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MANAGING ACROSS CULTURES
CONCEPTS, POLICIES AND PRACTICES

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- The determinants of different approaches to management and organization in different countries;
- The practical challenges of managing across cultures for international managers in a competitive business environment;
- The effects of international strategic alliances on national and international human resource development;
- Graduate recruitment, job creation and labour market trends in Europe;
- Culture and environmental awareness in the workplace; and
- Perceptions of age and gender in work and employment in different cultures.

Dr Branine is an active supervisor of doctoral students and masters’ degree dissertations as well as teaching Human Resource Management, International Business and Business Research Methods to undergraduate and postgraduate students.
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Guided Tour

LEARNING OUTCOMES
This chapter is designed to help the reader to:
1. Recognize the need to study the subject of managing across cultures;
2. Understand the aims and objectives of this book;
3. Understand how the book is structured;
4. Use the book effectively.

Why study the subject of managing across cultures?
Managing across cultures is not a new phenomenon, but it is more important now than ever before. For centuries, travellers, traders, explorers, conquerors, colonizers, knowledge seekers (students and scholars), job seekers and asylum seekers, and employees and/or managers of international organizations have travelled across borders and have had to come to terms with the demands of living in different societies and experiencing new cultures. They had to manage themselves and manage others, when necessary, in tougher and more hostile living environments than those of today. Many empires were built on part on their efficient management of resources across cultures. One of the main reasons for their demise was conflict resulting from misunderstanding or not respecting cross-cultural differences.

However, until the later part of the second half of the twentieth century there were few studies, textbooks or courses on the subject of managing across cultures, and it was given very little attention by economists, political analysts and international business scholars. It was not until the 1980s that cross-cultural learning outcomes: A clear set of key learning objectives are provided for each chapter.
Introduction: The introduction outlines the main topics and issues to be covered in each chapter.
The main points of each chapter are pulled together, making revision easy.

Activity: In-class activities encourage discussion and provoke thought.

Mini case study: The mini case studies throughout each chapter provide ‘real life’ examples that enhance understanding.

Revision questions: Questions at the end of each chapter help you to check your understanding of the key issues in each chapter.
Part I

Introduction
Part 1: Introduction

Map 1: The World with its borders (2010)

Activity: Write the names of as many countries as you know on the map above.
Why Study Managing Across Cultures?

**LEARNING OUTCOMES**

This chapter is designed to help the reader to:

1. Recognize the need to study the subject of managing across cultures;
2. Understand the aims and objectives of this book;
3. Understand how the book is structured;
4. Use the book effectively.

**Why study the subject of managing across cultures?**

Managing across cultures is not a new phenomenon, but it is more important now than ever before. For centuries, travellers, traders, explorers, conquerors, colonizers, knowledge seekers (students and scholars), job seekers and asylum seekers, and employees and/or managers of international organizations have travelled across borders and have had to come to terms with the demands of living in different societies and experiencing new cultures. They had to manage themselves and manage others, when necessary, in tougher and more hostile living environments than those of today. Many empires were built in part on their efficient management of resources across cultures. One of the main reasons for their demise was conflict resulting from misunderstanding or not respecting cross-cultural differences.

However, until the later part of the second half of the twentieth century there were few studies, textbooks or courses on the subject of managing across cultures, and it was given very little attention by economists, political analysts and international business scholars. It was not until the 1980s that cross-cultural
Management became a common subject of academic research and study – and then most of the literature was on the management of expatriates and the problems of staffing US multinational companies in foreign countries (Evans et al., 1989; Bartlett and Ghoshal, 1989; Adler, 2002; Dowling, Schuler and Welch, 1994; Dowling, Festing and Engle, 2008).

Now, however, managing across cultures is a well-established subject that is taught in universities and practised by managers. It has become one of the main challenges in understanding contemporary management practices and organization theories. The reason why such challenges are important is that management in general and human resource management in particular have become more complex and more problematic than in any time before. A number of textbooks (for example, Dowling, Welch and Schuler, 1999; Brewster and Harris, 1999; Deresky, 2001; Briscoe and Schuler, 2004; Harzing and Van Ruysseveldt, 2004; Moran et al., 2007) have documented with the use of examples the reasons for the need to learn how to manage across cultures by practitioners and decision-makers involved in cross-cultural management.

They include the following:

1. There has been strong evidence to suggest that understanding the behaviours, attitudes, values, beliefs, arts and artefacts of the host country nationals is a key success factor for organizations operating in different countries. Managers working in different cultures have to explore and identify what is hidden in the behaviours and actions of people from different cultural backgrounds and value-orientations. This is summarized by an HR manager of British Petroleum (BP) in Azerbaijan when he said: ‘to understand each other better we need to be more aware of the peculiarities and the hidden aspects of the national culture because the key to our success is that understanding’.

2. The composition of international organizations’ workforce is becoming more diverse than ever not just in terms of their employees but management as well. For example, Ford has more than half of its employees outside the USA and Philips has more than three-quarters of its employees outside the Netherlands.

3. More and more companies are dependent on managers from different cultures and nationalities operating in different countries and holding high managerial positions that would previously have been held by home country nationals.

4. The free movement of labour between countries, such as within the European Union (EU), and the international movement of people with skills from mainly less developed to more developed countries have made it possible to access a wider pool of labour but at a cost. The cost may be high or low depending on the way people are employed and the extent to which international managers are aware of and able to implement the different national policies, rules and regulations in relation to emigrant workers, skilled workers, and expatriate workers.

5. The recruitment and retention of a highly qualified and competent workforce has become crucial for both indigenous and international companies. The main factor for achieving competitive advantage in the global market economy is to see people as equal and valuable assets that can be utilized effectively at the national and international levels.
Why Study Managing Across Cultures?

Many companies are merging or forming strategic alliances with companies from other countries, involving negotiations and partnerships, and then having to work with managers and workers from different cultures and backgrounds.

Managing across cultures is not confined to what multinational companies (MNCs) or profitable organizations do. It affects every organization that operates internationally, regardless of its size, nature or location. Therefore the need to study the subject of managing across cultures is not just for those who want to work for multinational companies but for everyone who may become involved in managing resources in different countries and societies.

**ACTIVITY 1**

1. List what you consider to be the three best reasons for you to study this subject.
2. How might an understanding of this subject either (a) contribute to your career development or (b) enhance the performance of the organization (if any) you work for?

**This book: rationale, aims and structure**

**Rationale**

This book provides a detailed and comprehensive treatment of the concepts, policies and practices of managing resources – especially human resources – in various socio-economic, political and cultural contexts. It provides the reader with an understanding of the theory and practice of different national approaches to management, moving from conceptual analysis to the discussion of policies and practices. The book seeks to develop a broad understanding of the determining characteristics of national management approaches and to enable the reader to distinguish between different approaches to management and to learn from examples of ‘good and bad’ practice of management in different national cultural settings. While recognizing the importance of cultural influences on management theories and practices and at the same time accepting the argument that many societies are becoming similar rather than different in their management objectives, this book defines the process of managing across cultures simply as the management of local employees globally and international employees locally. In doing so it helps to establish the ways by which national cultural differences influence employment policies and practices of different countries and the ways by which national and international organizations have responded to them in a world that is determined by a globalizing power of business on the one hand and a localizing power of culture and politics on the other.
Part I: Introduction

The rationale for its content and structure has been influenced by the growing interest in comparative research. The understanding of how management is practised in particular contexts can provide the opportunity to establish differences and similarities between particular countries and societies, and to assess the reasons for their occurrences. In order to understand the insights of managing across cultures it is important to have the knowledge and skills of managing in different national contexts in which the behaviour of organizations and people is determined to a great extent by cultural and economic factors. This is the main reason for this book’s policy of bringing together in clusters countries that are similar in terms of historical heritage, cultural background, economic development, and political and legislative system. This textbook allows the reader to gain knowledge of different national contexts, make comparisons between them, and learn the knowledge and skills of managing in different national contexts.

Aims

The aims of this book are as follows.

1. To present a conceptual and theoretical analysis of managing across cultures by explaining the various definitions of key concepts and providing a critical review of relevant theories and models of culture and management.
2. To discuss the different national cultural values and norms, and their implications for management, in order to develop a theoretical framework for understanding the subject.
3. To provide description, analysis and discussion of employment policies and human resource management practices in different national and cultural contexts. In this respect, a country-by-country or cluster of countries study is provided for comparative purposes and to improve our understanding of the factors that influence labour market trends, and organization and employment policies and practices in different countries.

Structure

To meet the aims above, this book is divided into six parts comprising nineteen chapters. Part I provides a conceptual and theoretical analysis of the subject of managing across cultures. Parts II to V provide a description and analysis of management practices and policies in clusters of countries, covering most of the globe, organized according to their socio-economic, historical, cultural and political similarities. Each part consists of three to five chapters each providing discussion and critical analysis of the main aspects of cross-cultural management.
in general and the policies and practices of human resource management in particular. The structure of these chapters is designed to facilitate comparison between countries. Each chapter covers the socio-economic and political context of the countries studied, their labour market trends, their management and organization characteristics, and their human resource management policies and practices, focusing on recruitment and selection, training and development, rewards and remuneration, and employee relations. Part VI concludes the book with a discussion of the main emerging issues and future directions in the subject of managing across cultures.

Each of the Chapters in Parts II–V (i.e. the geographically based chapters) is based on a common structure. Each of these chapters (namely Chapters 4–18) contains:

1. An introduction.
2. An overview of economic, political and cultural contexts.
3. A survey of labour market trends. The particular themes covered vary between territories. Typical themes include: employment and unemployment rates; the supply of labour (including such topics as female participation, age structure and migration); the nature of employment (including, for example, flexible working practices); and types of employer.
4. An outline of management policies and practices and organizational structures and behaviour.
5. A description of human resource management. Typical themes include:
   a. Recruitment and selection.
   b. Training and development.
   c. Rewards and remuneration.
   d. Employee relations.
6. A summary of the chapter.
7. A list of references.

Chapters also contain activities and mini case studies, as well as revision questions at the end.

Each chapter is designed as an essay in its own right and so may be read independently of other chapters. However, the common structure facilitates comparison between chapters. Some of the activities are designed to support comparative study.

How to use the book

This book is designed both for class use and individual study. The book as a whole can be used on a 12-week semester/term of 24 hours of lectures and
Part I: Introduction

six hours of tutorials. There are 6 parts and each part can be taught over two weeks of four hours of lectures and one hour of tutorials. The case study at the end of each part (Parts I–V) can be used for tutorial discussion, allowing for a revision session at the end of Part VI. It will be possible to use it also over a 10-week semester/term by reducing parts I and VI to one week each (with two hours of lectures and one hour of tutorials). More information about how to use the activities, mini-case studies and the end-of-part case studies is given in the accompanying tutor’s manual or can be found on the book’s website.

Learning outcomes

To help you focus your learning, each chapter begins with a specification of desired learning outcomes. In Parts I and VI, learning outcomes are unique to each chapter. In Parts II–V (i.e. Chapters 4-18) the learning outcomes are common to each chapter. These are shown in Box 1.1.

**BOX 1.1**

**Learning outcomes for Chapters 4–18**

The chapter is designed to help you understand, for the nation or region in question:

1. the (a) economic, (b) political and (c) cultural contexts in which managers work;
2. the main trends in the labour market;
3. the typical features of (a) management policies and practices and (b) organizational structure and behaviour;
4. the main policies and practices of human resource management with regard to: (a) recruitment and selection; (b) training and development; (c) rewards and remuneration; and (d) employee relations.

Chapter review

Each chapter finishes with some revision questions, which are unique to each chapter. In addition, for Parts II–V (i.e. Chapters 4–18), Box 1.2 provides a common task to bear in mind with each chapter. The task is designed to help you (a) review the chapter in question and (b) make connections and comparisons between chapters in order to deepen your learning from them.
Why Study Managing Across Cultures?

BOX 1.2

Review task for Chapters 4–18

Imagine you are the HR director of an MNC from one of the following countries: (a) America; (b) China; (c) Germany; (d) Japan; or (e) a country of your choice. Please select and specify one of these (Obviously, the country you select should not be the one covered in the chapter in question.).

Your company is considering investing in the country or region covered in this chapter. Write a concise report to your company’s board, explaining your views on the following questions:

a Which are the most significant features of the prospective host country or region?
b How similar is the prospective host country or region to the one from which your company originates?
c How welcoming and conducive do you think the prospective host country or region would be to investment from your company?
d If your company were to proceed in investing in the host country or region, which aspects of that country or region would expatriates from your company require briefing on most?

In your report, aim to cover the following topics:

e The context (economic, political, and/or cultural).
f Labour market trends.
g Management policy and practice and organizational types and behaviour.
h HR management.

References

Part I: Introduction


The Meaning and Importance of Managing Across Cultures

LEARNING OUTCOMES

This chapter is designed to help the reader to:

1. Explain the triggers and drivers that have led to the emergence of managing across cultures;
2. Critically analyse interpretations of the concept of ‘managing across cultures’;
3. Outline the theoretical framework for the analysis of managing across cultures in diverse cultural settings.

Emergence of managing across cultures

Since the 1980s managing across cultures has emerged as a significant field of academic research and study. Its emergence is the result of a number of ‘triggers’ and ‘drivers’. The triggers are those factors and events that raised the alarm about the importance of understanding cultural differences when operating in different countries; the drivers are those factors that resulted from, or contributed, to the triggers as shown in Table 2.1 below.

The triggers

First, we consider the triggers.
Part I: Introduction

Expatriates’ failure to complete assignments abroad

In international business, the first people to feel the crunch of working and living in different cultural settings are expatriates. Multinational companies (MNCs) depend on the knowledge and expertise of their expatriates to sustain the growth of their foreign investments (Bartlett and Ghoshal, 1989; Adler, 2002; Deresky, 2001). The role of an expatriate is to transfer the know-how, to control operations and to develop expertise in working in different countries. However, many expatriates have found it difficult to complete their assignments and this has created financial and operational problems for many MNCs. A number of studies reported that in the early 1980s as many as 70 per cent of US companies’ expatriates did not complete their assignments abroad (Bartlett and Ghoshal, 1989; Evans et al., 1989; Adler, 2002; Deresky, 2001; Moran et al., 2007). Multinational companies started to feel the high cost failure of such. It became apparent that such failures originated in the expatriates’ inability to understand the complexities of cultural differences and their consequent inability to successfully manage across cultures. Therefore many organizations have had to reconsider their recruitment, training and expatriation policies (Harris and Moran, 1991; Dowling, Welch and Schuler, 1999). Cultural awareness training has become a core subject in expatriates’ pre-expatriation training.

Recession in the 1980s

The economic recession of the 1980s resulted in plant closures, mass redundancies and a sharp decline in international investments in the USA and Western Europe. Many US and European companies started to expand by shifting investments from home to a number of host countries, taking advantage of increased economies of scale and scope, and producing for different markets overseas in order to increase their profit margins. They benefited by shifting production from the west to the east and from the economically developed to

Table 2.1 The triggers and drivers of managing across cultures

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The developing countries. They soon realized that they had to operate differently in the host countries. They had to introduce employment policies and practices that were more appropriate to the new socio-economic, political and cultural contexts. In order to gain competitive advantage, they have had to introduce international approaches to the employment, training, appraisal and reward of their increasingly culturally and nationally diverse workforce.

Economic development of Japan and South-east Asia

The emergence of Japan as a major industrialized nation in the 1970s, followed by South-east Asian countries, generated attempts to explain the causes of such success (Whitley, 1992; Chen, 2004; Tang and Ward, 2003). The success of Japanese companies was attributed to the management of their human resources and the implementation of manufacturing systems such as quality circles, just-in-time management and total quality management, as well as to the commitment and loyalty of their employees. Therefore, many large employers in the USA and Western Europe attempted to adopt Japanese production practices and employee relations policies with the aim of regaining competitive advantage they had lost in the world markets.

Moreover, the smaller economies—Hong Kong, South Korea, Taiwan, Singapore, Thailand and Malaysia—that followed in Japan’s footsteps were known as ‘tigers’ because of their fast-growing and aggressive economic growth in the 1980s. While many Western countries experienced economic growth of less than 2 per cent, many South-east Asian countries grew at over 10 per cent. Therefore, many western companies became attracted to investing in South-east Asia. The move required not only the recruitment and development of employees who were inspired by and able to cope with the work ethics of Asian people but also an understanding of the socio-economic and political context in which people are employed.

Economic development of China and India

In late 1970s the government of the People’s Republic of China (PRC) announced an open-door policy and began economic reforms aimed at moving the country from a centrally planned to a free market economy. Consequently the PRC became an increasingly important destination for foreign investment (Child, 1994; Nolan, 2001; Yan and Child, 2002). Companies investing in China have had to consider how to manage their resources in a country in transition between central planning and market economics. One of the major challenges for employers investing (most investments being joint ventures) in China is understanding Chinese culture and its impact on work and managerial behaviour (Tung, 1986, 2002; Easterby-Smith, Malina and Lu, 1995; Branine, 1997; Warner, 2003).
India has since the early 1990s embarked upon major economic reforms that have made it one of the largest stable and successful economies in the world. Foreign firms have been attracted by the formally educated and skilled workforce that is available throughout India. The recent move of some multinational companies’ call centres from the US and Europe to India is an example of benefiting from an international labour market, though that has necessitated the introduction of cross-cultural training.

‘Westernization’ of Central and Eastern Europe

The end of the Cold War following the collapse of the communist bloc, the unification of Germany, and the dismantling of the Soviet Union has led to a gradual ‘Westernization’ of Eastern European countries. These developments have brought opportunities for multinational companies to expand their investments in central and Eastern Europe and in the former Soviet Union states. Many enterprises in the former communist countries have faced the need to implement economic reforms and to use Western ideas of free enterprise management. Polish, Hungarian and Czech companies, for example, no longer operate within the framework of national economic plans. The ‘Westernization’ process has required the transfer of market-related skills and management knowledge as well as investments from the US, Canada, Japan and Western European countries. However, for international investors to be successful in former communist countries they needed to understand local operations and to introduce locally responsive employment practices.

The drivers

Next, let us consider the drivers.

Multinational companies

Though multinational companies (MNCs) or transnational companies (TNCs) are not new, the rate by which they have developed since the 1970s has been extraordinary. Rapid increases in international activity have involved high levels of mergers and acquisitions, takeovers and joint ventures. While operating in different countries, MNCs have had to develop appropriate human resource strategies for attracting, recruiting and retaining local and international employees who are able to produce high-quality products and to provide high standards of services to meet the needs of customers in a competitive global market. There is no country in the world that has not been ’invaded’ by multinational companies. Whether you are in the middle of the Sahara Desert or Siberia you can always find Coca Cola. As the number of MNCs increases
the need for internationally minded managerial, professional and technical staff becomes greater and more attention has to be given to the way in which employees are employed, rewarded, trained and motivated to work effectively in different countries.

**International competition**

Many organizations have become similar in their distribution channels, technical standards and marketing approaches, products and production methods, giving customers similar choices worldwide. Increasingly, consumers from different countries are demanding products and services that are labelled world class. Customers are very much aware of the choices that are available to them at competitive prices. Therefore, local as well as international companies are being forced to compete on world-class standards to increase their chances of survival in uncertain business environments.

There is no one pattern of international competition because the forces that drive internationalization differ by industry, business, sector and location. However, the evidence from different international investors has shown that competitive successes or failures in the global market are strongly influenced by the quality of organizations’ workforces (Peters and Waterman, 1982; Pfeffer, 1994; Ulrich and Black, 1999; Schuler, Jackson and Luo, 2004). Well-trained, skilled, and innovative employees can provide a competitive edge in markets where similar material and financial means of production are available. It is possible for almost any multinational company to acquire the necessary technology and capital, at a cost, but in many cases ‘it is rather difficult to acquire a ready pool of highly qualified and highly motivated employees’ (Sparrow, Schuler and Jackson, 1994: 269). The processes of obtaining and retaining the needed pool of skilled, motivated and highly qualified employees in different cultural settings require efficient management of resources across cultures.

**Regional economic integration**

The process of regional economic integration has driven the emergence and development of cross-cultural management. Trade relations between many countries have been improved by the establishment of bilateral and multilateral agreements, the creation of regional economic treaties such as the European Union (EU), the North American Free Trade Area (NAFTA) and the Association of South-east Asian Nations (ASEAN), and the involvement of international agencies such as the World Bank and the World Trade Organization (WTO). Economic integration and the commonality of regulations, as well as the equalization of taxes on a regional basis, have led to the development of common approaches to business and employment practices.
Technical changes and flow of information

Technical changes have led to the introduction of more productive and flexible working arrangements. The use of electronic control systems has made production and distribution processes more efficient, sophisticated and economic than before. For example, the advent of the internet has facilitated growth of international trade, international communications and easy access to information worldwide. Electronic mailing and information systems as well as the computerization of flight and shipping services are examples of current developments in information technologies. Customers can learn more about the goods they consume and many manufacturers are better informed about the needs of their customers. The international mobility of information has been enhanced by the integration of data processing and telecommunications networks on a global scale. Information can flow easily across borders, making geographical barriers less relevant and reducing the cost of travelling. Moreover, as information can be transferred quickly, rapid innovations can be effected in different countries, reducing lead times and product life cycles and increasing competition and cooperation between geographically dispersed organizations.

The speed and accuracy of information transmission are changing the nature of the international manager’s job. Technology allows managers to access information and share it instantly. The internet is used increasingly by national and international companies for crucial HRM functions such as advertising job vacancies, contacting potential employees and online learning. The use of information technologies has led to an increasing demand for a workforce that is not just IT skilled but for also talented people with creative and innovative ideas as well as competency in languages.

Trade and financial services

Open trading between countries and instant availability of financial services has greatly facilitated global economic integration of capital markets. With the deregulation of financial services for international trade, it has become easier, faster and safer for companies to operate on the global scale. Many companies are no longer limited to capital sources within closed national boundaries. The global integration of national capital markets has led to freer flows of funds and easier investment between countries than at any time before.

As explained above, information technologies have facilitated international capital flows and provision of financial services to individual customers, suppliers and producers. Credit and debit card payments have led to virtual customers and virtual suppliers of worldwide products and services. The introduction of internet banking and the establishment of online businesses have opened up more opportunities for national and international, public and private companies to reach their customers, clients and employees in different locations.
Such developments have also created new challenges for MNCs as many small and medium size enterprises (SMEs) are trading internationally without requiring subsidiaries overseas. Consequently, managing diverse human resources across cultures has become important to all type and kind of organizations not just MNCs. There are examples of internationally successful companies that started with one person and his or her personal computer from the study in their own homes.

**Political and cultural influences**

Economic and political dependence of many developing countries on the west has led to the transfer of Anglo-Saxon and European education, political systems, technology, products, art works, and management theories to many countries of the world. Western cultural influences are evident globally and are embedded in people’s daily encounters, from what we see and hear to what we consume in and outside our homes. People in developing countries have sometimes become more familiar with Western products, pop stars, film stars, football players, television presenters and politicians than with those in their own countries. Because of perceptions of Western progress, modernization, superiority and high standards, Western brands are sometimes preferred even when they are of poorer quality than those produced domestically. Here the role of the international media in advertising and promoting Western values is strong. This has strengthened a culture of capitalist consumerism and dependence on Western technology and investments.

Western culture is spreading around the world and penetrating people’s lives everywhere. For example, in the Middle East the increasing presence of multinational companies is not only bringing requisite technology and management knowledge and skills from the west but also a culture of consumerism through their mass media advertising. Almost all major multinational companies of the world can now be found in the Middle East. Symbols of capitalism and Americanization such as McDonalds, Pizza Hut and KFC can be seen just metres away from the courtyard of the Holy Mosque in Mecca, Saudi Arabia. It is evident that the sustainability of increasing investments in different countries requires the employment and management of people with different cultural backgrounds and therefore the need to understand and implement cross-cultural management at both local and international levels.

**Western management education and the use of English in business**

Look at the composition of an MBA class in any American or British university and you get the picture of an ever-increasing internationalization of Western management education. More and more non-westerners are exposed to Western management education by attending courses at colleges and universities.
Moreover, the rapid dissemination of knowledge through international conferences, exchange programmes, publications, licensing, internet access and expatriation are narrowing the gap in the management ‘know-how’ between countries. Education has become one of the main drivers towards global integration as people are exposed to similar or the same knowledge and skills, and aspire to similar academic qualifications.

One way or another, management education is becoming universal. The management theories taught in MBA programmes, for example, in Chinese universities are likely to be the same as those that are being taught in MBA programmes in French, South African, Egyptian, Brazilian, Canadian or Indian universities. American and British management textbooks, which rarely make references to non-Western management experiences and practices, are adopted in universities, colleges and business schools throughout the world. What has made it even easier to disseminate such knowledge is the use of English as the international language of business. As more people are exposed to Western management knowledge and use English as their medium of instruction and as a means for business transactions, it becomes easier for companies to invest in different countries and therefore the drive to manage across cultures.

Reforms in developing countries

Many of the developing countries in Africa, South America and Asia have embarked on economic and political reforms that are aimed at liberalizing their economies and democratizing their political systems. Their socio-economic reforms have attracted increasing amounts of multinational investment. Economic reforms have led to large-scale privatizations of state-owned companies and to providing more opportunities for foreign direct investment. Many multinational companies have gained easy access to foreign assets and to overseas markets through direct ownership of foreign assets or forming joint ventures. The growth and expansion of international investments has driven the need for more knowledge and skills in managing across cultures.

ACTIVITY 1

What barriers or problems may be encountered by international managers seeking to manage across cultures?

The meaning of managing across cultures

So far we have seen the main reasons for studying the subject of managing across cultures and the major triggers and drivers for the emergence of the
The Meaning of Managing Across Cultures

current widespread knowledge on cross-cultural management. We need now to consider of what 'managing across cultures' really consists. The subject is of course still evolving. Most of the available literature to date on managing across cultures or cross-cultural management (for example, Handy et al., 1988; Brewster and Tyson, 1991; Redding, 1994; Jackson, 1995; Hickson and Pugh, 1995; Gatley et al., 1996; Warner and Joynt, 2002; Budhwar and Sparrow, 2002a,b; Schneider and Barsoux, 2003; French, 2007; Browaeys and Price, 2008) has focused on the concept of culture and on the influence of cultural differences on doing business in different countries, rather than specifically on the process of managing across cultures. Though culture does indeed matter greatly in this context, the concept of culture is too complicated to be used in the kind of definition we require. The concept of culture and the different models of cultural differences will be discussed in the next chapter, where the context of managing across cultures is explained and critically analysed.

According to Adler (2002: 11), 'cross-cultural management explains the behaviour of people in organizations around the world and shows people how to work in organizations with employees and client populations from many different cultures'. Adler (2002: 11) adds that the aim of the study of cross-cultural management is to describe and compare organizational behaviour within countries and cultures, and to seek 'to understand and improve the interaction of co-workers, managers, executives, clients, suppliers, and alliance partners from countries and cultures around the world'. This description, however, concerns the study of cross-cultural management, rather than the process of managing across cultures.

Similarly, in the conventional literature on comparative management studies, the subject of managing across cultures has been assimilated to comparative management (see Negandhi, 1974; Ouchi, 1981), which in turn has been defined as a process of describing, analysing and discussing the policy and practice of management in two or more countries that makes it possible to see the main similarities and the main differences between them (Redding, 1994; Bamber and Lansbury, 2004).

It should be pointed out that the word 'across' in 'managing across cultures' implies, theoretically, having to go in between and within countries and cultures, and hence being able to observe, describe and analyse their similarities and differences. In practice, however, the process of managing across cultures is broader than comparative management because it implies (a) a broader understanding of the determining characteristics of national management systems and (b) the ability to distinguish between different systems and to learn from models of good (or bad) practice. This view of managing across cultures is supported by a number of recent studies. Some of these have focused on the ways in which national trends and characteristics, including socio-economic and political reforms, have influenced employment policies and practices in different countries (Brewster and Tyson, 1991; Budhwar and Debrah, 2001; Kamoche et al., 2004; Budhwar and Mellhi, 2006), while others have looked at
aspects of management within and between countries by focusing on the impact of culture on business activities (Warner and Joynt, 2002; Schneider and Barsoux, 2003; Chen, 2004; French, 2007; Moran et al., 2007; Browaeys and Price, 2008). For instance, French (2007: 5) states that ‘cross-cultural encounters might, for example, occur when companies decide to outsource work to new countries, or when organizations enter into new forms of networked relationships with overseas partners, or as a result of increased migration of labour’.

However, the study of managing across cultures should go beyond examination of the cultural encounters of multinational companies or of the similarities and differences between countries so as to determine the ways by which national differences have influenced employment policies and practices of different countries and the ways by which international companies have responded to them as shown in Figure 2.1 below. In this respect, Budhwar and Sparrow (2002b: 600) make the point that managers have become ‘eager to know how human resources (HRs) are managed in different regions of the world’ and added that ‘in order to maximize cross-national management capabilities, we need to understand how people in different national settings respond to similar concepts within their particular functions’ (p. 600).

Managing across cultures is thus a two-way process that involves national and international employees and employers of different organizations in different countries and cultural settings. In this book, managing across cultures is defined simply as the process of managing local employees globally and global employees locally. This process involves a strategic approach whereby every employee is expected to act locally and think globally (see Figure 2.2 below). Understanding this process leads, not only to gaining knowledge of different

![Figure 2.1 National, comparative and cross-cultural management](image-url)
national contexts and to comparing them, but also to international organizations learning the knowledge and skills of managing resources internationally in different national contexts.

Managing local employees globally

It can be concluded from the drivers outlined above that the globalizing power of business has created common economic, technical and managerial imperatives, despite social, ideological and legal differences. Multinational companies have been the creators of cross-cultural management policy and practice, and have been the main drivers for international convergence rather than divergence. Multinational companies are the main contributors to the globalizing power of business as they have a significant presence in world business in terms of production, trade and employment.

However, one of the main challenges for international organizations in general and multinational companies in particular is to manage local employees globally, strategically and successfully in response to an ever increasing internationalization or globalization of business. The management of local employees globally requires, at least, the building of a global corporate culture that local employees can understand and identify with, and having a forward diffusion employment strategy.

Building a global corporate culture

Global corporate culture is the glue that can keep a global network of activities together (Rhinesmith, 1993). Corporate culture consists of shared visions, systems, mechanisms and processes. These four factors are created by the people on whom the organization depends, from the visions of the founding members or managing directors of the organization to the processes being carried out by
employees at the shop-floor level. The building of a sustainable global corporate culture requires an international human resource development strategy that forms an integral part of corporate culture and that helps to create a global mindset in its key employees regardless of their place of work (Hendry, 1991; Srinivas, 1995). In other words, all employees become aware of the main features of that corporate culture and contribute effectively to the achievement of its objectives.

One of the main aspects of a globalising corporate culture is standardization of policies and practices throughout the organization (Bartlett and Ghoshal, 1998; Dickmann et al., 2009). Standardization throughout the organization enhances efficiency through the streamlining of production processes, employment policies, product development, and other activities. As more organizations engage actively in global operations, their activities are likely to lead to social as well as economic changes in societies around the world. For example, all employees working for McDonald's in London, Manhattan, Beijing or Moscow are expected to behave the same way and to serve the same products. The uniform, the grading stars, the service with a smile, the up-selling, the french fries, etc. are all standardized throughout the company in different parts of the world. However, standardization of operations, behaviours and products requires efficient training of local employees to carry out their tasks in the organization’s way and the development of local and international managers to make sure that their organization operates in such a way. This process requires a forward diffusion of knowledge and skills and an HR strategy at the core of the organization’s corporate strategy.

Forward diffusion of knowledge and skills

To ensure that local employees are successfully managed globally it is crucial to develop a global employment strategy that enables local employees to learn the knowledge and skills that make them globally employable. This process is very often referred to in the international management literature as ‘forward diffusion’ of knowledge and skills from the home to the host country (Edwards and Ferner, 2004; Edwards et al., 2005).

The forward diffusion of management theory and practice affects not only the local employees of a particular multinational organization but also employees of other indigenous and international organizations. For example, the Japanization of local industries through the increasing presence of Japanese MNCs has led to the adoption of employment policies and practices such as quality circles, total quality management, just-in-time management, pendulum arbitration, and single union representation by many non-Japanese companies in different countries.
MINI CASE STUDY 1

The Western Expatriate in West Africa

When asked about the working and living conditions of expatriates, Mrs Celia Ugbo, the managing director of a major petroleum company in West Africa, replied, 'Western expatriates are highly valued, highly paid, well respected and admired for their knowledge and expertise, commitment to their work, dedication, careful attention to detail, respect for time, and tolerance and sensitivity to other cultures. Our respectful treatment of foreigners has led to increasing numbers of Western and non-Western (third country) expatriates and has facilitated forward diffusion of Western management practices and policies to my country.'

Questions
1. Speculate on (a) the context in which the comment was made and (b) what might be the positive and the negative connotations of Mrs Ugbo’s statement.
2. Judging from the manager’s comment, what types of knowledge and skills do you think the local employees may learn from forward diffusion?

Managing global employees locally

Just as local employees have to be managed globally through the building of global corporate culture and the forward diffusion of knowledge and skills, global employees, mainly expatriates, have to be managed locally in order to achieve their assignment objectives successfully. Global employees, as home country expatriates or third country employees, have to understand the local working environment, the local employees, the local institutions and the local norms and values in order to work with or to manage the local workforces globally. In other words, global employees have to respond to the localizing power of culture and, very often, politics as well.

National differences in norms, values, traditions and beliefs, in levels of economic growth and development, and in institutional settings are the main sources for divergence in management policies and practices between societies. Though it is possible to assimilate organizational structures, to rationalize processes and to standardize products and services between countries, it is not, as Adler (2002) pointed out, easy to assimilate people’s behaviour because of their culturally, economically and politically based differences. Therefore managing across cultures requires managers to be aware of the effects that these differences may have on their management policies and practices. They should be aware of the main national norms and values, of the national economic trends and organizational characteristics, and of the national institutions and the legal system.
National norms and values

National norms and values shape the ways in which organizations are designed and run in different countries because the degree to which people regard their work as a central life interest or as an onerous task is affected by their national values, norms and beliefs. The types of social relations and the power structure in family and society, the different norms and expectations related to leadership, social interaction and relationships, and perceptions of emotions differ significantly between countries (Hofstede, 1980a, 1991; Adler, 2002; Deal and Kennedy, 1982; Laurent, 1986; Whitley, 1992; Tayeb, 2003; 2005). As will be explained in more detail in Chapter 3, culture seriously matters in managing across cultures: cultural misunderstandings can easily cause business relationships to be broken, resources and time to be wasted, employees to be offended and international managers ashamed. Selmer (2001: 17) rightly states that ‘not being able to interact with the host country nationals in daily life outside work makes expatriates ignorant about local thinking and mentality, which influences their ability to assess work situations and makes them develop erroneous assumptions about the people they are managing’. Therefore it is important for expatriates to interact frequently with the locals and to learn from the local values and norms. This process of national acculturation makes expatriates ‘less surprised and frustrated by differences in non-work circumstances of the host country’ (Selmer, 2001: 17).

When managing across cultures, international managers become more aware of social differences within individual countries and have to understand the impact of regional, tribal and other in-group and within-group alliances and differences in the way organizations are managed. Therefore, understanding the different norms, values and ways of life in the host country helps not only with the introduction of appropriate employment policies, but also the production of the right products and the provision of needed services. For example, Procter and Gamble faced problems of national preferences and differences when it developed the Visor washing power. It found that Germans generally preferred front-loading washing machines and they thought that the only way to clean white clothes was to use boiling hot water, while French consumers preferred the top-loading machines and did not think it was necessary to use boiling hot water to wash whites. However, the newly introduced Visor washing power was developed to clean whites best in cool water and in front-loading washers. It satisfied neither the Germans nor the French. According to Ulrich and Black (1999: 43), ‘as the firm discovered, it is not easy to change people’s deeply held beliefs on laundering their whites. Neither is it easy to get a nation to change from front-loading washing machines to top-loading ones’.

When managing across cultures it becomes apparent that what is moral or not, whether religious or just customary, is defined clearly in the relationships...
of people and is culturally specific. For example, respecting and protecting older people, hospitality, decency and pity, not wasting food and water, and even showing shyness and humility are common cultural values in many countries in the world, but some societies express them more openly than others. In Eastern cultures, it is very unlikely that a younger person would oppose the opinion of an older one. This does not mean, however, that talented and skilled young employees are denied respect and promotion. Therefore, international managers should be aware of such cultural values and take into account how their employees in a particular social context expect them to react and behave.

While emphasizing the importance of cultural awareness, we should also stress that international managers do not need to learn all the languages, convert to the religions of the host countries, or behave exactly like the local people (Torrington, 1994). This happens rarely. The process of managing global employees locally implies that international managers need a good understanding of the local norms, values, customs, history, geography and laws because these are among the main determinants of local identity and national pride. For example, until recently the expatriates who criticize or even refuse to attend a bull-fighting match in Spain may lose the support of local employees who see such a game as part of their national culture.

Host country values and practices have a significant influence on management practices and employment policies at all levels. Therefore, international managers will have to adapt to different working conditions and sometimes operate differently from the way they did in their home countries. For example, when working in African or Middle Eastern countries they may have to accept the hiring of friends and relatives, giving more consideration to trustworthiness and loyalty, and using red tape and cumbersome bureaucratic procedures, because such practices are customary in the host country and respected by the local managers and employees. Such differences should be seen as an opportunity to doing good business rather than a threat.

National economic trends and organizational characteristics

It has very often been argued that societies differ in their management systems according to their levels of economic growth and organizational characteristics (Lammers and Hickson, 1979; Hickson and McMillan, 1981; Ouchi, 1981; Hickson and Pugh, 2001). Countries with similar levels of economic growth and development may develop, and should at least be able to share, some managerial practices. A number of studies have concluded that the difficulties encountered by international managers in developing countries, when trying to implement Western management theories, occur mainly because such theories reflect the level of economic development of their inventors (Hofstede, 1980b, 1993; Srinivas, 1995). Hence, in managing across cultures, understanding
Part I: Introduction

the economic environment of the foreign operating country can help international managers to operate effectively when dealing with suppliers and customers, for example, and to predict trends and events that might affect their organizations’ future performance.

Moreover, it is also important in managing across cultures to understand the main characteristics of organizations in the host country because the way organizations are managed differs from one society to another; depending on their structure, culture and process (Hickson et al., 1974; Ouchi, 1981; Hickson and McMillan, 1981). For example, in many African, Middle Eastern and South-east Asian countries, organizations are centralized and bureaucratic, and the delegation of authority is often made to relatives and trusted close friends. Misunderstanding of different organizational structures and management practices in the host countries can result in international managers making inappropriate business decisions, as seen from Mini Case Study 2 below.

National institutions and legal systems

A number of studies have found that patterns of national distinctiveness such as the country’s history, its national and regional institutions, its political system and its legislative procedures have strong influence on management and employee relations (Whitley, 1992; Child, 1994; Chen, 2004). In managing across cultures, one of the most important institutions that international managers have to be aware of is the host country’s education system. The types of education and training programmes delivered in a country are very likely to influence the structure and development of organizations, and to shape the nature and quality of its workforce. By understanding the education system and the types and levels of education in the host country it will be easier for international managers to decide how local employees could be trained and how easily technology can be transferred and implemented effectively. Also, it is important for international managers to understand how local employees learn in order to design appropriate training programmes for them.

The other important institutional factor in managing across cultures is the legal system of the host country. Being aware of international laws as well as host country legal systems and employment legislation is mandatory in cross-cultural management. Ball and McCulloch (1993: 370) argued that ‘international business is affected by many thousands of laws and regulations on hundreds of subjects that have been issued by states, nations, and international organizations’. These laws can be divided into international and national laws, and they affect factors such as taxation, employment, trade relations, health and safety, imports and exports (including tariff controls), financial reporting, product liability, intellectual property, contracts, and currency control within and between countries.
Assessing and avoiding risks

The process of managing across cultures sits between the globalizing power of business and the localizing power of culture and politics. The problem in implementing such a process effectively lies in knowing the unknown. In this respect, it can be argued that the more is known by the international manager (expatriate) about the local working environment and the local employees, and the more the local employees know about the corporate culture and its operations, the greater and the better global integration and local responsiveness there will be and hence greater effectiveness in managing across cultures. The factors that facilitate the process of knowing the unknown are: the ability to assess and avoid risks by both local and international employees; and the encouragement of ‘reverse diffusion’ of management good practice from the host to the home country.

Although many countries have opened their doors to foreign investment, there are still problems of local acceptance that should not be underestimated in managing across cultures. When investing in a foreign country, MNCs should assess the risks involved in employing expatriates and local employees. It should be stressed that though the governments of many countries welcome foreign direct investment, they also have responsibility for protecting their own industries and citizens. Protectionism takes different forms, from trade barriers and quotas to employment restrictions, which MNCs have to be prepared for and deal with effectively. Moreover, the outcomes of inter-governmental conflicts, pacts and bilateral relations can have significant effects on managing across cultures.

Although many developing countries offer large market potential and exhibit strong economic growth, investing in them can be riskier than investing in industrialized countries. Most of the developing countries in Asia, Africa and South America have experienced complex and unstable political systems in their attempts to develop suitable frameworks and ideologies for their socio-economic development. There may also be financial and economic risks because of environmental (climate) changes, terrorism, international labour migration, fluctuations in demand for certain products, shortages in the supply of raw materials, international financial crisis, and so on, that international managers should be able to assess and avoid their impact whenever possible. Such risks have serious implication for the international operations of a firm and for the process of managing across cultures.

Local employees and governments should also be able to assess the risks of increasing presence of international corporate cultures and of forward diffusion of knowledge and skills from other countries. Local industries and business could be seriously affected by the direct international competition created by MNCs. The privatization of public utilities, mergers and takeovers could result in the restructuring of newly created companies and the downsizing of
operations, resulting in mass redundancies in countries where unemployment, especially among the young people, is already very high. Another risk is the cultural influence of MNCs in countries that are already very receptive to Western capitalist norms and values. It will be seen from the relevant chapters of this book that the culture of consumerism, greed and competition is spreading throughout Eastern societies with increasing rapidity, partly, if not mainly, because of the spread of foreign investment in that part of the world.

### MINI CASE STUDY 2

**General Electric in Hungary**

In the late 1980s the USA’s General Electric Company (GE) moved into Hungary, which was then a communist state. It bought 51 per cent of the Tungsram Company, a producer of lighting products. It believed that it was making a good investment decision to take advantage of Hungary’s move towards democracy and a free market economy.

What the company did not expect were the organizational problems that it encountered. Under years of communism there was a strong tradition of waste and inefficiency. There was no motive for individual employees to produce good-quality products. The concepts of customer care and customer satisfaction were alien to many Hungarian employees. The American managers thought that the Hungarian workers were too ‘laid back’ and the Hungarian employees thought that their American managers were ‘too aggressive’.

It took eight years, $440 million and a 50 per cent cut in the workforce before the company began to make profits (Ulrich and Black, 1999).

**Question**

1. What are the main lessons for managing across cultures to be drawn from this case study?

### Reverse diffusion of knowledge and skills

It is argued above that ‘forward’ diffusion is important for managing local employees globally and for global business integration. Equally, ‘reverse’ diffusion of management policies and practices from the host to the home country should be encouraged for managers to learn more about local management systems (Edwards, 1998; Edwards et al., 2005).

Reverse diffusion is part of the national identification process as international managers are informed of the national characteristics of organizations and managements in different countries. Ulrich and Black (1999) argued that one of the managerial competencies that may enable international companies to integrate and concentrate global activities while attempting to separate and adapt to local
activities is to share learning and generate new knowledge from the local operations. Encouraging reverse diffusion of management theories and practices can lead to better understanding of the local working environment and to the development of appropriate approaches to managing across cultures.

Summary

1 The subject of managing across cultures has emerged in recent years as a significant field of academic research and study as a result of a number of triggers and drivers. Among the triggers are: the failure of expatriates to complete their assignments abroad; the economic recession of the 1980s; the rise and successes of South-east Asian countries; the openness of China and later India to the west; and the end of the Cold War and the ‘Westernization’ of Eastern Europe. The main drivers have been: the growth and spread of multinational companies; international competition; regional economic integration; technical changes and international mobility of information; open trading and availability of financial services; political and cultural influences; internationalization of Western management education with the use of English as the international language of business; and the liberalization and democratization of developing countries.

2 Most of the definitions of managing across cultures focus on the concept of culture and the effects of cultural differences on management in different countries. This book acknowledges the importance of culture and its effects on management and goes beyond the need to understand the similarities and differences between societies to see the process of managing across cultures as the management of local employees globally and global employees locally, including expatriates, host and third country employees, national and international employee regulations, and national and international employee and employer organizations.

3 The management of local employees globally requires, at least, the building of a global corporate culture that local employees can understand and identify with, and having a strategy of forward diffusion of knowledge and skills from the home to the host countries.

4 Just as local employees have to be managed globally, global employees, mainly expatriates, have to be managed locally in order to achieve their assignments successfully. Global employees have to understand the local working environment, employees, institutions, and norms and values in order to manage the local workforce globally.

5 The process of managing across cultures sits between the globalizing power of business and the localizing power of culture and politics. The problem in implementing such a process effectively lies in knowing the unknown. The more familiar the international manager (expatriate) is with the local working environment and local employees, and the more the local employees know about the corporate culture and its operations, the greater and better the global integration and local responsiveness. The factors that may facilitate the process of knowing the unknown are the ability to assess and avoid risks, and the encouragement of ‘reverse diffusion’ of management good practice from the host to the home country.
Revision questions

1 Discuss with the use of examples the main factors and events that have led to the emergence of cross-cultural management as a significant field of academic research and study.

2 What does ‘managing across cultures’ mean? Elaborate your answer by referring to at least two contrasting definitions.

3 What do you think are the main things that international organizations can do to be successful in (a) managing global employees locally and (b) managing their local employees globally?

References


