



Chapter two

Managing Across Cultures

Instructor: MA. Nguyen Thi Phuong Linh

Summarize chapter 2

1. What is meant by *culture*?
2. What is meant by *value*?
3. What are the dimensions of Hofstede's model?
4. Will cultural differences decline or intensify as roadblock to international understanding?
5. Describe Trompenaar's research.
6. Describe The global project.

Chapter Objectives

The specific objectives of this chapter are:

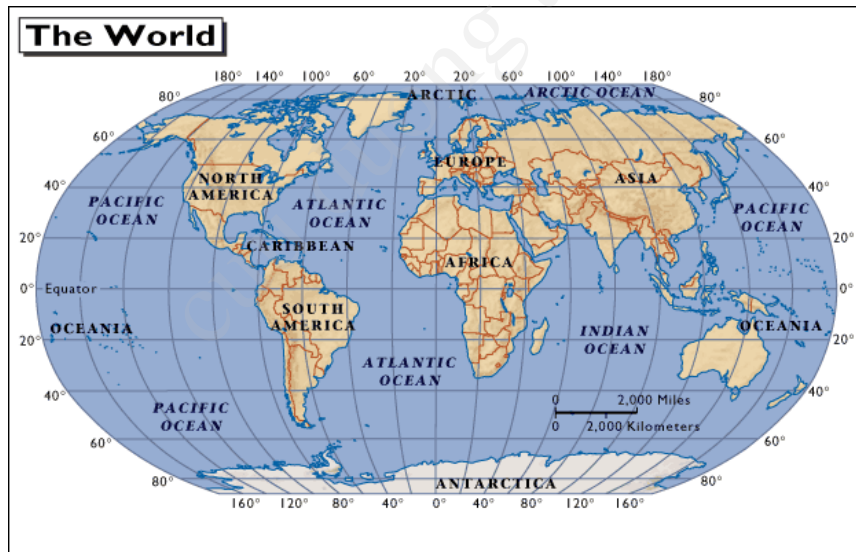
1. **EXAMINE** the strategic dispositions that characterize responses to different cultures. *(One major problem facing MNCs is that they attempt to manage across cultures in ways similar to their home countries.)*
2. **DISCUSS** cross-cultural differences and similarities. *(One major challenge when dealing with cross-cultural problems is that of overcoming parochialism and simplification; Another is doing things in foreign markets in the same ways as they are done in their domestic markets).*
3. **REVIEW** cultural differences in select countries and regions, and note some of the important strategic guidelines for doing business in each. *(Doing business in various parts of the world requires the recognition and understanding of cultural differences).*

Strategic Predispositions

- As MNCs become more transnational, their strategies must address the cultural similarity and differences in their varied markets.
- Four distinct predispositions toward doing things in a particular way:
 1. Ethnocentric
 2. Polycentric
 3. Regio-centric
 4. Geocentric

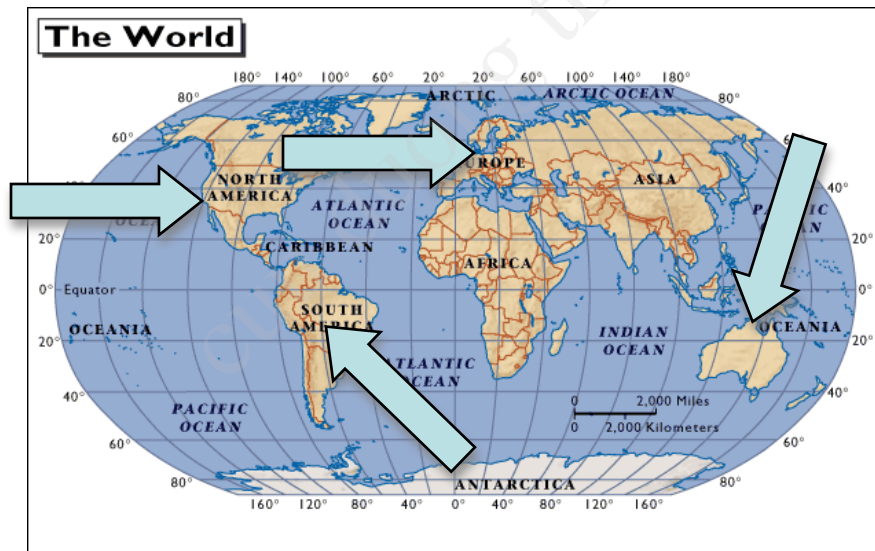
Strategic Predispositions

- Ethnocentric predisposition
 - A nationalistic philosophy of management whereby the values and interests of the parent company guide strategic decisions.



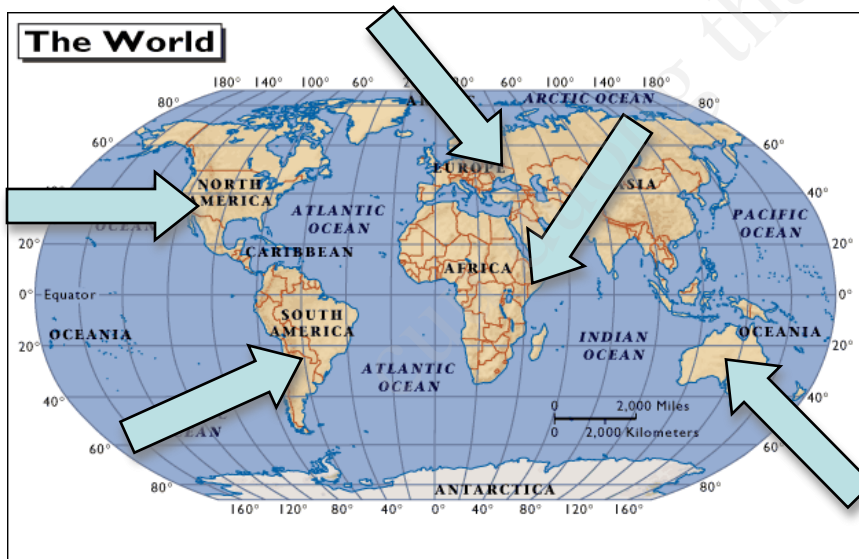
Strategic Predispositions

- Polycentric predisposition
 - A philosophy of management whereby strategic decisions are tailored to suit the cultures of the countries where the MNC operates.



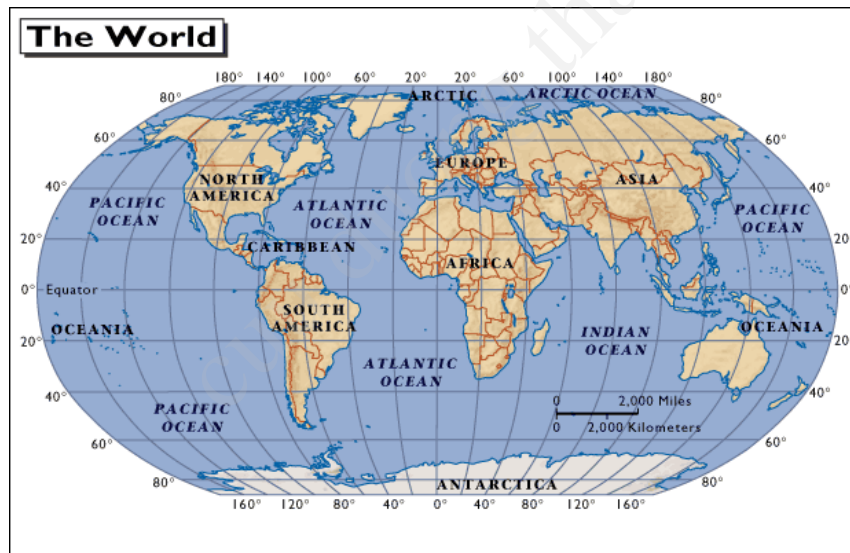
Strategic Predispositions

- Regio-centric predisposition
 - A philosophy of management whereby the firm tries to blend its own interests with those of its subsidiaries on a regional basis.

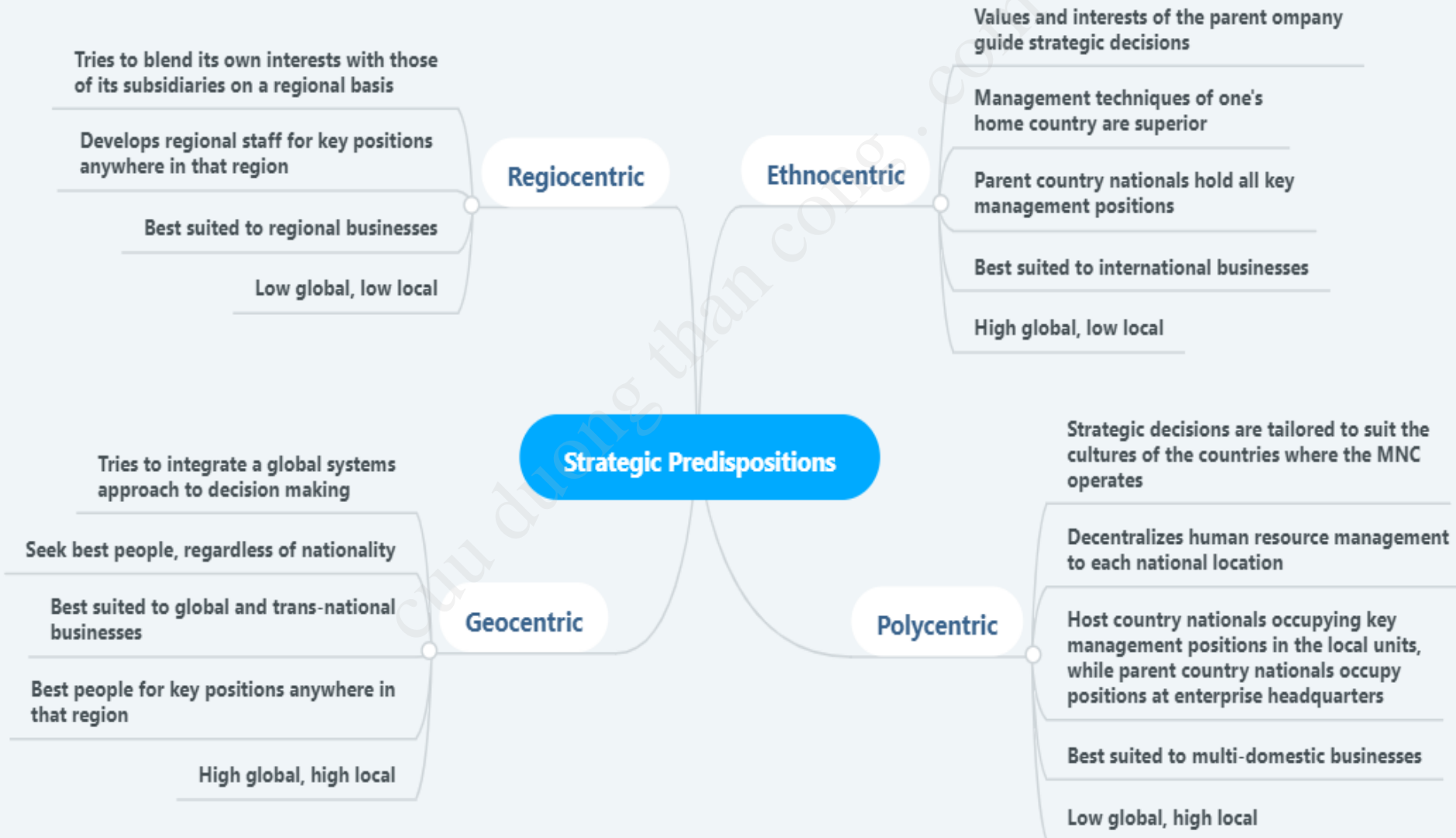


Strategic Predispositions

- Geocentric predisposition
 - A philosophy of management whereby the company tries to integrate a global systems approach to decision making.



Strategic Predispositions



Orientation of an MNC

Table 5–1
Orientation of an MNC Under Different Profiles

	Orientation of the Firm			
	Ethnocentric	Polycentric	Regiocentric	Geocentric
Mission	Profitability (viability)	Public acceptance (legitimacy)	Both profitability and public acceptance (viability and legitimacy)	Same as regiocentric
Governance	Top-down	Bottom-up (each subsidiary decides on local objectives)	Mutually negotiated between region and its subsidiaries	Mutually negotiated at all levels of the corporation
Strategy	Global integration	National responsiveness	Regional integration and national responsiveness	Global integration and national responsiveness
Structure	Hierarchical product divisions	Hierarchical area divisions, with autonomous national units	Product and regional organization tied through a matrix	A network of organizations (including some stakeholders and competitor organizations)
Culture	Home country	Host country	Regional	Global
Technology	Mass production	Batch production	Flexible manufacturing	Flexible manufacturing
Marketing	Product development determined primarily by the needs of home country customers	Local product development based on local needs	Standardize within region, but not across regions	Global product, with local variations
Finance	Repatriation of profits to home country	Retention of profits in host country	Redistribution within region	Redistribution globally
Personnel practices	People of home country developed for key positions everywhere in the world	People of local nationality developed for key positions in their own country	Regional people developed for key positions anywhere in the region	Best people everywhere in the world developed for key positions everywhere in the world

Source: From Balaji S. Chakravarthy and Howard V. Perlmutter, "Strategic Planning for a Global Business," *Columbia Journal of World Business*, Summer 1985, pp. 5–6. Copyright © 1985 Elsevier. Reprinted with permission.

Meeting the Challenge

- The Globalization Imperative:
 - Belief that one worldwide approach to doing business is key to efficiency and effectiveness.
 - Many factors facilitate the need to develop unique strategies for different cultures:
 - Diversity of worldwide industry standards
 - Continual demand by local customers for differentiated products
 - Importance of being insider as in case of customer who prefers to “buy local”
 - Difficulty of managing global organizations
 - Need to allow subsidiaries to use own abilities and talents unconstrained by headquarters

Meeting the Challenge

Three major challenges for most MNCs:

1. The MNC must stay abreast of local market conditions and sidestep the temptation to assume that all markets are basically the same.
2. The MNC must know the strengths and weaknesses of its subsidiaries so that it can provide these units with the assistance needed in addressing local demands.
3. The MNC must give the subsidiary more autonomy so that it can respond to changes in local demands.

McDonald's in US



McDonald's in France.



Starbucks in Australia



Cross-Cultural Differences and Similarities

- Parochialism and Simplification
 - *Parochialism*: view world through own eyes and perspectives
 - *Simplification*: exhibit same orientation toward different cultural groups

Cross-Cultural Differences and Similarities

Example of Parochialism

Table 5–2
Six Basic Cultural Variations

Orientations

What is the nature of people?

What is the person's relationship to nature?

What is the person's relationship to other people?

What is the modality of human activity?

What is the temporal focus of human activity?

What is the conception of space?

Range of Variations

Good (changeable/unchangeable)
A mixture of good and evil*
Evil (changeable/unchangeable)

Dominant*
In harmony with nature
Subjugation

Lineal (hierarchical)
Collateral (collectivist)
Individualist*

Doing*
Being and becoming
Being

Future*
Present
Past

Private*
Mixed
Public

Note: *Indicates the dominant U.S. orientation.

Source: Adapted from the work of Florence Rockwood Kluckhohn and Fred L. Stodtbeck.