



Perspectives on International Management - Audio

Institutional Differences

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FK: Dr Fahri Karakas

MM: Maggie Miller

RZ: Renzo Scacco

JC: James Cullens

MS: Professor (p.h) Moto Samarema,

M: Professor Muriama

[Music]

MFO:

So much of what we take for granted in our own cultural setting works differently elsewhere – what counts as fair, what counts as honest, what is rude or polite, the value of individual versus group achievement, the way time is understood and, very importantly, the nature of expectations people have of leaders and managers. These differences are important and not always easy to navigate.

FK:

MBA graduate tries to implement every rewarding system that he has learnt in North America and it is a total blunder, disaster even.

F1:

And I was astonished, in fact, shocked to learn later that that sort of behaviour was considered being not straightforward and even manipulative.

M2:

We have no problems with \$10,000 USD. Would you like to take it back with you on the flight? And it's like, no, because I'm sort of slightly frightened that I might not make it to the plane.

MFO:

We will introduce and hear more from all of these commentators shortly but before we do it's important to understand what we mean by culture. One of the best known definitions of

culture in relation to management and organisations comes from Geert Hofstede, one of the pioneers of research in this area. For Hofstede, culture is the collective programming of the mind which distinguishes the members of one human group from another. Groups with some degree of common culture might include religious groups, members of an organisation, members of a political movement or of an ethnic subgroup in a country. However, in this podcast, we'll focus mainly on elements of culture which varies between countries and regions.

Let's turn first to the difference that culture can make to a manager.

FK:

MBA graduate goes back to Turkey and tries every warning system that he has learnt in North America.

MFO:

My colleague at the Open University, Dr Fahri Karakas, describes a less than successful bonus strategy that was implemented in his native Turkey.

FK:

He is using monetary rewards in envelopes to workers who are performing well, who are really exceeding expectations and who are really performing at their peak, so he organises a meeting and congratulates them and offers them the envelopes which carry \$100 bonuses. And it is a total blunder, disaster, even, because they are furious. Why? Because they say, how can you quantify my loyalty, my contribution to this organisation? Is it worth \$100? I have given years to this organisation, and they felt greatly insulted.

MFO:

Fahri's story highlights the need to do your cultural homework before implementing a new strategy. Here, Maggie Miller reminds us of the need to be aware of our personal impact on those and other cultures.

MM:

Just as, inevitably, much as we try not to have preconceived ideas about other cultures, I think it's important also to remember that other cultures probably have some preconceptions about you. I worked in the UK for a long time in the financial services sector and it was considered good manners really to raise major issues outside a meeting rather than in a meeting - finger pointing in an argument in the course of a meeting was just considered bad manners and something you didn't do. And I carried that behaviour with me to working with a high-tech company that was US based and I was astonished and, in fact, shocked, to learn

later that that sort of behaviour was considered being not straightforward and even manipulative.

MFO:

Sometimes, of course, it's the turn of the manager visiting another culture to be shocked. Here, Renzo Scacco describes an alarming show of faith that he experienced in Russia.

RS: So when I was running a European distributor business back in the mid 90s we had basically fixed orders of, I think it was about \$10,000 USD by letter of credit and I remember my trip to Moscow at the time and one of the potential distributors said to me, "We have no problems with \$10,000 USD. Would you like to take it back with you on the plane?" And it's like, no, because I'm sort of slightly frightened that I might not make it to the plane with \$10,000. A very practical solution on their part and I think also a show of faith – we're not going to send you a letter from a bank that we don't know or you don't know. And, again, cultural norm in Moscow at the time – I'm not sure if it's changed – but certainly not accepted practice.

MFO:

On other occasions, it's simply a question of saying the wrong thing at the wrong time, putting one's foot in one's mouth, as James Cullens describes.

JC:

I was doing the merger of an English company, German company, and one unfortunate chap, presenting from a very well-known consultancy said, "So then chaps, when's D-Day?" [Laughter]. It's just the wrong cultural joke for the moment and of course they didn't get the business.

MFO:

There's no doubt that culture is very complex but there do exist some quite simple frameworks for conceptualising cultural differences between countries. Of course, simplicity does come at a cost and not even the authors of these frameworks would suggest that they come close to capturing the complexity and diversity of national cultures. However, these frameworks do at least provide the starting point, a way in.

The best known framework was developed by Geert Hofstede. Hofstede had characterised national cultures in terms of four dimensions: individualism, masculinity, uncertainty avoidance and power distance. He also later added a fifth – long-term orientation.

Let's look at an example – individualism. Individualism concerns whether cultures stress individual identity or group identity. In highly individualistic cultures such as the USA,

individual achievement is highly valued. In more collectivist cultures, low on individualism, group interests prevail. This can have important implications for management, not least the extent to which pay based on individual performance is effective or disruptive. Highly individualised approaches to rewards can also be a problem in low power distance cultures such as Denmark, where there is a strong cultural predisposition to equity of treatment, as James Cullens describes.

JC:

In a professional service firm, there is clearly two things that are very important: one is servicing your clients and a lot of people then focus on what bonus they're getting. And in Denmark, things were handled very, very differently because the organisation produced bonus pools and those were really allocated on an 'eat-what-you-kill' basis. In Denmark, a particular partner group actually pooled their bonuses together and actually then allocated them in a much more egalitarian way, totally counter to the culture of the organisation but very much the culture operating in Denmark.

MFO:

Here's another example – uncertainty avoidance. Cultures high in uncertainty avoidance avoid ambiguity. Clear rules and precise job descriptions are expected. Low uncertainty avoidance cultures, by contrast, place greater value on competition, conflict and risk. Hofstede's is not the only framework of this type. Another more recently developed example is the globe project. It has much in common with its predecessor but focuses particularly on expectations of leaders in different culture settings.

MS:

Professor (ph 0.07.31) Moto Samarema, (ph 0.07.28) beating distinct professor at (ph 0.07.33) Alwa School of Business and Economics, (ph 0.07.35) Sharda University.

MFO:

Professor Muriama tells us about the differences in how leadership works in Japan and America.

M:

The American has a hero conception. They executive is the hero. In Japan, the executive an extension of salary to men. It's like the agricultural community and the American is a more hunting community, no? And so they're more mobile but Japan is more like a village station. So that's why the hunting culture and the agriculture is quite different.

MFO:

These frameworks are useful and I would encourage you to research them further for yourself. They simplify culture and provide an entry point to understanding cultural differences and their implications for managers but their simplicity can also become a trap.

FK:

When you think about globe framework or a Hofstede framework, they are helpful to get an initial understanding of the differences and they give you a nice starting point.

MFO:

Dr. Fahri Karakas again.

FK:

But, when you really want to delve into the subtleties, complexities and reach details of culture, daily life, you have to really go beyond that. For example, British and Turkish cultural differences: boundaries and privacy rules are much clearer and much better established in the UK in daily life, whereas in Turkey, boundaries, privacy rules, they are easily neglected or broken. They are not important at all. People interfere with each other's lives much more easily. For example, a bus driver may... when he asks you where you will get off from the bus, he will suggest another way. He will make decisions for you because he will think that it will be for your wellbeing. Boundaries do not exist in daily life. Whereas in Britain they are very much established clear and set.

But when one's social status and class goes upper in the UK, boundaries dissolve. You tend to become more modest. You show utmost care to show that you're part of society so these boundaries dissolve. Not in Turkey – as one increases in status, boundaries become thicker and they are more established. People try to separate themselves from other regular beings by their titles or by their dressing style, which is a nuance which is not easily captured by either globe study or Hofstede. They will not tell you about these cultural details or richness so you have to really go beyond that and immerse yourself in the complexities and richness and the daily textures of these cultures.

MFO:

Another problem with these frameworks is that in focusing on differences between countries, they can draw our attention away from the cultural diversity within countries.

HH:

There is a massive diversity of communities in Foleshill and it seems to have changed over time and still seems to be changing.

MFO:

Heather Henry works with multicultural community groups in Coventry in the UK.

HH:

So as well as the indigenous white community, they are, of course, as you might expect, is quite a lot of South Asian communities and some newer ones such as Somali, particularly Eastern European on Foleshill Road. On the main road running through you will find about thirty languages spoken and there are a massive number of different faiths – we've got everything from Seven Day Adventists to Baptist, to the traditional mosques, etc, all along that road and they in particular seem to be a focus for bringing the community together.

[Music]

MFO:

There's no doubt that learning and understanding the cultural dimensions used in the globes and Hofstede frameworks is useful. They do help managers to sensitise to differences, but, and it really is a big but, they are no substitute for a rich and detailed understanding of another culture and they don't really allow for cultural variation within countries. Use the frameworks but use them wisely.

Cultural differences are not the only important difference for managers to be aware of between national settings. Institutional differences, differences between political, economic and social structures also matter a great deal, as we will discover in our next podcast.

[Music]