

Cross Cultural Management 004

Learning Outcomes

- Understanding Organisational Environment
- The Common Pressures Managers face from Stakeholders
- The Different Processes of Decision Making in organisations across the world
- The Impact of Local Cultures on Corporate Cultures
- How Organisations Operate
- The 4 Organisational Models
- The Challenge for Global Managers

The Limitations

- Global Managers have pressures from the Stakeholders
- The Decision Making Process varies and Organisations follow various routes to formulating their growth Strategies and that leads to different organizational structures
- Managers have to adopt to these varieties and perform within those limits

An Organisation

- Is a system of consciously coordinated activities of two or more persons aiming to achieve common objectives
- They serve as a principal Command & Control System for Focusing Human, Financial & Physical Resources on the accomplishment of Valued Tasks
- There are unique organisations Designs to Support their activities; these designs are not STATIC but they EVOLVE over time

No Universal Solutions!

- There are no Universal Solutions to organisational and managerial challenges
- They function according to the implicit models in the minds of their members that are culturally determined
- Organisations provide managers with a set of rules, policies and procedures and norms for their behaviour that guide their actions in the form of Standard Operating Procedures & Organisational Cultural Norms; this is their Micro Environment

Organisational & National Cultures

- Organisations can replicate or reject the influences of their national / regional cultural values and norms
- The National Norms can be reinforced or otherwise
- Example, Greece gives less importance to punctuality but Olympic Air can develop a culture where Punctuality is a critical value for its team members as they would like to survive in a very competitive Airline business

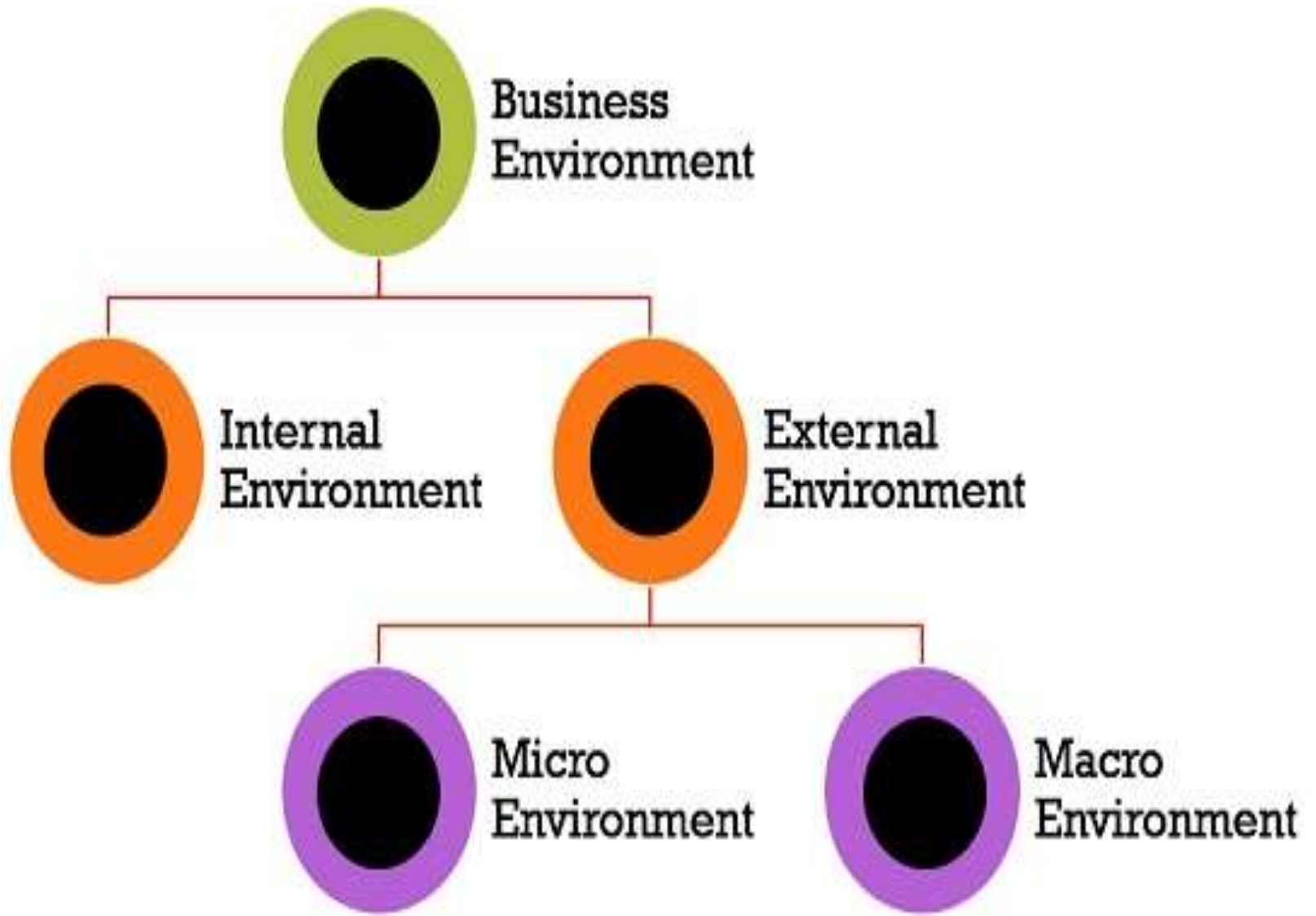
Global Organisations

- Global organisations need to deal with more than one national cultures and adapt to the verities of values and norms for their survival and growth
- But they also need to create a clear behavioural guidelines for team members across their national/ regional/global teams

Organisational Environment

- Managers need to understand organisational environment and the 4 critical aspects;
 - (i) Global Strategy
 - (ii) Organisational Structure
 - (iii) Organisational Decision-Making
 - (iv) Corporate Culture

These and the **Role of Stake holders**, the **Market Pressures** and the **Economic Constraints** will continue to impinge upon how managers behave and operate



The Simplistic Strategic Management Cycle

- One-Way Causal Relationship
- Mission > Strategy > Structure > Management Practices

A Complex Relationship

It is a complex Relationship

- The Geographic location
- The Cultural Milieu
- The Legal Conventions
- The Local Customs
- The Available Resources
- The Stakeholders, etc
 - **An Interplay of them all**

Centralised or Distributed Control

- UK, USA, Korea, Argentina: the stakeholders have tremendous influence on companies' mission and strategy
- Sweden, Germany, Japan: the investors, customers and governments have major influence on companies' mission and strategy

The Dominance of Mittlestand Firms

- 2.5 million small & medium sized firms in Germany
- Account for 2/3rd of the national economy
- 80% of private sector employment
- They have grown global following their distinct strategy
...avoiding price-conscious low margin markets...focusing on quality driven customers...moreover, they take long-term view of their operations with close support of their financial institutions
- Unlike the Americans who expect short payback period
- Although, the Mittlestand firms are also changing

Global Structures Evolve

- The Global Structure of organisations evolve over a period of time
- Starting with a simple structure that is a small part of the central domestic business
- Initially, local managers are assigned the task of exports... as the volume increases they form a separate Export Department...they start hiring managers from their global markets for better management and connects
- Finally, with growth they have Global Organisational Designs

Design for 4 Critical Strategic Information

- (i) Area Knowledge
- (ii) Product Knowledge
- (iii) Functional knowledge
- (iv) Customer Knowledge

It could be simple **Global Product Design, Global Area Design, Global Functional design, Global Customer Design, or a Global Matrix Design, or Web-Based Global Network Design**

Uber

- A Web-based Global Network Design
- Ride-Sharing Services
- Has drastically impacted the Traditional Taxi Service Sector across the Globe

- Their Executives were arrested in France for illegal taxi service
- Similar charges in Korea, the Netherlands, and Indonesia

No One Solution!

- Adopt & Evolve: No One Solution for Business Organisations
- But we can learn from Regional Organising Models & local trends in Strategy & Structure and Evolve
- Unique fingerprints have to be developed

The Investor Model of Organisation

- The predominantly 'Anglo' Cultures
- Australia, Canada, New Zealand, the UK and the USA
- The Investor Culture
- The Investors Exert Power & Influence, and Recoup maximum of the profit
- The legal & regulatory framework supports that
- The Employees and Customers get anything Extra only if that helps increase the Investors' Benefits
- There would be variance among these nations as well but it provides a general framework
- The USA provides a most obvious Sample

Contd...The Investor Model of Organisation

- Mastery-Oriented
 - A Linear Approach to Decision making
 - Respect for Rules & Policies
 - A Sense of Order
 - Anyone can rise to the Top
- Powerful CEOs
 - The Imperial CEOs
 - The Goal is increase short term profits

Contd...The Investor Model of Organisation

- Professional Management
 - Professional Managers
 - Professionally Trained
 - Impartial Managers
- Fluid Organisational Design
 - Organisational Designs Change
 - Alliances & Partnerships also would change with time & Need
 - Exigencies of the situation would determine the relationships

Contd...The Investor Model of Organisation

- Low Employee Job Security
 - Factors of production
 - Hiring & Firing
 - Permanent Employees only words
 - Increasing Role of Contingent Workers
 - Employee Commitment is also Declining

The Anglo Cluster

- The British Companies are far less tolerant of Power Aggregation
 - They tend to oppose Unitary Board of Directors
 - Strongly favour Separation of the roles of Chairman & CEO
 - Prevent banks from having any major shares in companies
 - They tend to have far less layers of lawyers
 - Spend much less on lobbying
 - Have weak trade associations
 - But they are much more conservative in management policies & procedure (not much out-of-the-box thinking, please!)
 - Strong on Financial management
 - Weak on Vision, Community & Integration

Contd...The Anglo Cluster

- The Canadians are much more understated
 - Understate their Strengths & overstate their weaknesses
 - Generally, do not claim to be the best at anything
 - Strongly believe in collegiality (Group Actions)
 - More Formal than the Americans
 - More Polite and less Confrontational
 - They are much less Explicitly & Publicly Religious
 - Believe in Collective Responsibility towards Education & Health
- What we need to look at is the Gap between Within-Group Variance & Between-Group-variance
- They are becoming more Multicultural and hence things are changing
- Just a foundation for an understanding

The Family Model of Organisations

- China, South America, Southeast Asia, the Middle East
 - Centrality of Family Members in routine operations
 - Family members in the organisational hierarchy
 - Mostly Males
 - Family members are the principal beneficiaries

Influence of the Confucian Code

- Influence of Confucius and his Code of Ethical Behaviour
- 5 Cardinal Virtues
 - Filial Piety
 - Absolute Loyalty to Superiors
 - Strict Observance to Seniority
 - Subservience to Superiors
 - Mutual Trust between Friends & Colleagues

Contd.. Influence of the Confucian Code

- It views the Universe & Society as a hierarchical System ruled by an Educated Aristocratic Elite
- Disdains Democracy & Equality
- Learning & Education were highly prized
- Stress on Hard Work, Self Discipline, Frugality, Self and Diligence
- Interactions among Unequals

Social Patterns of the Chinese

- Guanxi
 - A Strong personal relationship between two people with implications of continual exchange of favours
 - Failure to meet one's commitment leads to loss of face
- Face
 - Senior-Junior
- Rank
 - Linked to their sense of Belonging
 - Similar background leads to Camaraderie
 - Hostility & distrust towards Strangers
- Harmony
 - With relation to rank & position

The Chinese Companies

- Gong-shi (**Gong-Suh**): Companies of all Sizes
- Now **Jia Zu Gong-Shi**: small & medium sized family-run enterprises
 - Flat & Informal Structure
 - Relationship Based
 - Family Management
 - Business as private Property
 - Family Revenue
- Family Structure as their Competitive Advantage with small size, flexibility and network of their connections
- Faster Decision Making & Faster Implementation
- Family Elder being the Leader

The Network Model of Organisation

- Japan
 - Hierarchical
 - Strong on Collectivism
 - A Strong Harmony Orientation
 - Moderate Monochronism
 - Strong Particularism
- The Concept of Hierarchy is different from that of the West
 - A two-Way Relationship
 - Authority is associated with Responsibility

The Japanese Organisations

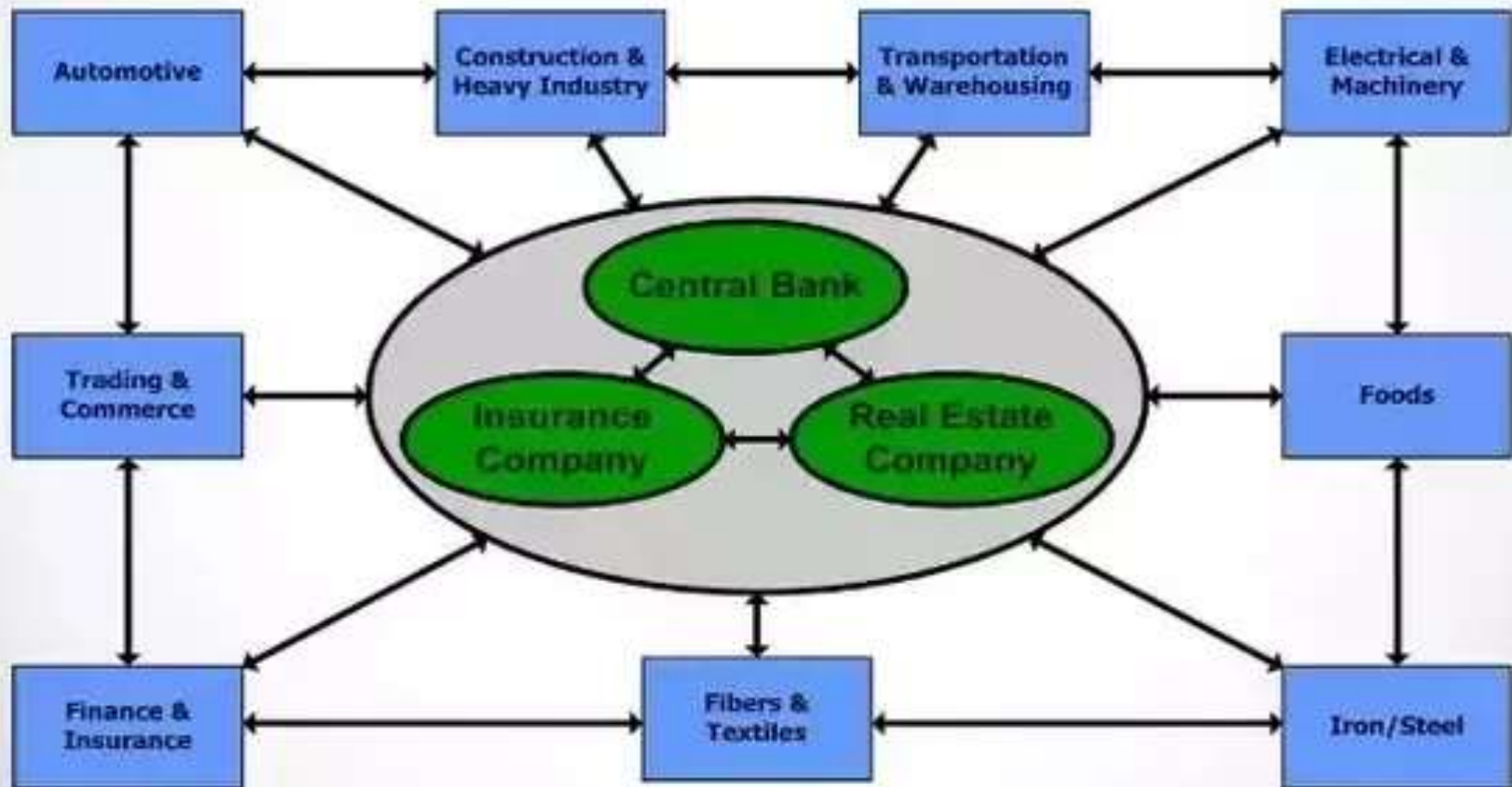
- Group Identity takes precedence over Individual Identity
- “The nails that sticks out will be hammered down”
- Contrast this with the Western Adage “The squeaky wheel gets the grease”
- Seniority based or group based rewards are frequently preferred to performance based individual rewards
- Harmony with Nature and Other People
- Avoid open Argument & Confrontation
- Symbols & Signs are quite important if words are inappropriate
- Clear Rules of Law but Exceptions for Powerful & Influential People

Contd...The Japanese Organisations

- A Network of Companies : Keiretsu of affiliated Kaisha (companies)
- A tightly knit alliances of trading, finance, manufacturing firms
- Interlocked organisations

Keiretsu

Typical Keiretsu Business Group structure



Mitsubishi Keiretsu

2002

Sumitomo Mitsui Financial Group

Sumitomo Mitsui Banking
Corporation

Mizuho Holdings

Mizuho Bank
Mizuho Corporate
Bank
Mizuho Trust

Mitsui Trust Holdings

Chuo Mitsui Trust
Mitsui Asset Trust

Mitsubishi Tokyo Financial Group

Bank of Tokyo-
Mitsubishi
Mitsubishi Trust

Resona Holdings

Daiwa Bank
Asahi Bank
Kinki Osaka Bank
Nara Bank
Daiwa Trust

UFJ Holdings

UFJ
Bank
UFJ
Trust

Contd...Mitsubishi Keiretsu

Mitsubishi's horizontal keiretsu

Mitsubishi Corporation	Bank of Tokyo-Mitsubishi	Mitsubishi Heavy Industries
Automotive Mitsubishi Fuso Truck Bus Mitsubishi Motors Shin Caterpillar Mitsubishi	Finance & insurance DC Card Diamond Lease Meiji Life Mitsubishi Auto Credit Mitsubishi Securities Mitsubishi Trust & Banking Tokio Marine and Fire	Industrial equipment Mitsubishi Electric Mitsubishi Kakoki Mitsubishi Precision Toyo Engineering Work
Electronics & telecom IT Frontier Mitsubishi Research Inst Mitsubishi Space Software Nikon Space Communications	Transportation & dist Mitsubishi Logistics Mitsubishi One Transport NYK Line	Industrial materials Asahi Glass Dai Nippon Toryu Mitsubishi Aluminum Mitsubishi Cable Indus Mitsubishi Materials Mitsubishi Plastics Mitsubishi Rayon Mitsubishi Shindoh Mitsubishi Steel
Resources & energy Nippon Oil Mitsubishi LPG Mitsubishi Nuclear Fuel Mitsubishi Paper Mills	Chemical & pharmaceutical Dai Nippon Toryu Mitsubishi Chemical Mitsubishi Gas Chemical Mitsubishi Petrochemical	Consumer goods & foods Kirin Beverage Kirin Brewery Ryoshoku
Real estate & construction Mitsubishi Estate P.S. Mitsubishi		



Keiretsu

- Internal Financing
- Trading Companies
- Weak Executives (consensus building is rewarded)
- Long-term Employees
- Enterprise Unions

The Mutual Benefit Model of Organisation

- Based on Collective participation & Common Good
- Derived from their long Standing Cultural Traditions & Societal assumptions
- Germany, The Netherlands & the Scandinavian countries

The Germans

- Relatively Individualistic
- High on Uncertainty Avoidance
- High on Masculinity
- Relatively low on Power Distance
- Very Punctual about Time
- Demand Order
- Value their Personal Space
- Respect Power & Position
- Seek Detailed Information prior to Decision-Making
- To Foreign observers they tend to be Conservative, Formal & Polite
- Communication is Explicit & Easily understood by foreigners

The German Companies

- Konzern
- 2 Distinct Boards
 - The Supervisory Boards (elected for 5 years)
 - The Management Boards
- Co-Determination & Work Councils
 - Employees are represented also in the Supervisory Boards
- Meister: the First-line Supervisor & up. Respect for Skills, Knowledge & Experience
 - Assume that they don't need to be closely supervised

Contd...The German Companies

- Technik: Technical Competence
 - 40% of GDP is derived from Manufacturing
 - Contributes to half of the EU's manufactured goods' exports

Centralised Decision-Making

- The Anglo Organisations
- Power centralised with Line Managers
- Workers' opinions are ignored
- Top-Down Decisions
- Rapid Problem Analysis
- Faster Decision-Making
- But Slow Acceptance & Implementation
 - That is extrinsic rewards offered frequently
- **But Rapid Acceptance & Implementation in China (Although, China is also having Centralised Decision-Making Culture)**

Consultative Decision-Making

- Japan
- Slow Problem Analysis
- Consensus Development (Nemawashi)
- Slow Decision-Making
- Rapid Acceptance & Implementation

- TATEMAE: Doing or saying the right thing according to the prevailing norms or social customs
- HONNE: Doing or saying what one prefers to do or say
 - Hence one needs to study the body language and facial expression

Collaborative Decision-Making

- Germany, The Netherlands & the Scandinavian Countries
- Moderate Problem Analysis
- Slow decision-making (Co-Determination)
- Moderate Acceptance & implementation
- There would be variance within this group

The Challenge for Global Managers

- The Corporate Culture & the Interplay with other components of the environment
 - Symbols & Behaviours
 - Power Distribution
 - Problem-Solving Processes
 - Dentsu & Ali Baba
 - The Sea Turtles (Haigui)

A Few Pointers for Global Managers

- (i) Understand the relationships between stakeholders, strategies and structures
- (ii) Understand the characteristics of local work environment
- (iii) Learn about other organisations by better understanding your own
- (iv) Continue to develop your multicultural skills
- (v) Learn the rules of the game regardless of where you are working