were a little girl, we lived in a house in Norway which

only had a very small oven. And you had many brothers and sisters. So the only way I could bake enough meat for all of us was to bake it in two halves.”

#### QUESTIONS

- 1 Was this slicing of the meat into two:
  - A matter of national culture?
  - A matter of personal preference?
  - A matter of family tradition?
- 2 What mistake did the younger women make?
- 3 Which (if any) of these do you agree with?

Too often, people:

- Don’t forget what they’re told to do.
- Make unwarranted assumptions about their culture.
- Don’t question what they’re told to do.

**DECISION**

4. You are visiting your foreign subsidiary. This is your first time in the country. You notice that on Fridays,

*all employees go home an hour early. You ask why, and are told "That's what we always do."  
What question do you ask next?*

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# PART TWO

## Cross-cultural Management

### PART TWO **Cross-cultural Management**

Part Two focuses on national culture, and the circumstances under which it influences how the internal systems of the organization are developed and implemented.

#### CHAPTER TWO **Analyzing Cultures: Making Comparisons**

The traditional way of doing cross-cultural analysis is to compare the significant features of any one national culture to other cultures. This chapter looks at three important models, and in particular that of Geert Hofstede, which continues to have immense influence. The strengths and weaknesses of the model are briefly reviewed.

#### CHAPTER THREE **Analyzing Cultures: After Hofstede**

This chapter deals with developments in cross-cultural analysis since Hofstede first introduced his model. Five models are discussed, all of which adhere to the traditional system in some respects and depart from it in others. A number of new approaches to cross-cultural analysis are examined, which reflect both dissatisfaction with the traditional and an awareness of new needs in a global business world.

#### CHAPTER FOUR **Movement in the Culture**

One of the problems in applying scholarly models is estimating how far they become obsolete when the culture shifts. This chapter deals with the problem of distinguishing superficial trend from deep-set changes. It discusses conditions under which changes occur.

#### CHAPTER FIVE **Organizational Culture**

How you work is strongly influenced by the values held by other members of your organization. This organization culture is influenced by both internal factors such as management strategy and policy, and external factors such as the national culture and industry norms.

**CHAPTER SIX Culture and Communication**

Your message is most effective when it reflects the shared values of the context. If it does not reflect these values other people may not understand you. The chapter focuses on the factors that influence communication style. These include national culture. The communication systems reflect and generate needs for company structure.

**CHAPTER SEVEN Motivation**

The workforce are most productive when they are motivated to achieve company goals. The most effective incentives offer employees the opportunity to satisfy their needs – which assumes that management have made a realistic assessment of these needs. The chapter discusses a range of both monetary and non-monetary incentives. Culture plays a part in deciding why a particular incentive is (or is not) motivating.

**CHAPTER EIGHT Dispute Resolution**

Disputes arise from a range of factors including argument, competition for scarce resources, and misunderstandings. Tolerances of conflict vary across cultures, and behavior that causes conflict in one culture may be acceptable in some other. Participants negotiate as a means of both resolving conflict and sharing resources.

**CHAPTER NINE Formal Structures**

Formal structures determine roles and relationships within the company, and determine what communication options are more or less acceptable. A structure is influenced by factors that include the work being done, the national culture and needs for organizational culture. Formal structures tend to be bureaucratic and impersonal.

**CHAPTER TEN Informal Systems**

Informal systems may have a greater influence than do formal systems in deciding how management decisions are made and implemented. Patron and client are bound by long-standing ties of loyalty and obligation. Patronage networks reinforce in-groups and exclude outsiders. Cultural variations include (*guanxi*) in Chinese cultures and (*wasda*) in Arab cultures.

**CHAPTER ELEVEN The Culture and Politics of Planning Change**

Planning to make change has a political dimension in the sense that it needs the commitment of other people. If they are persuaded that the proposed change lies in their interests, the plan may be accepted and implemented. Otherwise, the plan is unlikely to achieve its goals. Some planning models demand heavy investments of time and information, and under some business conditions long-term planning may be impossible.

**CHAPTER TWELVE When Does Culture Matter? The Case of Small/Medium Sized Enterprises**

All the Chapters in this part show that national culture is sometimes very significant; and on other occasions not. The manager needs the skills to recognize when culture is significant, and to respond appropriately. The final chapter in this part reiterates the point by examining the importance of culture and other factors in starting up and managing a small or medium sized company in different national cultures.



## CHAPTER TWO

# Analyzing Cultures: Making Comparisons

### CHAPTER OUTLINE

<b>Introduction</b>	<b>Applying Hofstede's Model</b>
<b>Comparative Analysis</b>	<b>Implications for the Manager</b>
<b>Kluckhohn and Strodtbeck (1961)</b>	<b>Summary</b>
<b>Hall (1976)</b>	<b>Exercise</b>
<b>Hofstede's Model</b>	<b>Notes</b>

### 2.1 Introduction

A Thai mother and English father lived with their only son in Bangkok. At the age of four the boy was sent to a school in Bangkok. Eighteen months later, the family returned to the UK for a year and he joined a local school.

A few weeks into the school year, the teacher told the children that they would go for a walk in the neighboring park, and should stand in a straight line and stop talking. When the children took no notice and continued to run around making a noise, the boy took it on himself to remind them that teacher had said they should stand in a straight line and stop talking. The other children threatened to beat him.

When the year was up, the family returned to Bangkok, and the boy went back into a Thai school. Two weeks later his parents received a letter from the teacher saying he was a pleasant boy and obviously intelligent. So when he was told, why couldn't he stand in a line and stop talking?

This story opens up questions about notions of authority and how values are taught in different cultures. Cultural differences may be identified through comparison, and this and the next chapter see how useful comparisons can be made.

These chapters do NOT deal with organizational (or corporate) culture, which in crucial aspects differs from national culture and is discussed in Chapter 5. Nor do they deal with behavioral norms in different industries.

## 2.2 Comparative Analysis

A model of culture gives parameters within which patterns of group behavior can be described and analyzed. The model is applied to members of a culture group.

The theories and models discussed in this chapter are descriptive and NOT concerned with prescriptive models, which rule how members ought to behave.

International managers need research into culture because they need to be able to predict what behavior is typical in routine situations and how members of the culture group will behave in such situations. A single-culture model is used to examine one culture in depth. It makes a discrete analysis in the sense that it describes and analyzes the culture in terms of its own features without necessarily making reference to other cultures. Anthropologists tend to use analysis of this type.

But increasingly in our globalized world, international managers need to be able to predict relationships between different cultures; that is, they need cross-cultural research. Boyacigiller et al. (2003) differentiate three different streams in cross-cultural research, and examine how the theoretical contexts within each has evolved, the methods employed and the insights gleaned. They discuss models that

- compare cultures;
- examine interactions between persons from different cultures;
- examine multiple-culture groupings, as for example those experienced by a global company. This approach introduces the notion that individuals acquire multi-cultural identities from their context.

These three streams provide reference points for the discussion in this and the next chapters. This chapter examines comparative approaches up to and including Hofstede's work in the early 1980s. Chapter 3 deals with developments since, and the swing in emphasis towards the second and third of the streams, interactions and groupings.

### 2.2.1 *The comparative approach*

A COMPARATIVE model measures one culture against another, and enables the manager or consultant to compare the behavior of one culture group with another. That is, the model has general applicability, and is not limited to only one culture. It makes statements

comparing the values of, say, Cultures A, B and C; “members of Culture A are more individualist than those of Culture B, but Culture B is less individualist than Culture C”.

A comparative model cannot describe one culture alone. It cannot be used to say that “the model shows that Finland has an individualist culture” because the question will always arise, individualist compared to what other culture?

Comparative models are useful when they help the manager compare the characteristics of different cultures and reach a decision:

- Where do I invest in a new factory? In Poland? Or in China?
- How far can I adapt my Japanese incentive system to use with my workforce in Thailand?
- Should I expect a matrix structure designed for a Swedish workforce to function effectively in Mexico? And if not, why not?

At the initial stages of learning about a new culture managers may prefer comparative analysis because it helps them decide about a culture that they don't know in relation to one that they do – perhaps their own. The controversies underlying all comparative analyses are:

- How far any one culture can be realistically measured against any other?
- How useful is simple bi-lateral analysis in multinational corporations (MNCs) where members of not two but a number of cultures may be interacting?
- How far do members of culture groups adapt their value systems when interacting with members of other culture groups?

In this chapter, examples are provided from these comparative models. Hofstede's model (Section 2.5) is pre-eminent but can only be understood in the light of earlier models. The two chosen for discussion are models by:

- Kluckhohn and Strodtbeck (1961);
- Hall (1976).

### **2.3 Kluckhohn and Strodtbeck (1961)**

Kluckhohn proposed in a 1952 article that there should be universal categories by which cultures could be described. He developed this insight in a book with Strodtbeck. Kluckhohn and Strodtbeck (1961) claim that members of a group exhibit constant “orientations” towards the world and other people. They identified five orientations set out in Table 2.1, and later research added a sixth, the conception of space. Cultures are mapped onto a range of variations proposed for each, and are distinguished in terms of dominant variations.

These categories are still influential – for instance, distinctions between lineal, collateral, and individualist relationships – and have been developed in a range of models

Table 2.1 The Kluckham and Strodtbeck (1961) model

<i>Orientations</i>	<i>Range of variations</i>
1. What is the nature of people?	- Good (changeable/unchangeable) - Evil (changeable/unchangeable) - A mixture of good and evil
2. What is the person's relationship to nature?	- Dominant - In harmony - Subjugation
3. What is the person's relationship to other people?	- Lineal (hierarchical) - Collateral (collectivist) - Individualist
4. What is the modality of human activity?	- Doing - Being - Containing
5. What is the temporal focus of human activity?	- Future - Present - Past
6. What is the conception of space?	- Private - Public - Mixed

since. Scarborough (1998) compared Western and Chinese cultural differences and finds in Western culture “an aggressive, active approach to nature, technology and progress” and “reliance on reason and the scientific method”; and in Chinese culture “passive, fatalistic submission” and “reliance on precedent, intuition, and wisdom” – reflecting orientations of the person's relationship to nature, and of the temporal focus of human activity. In 1998 a conference of users of the model attracted over 400 delegates; see Russo (2000). It was not designed specifically to contrast the influence of culture on management, and managers may wish to gloss it to meet this end. Table 2.2 gives a gloss on the first variation.

## 2.4 Hall (1976)

Hall (1976) came to the field of cross-cultural analysis from the discipline of anthropology. He argued that all peoples interpret and create messages in reference to shared information. This information includes values in the culture, which link members of the culture group and influence how they refer to their contexts when maintaining relationships. That is, members' experiences of context will influence how they communicate. And different culture groups respond to their contexts differently. This principle of applying shared cultural experience is crucial in Hall's model.

The model distinguished between high-context and low-context cultures. Members of HIGH-CONTEXT cultures depend heavily on their shared experience and interpretation



Table 2.2 Implications for management

<i>Orientations</i>	<i>Variations</i>	<i>Implications for management</i>
1 What is the nature of people?	GOOD	Optimistic about other people's motivations and capacities; Theory Y; participation encouraged; trust; direct communication valued
	EVIL	Pessimistic; Theory X; suspicion of peers and subordinates, and of negotiation partners; secretive
	MIXED	Use of middlemen and consultants; a discrepancy between optimistic attitudes and behavior – for instance, the values of open communication are proclaimed – but the message may be vetted by a lawyer <i>Example:</i> Mainstream United States culture is optimistic insofar as any achievement is thought possible if worked for, and humanity is ultimately perfectible – as the millions of self-help books and videos marketed every year demonstrate. But the dependence upon legal remedies to resolve conflict indicates pessimism
2 What is the person's relationship to nature?	DOMINANT	Control and planning (particularly when also "optimistic" – above); imposing one's will on the natural environment, and on the business environment; working to mold the organizational culture <i>Example:</i> In cultures with this orientation, the need to dominate natural forces is expressed by attempts to plan and mold the organizational culture and employees' experience of the work environment
	HARMONY	Coexistence; search for common ground; aversion to open conflict within the workplace; respect for different others
	SUBJUGATION	Fatalism; ready acceptance of external control; aversion to independent planning; pessimism about changing the organizational culture
3 What is the person's relationship to other people?	LINEAL (hierarchical)	Respect for authority, and for seniority as determined by age, family, gender; tall organizations; communication on a hierarchical basis
	COLLATERAL (collectivist)	Relationships within the group influence attitudes towards work, superiors, other groups. Members of other groups are treated with suspicion. Structures and systems that remove the individual from the group, and that break down group boundaries, are disliked
	INDIVIDUALIST	People primarily perceive themselves as individuals rather than as members of a group. A need for systems that maximize opportunities for personal achievement and status. Interesting work is more likely to be valued. Competition is encouraged. Egalitarian self-images; informal <i>Example:</i> In mainstream United States culture, self-identification is achieved through action and performance. Because other persons must be able to recognize this achievement, it has to be visible and measurable. In business, a financial statement provides one measure of success

(Continued)