
chapter five

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Managing Across Cultures

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Chapter Objectives

The specific objectives of this chapter are:

1. **EXAMINE** the strategic dispositions that characterize responses to different cultures.
2. **DISCUSS** cross-cultural differences and similarities.
3. **REVIEW** cultural differences in select countries and regions, and note some of the important strategic guidelines for doing business in each.

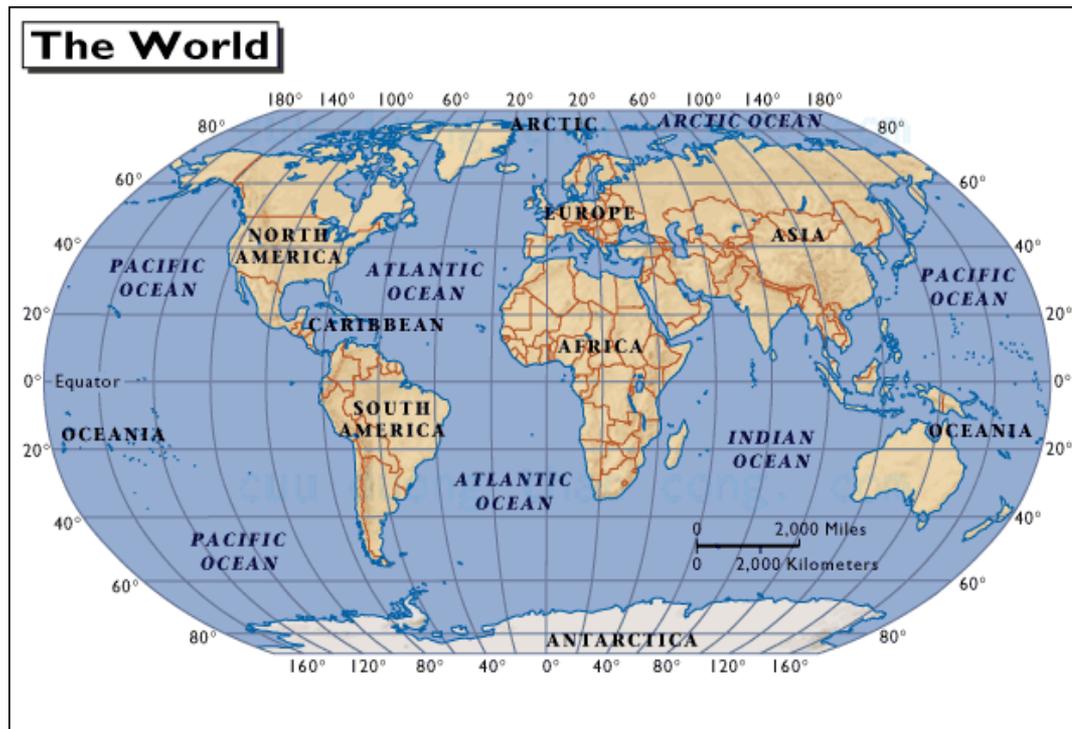
Strategic Predispositions

Four distinct predispositions toward doing things in a particular way:

1. Ethnocentric
2. Polycentric
3. Regio-centric
4. Geocentric

Strategic Predispositions

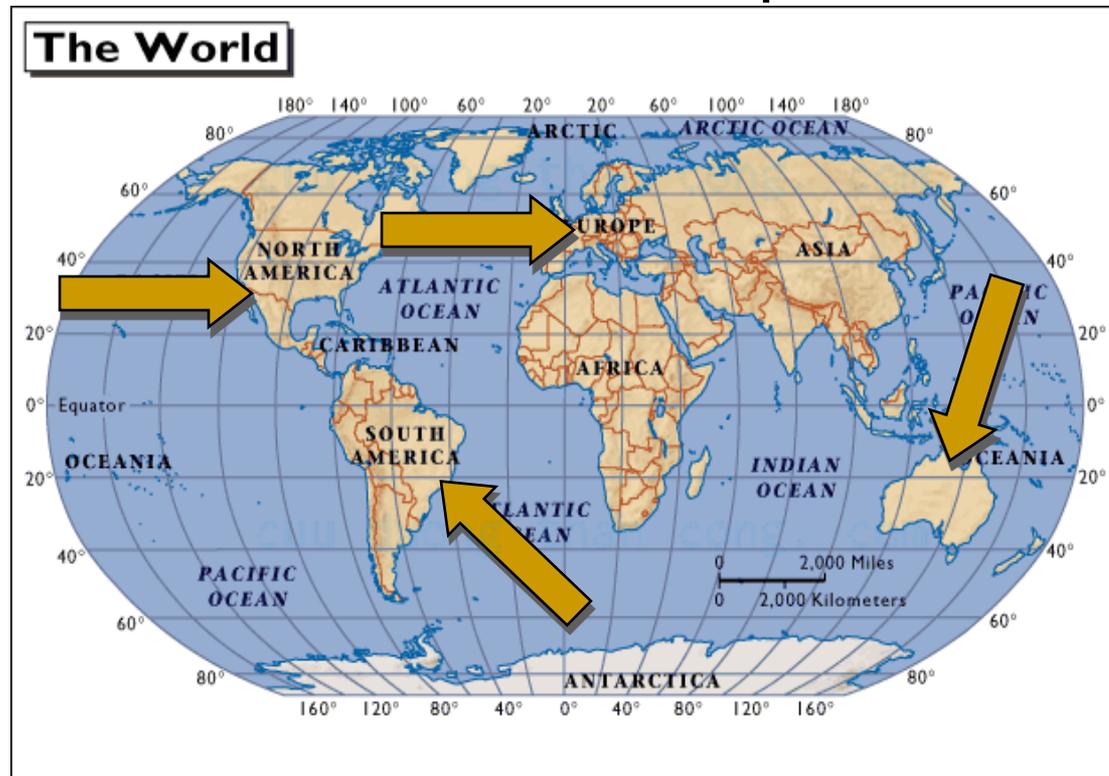
- Ethnocentric predisposition
 - A nationalistic philosophy of management whereby the values and interests of the parent company guide strategic decisions.



Strategic Predispositions

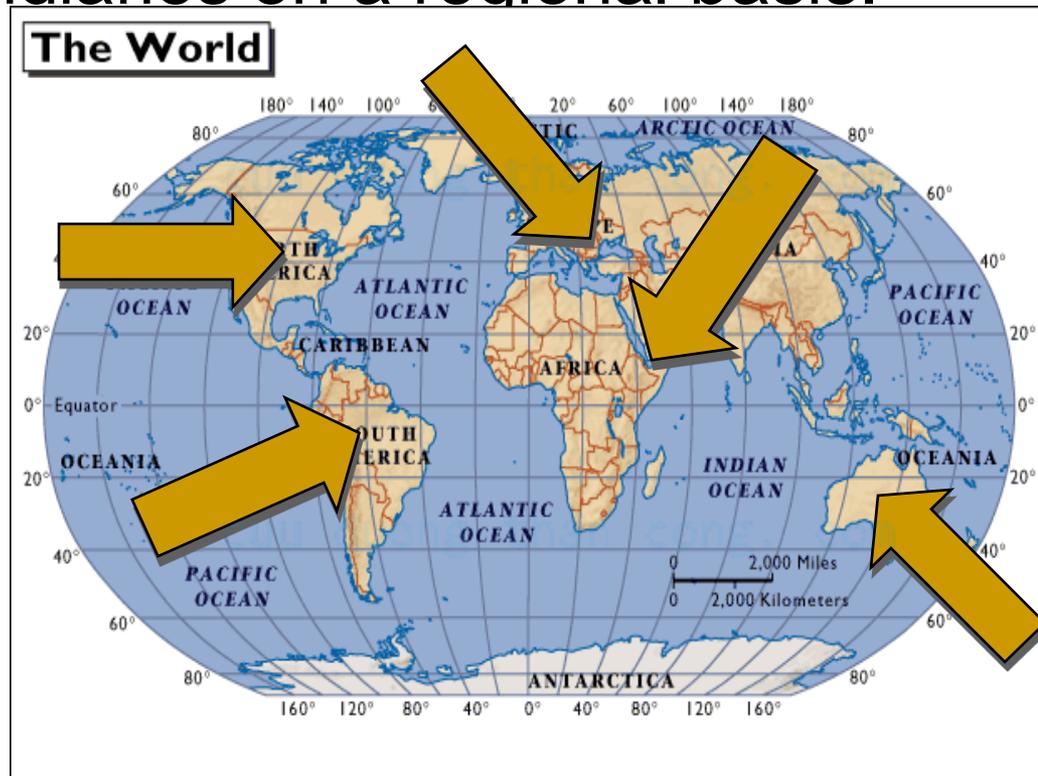
■ Polycentric predisposition

- 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.

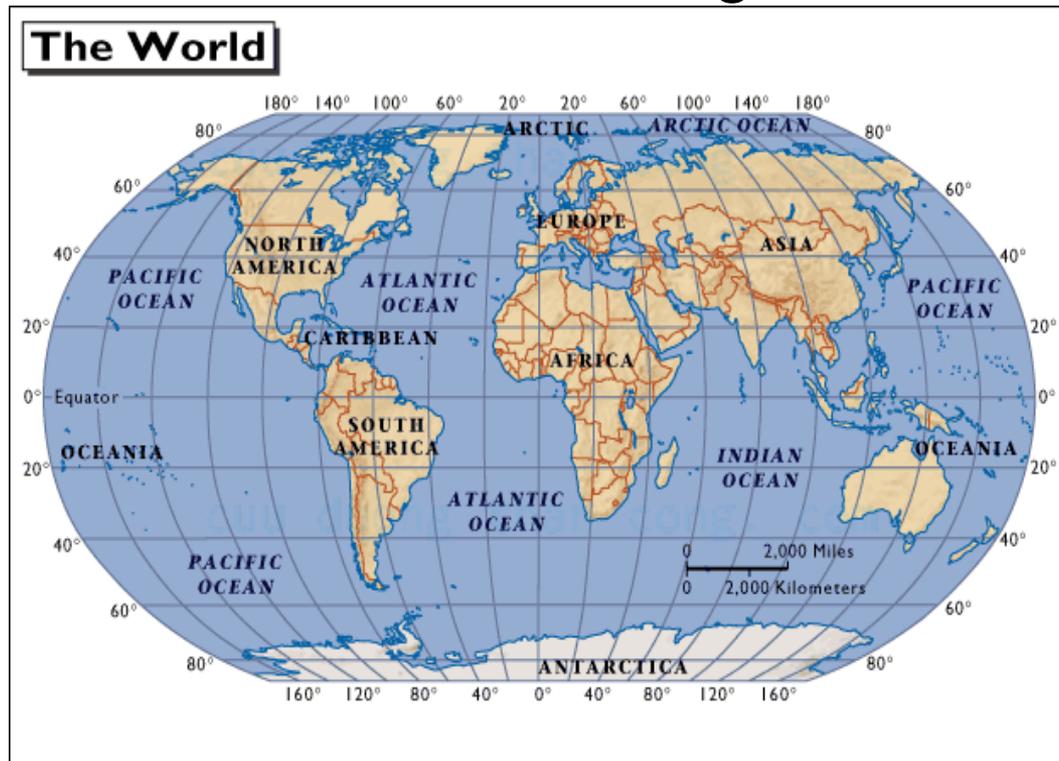


Table 5-1
Orientation of an MNC Under Different Profiles

	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

Globalization vs. National Responsiveness

- Advertising (for example)
 - *French*
 - Avoid reasoning or logic
 - Advertising predominantly emotional, dramatic, symbolic
 - Spots viewed as cultural events – art for sake of money – and reviewed as if they were literatures or films
 - *British*
 - Value laughter above all else
 - Typical broad, self-deprecating British commercial amuses by mocking both advertiser and consumer
 - *Germans*
 - Want factual and rational advertising
 - Typical German spot features standard family of 2 parents, two children, and grandmother

Globalization vs. National Responsiveness

- How to add value to marketing:
 - Tailor advertising message to particular culture
 - Stay abreast of local market conditions; don't assume all markets basically same
 - Know strengths and weaknesses of MNC subsidiaries; provide them assistance in addressing local demands
 - Give subsidiary more autonomy; let it respond to changes in local demand

Cross-Cultural Differences and Similarities

■ Parochialism and Simplification

- ❑ *Parochialism*: view world through own eyes and perspectives [cuu duong than cong. com](http://cuuduongthancong.com)
- ❑ *Simplification*: exhibit same orientation toward different cultural groups

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Cultural Variations

Table 5-2
Six Basic Cultural Variations

Orientations

Range of Variations

What is the nature of people?

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

What is the person's relationship to nature?

Dominant*
In harmony with nature
Subjugation

What is the person's relationship to other people?

Lineal (hierarchical)
Collateral (collectivist)
Individualist*

What is the modality of human activity?

Doing*
Being and becoming
Being

What is the temporal focus of human activity?

Future*
Present
Past

What is the conception of space?

Private*
Mixed
Public

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

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

Cross-Cultural Differences and Similarities

- Similarities across cultures:
 - Not possible to do business same way in every global location
 - Procedures and strategies that work well at home can't be adopted overseas without modifications
 - Some similarities have been found
 - Russia and U.S. (for example)
 - Traditional management
 - Communication
 - Human resources
 - Networking activities
 - OB Mod

Cross-Cultural Differences and Similarities

- Differences across cultures
 - ❑ Far more differences than similarities found in cross-cultural research
 - ❑ Wages, compensation, pay equity, maternity leave
 - ❑ Importance of criteria used in evaluation of employees

Cultural Clusters

Table 5-3
Cultural Clusters in the Pacific Rim, EU, and United States

	Power Distance	Individualism	Masculinity	Uncertainty Avoidance
Pacific Rim				
Hong Kong, Malaysia, Philippines, Singapore	+	-	+	-
Japan	+	-	+	+
South Korea, Taiwan	+	-	-	+
EU and United States				
France, Spain	+	+	-	+
Italy, Belgium	+	+	+	+
Portugal	+	-	-	+
Greece	+	-	+	+
Denmark, Netherlands	-	+	+	-
Germany	-	+	+	+
Great Britain, Ireland, United States	-	-	+	+

Note: + indicates high or strong; - indicates low or weak.

Source: Based on research by Hofstede and presented in Richard M. Hodgetts and Fred Luthans, "U.S. Multinationals' Compensation Strategies for Local Management: Cross-Cultural Implications," *Compensation and Benefits Review*, March-April 1993, p. 47. Reproduced with permission of Sage Publications, Inc. via Copyright Clearance Center.

International Human Resource Management

Figure 5-2

A Partially Completed Contingency Matrix for International Human Resource Management

Recruitment and selection	<ul style="list-style-type: none"> Prepare for long process Ensure that your firm is "here to stay" Develop trusting relationship with recruit 	<ul style="list-style-type: none"> Obtain skilled labor from government subsidized apprenticeship program 	<ul style="list-style-type: none"> Use expatriates sparingly Recruit Mexican nationals at U.S. colleges 	<ul style="list-style-type: none"> Recent public policy shifts encourage use of sophisticated selection procedures
Training	<ul style="list-style-type: none"> Make substantial investment in training Use general training and cross-training Training is everyone's responsibility 	<ul style="list-style-type: none"> Reorganize and utilize apprenticeship programs Be aware of government regulations on training 	<ul style="list-style-type: none"> Use bilingual trainers 	<ul style="list-style-type: none"> Careful observations of existing training programs Utilize team training
Compensation	<ul style="list-style-type: none"> Use recognition and praise as motivator Avoid pay for performance 	<ul style="list-style-type: none"> Note high labor costs for manufacturing 	<ul style="list-style-type: none"> Consider all aspects of labor cost 	<ul style="list-style-type: none"> Use technical training as reward Recognize egalitarian values Use "more work more pay" with caution
Labor relations	<ul style="list-style-type: none"> Treat unions as partners Allow time for negotiations 	<ul style="list-style-type: none"> Be prepared for high wages and short work week Expect high productivity from unionized workers 	<ul style="list-style-type: none"> Understand changing Mexican labor law Prepare for increasing unionization of labor 	<ul style="list-style-type: none"> Tap large pool of labor cities Lax labor laws may become more stringent
Job design	<ul style="list-style-type: none"> Include participation Incorporate group goal setting Use autonomous work teams Use uniform, formal approaches Encourage co-worker input Empower teams to make decision 	<ul style="list-style-type: none"> Utilize works councils to enhance worker participation 	<ul style="list-style-type: none"> Approach participation cautiously 	<ul style="list-style-type: none"> Determine employee's motives before implementing participation
	Japan	Germany	Mexico	China

Source: From Fred Luthans, Paul A. Marsnik, and Kyle W. Luthans, "A Contingency Matrix Approach to IHRM," *Human Resource Management Journal* 36, no. 2, 1997. Reprinted with permission of John Wiley & Sons, Inc.

Cultural Differences in Selected Countries and Regions

Doing Business in **China**

1. The Chinese place values and principles above money and expediency.
2. Business meetings typically start with pleasantries such as tea and general conversation about the guest's trip to the country, local accommodations, and family.
3. The Chinese host will give the appropriate indication for when a meeting is to begin and when the meeting is over.
4. Once the Chinese decide who and what is best, they tend to stick with these decisions. Although slow in formulating a plan of action, once they get started, they make fairly good progress.

Cultural Differences in Selected Countries and Regions: **China**

5. In negotiations, reciprocity is important. If the Chinese give concessions, they expect some in return.
6. Because negotiating can involve a loss of face, it is common to find Chinese carrying out the whole process through intermediaries.
7. During negotiations, it is important not to show excessive emotion of any kind. Anger or frustration is viewed as antisocial and unseemly.
8. Negotiations should be viewed with a long-term perspective. Those who will do best are the ones who realize they are investing in a long-term relationship.

Cultural Differences in Selected Countries and Regions

Doing Business in **Russia**

1. Build personal relationships with partners. When there are contract disputes, there is little protection for the aggrieved party because of the time and effort needed to legally enforce the agreement.
2. Use local consultants. Because the rules of business have changed so much in recent years, it pays to have a local Russian consultant working with the company.
3. Ethical behavior in the United States is not always the same as in Russia. For example, it is traditional in Russia to give gifts to those with whom one wants to transact business.
4. Be patient. In order to get something done in Russia, it often takes months of waiting.

Cultural Differences in Selected Countries and Regions: Russia

5. Russians like exclusive arrangements and often negotiate with just one firm at a time.
6. Russians like to do business face-to-face. So when they receive letters or faxes, they often put them on their desk but do not respond to them.
7. Keep financial information personal. Russians wait until they know their partner well enough to feel comfortable before sharing financial data.
8. Research the company. In dealing effectively with Russian partners, it is helpful to get information about this company, its management hierarchy, and how it typically does business.

Cultural Differences in Selected Countries and Regions: **Russia**

9. Stress mutual gain. The Western idea of “win–win” in negotiations also works well in Russia.
10. Clarify terminology. The language of business is just getting transplanted in Russia so double-check and make sure that the other party clearly understands the proposal, knows what is expected and when, and is agreeable to the deal.
11. Be careful about compromising or settling things too quickly because this is often seen as a sign of weakness. [cuu duong than cong. com](http://cuuduongthancong.com)
12. Russians view contracts as binding only if they continue to be mutually beneficial, so continually show them the benefits associated with sticking to the deal.

Cultural Differences in Selected Countries and Regions

■ Doing business in **India**

1. It is important to be on time for meetings.
2. Personal questions should not be asked unless the other individual is a friend or close associate.
3. Titles are important, so people who are doctors or professors should be addressed accordingly.
4. Public displays of affection are considered to be inappropriate, so one should refrain from backslapping or touching others.

Cultural Differences in Selected Countries and Regions: India

5. Beckoning is done with the palm turned down; pointing often is done with the chin.
6. When eating or accepting things, use the right hand because the left is considered to be unclean.
7. The *namaste* gesture can be used to greet people; it also is used to convey other messages, including a signal that one has had enough food.
8. Bargaining for goods and services is common; this contrasts with Western traditions, where bargaining might be considered rude or abrasive

Cultural Differences in Selected Countries and Regions

Doing business in **France**

1. When shaking hands with a French person, use a quick shake with some pressure in the grip.
2. It is extremely important to be on time for meetings and social occasions. Being “fashionably late” is frowned on.
3. During a meal, it is acceptable to engage in pleasant conversation, but personal questions and the subject of money are never brought up.
4. Visiting businesspeople should try very hard to be cultured and sophisticated

Cultural Differences in Selected Countries and Regions: France

5. The French tend to be suspicious of early friendliness in the discussion and dislike first names, taking off jackets, or disclosure of personal or family details.
6. In negotiations the French try to find out what all of the other side's aims and demands are at the beginning, but they reveal their own hand only late in the negotiations.
7. The French do not like being rushed into making a decision, and they rarely make important decisions inside the meeting.
8. The French tend to be very precise and logical in their approach to things, and will often not make concessions in negotiations unless their logic has been defeated.

Cultural Differences in Selected Countries and Regions

■ Doing business in **Arab** countries

1. It is important never to display feelings of superiority, because this makes the other party feel inferior. Let one's action speak for itself and not brag or put on a show of self-importance.
2. One should not take credit for joint efforts. A great deal of what is accomplished is a result of group work, and to indicate that one accomplished something alone is a mistake.
3. Much of what gets done is a result of going through administrative channels in the country. It often is difficult to sidestep a lot of this red tape, and efforts to do so can be regarded as disrespect for legal and governmental institutions.

Cultural Differences in Selected Countries and Regions: Arab Countries

4. Connections are extremely important in conducting business.
5. Patience is critical to the success of business transactions. This time consideration should be built into all negotiations. [than cong. com](http://thancong.com)
6. Important decisions usually are made in person, not by correspondence or telephone. This is why an MNC's personal presence often is a prerequisite for success in the Arab world. Additionally, while there may be many people who provide input on the final decision, the ultimate power rests with the person at the top, and this individual will rely heavily on personal impressions, trust, and rapport.

Review and Discuss

1. Define the four basic predispositions MNCs have toward their international operations.
2. In what way are parochialism and simplification barriers to effective cross-cultural management? In each case, give an example.
3. Many MNCs would like to do business overseas in the same way that they do business domestically. Do research findings show that any approaches that work well in the U.S. also work well in other cultures?