# 1 Management across cultures: an introduction

## MANAGEMENT CHALLENGE

MIT economist Lester Thurow observes, "A competitive world offers two possibilities. You can lose. Or, if you want to win, you can change."[1] With increasing globalization come increased pressures for both change and competitiveness. Understanding this changing environment is a manager's first challenge. The second is building mutually beneficial interpersonal and multicultural relationships with people in different parts of the world in order to overcome these challenges and take advantage of the opportunities presented by the turbulent global environment. Meanwhile, concerns about ethical behavior and social responsibility surround managerial actions. We suggest here in this introductory chapter that an important key to succeeding in the global business environment is developing sufficient *multicultural competence* to work and manage productively across cultures.

## CHAPTER OUTLINE

During a dinner meeting in Prague between Japanese marketing representative Hiroko Numata and her Czech host, Irena Novák, confusion quickly emerged when the Japanese guest went off to find the restroom. She began to open the door to the men's room when her host stopped her. "Don't you see the sign?" Novák asked.

"Of course I do," Numata responded, "but it is red. In our country, a red-colored sign means it's the ladies' room. For men, it should be blue or black." Novák returned to her table, remembering that she too had looked at the sign but had focused on what was written, not its color. She wondered how many other things she and her Japanese colleague had seen or discussed but interpreted very differently.[2]

We live in a contradictory and turbulent world, in which there are few certainties and change is constant. Over time, we increasingly come to realize that much of what we think we see around us can, in reality, be something entirely different. We require greater perceptual insight just as the horizons become more and more cloudy. Business cycles are becoming more dynamic and unpredictable, and companies, institutions, and employees come and go with increasing regularity. Much of this uncertainty is the result of economic forces that are beyond the control of individuals and major corporations. Much results from recent waves of technological change that resist pressures for stability or predictability. Much also results from the failures of individuals and corporations to understand the realities on the ground when they pit themselves against local institutions, competitors, and cultures. Knowledge is definitely power when it comes to global business, and, as our knowledge base becomes more uncertain, companies and their managers seek help wherever they can find it.

Considering the amount of knowledge required to succeed in today's global business environment and the speed with which this knowledge becomes obsolete, it is the thesis of this book that mastering learning skills and developing an ability to work successfully with partners in different parts of the world may well be the best strategy available to managers who want to succeed. Business and institutional knowledge is transmitted through interpersonal interactions. If managers are able to build mutually beneficial interpersonal and multicultural relationships with partners around the world, they may be able to overcome their knowledge gaps. *Our aim in this book, then, is to develop information and learning models that managers can build upon to pursue their job responsibilities, corporate missions, and careers.*

As managers increasingly find themselves working across borders, their list of cultural contradictions continues to grow. Consider just a few examples. Most French and Germans refer to the European Union as "we," while many British refer to it as "they"; all are members. To some Europeans, Japan is part of the "Far East," while, to some Japanese, Europe is part of the "Far East"; it all depends on where you are standing. Criticizing heads of state is a favorite pastime in many countries around the world, but criticizing the king in Thailand is a felony punishable by fifteen years in jail. Every time Nigerian-born oncologist Nkechi Mba fills in her name on a form somewhere, she is politely told to write her name, not her degree. In South Korea, a world leader in IT networks, supervisors often assume employees are not working unless they are physically sitting at their desks in the office. And in a

recent marketing survey among US college students, only **7** percent could identify the national origins of many of their favorite brands, including Adidas, Samsung, Nokia, Lego, and Ericsson. In particular, quality ratings of Nokia cellphones soared after students concluded, incorrectly, that they were made in Japan.

There is more. Germany's Bavarian Radio Symphony Orchestra recently deleted part of its classical repertoire from a concert tour because it violated the European Union's new noise at work limitations. US telecommunications giant AT&T has been successfully sued in class action suits for gender discrimination against both its female and male employees. When you sink a hole in one while playing golf with friends in North America and Europe, it is often customary for your partners to pay you a cash prize; in Japan, you pay them. The head of Nigeria's Niger Delta Development Corporation was fired from his job after it was discovered that he had paid millions of dollars of public money to a local witch doctor to vanquish a rival. The penalty for a first offense of smuggling a small quantity of recreational drugs into Western Europe is usually a stern lecture or a warning; in Singapore, it is death. Finally, dressing for global business meetings can be challenging: wearing anything made of leather can be offensive to many Hindus in India; wearing yellow is reserved for the royal family in Malaysia; and white is the color of mourning in many parts of Asia.

When confronted by such examples, many observers are dismissive, suggesting that the world is getting smaller and that many of these troublesome habits and customs will likely disappear over time as globalization pressures work to homogenize how business is done – properly, they believe – across national boundaries. This may be incorrect, however. *The world is not getting smaller; it is getting faster.* Many globalization pressures are currently bypassing – and, indeed, in some cases actually accentuating – divergent local customs, conventions, and business practices, if for no other reason than to protect local societies from the ravages of economic warfare. What this means for managers is that many of these and other local customs will likely be around for a long time, and wise managers will prepare themselves to capitalize on these differences, not ignore them.

## The changing global landscape

Much of what is being written today about the changing global landscape is characterized by a sense of energy, urgency, and opportunity. We hear about developing transformational leaders, building strategic alliances, launching global product platforms, leveraging technological breakthroughs, first-mover advantages, global venturing, outsourcing, sustainable supply chains, and, most of all, making money. Action – and winning – seem to be the operational words. Discussions about

**Exhibit 1.1** The changing global landscape

global business assume a sense of perpetual dynamic equilibrium. We are told that nothing is certain except change, and that winners are always prepared for change; we are also told that global business is like white water rafting – always on the edge; and so forth. Everything is in motion, and opportunities abound.

At the same time, however, there is another, somewhat more troublesome side to this story of globalization that is discussed far less often, yet it is equally important. This side is characterized by seemingly endless conflicts with partners, continual misunderstandings with suppliers and distributors, mutual distrust, perpetual delays, ongoing cost overruns, political and economic risks and setbacks, personal stress, and, in some cases, lost careers. Indeed, *over 50 percent of international joint ventures fail within the first five years of operation.* The principal reasons cited for these failures are cultural differences and conflicts between partners.[3]

Problems such as these have several potentially severe consequences for organizational success, especially in the area of building workable global partnerships. Although it is not easy to get a handle on all the changes occurring in the global environment, three prominent changes stand out: the evolution from intermittent to continual change, from isolation to increasing interconnectedness, and from biculturalism to multiculturalism (see Exhibit 1.1).

## From intermittent to continuous change

Change is everywhere. Companies, products, and managers come and go. This turbulence increasingly requires almost everyone, from investors to consumers, to pay greater heed to the nature, scope, and speed of world events, both economically and politically. Details have become more important. Personal relationships, even though they are under increasing strain, remain one of the last safe havens in an otherwise largely unpredictable world.

Across this changing environment – indeed, as one of the principal causes of these changes – we can see the relentless development and application of new technologies, especially with regard to the digital revolution. Technology is largely held to be a principal driver of globalization and the key to national economic development and competitiveness. Indeed, global business as we know it today

would not be possible without technology. It was only with the emergence of affordable and reliable computer and communication technologies that coordination and collaboration across borders became reliable. A few years ago subsidiaries were managed as independent organizations, and managers traveled around the globe for coordination purposes. Today electronic technologies facilitate the transfer of information and make communication through text, voice, and video simple and affordable.

At the same time, globalization has resulted in an increase in the transfer and diffusion of technological innovation across borders, as well as competition among nations to develop and adopt advanced technologies. As business becomes more and more global, the need for better and cheaper technology increases, pushing technological development to new heights. Computers are obsolete as soon as they are out of the box, smartphones integrate new functionalities for managers on the move, and we have cellphone coverage and Internet access in almost every corner of the world. Managers cannot understand globalization or manage globally without understanding the influence of technology on business.

Take the example of the growth of the mobile Web in Vietnam.[4] Internet penetration in Vietnam has grown to 44 percent of the state's 90 million people from 12 percent a decade ago. Much of that is driven by smartphones, which are used by more than a third of the population. This expansion is powering a range of online services, many of which are showing their first signs of serious growth, such as mobile e-commerce. A Vietnamese government agency forecasts the market for e-commerce will generate revenue of $4 billion this year, compared with $700 million in 2012. Data prices are among the lowest in the world. This presents an opportunity for local businesses and at the same time expands the footprint of global technology companies. Active mobile social-media accounts, meanwhile, rose 41 percent in the past year. That is more than China, India, or Brazil, and indicates what might happen in other mobile-first countries such as Myanmar or Nigeria as they race to catch up with Internet usage in more developed countries. And Facebook now has 30 million active users in Vietnam, up from 8.5 million just three years ago, making the country one of Facebook's fastest-growing markets.

## From isolation to interconnectedness

In today's increasingly turbulent and uncertain business environment, major changes occur with increasing regularity. The recent collapse of the global financial markets, accompanied by worldwide recession, continues to cause hardships around the world and has led to changes, both political and economic, in rich and poor countries alike. The economic and political power of India and China continues to grow exponentially, and both are struggling to manage the positive and negative

consequences of growth and development. Russia is trying to reassert itself politic-ally and economically in the world, overcome rampant corruption in its business sector, and reform its economic system in order to build local companies that can compete effectively in the global economy. Arab nations are struggling for greater democracy and human rights. Japan is trying to rebuild its economy after its recent catastrophic environmental disaster. France is trying to reinvigorate its economy by changing its historically uncompetitive labor policies. Turkey is trying to join the European Union so that its companies can gain greater access to world markets. South Africa continues to struggle to shed the vestiges of its old apartheid system and build a new, stronger economy based on more egalitarian principles. Through-out, there is a swelling consumer demand for higher quality but lower-cost goods and services that challenge most governments and corporations. In a nutshell, welcome to today's increasingly global economy. In this new economy, globaliza-tion is not a debate; it is a reality.

This is not to say that the challenges and potential perils of globalization are a recent phenomenon. Indeed, quite the contrary is true; globalization has always been a major part of commerce. What is new, however, is the magnitude of globalization today and its impact on standards of living, international trade, social welfare, and environmental sustainability. In 1975 global foreign direct investment (FDI) totaled just $23 billion; by 1998, a little over twenty years later, it totaled $644 billion; and by 2008, just ten years after that, it totaled $1.5 trillion. It is estimated that, by 2020, global FDI will surpass $3 trillion. Despite regional and worldwide recessions and economic setbacks, global FDI continues to grow at a seemingly uncontrollable rate. What are the ramifications of this increase for organizations and their managers? What are the implications for developed and less developed countries? Is there a role for governments and public policy in this revolution?

Take just one example of this interconnectedness. When the use of ethanol as an additive to gasoline production increased significantly in American and European markets, corn prices around the world skyrocketed, and the price of tortillas in Mexico, a staple food among Mexico's poor, nearly doubled. A short time later, however, the bottom fell out of the ethanol market as oil prices dropped and the price of corn fell.[5] Then, a year later, oil prices skyrocketed again, as did the price of corn. Caught in the middle of all of this is the Mexican peasant, just trying to survive: unintended, yet nonetheless very real, consequences.

## From biculturalism to multiculturalism

The increasing intensity and diversity that characterize today's global business environment require managers to succeed simultaneously in multiple cultures, not just one. Gone are the days when a manager prepared for a long-term assignment in

France or Germany – or even Europe. Today this same manager must deal simultaneously with partners from perhaps a dozen or more different cultures around the globe. As a result, learning one language and culture may no longer be enough, as it was in the past. In addition, the timeline for developing business relationships has declined from years to months – and sometimes to weeks. This requires a new approach to developing global managers. This evolution from a principally bicultural business environment to a more multicultural or global environment presents managers with at least three new challenges in attempting to adapt quickly to the new realities on the ground.

- **It is sometimes unclear to which culture we should adapt.** Suppose that your company has asked you to join a global team to work on a six-month R&D project. The team includes one Brazilian, one Indian, one Portuguese, and one Russian. Every member of the team has a permanent appointment in his or her home country but is temporarily assigned to work at company headquarters in Sweden for this project. Which culture should team members adapt to? In this case, there is no dominant cultural group to dictate the rules. Considering the multiple cultures involved, and the little exposure each manager has likely had with the other cultures, the traditional approach of adaptation is unlikely to be successful. Nevertheless, the group's members have to be able to work together quickly and effectively to produce results (and protect their careers), despite their differences. What would you do?
- **Many multicultural encounters occur at short notice, leaving little time to learn about the other culture.** Imagine that you have just returned from a week's stay in India, where you were negotiating an outsourcing agreement. As you arrive in your home office, you learn that an incredible acquisition opportunity has just turned up in South Africa and that you are supposed to leave in a week to explore the matter further. You have never been to South Africa, nor do you know anybody from there. What would you do?
- **Multicultural meetings increasingly occur virtually, by way of Skype or video conferencing, instead of through more traditional face-to-face interactions.** Suppose that you were asked to build a partnership with a partner from Singapore whom you have never met, and that you know little about the multiple cultures of Singapore. Suppose further that this task is to be completed online, without any face-to-face communication or interactions. Your boss is in a hurry for results. What would you do?

Taken together, these three challenges illustrate just how difficult it can be to work or manage across cultures in today's rapidly changing business environment. The old ways of communicating, negotiating, leading, and doing business are simply less effective than they were in the past. As such, as noted earlier, the principal focus of this book will be on how to facilitate management success in global environments – how to become a global manager.

## Multicultural competence and managerial success

Globalization pressures represent a serious challenge facing businesses and the way in which they conduct themselves in the global economy, and they have a direct influence on the quality and effectiveness of management. Even so, globalization presents companies with opportunities as well as challenges. The manner in which they respond – or fail to respond – to such challenges will in large measure determine who wins and who loses. Those that succeed will need to have sufficient managers with economic grounding, political and legal skills, and cultural awareness to decipher the complexities that characterize their surrounding environment. Tying this all together will be the management know-how to outsmart, outperform, or outlast the competition on a continuing basis. Although globalization seems to be inevitable, however, not all cultures and countries will react in the same way, and therein lies one of the principal challenges for managers working across cultures.

In view of the myriad challenges such as this, managers viewing global assignments – or even global travel – would do well to learn as much as they can about the world in which they will work. The same holds true for local managers working in their home countries, where the global business world is increasingly challenging them on their own turf. Like it or not, with globalization and competition both increasing almost everywhere, the challenge for managers is to outperform their competitors, individually or collectively. This can be attempted either by focusing exclusively on one's own self-interests or by building mutually beneficial strategic alliances with global partners. Either way, the challenges and pitfalls can be significant.

Another important factor to take into consideration here is a fundamental shift in the nature of geopolitics. The days of hegemony – East or West – are over. No longer do global business leaders focus on one or two stock markets, currencies, economies, or political leaders. Today's business environment is far too complex and interrelated for that. Contrary to some predictions, however, nation states and multinational corporations will remain both powerful and important; we are not, in fact, moving towards a "borderless society." Global networks, comprising technological, entrepreneurial, social welfare, and environmental interest groups, will also remain powerful. Indeed, global networks will increasingly represent power, not traditional or historic institutions. Future economic and business endeavors, like future political, social, and environmental endeavors, will be increasingly characterized by a search for common ground, productive partnerships, and mutual benefits.

The plight of many of today's failed or mediocre managers is evident from the legion of stories about failures in cross-border enterprise. Managers are responsible for utilizing human, financial, informational, and physical resources in ways that facilitate their organization's overall objectives in turbulent and sometimes hostile

environments about which they often understand very little. These challenges can be particularly problematic when operations cross national boundaries.

As globalization pressures increase and managers spend more time crossing borders to conduct business, the training and development community has increasingly advocated more intensive analyses of the criteria for managerial success in the global economy. As more attention is focused on this challenge, a growing cadre of management experts is zeroing in on the need for managers to develop perspectives that stretch beyond domestic borders. This concept is identified in many ways, including "cultural intelligence" and "global leadership," but we refer to it simply as multicultural competence.[6] (This topic is discussed in greater detail in Chapter 2.) Whatever it is called, its characteristics and skills are in increasing demand as firms large and small, established and entrepreneurial, strive for global competitiveness.

The concept of multicultural competence and how it can be developed is at the heart of this book. The skills and abilities discussed throughout this volume represent an effort to develop such competence. The fundamental challenge of multicultural competence is not whether or not managers possess it; rather, it is a question of how much they possess. It is a question of degree. Simply put, better trained managers – especially those with higher levels of multicultural competence – tend to succeed in challenging foreign environments more often than those with lower levels of competence. It is as simple as that.

Endeavoring to meet the challenges discussed throughout this chapter is far more the result of hard work, clear thinking, serious reflection, and attentive behavior than any of the quick fixes that are so readily available. To accomplish this, managers will need to develop some degree of multicultural competence as an important tool to guide their social interactions and business decisions and prevent themselves from repeating the intercultural and strategic mistakes made by so many of their predecessors. Clearly, working and managing in the global economy require more than cross-cultural understanding and skills, but we argue that, without such skills, the manager's job is all the more difficult to accomplish. If the world is truly moving towards greater complexity, interconnections, and corporate interrelationships, the new global manager will obviously need to play a role in order for organizations and their stakeholders to succeed.

## MANAGER'S NOTEBOOK

### Developing multicultural competence

Former Swiss-based ABB chairman Percy Barnevik observed, "Global managers are made, not born. This is not a natural process."[7] Becoming a global manager is the result of a process, a career path streaming through different assignments and cultures. It is a journey, not an end state. Throughout, we suggest that what

**Exhibit 1.2**  Building global management skills

differentiates effective global managers is not so much their managerial skills – although this is obviously important – but the combination of these skills with additional multicultural competencies that allow people to apply their managerial skills across a diverse spectrum of environments (see Exhibit 1.2). It is this synergistic integration of basic management skills working in tandem with a deep understanding of how organizations and management practices differ across cultures that differentiates the successful from the less successful global managers.

Whether relocating to a foreign country for a long stay, traveling around the world for short stints, or dealing with foreigners in one's home country, managers often face important cultural challenges. Different cultures have different assumptions, behaviors, communication styles, and expectations about management practice. The ability to deal with these differences in ways that are both appropriate and effective goes by many names, but we refer to it simply as *multicultural competence.* It represents the capacity to work successfully across cultures. Being multiculturally competent is more than just being polite or empathetic to people from other cultures; *it is getting things done through people by capitalizing on cultural diversity.*

Multicultural competence can be seen as a way of viewing the world with a particular emphasis on broadening one's cultural perspective as it relates to cross-cultural behavior.[8] In other words, it asks the question: what can we learn from people around us from different cultures that can improve our ability to function effectively in a multicultural world? Multicultural competencies include elements of curiosity, awareness of diversity, and acceptance of complexity. People with multicultural competence tend to open up themselves by rethinking boundaries and changing their behaviors. They are curious and concerned with context, possessing an ability to place current events and tasks into historical and probable future contexts alike. They accept inherent contradictions in everyday life, and have the ability to maintain their comfort level with continual change.

In addition, managers who possess multicultural competence have a commitment to diversity, consciousness and sensitivity, as well as valuing diversity itself. They exhibit a willingness to seek opportunities in surprises and uncertainties, including an ability to take moderate risks and make intuitive decisions. They focus on