INTERCULTURAL MANAGEMENT

António Robalo
ISCTE Business School
University Institute of Lisbon
Antonio.robalo@iscte.pt
What is it about?

Comparative Management

Focuses on the similarities and differences among business and management systems from different contexts.

Intercultural management

Intercultural management is the combination of knowledge, insights and skills which are necessary for adequately dealing with national and regional cultures and differences between cultures, at the several management levels within and between organisations.

(W. Burggraaft)
INTERCULTURAL MANAGEMENT

- Why is it important?
GLOBALIZATION

We live in a globalized world …

Development of international business
Economies of scale, market share
Drive for globalization
  Sales, production, R&D, …
  Increasing need for international contacts
Management has to be international
But …

- Sales, Marketing …
  Need to cater for local tastes  CUSTOMERS

- Operations in foreign countries …
  Need to manage taking due account of national cultures  COWORKERS

BE GLOCAL!

“Think globally, act locally”
Diverse cultures, multiculturalism
Multicultural teams
Cross-border Mergers and Acquisitions
International careers, Cultural adjustment
Large multinational corporations

...
MANAGEMENT THEORIES

Are Management theories …

- Universal (culture-free) ?
- Culture-bound?

Do cultural differences matter?
DEVELOPMENT OF COMPARATIVE MANAGEMENT

"A vital question for international business seems to be to what extent can American principles, practices and general know-how be transferred effectively to other countries, at what cost, and to what degree and extent is the overall process and effectiveness of management constrained by cultural variables?"

RICHMAN, B. (1965: 294), «Significance of cultural variables» Academy of Management Journal 8, pp. 292-308
What is Management

“What management is getting things done through other people” – Peter Drucker

This definition can be deconstructed to reveal a number of cultural beliefs and values:

It emphasizes the importance of achieving (getting things done). It puts stress on the material (things) and considers people a factor of production (through other people).

American approach to management (task orientation).
Great Writers on Organizations

From the list of great authors of the XX century in the area of organization theory and management that Pugh included in his book «Great Writers on Organizations» from the 1964 (1st edition) to the present (1997), …

… the large majority is made of North Americans (50)... followed by the British (15) and... other nationalities (7).

And from those only two deal in a systematic way with the effects of culture on management (Hofstede and Ouchi).
Books that «made management»

Stuart Crainer (2000) in his selection of the 75 books that «made management» chooses …

53 North Americans, 8 British and just 14 from other nationalities …

and this including authors as von Clausewitz, Machiavelli and Sun Tzu as authors of books that «made management»!
NEED TO CONSIDER DIFFERENCES IN AREAS AND FUNCTIONS OF MANAGEMENT

and in some key aspects which are central to the process of managing business, such as:

- **Centralised vs. Decentralised decision making.**
  There is variation across national culture in the extent to which important organisational decisions are made by senior managers, or whether decisions are made down the line with authority devolved.

- **Safety vs. risk.**
  In some cultures, managers have a very low tolerance of uncertainty and manage in ways to control this. In others, there is a much greater tolerance of uncertainty and much greater risk-taking.
- **Individual vs. group rewards.**
In some cultures, there is emphasis on rewarding individual achievement. In other cultures the emphasis is on rewarding the group collectively.

- **Informal vs. formal procedures.**
In some cultures, there is considerable use of informal procedures. In others, formal procedures are very important.

- **High vs. low organisational loyalty.**
In some cultures, people identify less with their organisation or employer and more with their occupational group or profession.

- **Co-operation vs. competition.**
Some cultures emphasise co-operation in the organisation, others foster competition.

Hodgetts R & Luthans R, 1987
AREAS OF RESEARCH AND TYPES OF RESULTS

- Country Clusters (cultural distance)
- Culture Dimensions
- Country Profiles – Stereotypes, Cultural standards
- How to communicate … Marketing,
- How to negotiate „Do’s and don’ts“
- Know-how related to the different management functions (Leading, Planning...)
- International careers and international placements
  Expatriate managers
  Culture shock and the Need for Intercultural Training
Country clusters

Country clusters

Source: Globe Project
DIMENSIONS OF NATIONAL CULTURES
HOFSTEDE

• Power distance (from small to large),
• Collectivism versus individualism,
• Femininity versus masculinity, and
• Uncertainty avoidance (from weak to strong).

• Later, a fifth dimension of differences among national cultures was identified, opposing a long-term orientation in life to a short-term orientation
GOOGLE MAP OF THE WORLD

Make a search using:
Germans (or whatever) are known for *

Some previous results:
Three rough categories of world's cultures

• **Linear-actives** - those who plan, schedule, organise, pursue action chains, do one thing at a time. Germans and Swiss are in this group.

• **Multi-actives** - those lively, loquacious peoples who do many things at once, planning their priorities not according to a time schedule, but according to the relative thrill or importance that each appointment brings with it. Italians, Latin Americans and Arabs are members of this group.

• **Reactives** - those cultures that prioritise courtesy and respect, listening quietly and calmly to their interlocutors and reacting carefully to the other side's proposals. Chinese, Japanese and Finns are in this group.
CULTURE SHOCK W

SATISFACTION

TIME

A
B
C
D
E
F
G
The symptoms of cultural shock can appear at different times. Although, one can experience real pain from culture shock; it is also an opportunity for redefining one's life objectives.

It is a great opportunity for learning and acquiring new perspectives. Culture shock can make one develop a better understanding of oneself and stimulate personal creativity.
Symptoms:

• Sadness, loneliness, melancholy
• Preoccupation with health
• Aches, pains, and allergies
• Insomnia, desire to sleep too much or too little
• Changes in temperament, depression, feeling vulnerable, feeling powerless
• Anger, irritability, resentment, unwillingness to interact with others
• Identifying with the old culture or idealizing the old country
• Loss of identity
• Trying too hard to absorb everything in the new culture or country
• Unable to solve simple problems
• Lack of confidence
• Feelings of inadequacy or insecurity
• Developing stereotypes about the new culture
• Developing obsessions such as over-cleanliness
• Longing for family
• Feelings of being lost, overlooked, exploited or abused
TYPES OF CROSS-CULTURAL MANAGEMENT RESEARCH

• Parochial Research
• Ethnocentric Research
• Polycentric Research
• Comparative Research
• Geocentric Studies
• Synergistic Studies
<table>
<thead>
<tr>
<th>TYPE</th>
<th>CULTURE</th>
<th>APPROACH TO SIMILARITY &amp; DIFFERENCE</th>
<th>APPROACH TO UNIVERSALITY</th>
<th>TYPE OF STUDY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parochial Research</strong></td>
<td>Single culture studies</td>
<td>Assumed similarity</td>
<td>Assumed universality</td>
<td>Domestic studies</td>
</tr>
<tr>
<td><strong>Ethnocentric Research</strong></td>
<td>Second culture studies</td>
<td>Search for similarity</td>
<td>Questioned universality</td>
<td>Replication studies</td>
</tr>
<tr>
<td><strong>Polycentric Research</strong></td>
<td>Studies in many cultures</td>
<td>Search for difference</td>
<td>Denied universality</td>
<td>Individual studies of foreign cultures</td>
</tr>
<tr>
<td><strong>Comparative Research</strong></td>
<td>Studies contrasting many cultures</td>
<td>Search for both similarity and difference</td>
<td>Emergent universality</td>
<td>Studies comparing many foreign cultures</td>
</tr>
<tr>
<td><strong>Geocentric Studies</strong></td>
<td>International business studies</td>
<td>Search for similarity</td>
<td>Extended universality</td>
<td>Studies of multinational organizations</td>
</tr>
<tr>
<td><strong>Synergistic Studies</strong></td>
<td>Intercultural management studies</td>
<td>Use of similarities and differences as a resource</td>
<td>Created universality</td>
<td>Studies of intercultural interaction within work settings</td>
</tr>
</tbody>
</table>
‘Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiment in artifacts;

the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values;

culture systems may, on the one hand, be considered as products of action, on the other, as conditional elements of future action.’

Kroeber & Kluckhohn 1952: 181;
Culture - Hoecklin

**What culture is:**
- a shared system of meanings
- relative. There is no cultural absolute.
  - learned
  - about groups

**What culture is not:**
- right or wrong
  - inherited
- about individual behaviour

(Source: Lisa Hoecklin: Managing Cultural Differences)
CULTURE - Hofstede

It is the collective programming of the mind which distinguishes the members of one group or category of people from another.
Human Mental Programming: Levels

Three levels of uniqueness in human mental programming:

1. Universal
2. Culture (Learned)
3. Personality (Specific to individual)

Levels:
- HUMAN NATURE: Universal
- CULTURE: Learned
- PERSONALITY: Specific to individual
Culture as an onion – Hofstede
Manifestations of culture at different levels of depth

- Symbols
- Heroes
- Rituals
- Values
- Practices Expressions of culture
Layers of culture

• a **national level**
• a **regional** and/or **ethnic** and/or **religious** and/or **linguistic affiliation level**
• a **gender level**
• a **generation level**
• a **social class level**
• for those who are employed, an **organizational or corporate level**
Johari Window

Known to Self  Not Known to Self

Known to Others

1. open/free area

2. blind area

Not Known to Others

3. hidden area

4. unknown area