



MOHAMED BRANINE

MANAGING  
ACROSS CULTURES

CONCEPTS, POLICIES AND PRACTICES



# **MANAGING ACROSS CULTURES**

**SAGE** has been part of the global academic community since 1965, supporting high quality research and learning that transforms society and our understanding of individuals, groups, and cultures. SAGE is the independent, innovative, natural home for authors, editors and societies who share our commitment and passion for the social sciences.

Find out more at: **[www.sagepublications.com](http://www.sagepublications.com)**







MOHAMED BRANINE

# MANAGING ACROSS CULTURES

CONCEPTS, POLICIES AND PRACTICES

 **SAGE**

Los Angeles | London | New Delhi  
Singapore | Washington DC

© Mohamed Branine 2011

First published 2011

Apart from any fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act, 1988, this publication may be reproduced, stored or transmitted in any form, or by any means, only with the prior permission in writing of the publishers, or in the case of reprographic reproduction, in accordance with the terms of licences issued by the Copyright Licensing Agency. Enquiries concerning reproduction outside those terms should be sent to the publishers.

SAGE Publications Ltd  
1 Oliver's Yard  
55 City Road  
London EC1Y 1SP

SAGE Publications Inc.  
2455 Teller Road  
Thousand Oaks, California 91320

SAGE Publications India Pvt Ltd  
B III I Mohan Cooperative Industrial Area  
Mathura Road  
New Delhi 110 044

SAGE Publications Asia-Pacific Pte Ltd  
33 Pekin Street #02-01  
Far East Square  
Singapore 048763

**Library of Congress Control Number: 2010931692**

**British Library Cataloguing in Publication data**

A catalogue record for this book is available from the British Library

ISBN 978-1-84920-728-7  
ISBN 978-1-84920-729-4 (pbk)

Typeset by C&M Digital (P) Ltd, Chennai, India  
Printed in Great Britain by CPI Antony Rowe, Chippenham, Wiltshire  
Printed on paper from sustainable resources



# Summary of Contents

<i>List of Tables and Figures</i>	xxvi
<i>List of Mini Case Studies</i>	xxix
<i>Author Biography</i>	xxxi
<i>Acknowledgements</i>	xxxii
<i>Guided Tour</i>	xxxiii
<b>Part I Introduction</b>	<b>1</b>
1 Why Study Managing Across Cultures?	3
2 The Meaning and Importance of Managing Across Cultures	11
3 Contexts and the Cultural Dilemma of Managing Across Cultures	35
<b>Part I Case Study</b> Bob Over the Globe – Chevron and Saudi Aramco	71
<b>Part II Managing in Anglo-Saxon Countries</b>	<b>77</b>
4 The US and Canada	79
5 The UK and Ireland	107
6 Australia and New Zealand	145
<b>Part II Case Study</b> 9/11 – The Effects and Organizational Response	171
<b>Part III Managing in South-East Asian Countries</b>	<b>179</b>
7 Japan and South Korea	181

8	China and Hong Kong	215
9	Indonesia and Malaysia	249
<b>Part III Case Study</b> The 1997 Asian Financial Crisis		279
<b>Part IV Managing in Western European Countries</b>		285
10	Belgium and France	287
11	Germany and the Netherlands	315
12	Denmark, Norway and Sweden	345
13	Greece, Italy and Spain	369
<b>Part IV Case Study</b> EU Enlargement and its Implications for Work and Employment		395
<b>Part V Managing in Developing Countries</b>		403
14	African Countries	405
15	Arab Countries	437
16	India	475
17	Central and Eastern Europe	501
18	South America	529
<b>Part V Case Study</b> Making Poverty History		557
<b>Part VI Conclusion</b>		563
19	Emerging Issues and Future Challenges in Managing Across Cultures	565
<i>Glossary</i>		585
<i>Index</i>		599

# Contents

<i>List of Tables and Figures</i>	xxvi
<i>List of Mini Case Studies</i>	xxix
<i>Author Biography</i>	xxxi
<i>Guided Tour</i>	xxxii
<i>Acknowledgements</i>	xxxiv

<b>Part I Introduction</b>	1
1 Why Study Managing Across Cultures?	3
Why study the subject of managing across cultures?	3
This book: rationale, aims and structure	5
Rationale	5
Aims	6
Structure	6
How to use the book	7
Learning outcomes	8
Chapter review	8
References	9
2 The Meaning and Importance of Managing Across Cultures	11
Emergence of managing across cultures	11
The triggers	11
Expatriates' failure to complete assignments abroad	12
Recession in the 1980s	12
Economic development of Japan and South-east Asia	13
Economic development of China and India	13
'Westernization' of Central and Eastern Europe	14
The drivers	14
Multinational companies	14
International competition	15
Regional economic integration	15
Technical changes and flow of information	16
Trade and financial services	16
Political and cultural influences	17



Western management education and the use of English in business	17
Reforms in developing countries	18
The meaning of managing across cultures	18
Managing local employees globally	21
Building a global corporate culture	21
Forward diffusion of knowledge and skills	22
Managing global employees locally	23
National norms and values	24
National economic trends and organizational characteristics	25
National institutions and legal systems	26
Assessing and avoiding risks	27
Reverse diffusion of knowledge and skills	28
Summary	29
Revision questions	30
References	30
<b>3 Contexts and the Cultural Dilemma of Managing Across Cultures</b>	<b>35</b>
Introduction	35
The contexts of managing across cultures	36
The global–international context	37
Economic challenges	38
Political challenges	38
Legal challenges	39
Technological challenges	39
The local–national country context	40
The political environment	40
The legal environment	41
The economic environment	41
The organizational context	42
The ethnocentric approach	43
The polycentric approach	44
The geocentric approach	44
The regiocentric approach	45
Organizational culture	46
Is management a universal phenomenon?	47
Convergence theory	47
Divergence theory	49
The cultural dilemma of managing across cultures	50
Definitions of culture	51
Dimensions of culture	52
Kluckhohn and Strodtbeck (1961): cultural value orientations	53

Geert Hofstede: cultural dimensions of societies	53
Fons Trompenaars' (1993) Cultural Framework	60
The Project GLOBE cultural framework (House et al., 2004)	62
Summary	65
Revision questions	65
References	65
<b>Part I Case Study Bob Over the Globe – Chevron and Saudi Aramco</b>	<b>71</b>
Introduction	71
The birth and growth of Saudi Aramco	72
Chevron–Saudi Aramco interface	72
The globalizing power of business versus the localizing power of culture in managing people internationally	73
Questions	76
References	76
<b>Part II Managing in Anglo-Saxon Countries</b>	<b>77</b>
<b>4 The US and Canada</b>	<b>79</b>
Introduction	79
Contexts: economics, politics and culture	80
Economics	80
Politics	81
Culture	81
Labour market trends	82
The services sector	83
Unemployment	83
Flexible working practices	83
Job insecurity and high turnover	84
Diversity	85
Ageing working population	85
Management and organization	86
Strategic awareness	87
Avoidance of trade unions	87
Employee–employer agreements	89
Managing diversity	90
Managing human resources	91
Recruitment and Selection	91
Equal opportunities	91
Graduate recruitment	92
Selection	93
Education, training and development	94
Organizational training	94

Business and management education	95
Vocational education	96
Rewards and remuneration	96
Performance appraisal	96
Performance-related pay and negotiated pay	97
Minimum wage	97
Employee relations	98
Trade unions	98
Collective bargaining	100
Industrial action	101
Settlement of industrial disputes	102
Summary	102
Revision questions	104
References	104
 5 The UK and Ireland	 107
Introduction	107
Socio-economic and political context	108
Economics	108
Politics	109
Culture	110
Labour market trends	111
Shortages of skilled labour	112
Employment of women	112
The older workforce	113
Employment of migrant workers	114
Flexible working practices	114
The unemployment rate	115
Management and organization	115
Strategic integration	116
Outsourcing	117
Collective bargaining	117
Pragmatism	118
Flexibility and cost reductions	118
Commitment to quality improvement	119
International management orientation	120
Managing human resources	120
Recruitment and selection	120
Recruitment	121
Graduate recruitment	121
Selection	123
Training and development	123
Apprenticeship training	124

Employee training and development	124
Management education, training and development	125
Vocational training	126
Lifelong learning	127
Investors in People (IP)	127
Rewards and Remuneration	128
Performance appraisal	129
Performance-related pay	129
Statutory minimum wage	130
Wage inequalities	131
Employee relations	131
Trade unions	133
Collective bargaining	135
Strikes and industrial action	135
Settlement of industrial disputes	136
Employee involvement and participation	136
Summary	137
Revision questions	138
References	138
<b>6 Australia and New Zealand</b>	<b>145</b>
Introduction	145
Contexts: economics, politics and culture	146
Economics	146
Politics	147
Culture	147
Labour market trends	148
Employment of women	149
Flexible working practices	149
Employment of older people	150
Employment of ethnic minorities	151
Unemployment	151
Management and organization	152
HR and corporate strategy	152
Reliance on legal experts	153
Managing human resources	153
Recruitment and selection	153
Recruitment	154
Graduate recruitment	154
Selection	154
Training and development	155
On-the-job training and apprenticeships	156
Off-the-job training and education	156

Organizational training	157
Rewards and remuneration	157
Centralized rewards system (rewards set by collective agreement)	158
Decentralized rewards system (rewards set by individual arrangements)	158
The minimum wage	159
Employee relations	160
Trade union organization, membership and density	162
Collective bargaining	163
Industrial conflicts and strikes	165
Settlement of industrial disputes	165
Employee involvement and participation	166
Summary	167
Revision questions	167
References	168
<b>Part II Case Study 9/11 – The Effects and Organizational Response</b>	171
Introduction	171
The impact of 9/11 on travelling and tourism	171
Dealing with and responding to the crisis	172
Redundancies – the common response to a crisis	173
Recruiting and retaining key employees	174
Training for possible attacks	175
Communication and crisis management plans	175
Conclusion	176
Questions	177
References	177
<b>Part III Managing in South-East Asian Countries</b>	179
<b>7 Japan and South Korea</b>	181
Introduction	181
Contexts: economics, politics and culture	182
Economics	182
Politics	183
Culture	184
Labour market trends	184
Low unemployment rates	185
<i>Chaebol</i> and <i>zaibatsu</i>	186
A hard-working, committed and loyal workforce	187
Female employment	187
Older working population	188

From full-time employment to flexible employment	189
Management and organization	190
Quality improvement	190
Consultation, communication and decision-making: the <i>ringi</i> system	191
Paternalistic leadership	192
Job security: from lifetime employment to employment adjustment	192
Managing human resources	193
Recruitment and selection	193
Recruitment	193
Graduate recruitment	194
Selection	194
Training and development	195
Company induction training	196
On-the-job training and job rotation	197
Enterprise-specific skills training	197
Continuous training	198
Self-development	198
Management training and development	198
Rewards and remuneration	200
Minimum wage	200
Seniority-based rewards	201
Rewards and organizational size and sector	201
Bonus systems	201
Performance-related pay	202
Promotion	203
Employee relations	204
Trade unions	204
Enterprise unions	205
Collective bargaining	206
Industrial action	207
The settlement of industrial disputes	209
Summary	210
Revision questions	210
References	211
 8 China and Hong Kong	 215
Introduction	215
Contexts: economics, politics and culture	216
Economics	216
Politics	217
Culture	218



Labour market trends	219
Skills shortages	220
Rural-urban migration	221
Joint ventures and foreign-owned companies	221
Stratification and exploitation of the labour force	222
Management and organization	223
State- and party-orientated management	224
Heavily regulated management	225
Culturally determined management	226
Western management	227
Managing human resources	228
Recruitment and selection	228
From lifetime employment to labour contract assignments	229
From centralized to decentralized recruitment	229
From non-existent to more formalized recruitment and selection methods	230
Training and development	232
Education and learning process	232
Vocational training and education	234
Organizational training	235
Management education, training and development	235
Management education on a wider scale	236
Training as many managers as possible at home and abroad	236
Supporting Chinese managers in learning from joint ventures and foreign-owned companies	236
Rewards and remuneration	237
Minimum wage	238
Performance appraisal and performance-related pay	239
Employee relations	240
Trade union composition and membership	240
The role of trade unions	241
The workers' congress	242
Industrial action	243
Settlement of industrial disputes	244
Summary	244
Revision questions	245
References	245
<b>9 Indonesia and Malaysia</b>	<b>249</b>
Introduction	249
Contexts: economics, politics and culture	250
Economics	250
Politics	252

Culture	253
Labour market trends	255
Unemployment rate	256
Employee turnover	256
Demand for skilled and professional labour	257
Employment of women and ethnic groups	257
Employment of immigrant workers	258
Management and organization	259
Regulated management	259
Paternalistic management	260
Integrated management	261
Quality-based management	261
Adopted management	261
Managing human resources	262
Recruitment and selection	262
Affirmative action	263
Word of mouth	263
Kinship recruitment	264
Need-based recruitment	264
Training and development	264
Education	264
Training	265
Rewards and remuneration	266
Minimum wage	267
Performance appraisal and performance-related pay	268
Employee relations	269
Trade unions	270
From state unions to company unions	272
Collective bargaining	273
Industrial action	274
The settlement of industrial disputes	275
Summary	275
Revision questions	276
References	276
<b>Part III Case Study The 1997 Asian Financial Crisis</b>	<b>279</b>
Introduction	279
Causes	279
The effects	280
Responses and recovery measures	281
Conclusion	283
Questions	284
References	284

<b>Part IV Managing in Western European Countries</b>	<b>285</b>
<b>10 Belgium and France</b>	<b>287</b>
Introduction	287
Contexts: economics, politics and culture	288
Economics	288
Politics	289
Culture	289
Labour market trends	290
Unemployment	291
Flexible working practices	292
Female participation	293
Migrant labour	294
Older working population	295
Management and organization	296
Formality and bureaucracy	296
Elitism and intellect	297
Strategic awareness	298
Internal partnership and empowerment of line managers	298
Managing human resources	298
Recruitment and selection	299
Recruitment	299
Graduate recruitment	299
Selection	300
Training and development	300
Education	301
Vocational and employer-provided training	302
Vocational training for young people	302
Employer-provided training	303
Rewards and remuneration	304
Minimum wage	305
Performance-related pay	305
Employee relations	306
Trade unions	306
Trade union membership and density	307
Collective bargaining	307
Worker participation	308
Industrial action	310
Settlement of industrial disputes	310
Summary	311
Revision questions	312
References	312

<b>11</b>	<b>Germany and the Netherlands</b>	<b>315</b>
	Introduction	315
	Contexts: economics, politics and culture	316
	Economics	316
	Politics	316
	Culture	317
	Labour market trends	318
	Unemployment	319
	Equal opportunities and diversity	320
	Older versus younger workers	321
	Immigrant workers	323
	Management and organization	323
	Integrated management	323
	Strategic management	324
	Participative management (co-determination)	324
	Managing human resources	325
	Recruitment and selection	325
	Recruitment	326
	Selection	327
	Training and development	327
	Education	328
	Vocational training	329
	Rewards and remuneration	331
	The minimum wage	332
	Allowances and benefits	333
	Performance-related pay	333
	Employee relations	334
	Trade unions	334
	Works councils	335
	Collective bargaining	338
	Industrial action	339
	Settlement of industrial disputes	340
	Summary	341
	Revision questions	342
	References	342
<b>12</b>	<b>Denmark, Norway and Sweden</b>	<b>345</b>
	Introduction	345
	Contexts: economics, politics and culture	346
	Economics	346
	Politics	347
	Culture	347

Labour market trends	348
Unemployment	349
Female participation	350
Flexible working	351
Migrant labour	352
Management and organization	353
Social partnership	353
Egalitarianism and consensus	354
Empowerment of line managers	354
Industrial democracy	354
Managing human resources	355
Recruitment and selection	356
Recruitment	356
Selection	356
Training and development	357
Education	357
Vocational training	357
Organizational training	358
Life-long learning	358
Rewards and remuneration	359
Performance-related pay	360
Employee relations	360
Trade unions	361
Trade union membership	363
Collective bargaining	363
Industrial action	364
Settlement of industrial disputes	365
Summary	366
Revision questions	366
References	367
<b>13 Greece, Italy and Spain</b>	<b>369</b>
Introduction	369
Contexts: economics, politics and culture	370
Economics	370
Politics	370
Culture	372
Labour market trends	372
Unemployment	373
Temporary employment	374
Flexible working practices	375
Immigrant labour	376
Management and organization	377

Ownership and management practice	377
Internationalized management	377
Managing human resources	378
Recruitment and selection	379
Recruitment	379
Graduate recruitment	380
Selection	380
Training and development	381
Education	381
Vocational training	383
Organizational training	383
Rewards and remuneration	384
The minimum wage	384
Performance appraisal and performance-related pay	385
Employee relations	385
Trade unions	386
Trade union membership and density	387
Collective bargaining	388
Industrial action	390
Settlement of industrial disputes	391
Summary	392
Revision questions	392
References	393

<b>Part IV Case Study</b> EU Enlargement and its Implications for	
Work and Employment	395
Introduction	395
The transitional clause	396
Drivers of immigration	397
Implications and responses	398
Questions	400
References	400

**Part V Managing in Developing Countries** 403

<b>14 African Countries</b>	405
Introduction	405
Contexts: economics, politics, and culture	406
Economics	406
Politics	408
Culture	409
Labour market trends	410
High unemployment	410



Declining public sector employment	411
Growth of informal sector employment	412
Low participation of women in formal employment	412
Child labour and illegal employment practices	412
Effects of HIV and AIDS on employment	413
Migration of skilled and professional labour	414
Shortages of skilled and educated labour	415
Management and organization	416
Centralization of decision-making	416
Public sector management and bureaucracy	417
Politicization of management practices	418
<i>Ubuntu</i> management	418
Managing human resources	420
Recruitment and selection	420
Training and development	422
Inadequate education systems	422
Inappropriate education and training programmes	422
Inefficient management of education and training bodies and institutions	423
Insufficient organizational training	423
The influence of culture on training	424
Rewards and remuneration	425
Minimum wage	425
From seniority to merit-based pay	426
Performance appraisal	426
Supplementary pay	427
Promotion by decree	427
Informal welfare system	427
Employee relations	428
Trade unions	429
Collective bargaining	430
Industrial action	431
Settlement of industrial disputes	431
Summary	432
Revision questions	433
References	434
<b>15 Arab Countries</b>	437
Introduction	437
Contexts: economics, politics and culture	438
Economics	438
Politics	442
Culture	442

Labour market trends	443
Uneven composition and distribution of labour	443
Unemployment and youth unemployment	444
From foreign to national labour employment: localization	445
Public versus private sector employment	446
Foreign investment	447
Female employment	448
Child labour and illegal employment practices	449
Immigration of skilled and professional labour	449
Management and organization	449
Inherited management policies and practices	450
Authoritarianism	450
Paternalism	451
Centralization of decision-making	451
Politically oriented management	451
Bureaucracy	452
Adopted management policies and practices	452
Adopted socialist management systems	452
Adopted capitalist management systems	452
Factors conditioning management and organization	
in Arab countries	453
Traditional norms and values	453
Islamic values and principles	456
Managing human resources	461
Recruitment and selection	461
Recruitment	461
Selection	462
Training and development	463
Vocational training	464
Organizational training	464
Management development	464
Rewards and remuneration	465
Seniority-based pay	465
Nationality-based pay	466
Pay for goodwill	466
Performance appraisal	467
Performance-related pay	467
Employee relations	468
Trade unions	468
Collective bargaining	469
Industrial action	469
Settlement of industrial disputes	469

Summary	470
Revision questions	470
References	471
<b>16 India</b>	<b>475</b>
Introduction	475
Contexts: economics, politics and culture	476
Economics	476
Politics	477
Culture	477
Labour Market Trends	479
Unemployment	479
Agricultural employment	479
Increasing employment in IT	480
Employment and foreign direct investment	480
Informal sector employment	481
Female participation in the labour market	481
Child labour and illegal employment practices	482
Skill shortages	483
Management and organization	483
Authoritative and paternalistic management	484
Integrated and international management	485
Managing human resources	486
Recruitment and selection	487
Recruitment	487
Selection	487
Graduate recruitment	488
Training and development	489
Education and learning	489
Vocational education and training	490
Organizational training	490
Rewards and remuneration	490
Basic pay, benefits and allowances	491
Performance appraisal and performance-related pay	491
Employee relations	492
Trade unions	492
Collective bargaining	493
Industrial action	494
Settlement of industrial disputes	494
Summary	495
Revision questions	495
References	496

<b>17</b>	<b>Central and Eastern Europe</b>	<b>501</b>
	Introduction	501
	Contexts: economics, politics and culture	502
	Economics	502
	Politics	504
	Culture	505
	Labour market trends	506
	From state-owned large companies to privately owned small and medium size enterprises	507
	Company closures, downsizing and mass redundancies	508
	A well-qualified and skilled workforce	508
	Female employment	509
	Flexible working	510
	Management and organization	511
	Authoritarian management	512
	Experimental management	512
	Initiative management	513
	Managing human resources	514
	Recruitment and selection	515
	Too many applicants to choose from	516
	Applicants in high demand	516
	Applicants by recommendation	516
	Training and development	517
	Organizational training	517
	Rewards and remuneration	519
	Limited use of performance-related pay	519
	Rewards based on managerial judgements	519
	Rising wage inequalities	520
	Employee relations	520
	Trade unions	521
	Collective bargaining	522
	Industrial action	523
	The settlement of industrial disputes	524
	Summary	524
	Revision questions	525
	References	525
<b>18</b>	<b>South America</b>	<b>529</b>
	Introduction	529
	Contexts: economics, politics and culture	531
	Economics	531
	Politics	532
	Culture	532

Labour market trends	533
Unemployment	534
Agricultural employment	535
Declining public sector employment	536
Informal sector employment	536
Self-employment	537
Temporary, seasonal and short-term employment	537
Multinationals and employment	538
Increasing employment of women	539
Child labour	539
Labour migration	540
Management and organization	540
Person-centred approach	540
Authoritarian management	541
Centralized approach	541
Procedural formality and formal behaviour	542
Paternalism	542
Face-to-face communication	543
Managing human resources	543
Recruitment and selection	543
Recruitment	544
Selection	544
Training and development	545
Organizational training	545
Apprenticeships	546
Vocational training	546
Management education and training	547
Rewards and remuneration	548
Minimum wage	548
Rewards and the family	549
Pay inequalities	549
Limited employment benefits	550
Performance appraisal	550
Employee relations	550
Trade unions	551
Collective bargaining	552
Industrial action	552
Settlement of industrial disputes	553
Summary	553
Revision questions	554
References	554

<b>Part V Case Study</b>	<b>Making Poverty History</b>	<b>557</b>
Introduction		557
Aid, trade and security		558
The need for sustainable and developmental aid programmes		559
The need for fair international trade and more foreign direct investment		559
The need for peace, equality and justice		560
Management and organization		561
Conclusion		562
Questions		562
References		562
<b>Part VI</b>	<b>Conclusion</b>	<b>563</b>
<b>19</b>	<b>Emerging Issues and Future Challenges in Managing Across Cultures</b>	<b>565</b>
	Introduction	565
	Managing diversity	566
	Managing equality	568
	Employment of women	569
	Employment of ethnic minorities	571
	Employment of older people	571
	The need for international equal opportunities policies	571
	Managing flexibility	572
	Flexible working practices	573
	Family-friendly policies	574
	Ethics in managing across cultures	576
	Managing information technologies	577
	Managing environmental awareness and employee well-being	579
	Summary	580
	Revision questions	580
	References	581
	<i>Glossary</i>	585
	<i>Index</i>	599



# List of Tables and Figures

## Tables

2.1	The triggers and drivers of managing across cultures	12
3.1	Summary of Hofstede's Cultural Dimensions	54
3.2	The GLOBE project cultural dimensions	63
3.3	The GLOBE project country clusters	64
3.4	The present study's classification of global approaches to management	64
4.1	Basic statistical indicators: The US and Canada	80
4.2	Age structure (%) 2010, the US and Canada	82
4.3	Workforce distribution by occupation in 2007 (%), the US and Canada	83
4.4	Part-time employment as a percentage of total employment, the US and Canada	84
4.5	Share of women of working age (14–64 years) in employment (%), the US and Canada	85
5.1	Basic statistical indicators: The UK and Ireland	108
5.2	Workforce distribution by occupation in 2006 (%), the UK and Ireland	111
5.3	Age structure (%) (2010), the UK and Ireland	113
6.1	Basic statistical indicators, Australia and New Zealand	146
6.2	Workforce distribution by occupation in 2005 (%), Australia and New Zealand	148
6.3	Age structure (%) (2009), Australia and New Zealand	150
7.1	Basic statistical indicators, Japan and South Korea	182
7.2	Employment by sector in Japan and South Korea (%)	185
7.3	Unemployment rates 1990–2009 (%), Japan and South Korea	186
7.4	Share of women of working age in employment (%) (selected industrialized countries)	188
7.5	Age structure (%) (2009), Japan and South Korea	189
7.6	Part-time employment as a percentage of total employment (selected industrialized countries)	189

8.1	Basic statistical indicators, China and Hong Kong	216
8.2	Labour and employment, China and Hong Kong	220
8.3	Age structure (%) (2009), China and Hong Kong	220
9.1	Basic statistical indicators, Indonesia and Malaysia	250
9.2	Age structure (%) (2009) Indonesia and Malaysia	255
9.3	Distribution of labour force by sector (%), Indonesia and Malaysia	256
9.4	Number of trade unions and membership by gender, Malaysia, 2001–5	272
10.1	Basic statistical indicators, Belgium and France	288
10.2	Employment by sector in Belgium and France (%)	290
10.3	Unemployment rates 1990–2009 (%), Belgium and France	291
10.4	Age structure (%), (2009) Belgium and France	295
10.5	Trade union density (1999–2007), Belgium and France	307
11.1	Basic statistical indicators, Germany and the Netherlands	316
11.2	Workforce distribution by occupation in 2009 (%), Germany and the Netherlands	318
11.3	Age structure (%) (2009), Germany and the Netherlands	321
11.4	Trade union density 1999–2007 (%), Germany and the Netherlands	335
12.1	Basic statistical indicators, Denmark, Norway and Sweden	346
12.2	Workforce distribution by occupation in 2009 (%), Denmark, Norway and Sweden	349
12.3	Age structure (%) (2009), Denmark, Norway and Sweden	350
12.4	Trade union density 1999–2007 (%), Denmark, Norway and Sweden	363
13.1	Basic statistical indicators, Greece, Italy and Spain	370
13.2	Workforce distribution by occupation in 2006 (%), Greece, Italy and Spain	373
13.3	Age structure (%) (2009), Greece, Italy and Spain	374
13.4	Trade union density 1999–2007 (%), Greece, Italy and Spain	388
14.1	Basic statistical indicators of a sample of African countries	407
14.2	GDP: per capita and composition by sector (%) in 2008, selected African countries	408
14.3	Age structure (%) (2009), selected African countries	411
15.1	Basic statistical indicators for most Arab countries	439
15.2	Share of the petroleum sector in the economies of the Arab members of OPEC (2008)	440
15.3	Workforce distribution by occupation in 2008 (%), for selected agricultural Arab countries	441

15.4	GCC countries' population and workforce distribution between nationals and non-nationals (2009)	444
15.5	Age structure of selected Arab countries (%) (2009)	445
15.6	Male and female employment by sector (%) (2005), selected Arab countries	448
16.1	Basic statistical indicators, selected emerging economies	475
16.2	Age structure (%) (2009), selected emerging economies	482
17.1	Basic statistical indicators of selected CEE countries	503
17.2	Real GDP growth rate between 2000 and 2009 (%), selected CEE countries	504
17.3	Workforce distribution by occupation in 2009 (%), selected CEE countries	506
17.4	Age structure (%) (2009), selected CEE countries	509
17.5	Employment by gender between 1999 and 2009 (%), selected CEE countries	510
17.6	Part-time employment in selected CEE countries in comparison with some Western European countries (% of total employment)	510
17.7	Union membership 2000 to 2007 (%), selected CEE countries	521
18.1	Basic statistical indicators of selected South American countries	530
18.2	Age structure (%) (2009), selected South American countries	533
18.3	Workforce distribution by occupation in 2009 (%), selected South American countries	535
18.4	South American countries with a national minimum wage (2007)	549

## Figures

2.1	National, comparative and cross-cultural management	20
2.2	The process of managing across cultures	21
3.1	The contexts of managing across cultures	36

# List of Mini Case Studies

1	The Western Expatriate in West Africa	23
2	General Electric in Hungary	28
3	No Job is Good Enough for Me Yet! (The US)	84
4	The Assembly Line is Better than the Office: US Recruitment	93
5	Ladies First (the UK)	113
6	Work As You Like and Do What We Ask You to (the UK)	115
7	I Wish I Were an Old Foreign Woman (Australia)	151
8	The Wan Tan Slaughter House in the Asia-Pacific	155
9	The 2002 New Zealand Cricket Pay Dispute	159
10	The KiwiSaver Bill, New Zealand	160
11	Minimum Union Membership in Australia	163
12	From the US to Japanese MBA	199
13	Age Before Beauty (Japan)	203
14	Strikes at Citibank's Seoul Office	208
15	Do As You Are Told (China)	227
16	Got to be Tall, Fit and Good Looking (China)	231
17	Western Management for Chinese Managers	237
18	No Compulsion in Religion: South-east Asia	254
19	A Trapped Workforce (Malaysia)	258
20	Developing Tourism in Sabah State, Malaysia	266
21	Appraisal and Favouritism: Malaysia	268
22	France: The First Employment Contract 2006	291
23	You are Unwanted Unless you are Highly Skilled	294
24	Changing the 'Last in, First out' Principle (the Netherlands)	319
25	The German Training Levy	330
26	Strikes at the Netherlands Potato Starch Group	340
27	Too Short for a Volvo (Sweden)	351
28	Norway in the Right Way	359
29	Danish Union Governance	362
30	Regulating Part-time Employment in Greece	376
31	Recruiting to Order in Spain	380
32	Greek Union Power	390

33	Africa: Give Me One Reason Why I Should Stay	415
34	'Ubuntu existe partout'	420
35	Performance Appraisal in the Nigerian Civil Service	428
36	Kenya: Flowers with Tears	432
37	I Did Not Meet the Locals (the Gulf States)	446
38	The World Goes Around: Islamic Management	460
39	Global Products for Local Tastes (India)	478
40	I Need a Good Reference (India)	488
41	It Works in the West (Poland)	514
42	Training for Changing Times (the CEE Countries)	518
43	To Negotiate or Not to Negotiate (Romania)	523
44	Marcopolo Brazil	536
45	Say South America, You Get Football	538
46	Young and Handsome from Lebanese Immigrants (Argentina)	544
47	Can't Go or Won't Go: Female Expatriates	572

# Author Biography

Professor Mohamed Branine is Director of Postgraduate Research Degrees and Postgraduate Admissions, and MBA Programme Director at Dundee Business School (DBS), University of Abertay Dundee. He graduated in economics and management from Algiers University, Algeria and received a PgDipBA, an MPhil and a PhD from Lancaster University in England. In 1991 he became a United Nations human resource management specialist teaching in its UNDP (United Nations Development Program) projects. He has taught at several universities including Lancaster, Manchester, Bradford and Stirling in the UK, the University of British Columbia in Vancouver (Canada), and the University of International Business and Economics in Beijing (People's Republic of China). Before joining the University of Abertay Dundee in 2002 he was a senior lecturer and MBA Programme Director at Stirling University. He is a well-known scholar in many African, Middle and Far Eastern countries for his comparative work which is published in several academic papers, research monographs and professional articles. His research interests are in international and comparative human resource management with particular focus on:

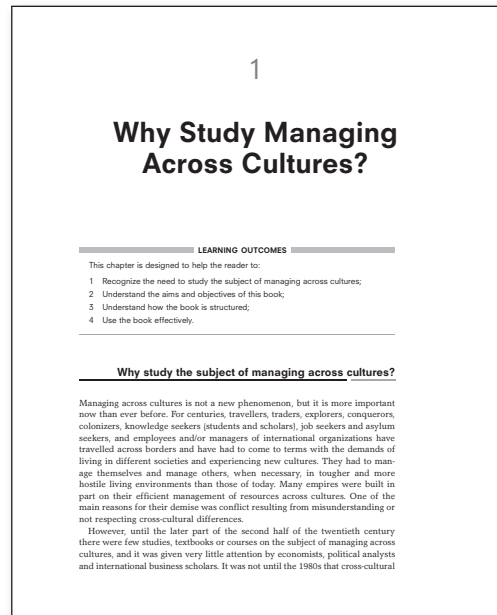
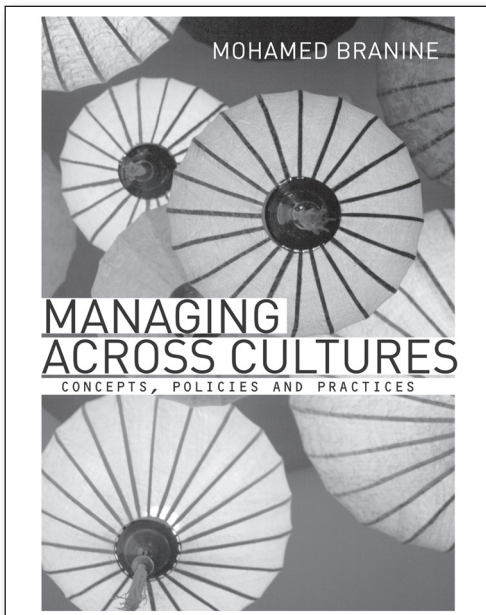
- The determinants of different approaches to management and organization in different countries;
- The practical challenges of managing across cultures for international managers in a competitive business environment;
- The effects of international strategic alliances on national and international human resource development;
- Graduate recruitment, job creation and labour market trends in Europe;
- Culture and environmental awareness in the workplace; and
- Perceptions of age and gender in work and employment in different cultures.

Dr Branine is an active supervisor of doctoral students and masters' degree dissertations as well as teaching Human Resource Management, International Business and Business Research Methods to undergraduate and postgraduate students.

# Acknowledgements

This book has drawn on many sources and it would have not been completed without the support of many people. I am indebted to all my colleagues, students, friends and family members for their support, encouragement and patience. I am indebted to all the authors whose work is reviewed, developed or just cited in this book. My particular thanks are to the reviewers and the editors of the first draft of the manuscript for their constructive comments and professional suggestions for improvements. My sincere thanks are to the team at Sage for their professional assistance and patience, in particular Natalie Aguilera, Clare Wells, Ruth Stitt, Rachel Eley and Ben Griffin-Sherwood. I would also like to take this opportunity to thank my mentors and former colleagues at Lancaster University, in particular Professor David H. Brown, Professor Frank Blackler and Dr Colin Brown for setting me on the right path to an academic career and for inspiring the ideas for this book; all my former colleagues at Stirling University, in particular Professor Chris Baldry and Dr Ian Glover for reviewing and supporting the proposal for this book; and all my current and former colleagues at Abertay University for their friendship and continuous support. My thanks are also to Professor Farhad Analoui and Professor Frank McDonald at Bradford University; Professor Kamel Mellahi at Warwick University; Professor Pawan Budhwar at Aston University; Professor Alex Scott and Iain Lauder at Herriot Watt University; Dr Aminu Mamman, Dr Chris Rees, Derek Edridge and Dr Farhad Hussein at Manchester University; Professor Peter Rosa at Edinburgh University, Martin Dowling at St Andrews University; Professor Robert Chia at Strathclyde University; Dr David Pollard at Leeds Metropolitan University; Professor Mike Hughes and Professor Jeff Hyman at Aberdeen University and Dr Azhdar Karami at Bangor Business School for their support over the years and their direct or indirect contribution to the completion of this project. Last but not least, I would like to thank and dedicate this book to my wife Nadia and our children Salim, Sarah and Nassim for their enduring patience and endless support over the years in which I have given more time to the completion of this book. Although every effort has been made to seek permission of the owners of copyright material and to fully acknowledge the authors whose work has been used, there may still be instances where this has been mistakenly overlooked in the process of undertaking this extensive project and I am very sorry in advance for any unwitting infringements.

# Guided Tour



**Learning outcomes:** A clear set of key learning objectives are provided for each chapter.

**Introduction:** The introduction outlines the main topics and issues to be covered in each chapter.



- 6 Many companies are merging or forming strategic alliances with companies from other countries, involving negotiations and partnerships, and then having to work with managers and workers from different cultures and backgrounds.
- 7 Managing across cultures is not confined to what multinational companies (MNCs) or profitable organizations do. It affects every organization that operates internationally, regardless of its size, nature or location. Therefore the need to study the subject of managing across cultures is not just for those who want to work for multinational companies but for everyone who may become involved in managing resources in different countries and societies.

## ACTIVITY 1

- 1 List what you consider to be the three best reasons for you to study this subject.
- 2 How might an understanding of this subject either (a) contribute to your career development or (b) enhance the performance of the organisation (if any) you work for?

## This book: rationale, aims and structure

## Rationale

This book provides a detailed and comprehensive treatment of the concepts, policies and practices of managing resources – especially human resources – in various socio-economic, political and cultural contexts. It provides the reader with an understanding of the theory and practice of different national approaches to management, moving from conceptual analysis to the discussion of policies and practices. The book seeks to develop a broad understanding of the determining characteristics of national management approaches and to enable the reader to distinguish between different approaches to management and to learn from examples of 'good and bad' practice of management in different national cultural settings. While recognizing the importance of cultural influences on management theories and practices and at the same time accepting the argument that many societies are becoming similar rather than different in their management objectives, this book defines the process of managing across cultures simply as the management of local employees globally and international employees locally. In doing so it helps to establish the ways by which national cultural differences influence employment policies and practices of different countries and the ways by which national and international organizations have responded to them in a world that is determined by a globalizing power of business on the one hand and a localizing power of culture and politics on the other.

## MINI CASE STUDY 1

## The Western Expatriate in West Africa

When asked about the working and living conditions of expatriates, Mrs. Celia Ugboke, the managing director of a major petroleum company in West Africa, replied, 'Western expatriates are highly valued, highly paid, well respected and admired for their knowledge and expertise, commitment to their work, dedication, careful attention to detail, respect for time, and tolerance and sensitivity to other cultures. Our respectful treatment of foreigners has led to increasing numbers of Western and non-Western (black country) expatriates and has facilitated forward diffusion of Western management practices and policies to my country.'

## Questions

- 1 Speculate on (a) the context in which the comment was made and (b) what might be the positive and the negative connotations of Mrs. Ugboke's statement.
- 2 Judging from the manager's comment, what types of knowledge and skills do you think the local employees may learn from forward diffusion?

## Managing global employees locally

Just as local employees have to be managed globally through the building of global corporate culture and the forward diffusion of knowledge and skills, global employees, mainly expatriates, have to be managed locally in order to achieve their assignment objectives successfully. Global employees, as home country expatriates or third country employees, have to understand the local working environment, the local employees, the local institutions and the local norms and values in order to work with or to manage the local workforces globally. In other words, global employees have to respond to the localizing power of culture and, very often, politics as well.

National differences in norms, values, traditions and beliefs, in levels of economic growth and development, and in institutional settings are the main sources for divergence in management policies and practices between societies. Though it is possible to assimilate organizational structures, to rationalize processes and to standardize products and services between countries, it is not, as Adler (2002) pointed out, easy to assimilate people's behaviour because of their culturally, economically and politically based differences. Therefore managing across cultures requires managers to be aware of the effects that these differences may have on their management policies and practices. They should be aware of the main national norms and values, of the national economic trends and organizational characteristics, and of the national institutions and the legal system.

**Activity:** In-class activities encourage discussion and provoke thought.

**Mini case study:** The mini case studies throughout each chapter provide 'real life' examples that enhance understanding.

activities is to share learning and generate new knowledge from the local operations. Encouraging reverse diffusion of management theories and practices can lead to better understanding of the local working environment and to the development of appropriate approaches to managing across cultures.

## Summary

- 1 The subject of managing across cultures has emerged in recent years as a significant field of academic research and study as a result of a number of triggers and drivers. Among the triggers are: the failure of expatriates to complete their assignments abroad; the economic recession of the 1980s; the rise and successes of South-east Asian countries; the openness of China and later India to the west; and the end of the Cold War and the 'Westernization' of Eastern Europe. The main drivers have been: the growth and spread of multinational companies; international competition; regional economic integration; technical changes and international mobility of information; open trading and availability of financial services; political and cultural influences; internationalization of Western management education with the use of English as the international language of business; and the liberalization and democratization of developing countries.
- 2 Most of the definitions of managing across cultures focus on the concept of culture and the effects of cultural differences on management in different countries. This book acknowledges the importance of culture and its effects on management and goes beyond the need to understand the similarities and differences between societies to see the process of managing across cultures as the management of local employees globally and global employees locally, including expatriates, host and third country employees, national and international employee regulators, and national and international employee and employer organizations.
- 3 The management of local employees globally requires, at least, the building of a global corporate culture that local employees can understand and identify with, and having a strategy of forward diffusion of knowledge and skills from the home to the host countries.
- 4 Just as local employees have to be managed globally, global employees, mainly expatriates, have to be managed locally in order to achieve their assignments successfully. Global employees have to understand the local working environment, employees, institutions, and norms and values in order to manage the local workforce globally.
- 5 The process of managing across cultures sits between the globalizing power of business and the localizing power of culture and politics. The problem in implementing such a process effectively lies in knowing the unknown. The more familiar the international manager (expatriate) is with the local working environment and local employees, and the more the local employees know about the corporate culture and its operations, the greater and better the global (MNCs) and local responsiveness. The factors that may facilitate the process of knowing the unknown are the ability to assess and avoid risks, and the encouragement of 'reverse diffusion' of management good practice from the host to the home country.

## Revision questions

- 1 Discuss with the use of examples the main factors and events that have led to the emergence of cross-cultural management as a significant field of academic research and study.
- 2 What does 'managing across cultures' mean? Elaborate your answer by referring to at least two contrasting definitions.
- 3 What do you think are the main things that international organizations can do to be successful in (a) managing global employees locally and (b) managing their local employees globally?

## References

- Adler, N. (2002) *International Dimensions of Organizational Behaviour*, 4th edn, Cincinnati, OH: South-Western College Publishing/Thomson Learning.
- Bal, D.A. and McCulloch, W.H. (1993) *International Business: Introduction and Essentials*, London: Irwin.
- Bamber, G.J. and Lansbury, R.D. (eds) (2004) *International and Comparative Employment Relations*, 4th edn, London: Sage.
- Barlett, C.A. and Ghoshal, S. (1998) *Managing Across Borders: The Transnational Solution*, 2nd edn, London: Century Business.
- Brannin, M. (1997) 'Change and continuity in Chinese employment relationships', *New Zealand Journal of Industrial Relations*, 22(1): 77-94.
- Brewster, C. and Harris, H. (1999) *International HRM: Contemporary Issues in Europe*, London: Routledge.
- Brewster, C. and Tynan, S. (eds) (1991) *International Comparisons in Human Resource Management*, London: Pitman.
- Brooke, D.R. and Schuler, R.S. (2004) *International Human Resource Management*, 2nd edn, London: Routledge.
- Brownway, M.J. and Price, R. (2008) *Understanding Cross-cultural Management*, Harlow: Prentice-Hall/Financial Times.
- Budhwar, P. and Debrah, Y.A. (eds) (2001) *Human Resource Management in Developing Countries*, London: Routledge.
- Budhwar, P. and Mallik, K. (eds) (2006) *Managing Human Resources in the Middle East*, London: Routledge.
- Budhwar, P. and Sparrow, P. (2002a) 'An integrative framework for determining cross-national human resource management practices', *Human Resource Management Review*, 12(3): 377-403.
- Budhwar, P. and Sparrow, P. (2002b) 'Strategic HRM through the cultural looking glass: mapping cognitions of British and Indian HRM managers', *Organization Studies*, 23(4): 599-638.
- Chen, M. (2002) *Asian Management Systems*, 2nd edn, London: Thomson Learning.
- Child, J. (1994) *Management in China in the Era of Reform*, Cambridge: Cambridge University Press.

**Summary:** The main points of each chapter are pulled together, making revision easy.

**Revision questions:** Questions at the end of each chapter help you to check your understanding of the key issues in each chapter.

# Part I

## **Introduction**

**Part 1: Introduction**  
**Map 1: The World with its borders (2010)**



**Activity:** Write the names of as many countries as you know on the map above.

# Why Study Managing Across Cultures?

---

## LEARNING OUTCOMES

---

This chapter is designed to help the reader to:

- 1 Recognize the need to study the subject of managing across cultures;
  - 2 Understand the aims and objectives of this book;
  - 3 Understand how the book is structured;
  - 4 Use the book effectively.
- 

---

## Why study the subject of managing across cultures?

---

Managing across cultures is not a new phenomenon, but it is more important now than ever before. For centuries, travellers, traders, explorers, conquerors, colonizers, knowledge seekers (students and scholars), job seekers and asylum seekers, and employees and/or managers of international organizations have travelled across borders and have had to come to terms with the demands of living in different societies and experiencing new cultures. They had to manage themselves and manage others, when necessary, in tougher and more hostile living environments than those of today. Many empires were built in part on their efficient management of resources across cultures. One of the main reasons for their demise was conflict resulting from misunderstanding or not respecting cross-cultural differences.

However, until the later part of the second half of the twentieth century there were few studies, textbooks or courses on the subject of managing across cultures, and it was given very little attention by economists, political analysts and international business scholars. It was not until the 1980s that cross-cultural

management became a common subject of academic research and study – and then most of the literature was on the management of expatriates and the problems of staffing US multinational companies in foreign countries (Evans et al., 1989; Bartlett and Ghoshal, 1989; Adler, 2002; Dowling, Schuler and Welch, 1994; Dowling, Festing and Engle, 2008).

Now, however, managing across cultures is a well-established subject that is taught in universities and practised by managers. It has become one of the main challenges in understanding contemporary management practices and organization theories. The reason why such challenges are important is that management in general and human resource management in particular have become more complex and more problematic than in any time before. A number of textbooks (for example, Dowling, Welch and Schuler, 1999; Brewster and Harris, 1999; Deresky, 2001; Briscoe and Schuler, 2004; Harzing and Van Ruysseveldt, 2004; Moran et al., 2007) have documented with the use of examples the reasons for the need to learn how to manage across cultures by practitioners and decision-makers involved in cross-cultural management.

They include the following:

- 1 There has been strong evidence to suggest that understanding the behaviours, attitudes, values, beliefs, arts and artefacts of the host country nationals is a key success factor for organizations operating in different countries. Managers working in different cultures have to explore and identify what is hidden in the behaviours and actions of people from different cultural backgrounds and value-orientations. This is summarized by an HR manager of British Petroleum (BP) in Azerbaijan when he said: ‘to understand each other better we need to be more aware of the peculiarities and the hidden aspects of the national culture because the key to our success is that understanding’.
- 2 The composition of international organizations’ workforce is becoming more diverse than ever not just in terms of their employees but management as well. For example, Ford has more than half of its employees outside the USA and Philips has more than three-quarters of its employees outside the Netherlands.
- 3 More and more companies are dependent on managers from different cultures and nationalities operating in different countries and holding high managerial positions that would previously have been held by home country nationals.
- 4 The free movement of labour between countries, such as within the European Union (EU), and the international movement of people with skills from mainly less developed to more developed countries have made it possible to access a wider pool of labour but at a cost. The cost may be high or low depending on the way people are employed and the extent to which international managers are aware of and able to implement the different national policies, rules and regulations in relation to emigrant workers, skilled workers, and expatriate workers.
- 5 The recruitment and retention of a highly qualified and competent workforce has become crucial for both indigenous and international companies. The main factor for achieving competitive advantage in the global market economy is to see people as equal and valuable assets that can be utilized effectively at the national and international levels.

- 6 Many companies are merging or forming strategic alliances with companies from other countries, involving negotiations and partnerships, and then having to work with managers and workers from different cultures and backgrounds.
- 7 Managing across cultures is not confined to what multinational companies (MNCs) or profitable organizations do. It affects every organization that operates internationally, regardless of its size, nature or location. Therefore the need to study the subject of managing across cultures is not just for those who want to work for multinational companies but for everyone who may become involved in managing resources in different countries and societies.

---

### ACTIVITY 1

---

- 1 List what you consider to be the three best reasons for you to study this subject.
  - 2 How might an understanding of this subject either (a) contribute to your career development or (b) enhance the performance of the organization (if any) you work for?
- 

---

## This book: rationale, aims and structure

---

---

### Rationale

---

This book provides a detailed and comprehensive treatment of the concepts, policies and practices of managing resources – especially human resources – in various socio-economic, political and cultural contexts. It provides the reader with an understanding of the theory and practice of different national approaches to management, moving from conceptual analysis to the discussion of policies and practices. The book seeks to develop a broad understanding of the determining characteristics of national management approaches and to enable the reader to distinguish between different approaches to management and to learn from examples of 'good and bad' practice of management in different national cultural settings. While recognizing the importance of cultural influences on management theories and practices and at the same time accepting the argument that many societies are becoming similar rather than different in their management objectives, this book defines the process of managing across cultures simply as the management of local employees globally and international employees locally. In doing so it helps to establish the ways by which national cultural differences influence employment policies and practices of different countries and the ways by which national and international organizations have responded to them in a world that is determined by a globalizing power of business on the one hand and a localizing power of culture and politics on the other.

The rationale for its content and structure has been influenced by the growing interest in comparative research. The understanding of how management is practised in particular contexts can provide the opportunity to establish differences and similarities between particular countries and societies, and to assess the reasons for their occurrences. In order to understand the insights of managing across cultures it is important to have the knowledge and skills of managing in different national contexts in which the behaviour of organizations and people is determined to a great extent by cultural and economic factors. This is the main reason for this book's policy of bringing together in clusters countries that are similar in terms of historical heritage, cultural background, economic development, and political and legislative system. This textbook allows the reader to gain knowledge of different national contexts, make comparisons between them, and learn the knowledge and skills of managing in different national contexts.

## Aims

---

The aims of this book are as follows.

- 1 To present a conceptual and theoretical analysis of managing across cultures by explaining the various definitions of key concepts and providing a critical review of relevant theories and models of culture and management.
- 2 To discuss the different national cultural values and norms, and their implications for management, in order to develop a theoretical framework for understanding the subject.
- 3 To provide description, analysis and discussion of employment policies and human resource management practices in different national and cultural contexts. In this respect, a country-by-country or cluster of countries study is provided for comparative purposes and to improve our understanding of the factors that influence labour market trends, and organization and employment policies and practices in different countries.

## Structure

---

To meet the aims above, this book is divided into six parts comprising nineteen chapters. Part I provides a conceptual and theoretical analysis of the subject of managing across cultures. Parts II to V provide a description and analysis of management practices and policies in clusters of countries, covering most of the globe, organized according to their socio-economic, historical, cultural and political similarities. Each part consists of three to five chapters each providing discussion and critical analysis of the main aspects of cross-cultural management

in general and the policies and practices of human resource management in particular. The structure of these chapters is designed to facilitate comparison between countries. Each chapter covers the socio-economic and political context of the countries studied, their labour market trends, their management and organization characteristics, and their human resource management policies and practices, focusing on recruitment and selection, training and development, rewards and remuneration, and employee relations. Part VI concludes the book with a discussion of the main emerging issues and future directions in the subject of managing across cultures.

Each of the Chapters in Parts II–V (i.e. the geographically based chapters) is based on a common structure. Each of these chapters (namely Chapters 4–18) contains:

- 1 An introduction.
- 2 An overview of economic, political and cultural contexts.
- 3 A survey of labour market trends. The particular themes covered vary between territories. Typical themes include: employment and unemployment rates; the supply of labour (including such topics as female participation, age structure and migration); the nature of employment (including, for example, flexible working practices); and types of employer.
- 4 An outline of management policies and practices and organizational structures and behaviour.
- 5 A description of human resource management. Typical themes include:
  - a Recruitment and selection.
  - b Training and development.
  - c Rewards and remuneration.
  - d Employee relations.
- 6 A summary of the chapter.
- 7 A list of references.

Chapters also contain activities and mini case studies, as well as revision questions at the end.

Each chapter is designed as an essay in its own right and so may be read independently of other chapters. However, the common structure facilitates comparison between chapters. Some of the activities are designed to support comparative study.

---

## How to use the book

This book is designed both for class use and individual study. The book as a whole can be used on a 12-week semester/term of 24 hours of lectures and



six hours of tutorials. There are 6 parts and each part can be taught over two weeks of four hours of lectures and one hour of tutorials. The case study at the end of each part (Parts I–V) can be used for tutorial discussion, allowing for a revision session at the end of Part VI. It will be possible to use it also over a 10-week semester/term by reducing parts I and VI to one week each (with two hours of lectures and one hour of tutorials). More information about how to use the activities, mini-case studies and the end-of-part case studies is given in the accompanying tutor's manual or can be found on the book's website.

### Learning outcomes

---

To help you focus your learning, each chapter begins with a specification of desired learning outcomes. In Parts I and VI, learning outcomes are unique to each chapter. In Parts II–V (i.e. Chapters 4–18) the learning outcomes are common to each chapter. These are shown in Box 1.1.

#### BOX 1.1

##### Learning outcomes for Chapters 4–18

The chapter is designed to help you understand, for the nation or region in question:

- 1 the (a) economic, (b) political and (c) cultural contexts in which managers work;
- 2 the main trends in the labour market;
- 3 the typical features of (a) management policies and practices and (b) organizational structure and behaviour;
- 4 the main policies and practices of human resource management with regard to: (a) recruitment and selection; (b) training and development; (c) rewards and remuneration; and (d) employee relations.

### Chapter review

---

Each chapter finishes with some revision questions, which are unique to each chapter. In addition, for Parts II–V (i.e. Chapters 4–18), Box 1.2 provides a common task to bear in mind with each chapter. The task is designed to help you (a) review the chapter in question and (b) make connections and comparisons between chapters in order to deepen your learning from them.

## BOX 1.2

**Review task for Chapters 4–18**

Imagine you are the HR director of an MNC from one of the following countries: (a) America; (b) China; (c) Germany; (d) Japan; or (e) a country of your choice. Please select and specify one of these (Obviously, the country you select should not be the one covered in the chapter in question.).

Your company is considering investing in the country or region covered in this chapter. Write a concise report to your company's board, explaining your views on the following questions:

- a Which are the most significant features of the prospective host country or region?
- b How similar is the prospective host country or region to the one from which your company originates?
- c How welcoming and conducive do you think the prospective host country or region would be to investment from your company?
- d If your company were to proceed in investing in the host country or region, which aspects of that country or region would expatriates from your company require briefing on most?

In your report, aim to cover the following topics:

- e The context (economic, political, and/or cultural).
- f Labour market trends.
- g Management policy and practice and organizational types and behaviour.
- h HR management.

## References

- Adler, N. (2002) *International Dimensions of Organizational Behaviour*, 4th edn, Cincinnati, OH: South-Western College Publishing/Thomson Learning.
- Bartlett, C.A. and Ghoshal, S. (1998) *Managing Across Borders: The Transnational Solution*, 2nd edn, London: Century Business.
- Brewster, C. and Harris, H. (1999) *International HRM: Contemporary Issues in Europe*, London: Routledge.
- Briscoe, D.R. and Schuler, R.S. (2004) *International Human Resource Management*, 2nd edn, London: Routledge.
- Deresky, H. (2003) *International Management: Managing Across Borders and Cultures*, London: Prentice Hall.
- Dowling, P.J., Festing, M. and Engle, A.D., Sr (2008) *International Human Resource Management*, 5th edn, London: Thomson Learning.
- Dowling, P.J., Schuler, R.S. and Welch, D.E. (1994) *International Dimensions of Human Resource Management*, 2nd edn, Belmont, CA: International Thomson Publishing and Wadsworth Publishing Company.

- Dowling, P.J., Welch, D.E. and Schuler, R.S. (1999) *International Human Resource Management: Managing People in a Multinational Context*, 3rd edn, Cincinnati, OH: South-Western College Publishing.
- Evans, P., Doz, Y. and Laurent, A. (1989) *Human Resource Management in International Firms*, London: Macmillan.
- Harzing, A.W. and Van Ruysseveldt, J. (eds) (2004) *International Human Resource Management*, 2nd edn, London: Sage.
- Kanter, R.M. (1995) *World Class: Thinking Locally in the Global Economy*, New York: Simon & Schuster.
- Moran, R.T., Harris, P.R. and Moran, S.V. (2007) *Managing Cultural Differences: Global Leadership Strategies for the 21st Century*, 7th edn, Oxford: Butterworth-Heinemann.
- Ohmae, K. (1990) *The Borderless World*, New York: McKinsey & Co Inc.
- Peters, T. and Waterman, R. (1982) *In Search of Excellence*, New York: Harper & Row.
- Pfeffer, J. (1994) *Competitive Advantage Through People: Unleashing the Power of the Workforce*, Boston, MA: Harvard Business School Press.
- Rosenzweig, P.M. and Nohria, N. (1994) 'Influences on human resource management practices in multinational corporations', *Journal of International Business Studies*, 25: 229–51.
- Schneider, S.C. and Barsoux, J.L. (2003) *Managing Across Cultures*, 2nd edn, Harlow: Prentice-Hall/Financial Times.
- Schuler, R.S., Dowling, P.J. and De Cieri, H. (1993) 'An integrative framework of strategic international human resource management', *International Journal of Human Resource Management*, 4(6): 717–64.
- Schuler, R.S., Jackson, S.E. and Luo, Y. (2004) *Managing Human Resources in Cross-Border Alliances*, London: Routledge.

# The Meaning and Importance of Managing Across Cultures

---

## LEARNING OUTCOMES

---

This chapter is designed to help the reader to:

- 1 Explain the triggers and drivers that have led to the emergence of managing across cultures;
  - 2 Critically analyse interpretations of the concept of 'managing across cultures';
  - 3 Outline the theoretical framework for the analysis of managing across cultures in diverse cultural settings.
- 

## Emergence of managing across cultures

---

Since the 1980s managing across cultures has emerged as a significant field of academic research and study. Its emergence is the result of a number of 'triggers' and 'drivers'. The triggers are those factors and events that raised the alarm about the importance of understanding cultural differences when operating in different countries; the drivers are those factors that resulted from, or contributed, to the triggers as shown in Table 2.1 below.

---

### The triggers

---

First, we consider the triggers.

**Table 2.1** The triggers and drivers of managing across cultures

Triggers	Drivers
Expatriates' failure to complete assignments abroad	Multinational companies
Recession in the 1980s	International competition
Economic development of Japan and South-east Asia	Regional economic integration
Economic development of China and India	Technical changes and flow of information
'Westernization' of Central and Eastern Europe	Trade and financial services
	Political and cultural influences
	Western management education and the use of English in business
	Reforms in developing countries

### Expatriates' failure to complete assignments abroad

In international business, the first people to feel the crunch of working and living in different cultural settings are expatriates. Multinational companies (MNCs) depend on the knowledge and expertise of their expatriates to sustain the growth of their foreign investments (Bartlett and Ghoshal, 1989; Adler, 2002; Deresky, 2001). The role of an expatriate is to transfer the know-how, to control operations and to develop expertise in working in different countries. However, many expatriates have found it difficult to complete their assignments and this has created financial and operational problems for many MNCs. A number of studies reported that in the early 1980s as many as 70 per cent of US companies' expatriates did not complete their assignments abroad (Bartlett and Ghoshal, 1989; Evans et al., 1989; Adler, 2002; Deresky, 2001; Moran et al., 2007). Multinational companies started to feel the high cost failure of such. It became apparent that such failures originated in the expatriates' inability to understand the complexities of cultural differences and their consequent inability to successfully manage across cultures. Therefore many organizations have had to reconsider their recruitment, training and expatriation policies (Harris and Moran, 1991; Dowling, Welch and Schuler, 1999). Cultural awareness training has become a core subject in expatriates' pre-expatriation training.

### Recession in the 1980s

The economic recession of the 1980s resulted in plant closures, mass redundancies and a sharp decline in international investments in the USA and Western Europe. Many US and European companies started to expand by shifting investments from home to a number of host countries, taking advantage of increased economies of scale and scope, and producing for different markets overseas in order to increase their profit margins. They benefited by shifting production from the west to the east and from the economically developed to

the developing countries. They soon realized that they had to operate differently in the host countries. They had to introduce employment policies and practices that were more appropriate to the new socio-economic, political and cultural contexts. In order to gain competitive advantage, they have had to introduce international approaches to the employment, training, appraisal and reward of their increasingly culturally and nationally diverse workforce.

### **Economic development of Japan and South-east Asia**

The emergence of Japan as a major industrialized nation in the 1970s, followed by South-east Asian countries, generated attempts to explain the causes of such success (Whitley, 1992; Chen, 2004; Tang and Ward, 2003). The success of Japanese companies was attributed to the management of their human resources and the implementation of manufacturing systems such as quality circles, just-in-time management and total quality management, as well as to the commitment and loyalty of their employees. Therefore, many large employers in the USA and Western Europe attempted to adopt Japanese production practices and employee relations policies with the aim of regaining competitive advantage they had lost in the world markets.

Moreover, the smaller economies – Hong Kong, South Korea, Taiwan, Singapore, Thailand and Malaysia – that followed in Japan's footsteps were known as 'tigers' because of their fast-growing and aggressive economic growth in the 1980s. While many Western countries experienced economic growth of less than 2 per cent, many South-east Asian countries grew at over 10 per cent. Therefore, many western companies became attracted to investing in South-east Asia. The move required not only the recruitment and development of employees who were inspired by and able to cope with the work ethics of Asian people but also an understanding of the socio-economic and political context in which people are employed.

### **Economic development of China and India**

In late 1970s the government of the People's Republic of China (PRC) announced an open-door policy and began economic reforms aimed at moving the country from a centrally planned to a free market economy. Consequently the PRC became an increasingly important destination for foreign investment (Child, 1994; Nolan, 2001; Yan and Child, 2002). Companies investing in China have had to consider how to manage their resources in a country in transition between central planning and market economics. One of the major challenges for employers investing (most investments being joint ventures) in China is understanding Chinese culture and its impact on work and managerial behaviour (Tung, 1986, 2002; Easterby-Smith, Malina and Lu, 1995; Branine, 1997; Warner, 2003).

India has since the early 1990s embarked upon major economic reforms that have made it one of the largest stable and successful economies in the world. Foreign firms have been attracted by the formally educated and skilled workforce that is available throughout India. The recent move of some multinational companies' call centres from the US and Europe to India is an example of benefiting from an international labour market, though that has necessitated the introduction of cross-cultural training.

### **'Westernization' of Central and Eastern Europe**

The end of the Cold War following the collapse of the communist bloc, the unification of Germany, and the dismantling of the Soviet Union has led to a gradual 'Westernization' of Eastern European countries. These developments have brought opportunities for multinational companies to expand their investments in central and Eastern Europe and in the former Soviet Union states. Many enterprises in the former communist countries have faced the need to implement economic reforms and to use Western ideas of free enterprise management. Polish, Hungarian and Czech companies, for example, no longer operate within the framework of national economic plans. The 'Westernization' process has required the transfer of market-related skills and management knowledge as well as investments from the US, Canada, Japan and Western European countries. However, for international investors to be successful in former communist countries they needed to understand local operations and to introduce locally responsive employment practices.

### **The drivers**

---

Next, let us consider the drivers.

#### **Multinational companies**

Though multinational companies (MNCs) or transnational companies (TNCs) are not new, the rate by which they have developed since the 1970s has been extraordinary. Rapid increases in international activity have involved high levels of mergers and acquisitions, takeovers and joint ventures. While operating in different countries, MNCs have had to develop appropriate human resource strategies for attracting, recruiting and retaining local and international employees who are able to produce high-quality products and to provide high standards of services to meet the needs of customers in a competitive global market. There is no country in the world that has not been 'invaded' by multinational companies. Whether you are in the middle of the Sahara Desert or Siberia you can always find Coca Cola. As the number of MNCs increases

the need for internationally minded managerial, professional and technical staff becomes greater and more attention has to be given to the way in which employees are employed, rewarded, trained and motivated to work effectively in different countries.

### **International competition**

Many organizations have become similar in their distribution channels, technical standards and marketing approaches, products and production methods, giving customers similar choices worldwide. Increasingly, consumers from different countries are demanding products and services that are labelled world class. Customers are very much aware of the choices that are available to them at competitive prices. Therefore, local as well as international companies are being forced to compete on world-class standards to increase their chances of survival in uncertain business environments.

There is no one pattern of international competition because the forces that drive internationalization differ by industry, business, sector and location. However, the evidence from different international investors has shown that competitive successes or failures in the global market are strongly influenced by the quality of organizations' workforces (Peters and Waterman, 1982; Pfeffer, 1994; Ulrich and Black, 1999; Schuler, Jackson and Luo, 2004). Well-trained, skilled, and innovative employees can provide a competitive edge in markets where similar material and financial means of production are available. It is possible for almost any multinational company to acquire the necessary technology and capital, at a cost, but in many cases 'it is rather difficult to acquire a ready pool of highly qualified and highly motivated employees' (Sparrow, Schuler and Jackson, 1994: 269). The processes of obtaining and retaining the needed pool of skilled, motivated and highly qualified employees in different cultural settings require efficient management of resources across cultures.

### **Regional economic integration**

The process of regional economic integration has driven the emergence and development of cross-cultural management. Trade relations between many countries have been improved by the establishment of bilateral and multilateral agreements, the creation of regional economic treaties such as the European Union (EU), the North American Free Trade Area (NAFTA) and the Association of South-east Asian Nations (ASEAN), and the involvement of international agencies such as the World Bank and the World Trade Organization (WTO). Economic integration and the commonality of regulations, as well as the equalization of taxes on a regional basis, have led to the development of common approaches to business and employment practices.



### Technical changes and flow of information

Technical changes have led to the introduction of more productive and flexible working arrangements. The use of electronic control systems has made production and distribution processes more efficient, sophisticated and economic than before. For example, the advent of the internet has facilitated growth of international trade, international communications and easy access to information worldwide. Electronic mailing and information systems as well as the computerization of flight and shipping services are examples of current developments in information technologies. Customers can learn more about the goods they consume and many manufacturers are better informed about the needs of their customers. The international mobility of information has been enhanced by the integration of data processing and telecommunications networks on a global scale. Information can flow easily across borders, making geographical barriers less relevant and reducing the cost of travelling. Moreover, as information can be transferred quickly, rapid innovations can be effected in different countries, reducing lead times and product life cycles and increasing competition and cooperation between geographically dispersed organizations.

The speed and accuracy of information transmission are changing the nature of the international manager's job. Technology allows managers to access information and share it instantly. The internet is used increasingly by national and international companies for crucial HRM functions such as advertising job vacancies, contacting potential employees and online learning. The use of information technologies has led to an increasing demand for a workforce that is not just IT skilled but for also talented people with creative and innovative ideas as well as competency in languages.

### Trade and financial services

Open trading between countries and instant availability of financial services has greatly facilitated global economic integration of capital markets. With the deregulation of financial services for international trade, it has become easier, faster and safer for companies to operate on the global scale. Many companies are no longer limited to capital sources within closed national boundaries. The global integration of national capital markets has led to freer flows of funds and easier investment between countries than at any time before.

As explained above, information technologies have facilitated international capital flows and provision of financial services to individual customers, suppliers and producers. Credit and debit card payments have led to virtual customers and virtual suppliers of worldwide products and services. The introduction of internet banking and the establishment of online businesses have opened up more opportunities for national and international, public and private companies to reach their customers, clients and employees in different locations.

Such developments have also created new challenges for MNCs as many small and medium size enterprises (SMEs) are trading internationally without requiring subsidiaries overseas. Consequently, managing diverse human resources across cultures has become important to all type and kind of organizations not just MNCs. There are examples of internationally successful companies that started with one person and his or her personal computer from the study in their own homes.

### **Political and cultural influences**

Economic and political dependence of many developing countries on the west has led to the transfer of Anglo-Saxon and European education, political systems, technology, products, art works, and management theories to many countries of the world. Western cultural influences are evident globally and are embedded in people's daily encounters, from what we see and hear to what we consume in and outside our homes. People in developing countries have sometimes become more familiar with Western products, pop stars, film stars, football players, television presenters and politicians than with those in their own countries. Because of perceptions of Western progress, modernization, superiority and high standards, Western brands are sometimes preferred even when they are of poorer quality than those produced domestically. Here the role of the international media in advertising and promoting Western values is strong. This has strengthened a culture of capitalist consumerism and dependence on Western technology and investments.

Western culture is spreading around the world and penetrating people's lives everywhere. For example, in the Middle East the increasing presence of multinational companies is not only bringing requisite technology and management knowledge and skills from the west but also a culture of consumerism through their mass media advertising. Almost all major multinational companies of the world can now be found in the Middle East. Symbols of capitalism and Americanization such as McDonalds, Pizza Hut and KFC can be seen just metres away from the courtyard of the Holy Mosque in Mecca, Saudi Arabia. It is evident that the sustainability of increasing investments in different countries requires the employment and management of people with different cultural backgrounds and therefore the need to understand and implement cross-cultural management at both local and international levels.

### **Western management education and the use of English in business**

Look at the composition of an MBA class in any American or British university and you get the picture of an ever-increasing internationalization of Western management education. More and more non-westerners are exposed to Western management education by attending courses at colleges and universities.

Moreover, the rapid dissemination of knowledge through international conferences, exchange programmes, publications, licensing, internet access and expatriation are narrowing the gap in the management 'know-how' between countries. Education has become one of the main drivers towards global integration as people are exposed to similar or the same knowledge and skills, and aspire to similar academic qualifications.

One way or another, management education is becoming universal. The management theories taught in MBA programmes, for example, in Chinese universities are likely to be the same as those that are being taught in MBA programmes in French, South African, Egyptian, Brazilian, Canadian or Indian universities. American and British management textbooks, which rarely make references to non-Western management experiences and practices, are adopted in universities, colleges and business schools throughout the world. What has made it even easier to disseminate such knowledge is the use of English as the international language of business. As more people are exposed to Western management knowledge and use English as their medium of instruction and as a means for business transactions, it becomes easier for companies to invest in different countries and therefore the drive to manage across cultures.

### Reforms in developing countries

Many of the developing countries in Africa, South America and Asia have embarked on economic and political reforms that are aimed at liberalizing their economies and democratizing their political systems. Their socio-economic reforms have attracted increasing amounts of multinational investment. Economic reforms have led to large-scale privatizations of state-owned companies and to providing more opportunities for foreign direct investment. Many multinational companies have gained easy access to foreign assets and to overseas markets through direct ownership of foreign assets or forming joint ventures. The growth and expansion of international investments has driven the need for more knowledge and skills in managing across cultures.

#### ACTIVITY 1

What barriers or problems may be encountered by international managers seeking to manage across cultures?

---

### The meaning of managing across cultures

---

So far we have seen the main reasons for studying the subject of managing across cultures and the major triggers and drivers for the emergence of the

current widespread knowledge on cross-cultural management. We need now to consider of what 'managing across cultures' really consists. The subject is of course still evolving. Most of the available literature to date on managing across cultures or cross-cultural management (for example, Handy et al., 1988; Brewster and Tyson, 1991; Redding, 1994; Jackson, 1995; Hickson and Pugh, 1995; Gatley et al., 1996; Warner and Joynt, 2002; Budhwar and Sparrow, 2002a,b; Schneider and Barsoux, 2003; French, 2007; Browaeys and Price, 2008) has focused on the concept of culture and on the influence of cultural differences on doing business in different countries, rather than specifically on the process of *managing* across cultures. Though culture does indeed matter greatly in this context, the concept of culture is too complicated to be used in the kind of definition we require. The concept of culture and the different models of cultural differences will be discussed in the next chapter, where the context of managing across cultures is explained and critically analysed.

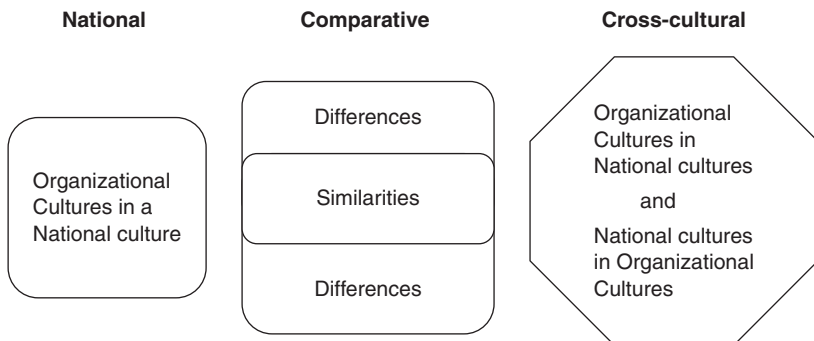
According to Adler (2002: 11), 'cross-cultural management explains the behaviour of people in organizations around the world and shows people how to work in organizations with employees and client populations from many different cultures'. Adler (2002: 11) adds that the aim of the study of cross-cultural management is to describe and compare organizational behaviour within countries and cultures, and to seek 'to understand and improve the interaction of co-workers, managers, executives, clients, suppliers, and alliance partners from countries and cultures around the world'. This description, however, concerns the study of cross-cultural management, rather than the process of managing across cultures.

Similarly, in the conventional literature on comparative management studies, the subject of managing across cultures has been assimilated to comparative management (see Negandhi, 1974; Ouchi, 1981), which in turn has been defined as a process of describing, analysing and discussing the policy and practice of management in two or more countries that makes it possible to see the main similarities and the main differences between them (Redding, 1994; Bamber and Lansbury, 2004).

It should be pointed out that the word 'across' in 'managing across cultures' implies, theoretically, having to go in between and within countries and cultures, and hence being able to observe, describe and analyse their similarities and differences. In practice, however, the process of managing across cultures is broader than comparative management because it implies (a) a broader understanding of the determining characteristics of national management systems and (b) the ability to distinguish between different systems and to learn from models of good (or bad) practice. This view of managing across cultures is supported by a number of recent studies. Some of these have focused on the ways in which national trends and characteristics, including socio-economic and political reforms, have influenced employment policies and practices in different countries (Brewster and Tyson, 1991; Budhwar and Debrah, 2001; Kamoche et al., 2004; Budhwar and Mellhi, 2006), while others have looked at

aspects of management within and between countries by focusing on the impact of culture on business activities (Warner and Joynt, 2002; Schneider and Barsoux, 2003; Chen, 2004; French, 2007; Moran et al., 2007; Browaeys and Price, 2008). For instance, French (2007: 5) states that 'cross-cultural encounters might, for example, occur when companies decide to outsource work to new countries, or when organizations enter into new forms of networked relationships with overseas partners, or as a result of increased migration of labour'.

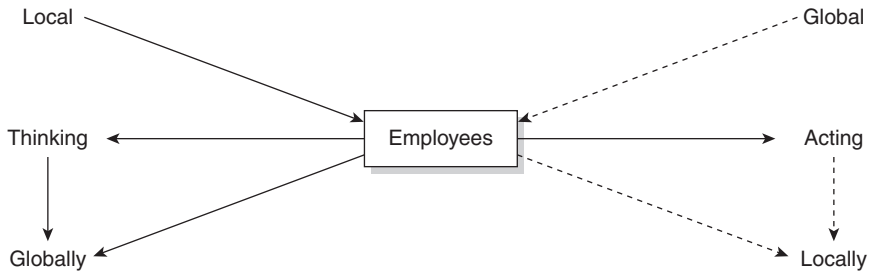
However, the study of managing across cultures should go beyond examination of the cultural encounters of multinational companies or of the similarities and differences between countries so as to determine the ways by which national differences have influenced employment policies and practices of different countries and the ways by which international companies have responded to them as shown in Figure 2.1 below. In this respect, Budhwar and Sparrow (2002b: 600) make the point that managers have become 'eager to know how human resources (HRs) are managed in different regions of the world' and added that 'in order to maximize cross-national management capabilities, we need to understand *how* people in different national settings respond to similar concepts within their particular functions' (p. 600).



**Figure 2.1** National, comparative and cross-cultural management

Managing across cultures is thus a two-way process that involves national and international employees and employers of different organizations in different countries and cultural settings. In this book, managing across cultures is defined simply as the process of *managing local employees globally and global employees locally*. This process involves a strategic approach whereby every employee is expected to act locally and think globally (see Figure 2.2 below). Understanding this process leads, not only to gaining knowledge of different

national contexts and to comparing them, but also to international organizations learning the knowledge and skills of managing resources internationally in different national contexts.



**Figure 2.2** The process of managing across cultures

### Managing local employees globally

It can be concluded from the drivers outlined above that the globalizing power of business has created common economic, technical and managerial imperatives, despite social, ideological and legal differences. Multinational companies have been the creators of cross-cultural management policy and practice, and have been the main drivers for international convergence rather than divergence. Multinational companies are the main contributors to the globalizing power of business as they have a significant presence in world business in terms of production, trade and employment.

However, one of the main challenges for international organizations in general and multinational companies in particular is to manage local employees globally, strategically and successfully in response to an ever increasing internationalization or globalization of business. The management of local employees globally requires, at least, the building of a global corporate culture that local employees can understand and identify with, and having a forward diffusion employment strategy.

### Building a global corporate culture

Global corporate culture is the glue that can keep a global network of activities together (Rhinesmith, 1993). Corporate culture consists of shared visions, systems, mechanisms and processes. These four factors are created by the people on whom the organization depends, from the visions of the founding members or managing directors of the organization to the processes being carried out by

employees at the shop-floor level. The building of a sustainable global corporate culture requires an international human resource development strategy that forms an integral part of corporate culture and that helps to create a global mindset in its key employees regardless of their place of work (Hendry, 1991; Srinivas, 1995). In other words, all employees become aware of the main features of that corporate culture and contribute effectively to the achievement of its objectives.

One of the main aspects of a globalising corporate culture is standardization of policies and practices throughout the organization (Bartlett and Ghoshal, 1998; Dickmann et al., 2009). Standardization throughout the organization enhances efficiency through the streamlining of production processes, employment policies, product development, and other activities. As more organizations engage actively in global operations, their activities are likely to lead to social as well as economic changes in societies around the world. For example, all employees working for McDonalds in London, Manhattan, Beijing or Moscow are expected to behave the same way and to serve the same products. The uniform, the grading stars, the service with a smile, the up-selling, the french fries, etc. are all standardized throughout the company in different parts of the world. However, standardization of operations, behaviours and products requires efficient training of local employees to carry out their tasks in the organization's way and the development of local and international managers to make sure that their organization operates in such a way. This process requires a forward diffusion of knowledge and skills and an HR strategy at the core of the organization's corporate strategy.

### **Forward diffusion of knowledge and skills**

To ensure that local employees are successfully managed globally it is crucial to develop a global employment strategy that enables local employees to learn the knowledge and skills that make them globally employable. This process is very often referred to in the international management literature as 'forward diffusion' of knowledge and skills from the home to the host country (Edwards and Ferner, 2004; Edwards et al., 2005).

The forward diffusion of management theory and practice affects not only the local employees of a particular multinational organization but also employees of other indigenous and international organizations. For example, the Japanization of local industries through the increasing presence of Japanese MNCs has led to the adoption of employment policies and practices such as quality circles, total quality management, just-in-time management, pendulum arbitration, and single union representation by many non-Japanese companies in different countries.



## MINI CASE STUDY 1

**The Western Expatriate in West Africa**

When asked about the working and living conditions of expatriates, Mrs Celia Ugboko, the managing director of a major petroleum company in West Africa, replied, 'Western expatriates are highly valued, highly paid, well respected and admired for their knowledge and expertise, commitment to their work, dedication, careful attention to detail, respect for time, and tolerance and sensitivity to other cultures. Our respectful treatment of foreigners has led to increasing numbers of Western and non-Western (third country) expatriates and has facilitated forward diffusion of Western management practices and policies to my country.'

**Questions**

- 1 Speculate on (a) the context in which the comment was made and (b) what might be the positive and the negative connotations of Mrs Ugboko's statement.
- 2 Judging from the manager's comment, what types of knowledge and skills do you think the local employees may learn from forward diffusion?

**Managing global employees locally**

Just as local employees have to be managed globally through the building of global corporate culture and the forward diffusion of knowledge and skills, global employees, mainly expatriates, have to be managed locally in order to achieve their assignment objectives successfully. Global employees, as home country expatriates or third country employees, have to understand the local working environment, the local employees, the local institutions and the local norms and values in order to work with or to manage the local workforces globally. In other words, global employees have to respond to the localizing power of culture and, very often, politics as well.

National differences in norms, values, traditions and beliefs, in levels of economic growth and development, and in institutional settings are the main sources for divergence in management policies and practices between societies. Though it is possible to assimilate organizational structures, to rationalize processes and to standardize products and services between countries, it is not, as Adler (2002) pointed out, easy to assimilate people's behaviour because of their culturally, economically and politically based differences. Therefore managing across cultures requires managers to be aware of the effects that these differences may have on their management policies and practices. They should be aware of the main national norms and values, of the national economic trends and organizational characteristics, and of the national institutions and the legal system.



## National norms and values

National norms and values shape the ways in which organizations are designed and run in different countries because the degree to which people regard their work as a central life interest or as an onerous task is affected by their national values, norms and beliefs. The types of social relations and the power structure in family and society, the different norms and expectations related to leadership, social interaction and relationships, and perceptions of emotions differ significantly between countries (Hofstede, 1980a, 1991; Adler, 2002; Deal and Kennedy, 1982; Laurent, 1986; Whitley, 1992; Tayeb, 2003; 2005). As will be explained in more detail in Chapter 3, culture seriously matters in managing across cultures: cultural misunderstandings can easily cause business relationships to be broken, resources and time to be wasted, employees to be offended and international managers ashamed. Selmer (2001: 17) rightly states that 'not being able to interact with the host country nationals in daily life outside work makes expatriates ignorant about local thinking and mentality, which influences their ability to assess work situations and makes them develop erroneous assumptions about the people they are managing'. Therefore it is important for expatriates to interact frequently with the locals and to learn from the local values and norms. This process of national acculturation makes expatriates 'less surprised and frustrated by differences in non-work circumstances of the host country' (Selmer, 2001: 17).

When managing across cultures, international managers become more aware of social differences within individual countries and have to understand the impact of regional, tribal and other in-group and within-group alliances and differences in the way organizations are managed. Therefore, understanding the different norms, values and ways of life in the host country helps not only with the introduction of appropriate employment policies, but also the production of the right products and the provision of needed services. For example, Procter and Gamble faced problems of national preferences and differences when it developed the Visor washing power. It found that Germans generally preferred front-loading washing machines and they thought that the only way to clean white clothes was to use boiling hot water, while French consumers preferred the top-loading machines and did not think it was necessary to use boiling hot water to wash whites. However, the newly introduced Visor washing power was developed to clean whites best in cool water and in front-loading washers. It satisfied neither the Germans nor the French. According to Ulrich and Black (1999: 43), 'as the firm discovered, it is not easy to change people's deeply held beliefs on laundering their whites. Neither is it easy to get a nation to change from front-loading washing machines to top-loading ones'.

When managing across cultures it becomes apparent that what is moral or not, whether religious or just customary, is defined clearly in the relationships

of people and is culturally specific. For example, respecting and protecting older people, hospitality, decency and pity, not wasting food and water, and even showing shyness and humility are common cultural values in many countries in the world, but some societies express them more openly than others. In Eastern cultures, it is very unlikely that a younger person would oppose the opinion of an older one. This does not mean, however, that talented and skilled young employees are denied respect and promotion. Therefore, international managers should be aware of such cultural values and take into account how their employees in a particular social context expect them to react and behave.

While emphasizing the importance of cultural awareness, we should also stress that international managers do not need to learn all the languages, convert to the religions of the host countries, or behave exactly like the local people (Torrington, 1994). This happens rarely. The process of managing global employees locally implies that international managers need a good understanding of the local norms, values, customs, history, geography and laws because these are among the main determinants of local identity and national pride. For example, until recently the expatriates who criticize or even refuse to attend a bull-fighting match in Spain may lose the support of local employees who see such a game as part of their national culture.

Host country values and practices have a significant influence on management practices and employment policies at all levels. Therefore, international managers will have to adapt to different working conditions and sometimes operate differently from the way they did in their home countries. For example, when working in African or Middle Eastern countries they may have to accept the hiring of friends and relatives, giving more consideration to trustworthiness and loyalty, and using red tape and cumbersome bureaucratic procedures, because such practices are customary in the host country and respected by the local managers and employees. Such differences should be seen as an opportunity to doing good business rather than a threat.

### **National economic trends and organizational characteristics**

It has very often been argued that societies differ in their management systems according to their levels of economic growth and organizational characteristics (Lammers and Hickson, 1979; Hickson and McMillan, 1981; Ouchi, 1981; Hickson and Pugh, 2001). Countries with similar levels of economic growth and development may develop, and should at least be able to share, some managerial practices. A number of studies have concluded that the difficulties encountered by international managers in developing countries, when trying to implement Western management theories, occur mainly because such theories reflect the level of economic development of their inventors (Hofstede, 1980b, 1993; Srinivas, 1995). Hence, in managing across cultures, understanding

the economic environment of the foreign operating country can help international managers to operate effectively when dealing with suppliers and customers, for example, and to predict trends and events that might affect their organizations' future performance.

Moreover, it is also important in managing across cultures to understand the main characteristics of organizations in the host country because the way organizations are managed differs from one society to another; depending on their structure, culture and process (Hickson et al., 1974; Ouchi, 1981; Hickson and McMillan, 1981). For example, in many African, Middle Eastern and South-east Asian countries, organizations are centralized and bureaucratic, and the delegation of authority is often made to relatives and trusted close friends. Misunderstanding of different organizational structures and management practices in the host countries can result in international managers making inappropriate business decisions, as seen from Mini Case Study 2 below.

### **National institutions and legal systems**

A number of studies have found that patterns of national distinctiveness such as the country's history, its national and regional institutions, its political system and its legislative procedures have strong influence on management and employee relations (Whitley, 1992; Child, 1994; Chen, 2004). In managing across cultures, one of the most important institutions that international managers have to be aware of is the host country's education system. The types of education and training programmes delivered in a country are very likely to influence the structure and development of organizations, and to shape the nature and quality of its workforce. By understanding the education system and the types and levels of education in the host country it will be easier for international managers to decide how local employees could be trained and how easily technology can be transferred and implemented effectively. Also, it is important for international managers to understand how local employees learn in order to design appropriate training programmes for them.

The other important institutional factor in managing across cultures is the legal system of the host country. Being aware of international laws as well as host country legal systems and employment legislation is mandatory in cross-cultural management. Ball and McCulloch (1993: 370) argued that 'international business is affected by many thousands of laws and regulations on hundreds of subjects that have been issued by states, nations, and international organizations'. These laws can be divided into international and national laws, and they affect factors such as taxation, employment, trade relations, health and safety, imports and exports (including tariff controls), financial reporting, product liability, intellectual property, contracts, and currency control within and between countries.

### Assessing and avoiding risks

The process of managing across cultures sits between the globalizing power of business and the localizing power of culture and politics. The problem in implementing such a process effectively lies in knowing the unknown. In this respect, it can be argued that the more is known by the international manager (expatriate) about the local working environment and the local employees, and the more the local employees know about the corporate culture and its operations, the greater and the better global integration and local responsiveness there will be and hence greater effectiveness in managing across cultures. The factors that facilitate the process of knowing the unknown are: the ability to assess and avoid risks by both local and international employees; and the encouragement of 'reverse diffusion' of management good practice from the host to the home country.

Although many countries have opened their doors to foreign investment, there are still problems of local acceptance that should not be underestimated in managing across cultures. When investing in a foreign country, MNCs should assess the risks involved in employing expatriates and local employees. It should be stressed that though the governments of many countries welcome foreign direct investment, they also have responsibility for protecting their own industries and citizens. Protectionism takes different forms, from trade barriers and quotas to employment restrictions, which MNCs have to be prepared for and deal with effectively. Moreover, the outcomes of inter-governmental conflicts, pacts and bilateral relations can have significant effects on managing across cultures.

Although many developing countries offer large market potential and exhibit strong economic growth, investing in them can be riskier than investing in industrialized countries. Most of the developing countries in Asia, Africa and South America have experienced complex and unstable political systems in their attempts to develop suitable frameworks and ideologies for their socio-economic development. There may also be financial and economic risks because of environmental (climate) changes, terrorism, international labour migration, fluctuations in demand for certain products, shortages in the supply of raw materials, international financial crisis, and so on, that international managers should be able to assess and avoid their impact whenever possible. Such risks have serious implication for the international operations of a firm and for the process of managing across cultures.

Local employees and governments should also be able to assess the risks of increasing presence of international corporate cultures and of forward diffusion of knowledge and skills from other countries. Local industries and business could be seriously affected by the direct international competition created by MNCs. The privatization of public utilities, mergers and takeovers could result in the restructuring of newly created companies and the downsizing of

operations, resulting in mass redundancies in countries where unemployment, especially among the young people, is already very high. Another risk is the cultural influence of MNCs in countries that are already very receptive to Western capitalist norms and values. It will be seen from the relevant chapters of this book that the culture of consumerism, greed and competition is spreading throughout Eastern societies with increasing rapidity, partly, if not mainly, because of the spread of foreign investment in that part of the world.

### MINI CASE STUDY 2

#### General Electric in Hungary

In the late 1980s the USA's General Electric Company (GE) moved into Hungary, which was then a communist state. It bought 51 per cent of the Tungstam Company, a producer of lighting products. It believed that it was making a good investment decision to take advantage of Hungary's move towards democracy and a free market economy.

What the company did not expect were the organizational problems that it encountered. Under years of communism there was a strong tradition of waste and inefficiency. There was no motive for individual employees to produce good-quality products. The concepts of customer care and customer satisfaction were alien to many Hungarian employees. The American managers thought that the Hungarian workers were too 'laid back' and the Hungarian employees thought that their American managers were 'too aggressive'.

It took eight years, \$440 million and a 50 per cent cut in the workforce before the company began to make profits (Ulrich and Black, 1999).

#### Question

- 1 What are the main lessons for managing across cultures to be drawn from this case study?

### Reverse diffusion of knowledge and skills

It is argued above that 'forward' diffusion is important for managing local employees globally and for global business integration. Equally, 'reverse' diffusion of management policies and practices from the host to the home country should be encouraged for managers to learn more about local management systems (Edwards, 1998; Edwards et al., 2005).

Reverse diffusion is part of the national identification process as international managers are informed of the national characteristics of organizations and managements in different countries. Ulrich and Black (1999) argued that one of the managerial competencies that may enable international companies to integrate and concentrate global activities while attempting to separate and adapt to local

activities is to share learning and generate new knowledge from the local operations. Encouraging reverse diffusion of management theories and practices can lead to better understanding of the local working environment and to the development of appropriate approaches to managing across cultures.

---

## Summary

- 1 The subject of managing across cultures has emerged in recent years as a significant field of academic research and study as a result of a number of triggers and drivers. Among the triggers are: the failure of expatriates to complete their assignments abroad; the economic recession of the 1980s; the rise and successes of South-east Asian countries; the openness of China and later India to the west; and the end of the Cold War and the 'Westernization' of Eastern Europe. The main drivers have been: the growth and spread of multinational companies; international competition; regional economic integration; technical changes and international mobility of information; open trading and availability of financial services; political and cultural influences; internationalization of Western management education with the use of English as the international language of business; and the liberalization and democratization of developing countries.
- 2 Most of the definitions of managing across cultures focus on the concept of culture and the effects of cultural differences on management in different countries. This book acknowledges the importance of culture and its effects on management and goes beyond the need to understand the similarities and differences between societies to see the process of managing across cultures as the management of local employees globally and global employees locally, including expatriates, host and third country employees, national and international employee regulations, and national and international employee and employer organizations.
- 3 The management of local employees globally requires, at least, the building of a global corporate culture that local employees can understand and identify with, and having a strategy of forward diffusion of knowledge and skills from the home to the host countries.
- 4 Just as local employees have to be managed globally, global employees, mainly expatriates, have to be managed locally in order to achieve their assignments successfully. Global employees have to understand the local working environment, employees, institutions, and norms and values in order to manage the local workforce globally.
- 5 The process of managing across cultures sits between the globalizing power of business and the localizing power of culture and politics. The problem in implementing such a process effectively lies in knowing the unknown. The more familiar the international manager (expatriate) is with the local working environment and local employees, and the more the local employees know about the corporate culture and its operations, the greater and better the global integration and local responsiveness. The factors that may facilitate the process of knowing the unknown are the ability to assess and avoid risks, and the encouragement of 'reverse diffusion' of management good practice from the host to the home country.

## Revision questions

---

- 1 Discuss with the use of examples the main factors and events that have led to the emergence of cross-cultural management as a significant field of academic research and study.
- 2 What does 'managing across cultures' mean? Elaborate your answer by referring to at least two contrasting definitions.
- 3 What do you think are the main things that international organizations can do to be successful in (a) managing global employees locally and (b) managing their local employees globally?

## References

---

- Adler, N. (2002) *International Dimensions of Organizational Behaviour*, 4th edn, Cincinnati, OH: South-Western College Publishing/Thomson Learning.
- Ball, D.A. and McCulloch, W.H. (1993) *International Business: Introduction and Essentials*, London: Irwin.
- Bamber, G.J. and Lansbury, R.D. (eds) (2004) *International and Comparative Employment Relations*, 4th edn, London: Sage.
- Bartlett, C.A. and Ghoshal, S. (1998) *Managing Across Borders: The Transnational Solution*, 2nd edn, London: Century Business.
- Branine, M. (1997), 'Change and continuity in Chinese employment relationships', *New Zealand Journal of Industrial Relations*, 22(1): 77–94.
- Brewster, C. and Harris, H. (1999), *International HRM: Contemporary Issues in Europe*, London: Routledge.
- Brewster, C. and Tyson, S. (eds) (1991) *International Comparisons in Human Resource Management*, London: Pitman.
- Briscoe, D.R. and Schuler, R.S. (2004), *International Human Resource Management*, 2nd edn, London: Routledge.
- Browaeys, M.J. and Price, R. (2008) *Understanding Cross-cultural Management*, Harlow: Prentice-Hall/Financial Times.
- Budhwar, P. and Debrah, Y.A. (eds) (2001) *Human Resource Management in Developing Countries*, London: Routledge.
- Budhwar, P. and Mellahi, K. (eds) (2006) *Managing Human Resources in the Middle East*, London: Routledge.
- Budhwar, P. and Sparrow, P. (2002a), 'An integrative framework for determining cross-national human resource management practices', *Human Resource Management Review*, 12(3): 377–403.
- Budhwar, P. and Sparrow, P. (2002b) 'Strategic HRM through the cultural looking glass: mapping cognitions of British and Indian HRM managers', *Organization Studies*, 23(4): 599–638.
- Chen, M. (2004) *Asian Management Systems*, 2nd edn, London: Thomson Learning.
- Child, J. (1994) *Management in China in the Era of Reform*, Cambridge: Cambridge University Press.