

Riding the Waves of Culture

Understanding Cultural Diversity in Business

Fons Trompenaars and Charles Hampden-Turner



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Preface to the Second Edition

Since the first edition of this book was published we have carried out a great deal more work for our database and it now consists of 30,000 participants who have completed our questionnaire. This new material has enabled us to refine and develop our ideas and we have included our latest thinking in this revised edition.

In addition to updating the original research findings, we have added three new chapters and a revised appendix. Chapter 13 analyses a methodology for reconciling cultural dilemmas and developing transcultural competence. Chapters 14 and 15 discuss diversity *within* rather than *between* countries, describing ethnic differences in South Africa and the USA and also considering the effect on culture of gender, age, functional background and organisational structure. Appendix 2 outlines our research methodology in more detail.

The first edition of this book took over ten years to complete. Many people whose paths Fons crossed during that time were very helpful. He would like to do justice to them all in chronological order, since he has a sequential approach to time:

I am deeply indebted professionally to Frits Haselhoff for his insights into management and strategy. He also helped me to obtain a scholarship and to defend my PhD thesis in Philadelphia.

Thank you, too, Erik Bree and Rei Torres from the Royal Dutch/Shell Group for your sponsorship, both in money and in research opportunity during the difficult first years of my project.

I am also very grateful to the two gurus in my professional life. First of all Hasan Ozbekhan, who taught me the principles of systems theory in such a profound and stimulating way that most of the thoughts on which this book are based are drawn directly from his excellent mind. Second, Charles Hampden-Turner, who helped me to develop thinking about culture as a way of solving dilemmas. His creative mind encourages me continuously to stretch existing ideas to new levels. He made a major editorial contribution to the first edition of this book, while always respecting what I was trying to communicate. The additions to this second edition are so significantly influenced by Charles's way of thinking that I invited him to become co-author.

I am very much obliged to Giorgio Inzerilli for his solid – at times provocative – translations from deep anthropological thinking to manage-

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ment applications. His way of communicating the link between practice and concept has been very important not only to this book but also to the way my colleagues and I present workshops. Many of the examples used are directly or indirectly due to him, and he also put me on the track of defining the seven dimensions of culture.

I am grateful to our colleagues Kevan Hall, Philip Merry and Leonel Brug for help in developing more effective relationships with clients. They are some of the few people I trust to make presentations on major points of this book without feeling too anxious.

Many thanks to my colleagues in the Trompenaars Hampden-Turner Intercultural Management Group (formerly the Centre for International Business Studies/United Notions), Tineke Floor, Naomi de Groot, Vincent Merk, Oscar van Weerdenburg and Peter Prud'homme, for their continuous support and positive criticism.

We would also like to thank Martin Gillo from Advanced Micro Devices and RS Moorthy for their guidance in the applicability of our thoughts.

A great deal of work was done for the revised edition by Professor Peter Woolliams of the University of East London. His help was not limited to the production of our interactive educational tools but extended to complex statistical analysis of our database. His insights have been very enlightening. Thank you, Peter.

Chapter 14 on South Africa came to fruition with the significant help of Louis van de Merwe (Trompenaars Group South Africa) and Peter Prud'homme (United Notions in Amsterdam). Thank you, Louis and Peter.

Chapter 15 on diversity in the USA was very much improved by the comments of Dina Raymond of Motorola. We needed her female sensitivity to check our male conclusions. Thank you Dina.

And obviously we could not be stimulated more than by the comments of Geert Hofstede. He introduced Fons to the subject of intercultural management some 20 years ago. We do not always agree, but he has made a major contribution to the field, and was responsible for opening management's eyes to the importance of the subject. By defending his 25-year-old model, we found an extra impetus to go beyond "plotting" differences, to develop a method of taking advantage of these differences through reconciliation.

We also want to thank Nicholas Brealey Publishing for their support, in particular Sally Lansdell who edited the revised edition.

FONS TROMPENAARS
CHARLES HAMPDEN-TURNER
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An Introduction to Culture

This book is about cultural differences and how they affect the process of doing business and managing. It is not about how to understand the French (a sheer impossibility) or the British (try, and you will soon give up). It is our belief that you can never understand other cultures. Those who are married know that it is impossible ever completely to understand even people of your own culture. The Dutch author became interested in this subject before it grew popular because his father is Dutch and his mother is French. It gave him an understanding of the fact that if something works in one culture, there is little chance that it will work in another. No Dutch "management" technique his father tried to use ever worked very effectively in his French family.

This is the context in which we started wondering if any of the American management techniques and philosophy we were brainwashed with in many years of the best business education money could buy would apply in the Netherlands or the UK, where we came from, or indeed in the rest of the world.

Both authors have been studying the effect of culture on management for many years. This book describes much of what we have discovered. The different cultural orientations described result from 15 years of academic and field research. Many of the anecdotes and cases used in the text have come up in the course of more than 1000 cross-cultural training programmes we have given in over 20 countries. The names of the companies used in most of the cases are disguised.

Apart from the training programme material, 30 companies, with departments spanning 50 different countries, have contributed to the research. These include AKZO, AMD, AT&T, BSN, Eastman Kodak, Elf Aquitaine, SGS/Thomson, CRA, Glaxo, Heineken, ICI, Lotus, Mars, Motorola, Philips, Royal Dutch Airlines KLM, the Royal Dutch/Shell Group, Sematech, TRW, Van Leer, Volvo and Wellcome, to name a few. In order to gather comparable samples, a minimum of 100 people with similar backgrounds and occupations were taken in each of the countries in which the companies operated. Approximately 75% of the participants belong to management (managers in operations,

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marketing, sales and so on), while the remaining 25% were general administrative staff (typists, stenographers, secretaries). The database now numbers 30,000 participants. This is twice as much as four years ago when the first edition was published. The empirical results are, however, just an illustration of what we are trying to say.

This book attempts to do three things: dispel the notion that there is "one best way" of managing and organising; give readers a better understanding of their own culture and cultural differences in general, by learning how to recognise and cope with these in a business context; and provide some cultural insights into the "global" versus "local" dilemma facing international organisations. Possibly the most important aspect of the book is the second of these. I believe understanding our own culture and our own assumptions and expectations about how people "should" think and act is the basis for success.

The Impact of Culture on Business

Take a look at the new breed of international managers, educated according to the most modern management philosophies. They all know that in the SBU, TQM should reign, with products delivered JIT, where CFTs distribute products while subject to MBO. If this is not done appropriately we need to BPR. (SBU = strategic business unit; TQM = total quality management; JIT = just-in-time; CFT = customer first team; MBO = management by objectives; BPR = business process reengineering.)

But just how universal are these management solutions? Are these "truths" about what effective management really is: truths that can be applied anywhere, under any circumstances?

Even with experienced international companies, many well-intended "universal" applications of management theory have turned out badly. For example, pay-for-performance has in many instances been a failure on the African continent because there are particular, though unspoken, rules about the sequence and timing of reward and promotions. Similarly, management-by-objectives schemes have generally failed within subsidiaries of multinationals in southern Europe, because managers have not wanted to conform to the abstract nature of preconceived policy guidelines.

Even the notion of human-resource management is difficult to translate to other cultures, coming as it does from a typically Anglo-Saxon doctrine. It borrows from economics the idea that human beings are "resources" like physical and monetary resources. It tends to assume almost unlimited capacities for individual development. In countries without these beliefs, this concept is hard to grasp and unpopular once it is understood.

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International managers have it tough. They must operate on a number of different premises at any one time. These premises arise from their culture of origin, the culture in which they are working and the culture of the organisation which employs them.

In every culture in the world such phenomena as authority, bureaucracy, creativity, good fellowship, verification and accountability are experienced in different ways. That we use the same words to describe them tends to make us unaware that our cultural biases and our accustomed conduct may not be appropriate, or shared.

There is a theory that internationalisation will create, or at least lead to, a common culture worldwide. This would make the life of international managers much simpler. People point to McDonald's or Coca-Cola as examples of tastes, markets and hence cultures becoming similar everywhere. There are, indeed, many products and services becoming common to world markets. What is important to consider, however, is not what they are and where they are found physically, but **what they mean to the people in each culture**. As we will describe later, the essence of culture is not what is visible on the surface. It is the shared ways groups of people understand and interpret the world. So the fact that we can all listen to Walkmans and eat hamburgers tells us that there are some novel products that can be sold on a universal message, but it does not tell us what eating hamburgers or listening to Walkmans means in different cultures. Dining at McDonald's is a show of status in Moscow whereas it is a fast meal for a fast buck in New York. If business people want to gain understanding of and allegiance to their corporate goals, policies, products or services wherever they are doing business, they must understand what those and other aspects of management mean in different cultures.

In addition to exploring why universal applications of western management theory may not work, we will also try to deal with the growing dilemma facing international managers known as "glocalisation".

As markets globalise, the need for standardisation in organisational design, systems and procedures increases. Yet managers are also under pressure to adapt their organisation to the local characteristics of the market, the legislation, the fiscal regime, the socio-political system and the cultural system. This balance between consistency and adaptation is essential for corporate success.

Paralysis through Analysis:

The Elixir of the Management Profession

Peters and Waterman in *In Search of Excellence* hit the nail on the head with their critique of "the rational model" and "paralysis through analysis". Western analytical thinking (taking a phenomenon to pieces) and

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rationality (reckoning the consequences before you act) have led to many international successes in fields of technology. Indeed, technologies do work by the same universal rules everywhere, even on the moon. Yet the very success of the universalistic philosophy now threatens to become a handicap when applied to interactions between human beings from different cultures.

Man is a special piece of technology and the results of our studies, extensively discussed in this book, indicate that the social world of the international organisation has many more dimensions to deal with.

Some managers, especially in Japan, recognise the multi-dimensional character of their company. They seem able to use a logic appropriate to machines (analytic-rational) **and** a logic more appropriate to social relations (synthetic-intuitive), switching between these as needed.

In the process of internationalisation the Japanese increasingly take the functioning of local society seriously. They were not the first to observe "When in Rome, do as the Romans do", but they seem to act on this more than westerners do. The Japanese have moreover added another dimension: "When in Rome, understand the behaviour of the Romans, and thus become an even more complete Japanese."

In opposition to this we have our western approach, based on American business education, which treats management as a profession and regards emotionally detached rationality as "scientifically" necessary. This numerical, cerebral approach not only dominates American business schools, but other economic and business faculties. Such schools educate their students by giving them the right answers to the wrong questions. Statistical analysis, forecasting techniques and operational studies are not "wrong". They are important technical skills. The mistake is to assume that technical rationality should characterise the human element in the organisation. No one is denying the existence of universally applicable scientific laws with objective consequences. These are, indeed, culture-free. But the belief that human cultures in the workplace should resemble the laws of physics and engineering is a **cultural**, not a scientific belief. It is a universal assumption which does not win universal agreement, or even come close to doing so.

The internationalisation of business life requires more knowledge of cultural patterns. Pay-for-performance, for example, can work out well in the cultures where these authors have had most of their training: the USA, the Netherlands and the UK. In more communitarian cultures like France, Germany and large parts of Asia it may not be so successful, at least not the Anglo-Saxon version of pay-for-performance. Employees may not accept that individual members of the group should excel in a way that reveals the shortcomings of other members. Their definition of an

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"outstanding individual" is one who benefits those closest to him or her. Customers in more communitarian cultures also take offence at the "quick buck" mentality of the best sales people; they prefer to build up relationships carefully, and maintain them.

How Proven Formulas Can Give the Wrong Result

Why is it that many management processes lose effectiveness when cultural borders are crossed?

Many multinational companies apply formulas in overseas areas that are derived from, and are successful in, their own culture. International management consulting firms of Anglo-Saxon origin are still using similar methods to the neglect of cultural differences.

An Italian computer company received advice from a prominent international management consulting firm to restructure to a matrix organisation. It did so and failed; the task-oriented approach of the matrix structure challenged loyalty to the functional boss. In Italy bosses are like fathers, and you cannot have two fathers.

Culture is like gravity: you do not experience it until you jump six feet into the air. Local managers may not openly criticise a centrally developed appraisal system or reject the matrix organisation, especially if confrontation or defiance is not culturally acceptable to them. In practice, though, beneath the surface, the silent forces of culture operate a destructive process, biting at the roots of centrally developed methods which do not "fit" locally.

The flat hierarchy, SBUS, MBO, matrix organisations, assessment centres, TQM, BPR and pay-for-performance are subjects of discussion in nearly every bestseller about management, and not only in the western world. Reading these books (for which managers happily do not have much time any more) creates a feeling of euphoria. "If I follow these ten commandments, I'll be the **modern leader**, the **change master**, the **champion**." A participant from Korea told us in quite a cynical tone that he admired the USA for solving one of the last major problems in business, i.e. how to get rid of people in the process of reengineering. The fallacy of the "one best way" is a management fallacy which is dying a slow death.

Although the organisational theory developed in the 1970s introduced the environment as an important consideration, it was unable to kill the dream of the one best way of organising. It did not measure the effects of national culture, but systematically pointed to the importance of the market, the technology and the product for determining the most effective methods of management and organisation.

If you study similar organisations in different cultural environments,

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they often turn out to be remarkably uniform by major criteria: number of functions, levels of hierarchy, degree of specialisation and so on. Instead of proving anything, this may mean little more than that uniformity has been imposed on global operations, or that leading company practices have been carefully imitated, or even that technologies have their own imperatives. Research of this kind has often claimed that this "proves" that the organisation is culture free. But the wrong questions have been asked. The issue is not whether a hierarchy in the Netherlands has six levels, as does a similar company in Singapore, but what the hierarchy and those levels mean to the Dutch and Singaporeans. Where the meaning is totally different, for example, a "chain of command" versus "a family", then human-resource policies developed to implement the first will seriously miscommunicate in the latter context.

In this book we examine the visible and invisible ways in which culture impacts on organisations. The more fundamental differences in culture and their effects may not be directly measurable by objective criteria, but they will certainly play a very important role in the success of an international organisation.

Culture Is the Way in Which People Solve Problems

A useful way of thinking about where culture comes from is the following: **culture is the way in which a group of people solves problems and reconciles dilemmas.**¹ The particular problems and dilemmas each culture must resolve will be discussed below. If we focus first on what culture is, perhaps it is easiest to start with this example.

Imagine you are on a flight to South Africa and the pilot says, "We have some problems with the engine so we will land temporarily in Burundi" (for those who do not know Burundi, it is next to Rwanda). What is your first impression of Burundi culture once you enter the airport building? It is not "what a nice set of values these people have", or even "don't they have an interesting shared system of meaning". It is the concrete, observable things like language, food or dress. Culture comes in layers, like an onion. To understand it you have to unpeel it layer by layer.

On the outer layer are the products of culture, like the soaring skyscrapers of Manhattan, pillars of private power, with congested public streets between them. These are expressions of deeper values and norms in a society that are not directly visible (values such as upward mobility, "the more-the-better", status, material success). The layers of values and norms are deeper within the "onion", and are more difficult to identify.

But why do values and norms sink down into semi-awareness and

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unexamined beliefs? Why are they so different in different parts of the world?

A problem that is regularly solved disappears from consciousness and becomes a basic assumption, an underlying premise. It is not until you are trying to get rid of the hiccups and hold your breath for as long as you possibly can that you think about your need for oxygen. These basic assumptions define the meaning that a group shares. They are implicit.

Take the following discussion between a medical doctor and a patient. The patient asks the doctor: "What's the matter with me?" The doctor answers: "Pneumonia." "What causes pneumonia?" "It is caused by a virus." "Interesting," says the patient, "what causes a virus?" The doctor shows signs of severe irritation and the discussion dies. Very often that is a sign that the questioner has hit a basic assumption, or in the words of Collingwood,² an absolute presupposition about life. What is taken for granted, unquestioned reality: this is the core of the onion.

National, Corporate and Professional Culture

Culture also presents itself on different levels. At the highest level is the culture of a **national** or regional society, the French or west European versus the Singaporean or Asian. The way in which attitudes are expressed within a specific organisation is described as a **corporate** or organisational culture. Finally, we can even talk about the culture of particular functions within organisations: marketing, research and development, personnel. People within certain functions will tend to share certain **professional** and ethical orientations. This book will focus on the first level, the differences in culture at a national level.

Cultural differences do not only exist with regard to faraway, exotic countries. In the course of our research it has become increasingly clear that there are at several levels as many differences between the cultures of West Coast and East Coast America as there are between different nations (although for the purposes of this book most American references are averaged). All the examples show that there is a clear-cut cultural border between the north-west European (analysis, logic, systems and rationality) and the Euro-Latin (more person-related, more use of intuition and sensitivity). There are even significant differences between the neighbouring Dutch and Belgians.

The average Belgian manager has a family idea of the organisation. He or she experiences the organisation as paternalistic and hierarchical, and, as in many Latin cultures, father decides how it should be done. The Belgian sees the Dutch manager as overly democratic: what nonsense that everybody consults everybody. The Dutch manager thinks in a way more

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consistent with the Protestant ethic than the Belgian, who thinks and acts in a more Catholic way. Most Dutch managers distrust authority, while Belgian managers tend to respect it.

Nearly all discussions about the unification of Europe deal with technolegal matters. But when these problems are solved, the real problem emerges. Nowhere do cultures differ so much as inside Europe. If you are going to do business with the French, you will first have to learn how to lunch extensively. The founder of the European Community, Jean Monnet, once declared: "If I were again facing the challenge to integrate Europe, I would probably start with culture." Culture is the context in which things happen; out of context, even legal matters lack significance.

The Basis of Cultural Differences

Every culture distinguishes itself from others by the specific solutions it chooses to certain problems which reveal themselves as dilemmas. It is convenient to look at these problems under three headings: those which arise from our relationships with other people; those which come from the passage of time; and those which relate to the environment. Our research, to be described in the following chapters, examines culture within these three categories. From the solutions different cultures have chosen to these universal problems, we can further identify seven fundamental dimensions of culture. Five of these come from the first category.

Relationships with People

There are five orientations covering the ways in which human beings deal with each other. We have taken Parsons's five relational orientations as a starting point.³

Universalism Versus Particularism

The universalist approach is roughly: "What is good and right can be defined and always applies." In particularist cultures far greater attention is given to the obligations of relationships and unique circumstances. For example, instead of assuming that the one good way must always be followed, the particularist reasoning is that friendship has special obligations and hence may come first. Less attention is given to abstract societal codes.

Individualism Versus Communitarianism

Do people regard themselves primarily as individuals or primarily as part of a group? Furthermore, is it more important to focus on individuals so that they can

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contribute to the community as and if they wish, or is it more important to consider the community first since that is shared by many individuals?

Neutral Versus Emotional

Should the nature of our interactions be objective and detached, or is expressing emotion acceptable? In North America and north-west Europe business relationships are typically instrumental and all about achieving objectives. The brain checks emotions because these are believed to confuse the issues. The assumption is that we should resemble our machines in order to operate them more efficiently. But further south and in many other cultures, business is a human affair and the whole gamut of emotions deemed appropriate. Loud laughter, banging your fist on the table or leaving a conference room in anger during a negotiation is all part of business.

Specific Versus Diffuse

When the whole person is involved in a business relationship there is a real and personal contact, instead of the specific relationship prescribed by a contract. In many countries a diffuse relationship is not only preferred, but necessary before business can proceed.

In the case of one American company trying to win a contract with a South American customer (see Chapter 7), disregard for the importance of the relationship lost the deal. The American company made a slick, well-thought-out presentation which it thought clearly demonstrated its superior product and lower price. Its Swedish competitor took a week to get to know the customer. For five days the Swedes spoke about everything except the product. On the last day the product was introduced. Though somewhat less attractive and slightly higher priced, the diffuse involvement of the Swedish company got the order. The Swedish company had learned that to do business in particular countries involves more than overwhelming the customer with technical details and fancy slides.

Achievement Versus Ascription

Achievement means that you are judged on what you have recently accomplished and on your record. Ascription means that status is attributed to you, by birth, kinship, gender or age, but also by your connections (who you know) and your educational record (a graduate of Tokyo University or Haute Ecole Polytechnique).

In an achievement culture, the first question is likely to be "**What** did you study?", while in a more ascriptive culture the question will more likely be "**Where** did you study?". Only if it was a lousy university or one they do not recognise will ascriptive people ask what you studied; and that will be to enable you to save face.

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Attitudes to Time

The way in which societies look at **time** also differs. In some societies what somebody has achieved in the past is not that important. It is more important to know what plan they have developed for the future. In other societies you can make more of an impression with your past accomplishments than those of today. These are cultural differences that greatly influence corporate activities.

With respect to time, the American Dream is the French Nightmare. Americans generally start from zero and what matters is their present performance and their plan to "make it" in the future. This is *nouveau riche* for the French, who prefer the *ancien pauvre*; they have an enormous sense of the past and relatively less focus on the present and future than Americans.

In certain cultures like the American, Swedish and Dutch, time is perceived as passing in a straight line, a sequence of disparate events. Other cultures think of time more as moving in a circle, the past and present together with future possibilities. This makes considerable differences to planning, strategy, investment and views on home-growing your talent, as opposed to buying it in.

Attitudes to the Environment

An important cultural difference can also be found in the attitude to the **environment**. Some cultures see the major focus affecting their lives and the origins of vice and virtue as residing within the person. Here, motivations and values are derived from within. Other cultures see the world as more powerful than individuals. They see nature as something to be feared or emulated.

The chairman of Sony, Mr Morita, explained how he came to conceive of the Walkman. He loves classical music and wanted to have a way of listening to it on his way to work without bothering any fellow commuters. The Walkman was a way of not imposing on the outside world, but of being in harmony with it. Contrast that to the way most westerners think about using the device. "I can listen to music without being disturbed by other people."

Another obvious example is the use of face masks that are worn over the nose and mouth. In Tokyo you see many people wearing them, especially in winter. When you inquire why, you are told that when people have colds or a virus, they wear them so they will not "pollute" or infect other people by breathing on them. In London they are worn by bikers and other athletes who do not want to be "polluted" by the environment.

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Structure of the Book

This book will describe why there is no "one best way of managing", and how some of the difficult dilemmas of international management can be mediated. Throughout, it will attempt to give readers more insight into their own culture and how it differs from others.

Chapters 2–8 will initiate the reader into the world of cultural diversity in relations with other people. How do cultures differ in this respect? In what ways do these differences impact on organisations and the conduct of international business? How are the relationships between employees affected? In what different ways do they learn and solve conflicts?

Chapters 9 and 10 discuss variations in cultural attitudes to time and the environment, which have very similar consequences for organisations.

Chapter 11 discusses how general cultural assumptions about man, time and the environment affect the culture of organisations. It identifies the four broad types of organisation which have resulted, their hierarchies, relationships, goals and structures.

Chapter 12 considers how managers can prepare the organisation for the process of internationalisation through some specific points of intervention. This chapter is intended to deal in a creative way with the dilemmas of internationalisation, and to repeat the message that an international future depends on achieving a balance between any two extremes.

What will emerge is that the whole centralisation versus decentralisation debate is really a false dichotomy. What is needed is the skill, sensitivity and experience to draw upon all the decentralised capacities of the international organisation.

Chapter 13 analyses the different steps which people need to take to reconcile cultural dilemmas. This is done through a case study which elicits the various problems that occur when professional people from different cultures meet.

Chapter 14 and 15 discuss the diversity we find within cultures. Research findings illustrate ethnic differences within the USA and South Africa and the effect on culture of gender, age, functional background and type of industry. We will conclude that the cultures of nations are an important factor in defining the meaning which people assign to their environment, but that other factors should not be ignored.

What this book attempts to make possible is the genuinely international organisation, sometimes called the transnational, in which each national culture contributes its own particular insights and strengths to

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the solution of worldwide issues and the company is able to draw on whatever it is that nations do best.

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2—

The One Best Way of Organising Does Not Exist

However objective and uniform we try to make organisations, they will not have the same meaning for individuals from different cultures. The meanings perceived depend on certain cultural preferences, which we shall describe. Likewise the meaning that people give to the organisation, their concept of its structure, practices and policies, is culturally defined.

Culture is a shared system of meanings. It dictates what we pay attention to, how we act and what we value. Culture organises such values into what Geert Hofstede¹ calls "mental programmes". The behaviour of people within organisations is an enactment of such programmes.

Each of us carries within us the ways we have learnt of organising our experience to mean something. This approach is described as phenomenological, meaning that the way people perceive phenomena around them is coherent, orderly and makes sense.

A fellow employee from a different culture makes one interpretation of the meaning of an organisation while we make our own. Why? What can we learn from this alternative way of seeing things? Can we let that employee contribute in his or her own way?

This approach to understanding an international organisation is in strong contrast to the traditional approach, in which managers or researchers decide unilaterally how the organisation should be defined. Traditional studies have been based on the physical, verifiable characteristics of organisations, which are assumed to have a common definition for all people, everywhere, at all times. Instead of this approach, which looks for laws and common properties among "things" observed, we shall look for consistent ways in which cultures structure the perceptions of what they experience.

What the Gurus Tell Us

Management gurus like Frederick Taylor, Henri Fayol, Peter Drucker, Mike Hammer, James Champy and Tom Peters have one thing in common: they all gave (two are dead) the impression, consciously or unconsciously, that

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there was one best way to manage and to organise. We shall be showing how very American and in the case of Fayol, how French, these assumptions were. Not much has changed in this respect over the last century. Is it not desirable to be able to give management a box of tools that will reduce the complexities of managing? Of course it is. We see the manager reach for the tools to limit complexity, but unfortunately the approach tends to limit innovation and intercultural success as well.

Studies in the 1970s, though, did show that the effectiveness of certain methods does depend on the environment in which we operate.

More recently, most so-called "contingency" studies have asked how the major structures of the organisation vary in accordance with major variables in the environment. They have tended to show that if the environment is essentially simple and stable then steep hierarchies survive, but if it is complex and turbulent, flatter hierarchies engage it more profitably. Such studies have mainly been confined to one country, usually the USA. Both structure and environment are measured and the results explain that X amount of environmental turbulence evokes Y amount of hierarchical levels, leading to Z amount of performance. The fact that Japanese corporations engage in very turbulent environments with much steeper hierarchies has not as a rule been addressed.

We should note that these contingency studies are still searching for one best way in specified circumstances. They still believe their universalism is scientific, when in fact it is a cultural preference. "One best way" is a yearning, not a fact. Michel Crozier, the French sociologist, working in 1964,² could find no studies that related organisations to their socio-cultural environments. Of course those who search for sameness will usually find it and if you stick to examining common objects and processes, like refining oil according to chemical science, then pipes will be found to have the same function the world over. If the principles of chemical engineering are the same, why not all principles? It seems a plausible equation.

Talcott Parsons,³ an American sociologist, has however suggested that organisations have to adapt not simply to the environment but also to the views of participating employees. It has only been in recent years that this consideration of employee perceptions, and differing cultures, has surfaced in management literature.

Neglect of Culture in Action

Take the following meeting of a management team trying to internationalise a company's activities. This case is a summary of an interview with a North American human-resource manager, a case history which will be

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referred to throughout the book. Although the case is real, the names of the company and the participants are fictitious.

The Missouri Computational Company (MCC)

MCC, founded in 1952, is a very successful American company. It develops, produces and sells medium-size and large computers. The company currently operates as a multinational in North and South America, Europe, South-East Asia, Australia and the Middle East. Sales activities are regionally structured. The factories are in St Louis and Newark (NJ); the most important research activities take place in St Louis.

Production, R&D, personnel and finance are co-ordinated at the American head office. Business units handle the regional sales responsibilities. This decentralised structure does have to observe certain centralised limitations regarding logos, letter types, types of products and financial criteria. Standardisation of labour conditions, function classification and personnel planning is co-ordinated centrally, whereas hiring is done by the regional branches. Each regional branch has its own personnel and finance departments. The management meets every two weeks, and this week is focusing on globalisation issues.

Internationalisation

Mr Johnson paid extra attention in the management meeting. As vice-president of human resources worldwide he could be facing serious problems. Management recognises that the spirit of globalisation is becoming more active every day. Not only do the clients have more international demands, but production facilities need to be set up in more and more countries.

This morning a new logo was introduced to symbolise the worldwide image of the company. The next item on the agenda was a worldwide marketing plan.

Mr Smith, the CEO, saw a chance to bring forward what his MBA taught him to be universally applicable management tools. In addition to global images and marketing, he saw global production, finance and human-resources management as supporting the international breakthrough.

Johnson's hair started to rise as he listened to his colleague's presentation. "The organisation worldwide should be flatter. An excellent technique for this would be to follow the project approach that has been so successful in the USA." Johnson's question about the acceptance of this approach in southern Europe and South America was brushed aside with a short reply regarding the extra time that would be allotted to introduce it in these cultures. The generous allocation of six months would be provided to make even the most unwilling culture understand and appreciate the beauty of shorter lines of communication.

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Finally, all of this would be supported by a strong pay-for-performance system so that in addition to more effective structures, the employees would also be directed towards the right goals.

Johnson's last try to introduce a more "human" side to the discussion concerning the implementation of the techniques and policy instruments was useless. The finance manager, Mr Finley, expressed the opinion of the entire management team: "We all know that cultural differences are decreasing with the increasing reach of the media. We should be world leaders and create a future environment that is a microcosm of Missouri."

Mr Johnson frowned at the prospect of next week's international meeting in Europe.

Mr Johnson knew from experience there would be trouble in communicating this stance to European human-resource managers. He could empathise with the Europeans, while knowing that central management did not really intend to be arrogant in extending a central policy worldwide. What could he do to get the best outcome from his next meeting? We shall follow this through in Chapter 4.

Culture as a Side Dish?

Culture still seems like a luxury item to most managers, a dish on the side. In fact, culture pervades and radiates meanings into every aspect of the enterprise. Culture patterns the whole field of business relationships. The Dutch author remembers a conversation he had with a Dutch expatriate in Singapore. He was very surprised when questioned about the ways in which he accommodated to the local culture when implementing management and organisation techniques. Before answering, he tried to find out why he should have been asked such a stupid question. "Do you work for personnel by any chance?" Then he took me on a tour through the impressive refinery. "Do you really think the products we have and the technology we use allow us to take local culture into consideration?"

Indeed, it would be difficult for a continuous-process company to accommodate to the wishes of most Singaporeans to be home at night. In other words, reality seems to show us that variables such as product, technology and markets are much more of a determinant than culture is. In one sense this conclusion is correct. Integrated technologies have a logic of their own which operates regardless of where the plant is located. Cultures do not compete with or repeal these laws. They simply supply the social context in which the technology operates. A refinery is indeed a refinery but the cul-

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ture in which it is located may see it as an imperialist plot, a precious lifeline, the last chance for an economic takeoff, a prop for a medieval potentate or a weapon against the West. It all depends on the cultural context.

It is quite possible that organisations can be the same in such objective dimensions as physical plant, layout or product, yet totally different in the meanings which the surrounding human cultures read into them. We once interviewed a Venezuelan process operator, showing him the company organigram and asking him to indicate how many layers he had above and below him. To our surprise he indicated more levels than there were on the chart. We asked him how he could see these. "This person next to me," he explained, "is above me, because he is older."

One of the exercises we conduct in our workshops is to ask participants to choose between the following two extreme ways to conceive of a company, asking them which they think is usually true, and which most people in their country would opt for.

A One way is to see a company as a system designed to perform functions and tasks in an efficient way. People are hired to perform these functions with the help of machines and other equipment. They are paid for the tasks they perform.

B A second way is to see a company as a group of people working together. They have social relations with other people and with the organisation. The functioning is dependent on these relations.

Figure 2.1 (page 18) shows the wide range of national responses. Only a little over a third of French, Korean or Japanese managers see a company as a system rather than a social group, whereas the British and Americans are fairly evenly divided, and there is a large majority in favour of the system in Russia and several countries of eastern Europe.

These differing interpretations are important influences on the interactions between individuals and groups. Formal structures and management techniques may appear uniform. Indeed they imitate hard technologies in order to achieve this, but just as plant and equipment have different cultural meanings, so do social technologies.

An Alternative Approach

All organisational instruments and techniques are based on **paradigms** (sets of assumptions). An assumption often taken for granted is that social

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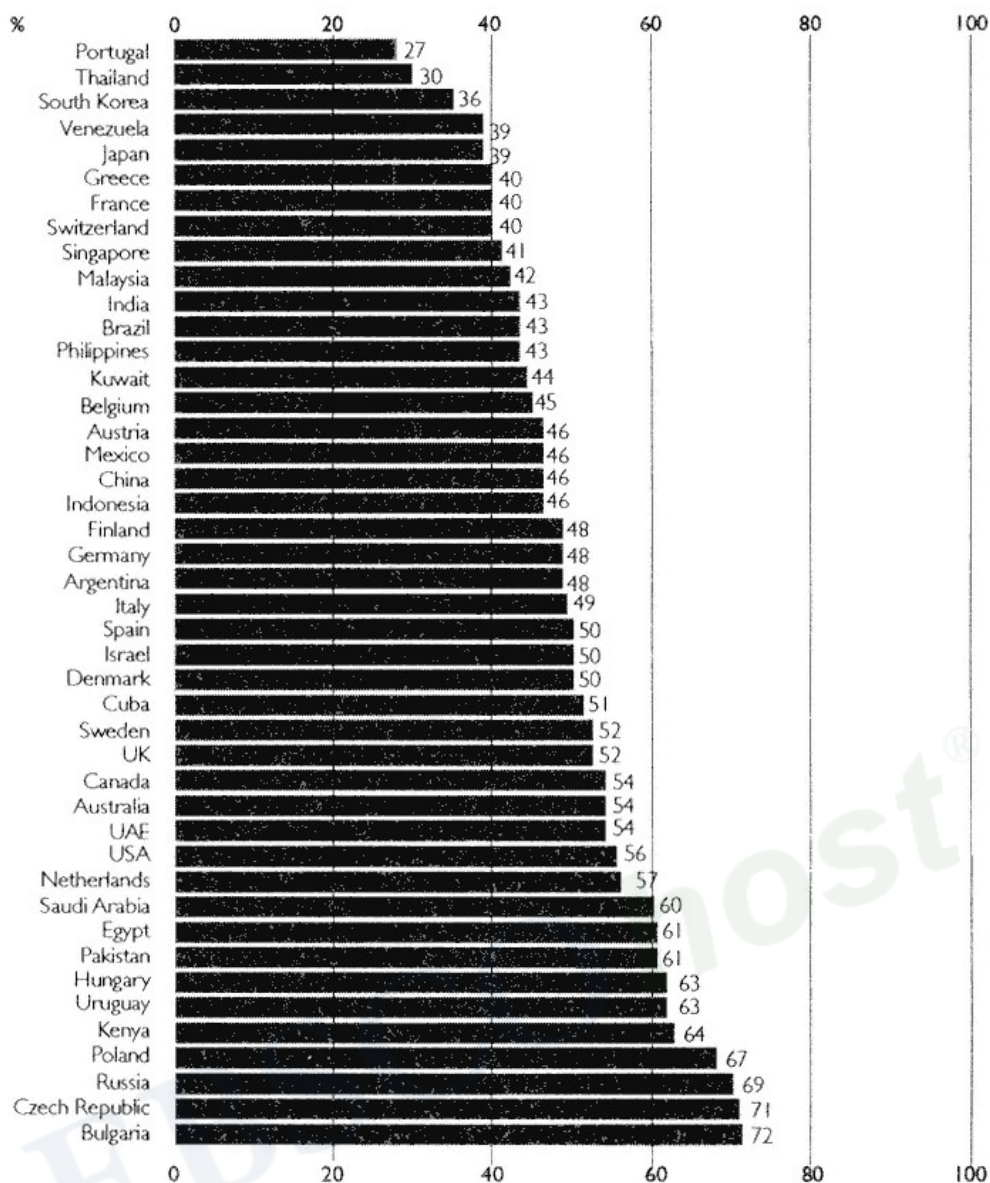


Figure 2.1
Which kind of company is normal?
Percentage of respondents opting for a system rather than a social group

reality is "out there", separated from the manager or researcher in the same way as the matter of a physics experiment is "out there". The physics researchers can give the physical elements in their experiments any name they want. Dead things do not talk back and do not define themselves.

The human world, however, is quite different. As Alfred Shutz⁴ pointed out, when we encounter other social systems they have already given names to themselves, decided how they want to live and how the world is

to be interpreted. We may label them if we wish but we cannot expect them to understand or accept our definitions, unless these correspond to their own. We cannot strip people of their common sense constructs or routine ways of seeing. They come to us as whole systems of patterned meanings and understandings. We can only try to understand, and to do so means starting with the way they think and building from there.

Hence organisations do not simply react to their environment as a ship might to waves. They actively select, interpret, choose and create their environments.

Summary

We cannot understand why individuals and organisations act as they do without considering the **meanings** they attribute to their environment. "A complex market" is not an objective description so much as a cultural perception. Complex to whom? To an Ethiopian or to an American? Feedback sessions where people explore their mistakes can be "useful feedback" according to American management culture and "enforced admissions of failure" in a German management culture. One culture may be inspired by the very thing that depresses another.

The organisation and its structures are thus more than objective reality; they comprise fulfilments or frustrations of the mental models held by real people.

Rather than there being "one best way of organising" there are several ways, some very much more culturally appropriate and effective than others, but all of them giving international managers additional strings to their bow if they are willing and able to clarify the reactions of foreign cultures.

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3—

The Meaning of Culture

A fish only discovers its need for water when it is no longer in it. Our own culture is like water to a fish. It sustains us. We live and breathe through it. What one culture may regard as essential, a certain level of material wealth for example, may not be so vital to other cultures.

The Concept of Culture

Social interaction, or meaningful communication, presupposes common ways of processing information among the people interacting. These have consequences for doing business as well as managing across cultural boundaries. The mutual dependence of the actors is due to the fact that together they constitute a connected system of meanings: a shared definition of a situation by a group.

How do these shared beliefs come about and what is their influence on the interactions between members of an organisation? An absolute condition for meaningful interaction in business and management is the existence of mutual expectations.

On a cold winter night in Amsterdam the Dutch author sees someone enter a cigar shop. His Burberry coat and horn spectacles reveal him to be well off. He buys a pack of cigarettes and takes a box of matches. He then visits the newspaper stand, purchases a Dutch newspaper and quickly walks to a wind-free corner near the shopping gallery. I approach him and ask if I can smoke a cigarette with him and whether he would mind if I read the second section of his paper. He looks at me unbelievably and says, "I need this corner to light my paper". He throws me the pack of cigarettes because he does not smoke. When I stand back, I see that he lights the newspaper and holds his hands above the flames. He turns out to be homeless, searching for warmth and too shy to purchase a single box of matches without the cigarettes.

In this situation my expectations are not met by the individual observed. My expectations about the behavior of the man say more about myself than about him. What I expect depends on where I come

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from and the meanings I give to what I experience. Expectations occur on many different levels, from concrete, explicit levels to implicit and subconscious ones. I am misled not only by the "meaning" of the man's clothing and appearance, but also on the simple level of the newspaper and cigarettes. When we observe such symbols they trigger certain expectations. When the expectations of who we are communicating with meet our own, there is mutuality of meaning.

The existence of mutual beliefs is not the first thing that comes to mind when you think about culture. In cultural training workshops we often start by asking participants: "What does the concept of culture mean to you? Can you differentiate a number of components?" In 20 years we have seldom encountered two or more groups or individuals with identical suggestions regarding the concept of culture. This shows the inclusiveness of the concept. The more difficult question is perhaps: "Can you name anything that is **not** encompassed by the concept of culture?"

The Layers of Culture

The Outer Layer:

Explicit Products

Go back to the temporary flight detour to Burundi from Chapter ¹. What are the first things you encounter on a cultural level? Most likely it is not the strange combination of norms and values shared by the Burundis (who actually consist of Hutus and Tutsis, two very different tribes) that catches your attention first. Nor is it the sharing of meanings and value-orientations. An individual's first experience of a new culture is the less esoteric, more concrete factors. This level consists of **explicit** culture.

Explicit culture is the observable reality of the language, food, buildings, houses, monuments, agriculture, shrines, markets, fashions and art. They are the symbols of a deeper level of culture. Prejudices mostly start on this symbolic and observable level. We should never forget that, as in the Burberry coat example, each opinion we voice regarding explicit culture usually says more about where **we** come from than about the community we are judging.

If we see a group of Japanese managers bowing, we are obviously observing explicit culture as the sheer act of bending. However, if we ask the Japanese "Why do you bow?", a question they may not welcome, we penetrate the next layer of culture.

The Middle Layer:

Norms and Values

Explicit culture reflects deeper layers of culture, the norms and values of an individual group. **Norms** are the mutual sense a group has of what is

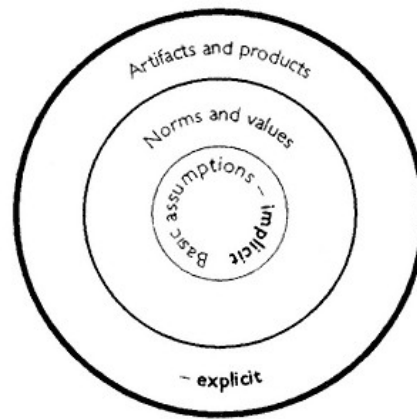


Figure 3.1
A model of culture

"right" and "wrong". Norms can develop on a formal level as written laws, and on an informal level as social control. **Values**, on the other hand, determine the definition of "good and bad", and are therefore closely related to the ideals shared by a group.

A culture is relatively stable when the norms reflect the values of the group. When this is not the case, there will most likely be a destabilising tension. In eastern Europe we have seen for years how the norms of Communism failed to match the values of society. Disintegration is a logical result.

While the norms, consciously or subconsciously, give us a feeling of "this is how I normally **should** behave", values give us a feeling of "this is how I **aspire** or **desire** to behave". A value serves as a criterion to determine a choice from existing alternatives. It is the concept an individual or group has regarding the desirable. For instance, in one culture people might agree with the value: "Hard work is essential to a prosperous society." Yet the behavioural norm sanctioned by the group may be: "Do not work harder than the other members of the group because then we would all be expected to do more and would end up worse off." Here the norm differs from the value.

Some Japanese might say that they bow because they like to greet people: that is a value. Other might say they don't know why except that they do it because the others do it too. Then we are talking about a norm.

It takes shared meanings of norms and values that are stable and salient for a group's cultural tradition to be developed and elaborated.

Why have different groups of people, consciously or subconsciously, chosen different definitions of good or bad, right or wrong?

The Core:
Assumptions about Existence

To answer questions about basic differences in values between cultures it is necessary to go back to the core of human existence.

The most basic value people strive for is survival. Historically, and presently, we have witnessed civilisations fighting daily with nature: the Dutch with rising water; the Swiss with mountains and avalanches; the Central Americans and Africans with droughts; and the Siberians with bitter cold.

Each has organised themselves to find the ways to deal most effectively with their environments, given their available resources. Such continuous problems are eventually solved automatically. "Culture" comes from the same root as the verb "to cultivate", meaning to till the soil: the way people act upon nature. The problems of daily life are solved in such obvious ways that the solutions disappear from our consciousness. If they did not we would go crazy. Imagine having to concentrate on your need for oxygen every 30 seconds. The solutions disappear from our awareness, and become part of our system of absolute assumptions.

The best way to test if something is a basic assumption is when the question provokes confusion or irritation. You might, for example, observe that some Japanese bow deeper than others. Again, if you ask why they do it the answer might be that they don't know but that the other person does it too (norm) or that they want to show respect for authority (value). A typical Dutch question that might follow is: "Why do you respect authority?" The most likely Japanese reaction would be either puzzlement or a smile (which might be hiding their irritation). When you question basic assumptions you are asking questions that have never been asked before. It might lead to deeper insights, but it also might provoke annoyance. Try in the USA or the Netherlands to raise the question of why people are equal and you will see what we mean.

Groups of people organise themselves in such a way that they increase the effectiveness of their problem-solving processes. Because different groups of people have developed in different geographic regions, they have also formed different sets of logical assumptions.

We see that a specific organisational culture or functional culture is nothing more than the way in which groups have organised themselves over the years to solve the problems and challenges presented to them. Changes in a culture happen because people realise that certain old ways of doing things do not work any more. It is not difficult to change culture when people are aware that the survival of the community is at stake, where survival is considered desirable.

From this fundamental relationship with the (natural) environment

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man, and after man the community, takes the core meaning of life. This deepest meaning has escaped from conscious questioning and has become self-evident, because it is a result of routine responses to the environment. In this sense culture is anything but nature.

Culture Directs Our Actions

Culture is beneath awareness in the sense that no one bothers to verbalise it, yet it forms the roots of action. This made one anthropologist liken it to an iceberg, with its largest implicit part beneath the water.

Culture is man-made, confirmed by others, conventionalised and passed on for younger people or newcomers to learn. It provides people with a meaningful context in which to meet, to think about themselves and face the outer world.

In the language of Clifford Geertz, culture is the means by which people "communicate, perpetuate, and develop their knowledge about attitudes towards life. Culture is the fabric of meaning in terms of which human beings interpret their experience and guide their action".¹

Over time, the habitual interactions within communities take on familiar forms and structures, which we will call **the organisation of meaning**. These structures are imposed upon the situations which people confront and are not determined by the situation itself. For example, the wink of an eye. Is it a physical reflex from dust in the eye? Or an invitation to a prospective date? Or could it be someone making fun of you to others? Perhaps a nervous tick? The wink itself is real, but its meaning is attributed to it by observers. The attributed meaning may or may not coincide with the intended meaning of the wink. Effective social interaction, though, depends on the attributed meaning and intended meaning coinciding.

Cultures can be distinguished from each other by the differences in shared meanings they expect and attribute to their environment. Culture is not a "thing," a substance with a physical reality of its own. Rather, it is made by people interacting, and at the same time determining further interaction.

Culture as a "Normal Distribution"

People within a culture do not all have identical sets of artifacts, norms, values and assumptions. Within each culture there is a wide spread of these. This spread does have a pattern around an average. So, in a sense, the variation around the norm can be seen as a normal distribution. Distinguishing one culture from another depends on the limits we want to

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make on each side of the distribution.

In principle, each culture shows the total variation of its human components. So while the USA and France have great variations, there are also many similarities. The "average", or "most predictable" behaviour, as depicted by Figure 3.2, will be different for these two countries.

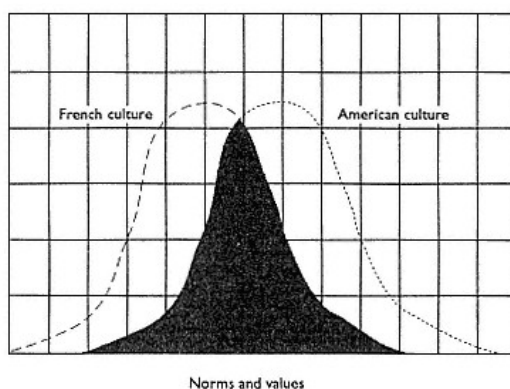


Figure 3.2
Culture as a normal distribution

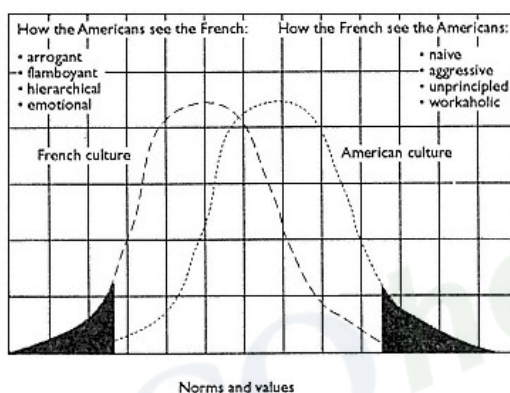


Figure 3.3
Culture and stereotyping

Cultures whose norms differ significantly tend to speak about each other in terms of extremes (Figure 3.3). Americans might describe the French as having the behavioural characteristics shown in section A in the graph, or the tail of the normal distribution. The French will use a similar caricature, section Z, for the Americans. This is because it is differences rather than sameness which we notice.

Using extreme, exaggerated forms of behaviour is **stereotyping**. It is, quite understandably, the result of registering what surprises us, rather than what is familiar. But there are dangers in doing this. First, a stereotype is a very limited view of the average behaviour in a certain environment. It exaggerates and caricatures the culture observed and, unintentionally, the observer.

Second, people often equate something different with something wrong. "Their way is clearly different from ours, so it cannot be right." Finally, stereotyping ignores the fact that individuals in the same culture do not necessarily behave according to the cultural norm. Individual personality mediates in each cultural system.

Cultures Vary in Solutions to Common Problems and Dilemmas

To explain variations in the meaning organisations have for people working in them, we need to consider variations in meanings for different cultures. If we can identify and compare categories of culture that affect organisations, this will help us understand the cultural differences that must be managed in international business.

In every culture a limited number of general, universally shared human problems need to be solved. One culture can be distinguished from another by the specific solution it chooses for those problems. The anthropologists, F. Kluckhohn and F.L. Strodtbeck,² identify five categories of problems, arguing that all societies are aware of all possible kinds of solution but prefer them in different orders. Hence in any culture there is a set of "dominant", or preferred, value orientations. The five basic problems mankind faces, according to this scheme, are as follows:

- 1 What is the relationship of the individual to others? (relational orientation)
- 2 What is the temporal focus of human life? (time orientation)
- 3 What is the modality of human activity? (activity orientation)
- 4 What is a human being's relation to nature? (man-nature orientation)
- 5 What is the character of innate human nature? (human nature orientation)

In short, Kluckhohn and Strodtbeck argue that mankind is confronted with universally shared problems emerging from relationships with fellow beings, time, activities and nature. One culture can be distinguished from another by the arrangement of the specific solutions it selects for each set of problem situations. The solutions depend on the meaning given by people to life in general, and to their fellows, time and nature in particular.

In our research we have distinguished seven dimensions of culture (see Chapter 1), also based on societies' differing solutions to relationships with other people, time and nature. The following chapters will explain these dimensions and how they affect the process of managing across cultures.

Instead of running the risk of getting stuck by perceiving cultures as static points on a dual axis map, we believe that cultures **dance** from one preferred end to the opposite and back. In that way we do not risk one cultural category excluding its opposite, as has happened in so many similar studies, of which Hofstede's five mutually exclusive categories are the best known. Rather, we believe that one cultural category seeks to "manage" its opposite and that value dimensions self-organize in systems to generate new meanings. Cultures are circles with preferred arcs joined together. In this revised edition we have therefore introduced new questions which measure the extent to which managers seek to **integrate and reconcile** values. And we are testing the hypothesis that cultures which have a natural tendency to reconcile seemingly opposing values have a better chance of being successful economically than cultures which lack that inclination. All cultures are similar in the dilemmas they confront, yet different in the solutions they find, which creatively transcend the opposites.

Summary

This chapter described how common meanings arise and how they are reflected through explicit symbols. We saw that culture presents itself to us in layers. The outer layers are the products and artifacts that symbolise the deeper, more basic values and assumptions about life. The different layers are not independent from one another, but are complementary.

The shared meanings that are the core of culture are man-made, are incorporated into people within a culture, yet transcend the people in the culture. In other words, the shared meanings of a group are within them and cause them to interpret things in particular ways, but are also open to be changed if more effective "solutions" to problems of survival are desired by the group.

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The solutions to three universal problems that mankind faces distinguish one culture from another. The problems – people's relationship to time, nature and other human beings – are shared by mankind; their solutions are not. The latter depend on the cultural background of the group concerned. The categories of culture that emerge from the solutions cultures choose will be the subject of the next seven chapters. Their significance to work-related relationships, management instruments and organisational structures will also be explored.

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Relationships and Rules

People everywhere are confronted with three sources of challenge. They have relationships with other people, such as friends, employees, customers and bosses. They must manage time and ageing. And they must somehow come to terms with the external nature of the world, be it benign or threatening.

We have already identified the five dimensions of how we relate to other people. It is easiest to summarise these in abstract terms which may seem rather abstruse. I list them again with some translations in brackets.

- 1 Universalism versus particularism (rules versus relationships).
- 2 Communitarianism versus individualism (the group versus the individual).
- 3 Neutral versus emotional (the range of feelings expressed).
- 4 Diffuse versus specific (the range of involvement).
- 5 Achievement versus ascription (how status is accorded).

These five value orientations greatly influence our ways of doing business and managing as well as our responses in the face of moral dilemmas. Our relative position along these dimensions guides our beliefs and actions through life. For example, we all confront situations in which the established rules do not quite fit a particular circumstance. Do we do what is deemed "right" or do we adapt to the circumstances of the situation? If we are in a difficult meeting do we show how strongly we feel and risk the consequences, or do we show "admirable restraint"? When we encounter a difficult problem do we break it apart into pieces to understand it, or do we see everything as related to everything else? On what grounds do we show respect for someone's status and power, because they have achieved it or because other circumstances (like age, education or lineage) define it? These are all dilemmas to which cultures have differing answers. Part of the purpose of culture is to provide answers and guide behaviour in otherwise vexatious situations.

Before discussing the first dimension – universal versus particular forms of relating to other people – let us rejoin the perplexed Mr Johnson of

the Missouri Computational Company (MCC) from Chapter 2. He is due to preside over an international human resources meeting in which 15 national representatives are expected to agree on the uniform implementation of a pay-for-performance system. Here is some background on MCC and a summary of its main policy directives.

Since the late 1970s MCC has been operating in more than 20 countries. As its foreign sales have grown, top management has become increasingly concerned about international co-ordination. Overseas growth, while robust, has been unpredictable. The company has therefore decided to co-ordinate the processes of measuring and rewarding achievement worldwide. Greater consistency in managing country operations is also on the agenda. There is not a complete disregard for national differences; the general manager worked in Germany for five years, and the marketing manager spent seven years in the Singapore operation.

It has been agreed to introduce a number of policy principles which will permeate MCC plants worldwide. They envisage a shareable definition of "How we do things in MCC" to let everyone in MCC, wherever they are in the world, know what the company stands for. Within this, there will be centrally co-ordinated policies for human resources, sales and marketing.

This would benefit customers since they, too, are internationalising in many cases. They need to know that MCC could provide high levels of service and effectiveness to their businesses, which increasingly cross borders. MCC needs to achieve consistent, recognisable standards regardless of the country in which it is operating. There is already a history of standardising policies.

The Reward System

Two years ago, confronted with heavy competition, the company decided to use a more differentiated reward system for the personnel who sold and serviced mid-size computers. One of the reasons was to see whether the motivation of the American sales force could be increased. In addition, the company became aware that the best sales people often left the firm for better-paying competitors. They decided on a two-year trial with the 15 active sales people in the St Louis area.

Experiment with Pay-by-Performance

The experiment consisted of the following elements.

- A bonus was introduced which depended on the turnover figures each quarter for each sales person: 100% over salary for the top sales person; 60% for the second best; 30% for numbers three and four; and no bonus for the remainder.

- The basic salary of all sales people of mid-size computers was decreased by 10%.

During the first year of the trial period there were continuous discussions among the affected employees. Five sales people left the company because they were convinced the system treated them unjustly. Total sales did not increase as a result of all this. Despite this disaster, management continued the experiment because they believed that this kind of change was necessary and would take time to be accepted.

The Universal Versus the Particular

MCC in the USA is of course operating in a universalist culture. But even here a universalist solution has run into particularist problems. This first dimension defines how we judge other people's behaviour. There are two "pure" yet alternative types of judgment. At one extreme we encounter an obligation to adhere to standards which are universally agreed to by the culture in which we live. "Do not lie. Do not steal. Do unto others as you would have them do unto you" (the Golden Rule), and so on. At the other extreme we encounter particular obligations to people we know. "X is my dear friend, so obviously I would not lie to him or steal from him. It would hurt us both to show less than kindness to one another."

Universalist, or rule-based, behaviour tends to be abstract. Try crossing the street when the light is red in a very rule-based society like Switzerland or Germany. Even if there is no traffic, you will still be frowned at. It also tends to imply equality in the sense that all persons falling under the rule should be treated the same. But situations are ordered by categories. For example, if "others" to whom you "do unto" are not categorised as human, the rules may not apply. Finally, rule-based conduct has a tendency to resist exceptions that might weaken that rule. There is a fear that once you start to make exceptions for illegal conduct the system will collapse.

Particularist judgments focus on the exceptional nature of present circumstances. This person is not "a citizen" but my friend, brother, husband, child or person of unique importance to me, with special claims on my love or my hatred. I must therefore sustain, protect or discount this person **no matter what the rules say**.

Business people from both societies will tend to think each other corrupt. A universalist will say of particularists, "they cannot be trusted because they will always help their friends"; a particularist, conversely,

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will say of universalists, "you cannot trust them; they would not even help a friend".

In practice we use both kinds of judgment, and in most situations we encounter they reinforce each other. If a female employee is harassed in the workplace we would disapprove of this because "harassment is immoral and against company rules" and/or because "it was a terrible experience for Jennifer and really upset her". The universalist's chief objection, though, will be the breach of rules; "women should not have to deal with harassment in the workplace; it is wrong". The particularist is likely to be more disapproving of the fact that it caused distress to poor Jennifer.

Problems are not always so easily agreed upon as this one. Sometimes rules of supposed universal application do not cover a case of particular concern very well. There are circumstances much more complex than the rules appear to have envisaged. Consider the further adventures of the Missouri Computational Company, with its head office in St Louis intent on imposing general policy guidelines on employees of many nations.

mcc has recently acquired a small but successful Swedish software company. Its head founded it three years ago with his son Carl, and was joined by his newly graduated daughter Clara and his youngest son Peter 12 months ago. Since the acquisition mcc has injected considerable capital and also given the company its own computer distribution and servicing in Sweden. This has given a real boost to the business.

mcc is now convinced that rewards for sales people must reflect the increasing competition in the market. It has decreed that at least 30% of remuneration must depend on individual performance. At the beginning of this year Carl married a very rich wife. The marriage is happy and this has had an effect on his sales record. He will easily earn the 30% bonus, though this will be small in relation to his total income, supplemented by his wife's and by his share of the acquisition payment.

Peter has a less happy marriage and much less money. His only average sales figures will mean that his income will be reduced when he can ill afford it. Clara, who married while still in school, has two children and this year lost her husband in an air crash. This tragic event caused her to have a weak sales year.

At the international sales conference national mcc managers present their salary and bonus ranges. The head of the Swedish company believes that performance should be rewarded and that favouritism should be avoided; he has many non-family members in his company. Yet he knows that unusual circumstances in the lives of his children have made this contest anything but fair. The rewards withheld will hurt more deeply than the rewards bestowed will moti-

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vate. He tries to explain the situation to the American HR chief and the British representative, who both look sceptical and talk about excuses. He accedes to their demands.

His colleagues from France, Italy, Spain and the Middle East, who all know the situation, stare in disbelief. They would have backed him on the issue. His family later say they feel let down. This was not what they joined the company for.

This episode from our ongoing MCC case shows that universalist and particularist points of view are not always easy to reconcile. The culture you come from, your personality, religion and the bonds with those concerned lead you to favour one approach more than another.

Universalist Versus Particularist Orientations in Different Countries

Much of the research into this cultural dimension has come from the USA, and is influenced by American cultural preferences. The emerging consensus among these researchers, though, is that universalism is a feature of modernisation per se, of more complex and developed societies. Particularism, they argue, is a feature of smaller, largely rural communities in which everyone knows everyone personally. The implication is that universalism and sophisticated business practice go together and all nations might be better off for more nearly resembling the USA.

We do not accept this conclusion. Instead, we believe that cultural dilemmas need to be reconciled in a process of understanding the advantages of each cultural preference. The creation of wealth and the development of industry should be an evolving process of discovering more and better universals covering and sustaining more particular cases and circumstances.

The story below, created by Stouffer and Toby (Americans),¹ is another exercise used in our workshops. It takes the form of a dilemma which measures universal and particularist responses.

You are riding in a car driven by a close friend. He hits a pedestrian. You know he was going at least 35 miles per hour in an area of the city where the maximum allowed speed is 20 miles per hour. There are no witnesses. His lawyer says that if you testify under oath that he was only driving 20 miles per hour it may save him from serious consequences.

What right has your friend to expect you to protect him?

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1a My friend has a definite right as a friend to expect me to testify to the lower figure.

1b He has some right as a friend to expect me to testify to the lower figure.

1c He has no right as a friend to expect me to testify to the lower figure.

What do you think you would do in view of the obligations of a sworn witness and the obligation to your friend?

1d Testify that he was going 20 miles an hour.

1e Not testify that he was going 20 miles an hour.

Figure 4.1 shows the result of putting these questions to a variety of nationalities. The percentage represents those who answered that the friend had no right or some right and would then not testify (c or b+e). North Americans and most north Europeans emerge as almost totally universalist in their approach to the problem. The proportion falls to under 75% for the French and Japanese, while in Venezuela two-thirds of respondents would lie to the police to protect their friend.

Time and again in our workshops, the universalists' response is that, as the seriousness of the accident increases, the obligation to help their friend decreases. They seem to be saying to themselves, "the law was broken and the serious condition of the pedestrian underlines the importance of upholding the law". This suggests that universalism is rarely used to the exclusion of particularism, rather that it forms the first principle in the process of moral reasoning. Particular consequences remind us of the need for universal laws.

Particularist cultures, however, are rather more likely to support their friend as the pedestrian's injuries increase. They seem to reason, "my friend needs my help more than ever now that he is in serious trouble with the law". Universalists would regard such an attitude as corrupt. What if we all started to lie on behalf of those close to us? Society would fall apart. There is indeed something in this argument. But particularism, which is based on a logic of the heart and human friendship, may also be the chief reason that citizens would not break laws in the first place. Do you love your children or present them with a copy of the civil code? And what if the law becomes a weapon in the hands of a corrupt elite? You can choose what you call corruption.

In a workshop we were giving some time ago we presented this dilemma. There was one British woman, Fiona, among the group of French participants. Fiona started the discussion of the dilemma by ask-

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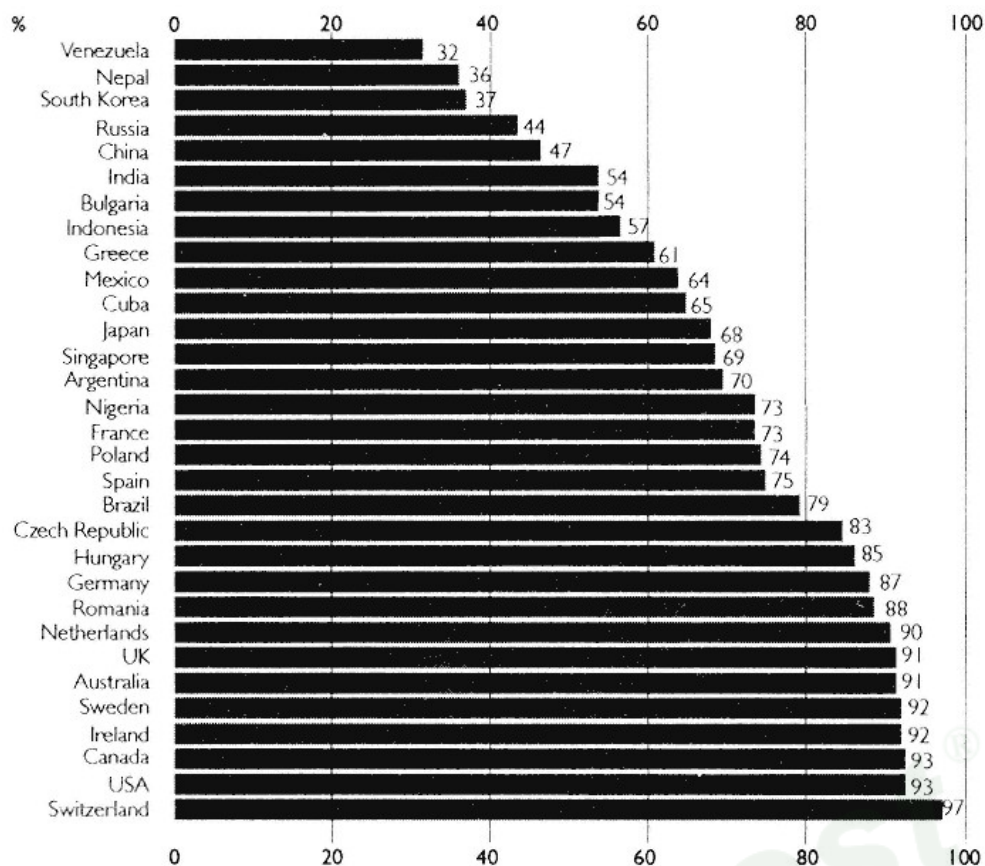


Figure 4.1
The car and the pedestrian
Percentage of respondents opting for a universalist system rather than a particular social group
(answers c or b+e)

ing about the condition of the pedestrian. Without that information, she said, it would be impossible to answer the question. When the group asked her why this information was so indispensable, Dominique, an employee of a French airline, interjected: "Naturally it is because if the pedestrian is very seriously injured or even dead, then my friend has the absolute right to expect my support. Otherwise, I would not be so sure." Fiona, slightly irritated but still laughing, said: "That's amazing. For me it is absolutely the other way around."

This illustration shows that we "anchor" our response in one of the two principles. All nations might agree that universals and particulars should ideally be resolved, that is, that all exceptional cases be judged by more humane rules. What differs are their starting points.

As Figure 4.1 shows, universalists are more common in Protestant cultures, where the congregation relates to God by obedience to His written laws. There are no human intermediaries between God and His adher-

ents, no one with the discretion to hear particular confessions, forgive sins or make special allowances. Predominantly Catholic cultures retained these features of religion, which are more relational and particularist. People can break commandments and still find compassion for their unique circumstances. God for the Catholics is like them, moreover; He will probably understand that you were lying for your friend, particularly one who had the bad luck to have the stupid pedestrian crossing in front of his or her car.

Countries with strongly universalist cultures try to use the courts to mediate conflicts. A recently released American book on automobile insurance is called *Hit Me I Need the Money*. Indeed the USA, credited with being the most litigious society on earth, has considerably more lawyers per head of population than relatively particularist Japan. The more universal the country, the greater the need for an institution to protect the truth. There is also incidentally a strong correlation between universalism and expenditure per head on pet food. This is not the same as pet ownership; particularist France has more dogs than universalist Germany, but French dogs are integrated into the family and eat leftovers. It has nothing to do with what lawyers eat, either; the reason is the lack of trust in humanity in a universalist society. Dogs, like lawyers, are the institution needed for protection, and one of the ways mistrust in people can be combatted.

However, countries may be more or less universalist depending on what the rules are **about**. French and Italian managers, who were particularist on the traffic accident, believe that when writing on a subject as important as food you have a universal obligation to truth. Consider the following scenario, described by Stouffer and Toby.

You are a newspaper journalist who writes a weekly review of new restaurants. A close friend of yours has sunk all her savings in a new restaurant. You have eaten there and you really think the restaurant is no good.

What right does your friend have to expect you to go easy on her restaurant in your review?

1a She has a definite right as a friend to expect me to go easy on her restaurant in my review.

1b She has some right as a friend to expect me to do this for her.

1c She has no right as a friend to expect me to do this for her.

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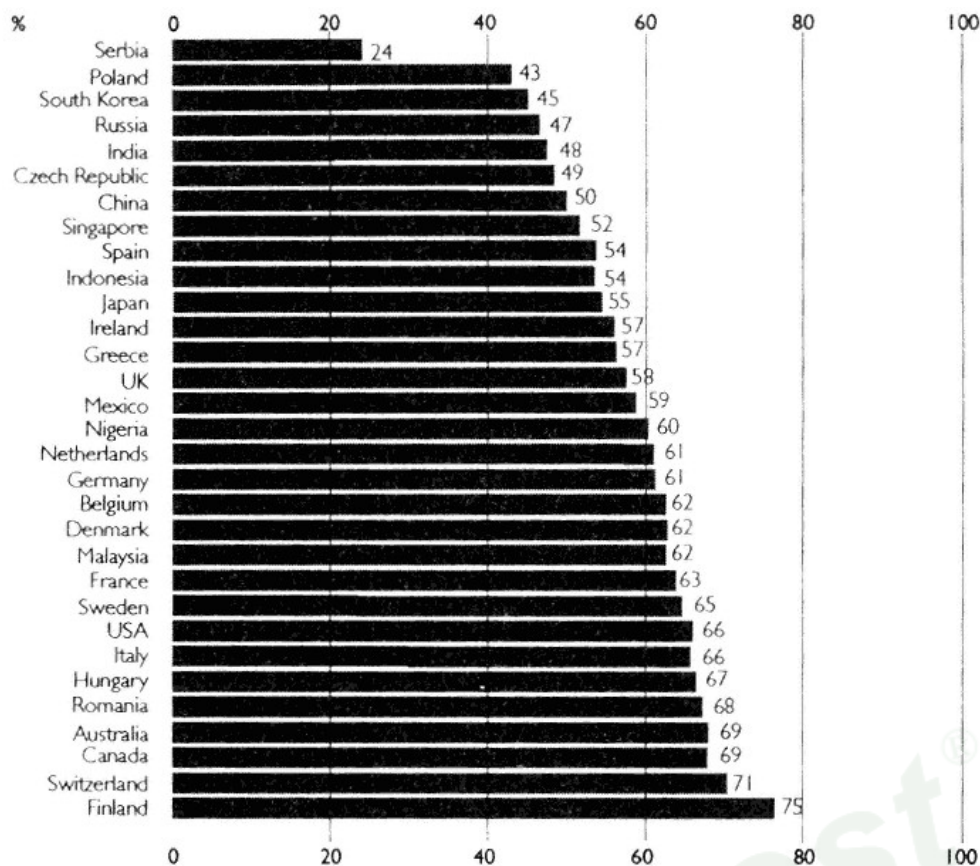


Figure 4.2
The bad restaurant
Percentage of respondents who would not write a false review or give no right to the friend to expect to be helped (answers c or b+e)

Would you go easy on her restaurant in your review given your obligations to your readers and your obligation to your friend?

1d Yes.

1e No.

In this second example, a universalist's view is that as a journalist you are writing for everyone, the universe of readers, not for your friend. Your obligation is to be "truthful and unbiased". In some cultures, then, it seems more important to universalise good taste than legal procedure. For them it is easier to leave the pedestrian in trouble than to judge the quality of food wrongly. (See Figure 4.2.)

A third dilemma we use to explore this dimension has to do with the rule of confidentiality concerning the secret deliberations of a business.

You are a doctor for an insurance company. You examine a close friend who needs more insurance. You find he is in pretty good shape, but you are doubtful on one or two minor points which are difficult to diagnose.

What right does your friend have to expect you to tone down your doubts in his favour?

1a My friend has a definite right as a friend to expect me to tone down my doubts in his favour.

1b He has some right as a friend to expect me tone down my doubts in his favour.

1c He has no right as a friend to expect me to tone down my doubts in his favour.

Would you help your friend in view of the obligations you feel towards your insurance company and your friend?

1d Yes.

1e No.

There are some interesting differences here between the scores on this dilemma and the previous two. The Japanese and Indonesians, especially, jump from the situational ethics they showed previously to a strongly universalistic stance on corporate confidentiality. Quite possibly this occurs because the situation is broader than a particular friend; at stake here is loyalty to a group or corporation versus loyalty to an individual outside that group.

This dilemma may also be presenting issues of communitarianism versus individualism, to be considered in Chapter 5. As these dimensions are related as well as relational, we must be careful in interpreting the meaning different national groups give them.

Universalism Versus Particularism in International Business

When companies go global there is an almost inevitable move towards universalist ways of thinking. After all, products and services are being offered to a wider and wider universe of people. Their willingness to buy is "proof" of a universal appeal. It follows that the ways of producing the product, managing those who make it and distributing it to customers should also be universalised. Let us consider the following examples of some of the areas where the universalist versus particularist dilemma shows up:

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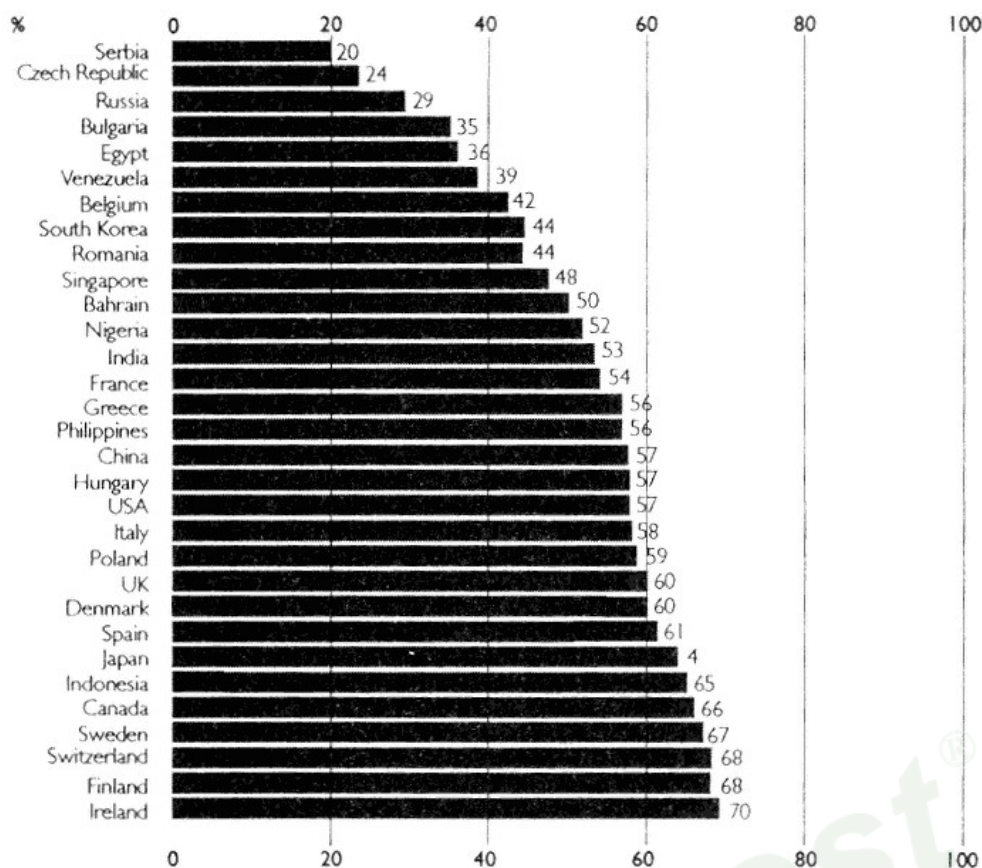


Figure 4.3
The doctor and the insurance company
Percentage of respondents who would not tone down their doubts in favour of their friend
(answers c or b+e)

- the contract;
- timing a business trip;
- the role of head office;
- job evaluations and rewards.

The Contract

Weighty contracts are a way of life in universalist cultures. A contract serves to record an agreement on principle and codifies what the respective parties have promised to do. It also implies consent to the agreement and provides recourse if the parties do not keep to their side of the deal. Introducing lawyers into the process of negotiation puts the parties on notice that any breach could be costly and that promises made initially must be kept, even if these prove inconvenient.

How might a legal contract be perceived by a more particularist busi-

ness partner? There is another reason why people tend to keep their promises. They have a personal relationship with their colleague, whom they hold in particular regard. If you introduce contracts with strict requirements and penalty clauses, the implied message is that one party would cheat the other if not legally restrained from doing so. Those who feel they are not trusted may accordingly behave in untrustworthy ways. Alternatively they may terminate their relationship with a universalist business partner because that partner's precautions offend them and the contract terms are too rigid to allow a good working relationship to evolve.

One serious pitfall for universalist cultures in doing business with more particularist ones is that the importance of the relationship is often ignored. The contract will be seen as definitive by the universalist, but only as a rough guideline or approximation by the particularist. The latter will want to make the contract as vague as possible and may object to clauses that tie them down. This is not necessarily a sign of impending subterfuge, but a preference for mutual accommodation. Given the rise of Japanese economic power, the automatic superiority of the universalist position can no longer be assumed. Good customer relationships and good employee relationships may involve doing **more** than the contract requires. Moreover, relationships have a flexibility and durability which contracts often lack. Asian, Arab and Latin business people may expect contracts to be qualified where circumstances have changed.

In a ten-year contract between a Canadian ball-bearing producer and an Arabic machine manufacturer, a minimum annual quantity of ball-bearings was agreed upon. After about six years the orders from the Middle East stopped coming in. The Canadians' first reaction was: "This is illegal."

A visit to the customer only increased their confusion. The contract had apparently been cancelled unilaterally by the Arabs because the Canadian contract-signer had left the company. The so-called universally applicable law was not considered relevant any more in the eyes of the Arabs. What could the Canadians say against this logic, especially when they discovered that the ball-bearings were never even used? It turned out that the product was purchased solely out of the particular loyalty to the Canadian contract-signer, not because of a felt legal obligation.

Timing a Business Trip

A universalist business person – a North American, British, Dutch, German or Scandinavian – is wise to take much longer than usual when visiting a particularist culture. Particularists get suspicious when hurried. At least twice the time normally necessary to establish a contractual agreement is necessary to forge what has to be a closer relationship. It is impor-

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tant to create a sound relational and trustworthy basis that equates the quality of the product with the quality of the personal relationship. Rolls-Royce recently gave Toyota a deadline to make an acquisition offer and Toyota promptly withdrew. Something similar happened in negotiations between Samsung and Fokker, when after a Dutch deadline Samsung pulled out. This process takes a considerable amount of time, but for particularists, the time taken to grow close to your partner is saved in the avoidance of trouble in the future. If you are not willing to take time now, the relationship is unlikely to survive vicissitudes.

The Role of Head Office

In those western countries which are high in universalism, the head office tends to hold the keys to global marketing, global production and global human-resource management. Our own experience, though, is that, within more particularist national cultures, the writ of the head office fails to shape local ways of operating. Different groups develop their own local standards which become the basis of their solidarity and resistance to centralised edicts. Stratified boundaries are created by the national subsidiary between itself and head office and differentiation is deliberately sought.

Particularist groups seek gratification through relationships, especially relationships to the leader. Generally, the more particularist, the greater the commitment between employer and employee. The employer in these cultures strives to provide a broad array of satisfactions to employees: security, money, social standing, goodwill and socio-emotional support. Relationships are typically close and long-lasting. Job turnover is low and commitments to the labour force long-term. The local chief wishes all this to redound to his or her own credit, not that of the foreign owner. Research done in an American bank with branches in Mexico found Mexican staff to be far more particularist, with a tendency to distance themselves as far as possible from head office in the USA in order to minimise universalist pressures.²

What frequently occurs is that foreign-based subsidiaries will **pretend** to comply with head office directives, which leads to a kind of ritualistic "corporate rain dance". They will go through the motions so long as they are under scrutiny, but they do not believe that rain will result. As soon as the attention of head office is diverted to other matters, normal life proceeds.

Job Evaluations and Rewards

Head office policies in the human-resource area often lay down systems that all expatriate managers are required to apply locally. The logic of this universal system – that all jobs should be described, all candidates should

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have their qualifications compared with these descriptions and all job occupants should have their performance evaluated against what their contracts specified they would do – is surely "beyond culture". It seems a demonstrably fair and universal way of managing. This general system sprang up in the post-war years when companies, especially American multinationals, saw very rapid growth. Thousands of employees within the USA needed fair methods of appraisal and promotion and before long this spread to the rest of the developed world. Labour unions often gave their support to these methods, seeing them as protection from arbitrary discipline or anti-union activity. A worker could only be fired for demonstrable failure to do a defined piece of work. In such regulations there was, indeed, protection for many employees. Managers had to behave consistently. They could not take harsh steps in one instance and be lenient in another.

A system designed by Colonel Hay of the American army, called the HAY job evaluation system, is now widely used in businesses to evaluate what base salaries should be for the performance of various functions. Each function and job within it is scored with the help of the employee, his or her direct superior and a panel which includes people doing similar jobs elsewhere. This helps to maintain internal consistency and facilitates transfers between different subsidiaries throughout a company's network without changes in salary or training. Minor concessions are usually made to local conditions by way of a cost-of-living allowance, but otherwise uniformity is maintained. All this sounds highly plausible. All such procedures may appear to be working with the paperwork duly completed. But what in fact happens in more particularist societies?

The following incident occurred in a multinational oil company. During a presentation to a group of Venezuelan managers, representatives from head office were explaining new developments in the HAY function assessment system for R&D functions. They explained that the function would be less clearly separated from the function-holder, and that there would now be "benchmarks" determining the level of the function. The Venezuelans showed the pro forma response by concluding the presentation with a loud round of applause.

After a good lunch and a third glass of wine, a few of the Venezuelan managers became quite talkative. They asked whether the visiting group would be interested in hearing about the Venezuelan way of assessing functions in the laboratory. "Would you like to hear what we say we do or what we really do?" they asked. Already aware of what their "party line" was, the head office representatives asked for what really went on.

Reality turned out to be much simpler than the complex system. Each

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year, they explained, the six-person management team got together after the assessment round. In the meeting this group decided on the most appropriate candidates for promotion. The employees selected were then rushed to the HR department in order to set up the function-description required by head office. HR had already been informed of what the score was to be for the particular functions.

This is an interesting example of reverse causality. Instead of the job description and evaluation "choosing" the person that best filled it, the person was first informally and intuitively chosen and then wrote their own description and evaluation.

This begs the question of whether a process in which universals guide particulars is necessarily better than a process in which particular people guide and choose their universals. As the local Venezuelan boss put it: "Who decides on the promotion of my subordinates, Colonel Hay or me?" The same kind of question and circularity will arise when we consider performance and achievement in Chapter 8.

Reconciling Universalism and Particularism

In all the seven cultural dichotomies we have identified, of which universalism versus particularism is the first, the two extremes can always in a sense be found in the same person. The two horns of the dilemma are very close to each other, as it is easy to realise if, as a universalist, you substitute your father or daughter for the friend who is driving the car. In fruitful cross-cultural encounters both sides avoid pathological excesses. Figure 4.4, whose methodology is explained in Chapter 13, illustrates this.

This figure shows the beginnings of a **vicious** circle. If you follow the logic of the flow, you see that the universalist approach at best helps us to avoid the pathologies of particularism taken too far; and the particularist position needs to be taken to avoid the pathologies of universalism taken too far. In fact, the universalist position is encouraging opposition from the particularist position.

When the two are working effectively together we talk about a **virtuous** circle. Here cross-cultural encounters can synergise and come out on a level much higher than any of the cultures could achieve on their own.

In one case the resolution brought a company to a higher level. A group of European microprocessor sales people were complaining that they lost a large part of their potential market because American headquarters could not produce the adaptations which different European clients were requesting. When interviewing the HQ in California, the Americans said that they couldn't understand why their European col-

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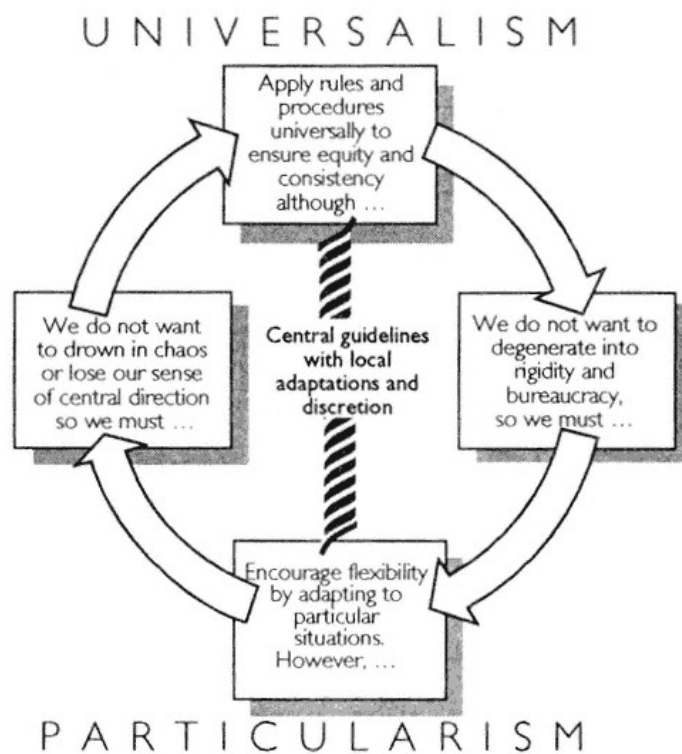


Figure 4.4
Reconciling universalism and particularism

leagues could not grasp the loss of economies of scale and the gross undercapacity which their chips facilities experienced. It is obviously not enough simply to map the problematic nature of a dilemma as two horns, one opposing the other, as in Figure 4.5.

When approaching this dilemma between the two extremes, we may seek a compromise. However, a compromise is frequently worse than just choosing between one of the two horns. It could mean, for example, going for two chips instead of one universal chip. By doing this you would lose both economies of scale and most of your clients. The best approach is to frame the dilemmas as two axes, X and Y, and then try to find a 10/10 solution. This means that the drive for the universal chip needs to be connected in some way to the process of fulfilling the particular need in Europe.

In our workshop the Americans proposed to invite the R&D people from some of their clients to co-develop the next (universal) chip. The Europeans, in turn, thought it would be preferable to get American R&D people over to work with local R&D people in Europe. The principle was the same, but the starting point was different. The Americans preferred to start from a universal position and have some input from the particular needs of the client. The Europeans felt more at home with first testing the

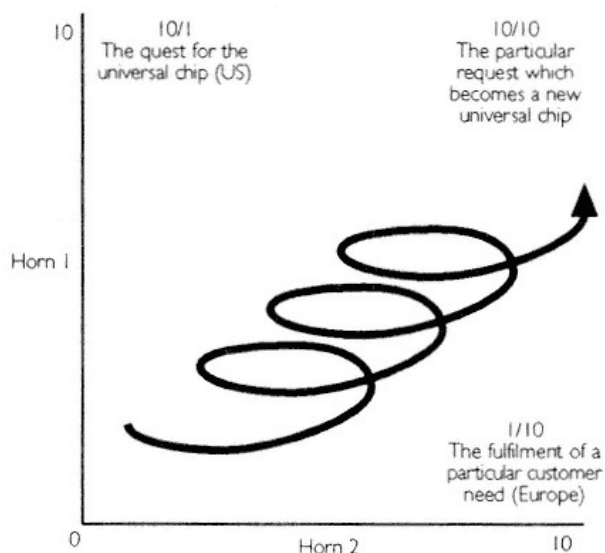


Figure 4.5
A vicious circle

value of their particular need by some universal Californian rules. But both were aiming for the creation of a unique, particular, customised microprocessor that might lead to a renewed spate of "universal sales".

The Case of the Pharmaceutical Joint Venture

Mr Geddy Teok, an American-Chinese (second generation) employee of a large New Jersey pharmaceutical firm, was based in Tokyo, Japan. His main aim was to get a major joint venture going with one of the largest Japanese pharmaceutical manufacturers. After four years of negotiating the supreme moment had come for signing contracts. Obviously the lawyers from HQ in New Jersey were well prepared and sent the contract to Geddy one week before the "ceremony".

After four years of Japanese experience, Geddy was shocked when he received the document from the USA. He told us: "I could not even count the number of pages. There were just too many. But I remember the number of inches it measured when laying it on the table. I would guess that with every inch one of the Japanese would leave the room in despair. I hope they will come with a group of ten. Then at least I will keep one person to talk to. The Japanese will sign contracts, but you should not take it too far."

Geddy Teok decided to call HQ and ask for some help. The legal department said that the relationship was so complex that the contract needed to cover many possible instances. Moreover, a consultancy firm that advised them regularly said that Asians in general and Japanese in particular had a reputation

of being quite loose in defining what was developed by them and what came from the USA: "We better have some pain now and be clear in the terms of our relationship, than to run into problems later because of miscommunication. If they sign it at least they show they are serious."

Geddy was in despair, but he only had a day to decide what to do. The meeting was tomorrow. Should he perhaps call the Japanese CEO, with whom he had built up quite a relationship? Or should he just go for it? Geddy framed his dilemma quite clearly to us: "Whatever I would do, it would hurt my career. If I insist on the Japanese partners signing the contract they will see it as proof of how little trust has been developed over the years of negotiation. This might mean a postponement of the discussions and in the worst case the end of the deal. If I reduce the contract to a couple of pages and present it as a 'letter of intent', HQ in general and even worse the whole legal department will jump on me, jeopardizing my career."

If you were Geddy, what would you do?

Being aware of the cultural dynamics does not really help you (don't forget that if you were not aware of the cultural differences between the Japanese and the Americans your situation would be even worse). It is not enough to say that the Americans tend to be universalist so they believe the Japanese should sign the contract. Nor does it suffice to say that the Japanese tend to be particularist in their approach. Transcultural effectiveness is not only measured by the degree to which you are able to grasp the opposite value. It is measured by your competence in reconciling the dilemmas, i.e. the degree to which you are able to make both values work together, as in the microprocessor case.

It might be advisable for Geddy to ask what the logic of the typical universalist would be in order to have the contract signed. In fact, the Americans' position is: "Our trust in the other party is not sufficient so we need the backing of a binding contract." For the Japanese, who do frequently sign contracts, the logic would be: "I'll only sign the contract if I have trust in the other party and they see this as a sign of respect for our relationship. Where the relationship is good enough we can easily change the details of the contract later, e.g. if the particular circumstances have changed."

We would advise Geddy to do the following. First, make culture a point of discussion and tell the Japanese counterpart what kind of problem you are facing: "Our American headquarters have sent me a 1100-page contract. Obviously this is normal practice in the US, but it was not meant to insult you." By doing this you are sharing the dilemma. Try to establish and respect the Japanese logic by asking: "What would you do in my case?"

The actual Japanese response was another question: "How long would

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you stay here, Mr Teok?" Geddy's answer was honest and brilliant at the same time: "Until the job is done, Mr Samamoto." "In that case I'll sign the contract," replied the Japanese.

Test Yourself

In order to measure the degree to which individuals and cultures tend to reconcile we have developed a series of questions that not only measure the degree to which you identify with one of the opposing values, but also your tendency to reconcile. We are currently testing the hypothesis that the creation of wealth is highly correlated with people's capacity to reconcile. In the first dimension the questions would be the following:

Six months after the ABC mining company had signed a long-term contract with a foreign buyer to buy bauxite in 10 annual instalments, the world price of bauxite collapsed. Instead of paying \$4 a tonne below world market price, the buyer now faced the prospect of paying \$3 above.

The buyer faxed ABC to say it wished to renegotiate the contract. The final words of the fax read: "You cannot expect us as your new partner to carry alone the now ruinous expense of these contract terms."

ABC negotiators had a heated discussion about this situation. Several views were offered:

1 A contract is a contract. It means precisely what its terms say. If the world price had risen we would not be crying, nor should they. What partnership are they talking about? We had a deal. We bargained. We won. End of story.

2 A contract symbolises the underlying relationship. It is an honest statement of original intent. Where circumstances transform the mutual spirit of that contract, then terms must be renegotiated to preserve the relationship.

3 A contract symbolises the underlying relationship. It is an honest statement of original intent But such rigid terms are too brittle to withstand turbulent environments. Only tacit forms of mutuality have the flexibility to survive.

4 A contract is a contract. It means precisely what the terms say. If the world price had risen we would not be crying, nor should they. We would, however, consider a second contract whose terms would help offset their losses.

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Allocate "1" to the approach you prefer and "2" to your second choice. Similarly, indicate what you believe would be favoured by your closest colleagues at work.

This type of question is asked in order to assess participants' preference for a full universalist answer (1); a full particularist answer (2); a particularist answer reconciled with the universal orientation (3); and a universalist answer reconciled with the particular relationship (4). Our current research is trying to find support for the hypothesis that answers 3 and 4 are more effective in successful transcultural relationships.

Finally we should return to Mr Johnson of MCC.

What do you think will happen when he tries to introduce pay-for-performance worldwide, especially in particularistic cultures?

Do you believe that bonuses of 30%, 60% and 100% over salary, taken from the salaries of other employees, will be deemed fair?

Will high performers be encouraged or discouraged in their work by those whose salaries have been cut in order to pay them?

Will local management co-operate wholeheartedly in this change or find ways of getting around it?

Does local management have it in its power to organise sales territories so that it can choose who performs well for particular areas?

Practical Tips for Doing Business in Universalist and Particularist Cultures

Recognising the Differences

Universalist	Particularist
1 Focus is more on rules than relationships.	1 Focus is more on relationships than on rules.
2 Legal contracts are readily drawn up.	2 Legal contracts are readily modified.
3 A trustworthy person is the one who honours their word or contract.	3 A trustworthy person is the one who honours changing mutualities.
4 There is only one truth or reality, that which has been agreed to.	4 There are several perspectives on reality relative to each participant.
5 A deal is a deal.	5 Relationships evolve.

Tips for Doing Business With:

Universalists (for particularists)	Particularists (for universalists)
1 Be prepared for "rational", "professional" arguments and presentations that push for your acquiescence.	1 Be prepared for personal "meandering" or "irrelevancies" that do not seem to be going anywhere.
2 Do not take impersonal, "get down to business" attitudes as rude.	2 Do not take personal, "get to know you" attitudes as small talk.
3 Carefully prepare the legal ground with a lawyer if in doubt.	3 Carefully consider the personal implications of your legal "safeguards".

When Managing and Being Managed

Universalists	Particularists
1 Strive for consistency and uniform procedures.	1 Build informal networks and create private understandings.
2 Institute formal ways of changing the way business is conducted.	2 Try to alter informally accustomed patterns of activity.
3 Modify the system so that the system will modify you.	3 Modify relations with you, so that you will modify the system.
4 Signal changes publicly.	4 Pull levers privately.
5 Seek fairness by treating all like cases in the same way.	5 Seek fairness by treating all cases on their special merits.

References

- 1 Stouffer, S.A. and Toby, J., "Role Conflict and Personality", *American Journal of Sociology*, LUI-5, 1951, pages 395-406.
- 2 Zurcher, L.A., Meadows, A. and Zurcher, S.L., "Value Orientations, Role Conflict and Alienation from Work: a Cross-Cultural Study", *American Sociological Review*, No. 30, 1965, pages 539-48.

5—

The Group and the Individual

The conflict between what each of us wants as an individual, and the interests of the group we belong to, is the second of our five dimensions covering how people relate to other people. Do we relate to others by discovering what each one of us individually wants and then trying to negotiate the differences, or do we place ahead of this some shared concept of the public and collective good?

Individualism has been described (Parsons and Shils¹) as "a prime orientation to the self", and communitarianism as "a prime orientation to common goals and objectives". Just as for our first dimension, cultures do typically vary in putting one or the other of these approaches first in their thinking processes, although both may be included in their reasoning. The 30,000 managers who have answered the following question show this, although the division here is not quite so sharp as for the universal versus the particular example.

Two people were discussing ways in which individuals could improve the quality of life.

A One said: "It is obvious that if individuals have as much freedom as possible and the maximum opportunity to develop themselves, the quality of their life will improve as a result."

B The other said: "If individuals are continuously taking care of their fellow human beings the quality of life will improve for everyone, even if it obstructs individual freedom and individual development."

Which of the two ways of reasoning do you think is usually best, A or B?

As Figure 5.1 shows, the highest scoring individualists are the Romanians, Nigerians and Canadians, closely followed by the Americans, Czechs and Danish, all over 65% in favour of A. Some of the lowest scoring Euro-

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peans are the French at 41%. This may come as a surprise. But remember that the French all take vacations in August, on the same date. They join the Club Méditerranée in order to be together. In the Netherlands we spread our holiday dates (otherwise we might meet one of our relations). For the French the community is France and the family. They become individualists in other social encounters. That the Japanese are not significantly more group oriented in their answers to this question than the French is particularly interesting; also that the Chinese score, though only slightly, as more individualist than the Indians.

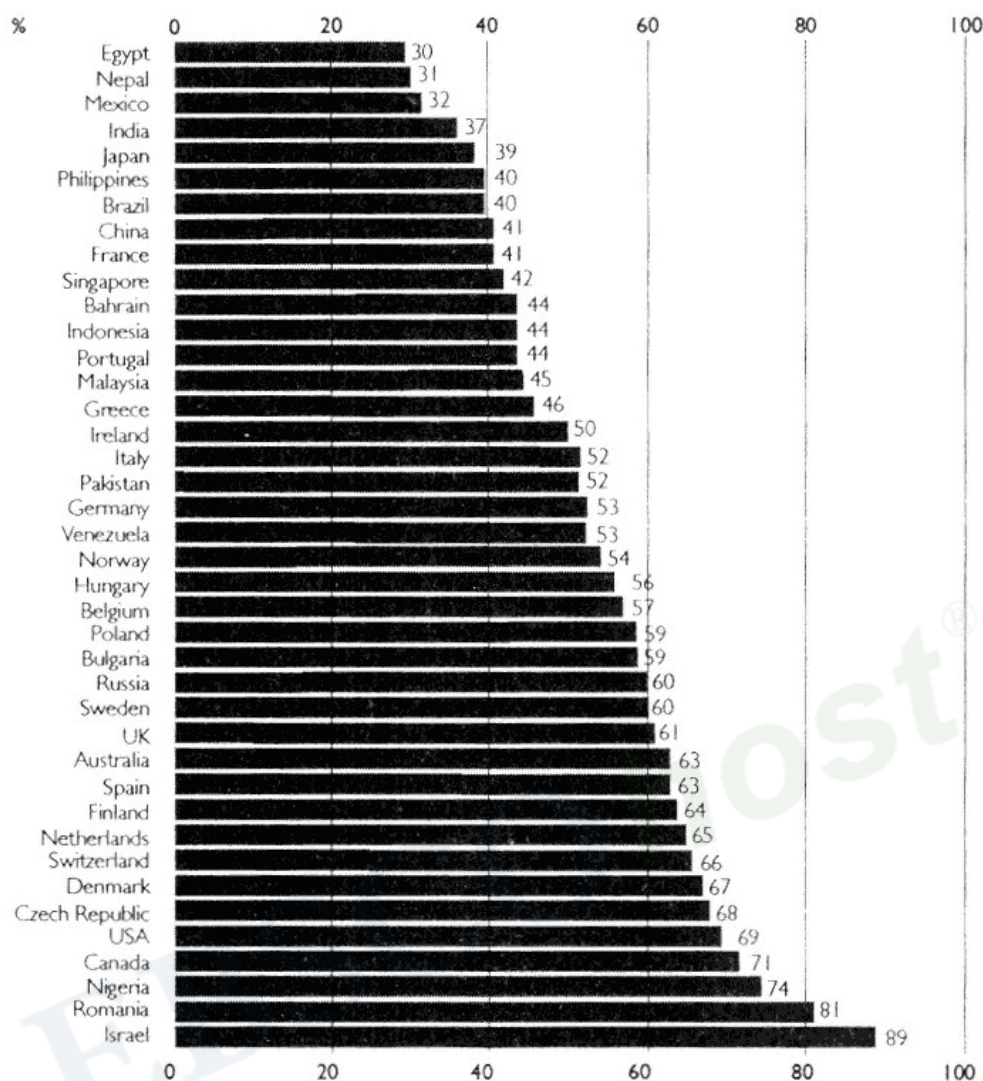


Figure 5.1
The quality of life
Percentage of respondents opting for individual freedom (answer a)

Concepts of Individualism and Communitarianism

Individualism is often regarded as the characteristic of a modernising society, while communitarianism reminds us of both more traditional societies and the failure of the Communist experiment. We shall see, though, that the success of the "Five Dragons", Japan, Hong Kong, Singapore, South Korea and Taiwan, raises serious questions about both the success and the inevitability of individualism.

As in the case of universalism and particularism, it is probably truer to say that these dimensions are complementary, not opposing, preferences. They can each be effectively reconciled by an integrative process, a universalism that learns its limitations from particular instances, for example, and by the individual voluntarily addressing the needs of the larger group.

International management is seriously affected by individualist or communitarian preferences within various countries. Negotiations, decision-making and motivation are the most critical areas. Practices such as promotion for recognised achievements and pay-for-performance, for example, assume that individuals seek to be distinguished within the group and that their colleagues approve of this happening. They also rest on the assumption that the contribution of any one member to a common task is easily distinguishable and that no problems arise from singling him or her out for praise. None of this may, in fact, be true in more communitarian cultures.

Most of our received wisdom on this subject derives from the individualistic West, especially from theorists writing in English. The capital letter "I" is one of the most used capitals in the English language. So the idea that rising individualism is a part of the rise of civilisation itself needs to be treated as a cultural belief rather than a fact beyond dispute. Clearly, however, it took many centuries for the individual to emerge from the surrounding community. It is generally believed that the essence of the relationship between the individual and society, at least in the West, has changed considerably since the Renaissance. In earlier societies individuals were defined primarily in terms of their surrounding community: the family, the clan, the tribe, the city-state or the feudal group.

Individualism was very much to the fore during the periods of intense innovation such as the Renaissance, the Age of Exploration, the Netherlands' Golden Age, the French Enlightenment, and the industrial revolutions of Britain and the USA. A whole range of causes and effects have been offered to explain this.

Individualism and Religion

There is considerable evidence that individualism and communitarianism follows the Protestant-Catholic religious divide. Calvinists had contracts

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or covenants with God and with one another for which they were personally responsible. Each Puritan worshipper approached God as a separate being, seeking justification through works. Roman Catholics have always approached God as a community of the faithful. Research has found that Catholics score higher on group choices and Protestants significantly lower. Geert Hofstede's research² confirms this; as do our own findings that Latin Catholic cultures, along with Asian cultures of the Pacific Rim, score lower on individualism than the Protestant West, for instance, the UK, Scandinavia (as a rule), the Netherlands, Germany, the USA and Canada.

Individualism and Politics

Individualism has been adopted or opposed by different political factions in the history of countries, and the strength of that ethic today depends greatly on the fortune of its advocates. It triumphed in the USA, but is still strongly opposed by the French Catholic tradition. Eighteenth-century France, though, was exposed to the pleasures of individualism by Voltaire and Rousseau. Later, in the nineteenth century, the French socialists pointed to the positive effects of individualism, while outlining a new independence from traditional structures and rejecting the authority of religious, economic and intellectual hierarchies. French business may have been affected forever by the fact that the pro-business French liberal party was in power when France fell suddenly to the Nazis in 1940. The fortunes of British individualism, at least in commerce, have been affected by Mrs Thatcher and her revolution.

Does modernisation imply individualism?

That individualism, or self-orientation, is a crucial element of modern society has been argued by Ferdinand Tönnies.³ He suggested that in modernising we emerge from *Gemeinschaft*, a family-based intimate social context in which the person is not sharply differentiated, into *Gesellschaft*, a workplace of individual tasks and separated responsibilities. Adam Smith, too, saw the division of labour as individualising.⁴ Max Weber saw many meanings in individualism: dignity, autonomy (meaning "self-rule"), privacy and the opportunity for the person to develop.⁵

We take it for granted in many western countries that individual geniuses create businesses, invent new products, deserve high salaries and shape our futures. But do they? How much credit is due to them and how much due to the patterns of organised employees? Why are Nobel Prizes for science awarded to single individuals becoming the exception? If a creative genius combines ideas, where did such ideas come from if not

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