

SUSAN C. SCHNEIDER
JEAN-LOUIS BARSOUX
GÜNTER K. STAHL

Third Edition

MANAGING ACROSS CULTURES



SUSAN C. SCHNEIDER JEAN-LOUIS BARSOUX GÜNTER K. STAHL

Third Edition

MANAGING ACROSS CULTURES

As more and more companies gain a global reach, managing cultural differences is an increasingly important part of every job. This book demonstrates how culture affects management practice, from organisational structure to strategy and human resource management. Drawing upon evidence from the authors' research, it encourages managers to reconsider, explore and transfer alternative practices across national boundaries. As well as providing an insight into other cultures, this text provides readers with an increased awareness of their own.

The third edition of this book serves to expand the discussion of the impact of culture on effective management and on utilising differences to create competitive advantage. Employing tools of observation, questioning and interpretation, the book challenges assumptions and encourages critical reflection on the influences of culture in business.

Managing Across Cultures will appeal to both managers and executives working within an international business environment, as well as to students on a growing number of MBA and other undergraduate, postgraduate and post-experience courses.

Susan C. Schneider is Professor Emeritus of Human Resource Management at HEC University of Geneva, Switzerland. She has been Visiting Professor at INSEAD and ESSEC (France), NOVA University (Portugal) and Zhejiang University (China). As well as her research into cross-cultural management, she has actively worked to internationalise the 'mindsets' of managers and companies. Her current research focuses on diversity and corporate responsibility.

Jean-Louis Barsoux is Senior Research Fellow at IMD, Switzerland. He is the author of several books on culture and diversity in management, and has written for *Harvard Business Review* and *Financial Times*.

Günter K. Stahl is Professor of International Management at Vienna University of Economics & Business (WU Vienna). Prior to joining WU Vienna, he served for eight years as a faculty member at INSEAD and held visiting appointments at Duke University's Fuqua School of Business, the D'Amore-McKim School of Business at Northeastern University, the Wharton School of the University of Pennsylvania and Hitotsubashi University. He has published in leading academic and practitioner-oriented journals and has designed and taught cross-cultural management courses at the Masters, MBA, and Executive MBA levels for universities and business schools around the world.

Key features

- New and updated examples interspersed throughout the chapters
- Strong theoretical foundations are linked to highly practical application
- Expanded coverage of geographical perspectives – especially from the powerful emerging economies
- Focus on the emergence of diversity as a strategic priority
- Exploration of the impact of culture on 'virtual teams'
- Improved design, layout and 'sign-posting' of content

ISBN 978-0-273-74632-4



9 780273 746324 >

www.pearson-books.com

Front cover image:
© Getty Images

- 20 Cartwright, S., Cooper, C.L. and Jordan, J. (1995) 'Managerial preferences in international merger and acquisition partners', *Journal of Strategic Change*, 4, pp. 263–269.
- 21 Pucik, V., Evans, P., Björkman, I. and Stahl, G.K. (2010) 'Human resource management in cross-border mergers and acquisitions', in A.W. Harzing and A. Pinnington (eds) *International human resource management*, 3rd edn, pp. 119–152, London: Sage.
- 22 Vassolo, R.S., De Castro, J.O. and Gomez-Mejia, L.R. (2011) 'Managing in Latin American: Common issues and a research agenda', *Academy of Management Perspectives*, pp. 22–36.
- 23 Walter, I., Professor, INSEAD, personal communication.
- 24 Boot, A.W.A. (2011) 'Banking at the crossroads: How to deal with marketability and complexity?', *Review of Development Finance*, 1, pp. 167–183.
- 25 Scott, M. (2012) 'ING sells insurance units in Asia', *International Herald Tribune*, 20 October, p. 13.
- 26 'The fall of the house of Kidder', *Euromoney*, January 1995, pp. 30–34.
- 27 Spender, J.C. (1989) *Industry Recipes: The Nature and Sources of Managerial Judgement*, Oxford: Blackwell; Huff, A.S. (1982) 'Industry influences on strategy reformulation', *Strategic Management Journal*, 2, pp. 119–131.
- 28 Phillips, M.E. (1994) 'Industry mindsets: Exploring the cultures of two macro-organizational settings', *Organizational Science*, 5, pp. 284–402.
- 29 Prahalad, C.K. and Bettis, R.A. (1986) 'The dominant logic: A new linkage between diversity and performance', *Strategic Management Journal*, 7, pp. 485–501.
- 30 Porac, J.F., Thomas, H. and Baden-Fuller, C. (1989) 'Competitive groups as cognitive communities: The case of the Scottish knitwear manufacturers', *Journal of Management Studies*, 26, pp. 397–416.
- 31 Originally discussed by Deal, T. and Kennedy, A. (1982) *Corporate Cultures: The rites and rituals of corporate life*, Reading, MA: Addison-Wesley.
- 32 Cramer, V. and Schneider, S.C. (2010) *Novartis: On the road to corporate citizenship*, Case ECCH 710-027-1.
- 33 Chatman, J.A. and Jehn, K.A. (1994) 'Assessing the relationship between industry characteristics and organizational culture: How different can you be?', *Academy of Management Journal*, 37, pp. 522–553.
- 34 Alemanno, S.P. and Cabedoche, B. (2011) 'Suicide as the ultimate response to the effects of globalization? France Telecom, psycho social risks and communicational implementation of the global workplace', *International Communication Studies*, 2, pp. 24–40.
- 35 Lawrence, P.R. and Lorsch, J.W. (1967) *Organizations and Environment*, Homewood, IL: Irwin; Perrow, C. (1979) *Complex Organizations*, New York: Random House; Thompson, J.D. (1967) *Organizations in Action*, New York: McGraw-Hill.
- 36 Salancik, G.R. and Pfeffer, J.R. (1977) 'Who gets power – and how they hold on to it: A strategic-contingency model of power', *Organizational Dynamics* (Winter).
- 37 Fligstein, N. (1993) *The transformation of corporate control*, Harvard University Press.
- 38 Raymond Saner, R., Yiu, L. and Sondergard, M. (2000) 'Business diplomacy management: A core competency for global companies', *Academy of Management Executive*, 14(1), pp. 80–92.
- 39 Van Maanen, J. and Barley, S. (1984) 'Occupational communities', in B. Staw and L.L. Cummings (eds) *Research in Organization Behavior*, Vol. 6, Greenwich, CT: JAI Press, pp. 287–365.
- 40 Drucker, P.F. (1988) 'The coming of the new organization', *Harvard Business Review*, January/February, pp. 45–53.
- 41 Meyerson, D.E. (1994) 'Interpretations of stress in institutions: The cultural production of ambiguity and burnout', *Administrative Science Quarterly*, 39, pp. 628–53; Barley, S. and Knight, D.B. (1992) 'Toward a cultural theory of stress complaints', in B.M. Staw and L.L. Cummings (eds) *Research in Organizational Behavior*, Vol. 14, Greenwich, CT: JAI Press, pp. 1–48.
- 42 Kleiner, A. (2001) 'The cult of three cultures', *Strategy + Business*, 3rd quarter, online, 1–3, retrieved from: www.strategy-business.com.
- 43 Fioole, W., van Driel, H. and van Baalen, P. (2008) 'Europeanisation and Americanisation: Converging backgrounds of German and Dutch top managers', in H.G. Schröter (ed), *The European Enterprise: Historical investigation into a future species*, Berlin: Springer, pp. 155–167.
- 44 Van Maanen, J. (1983) 'Golden passports: Managerial socialization and graduate education', *The Review of Higher Education*, 6(4), pp. 435–55.
- 45 John Van Maanen, personal communication, July 2012.
- 46 Ouchi, W.G. (1981) *Theory Z*, New York: Avon; Pascale, R.T. and Athos, A.G. (1981) *The Art of Japanese Management*, New York: Simon & Schuster.

- 47 Schein, E.H. (1991) 'The role of the founder in the creation of organizational culture', in P.J. Frost, L.F. Moore, M.R. Louis, C.C. Lundberg and J. Martin (eds) *Reframing Organizational Culture*, Ch. 1, Newbury Park, CA: Sage, pp. 14–25; Westney, F. and Mintzberg, H. (1989) 'Visionary leadership and strategic management', *Strategic Management Journal*, 10, pp. 17–32.
- 48 Hofstede, G. (1991) *Culture and Organization: Software of the Mind*, London: McGraw-Hill.
- 49 Ouchi, W.G. (1981) *Theory Z*, Reading, MA: Addison-Wesley; Pascale, R.T. and Athos, A.G. (1981) *The Art of Japanese Management*, New York: Simon & Schuster.
- 50 Goffee, R. and Jones, G. (1996) 'What holds the modern company together?', *Harvard Business Review*, November–December, pp. 133–148; Trompenaars, F., Cameron, K.S. and Quinn, R.E. (1999) *Diagnosing and changing organizational culture: Based on the competing values framework*, Reading, MA: Addison-Wesley.
- 51 Harrison, R. (1975) 'Diagnosing Organization Ideology', in J.E. Jones and J.W. Pfeiffer (eds) *The 1975 Annual Handbook for Group Facilitators*, San Diego, CA: University Associates, pp. 1–5.
- 52 Cartwright, S. and Cooper, C.L. (1993) 'Of Mergers, Marriage and Divorce', *Journal of Managerial Psychology*, 8(6), pp. 7–10.
- 53 Chatman, J.A. and Cha, S.E. (2003) 'Leading by leveraging culture', *California Management Review*, 45, pp. 20–34.
- 54 Gerstner, L.V. (2003) *Who says elephants can't dance? Inside IBM's historic turnaround*, London: HarperCollins.
- 55 Stahl, G.K. and Köster, K. (2013) 'Lenovo-IBM: Bridging cultures, languages, and time zones – an audacious deal', *WU Case Series*, 4, available from: <http://www.wu.ac.at/research/en/series/caseseries>.
- 56 Palmisano, S. (2004) 'Leading change when business is good', *Harvard Business Review*, December, pp. 60–70.
- 57 Brief, A.P. and Downey, H.K. (1983) 'Cognitive and organizational structures: A conceptual analysis of implicit theories of organizing', *Human Relations*, 36, pp. 1065–1090.
- 58 Greiner, L. (1972) 'Evolution and revolution as organizations grow', *Harvard Business Review*, July/August, pp. 37–46.
- 59 Bell, D.E. and Shelman, M. (2012) 'Nestlé', *Harvard Business School Case*, 9-509-001.
- 60 Van Maanen and Laurent (1993) *Op. cit.*, p. 297.
- 61 Brannen, M.Y. (1992) "'Bwana Mickey": Constructing cultural consumption at Tokyo Disneyland', in J.J. Tobin (ed) *Remade in Japan: Everyday Life and Consumer Taste in a Changing Society*, New Haven, CT: Yale University Press, pp. 216–234.
- 62 Van Maanen, J. (1990) 'The smile factory: Work at Disneyland', in P.J. Frost, L.F. Moore, M.R. Louis, C.C. Lundberg and J. Martin (eds) *Reframing Organizational Culture*, Ch. 4, Newbury Park, CA: Sage, pp. 58–76.
- 63 Brannen, M.-Y. and Wilson, J.M. (1995) 'Transferring core competencies abroad in people-dependent industries: A lesson in semiotics from the Walt Disney Corporation', presented at the Academy of Management Meetings, Vancouver, BC.
- 64 'Disneyland Paris a reçu 250 millions de visiteurs', *Tribune de Geneve*, 10 April 2012, p. 9.
- 65 Brannen and Wilson (1995) *Op. cit.*; Wooldridge, A. (1995) 'Insider trading', *The Economist*, 24 June, p. 11.
- 66 Brannen, M.Y. (2004) 'When Mickey loses face: Recontextualization, semantic fit, and the semiotics of foreignness', *Academy of Management Review*, 4, pp. 593–616.
- 67 Dong, L. and Glaister, K.W. (2007) 'National and corporate culture differences in international strategic alliances: Perceptions of Chinese partners', *Asian Pacific Journal of Management*, 24, pp. 191–205.
- 68 Evans, P., Pucik, V. and Bjorkman, I. (2011) *The Global Challenge: International Human Resource Management*, 2nd edn, New York, NY: McGraw-Hill.
- 69 Hofstede, G. (1980) *Culture's Consequences*, London: Sage.
- 70 Laurent, A. (1989) 'A cultural view of organizational change', in P. Evans, Y. Doz and A. Laurent (eds) *Human Resource Management in International Firms*, Ch. 5, London: Macmillan, pp. 83–94.
- 71 Cyr, D.J. and Schneider, S.C. (1996) 'Implications for learning: Human resource management in East–West joint ventures', *Organization Studies*, 17(2), pp. 207–226.
- 72 Kim, S. and Schneider, S.C. (2008) *The Case of the International Red Cross (ICRC): Managing across cultures*, Case ECCH 408-061-1.

PART 2

Culture and management practice

Japanese and American management practices are 95 per cent the same, and differ in all important respects.

Takeo Fujisawa, co-founder Honda Motor Company

In Part 1 we argued that culture can have a profound impact on the effectiveness of managers and organisations navigating the seas of international business. We proposed a framework to discover culture at different levels through observation, questioning and interpretation. We also highlighted the key dimensions along which cultures can be analysed. Furthermore, we discussed how culture could be found in multiple spheres: functional/professional, corporate, industry, regional, as well as national. These multiple spheres can be diagnosed using the same framework and the same set of key dimensions as proposed for national culture. We also demonstrated how the interaction of these spheres of culture could provide a source of competitive advantage or disadvantage in a global marketplace.

In Part 2 we demonstrate more specifically *how* culture, primarily national culture, may influence management practice – structure, strategy and human resource (HR) systems – in order to have a better understanding of the threats and opportunities that culture may present in international business. We draw upon the experiences of managers and their companies, and integrate the discoveries of a rather large field of comparative management research to demonstrate the differences in management practices across countries and companies.

Beyond showing that differences exist, we explore the underlying cultural explanations for these differences. Management practices, in effect, represent the tip of the iceberg. In order to understand the meaning of these practices we need to uncover their cultural roots. Furthermore, differences in management practices can also reflect the institutional context¹ – economic, political and social – or what Richard Whitley² referred to as the ‘national business system’.³ However, it is often quite difficult to separate out the influence of institutions from culture as they have both evolved together over time and are thus intricately linked, as shown in Figure P2.1.

For example, the strong role of the state and the cultural emphasis on power and hierarchy often go hand in hand, as in the case of France. Or, in the words of the French *roi soleil* (sun king) Louis XIV, *‘L’état, c’est moi’* (‘The state is me’).

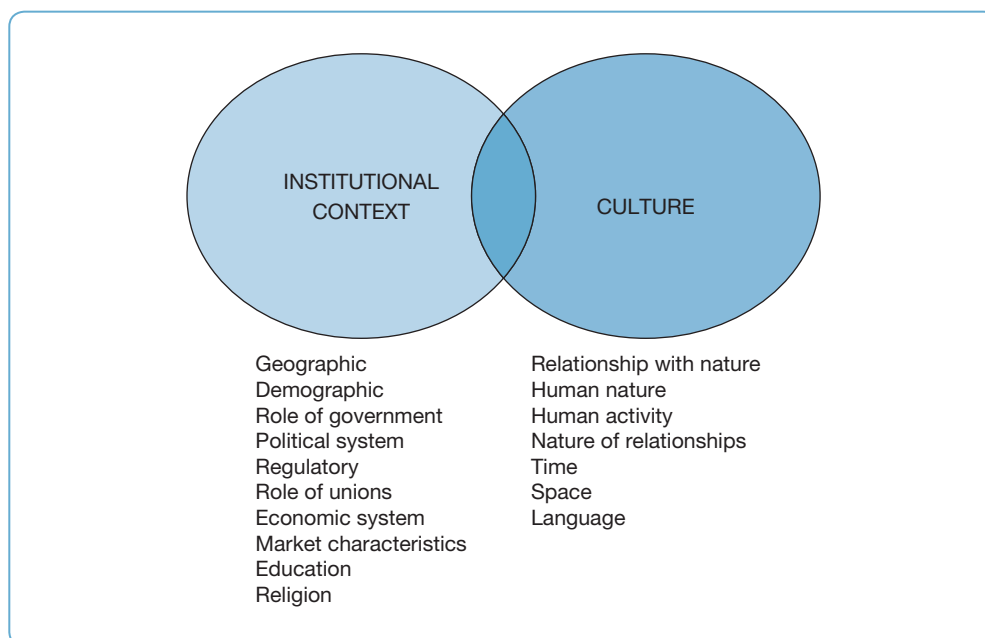


Figure P2.1 Institutional and cultural influences

Institutions represent, in some ways, the codification of culture into laws and regulations, market and political ideology, religious practices and educational systems. Organisational practices are shaped by the institutional context becoming similar (isomorphic) due to pressures to conform through regulations (coercive), copying best practice (mimetic), values and beliefs about human nature and behaviour, i.e. culture (normative) and widely shared social knowledge and categories (cognitive structures).⁴

According to Witt & Redding, ‘... culture explains what is, and institutions define what people do about it’.⁵ This results in a great variety as to who makes the rules, for whom and with what objectives. Their interviews with German executives revealed preferences for a market-based economy with minimal state intervention. In contrast, Japanese executives preferred a coordinated economy where the state played a strong role. While the Japanese considered deregulation to be necessary for international competitiveness, too much competition was seen as dangerous. For them, deregulation (*kisei kanwa*) meant softening not liberalisation, as the free market is seen as chaotic and undesirable. ‘Visible hand of the state imposing order is preferred to the invisible hand of the market.’⁶ These preferences may signal underlying cultural differences – for example, the role of the state (hierarchy) and market-based versus coordinated (uncertainty avoidance). Thus Witt & Redding concluded that, ‘... variety both in culture and institutions remain manifest and that different types of business systems are competitive’.⁷

These different perceptions of ‘what is’ and ‘what should be’ regarding the institutional environment reflect different values of individualism versus collectivism, hierarchy, task versus relationship orientation and uncertainty avoidance.

The interaction of culture and the institutional context is also evident in the continuing debate over the convergence or divergence of management practice – that economic ideology (and the logic of industrialisation) would drive convergence, whereas cultural differences would maintain divergence.

Research over the past 20 years comparing the economic ideology of the USA and Japan (capitalism) with that of Russia and China (socialism), and the cultural values of 855 managers from these countries, reveals *crossvergence* – the emergence of values from the interaction of national culture and institutional factors.⁸ Over time, while some values are found to remain stable, others may be more influenced by economic and political events. For example, levels of uncertainty avoidance remained the same for mainland China but had increased in Hong Kong, and Confucian dynamism had declined for the PRC, but had increased in Hong Kong.⁹

Given these cultural and institutional differences, managerial practices sent by head office are often implemented in form if not substance, in a more or less ceremonial fashion (also called corporate rain dances).¹⁰ By understanding the cultural and institutional environment of the host country, MNCs can arrive at an appropriate approach to both formulating and implementing company structures, strategies and HR policies. Furthermore, the transferability of practices can be considered as more than a two-way street – not only from HQ to subsidiaries and back, but also among subsidiaries. In this way, learning and knowledge creation can provide competitive advantage.

Chapter 4 presents evidence of national differences in organisational structure and processes. By pulling together the fragmented and somewhat disparate studies in the field of comparative management, we arrive at an emerging and more coherent picture, or *country profile*, of how companies located in that country may operate. The purpose of creating such country profiles is not to argue for or reinforce stereotypes. These profiles do, however, serve as a reminder that managers in different countries (not to mention companies and industries) tend to have consistent preferences for ways of organising – not only in terms of structure, but also in processes, such as how policies and procedures are formulated and implemented, how planning and control takes place and how decisions are made. Furthermore, we can then consider the implications for transferring organisational structures and processes and for learning across borders.

Chapter 5 argues that culture will also have an important impact on corporate strategy. ‘Rational analytic’ approaches to strategic management often assume that managers are faced with an *objective* environment that lends itself to standardised methods of assessment and response. Thus, the process of strategic management and its outcome is considered to be culture-free. Other scholars argue that the assessment and response to the environment is *subjective*, open to differences in perception and interpretation. These differences are driven by cultural dimensions – for example, regarding uncertainty and control, revealing underlying assumptions about the environment and the organisation’s capability to respond.¹¹

Multiple interpretations and responses are therefore possible. Indeed, that is what makes the ‘competitive ballgame’. What companies look for, what they fail to notice, what they see but ignore, what they consider feasible or desirable, may be driven by cultural assumptions – not only at the national but also at the corporate and industry levels. Awareness of cultural differences can help to anticipate the strategic responses of international competitors, and help to discover complementarity in cross-border partnerships, international or otherwise.

Cultural and institutional differences may also help to explain different strategies for internationalisation. This is particularly relevant now that companies from the BRIC (Brazil, Russia, India and China) countries, or other emerging markets, are setting their sights not only on Africa and South America, but also on Europe and North America. What are the cultural and institutional forces at home that may influence how they internationalise and what are the challenges they face arriving in these foreign lands?

Chapter 6 examines how culture influences the practice of human resource management (HRM). Country differences are described, and underlying cultural dimensions are proposed to explain the reasons for these differences. We give examples of the impact of culture on HR practice in selection and socialisation, management training and development, appraisal and compensation and career development.

In order to become more international, many companies will have to re-examine their own HRM practices, which are often strongly embedded in the home-country culture. Above all, the importance of HRM practices in creating and reinforcing the corporate culture needs to be recognised in order to assure that desired changes in structures and strategies can be implemented, both at home and abroad. This is, in effect, the very meaning of *strategic HRM*.

The strategic role of HRM, however, creates dilemmas in managing human resources internationally, in deciding which HR practices should be designed centrally, and which ones need to be adapted locally. Companies have to consider simultaneously the needs of the company in terms of its global aspirations, while remaining in tune with local needs and realities. For example, the ability to recruit and develop people for international responsibility may be constrained by the availability or willingness of talented local managers or by an 'ethnocentric head-office' view, which fails to recognise or effectively utilise talented managers from outside its own national borders. It is no longer just a question of how to develop international managers, but also how to internationalise the HRM function, not to mention the corporation.

Thus, by looking at differences in management practice – structure, strategy and HRM – we begin to understand how managers in different cultures have come to solve problems of external adaptation and internal integration, and to consider how to solve these very same problems at the global level.