Comparative Management Studies

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Preface

This Research Paper covers “comparative management studies”, which focuses on how management styles and practices differ from country-to-country and the reasons for those differences. Clearly societal culture influences preferences regarding management styles and practices and it is possible to identify the parameters of national business cultures that are impacted by major social institutions; history, including colonial occupation; religion; the availability of capital; the availability of natural resources; human capital; technology; demographic factors; and communications with other societies. The Research Paper begins with an overview of the scope and practice of comparative management studies and also describes the research that has been done on cross-cultural transfer of management theories, particularly attempts to transfer US management theories into other cultural contexts. In addition, the Research Paper includes materials on the search for, and analysis of, dimensions of management styles that can be used as a basis for creating models that can be used for comparison purposes. Among the dimensions of management styles discussed in the Research Paper are planning, organizing, staffing, leading, controlling, decision making and motivating.
Chapter 1
Scope and Practice of Comparative Management Studies

§1:1 Introduction

The field of comparative management studies includes research activities undertaken to identify and explain similarities and differences among business organizations, strategies, management styles and systems, and social behavior in different work contexts (e.g., geographic areas, cultures or industries). Pugh et al. explained the focus of cross-cultural organizational research as two basic questions: “(1) what are the similarities or differences between organizations located in different countries?, and (2) why are they similar or different?”¹ In order to answer those questions, Child suggested that following three stages: “(1) the identification of similarities and differences between organizations located in different countries, (2) the isolation of those cultural attributes which account for the observed likenesses and variations, (3) where cross-cultural differences are discovered offer an explanation for the transfer of national cultural to organizations so that they become ’infused with national distinctiveness’”.²

One of the most important, and controversial issues, in the field of comparative management studies has been the role of culture. Culture was generally ignored for a long period of time as scholars, mostly based in the US, concentrated on demonstrating the existence and validity of so-called “universal” management principles, typically developed and popularized in the US, that transcended culture, national borders or environment and thus could be effectively applied almost anywhere in the world.³ During the 1960s, when the formal field of comparative management studies was first emerging, many attempts were made to define the role that culture played in comparative management; however, there were a number of problems with these works including poor methodology and the lack of a consistent and workable definition of the concept of culture. One of the main criticisms of cultural studies was that they were, in reality, national studies since the unit of research was generally a single country or region and the results obtained were actually a mixture of cultural and socio-economic, educational, legal and political factors.⁴ Fortunately, as time went by progress was made in defining

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³ Studies of the early literature regarding comparative management studies showed that a large percentage—roughly 80 percent—of the over 11,000 articles published in 24 management journals between 1971 and 1980 described studies of the US carried out by US researchers. Less than five percent of these articles attempted to describe organizational behavior by reference to cultural factors and less than one percent of the articles discussed cross-cultural interaction among co-workers. See N. Adler, International Dimensions of Organizational Behavior (2nd Ed) (Boston: PWS-Kent Publishing Co., 1991).
⁴ In order to address this criticism, researchers such as Kelley and Worthley attempted to isolate culture by conducting comparative research in one geographic area—Hawaii—on managers with different cultural
culture and identifying and assessing the impact of culture on management practices and concepts of culture are now routinely used as a means for measuring effects that can distinguish countries and ethnic or occupational groups.  

Comparative management studies is one of several research approaches that have been used to learn more about cross-cultural management practices and researchers in this field are particularly interested in identifying elements of organizational design theory and practice that are universal, and thus can be found in all cultural contexts, and elements that will necessarily be different due to the impact of culture and other environmental conditions. Practitioners of comparative management studies must be neutral in their preferences between different countries and cultures and avoid assuming that a particular cultural orientation or management style is better than any other for handling a specific situation and their goal is to conduct an objective and comprehensive comparison of two or more distinguishable management styles and identify characteristics and patterns that can inform and educate every manager.

While comparative management studies should be viewed and treated as a distinct research field notice should be taken of its close relationship to the important topic of cross-cultural or inter-cultural management studies which is primarily concerned with identifying and integrating the appropriate mix of knowledge, insights and skills that are needed in order to adequately deal with national and regional cultures and differences between cultures while attempting to manage organizations whose employees, customers and/or other business partners operate within more than one culture. Cross-cultural management studies describe and compare the behavior of managers and employees in various cultures and countries in order to identify issues that may arise due to different cultural attitudes and design processes, including training and educational programs, that backgrounds—Japanese, Japanese-American and Caucasian-American. See L. Kelley and R. Worthley, “The Role of Culture in Comparative Management: A Cross-Cultural Perspective,” Academy of Management Journal, 24(1): (981), 164-173.


It is often said that researchers engaged in comparative management studies are looking for universal elements of organizational theory and practice that “emerge” as information is collected from studies of more culture and that one of the principal goals of this type of research is identifying an “emergent universality”. Not surprisingly, elements that consistently vary as cultural investigation expands are identified as “culture specific” without adverse judgment. In order for comparative management studies to be conducted properly and objectively, the balance between emergent universality and culture specificity should be a research finding and not assumed in advance. See, e.g., N.J. Adler, “A Typology of Management Studies Involving Culture,” Journal of International Business Studies, 14(2) (1983), 29-48. For further discussion of universality versus cultural contingency, see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

See P. Hesseling, “Studies in Cross-Cultural Organization,” Columbia Journal of World Business, 8 (December, 1973), 129 (“Cross-cultural studies must start with the assumption that there is no, a priori dominant culture which is superior in coping with reality in any situation. If this assumption is not made, fair comparisons are impossible.”).

can be used to overcome problems and reduce conflicts so that everyone within these multi-cultural organizations can work effectively together to achieve the objectives established in a global organizational strategy. Appreciation of cross-cultural management issues is essential for companies that expand and globalize their operational activities since the pre-existing management knowledge base developed during their purely domestic stage will no longer be adequate to deal with new countries and cultures.

§1.2 Value of comparative and cross-cultural management studies

Consultants and other professionals have generated a continuous stream of ideas regarding practical applications of the byproducts of comparative and cross-cultural management studies. In particular, there has been a substantial amount of interest in the use of the “cultural dimensions” identified by Hofstede, the GLOBE researchers and others to improve cross-cultural communications in the workplace and enhance the operational effectiveness of firms conducting business in multiple societal cultures. When using the cultural dimensions and the various “rankings” and “scores” for countries and societal cultures it is important to remember that the cultural preferences of specific individuals may be different and cannot be predicted with absolute certainty from the scores of the country or society from which that individual comes (e.g., a high uncertainty avoidance score for a particular society does not mean that every member of that society has the same intensity of aversion to risk). Care must also be taken not to place too much emphasis on the raw scores for countries and societal cultures but to simply accept and acknowledge that the scores should be used to flag the possibility of relative differences between countries or cultures on a particular dimension. Another reason that recognizing and understanding the concept of cultural dimensions is valuable is because it helps managers recognize their own cultural tendencies and why they are likely to think and act in certain ways. This sort of self-realization will hopefully lead to an appreciation of the fact that individuals from other cultural backgrounds may approach a situation from a very different perspective and that it is therefore necessary to consider whether changes need to be made in business processes, communications and practices.

One of the most useful byproducts of cross-cultural management research is the identification of culture-based differences that can be expected to have a significant impact on the selection and effectiveness of particular management styles and processes in a specific cultural context. Among the cross-cultural differences that are commonly cited and analyzed are the following:

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9 Portions of the discussion in this section are adapted from J. Bing, “Hofstede’s consequences: The impact of his work on consulting and business practices,” Academy of Management Executive, 18(1) (February 2004).
10 For further discussion, see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
11 Nath argued that the field of comparative management studies is important for the following reasons: living in an interdependent world, its universal nature, sharpening our understanding, widening the knowledge base and appreciating one’s own culture and environment. See R. Nath (Ed.), Comparative management: A regional view (Cambridge, MA: Ballinger, 1988).
• Centralization of authority: Variations among cultures have been identified with respect to the degree to which authority for making important business decisions is centralized with a small group of senior managers as opposed to delegating authority downward in the organizational hierarchy (i.e., “decentralization”).

• Risk tolerance: Cultures vary with respect to the level of uncertainty and risk that managers are willing to comfortably tolerate and manage. In some cases, managers are highly risk averse and devote a significant amount of time and resources to controlling and minimizing risks. At the other extreme, however, there are managers in certain cultures who aggressively take on higher levels of risk.

• Reward systems: Some cultures prefer the use of reward systems that are based on measuring and motivating individual achievement while other cultures generally rely on incentives that reward desired collective behavior of groups.

• Level of formality: Cultures vary in the degree to which they prefer to rely on formal management procedures.

• Organizational loyalty: In some cultures there is a high level of identity with and loyalty to the company while in other cases the loyalties of employees lie with their occupational group or profession as opposed to any specific employer.

• Level of cooperation: Cultures differ in their preference for emphasizing cooperation among managers and employees as opposed to encouraging competition within the company to find the most efficient way to achieve the company’s objectives.

§1:3 --Operation and management of foreign subsidiaries

One of the most obvious and important practical application of information regarding potential differences between societal cultures is operation and management of foreign subsidiaries. In many instances parent companies, after taking into account the prevalent cultural values of local managers and employees, need to adopt alternative management processes and motivational strategies and learn how to use them effectively. Hofstede has suggested that among the issues that need to be considered are financial incentives, promotion paths and grievance channels. Failure of parent companies to pay attention to cultural issues could lead to dire consequences with respect to the performance levels within foreign subsidiaries and grave miscalculations with respect to the cost of doing business in a foreign country, labor turnover and absenteeism among local employees and the quality of the products and services produced by the foreign subsidiary.\(^1^3\) Hofstede also noted that culture-specific management processes and motivational strategies for foreign subsidiaries should be implemented and administered by managers who have been properly trained for their assignments and provided information on the culture in which they will be living and working rather than just educated on parent country theories that may have little or no application in foreign countries that have strikingly different cultural values.\(^1^4\)

§1:4 --Design and implementation of employee orientation and training programs


\(^1^4\) Id. at 63.
One of the most common uses of the cultural dimensions is in the design and implementation of the employee orientation and training programs used by global organizations. Examples include the following:

- As part of their orientation program new employees can be trained regarding cultural differences and how they may influence communications and collaborative activities with others in the organization’s global network. New employees may be given tools to assess their own cultural preferences and training exercises may be used to illustrate how co-workers in other countries may have different preferences and ways in which cultural misunderstandings can be reduced.

- Ongoing training can be provided for all managers and employees focusing on how cultural differences can impact recurring communications and collaborations between co-workers from different societal cultures. Managers and workers from different cultures should work together to understand possible cultural impediments and create a framework for collaboration that is based on mutual respect for the cultural preferences of all participants.  

- Relocation training prior to a transfer of an employee to a location where the cultural preferences are different than those of the transferee can sensitize the transferee to potential misunderstandings and provide an opportunity for the transferee to maintain a sense of balance in his or her new surroundings and work and communicate effectively with colleagues in the new location. In the case of managers it is particularly important for them to understand the expectations of subordinates in the new location regarding leader behaviors and management processes such as reward systems, information sharing, discipline and delegation of authority.

§1:5 --Leadership training and development

Cultural dimensions and cross-cultural management studies also play an important role in leadership training and development:

- The GLOBE program, which is discussed in detail elsewhere in this Library, is an example of the extensive research that has been undertaken regarding the relationship between culture and leadership styles and practices and the information generated from those studies can be used to provide leaders of global organization with insights into how leadership practices and expectations differ across cultures and how leaders can tailor their leadership styles to be more effective when dealing with subordinates

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15 Cross-cultural training on e-mail communications might be valuable and provide workers with a better understanding of basic issues such as how much content should be included in e-mail messages, how much time will normally be required to receive a response from someone from a different culture and what practices do persons from different cultures follow with respect to copying others on e-mail communications (e.g., persons from high power distance societies are more likely to copy their supervisors on e-mail communications than persons from low power distance societies and this is important for persons from low power distance societies to know lest they misunderstand the motives of their colleagues in high power distance societies).
from other cultures. For example, while there is some agreement on universally endorsed leadership attributes, as well as leadership attributes that are universally disliked, the acceptance of many attributes is culturally contingent and leaders need to understand when and why actions might be good considered good leadership behavior in one culture yet disapproved of in other cultures.

- Culture differences are likely to impact the effectiveness of management practices implemented in global organizations. For example, reward systems and performance review procedures should be designed in a way that takes into account the local cultural expectations, particularly the way in which the local culture fits into the individualistic-collectivist continuum. A similar issue arises when determining the extent to which managers share authority regarding decisions about strategies and workflow (e.g., high power distance cultures generally accept and expect that authority will be centralized and that subordinate input will typically not be requested or welcomed).

- Cross-cultural management training can also be used to improve communication across geographic and “organization chart” borders within a global organization particularly between the headquarters office in one country and local subsidiaries. An understanding of cultural dimensions allows leaders to design corporate and local policies and procedures that meet the needs of everyone involved.

- One of the hallmarks of global organization is the creation of global teams that bring together the best minds, practices and resources from around the world to work on a wide variety of projects from new product development to improving manufacturing processes. However, the effectiveness of global teams will depend in large part on understanding the cultural preferences of the team members and designing the collaboration process in a way that reduces cultural tensions and allows team members to work in a way that best suits them without disrupting the progress of the team. For example, it is important for team members to discuss the role of the team leader since members from highly individualist societies will want freedom to work on their own while members from collectivist and high power distance societies will generally be more comfortable taking and executing orders from the leader.

- Understanding cultural dimensions also allows leaders of global organizations to do a better job of defining and developing global competencies including training programs and rewards systems. For example, cultural preferences in a particular society may be best suited to a specific activity such as the attention to detail in the manufacturing and engineering process found among members of certain societies. Another illustration is how global organizations can stimulate the development of new technologies in different parts of the world—in performance-oriented societies reward systems tilted toward individual achievement might be used while in collectivist societies team-based rewards would be more appropriate.

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16 For further discussion, see “Cross-Cultural Leadership Studies” in “Leadership: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

17 While extraordinarily high compensation based on attainment of performance-based objectives may be considered to be acceptable in highly individualistic societies such an arrangement is likely to be strongly disfavored among persons from collectivist societies.
§1:6 --Management strategies and procedures

An understanding of cultural differences that may exist within a global organization is important for designing and drafting policies and other communications that are intended for use across national borders. For example, when the corporate human resources department is preparing employee surveys care must be taken to draft them so that the questions can be readily understood by employees from all of the cultures represented within the organization. This is not an easy task and survey design remains an evolving technique among cross-cultural researchers. Each of the corporate-based functional business units also need to develop their own strategies for identifying and accommodating cultural differences in designing their programs and activities. One illustration is the need for training programs created by the human resources department to take into account the cultural preferences of participants in various parts of the world—in high power distance societies lectures may be the preferred method of conveying information while small group discussions may work best in low power distance societies. Similarly, new product development may be best encouraged through brainstorming in individualistic societies while the same activity in collectivist societies is more likely to be successful when done through group activities. Finally, decisions regarding changes in corporate strategy and implementation of such changes also require attention to cultural differences. When explaining changes to persons from individualistic societies it is best to focus on how the change will impact them individually while explaining changes to persons from collectivist societies should emphasize the impact on the “group”. Similarly, persons in high power distance societies generally prefer that changes be announced by senior leaders with instructions on what subordinates are now expected to do while persons in lower power distance societies want to be involved in decisions about how strategic changes will impact day-to-day operational activities.18

§1:7 --Cross-border transactions and business relationships

Information about potential cultural differences is essential to negotiating and managing cross-border transactions and business relationships (i.e., joint ventures and strategic alliances) and should certainly be incorporated into training activities for personnel who will be working closely with counterparts from outside organizations based in different societal cultures.19 Organizations that conduct significant amounts of business in foreign countries must provide their managers and employees with the tools necessary for effective cross-cultural negotiations including an understanding of cultural dimensions and how they can explain the behaviors of persons from other cultures during business meetings and other forms of communication including e-mail. For example, when negotiating a business arrangement with a foreign partner understanding the level of

18 For further discussion of the impact of culture on change strategy see the Appendix in J. Bing, “Hofstede’s consequences: The impact of his work on consulting and business practices,” Academy of Management Executive, 18(1) (February 2004).
19 Research relating to multicultural and global leadership has expanded to address the challenges managers now commonly confront when working in “nontraditional” organizational structures such as joint ventures and strategic alliances with partners in other countries. See W. Mobley and M. McCall (Eds.), Advances in Global Leadership, Vol. 2 (New York: JAI Press, 2001).
formality regarding management procedures that is commonly expected in the partner’s cultural environment may determine the level of detail that is acceptable in terms of requirements of reports and other regular communications during the course of the relationship. Another factor to keep in mind is that each societal culture has its own ideas about the steps that need to be followed in order to enter into a business arrangement including the length and purpose of preliminary discussions, the manner in which decisions are made, how communications should occur during the negotiations and the length and content of the definitive agreement or contract. In addition, attitudes regarding cooperation and reward systems are important when the success of a particular project or joint venture depends on the ability of persons from different cultures to work effectively with one another toward a common objective. Cross-border joint ventures present significant cultural challenges and a special effort will need to be made to identify cultural similarities and differences in order to improve communications and allocate responsibilities in an efficient manner. Finally, a good deal has been written about the challenges of cross-border mergers and acquisitions, a transaction that has become increasingly common as firms look to accelerate expansion into new geographic markets, and most commentators agree that the success or failure of these deals depends largely on whether cultural differences between the parties are understood and accommodated. The cultural dimensions can be used as a starting point for identifying potential conflicts and areas in which the business processes of the two parties will need to be reviewed and perhaps synchronized to ensure that they can communicate effectively once the deal has been completed.20

§1:8 --Design and implementation of organizational strategies

Organizations operating in more than one societal culture must account for cultural differences in designing and implementing their overall organizational strategies and an understanding of cultural differences allows executive and managers to make better decisions about implementing strategies in multiple societal cultures. One illustration is the need to prepare marketing communications in a way that recognizes cultural preferences and attitudes in each of the countries where the communications will appear and words or images that are perceived favorably in one country may have the opposite effect in others. Culture may also lead to very different attitudes regarding financial and legal matters. A good illustration of this is the way that interpretation and enforcement of intellectual property rights varies around the world. Managers also need to understand how societal cultural values impact the environment in which they operate and how they must design strategies for leading and motivating their employees. For example, cultural values have been shown to be a significant influence on governmental policies and legislation relating to the employment relationship and the presence and impact of labor unions and local laws governing workplace activities, such as discipline and termination of employees, inevitably reflect and reinforce the local cultural values associated with the

relationship between employees and their companies and the assumed duties of each side of that relationship to the other.\textsuperscript{21}

\section*{§1.9 Areas of interest for cross-cultural researchers}

Two of the main areas of interest for scholars and consultants active in the area of cross-cultural studies have been identifying and analyzing strategies for management of cultural differences among individuals in global organizations and comparisons of leadership styles and management practices used by leaders and managers in organizations from different societal cultures.\textsuperscript{22} The underlying assumption for all this activity has been that “culture” is, in fact, an important influence on organizational processes, leader effectiveness and the ability of organizations to continuously adapt and survive in a continuously changing business and social environment.\textsuperscript{23} Adler, for example, provided a useful representation of the influence of culture on behavior among persons in an organizational setting in the form of a circular flow that began with “culture” and then moved to “values”, “attitudes” “behavior” and then back to “culture".\textsuperscript{24} She argued that persons in the same culture express that culture through the values that they believe in regarding life and the environment in which they live and that these values are the driving force in determining their attitudes regarding what is considered to be “appropriate behavior” in any given circumstance that arises in their environment. These attitudes serve as the foundation for norms of behavior in that particular culture and these norms are evidenced in the daily behavior of persons living and operating within that culture. If the norms of behavior remain unchanged the culture will remain static; however, if patterns of behavior can be altered there will be a corresponding change in culture that will then be reflected all around the circle in the form of changes in attitudes and values.\textsuperscript{25}

As noted elsewhere in this Library, various techniques for conducting cross-cultural research relating to leadership styles and management practices have been developed and they illustrate the diverse approaches taken by researchers and some of the shortcomings that have often led to controversy in the field.\textsuperscript{26} A good deal of the initial work in the


\textsuperscript{24} N. Adler, International Dimensions of Organizational Behavior (2\textsuperscript{nd} Ed) (Boston: PWS-Kent Publishing Co., 1991), 14-178.

\textsuperscript{25} Id. at 16.

\textsuperscript{26} Numerous scholars have weighed in on problems associated with defining a general theory of culture and developing methodologies for measuring the impact that culture might have on different organizational issues. See, e.g., R. Bhagat and S. McQuaid, “role of subjective culture in organizations: A review and direction for future research”, Journal of Applied Psychology Monograph, 67(5) (1982): 653-685; K. Roberts and N. Boyacigiller, “Cross national organizational research: the grasp of the blind men,” In Research in Organizational Behavior, Vol. 6 (Greenwich, CT: JAI Press, 1984); S. Cavusgil and A. Das, “Methodological issues in empirical cross-cultural research: A survey of the management literature and a
area of cross-cultural studies could rightly be characterized as “parochial” in that the focus was on the study of a single culture by researchers who lived and worked within that culture and brought the values of that culture to the design of the study and the interpretation of the results. With respect to leadership and management the initial wave of research was conducted by Americans focusing on how people in US companies behaved in the workplace and why. The implicit assumption was that the results could be applied to other cultures, at least those that had achieved roughly the same level of economic development, and that “universally” applicable principles of leadership and management could be articulated. The next step for researchers after they developed research methods and ideas about leadership styles and management theories in and for their home country was to attempt to replicate the research in other countries; however, ethnocentric studies were generally more interested in analyzing whether home country management techniques would be effective in foreign countries than in identifying and fully exploring differences in those countries. Fortunately, cross-cultural researchers, recognizing the challenges in identifying universally effective leadership styles and management practices, have turned to polycentric and comparative studies involving simultaneous study of numerous countries or culturally-defined groups to identify and explain both similarities and differences in how leaders and managers lead and manage and employees respond and behave in those countries or cultures. The accuracy and richness of the data collected from these efforts has been enhanced by improvements in research and measurement techniques and increased reliance on collaborative work involving researchers living in different societal cultures.

By embracing “cultural diversity,” as opposed to clinging to the pursuit of a single set of rules for leaders and managers, cross-cultural studies has been able to inform the practice of management in a number of areas that have emerged as important in the modern global business environment—management and organizational design practices of multinational companies, leading and managing a culturally diverse workforce in a single country, understanding behaviors of foreign business partners and identifying leadership techniques and management practices used in other cultures that can be adapted for effective use in other cultural contexts. While it does appear that a good deal of progress has been made there are still those calling for more attention to various research issues (e.g. the need for increased theoretical and methodological sophistication, more collaborative work and more integrative frameworks) as well as some who still question

the usefulness of culture for purposes of research.28

§1:10 Challenges of comparative and cross-cultural management studies

Researchers working in the areas of comparative management and cross-cultural studies are continuously confronted with a variety of challenges even as they continue to make progress toward a better understanding of how firms are managed and the different approaches that firms around the world take to resolve common business issues. One fundamental issue is coming up with a useful definition of the term “culture,” a dilemma that is made even more difficult by the fact that is possible to distinguish among national and regional cultures as well as the recognition that companies operating in the same markets and geographic regions can have very different corporate cultures based on factors such as the background of their founders.29

A second issue that continuously arises is the long-standing debate regarding “universality” versus “cultural contingency”. A survey of the relevant literature in the early 1980s by Child led him to conclude that there were two distinct camps within the cross-cultural management research community at that time—one group believed that management systems and practices were converging in a way similar to the traditional universalist school of thought while another group believed that diversity among management systems could still be observed and would continue.30 Child’s own belief was that while firms around the world might embrace similar macro-level strategies regarding organizational structure and technology as they matured the behavior of people within those firms would continue to be strongly influenced by cultural factors. This conclusion, if true, served as an important cautionary note not to assume that just because two firms operating in different cultures look the same when viewed from a macro level that the same prescriptions for leadership, motivation and decision making would be effective in each instance.31

Research techniques have also drawn the attention of a number of commentators and a list of the alleged shortcomings of the methods deployed in conducting comparative management studies compiled in the mid-1980s included concerns about the lack of a theoretical base due to a failure to test theoretical or conceptual models in order to


29 For further discussion of defining the term “culture,” see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).


31 For further discussion of “universality” and “cultural contingency” in relation to effective leadership styles, see “Cross-Cultural Leadership Studies” in “Leadership: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
develop and expand a broader framework that includes all relevant test results; ethnocentrism, notably the tendency to assume that the management processes in the US were dominant and that research should be structured as comparisons of other countries to a “US model”; overemphasis on cultural variance and a resultant failure to identify and explain similarities across cultural boundaries; failure to recognize and explain differences that might exist within a single country or culture; a tendency to limit investigation to a single country without attempting to relate the results to the situation in other countries; too much reliance on just one method to collect information—questionnaires—without using other potential useful research tools such as interviews and participant observation; and overemphasis on studying the US, other industrialized Western countries and Japan while ignoring smaller and less-developed countries in other parts of the world, many of which were rapidly emerging at that time as new global competitors in various industries (i.e., East Asian nations such as Hong Kong, Korea, Singapore and Taiwan). 

In recent years, however, a number of technological developments have contributed significantly to the efficiency and quality of cross-cultural research and have enabled the growing wave of large multi-cultural research projects tapping into the expertise of local researchers around the world who are able to provide their unique cultural insights into the methodology of the projects and interpretation of the results. Examples of new communication tools that have had an impact include e-mail, telephone conference calls, video conferencing and “real time” chats that allow researchers to interact quickly and efficiently to resolve issues that typically arise during the design and administration of surveys and the post-survey interpretation of results. Cross-cultural research has also benefited from the use of sophisticated data collection tools such as web-based surveys. 

Ironically, these new ways for people to interact raises interesting questions cultural questions that will need to be incorporated into future research such as how should cross-cultural leaders provide direction through e-mail messages sent to subordinates in multiple countries. Finally, researchers have cast a more critical focus on the generalizability of managerial models and practices developed in Western cultures, particularly leadership and management practices used in the US. 

§1:11 Approaches to comparative management studies

For a long time scholars interested in management and organizational activities searched for universal rules regarding oversight of firm activities and relations between managers

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33 See, e.g., M. Dickson, D. Den Hartog and J. Mitchelson, “Research on leadership in a cross-cultural context: Making progress, and raising new questions”, The Leadership Quarterly, 14 (2003) 729-768, 759-760 (also speculating that the massive scope of something like the GLOBE project would not have been possible in the days prior to the introduction of the new communications tools as researchers would have been forced to rely on slow and ponderous methods of interaction such as traditional mail that took days to get from one part of the world to the other).

and employees that could be applied successfully in every situation. Much of the work was carried out by scholars based in the US and relied on studies of US companies operating primarily in their domestic market. For the most part they paid little or no attention to factors such as culture or the external environment in which firms operated and competed. In the 1950s, however, a new discipline that eventually became known as “comparative management” emerged as a small group of scholars began to suggest that it was possible to identify and explain similarities and differences in the management practices and inter-firm relationships of firms operating in different cultures and socio-economic environments. Once comparative management was established as a recognized field of study the volume of research expanded exponentially and a number of theories and methods have been introduced; however, it is fair to say comparative and cross-cultural management studies remains a young discipline with many basic methodological issues yet to be resolved. The surge of interest in the area has been fueled by the explosion in global business activities that has occurred over the last 50 years as more and more companies find themselves both competing with foreign firms deploying what appear to be very different management styles and diversifying the cultural profile of their own organizations as they set up branches and subsidiaries in foreign countries.

This section provides an introductory summary to the main approaches that have served as the foundation for comparative and cross-cultural management studies: the socio-economic (economic development) approach; the environmental (ecological) approach; the behavioral (socio-psychological) approach; the organizational theory approach; the open system (eclectic) approach; and the systems model approach. Most of these approaches can be categorized as primarily macro models that attempt to explain the overall management systems used by firms; however, several of the approaches are useful in examining micro-level elements such as the behavior of individuals working inside those firms. Several of the earlier approaches were severely limited by the fact that they attempted to account for differences in management styles and organizational effectiveness by focusing on just one particular variable such as the stage of economic development, external environmental factors, managerial attitudes or culture. The emerging consensus is that relying on a single variable is too simplistic and that organizational and managerial behavior and effectiveness is a complex matter that is influenced and determined by an array of quantitative, or objective, variables (e.g., market share, profits and return on investment) as well as qualitative, or subjective, variables such as culture, climate attitudes and managerial philosophy. In addition, consideration must be given not only to general environmental factors but also to variables within the specific task environment of a particular firm and its managers.

§1:12 --Socio-economic (economic development) approach

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The socio-economic approach suggested by Harbison and Myers is based on the proposition that the choice of management styles and beliefs should be tied to the stage or level of economic and industrial development in the country where the manager is operating. Harbison and Myers identified four stages of economic development which they believed represented the universal and inevitable progress from an agrarian-feudalistic society to an industrialized-democratic system for all countries and then described corresponding appropriate management styles for each of these stages. Assuming that all countries would eventually reach the most advanced level of economic development the Harbison-Myers model predicted that managerial beliefs and practices around the world would ultimately converge and that all firms and managers, regardless of culture and environment, would rely on participatory and democratic management systems. In many ways, the economic development approach was not much different than the then-prevailing “universalist” management school that argued that all organizations around the world would eventually embrace and practice a single management system.

While there is general agreement that differences in socio-economic systems can and do have an important impact on management practices in a particular country the economic development approach has been criticized on several fronts. First, it does not include any attempt to evaluate whether or not specific elements of the management styles contribute to organizational effectiveness. Second, it does not recognize or explain differences in management styles among companies in the same country operating within the stage of industrial development. Third, it ignores the real possibility that managers in countries at different stages of economic development may nonetheless use similar management practices. Finally, it suggests that managers cannot proactively modify their management styles on their own and must await external events that cause the country to transition to the next stage of economic development—a somewhat dispiriting proposition for ambitious and entrepreneurial managers in a developing country.

Since the Harbison-Myers model was first introduced the progression of countries toward industrialization has been far from uniform and consistent and, in fact, the gap between the industrialized and developing nations has widened. As a result, it is apparent that significant socio-economic differences among countries will persist for some time and that the universal acceptance of a participatory-democratic management system as

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39 Various studies have confirmed differences in management styles among companies with similar characteristics operating within the same geographic area and under comparable conditions. See, e.g., P. Lawrence and J. Lorsch, Organization and Environment: Managing Differentiation and Integration (Homewood, IL: Irwin, 1967); R. Duncan, “Characteristics of Organizational Environments and Perceived Environmental Uncertainty,” Administrative Science Quarterly, 17 (1972), 313-327; and R. Tung, “Dimensions of Organizational Environments: An Exploratory Study of Their Impact on Organization Structure,” The Academy of Management Journal, 22 (1979), 672-693.
suggested by Harbison and Myers is unlikely in the foreseeable future. Another problem for the efficacy of the Harbison-Myers model is the fact that fundamental differences in management styles have already been observed among countries, notably Japan, that have reached the fourth and final stage of economic development. Nonetheless, Harbison and Myers are to be commended for laying the foundation for comparative management studies by suggesting that socio-economic conditions could influence management practices and encouraging scholars to undertake research on management systems in countries outside of the US.

§1:13  --Environmental (ecological) approach

The first, and still most well-known, example of the environmental approach is the Farmer-Richman model which posited that elements of the management process (e.g., planning, organizing, staffing, directing, controlling and policy making in operational areas) are affected by cultural variables—risk-taking preferences, attitudes toward achievement and needs—and various types of external constraints (i.e., educational, sociological, legal-political and economic) and that the management process affects management and managerial effectiveness which ultimately determines firm and system efficiency.\textsuperscript{41} The Farmer-Richman model represented a substantial leap forward from the socio-economic approach given the attempt to conceptualize a number of external environmental variables—not just economic or industrial development—and examine their relationship to observed similarities and differences in management styles and practices in different countries. In addition, the explicit inclusion of culture as a significant variable in determining the content and effectiveness of managerial practices provided a means for examining what was going on inside the firm at the micro level and how cultural factors might be impacting the behavior and performance of workers and the overall organizational effectiveness of the firm. On the other hand, however, this model has been criticized as placing too much emphasis on factors external to the firm and ignoring internal organizational variables and the fact that managers do not passively accept their external environment and actually adopt their own strategies and organizational processes to change or control external factors.\textsuperscript{42} Another alleged shortcoming of this model is that it is static and does not take into account changes in certain of the environmental factors that will occur as a result of industrialization.\textsuperscript{43} Finally, the failure of the Farmer-Richman model to explain why two seemingly similar firms operating under comparable environmental and cultural conditions often use very different management styles and processes eventually led to the introduction of the open systems approach described below.

\textsuperscript{41} R. Farmer and B. Richman, Comparative Management and Economic Progress (Homewood, IL: Irwin, 1965). Richman had written elsewhere: “A vital question for international business seems to be to what extent can American principles, practices and general know-how be transferred effectively to other countries, at what cost, and to what degree and extent is the overall process and effectiveness of management constrained by cultural variables?” B. Richman, “Significance of cultural variables”, Academy of Management Journal, 8 (1965), 292-308, 294.


§1:14  --Behavioral (socio-psychological) approach

The behavior approach includes a number of different types of research studies and assumes that managerial practices, and their effectiveness, are a function of a range of cultural variables including beliefs, value systems, attitudes, perceptions, behavioral patterns and managerial philosophies. The behavioral approach is a micro model that is primarily interested in examining and interpreting the psychological characteristics of managers and their employees in the workplace and how those impact the way that groups within the firm interact and perform.\(^{44}\) Research efforts under the umbrella of the behavioral approach have included national character profiles\(^{45}\); studies of the attitudes and perceptions of managers regarding key management concepts and activities\(^{46}\); and studies of prevalent beliefs, value systems and need hierarchies in various cultural groups.\(^{47}\) Not surprisingly, the research confirms the existence of significant differences among cultures and countries with respect to the aforementioned cultural variables and the results provide a cautionary note for managers seeking to transfer managerial behaviors and styles across cultural boundaries. However, shortcomings with the behavioral approach include the failure to explain the reasons for the identified differences and recommend strategies that can be used to effect changes through to be necessary to improve organizational effectiveness.\(^{48}\) The frequently cited work of Hofstede, who identified five cultural dimensions of work-related values\(^{49}\), has also been criticized for failing to provide hard empirical evidence to support the conclusions presented by Hofstede as how cultural factors actually influenced organizational structure and managerial practices.\(^{50}\) In addition, concerns have been raised about vague definitions of “culture” and overly simplistic lists of cultural variables that ignored important factors thought necessary for a fuller understanding of the relevant socio-


\(^{45}\) See, e.g., S. Davis, Comparative Management: Cultural and Organizational Perspectives (Englewood Cliffs, NJ: Prentice-Hall, 1971).


\(^{47}\) See, e.g., S. Davis, Comparative Management: Cultural and Organizational Perspectives (Englewood Cliffs, NJ: Prentice-Hall, 1971).


\(^{50}\) M. Tayeb, Organization and National Culture (Beverly Hills, CA: Sage, 1988). Hofstede’s work has also been criticized as being biased toward American ownership and types of jobs and for using inappropriate measurement tools and sampling techniques. Id.
psychological environment in a particular country or region. There have also been complaints that the research tools, originally developed in the US, were not properly adapted for us in other cultures. Finally, behavioral researchers have often cite culture as a basis for explaining differences when in fact there is a strong likelihood that other environmental variables (e.g., technology, socio-economic, legal or political) provide a better explanation.

§1:15 --Organizational theory approach

The organizational theory approaches supplements the cultural variables used in the socio-psychological approach with consideration of additional factors borrowed from the field of organizational theory including the size and structure of the firm, performance indicators and the variables included in the task environment described below in connection with the open system approach. The organizational theory approach is often cited as being more practical with greater utility for managers seeking answers to their day-to-day issues and problems. The organizational theory approach has not, however, caught on due to severe limitations in the type and volume of research. Most of the studies focusing on this approach have been limited to a small number of interviews with persons from a limited number of firms in each country and the results have been aggregated at the national level such that managers cannot easily identify patterns or relationships that they can apply in their own firms.

§1:16 --Open system or eclectic approach

The open system, or eclectic, approach encompasses the efforts of a number of researchers to create models that focus on the interaction between firms and their various environments. The first well-known open systems model was developed by Negandhi and Presad and grew out of criticism of the Farmer-Richman model for failing to explain why two seemingly similar firms operating under comparable environmental and cultural conditions often use very different management styles and processes. Negandhi and Prasad developed a model that hypothesized that the management practices deployed within a firm are determined not only by environmental factors but also by the management philosophy of firm managers which is not necessarily dictated or pre-determined by culture or environment. The Negandhi-Prasad model also suggested that

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53 Id. at 51-52.
55 In their original study Negandhi and Prasad compared subsidiaries of American firms located in Argentina, Brazil, India, the Philippines and Uruguay to local companies engaged in the same activities and concluded that the local companies have developed management philosophies similar to those of the American subsidiaries and that the managerial styles and effectiveness of the local companies was not much different from the American subsidiaries. The study was cited as evidence of the close relationship
environmental factors not only influenced management practices but also had a direct impact on management and enterprise effectiveness.\textsuperscript{56}

The Negandhi-Prasad model suggests that there are three different types of environment—task, organizational and societal.\textsuperscript{57} The task environment includes suppliers, employees, owners (e.g., shareholders), consumers, government and the community in which the firm operates. The variables that are part of the organizational environment, which are generally considered to be under the control of the managers of the firm, include size, structure, technology, organizational climate, capital and human resources. The variables in the societal environment are essentially the same as those included in the Farmer-Richman model (i.e., socio-economic, educational, political, legal and cultural). The management philosophy referred to in the Negandhi-Prasad model includes the attitudes and beliefs of managers of the firm regarding the variables in the firm’s task environment described above. The management practices referred to in the Negandhi-Prasad mode are similar to those in the Farmer-Richman model and include planning, organizing, staffing, motivating and directing and controlling.

The Negandhi-Prasad model has been praised for distinguishing between managerial and organizational effectiveness and stressing that performance should be evaluated using both economic and non-economic measures since economic performance may be influenced by external factors (e.g., inflation or political instability) outside of the control of the firm and its managers. The model also recognizes that it is management’s perception of events and conditions in the firm’s task environment, rather than objective reality, which forms the foundation for their management philosophy, thus helping to explain why apparently similar firms in the same county might be managed quite differently.\textsuperscript{58} However, the Negandhi-Prasad model has been criticized as being not comprehensive, relying on arbitrarily selected and poorly defined variables, failing to examine interrelationships between variables and failing to explain the relationships between variables and the organizational effectiveness of the firm.\textsuperscript{59} In addition, the relatively small weight that the model gives to the role that culture plays in the formation between management philosophy and practice and the possibility that the same management philosophy could be successfully applied in different cultural contexts.

\textsuperscript{56} Negandhi also commented on the main results of comparative management research and declared that there is no one way of doing things; no universal applicability of either authoritarian or participative-democratic management styles; and that there are similarities and differences among the managers around the world with similarities explainable in terms of industrialization and differences explainable in terms of cultural variables. See A. Negandhi “Comparative management and organization theory: a marriage needed”, Academy of Management Journal 18 (1975), 334-344.


\textsuperscript{59} Id. at 45 and 53. In fairness, many of the models of comparative management suffer from a lack of inquiry into the relationships between variables and the impact that variables appear to have on organizational effectiveness. One interesting critique made by Chandarapranit is the Negandhi-Prasad model fails to include competitors as a variable in the firm’s task environment and thus ignores the forces that determine competitive strategy, which is an important influence on core management practices such as strategic planning, pricing and diversification that ultimately play a key role in managerial and organizational effectiveness and success.
of managerial attitudes has also been challenged by critics who maintain that even the most innovative and enlightened management philosophy will not succeed unless barriers to execution embedded in the cultural environment can be identified and overcome.60

Another open system model envisions dynamic interaction between an organization and its general and task environments.61 The variables that are part of the organization include management philosophy, organizational structure and processes, union-management relations and policies in areas such as finance, marketing and human resources. The general environment includes six subsystems: cultural, sociopolitical, economic, technological, legal and informational. The contingency model developed by Lawrence and Lorsch is another example of the open systems approach and argues that the management system used by a firm should be compatible with the nature of the people within the firm, the nature of the tasks that must be performed in order for the firm to operate effectively and the nature of the environment in which the firm is operating.62 For example, theory X style of management is generally appropriate for a firm in situations where its people are dependent, the tasks to be completed are routine and require technology that is established and the operating environment is stable and predictable. On the other hand, firms should opt for theory Y style of management when people are highly educated and independent, tasks are non-routine and technology is unsettled and rapidly changing and the operating environment is turbulent and unpredictable. This model has been criticized for failing to give sufficient weight to cultural factors.

§1:17  --Systems model approach

The systems model approach suggested by Tung uses an organizational climate construct as a platform for analyzing interactions between external and internal organizational variables and measuring the impact of these interactions on organizational effectiveness.63 Tung’s model also allows researchers to suggest and test possible causal linkages between variables. This approach, which relies heavily on the tools available in the field of multivariate analysis, has been praised for its potential to overcome many of the limitations of prior comparative management models cited above. For example, supporters have claimed that Tung’s approach would provide greater understanding of why certain management styles work in one culture and not in another, information that managers could use to determine the best approach in a given situation. In addition, Tung’s approach does not assume that the management styles and practices used within a country or culture are uniform and the advanced analysis can be used to illuminate just

why firms and managers operating within the same culture may choose different managerial approaches.\footnote{S. Chandrapratin, “Cross-Cultural and Comparative Management Research,” The Journal of Development Administration, 36:4 (October – December 1996), 39-63, 55.}

§1:18 --Adapted comparative model approach

Following his review of several of the major comparative management models discussed above, Chen suggested an adapted comparative model approach based on three distinct, yet interrelated, focuses: organization, strategy and environment.\footnote{M. Chen, Asian Management Systems: Chinese, Japanese and Korean Styles of Business (London: Routledge, 1995), 11-24.} In suggesting this approach Chen chose to use the open systems model developed by Negandhi and Prasad as a starting point since, criticisms aside, it is a comprehensive and pragmatic combination of important features of other macro- and micro-oriented models and then proceeded to add and integrate several new interesting elements relating to management practices, competitive strategies and national industrial strategies and policies.

As is the case with Negandhi and Prasad, Chen begins with management philosophy and environmental factors, both of which are composed of essentially the same elements used in the Negandhi-Prasad model. Chen takes an interest step further, however, by suggesting that national industrial policies are an important dimension of the external environment that must be explicitly considered. Chen developed his model after the US had gone through an extended period of competitive challenge from Japan and other countries that had led to calls for the US to implement its own industrial policy to remain competitive while confronting institutionalized collaborative arrangements involving government, corporations, financial institutions and labor unions in Japan.\footnote{See, e.g., R. Reich and I. Magaziner, “Why the U.S. Needs an Industrial Policy,” Harvard Business Review, 60(1) (1982), 74-81; and W. Ouchi, The M-Form Society: How American Team Work Can Recapture the Competitive Edge (Reading, MA: Addison-Wesley, 1984).} While Chen does not specifically advocate the use of industrial policy he does correctly point out that industrial policy, when deployed as it was in Japan and in other Asian countries, obviously has a substantial impact on other elements of the model including management systems, organizational structure and the overall socio-economic environment.

Like the Negandhi-Prasad model, management philosophy and environment affect management practices. In addition, however, Chen argues that the effect of management philosophy and environment on “competitive strategies” must also be considered and that competitive strategies and management practices interact with one another. The management practices referred to in the Chen model are somewhat different than in the Negandhi-Prasad model as Chen breaks them out into three distinguishable categories of management activities—managing technical core activities (i.e., planning and supervising); which is influenced by market conditions, size and managerial policies; managing the social systems (i.e., interpersonal relationships) that exist within the organization, which is influenced by socio-cultural factors; and managing the external relationships of the organization, which is influenced by economic, legal and political
The inclusion of competitive strategies recognizes the impact that strategy has on organizational structure and the role that designing the appropriate organizational structure plays in establishing the proper fit between organizations and their environments. Finally, environmental factors, management practices and competitive strategies all affect management effectiveness and enterprise effectiveness is determined by management effectiveness and environmental factors.

§1:19 Cross-cultural management research techniques

A number of techniques for cross-cultural management research have been identified and critiqued. In general, researchers have suggested both theoretical and empirical studies. Theoretical studies use concepts, models, conceptual structures or types to develop hypotheses that can be tested using information that is collected with respect to managerial processes and intercultural relationships within business organizations. Empirical studies collect and analyze information regarding various aspects of managerial behavior that can be used to test existing theories, guide actions of managers and facilitate development of new theories. While some of the techniques used in cross-cultural management research are similar to those used in general management studies there are clearly special difficulties that must be overcome when collecting and evaluation information from different cultures including a high level of complexity, challenges in creating equivalent elements that can be studied across cultures and higher costs due to the volume of work and the geographic dispersion of the information that must be collected. All of these factors highlight the need for careful and exacting planning and organization of research activities in order for cross-cultural studies to be effective and meaningful and one of the major criticisms of the work in this area has been a lack of rigor.

67 Chen explicitly attributes the three categories of management activities to the earlier work of Parsons as discussed in T. Parsons, “Suggestions for Sociological Approach to the Theory of Organizations”, Administrative Science Quarterly (June 1956), 62-85.
70 See, e.g., N. Adler, “A Typology of Management Studies Involving Culture,” Journal of International Business Studies, 14(2) (1983), 29-48. In an attempt to provide guidance, Adler identified several stages of comparative management studies as follows: establishing the goals of the study; specifying the themes and the questions about those themes for which an answer is being pursued (e.g., “Is a particular element common to all cultures and, if so, does it have the same meaning and importance in all cultures?); sampling; translating the materials; measuring the management processes; conducting the study; analysis and interpretation of information collected during the study; and application of the results of the research. Other commentators have expressed concerns regarding the reliability of studies of cultural differences due to the fact that people in different cultures may not ascribe the same meaning to the elements that are the subject of the study. See L. Sechrest, “On the need for experimentation in cross-cultural research,” in L.L. Adler (Ed.), Annals of the New York Academy of Sciences: Issues in cross-cultural research (1977:Vol. 285) (New York: New York Academy of Sciences, 1977), 104-118. See also K. Roberts, “On Looking at an Elephant: An Evaluation of Cross-Cultural Research Relating to Organizations,” in T. Weinshall (Ed.), Culture and Management (Middlesex: Penguin Books, 1977), 56-104, and U. Sekaran, Methodological and
The literature regarding cross-cultural management research has generally identified six main approaches or techniques that have been used to study and understand management practices and workplace behaviors in different cultural contexts. There is a good deal of variation among these approaches or techniques, which are briefly summarized below, with respect to things such as the number of cultures included in the study, the approach taken with respect to searching for similarities and differences, the assumptions made with respect to the existence of universality and the primary questions that the researchers are attempting to answer. These variations inevitably lead to different sets of methodological issues for each approach or technique.\(^7\)

**§1:20 -- Parochial studies**

The most frequently seen form of management studies has always been parochial studies—the study of one culture by persons from within that culture—with the large volume of work on management practices in the US completed by American researchers being the obvious example. Parochial studies assume both similarity and universality, at least among cultures that have achieved the same level of economic development, and seek answers to the basic questions of how people behave in the workplace and why. It is assumed that the results can be applied to many cultures even though only a single culture has been studied; however, the reality is that results are only truly useful for the culture from which they were derived. Researchers need to be concerned about designing appropriate survey instruments and proper analysis and interpretation of results, a methodological issue that applies to all of the approaches and techniques described in this section. Since parochial studies do not involve any comparative activities they are often not included in surveys of comparative management studies; however, rigorously executed parochial studies can be used as a starting point for generating ideas for theoretical and empirical cross-cultural research.

**§1:21 -- Ethnocentric studies**

The use of ethnocentric studies represents the natural first leap outward into foreign cultures by American researchers and includes their attempts to replicate their research methods in other countries. Ethnocentric studies ask whether or not theories of management developed for the home country can also be used effectively in other cultures. Ethnocentric studies do question the notion of universality and focus on the search for similarities in other cultures that can be used as a basis for claiming discovery and verification of universal elements of effective management practices that were first identified in the home country. The key methodological issue for ethnocentric studies is the practice of attempting to standardize research tools across cultural boundaries by using substantially the instruments and methods used in the home country except for

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\(^7\) The discussion in this section is adapted from N. Adler, “Understanding the Ways of Understanding: Cross-Cultural Management Methodology Reviewed,” Advances in International Comparative Management, 1984, 31-67.
translating the materials into the language of the second culture. The problem with this approach is that this type of standardization does not necessarily guarantee equivalence since persons in the second culture may ascribe different meanings to particular terms and concepts. Ethnocentric studies have also been criticized for failing to properly recognize the potential importance of differences identified in cultures outside of the home country and, in fact, such differences are often dismissed as examples of the inferiority of the second culture. Another problem is that cultural values themselves can influence the way that participants view their roles in responding to survey techniques. For example, in group-oriented societies (i.e., collectivist) respondents may feel that they need to provide answers that are consistent with what they think would be acceptable in the context of the groups to which they belong and thus will not provide their own personal views. In contrast, respondents in individualistic societies can be expected to offer their own perspective.

§1:22 --Polycentric studies

Polycentric studies attempt to identify, describe and explain different patterns of organizational theory and management in multiple cultures. Polycentric studies deny universality and uses individual studies of foreign cultures to determine how managers manage and employees behave in those cultures. While polycentric studies are valuable because they do not assume in advance that any one culture is dominant it is extremely difficult to design survey techniques and metrics for evaluating the results since there are no home country theories or models that can be used as a starting point. In addition, polycentric studies have been criticized as lacking practical value for international managers due to the fact that the results are typically descriptive of the culture that has been studied without any attempt to identify similarities and differences between cultures. For example, it is interesting, and certainly true, that there are many different ways for managers to achieve the same goals and objectives and managers can certainly benefit from information regarding management processes in other cultures; however, these types of studies would be more useful if they attempted to segregate and describe similarities and differences. In spite of these criticisms, polycentric studies do provide a means for explaining differences in other cultures without dismissing them as weaknesses in the way that is sometimes done in ethnocentric studies.

§1:23 --Comparative studies

Comparative studies attempt to identify both similarities and differences among patterns of organizational theory and management observed in many cultures dispersed around the world. Comparative studies looks to sort out what aspects of organizational theory and management practices might be truly universal (an approach sometimes referred to as “emergent universality”), and thus applicable across all cultures, as opposed to those aspects that must be seen as culture specific and considered as such when making management decisions and predicting how companies and individuals within those companies will react in certain situations. In contrast to the long-standing traditions underlying parochial and ethnocentric research, comparative studies does not assume that American management practices should be employed everywhere in the world or that
such practices are the best solution for every problem. In fact, comparative studies reject the notion that any culture is dominant. The sheer scope of comparative studies means that challenges will arise in ensuring that the methodology used in each of the cultures is equivalent at each stage of the process including survey design, surveys and samplings, administration and analysis/interpretation. In addition, care must be taken in defining the term “culture” and establishing criteria for determining whether a particular result is universal or culture specific. Also, even when the methodology deployed is sound there is a risk that the collection of information and interpretation of results may be influenced by the cultural background of the researcher.

§1:24  --Geocentric studies

Geocentric studies is a fundamental part of the field of cross-cultural or inter-cultural management studies described above and is primarily interested in observing organizational design and management processes within companies that are operating in more than one culture in order to understand how those companies really work from an organizational design perspective. The goal of geocentric studies, commonly referred to as international business studies in business school curricula, is to provide multi-cultural companies with reliable information regarding universally tested and accepted guidelines that they can use to organize and manage their operations in a way that reduces cultural conflicts and, hopefully, capitalizes on the company’s access to culture-specific skills and resources. At a practical level, geocentric studies guides global companies about the proper balance between having unified policies for worldwide operations on the one hand and the degree to which local autonomy due to cultural factors can and should be tolerated, a quest that is addressed in earnest through the synergistic studies described below. While geocentric studies explore management practices of multinational companies headquartered around the world (e.g., American, European and Japanese) they generally do not attempt to compare companies from different cultures.

Geocentric studies typically rely on the same methodology used to carry out general management studies of any single organization; however, adjustments will obviously need to be made to take into account the geographic scope of the company’s operational activities. Since large multi-national companies have already developed a common language to promote understanding among their employees, and generally have taken steps to promote a consistent corporate culture, there may be fewer issues of translation and equivalency in carrying out geocentric studies; however, the size and geographic scope of the companies involved makes collection and interpretation of information extremely challenging and it is difficult to identify and support “cause and effect” relationships associated with elements of management practices.

§1:25  --Synergistic studies

Synergistic studies focuses on identifying both universal similarities and culturally specific differences in organizational theory and management practices and using that information in a positive and creative manner to create guidelines that multi-national and transnational companies can use for effective organizational design that includes both
universal best practices and a means for facilitating necessary culture-specific management processes. Synergistic studies are an attempt to create and improve universality with respect to intercultural management and require extensive gathering and evaluation of information from a variety of situations where persons from different cultures interact in a business setting with the intent to pursue and achieve common goals (e.g., wholly domestic companies with employees from different cultural backgrounds; multi-national companies; joint ventures with foreign companies; relationships with foreign business partners such as customer, suppliers and distributors; and interactions with foreign government officials). It would appear that synergistic studies would have tremendous appeal and value to managers of multi-cultural companies—both domestic and international—since the goal is to derive effective solutions for designing and administering the structures and processes necessary for workers from all cultures to communicate and collaborate. For example, companies can increase managerial efficiency by create universal organizational structures and managerial processes where appropriate in light of the involved cultures while simultaneously respecting cultural differences to reduce conflict and promote understanding. Key methodological issues include designing methods for studying and describing cross-cultural interactions and developing and testing processes for proactively integrating cultural differences. While synergistic studies have been much slower to emerge than the other research techniques described above they have become much more popular and important as more and more companies transition to cross-cultural activities as part of the accelerating globalization of business process.
Chapter 2  
Cross-Cultural Studies of Management Practices

§2:1 Introduction

While it has been argued that certain management practices and styles have universal appeal and effectiveness, the reality seems to be that there are real and significant differences between countries with respect to their business and innovation systems and their preferences regarding leadership and management styles. Berry et al. argued that these differences, which they referred to as “cross-national distance”, were likely based on a wide range of factors and suggested and defined the following set of “dimensions of cross-national distance”72:

- Economic: Differences in economic development and macroeconomic characteristics
- Financial: Differences in financial sector development
- Political: Differences in political stability, democracy and trade bloc membership
- Administrative: Differences in colonial ties, language, religion and legal system
- Cultural: Differences in attitudes toward authority, trust, individuality and importance of work and family
- Demographic: Differences in demographic characteristics
- Knowledge: Differences in patents and scientific production
- Connectedness: Differences in tourism and Internet use
- Geographic: Great circle distance between geographic center of countries

It is reasonable to assume that each of the factors listed above will influence the styles and practices used by managers and the expectations of subordinates regarding the actions and behaviors of their managers; however, a number of management scholars have concluded that societal culture had the biggest impact on the management styles selected by organizations operating within a society. Research and proscriptions regarding culture and management began to emerge and proliferate as businesses around the world were exposed to globalization and their interactions with people and firms in other countries increased. One of the most popular topics was the transferability of management styles and practice across cultural divides including the transfer of Western management styles to developing countries and the feasibility of US managers importing the management practices of the Japanese firms that rose rapidly to global market leadership in the 1980s. While the initial assumption and hope was that management styles and practices could move easily and seamlessly from country to country, success was difficult to achieve. In that regard, Bigoness and Blakely commented that “[i]ncreasingly, researchers and practitioners are concluding that the exportability of management theories and practices is determined by the comparability of the cultural values between the exporting and importing nation” and also cited Erez for the

72 H. Berry, M. Guillen and N. Zhou, “An institutional approach to cross-national distance”, Journal of International Business Studies, 41 (December 2010), 1460-1480. Berry et al. also provided a bibliography of theoretical sources for each dimension in the institutional literature and examples of empirical studies on each dimension in the international business literature.
proposition that “the congruence between (societal values and managerial practices) has increasingly been shown to influence organizational outcomes.”

It may be a bit extreme to assume that societal culture is the most important environmental factor affecting management functions, particularly given the evidence that has been collected about the influence of economic, political and legal institutions on formation, operation, growth and survival of businesses. Moreover, the choices that managers can reasonably make regarding strategies related to the various managerial functions are constrained by available technological know-how and physical infrastructure and by socio-cultural variables such as religion, education and language. Nonetheless, societal culture, which itself is influenced by the factors mentioned above and evolves as societies and the people within them adapt to changes in their external and internal environments, must be acknowledged as a fundamental consideration for managerial attitudes and behaviors. As explained by Deresky:

“As generally understood, the culture of a society comprises the shared values, understandings, assumptions, and goals that are learned from earlier generations, imposed by present members of a society, and passed on to succeeding generations. This shared outlook results, in large part, in common attitudes, codes of conduct, and expectations that subconsciously guide and control certain norms of behavior. ... These cultural variables, in turn, determine basic attitudes toward work, time, materialism, individualism, and change. Such attitudes affect an individual’s motivation and expectations regarding work and group relations, and they ultimately affect the outcomes that can be expected from that individual.”

§2:2 International studies of influence of culture on management practices

Comparison of management styles and practices used and preferred in different countries is facilitated by cross-cultural studies of management practices and a large number of studies have tested and appeared to verify the argument that societal values do influence the selection and effectiveness of managerial practices. For example, Bigoness and Blakely provided references to a selected set of these studies that included the following:

- Social loafing was found to be present in an individualistic society such as the US but not in a collectivist society such as China.
- A Likert System 2 (“benevolent authoritative”) management style was preferred in Mexico while a Likert System 3 (“consultative”) management style was preferred in the US.

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- Extrinsic rewards and behavioral management were found to be effective with workers in Russian textile factories; however, the performance of those same workers noticeably declined when “participative” management techniques were introduced.  
- In a comparison of British and French managers, the British were found to place greater emphasis on individual achievement than their French counterparts while, in turn, the French placed greater importance on competent supervision, sound company policies, fringe benefits, security and good working conditions.  
- Business school students in Australia were interested in extrinsic factors while business school students in the US were more interested in self-fulfillment, responsibility and other types of intrinsic rewards.  
- American managers were found to value individuality while their Japanese counterparts placed greater emphasis on socially oriented qualities.  
- Profit-making was important in the decisions of successful managers in the US, United Kingdom and Germany while successful managers in Denmark were more interested in societal concerns during their decision making processes.  
- Kuwaiti managers were more likely to make business decisions based on their personal goals than US managers.  
- While managers in Sweden showed little reluctance to bypass the hierarchical chain of command when they deemed it necessary their counterparts in Italy felt such an action was a serious offense calling for either discipline or adjusting the organizational structure.

The sections that follow provide a small sample of the many cross-national studies of managerial styles and practices. Bigoness and Blakely conducted a cross-national study of instrumental managerial values involving managers in 12 developed countries and found that while there appeared to be universal support for the importance of several values—broadmindedness, capability, courage, imagination, independence and intelligence—there were also differences among the countries in the level of importance.

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that managers assigned to certain values.\textsuperscript{85} Bigoness and Blakely also found evidence that societal culture seemed to have a role in explaining differences between managers from different countries with respect to technology transfer, organizational development and negotiation techniques. Bloom and Van Reenen conducted an exhaustive international study of patterns of management and productivity based on interviews with managers in 17 countries and concluded that not only did firms with “better” management practices tend to perform better but that management practices varied tremendously across firms and countries and countries specialized in different styles of management.\textsuperscript{86} In addition to large multi-country studies, researchers have shown a particular interest in comparing Western and Asian management styles and behaviors. For example, Weihrich compared management practices in the US, Japan and China using five dimensions: planning, organizing, staffing, leading and controlling.\textsuperscript{87} Culpan and Kucukemiroglu conducted a comparative study of management styles in the US and Japan using their suggested “conceptual model of management style” that included six dimensions: supervisory style; decision-making process; communication patterns; control mechanisms; interdepartmental relationships; and paternalistic orientation.\textsuperscript{88} Yu and Yeh also examined Asian and Western management styles and found evidence of differences on several different dimensions including control, decision-making, leadership style, communication style, goal orientation and motivational style.\textsuperscript{89}

§2.3 --Bigoness and Blakely’s cross-national study of managerial values

Bigoness and Blakely conducted a cross-national study of managerial values by surveying 567 managers from twelve countries: Australia, Brazil, Denmark, France, Great Britain, Germany, Italy, Japan, the Netherlands, Norway, Sweden and the US. Using factor analysis of the 18 instrumental values included in Rokeach’s Value Survey,\textsuperscript{90} Bigoness and Blakely found the following four underlying value dimensions, which are presented and explained in the order of importance afforded the dimensions by the countries in the survey:\textsuperscript{91}

\begin{itemize}
  \item Most Important: Broadminded, capable and courageous instrumental values
\end{itemize}

• Second Most Important: Imaginative, independent and intellectual instrumental values
• Third Most Important: Clean, obedient, polite, responsible and self-control instrumental values
• Lowest Ranked in Importance: cheerful, forgiving, helpful and loving instrumental values

Notable observations from the Bigoness and Blakely study included the following:

• Managers from all twelve countries ranked the four dimensions in the same order of importance, providing some support for those who argue managerial values around the world are becoming increasingly homogenous. In that same vein, no differences in the level of importance were found among the surveyed countries with respect to the dimension that included imaginative, independent and intellectual, leading Bigoness and Blakely to conclude that managers in all countries view these items as important values.  

92 Id. (citing also D. Flizur, I. Borg, R. Hunt and I. Beck, “The structure of work values: A cross-cultural comparison”, Journal of Organizational Behavior, 12 (1991), 21-38 (agreement among workers in eight countries that achievement and performing interesting work were important motivating factors).


The impact of differences in societal culture have also been measured and confirmed with respect to technology transfer, organizational development and negotiation techniques. On the other hand, however, there are studies that failed to find expected national differences with respect to attitudes, work goals or values.

§2:4 --Bloom and Van Reenen’s international study of patterns of management

Bloom and Van Reenen completed an exhaustive international study of patterns of management and productivity based on almost 6,000 interviews conducted at large samples of firms in 17 countries: Australia, Brazil, Canada, China, France, Germany, Great Britain, Greece, India, Italy, Japan, Northern Ireland, Poland, Portugal, Republic of Ireland, Sweden and the US. The number of firms from which observations were collected varied among the countries with the sample for the US numbering 695 firms while the number of firms for Northern Ireland was 92. Firms were randomly selected and sampled from a pool of public and private manufacturing companies with 100 to 5,000 employees and Bloom and Van Reenen reported that the median firm in every country was privately owned, employed around 350 workers, and operated across two production plants. Bloom and Van Reenen relied on an interview-based evaluation tool that defined and scored from 1 (“worst practice”) to 5 (“best practice”) on the following 18 basic management practices or dimensions:

1. Introduction of modern manufacturing techniques: What aspects of manufacturing have been formally introduced, including just-in-time delivery from suppliers, automation, flexible manpower, support systems, attitudes and behavior?
2. Rationale for introduction of modern manufacturing techniques: Were modern manufacturing techniques adopted just because others were using them, or are they linked to meeting business objectives like reducing costs and improving quality?

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(3) Process problem documentation: Are process improvements made only when problems arise, or are they actively sought out for continuous improvement as part of a normal business process?

(4) Performance tracking: Is tracking ad hoc and incomplete, or is performance continually tracked and communicated to all staff?

(5) Performance review: Is performance reviewed infrequently and only on a success/failure scale, or is performance reviewed continually with an expectation of continuous improvement?

(6) Performance dialogue: In review/performance conversations, to what extent is the purpose, data, agenda and follow-up steps (like coaching) clear to all parties?

(7) Consequence management: To what extent does failure to achieve agreed objectives carry consequences, which can include re-training or re-assignment to other jobs?

(8) Target balance: Are the goals exclusively financial, or is there a balance of financial and non-financial targets?

(9) Target interconnection: Are goals based on accounting value, or are they based on shareholder value in a way that works through business units and ultimately is connected to individual performance expectations?

(10) Target time horizon: Does top management focus mainly on the short term, or does it visualize short-term targets as a “staircase” toward the main focus on long-term goals?

(11) Targets are stretching: Are goals too easy to achieve, especially for some “sacred cows” areas of the firm, or are the goals demanding but attainable for all parts of the firm?

(12) Performance clarity: Are performance measures ill-defined, poorly understood and private, or are they well-defined, clearly communicated and made public?

(13) Managing human capital: To what extent are senior managers evaluated and held accountable for attracting, retaining and developing talent throughout the organization?

(14) Rewarding high performance: To what extent are people in the firm rewarded equally irrespective of the performance level, or are rewards related to performance and effort?

(15) Removing poor performers: Are poor performers rarely removed, or are they re-trained and/or moved into different roles or out of the company as soon as the weakness is identified?

(16) Promoting high performers: Are people promoted mainly on the basis of tenure, or does the firm actively identify, develop and promote its top performers?

(17) Attracting human capital: Do competitors offer stronger reasons for talented people to join their companies, or does a firm provide a wide range of reasons to encourage talented people to join?

(18) Retaining human capital: Does the firm do relatively little to retain top talent or do whatever it takes to retain top talent when they look likely to leave?

Bloom and Van Reenen assessed and ranked firms and countries on “overall management” by looking at the average score across all 18 questions or dimensions. In addition, they were interested in attempting to measure, rank and compare the firms and countries on management practices in three broad areas: “monitoring management”,
which focused on how well managers monitor what goes on inside their firms and use this information for continuous improvement (evaluation and assessment of “monitoring management” was based on the average score across questions 1 to 6 above); “targets management”, which focused on whether or not managers set the right targets for their firms, track the right outcomes for their firms and then take appropriate action when targets and outcomes are inconsistent (evaluation and assessment of “targets management” was based on the average score across questions 8 to 12 above); and “incentives management”, which focused on whether managers promoted and rewarded employees based on performance and trying to hire and keep their best employees (evaluation and assessment of “incentives management” was based on the average score across questions 7 and 13 to 18 above). 99

The key finding from the Bloom and Van Reenen study was that firms with “better” management practices tend to have better performance on a wide range of dimensions: they were larger, more productive, grow faster, and have higher survival rates. 100 They also found that management practices varied tremendously across firms and countries and firms and countries “specialized” in different styles of management (e.g., firms in the US scored much higher than firms in Sweden with respect to use of incentives; however, Swedish firms relied more heavily on monitoring than their counterparts in the US). 101 Other interesting findings that transcended the borders of the countries included in the survey included confirmation that strong product market competition appeared to boost average management practices; that firms that exported into foreign markets, but did not manufacture in foreign markets, were better managed than those firms who stayed home and neither exported into or manufactured in foreign markets; and firms that were more reliant on human capital, as measured by the percentage of educated workers, tended to have much better management practices.

With respect to “overall management”, firms in the US sample had the highest scores on average among the seventeen countries: 3.33, compared to an average country score of 2.94. 102 The next group consisted of four countries: Germany, Sweden, Japan and Canada, with scores ranging from 3.18 to 3.13. The third group included a block of mid-European countries (i.e., France, Italy, Ireland, Great Britain and Poland) and Australia, with scores ranging from 3.00 to 2.84. Southern European countries such as Greece and Portugal, as well as Brazil, China and India from the developing world, were in the bottom tier, with Greece and India scoring 2.65. Bloom and Van Reenen pointed out that

101 Id. at 205.
102 Id.
most of the difference in the average management score of a country is due to the size of the “long tail” of very badly managed firms and cautioned that while Brazil and India, for example, had many firms in that category one could also find a number of well-managed firms in those countries.

Scores with respect to “incentives management” ranged from a high of 3.30 (US) to a low of 2.50 (Greece) and the average was 2.84. The US score was substantially higher than any of the other countries (Canada was second at 3.02 followed closely by Germany at 2.95) and over half of the countries fell within a narrow range between 2.75 and 2.90. Scores with respect to “monitoring management” ranged from a high of 3.54 (Sweden) to a low of 2.62 (India) and the average was 3.09. The US (3.44) and Germany (3.40) placed second and third with respect to this type of management, while countries such as Brazil (2.81), China (2.72), Greece (2.90) and Poland (2.88) scored near the bottom. Scores with respect to “targets management” ranged from a high of 3.25 (Japan) to a low of 2.53 (China) and the average was 2.91. However, while Japan had the highest score it was closely followed at the top of the ranking by Germany (3.24), the US (3.23) and Sweden (3.22). In addition to China, poor performers with respect to this type of management included Brazil (2.68), Greece (2.56), India (2.66) and Portugal (2.72).

Patterns of management “specialization”, or preferences for emphasizing particular types of management practices, could also be observed. For example, Bloom and Van Reenen noted: “In the United States, India, and China, managerial use of incentives (relative to the average country) are substantially greater than their use of monitoring and targets (relative to the average). However, in Japan, Sweden, and Germany, managerial use of monitoring and targets (relative to the average) far exceeds their use of incentives (relative to the average).” Bloom and Van Reenen speculated that the preference of US managers for use of incentives was due, in part, to “lighter” labor market regulations in the US that made it relatively easier for firms to terminate underperforming workers without substantial penalties and provide rewards to highly performing workers.

§2:5  --Weihrich’s comparative study of US, Japanese and Chinese management

Weihrich compared management practices in the US, Japan and China as of the late 1980s by looking at five dimensions often recognized as the key managerial functions: planning, organizing, staffing, leading and controlling. At the time, Weihrich noted that one of his primary goals was to determine whether US and/or Japanese managerial practices would be appropriate for Chinese businesses and he acknowledged that while a good deal of research had already been done on US and Japanese management, very little information was then available on Chinese management and what was available drew primarily from practices in large, state-owned businesses in China. He also cautioned that his profiles of predominant management practices were suggestive based on a review of the available literature and that other research results for the US and Japan often

103 Id.
104 Id.
invited and supported interpretations that were different than what Weihrich reported. For example, while Weihrich, like many others, noted differences between the US and Japan with respect to worker participation in decision making, there have been researchers who have found no differences between those countries. Weihrich also pointed out that external factors likely played a big role in differences between managerial styles in the three countries. Specifically, US managers were heavily influenced by pressure from shareholders to achieve “results” measured by short-term financial performance, Japanese managers operated in an environment in which the government was a close and important partner with respect to planning, and Chinese managers had little or no experience with operating in the “private sector”.

§2:6  --Culpan and Kucukemiroglu’s study of US and Japanese management styles

Culpan and Kucukemiroglu conducted a comparative study of management styles in the US and Japan using their suggested “conceptual model of management style” that included the following six dimensions\textsuperscript{106}:

- Supervisory style, which refers to the different ways that supervisors act during their interactions with their subordinates and to the different styles that supervisors use in order to relate to their subordinates (e.g., task- versus relationship-orientation and “participative” versus “autocratic”);
- Decision-making process, which refers to the way in which decisions are made within an organizational unit and the extent to which subordinates contribute to or participating in managerial decisions;
- Communication patterns, which cover the functions of organizational communication, including providing informational input to decisions; establishing tasks, duties, roles, responsibilities, and authority; achieving cooperation, and guiding action toward goals; instructing, developing, and changing; and providing feedback;
- Control mechanisms, which refer to the comparison of strategic goals and standards with outcomes and the processes that supervisors use to check on the conduct of operational activities to determine whether the results achieved by subordinates in carrying out those activities meet the performance goals and standards established by the organization;
- Interdepartmental relationships, which focuses on the degree of interaction among departments within an organization and the ability of departments to obtain the inputs from other departments (e.g., resources, services and/or information) that they require in order to accomplish their own departmental objectives; and
- Paternalistic orientations, which measures the level of managerial concern with the personal and family life of subordinates and the amount of effort invested by managers in providing social support for subordinates.

Data was collected using a questionnaire from top and middle managers from manufacturing firms in the US and Japan—US firms were randomly selected from manufacturers operating in New York, New Jersey, and Pennsylvania while the Japanese companies were randomly selected from the Japan Company Handbook 1989. Four questionnaires were mailed to each Japanese company. In general, companies in the sample were medium- and large-sized manufacturing firms. The results of their survey confirmed their hypotheses that management styles as defined using these dimensions differed significantly between the US and Japan and that managers in each country considered each dimension differently and emphasized different sets of managerial dimensions: Japanese managers placed the most emphasis on communication pattern, interdepartmental relations and paternalistic orientation while US managers focused on supervisory style, decision making and control mechanism. They also found that Japanese managers considered their business units to be more “effective” than their counterparts in the US.

Culpan and Kucukemiroglu commented that their results confirmed earlier theories and findings regarding comparisons of US and Japanese management systems, including the works of Ouchi, Pascale and Hatvany and Pucik. They observed that communications in Japanese firms appeared “to be open and mostly face-to-face thereby minimizing barriers to effective information flow” and that Japanese managers paid particular attention to interactions between departments and “interdepartmental dependency and cooperation”. The openness of communications provided support for the strong feelings among Japanese managers that their units operated effectively. In contrast, US management systems as that time were described as “mostly characterized by supervisory style stressing more Theory X type, task-oriented, and transactional leadership methods” and it was noted that US managers were more interested in results than processes, tended to be less participatory than Japanese managers with respect to decision making (i.e., “top-down decision making was the norm in the US) and relied on “a control mechanism based on close supervision and an explicit formal control pattern”. The paternalistic orientation in Japan was clearly a distinguishing factor between the two countries and the study provided further evidence for the long understood belief that Japanese firms and managers were especially attentive to the concerns and activities of employees outside of the workplace. Culpan and Kucukemiroglu took specific note of the fact that in all three managerial processes specific associated with the predominant practices of Japanese managers, “the key to the success seems to be the management style encouraging employee involvement”.

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109 Id.
Culpan and Kucukemiroglu also argued that managerial practices with respect to each of the dimensions should be evaluated against the prevailing norms and values of the societal culture in which those practices were occurring and that managers should make the effort to modify their styles and practices to achieve a closer alignment with the cultural norms and values of their society. In the US, for example, they observed that managers should emphasize democracy rather than authoritarianism with respect to their supervisory/leadership style given the great weight given to democratic values in American society and they suggested that US managers adopt transformational leadership virtues. With regard to decision making, Culpan and Kucukemiroglu recommended that US managers integrate their subordinates into the process and accept more employee involvement and participation in management decision making as a means for increase employment commitment and morale and improving the performance of business units. While it is not strictly necessary that employees have a “vote”, managers should make an effort to regularly consult with employees before making their decisions and ensure that employees feel that they have been given a “fair hearing”. If this approach is followed, the likelihood that employees will accept and follow a manager’s decision, even one with which they do not agree, is increased. Finally, Culpan and Kucukemiroglu believed that “an effective control technique for American organizations might entail incorporation of employee involvement with explicit control” and noted the apparent success of techniques such as “management by objectives” and “goal setting” in the U.S. They reasoned that this approach would tap into the desire of US employees to assume responsibility for necessary corrective actions while ensuring that they have clearly defined goals and standards to direct their work.

§2:7 --Yu and Yeh’s comparison of Asian and Western management styles

Yu and Yeh also examined differences between Asian and Western management styles and did so using the following dimensions:

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112 See T. Rohlen, For Harmony and Strength: Japanese White-collar Organization in Anthropological Perspective (Berkeley, CA: University of California Press, 1974), 308 (managers should not “… decide until others who will be affected have had sufficient time to offer their views, feel they have been fairly heard, and are willing to support the decision even though they may not feel it’s the best one”).


• Control: Asian style was described as hierarchical while elements of Western style included contracts and due diligence, flatter organizational structures and more decentralization
• Decision making: Asian decision making style was centralized with a single decision maker while Western style was more corporate- or group-based
• Leadership: Asian leadership style characterized as paternalistic, relationship-based, authoritarian and directive while Western leadership style tended to be more participative
• Communication: Asian communication style focused on deal orientation and the human side of relationships and personal behavior while Western communication style was characterized as “function-oriented”
• Goals: Asian management style emphasized harmony while Western style was more process-oriented
• Motivation: Asian management style tended to follow collectivist values while Western management style followed individualistic values
• Power Distance: Power distance among Asian societies was higher than among Western societies, which influenced attitudes regarding organizational structure, control and decision making

§2:8 Cross-cultural comparisons of dimensions of managerial activities

In order for managers to learn from the results of cross-cultural studies of managerial styles and practices, it is useful to present those results in a way that matches the actual issues and activities that managers must deal with on a day-to-day basis and this approach was taken when organizing the following sections. Ideas were borrowed from many sources beginning with the five popular dimensions used in Weihrich’s comparative study of management practices in the US, Japan and China that was described above: planning, organizing, staffing, leading and controlling.\textsuperscript{116} Five of the six dimensions included by Culpan and Kucukemiroglu in their suggested “conceptual model of management style” were integrated into Weihrich’s five categories—“interdepartmental relationships” as important factors for effective “organizing”; “supervisory style”, “communication patterns” and “paternalistic orientation” as elements of “leading”, and “control mechanisms” as means of “controlling”—and the remaining dimension, “decision-making processes”, is presented separately since it is an area that has attracted a good deal of its own focused research interest.\textsuperscript{117}

In addition to the dimensions used by Weihrich and Culpan and Kucukemiroglu, consideration was given to the suggestion of Nigam and Su that in order to understand management culture reference should be made to the human resource management policies and practices observed to be in use during the day-to-day operations of the


organization. Human resources practices, and the activities of the human resources department, have often been recognized as important drivers of organizational performance. While discussing the challenges confronting developing countries with respect to economic progress and integration into the global economy, Tabassi and Baker commented that “... with rapid changes in technology, worker’s needs, current market, and competitive environment, planning for human resources has become an important and challenging task for development”. One of the fundamental responsibilities for human resource departments is the development of knowledge and expertise among the workforce. In their framework for analyzing Indian management culture, Nigam and Su decided to focus on four dimensions, each of which were related to human resources management practices: power delegation; compensation, promotion and rewards; performance appraisal; and training, development and career planning. In the sections that follow “power delegation” has been incorporated with other research on “decision making” and the other three dimensions in the Nigam and Su model were included in a discussion of how managers operating in different societal cultures seek to effectively motivate their subordinates.

§2:9 --Planning

The criteria used by Weihrich to compare planning processes included the relative weight given to short- versus long-term planning, the level of participation or involvement by persons at lower levels of the organizational hierarchy, whether decisions were made by one individual at the top of the hierarchy or by consensus or committee, the flow of the decision making process and the speed of decision making and implementation. Weihrich argued that planning activities by US managers tended to be primarily oriented toward short-term goals and objectives and decisions were generally made solely by the person at the top of the organizational hierarchy and communicated downward. While this approach permitted fast decision making it often hampered implementation since persons responsible for implementing decisions had not been involved at the outset and time had to be spent “selling” decisions to those persons, who often had divergent values. Implementation could lead to suboptimal results without participation of subordinates in decision making due to the need to make compromises in order to secure the support of

122 For further discussion of the topics covered in the following sections, see the discussions of management functions and roles in “Management Roles and Activities” in “Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
those subordinates. In contrast, Weihrich observed that Japanese managers had a long-term orientation with respect to planning and setting goals and objectives and collective decision making processes were used to solicit input and achieve consensus among both managers and workers. Decision flow was from bottom-to-top and then back down once again and while the involvement of many people in the decision making process tended to slow down that process it was believed that allowing workers to participate would ultimately smooth and quicken implementation of decisions. With respect to China, Weihrich found a mix of long- and short-term orientation with respect to planning as managers formulated both five year plans with long-term objectives and annual plans that focused on the immediate operational goals that needed to be achieved in order to achieve the long-term objectives. Decision making occurred within committees although final decisions were generally made at the top of the organizational hierarchy by a single individual. Ideas were generated from the top and input was solicited from lower levels. In general, decision making tended to be slow and implementation was also relatively slow even though there was input from workers and it appeared that slow implementation followed from the fact that worker participation was not treated as seriously as in Japan.

§2:10 --Organizing

The criteria used by Weihrich to compare organizing practices included an assessment of whether responsibility and accountability was individualistic or collectivist, the degree of formality in the organizational structure, the level of clarity in decision making responsibilities and the strength of organizational culture.\textsuperscript{124} Weihrich noted that organizational structures used by US managers tended to rely on individual responsibility and accountability and those managers preferred formal bureaucratic organizational structures with clear and specific rules and expectations about where decision making responsibility lied. Weihrich argued that organizational culture was relatively weak in the US compared to Japan and China and managers and workers often had stronger identifications with their profession than with their firms. In contrast, Weihrich observed that organizational structures in Japan were based relatively informal in comparison to the US and based on collective responsibility and accountability. As a result, there tended to be ambiguity within the organization regarding decision making responsibilities; however, this was mitigated to some degree by a strong and well-known common organizational culture and philosophy that aided everyone in grasping the “right thing to do” when confronted with operational decisions. Weihrich also observed that Japanese firms tended to have a strong competitive spirit toward other enterprises which presumably contributed to a strong sense of collective responsibility and cooperation and collaboration in pursuing the goals and objectives of the firm. In addition, Weihrich reported that organizational structures in China tended to be formal and bureaucratic although one found a mix of collective and individual responsibility and there had been attempts to introduce a “factory responsibility system” that delegated more authority to individual factories and even allowed them to pursue and generate profits at the factory level. Like Japan, organizational culture was strong in China; however, Chinese firms had yet to develop the competitiveness with other enterprises found in Japan.

\textsuperscript{124} Id.
Another aspect of the managerial function of organizing is defining, creating and maintaining “interdepartmental relationships”, which Culpan and Kucukemiroglu explained to include the “degree of interaction among departments within an organization” and the ability of departments to obtain the inputs from other departments (e.g., resources, services and/or information) that they require in order to accomplish their own departmental objectives. Interdepartmental relationships can be regulated through formal rules and policies; however, day-to-day interaction between departments generally includes bargaining, exchange of favors and communications regarding coordination. One suggested measure of the quality and effectiveness of interdepartmental relationships is the level of conflict with other departments and volume of criticism from other departments for failure of the department to be cooperative. In their comparative study of US and Japanese managers Culpan and Kucukemiroglu found that interdepartmental interactions were more intensive in Japanese companies than in US companies and that managers in Japan paid more attention to issues relating to interdepartmental dependency and cooperation by, for example, encouraging open communications between departments consistent with Japanese culture preferences for group consultation and decision making.

§2:11 --Staffing

The criteria used by Weihrich to compare staffing practices included procedures for recruiting new employees, factors influencing speed of promotion, performance assessment, training and development and security of employment. Weihrich reported that US firms recruited both from schools and from other firms and employees tended to be more loyal to their professions than their employers and thus were likely to change firms frequently during the course of their careers. US employees had high expectations with regard to rapid advancement and were subject to frequent performance evaluations with a focus on progress toward attainment of short-term results. Promotions in US firms were based primarily on individual performance and US firms were reluctant to invest significantly in training and development of employees due to concerns that they would leave and take the skills that they have learned to competitors. The absence of “lifetime employment” expectations in the US led to high levels of job insecurity. In Japan, according to Weihrich, most new employees were hired directly from school and Japanese employees were intensely loyal to their companies resulting in low mobility between firms. The traditional expectation of lifetime employment, although eroding, had a substantial impact on the career paths of Japanese employees. Slow promotion was expected and newer employees received little or no feedback during their early careers. When feedback was provided it focused on appraisal of long-term performance and training and development was seen as a long-term investment. Weihrich found that Chinese firms tended to rely more heavily on schools than on other firms as sources of new employees and Chinese workers had little loyalty to their firms or their profession. Performance reviews were infrequent, typically annually, and while workers typically received regular salary increases the path for promotion was relatively slow. While promotions were supposed to be based on performance, potential ability and education,

125 Id.
126 Id.
the reality was that family ties and good relations with top managers were extremely important for advancement. Like their firms, Chinese workers had their own long- and short-term goals and objectives with respect to training and development. Chinese managers themselves were beginning to get more training in preparation for examinations organized by the State.

§2:12 --Leading

The criteria used by Weihrich to compare leadership practices of managers in the US, Japan and China included the preferred leadership style (e.g., directive or paternalistic), an assessment of the manager’s role with respect to leadership of the group, attitudes toward confrontation and group harmony, and the flow of communication. According to Weihrich, the leadership style relied upon by managers in the US tended to be strong and directive with the senior manager acting as the decision maker and communications flowing top-down. Individualism complicated the task of managers as leaders in the US and face-to-face confrontations were common as leaders attempted to clarify their decisions and expectations. In contrast, Japanese managers and workers preferred a paternalistic style and Japanese managers saw themselves as members of the group with a responsibility to guide communications and interaction within the group. When leading Japanese managers emphasized cooperation and harmony, sought to avoid confrontation and encouraged bottom-up communication. As for Chinese managers, Weihrich reported that they led as the head of committees responsible for setting goals and objectives and making decisions. While Chinese managers did use a directive style, and communication was generally top-down, they sought to avoid confrontation and maintain harmony among their subordinates.

Culpan and Kucukemiroglu were interested in describing and comparing the “supervisory styles” of US and Japanese managers, a task which called for an analysis of the different ways that managers acted during their interactions with their subordinates and to the different styles that managers used in order to relate to their subordinates. Culpan and Kucukemiroglu argued that some of the elements that might be analyzed in identifying and assessing supervisory style include the amount of discretion given to subordinates (e.g., did the managers insist on handling all work problems or did he/she allow subordinates to work out certain issues on their own), the degree of delegation of authority by managers to their subordinates (i.e., how much direction came from the manager at the top of the hierarchy), solicitation of inputs and opinions from subordinates, the freedom of subordinates to schedule their own work, the manager’s sacrifice for his/her employees, whether supervision was “democratic” or “close”, and the relationship of the manager’s behavior to the expectations of subordinates that their efforts will result in desired rewards.

Culpan and Kucukemiroglu found that supervisory style was more often emphasized by US managers than Japanese managers and that the particular style preferred by US managers stressed “Theory X type, task-oriented and transactional leadership methods”. Culpan and Kucukemiroglu noted that US managers were more interested in results than

127 Id.
processes, tended to be less participatory than Japanese managers with respect to decision making (i.e., “top-down decision making was the norm in the US) and relied on “a control mechanism based on close supervision and an explicit formal control pattern”128. They also observed that Japan’s strong “paternalistic orientation”, which they defined as “managers’ concern with personal and family life of employees and providing social support for them”129, was clearly a distinguishing factor between management practices in the US and Japan and that there was substantial evidence to support the belief that Japanese firms and managers were especially attentive to the concerns and activities of employees outside of the workplace and providing employees with help on non-work related matters.130

Supervisory styles have been integral parts of several important leadership and management theories including McGregor’s Theory X, which was based on “close supervision”, and Theory Y, which featured “participative management” as the preferred supervisory style131; Likert’s four systems of management which ranged from “exploitive authoritative” (System 1) to his preferred approach of “participative” (System 4)132; and Fiedler and Chemers’ distinction between task- and relationship-motivated supervisory approaches133. Supervisory style is also important in the “path-goal theory of leadership” which measures the effectiveness of a leader or manager by his/her ability to motivate and satisfy subordinates so they will perform at the level required by the organization.134 While Bass has been more widely cited for his views on leadership his “transformational” leadership approach calls for development of styles and behaviors that motivate subordinates to perform beyond their own expectations.135

Another aspect of how managers led their subordinates that interested Culpan and Kucukemiroglu was how the managers designed and administered the functions or organizational communication, or “communication pattern”, within their business unit including “providing informational input to decisions; establishing tasks, duties, roles, responsibilities, and authority; achieving cooperation, and guiding action toward goals;

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129 Id.
132 R. Likert, New patterns of management (New York: McGraw-Hill, 1961). In Likert’s model, System 2 was “benevolent authoritative” and System 3 was “consultative”. For further discussion, see “Leadership: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
133 F. Fiedler and M. Chemers, Leadership and effective management (Glenview, IL: Scott, Foresman, 1974).
instructing, developing, and changing; and providing feedback”. Of particular interest with respect to this dimension was the flow of information within organizations and between departments and the identification of barriers to the flow of information. Indicators of free flow of information include the manager’s awareness of unit performance and activities that were occurring within the unit, the ease with which subordinates could get their opinions and complaints in front of top management and evidence that managers had ready access to the information that they needed in order to make decisions. In turn, a lack of awareness among subordinates of changes in policies and directions was a “red flag” of communication problems. It appears fairly clear that effective communications and clear flows of information are important conditions to effective organizational management. Culpan and Kucukemiroglu found that communication patterns were given greater weight by Japanese managers in comparison to their counterparts in the US and observed that communications in Japanese firms appeared “to be open and mostly face-to-face thereby minimizing barriers to effective information flow” and that Japanese managers paid particular attention to interactions between departments and “interdepartmental dependency and cooperation”. Culpan and Kucukemiroglu noted that Pascale had also found an extensive level of face-to-face communications in Japanese firms.

§2:13 --Controlling

The criteria used by Weihrich to compare control practices included the locus of control (i.e., senior manager/group leader or peers), focus of control (i.e., individual or group performance), the importance of placing blame or “saving face” and the use of group improvement strategies such as quality control circles. He argued that US managers tended to rely on formal control rules and procedures formulated and disseminated at the top of the organizational hierarchy and focusing on individual performance to identify persons responsible for any failure to meet organizational goals and objectives (i.e., “fix blame”). In contrast, the control systems established in Japanese firms relied heavily on group responsibility for group performance and “saving face” rather than “fixing blame” was important to maintenance of harmony and respect for the Japanese. As part of this approach, Japanese companies relied heavily on group improvement processes such as quality control circles, a practice that was rarely seen in the US until the late 1980s when US companies began to seriously consider whether Japanese management practices might work in the US. Weihrich believed that China lied somewhere in between the US and Japan with respect to control. The group leader, the senior manager, was expected to exercise control over the group and while the group assumed responsibility for pursuing and achieving group goals and objectives there was a stronger level of individual responsibility for Chinese workers than for Japanese workers. Nonetheless, as in Japan,

137 See, e.g., P. Lewis, Organization communications: Essence of effective management (Columbus, OH: Grid, 1975).
139 Id.
“saving face’ was important in China. Strategies such as quality control circles enjoyed limited popularity in China.

Culpan and Kucukemiroglu assessed differences between US and Japanese managers with respect to “control mechanisms”, which they defined to include “comparison of standards with outcomes” and the processes that managers used to check on the conduct of operational activities to determine whether the results achieved by subordinates in carrying out those activities meet the performance goals and standards established by the organization. The variables relevant to assessing control mechanisms are similar in many respects to those used in evaluating supervisory style. One approach to control is to implement “close supervision” procedures that feature extensive involvement of managers in the activities of their subordinates and extensive interim check of performance against the goals set for the activities. One the other hand, managers may be willing to accept “democratic supervision” and afford their subordinates more freedom to schedule their own activities and rely on the unit to develop and follow the specific processes needed to achieve its goals rather than imposing limits and restrictions on the process of obtaining the desired final outcomes. In other words, emphasis is placed on “production” as a goal rather than focusing too much on the details of how the production process should work.

It is generally accepted that control processes that achieve uniformity and support coordination within the organization are important contributors to attaining of organizational goals and overall organizational effectiveness. It is also well known that decisions regarding control mechanisms impact the elements of the organizational design of the firm, particularly the organizational structure: tight control generally leads to centralization and tall hierarchical structures. Culpan and Kucukemiroglu noted that Ouchi had reported that distinctions could be made between US and Japanese managerial practices with respect to control, with US managers preferring “explicit” control based on setting specific and measurable performance targets while Japanese managers relied on “implicit” control built on “philosophy of management governing organizational and individual behavior”.

§2:14 --Decision making

Culpan and Kucukemiroglu defined “decision making” as “the process in which decisions are made within the unit and the extent to which employees contribute to or participate to managerial decisions”. Admittedly, there is some overlap between this dimension and the analysis of “participation” in the context of identifying supervisory styles. Some of the elements that are analyzed in evaluating decision making processes include the degree to which the supervisor solicits inputs and opinions from subordinates, the use of processes that include subordinate participation in decision making and

140 Id.
141 Id. (citing W. Ouchi, Theory Z—How American business can meet the Japanese challenge (Reading, MA: Addison-Wesley, 1981)).
building a consensus among subordinates for the chosen strategies, the level of permitted individual decision making by subordinates and the processes used to identify and attempt improvements in processes and innovative methods and products. Suggested measures of how the decision making process works in reality include the number of suggestions made by subordinates and the number of projects that were launched in spite of a lack of support and enthusiasm from subordinates.\textsuperscript{143} Culpan and Kucukemiroglu surveyed the literature and noted that different approaches to decision making could be found across organizations and countries including distinctions between long- and short-range orientations\textsuperscript{144}, results versus processes and authoritarian versus democratic approaches\textsuperscript{145}. Culpan and Kucukemiroglu were particularly interested in Japanese management styles and thus noted the great interest in the “ringi” system, which was the consensus-oriented process for making decisions which was frequently used in Japan and often suggested as a candidate for transfer to American firms.\textsuperscript{146}

Adler also analyzed organizational decision making processes by identifying and examining what she considered to be the five basic steps of decision making--problem recognition, information search, construction of alternative solutions, selection among the alternative solutions (i.e., “decision”), and implementation of decisions—and in each case concluded there were significant differences in the way that people from different cultures approach each of them.\textsuperscript{147} With regard to problem recognition a distinction could be made between cultures such as the US in which managers are “problem solvers” and cultures such as those emanating from East Asia in which managers tend to be “problem accepters”. Problem solvers have a high level of confidence in their ability to identify problems and find solutions through their own efforts while problem accepters react more passively and tend to accept difficulties without challenge as simply being “God’s will”. Adler argued that problem solvers identified problems long before problem accepters were willing to admit that a problem existed. With regard to information search, Adler argued that persons from Western cultures were more deductive and used all five of their senses to gather information needed to make a decision while persons from Asia cultures acted more on their intuition and used ideas from their past to guide their efforts to gather information. With regard to construction of alternatives, Western cultures, which tend to be more future-oriented than Asian cultures, were more likely to create new alternatives (solutions) for problems than their colleagues from Asian cultures that relied heavily on historical precedents for guidance.

\textsuperscript{143} Id.
\textsuperscript{144} W. Ouchi, Theory Z—How American business can meet the Japanese challenge (Reading, MA: Addison-Wesley, 1981).
Nigam and Su analyzed decision making by assessing the level of power delegation in the societal management culture, with a particular focus on India.\textsuperscript{148} They noted that the caste system and impact of Hinduism had both contributed to a high power distance in India and this had led to adoption of a hierarchical model in which authority was more centralized and decision making is “top-down”.\textsuperscript{149} Power is considered to be an important managerial motivation in India and, in fact, Nigam and Su noted that “the behavior of managers in a normal Indian firm may be described as a combination of collectivism on the outside and individualism on the inside”. As a result, Indian managers are loath to delegate power and authority. Nigam and Su contrasted the situation in India to “developed cultures” where “decentralized power provides more motivation to employees”,\textsuperscript{150} and cited studies that showed that employee participation in decision making and strategic planning processes had a positive impact on employee performance, motivation and confidence.\textsuperscript{151}

\textbf{$\S 2.15$ --Motivation}

While “motivation” is not one of the managerial functions typically identified as among the most important there is ample evidence that the most effective managers are actively engaged in improving employee performance and motivating employees by understanding and attempt to meet their needs and expectations.\textsuperscript{152} Motivation is one of the key challenges of human resources management and researchers have observed that while motivational practices do not directly influence organizational performance they do influence human capital which, in turn, does have a major impact on organizational performance.\textsuperscript{153} There are a number of different human resources tools and practices that

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\textsuperscript{149} Id. at 126.
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\textsuperscript{150} Id. at 126 (citing S. Chatterjee, “Bridging the gap between potential and performance: The challenges of Indian Management”, in S. Chatterjee and A. Nankervis (Eds.), Asian Management in Transition: Emerging Themes (London: Palgrave Macmillan, 2007), 83).
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can be categorized as elements of “motivation” including compensation, promotion and rewards, performance appraisals, training and development, and career planning.

Adler examined a number of the well-known motivation theories that had originated in the US including theories proposed by Maslow, McClelland, Herzberg and Vroom. Adler argued that security is more important than self-actualization as a motivating factor in countries like China and Japan that have a higher level of uncertainty avoidance. On the other hand, in countries where there is a high need for achievement or that have a higher score on the masculinity dimension people are more likely to be driven to produce and comfortable with taking on more risk as opposed to worrying about avoiding uncertainty. Adler pointed out that while there was a certain logical validity to Vroom’s well-known “Expectancy Theory”, which is based on the proposition that when firms suitably reward their employees those employees will be more likely to conduct themselves in ways that ensure that they will receive those rewards, as a practical matter cultural factors will play an important part in determining whether a specific type of reward system will have the desired motivational effect. Additionally, there are differences between cultures with regard to the amount of control that persons believe that they have over their environment and these differences should also be taken into account when designing a reward system. For example, managers and employees in the US tend to have a stronger belief that they can control the rewards they receive from their work through the amount of effort that they spend on their jobs. In that situation a reward system based on productivity may be appropriate and effective. On the other hand, however, a productivity-based reward system may not have the desired impact with managers and employees from Hong Kong who tend to see the likelihood of their success in work activities as a combination of their own efforts and luck (“joss”). Japan offered still another dimension with respect to motivation given that harmony with and among work colleagues is so important that employees may be uninterested in participating in a reward system that might result in him or her gaining an advantage (e.g., a promotion) that causes separation from those colleagues.

It is generally agreed that compensation is one of the most important methods for motivating employees and may be directed toward individual goals and/or organizational objectives. Compensation packages include both monetary and non-monetary benefits and researchers such as Minbaeva have suggested that companies adopt strategically planned compensation systems that include the base salary, flexible pay and benefits allocated in a selective fashion in order to better motivate employees lead them towards.

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155 See V. Vroom, Work and motivation (New York: Wiley, 1964). The Expectancy Theory makes no assumption regarding the preferred form of reward and thus rewards may take a number of different forms based on the societal culture (i.e., money, promotion, recognition etc.).
Many studies have provided support for the notion that societal culture plays a big role in the motivational impact of the various compensation and reward tools. For example, in some cultures money is a very strong motivating factor while in other countries money was not as important as instant and personal recognition, status, a pleasurable job experience and programs that encouraged personal well-being (e.g., maternity leaves, sabbaticals, subsidies for medical care and housing and educational programs). In general, the research seems to indicate that money-based compensation elements—basic salary, merit pay, bonuses and profit sharing—tend to have a greater impact in more individualistic societies while employees in collectivist societies prefer, and have come to expect, the support associated with a long-term relationship with their employer that includes extensive involvement by employers in the personal lives and well-being of members of their workforces.

Nigam and Su also observed that “collectivist and individualist cultures also give rise to different kinds of reward schemes” and that “special recognition for one employee may not be an effective idea in collective culture.” Acknowledging that rewards based on individual performance, such as bonuses and stock options, are good motivators in individualists cultures and generally enhance firm performance, Nigam and Su suggested that a different approach was appropriate for firms in collectivist cultures. In India, for example, distribution of rewards is based on a philosophy of equality and managers and workers have generally been willing to accept that raises and promotions would be based on loyalty and seniority as part of the overall bargain of lifetime employment. This approach to determination and distribution of rewards tends to encourage cooperation rather than competition among workers and also means that relatively little attention is paid to formal objective appraisal systems that are used in individualistic countries to measure performance in order to determine rewards and establish career paths and training objectives for employees.

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Muczyk and Holt also emphasized the importance of taking regional cultural characteristics into account when designing and administering performance management and reward programs. They noted, for example, that “leaders in the Middle East would be best served if rewards were linked to measures of group or organizational performance” but that “[i]n Europe, leaders would want to link rewards to individual outcomes rather than to organizational outcomes”. Japan presented an interesting special case in their minds since they found that rewards and incentives did not appear to be that important to employees of Japanese organizations and that they tend to take the required actions not to be “rewarded” but simply because it was the right thing to do.

In Mexico it can be problematic to attempt to motivate Mexican workers using rewards systems that are based on their own actions and performance since many Mexican workers believe that events in their lives are the result of forces beyond their control. Work is often seen primarily as the means for providing for the needs of the worker and his or her family rather than as a path for pursuit of individual achievement. Placed in the framework of Maslow’s hierarchy of needs, most Mexican workers are most concerned with their current survival and livelihood rather than higher order needs such as self-actualization, achievement and status. This is not surprising given the difficult economic conditions in Mexico and relatively low standard of living and dictates that compensation systems for many workers be geared toward short-term incentives and goals, such as meeting daily production quotas and satisfying monthly requirements for regular daily attendance. Use of variable compensation programs may also be problematic in Mexico because they can create “social distance among employees” and as a rule Mexican employees, even though they are often struggling to get by, prefer a congenial work environment as opposed to the chance to make more money in a compensation program that set employees up as competitors of one another. Variable compensation programs are also inconsistent with the high uncertainty avoidance in Mexico which leads employees to dislike unstable and ambiguous situations such as not knowing how much they will be paid and when payment will be received.

While economic conditions in Mexico dictate that cash compensation, generally based on simple short-term payment systems, is the primary motivational factor for Mexican workers, companies often provide additional benefits such as recreational facilities, on-site health care facilities for workers and their families, free meals and, in some instances, small loans to help workers and their families get through unforeseen emergencies. These benefits are seen as part of the paternalistic role that Mexican firms play with respect to their workers and help to build a sense of family within the firm. The viability

165 Id.
of performance-based compensation arrangements in Mexico is undermined by legal requirements that workers be paid Christmas bonuses regardless of productivity.\textsuperscript{166}

Performance appraisal is slowly but surely becoming an important part of human resources management as companies realize that appraisal systems can be a useful tool in improving overall company performance by motivating well-performing employees and creating strategies for improving the skills of laggards. There are, however, a number of challenges associated with performance appraisal including selecting the methods used to evaluate performance and deliver the results to employees. In addition, consideration must be given to cultural context and Nigam and Su observed that researchers have found that “explaining, formal, objective and individual appraisal methods are more accepted in individualist cultures like North America, which encourage goal achievement; on the other hand, in collectivist cultures like India use of informal, subjective appraisal is more popular”.\textsuperscript{167} In fact, several researchers have noted that performance appraisal methods in India are crude or non-existent and when appraisals are carried out they are limited only to a certain level of employees.\textsuperscript{168}

Nigam and Su defined training and development “as a course of action for developing work-related skills and awareness in employees with the intention of making the firm’s performance more effective”.\textsuperscript{169} Training and development contributes to firm performance by improving the skills and motivation of employees. In addition, training and development can be used to bolster control and coordination within large organizations with widely dispersed business units. It has been argued that training and development is most effective when it is closely aligned with the goals of the firm and training and development activities should focus on the skills needed to achieve those goals. Researchers such as Chatterjee and Aycan have observed that training and development has not been effective in developing the skills and values of employees in developing countries such as India and that training and development in collectivist countries such as India is often used to increase loyalty to the company as opposed to improving personal skills.\textsuperscript{170} Another issue in developing countries is that selection to

\textsuperscript{166} Id.
participating in training programs is based not on the requirements of the company but on favoritism (i.e., employees with good relationships with their superiors are more likely to be chosen for training programs).

Chapter 3
National Business Cultures

§3:1 Introduction

When comparative management studies first emerged as a recognized discipline and body of research the implicit assumption often was that there were universal management styles and practices that could and should be transferred anywhere in the world. Inevitably these styles and practices were based upon US experiences since the US played a dominant role in global trade and most of the research and commentary on the subject came from the US. However, as time has gone by it has become clear that a manager from one country cannot assume that he or she will be able to seamlessly transfer and embed management styles, practices, processes and expectations from his or her country into another country and that his or her effectiveness as a manager will depend on developing a profile of the national societal culture that identified differences that must be taken into account in acting as a manager.

In general, the national societal culture includes the various norms, behaviors, beliefs and customs that can be found among the people of a particular country. A wide range of dimensions have been suggested for use as the basis for identifying and comparing differences between societal cultures in various countries that might eventually influence the effectiveness of managerial behaviors and the expectations of subordinates regarding the actions taken by their superiors. Overlapping dimensions used by Hofstede and the GLOBE researchers included power distance, uncertainty avoidance, institutional collectivism versus individualism, and gender differentiation (i.e., the masculinity-femininity pole), and the GLOBE researchers also suggested and analyzed four additional dimensions: assertiveness, future orientation, performance orientation, and humane orientation. Many of the dimensions identified by Trompenaars were similar to those used by Hofstede and the GLOBE researchers; however, he added several other potential variables including obligation, emotional orientation, privacy, and the source of power and status.\(^\text{171}\)

Regardless of which dimensions are used to identify and analyze cultural differences between countries, it is agreed that the differences are a function of deeply rooted values that permeate all aspects of life in the country including the workplace and the ways in which business relationships are formed and managed. For managers, awareness of the national business culture is essential to knowing what subordinates expect of their organizational leaders and developing a style and set of behaviors that will be effective in satisfying subordinates and motivating them to perform their jobs in a way that achieves the goals and objectives of the business. National business cultures include not only the values and norms that form the societal culture but also include the consensus among the population as to the role of economic and political institutions that impact commerce.

\(^{171}\) For further discussion of dimensions of societal culture and the works and theories of Hofstede, the GLOBE researchers, Trompenaars and others, see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
An understanding of the applicable national business culture should be coupled with an awareness of the dominant traits and characteristics of customary management styles and practices. While many have argued that the increasing rate of globalization in the business arena is causing convergence among management styles that is overriding cultural differences, researchers continue to explore the characteristics of specific national management styles. Some studies focus specifically on one country, a process referred to by anthropologists as ethnography and which includes in-depth analysis and description of the customary social behaviors of a single identifiable group of people using techniques such as participant observation; however, a good deal of what appears in more recent assessments of national management styles is based on the practice of ethology, which is the comparative study of two or more cultures that looks at a narrower set of data related to a particular topic and seeks to compare and contrast the various cultures.

There are several different models of management style that may be used for descriptive and comparative purposes. One method for modeling a manager’s style and practices focuses on a small set of specific characteristics and activities such as supervisory style, decision making style and processes, communication patterns, control mechanisms, management of interdepartmental relationships and, finally, the strength of paternalistic orientation when interacting with subordinates. Another method of describing “management styles” which may be particularly useful when studying developing countries is the model created by Khandwalla after studying 90 organizations in India, research that caused him to recognize and describe ten categories of management styles: conservative, entrepreneurial, professional, bureaucratic, organic, authoritarian, participative, intuitive, familial, and altruistic.

§3:2 National business cultures

Managers in every country must act within the boundaries of various institutions and values that, taken together, form what can usefully be referred to as the “national business culture” for that country. A unique national business culture arises due to differences in major social institutions, differences in approaches to economic organization and ownership and control of resources (e.g., “capitalism” versus “socialism”) and, of course, variations between countries with respect to the values underlying their societal cultures and the political systems that have been adapted to govern the citizens and promulgate and enforce the laws that regulate activities within the country. National business culture is also impacted by history, including colonial occupation; religion; the availability of capital; the availability of natural resources; human capital; technology; demographic factors; and communications with other societies. All in all, national business culture is

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172 Information on management styles and practices in various countries is available in the Regional and Countries Studies materials prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
heavily influenced by a wide array of behavioral and institutional elements that also impact the way in which managers act and the effectiveness of those actions in furthering the achievement of organizational goals. The sections that follow provide an overview of American, European and Asian business cultures.

§3.3 --American business culture

Profiles of American culture have emphasized characteristics such as goal and achievement orientation, desire and passion for freedom, self-reliance, work orientation and competitiveness (see Table 3.1). A profile of American culture developed by Linowes was built around three fundamental characteristics: action, freedom and equality. Specific attitudes and behaviors associated with each of these characteristics included the following:

- **Action**: Man controlling nature, risk-taking, bold initiative, spontaneity, improvisation, outspokenness, critical thinking, logical reasoning, clarity and frankness, decisiveness
- **Freedom**: Individuality, individual independence, legal safeguards, righteous indignation, being heard, chaotic anarchy, proving oneself
- **Equality**: Level playing field, industrial competition, track record, rewarding performance, specialists, opportunities, autonomy, ambiguous/informal ranking, racial and gender equality

As such, it is not surprising that American business culture has long exemplified, and glorified, a sort of “rugged individualism” that has evidenced itself in what are perceived as relatively high levels of tension and confrontation within and between companies and between the business community on the one hand and legislative and regulatory bodies on the other hand. There has been, in general, a marked level of distrust between business and government in the United States and this has often led to extensive attempts to regulate the activities of corporations in a number of areas including antitrust, consumer protection, securities regulation and, most recently, corporate governance. All this contrasts markedly with the close business-government relations in other parts of the world such as Europe and Asia that have often been criticized by US policymakers and endlessly debated in countless international forums on global trading matters.

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Interestingly, while “rugged individualism” is definitely part of the overall business environment in the US, the traditional model for designing the organization structure of American businesses has been quite formalistic and relies heavily on hierarchical structure, standards and systems and focused specialization among workers. In what almost seems to be a concerted effort to regulate “individualism” in the workplace US companies have generally been more likely than their counterparts in foreign countries to create formal and defined organizational structures, prepare detailed written job descriptions, promulgate and monitor quantifiable performance standards and issue lengthy policies and manuals covering all aspects of operational activities carried out within the company. American public companies, as well as privately-held emerging companies with professional investors such as venture capitalists, have also emphasized short-term financial performance as the key measure of how their strategies and structures are working. This pre-occupation with “making the numbers” on a monthly, quarterly and annual basis, and demonstrating continuous improvements in growth and profitability, has been fostered by several other American institutional factors—the demands of US financial markets and investors for quick returns and impatience with investment projects that have long “payout” periods and the greater emphasis that has traditionally been placed on quantitative analysis in US business schools as they train the future managers of US companies.

One specific characteristic of American business that has an important impact on organizational structure is the historical emphasis on specialization. As noted above, US companies have typically relied heavily on specific job descriptions and settling well-defined responsibilities for managers and employees at all levels within the company. This approach parallels the development of education, training and certification in the US and one can easily recognize the importance and prevalence of professional and technical specialties and specialized educational programs in accounting, finance, law, engineering and the sciences that are accompanied by extensive post-graduate networking that reinforce the specialty connections. Many American managers began their careers as specialists, as opposed to “general management,” and usually spend their formative years in the corporate world working in fairly narrow functional areas and responsibilities. In general, American companies looking to bring on new recruits will populate their offices by reference to specialist needs as opposed to selecting persons who may not have the currently required background yet is more likely to emerge as a leader in the future. The focus on specialization also means that US companies are usually comfortable with recruiting and hiring from outside the current worker population if necessary to access particular specialist skills.

American business is also well-known for its emphasis and fascination with the concept of “professional management”. As evidenced by the respect afforded graduate management training, the “MBA” in particular, US companies have generally accepted the idea that corporations and other for-profit and not-for-profit organizations can be
effectively managed through the application of generic concepts and techniques. This belief has fostered the development of a whole cottage industry of constantly changing management techniques that are delivered and disseminated by countless management consultants and “gurus”. Through the magical use of mass-marketing techniques American managers have been bombarded with a continuous stream of new tools and ideas to fulfill their responsibilities including calls for commitment to vague and general concepts such as “excellence,” “quality,” “innovation,” “customer satisfaction,” and “culture.” In fact, much of the discussion regarding organizational structure and design has been updated to incorporate buzzwords such as “value chains,” “strategic business units,” “diversification,” and “portfolio management”. While some of this information has been interesting, topical and innovative, there are numerous examples of “new theories” that are simply recycled versions of earlier ideas. Moreover, the American bias toward short-term results often leads to poorly thought out decisions to quickly embrace a new “fad” without carefully analyzing the underlying foundations and determining whether it is best suited to the activities and culture of the specific organization. It is not surprising that “one-minute managing” found a welcome audience among managers of US companies. It should be noted that, in general, managers outside the US view these new management theories and ideas as interesting background reading and something to ponder as opposed to a specific blueprint that needs to be implemented immediately.

For all of the generalizations made above about American businesses, it is only fair to note that one can still find tremendous diversity with respect to the cultures that have been adopted in successful US corporations. Certainly there are numerous examples of corporations that have interpreted “rugged individualism” to mean that managers and other employees must continuously compete internally for resources and assignments and that the spoils will go only to those that prove to be the “fittest.” On the other hand, confrontation and internal competition is tempered in many companies by attempts to cultivate a sense of “family” and belonging through training and other human resources programs designed to assist and support managers and employees in their efforts to improve and contribute to the company on a long-term basis. Some companies measure performance, and distribute rewards, strictly “by the numbers,” while other make a great effort to identify and reward more intangible contributions such as “creativity” and “innovation.” Dominant management styles also vary—“hierarchical” at one end to “participative” at the other end—and studies of organizational culture within emerging companies have noted the significant role that founders play in defining and establishing a management culture for their firms that remains in place long after the founders have been replaced by professional managers who were not involved in the initial launch of the company. Even more challenging is the attempt by many larger organizations with diverse business lines to allow for cultures and management approaches to vary from division to division as necessary to achieve strategic objectives (i.e., “intrapreneuring”).

### Table 3.1
**Harris and Moran’s Profile of American Culture**

Harris and Moran provided a profile of the societal context for US business culture which included the following elements or characteristics:
• Goal and achievement oriented: Americans think they can accomplish just about anything, given enough time, money, and technology.
• Highly organized and institutionally minded: Americans prefer a society that is institutionally strong, secure, and tidy or well kept.
• Freedom-loving and self-reliant: Americans fought a revolution and subsequent wars to preserve their concept of democracy, so they resent too much control or interference, especially by government or external forces. They also idealize the self-made person who rises from poverty and adversity, and think they can influence and create their own futures. Americans think, for the most part, that with determination and initiative, one can achieve whatever one sets out to do and thus, fulfill one’s individual human potential.
• Work oriented and efficient: Americans possess a strong work ethic, though they are learning in the present generation to constructively enjoy leisure time. They are conscious of time and efficient in doing things. They tinker with gadgets and technological systems, always searching for easier, better, more efficient ways to accomplish tasks.
• Friendly and informal: Americans reject the traditional privileges of royalty and class but defer to those with affluence and power. Although informal in greeting and dress, they are a noncontact culture (e.g., usually avoid embracing in public) and maintain a certain physical/psychological distance with others (e.g., about 2 feet).
• Competitive and aggressive: Americans in play or business generally are so oriented because of their drives to achieve and succeed. This is partially traced to their heritage of having to overcome a wilderness and hostile elements in their environment.
• Values in transition: Traditional American values of family loyalty, respect and care of the aged, marriage and the nuclear family, patriotism, material acquisition, forthrightness, and the like are undergoing profound reevaluation as people search for new meanings.
• Generosity: Although Americans seemingly emphasize material values, they are a sharing people. They tend to be altruistic and some would say naive as a people.

Source: Adapted from P. Harris and R. Moran, Managing Cultural Differences (5th Ed) (Houston TX: Gulf Publishing Company, 2000).

The dramatic and well-publicized successes and failures among companies in Silicon Valley have captured the interest of legions of researchers and consultants interested in defining and understanding the management styles deployed in those companies. In the 1980s, Rogers and Larsen found that the primary reason for the failure of high technology companies in Silicon Valley was poor management, as opposed to lack of capital, technical difficulties with products or poor human resources. In turn, the successful firms were those in which senior management delegated authority and closely monitored all products and systems.\(^{178}\)

Many books and articles have traced the development of the “Silicon Valley approach” to management and the stories generally begin back in the 1940s and 1950s with iconic firms such as Varian Associates and Hewlett Packard (“HP”). Important managerial characteristics of these companies included the removal of restrictions on pursuit of new ideas and innovations; employee participation in the company’s successes through the use of stock options, a strategy intended to foster cooperation and enthusiasm throughout the workforce; emphasis on teamwork; and the ability to manage rapid change. A famous story, often retold, about the beginnings of Silicon Valley focuses on the decision in 1957 of eight employees of Shockley Labs to abandon the firm led by William Shockley, a Nobel Prize-winning co-inventor of the transistor, to form Fairchild

Semiconductor to escape Shockley’s intense micromanagement and forge their own company based on “open communications, laissez-faire management styles, flat organizational structures, and generous distributions of stock options”. Bernshteyn argued for the proposition that successful Silicon Valley firms operated under a non-traditional management style that fostered growth, creativity, innovation and employee retention and relied on a “bottom-up” approach that began with finding and hiring the brightest and most nimble managers and employees, finding the right place in the organizational structure to maximize their strengths and empowering those employees by avoiding excessive direction and rulemaking from the top.

HP is often held out as the premier example of the original Silicon Valley management style and the management philosophy articulated by the founders of HP, Bill Hewlett and David Packard, became known as the “HP Way” and included respect and trust for the individual, hiring the best people and matching them to the right job; contribution to the customer and the community, integrity, teamwork, innovation and continuous learning with the help of customer feedback. Carly Fiorina revised and updated the HP Way as the “Rules of the Garage” in 1999 and admonished HP employees to believe they could change the world; work quickly, keep their tools unlocked and work whenever; know when to work alone and when to work together; share tools and ideas and trust their colleagues; set aside politics and bureaucracy; accept that it is the customer that defines a job well done; acknowledge that radical ideas are not bad ideas; invent different ways of working; make a contribution every day; and believe that together HP employees could do anything.

While the Silicon Valley management style has been widely praised, and attempts to emulate it have proliferated around the world, some have expressed concerns about some of the consequences of focusing too much on managing change through flexibility and embracing “lean and mean” resources management strategies. Pfeffer, for example, began with the premise that the model of Silicon Valley management that had emerged by the early 2000s was based on four basic ideas: a “free agent” model of employment that demanded that employees look out for themselves and be prepared and willing to move on—change jobs—at a moment’s notice; extensive reliance on teams of outside contractors that could be expanded or reduced quickly and efficiently; use of stock options as an important element of compensation; and the belief that value to the organization was measured by the number of hours worked (i.e., working long hours was the norm). He noted that companies built on these principles would presumably be well positioned to pivot quickly as their environments shifted; however, he suggested that the free agent mentality created excessively high turnover that was actually quite costly to companies in terms of having to recruit and train new staff, manage and minimize

disruption to relationships with customers and other strategic partners and worry about whether former employees were using their ideas in new jobs with competitors. Pfeffer also questioned whether outsourcing was conducive to building a sustained competitive advantage since a large portion of the knowledge generated during outsourcing arrangements resided outside of the company.

§3:4 --European business culture

For all the talk and action associated with integration of European economic activities, it remains likely that the management cultures of European companies will continue to hark back to their specific national roots.\(^{183}\) As such, when observing and defining the management culture for a particular European company it is essential to identify and understand the impact of environmental factors such as language, history and tradition, educational systems and social class systems in its home country regardless of how the geographic reach of its operational activities may have expanded into other countries and regions. In fact, within the membership of the European Union one can probably identify a number of different “country clusters” of similar business cultures including Anglo (e.g., United Kingdom), Germanic (e.g., Germany, Austria and Switzerland), Latin European (e.g., France, Italy and Spain), Nordic (e.g., Denmark, Finland, Norway and Sweden) and Near Eastern (e.g., Greece and Turkey)\(^{184}\); however, while these categories do have some utility any attempt to derive universal rules and expectations regarding managerial practices and employee attitudes should be undertaken with caution.

There is some degree of truth to generalizations made about British, French, German and Italian managers and the companies that they oversee. For example, it has been said that the characteristics of management culture in the UK include a stress on common sense, adaptability and resourceful pragmatism along with class and club-consciousness. Traditionally, UK companies had little interest in formal business training for their managers and opted for “gentlemen amateurs” with either no degree or a liberal arts degree as their foundation for taking on a management role. However, beginning in the early 1990s accounting began to emerge as a preferred specialist background in the UK and there was also a definite movement toward management training in universities and colleges. Explanations of German management culture include an emphasis on order, discipline and efficiency and a respect for professional expertise. Comments on management of Italian companies include references to charisma and spontaneity and non-Italians claim that managers of Italian companies lack the necessary discipline in discharging their responsibilities.

For all of the national differences, and it is also impossible to make generalizations about a particular country given that social and economic conditions may vary from region-to-region within a specific national border, it appears to be true in general that European

\(^{183}\) The discussion of European business culture in this section is adapted from Humes, Managing the Multinational: Confronting the Global-Local Dilemma (Prentice Hall International (UK) Ltd., Hemel Hempstead, Hertfordshire UK, 1993), 118-121.

managerial styles are less formal than what is typically observed in the US. Job descriptions and organizational charts in European companies are less detailed and specific than those used by US companies. European companies also tend to fall in the middle between the individualism prized by U.S. companies and the strong group orientation found among Japanese companies. Similarly, business-government relations in European are less adversarial than in the US yet one generally does not see government acting as a strong “guiding hand” along the lines of certain countries in Asia countries. Exceptions can be seen, however, in those countries such as France and Italy that have often given strong governmental support to certain domestic companies and industries. One interesting distinction in Europe is the degree of protection given to personal time and employment security, a value that is embedded in governmental regulation of vacation time and other personal leaves and lay-offs caused by mergers and internal corporate restructuring.

§3:5 --Asian business culture

Much of the earliest writing about Asian businesses emphasized and discussed management cultures within Japanese and Korean corporations, since these were the two countries that had the greatest initial success following World War II in entering global markets and challenging the previously assumed dominance of American and European management principles. As is the case with companies around the world, the business culture preferred in Japan and Korea has often been indistinguishable from the dominant national cultural values and it is not surprising to see that multinational companies domiciled in these countries have emphasized consensus, seniority, and deference to authority. Executives and managers within Japanese and Korean corporations have typically been products of the broader class hierarchy within the national culture and drawn from a group of “elites” that have completed their education at leading universities at which they forged the social ties that follow them through the business careers. It is well-known that, at least until quite recently, a bedrock principle within Japanese multinationals was lifetime employment that created unequivocal corporate loyalty among employees. Employees expected to spend their entire careers with one company and, as such, were willing to subordinate their personal ambitions and family lives to the needs of the company. In fact, the social status of managers and employees among their peers was strongly influenced by the company that they worked for and the position that they occupied within the company. Since Asian multinationals, particularly in Japan, generally did not welcome job candidates who had already spent part of their career at other companies, employees generally had no choice but to accept the decision made by

185 The discussion of Asian business culture in this section is adapted from Humes, Managing the Multinational: Confronting the Global-Local Dilemma (Prentice Hall International (UK) Ltd., Hemel Hempstead, Hertfordshire UK, 1993), 116-118. The existence of a recognizable Far Eastern business culture has been postulated for a cluster of Asian countries other than Japan (e.g., Hong Kong, Singapore, Taiwan, Thailand and Vietnam); however, the dynamic economic renaissance of Japan since the end of World War II has been such that most commentators treat Japanese management principals as an independent phenomenon separate from its geographic neighbors. See S. Ronen and O. Shenkar, “Clustering Countries on Attitudinal Dimensions: A Review and Synthesis,” Academy of Management Review, 1985).
their employers about their careers given that there was little or no chance they could move elsewhere in the event that they were not satisfied with their progress.

While the life of the typical Japanese employee often seemed to harken back to feudal times, Japanese companies did take some efforts to create a pleasant and fulfilling work environment. For example, Japanese employees have long been exposed to a constant stream of training and education to provide them with new skills and knowledge. A sense of belonging and connection is fostered through group exercises and company rituals as well as a focus on cooperation and harmony. While Japanese employees may not have had much real autonomy, they have nonetheless been included in the procedures used to discuss issues and problems and reach decisions that are agreeable to, and supported by, all persons directly involved in the matter. It should be noted, however, that while this time-consuming process, the so-called “ringi system,” appeared to be more inclusive than the methods used in American and European companies, the fact is that the decisions were often made at the top and then politely but firmly explained and sold to those who are lower in the organizational hierarchy. One important byproduct of the internal socialization process in Japanese companies has been the development of shared cultural values that reduce the need for those companies to create detailed rules and procedures of the type relied on by US companies.

In contrast to the American preoccupation with specialization, management careers in Japanese companies have traditionally emphasized development of generalist skills. In fact, as a general matter all employees in Japanese companies are told that they are expected to work for the entire organization, as opposed to a particular functional or product division, and that they will be asked to perform a wide range of roles during their relationship with the company. Human resources policies and practices, and management development programs in particular, at Japanese companies reflect a commitment to long-term development and socialization of employees and this focus can be observed in the way that training programs are carried out and in the choices made with respect to ensuring that employees are rotated through a variety of assignments so that they can see how the business works from a number of perspectives. The willingness to make long-term investments in human resources is consistent with the way that Japanese companies and investors are willing to take a long-term view of financial performance as opposed to following the way of US companies in tracking on short-term results.

Cooperation and the desire to build and maintain a sense of community also has a powerful impact on business-government relations in many Asian economies. The important role of Japanese ministries and other governmental agencies in providing direction to domestic corporations and industry sectors is well documented. For example, governmental agencies in Japan have had broad authority and discretion with respect to granting licenses and other types of approvals that are necessary for the conduct of certain business activities and also have exerted substantial power to impact commercial activities by approving or denying subsidies, tax holidays and reductions and/or loans on favorable terms. In addition, the Ministries of Finance and International Trade and Industry have both been known for their practices of issuing “administrative guidance” to
domestic companies as a tool to ensure that Japanese firms were positioned to be competitive in international markets.

While much of the writing about Asian multinationals, and Japanese companies in particular, has created a perception that they are all quite similar, in fact one can observe striking differences in the way that major corporate groups are organized and in the cultural values that they choose to emphasize. For example, while the culture of the Mitsubishi group strongly emphasized the organization as a whole and the parent company exerted a strong role, the Mitsui group appeared to allow for a good deal of autonomy for its various divisions and affiliates. Also, not surprisingly, Japanese multinationals have adopted different strategies to achieve comparable objectives with respect to recruiting and developing competent international managers.

Interest in Asian business culture has obviously expanded beyond Japan and Korea and the existence of a recognizable Far Eastern business culture has been postulated for a cluster of Asian countries other than Japan (e.g., Hong Kong, Singapore, Taiwan, Thailand and Vietnam); however, the dynamic economic renaissance of Japan since the end of World War II has been such that most commentators have treated Japanese management principals as an independent phenomenon separate from its geographic neighbors.\(^{186}\) A relatively recent phenomenon has been the emergence of Chinese companies as strong competitors in the global marketplace and the tighter engagement of American and European companies with China as a market for their products and services and a source of financial and human capital and technology. Certainly China and Japan share not only geographical proximity but also similar religions and value systems; however, their national business cultures have diverged significantly for various reasons including, perhaps most notably, differences in the path and content of their economic policies.\(^{187}\)


Chapter 4
Cross-Cultural Transfer of Management Theories

§4:1 Introduction

Most of the research activities conducted in the field of comparative management studies have focused on identifying and explaining similarities and differences among various management systems. In addition, the field includes the pursuit of universally, or at least broadly, applicable management systems, philosophies, values and practices that can be transferred effectively across cultures with predictable and desired results. The transfer is a complex process involving not only the technical aspects of a particular management system but also verification that the application of the principles associated with that system is having the desired behavioral impact in the specific cultural and environmental context in which the transfer is occurring. Given that much of the early research relating to issues addressed under the umbrella of management studies was carried out in the US and/or abroad by US-oriented scholars, it is not surprising that a good deal of controversy has surrounded the cross-cultural transfer of US management theories. Recently, however, debate and research regarding cross-cultural transfer of management theories, styles and practices perceived to be successful in one country has expanded to include transfers from countries other than the US. For example, the economic prowess of Japanese multinationals during the 1970s and 1980s led to the proliferation of prescriptions for their challenged competitors in the US and elsewhere to seriously consider importing and adapting Japanese management practices. Another interesting development with respect to research regarding cross-cultural transfers of management styles and practice is that the US is no longer always involved in the conversation, either as a transferor or a transferee. Kumar, for example, noted that India could expect a significant amount of investment from Japan thus calling for an examination of how Japanese management practices would fare if they were applied in Indian subsidiaries.¹⁸⁸

§4:2 Hofstede on cross-cultural transfer of US management theories

Hofstede was one of the first to argue that the leadership and management theories and practices used in a particular country, and the efficacy of those theories and practices, were significantly influenced by the attributes of the societal cultural in that country.¹⁸⁹ Hofstede recognized that many of his colleagues had devoted their time and effort to uncovering and popularizing “universal” management principles that could be applied in every country regardless of the cultural dimensions that dominate in that country;


however, his understanding of cultural dimensions led him to pursue the question of “[t]o what extent do theories developed in one country and reflecting the cultural boundaries of that country apply to other countries”? Hofstede was quite clear about his belief that management theories reflect the cultural environmental in which they were written, whether the theories were developed in the US or elsewhere, but given the dominance of US-oriented management theories at the time his model of cultural dimensions was first developed it was not surprising that Hofstede would turn his attention to whether certain well-known US theories of motivation, organizational structure and managerial style (i.e., “management by objectives”) could be readily applied in other countries with different societal culture characteristics.

§4:3 --Theories of motivation

For Hofstede the key question with respect to motivation was: “Why do people behave as they do?” He took note of a number of theories of human motivation including the work of psychologists such as Sigmund Freud and US management theorists such as David McClelland, Abraham Maslow, Frederick Herzberg and Victor Vroom. Each of those theories provide interesting, if sometimes simplistic and vague, insights into what factors motivate people in the workplace and valuable information on what managers might focus upon in their efforts to control the activities of their subordinates in a way that is calculated to obtain the results thought to be necessary for the firm to be successful. Hofstede noted that acceptance of particular theories leads to specific assumptions about the role of managers. For example, Vroom’s Expectancy Theory implies, at least in part, that employees can be pulled to take certain actions by creating a reasonable expectancy of desired rewards from those actions and the job for managers therefore is to device systems that align performance with outcomes (“rewards”) that are valued by employees; however, Freud’s theories assumed that employees were being pushed by internal forces, often unconsciously, which were extremely difficult for managers to identify, understand and overcome.

190 Id. at 50.
191 Hofstede also discussed and critiqued the applicability of several of the most well-known US-originated “participative leadership” theories such as McGregor's Theory X and Theory Y, Likert's System Four management model and Blake and Mouton's Managerial Grid. For further discussion, see “Leadership: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
Hofstede argued that the popularity and efficacy of theories of motivation in a particular country depends not only upon the cultural dimensions in that country but also the cultural dimensions in the country where the particular theory was first developed. He considered the question of why Freud’s theories have never been accepted as an integral part of US-developed management theories by analyzing the cultural profile of Austria, where Freud lived and worked as part of the middle class as his ideas about human motivation emerged, to demonstrate both why Freudian thinking was popular in Austria and out of step with the dominant cultural dimensions in the US. Hofstede noted that Freud was a product of the late 19th and early 20th centuries, during which time he developed and refined most of his theories; however, Hofstede suggested that cultural patterns change relatively slowly and that it was likely that the fundamental aspects of the cultural dimensions of Austria at the time of the Hofstede survey were much the same as they had been 70 or 80 years before. He then compared and contrasted the US and Austria on each of four cultural dimensions and found that power distance and individualism were both much lower in Austria while uncertainty avoidance and masculinity were both much higher in Austria. For Hofstede one of the most compelling findings from his survey regarding Austria was the combination of high uncertainty avoidance with low power distance since, in general, countries with a strong aversion to risk tended to gravitate toward a high power distance and place their trust in strong superiors to take control and manage uncertainties for everyone by establishing formal rules and espousing absolute truths that were to be blindly followed. Hofstede argued that reference could be made to Freudian theories to explain how Austrians, as well people in other countries with the same combination of scores on these two cultural dimensions (e.g., Finland, Germany, Israel and Switzerland), coped with their aversion to risk without a strong “external boss”. His view was that Austrians relied on what Freud referred to as the Superego to continuously monitor and evaluate the behavior of their Ego against an ideal standard thus, in effect, acting as their own superior. Hofstede also noted that Austrians, who scored low on individualism, had a strong sense of

Hofstede’s view is that cultural change that is significant enough to invalidate his country dimension index rankings will take a significant period of time, such as 50 to 100 years, or the occurrence of a dramatic outside event of epic proportions and he believes that cultural differences between countries identified in the IBM studies could already be observed from information about conditions and values in those countries hundreds of years before. See Hofstede, Dimensionalizing cultures: The Hofstede model in context. In W.J. Lonner, D.L. Dinnel, S.A. Hayes, & D.N. Sattler (Eds.), Online Readings in Psychology and Culture, Unit 2: Conceptual, Methodological and Ethical Issues in Psychology and Culture (Bellingham, WA: Center for Cross Cultural Research, 2006).


According to Freud, human behavior is influenced by the “Id”, “Ego” and “Superego”: the Id includes unconscious forces within each person that drive them to act in a certain way; the Ego is a person’s conscious conception of himself or herself that is constantly struggling to control the Id; and the Superego is an unconscious “internal pilot” developed through early socialization mainly through one’s parents that criticizes the thoughts and actions of the Ego and produces guilt and anxiety whenever the Ego appears to be giving in to the Id. Freud’s theory is quite complex and this description is necessarily simplistic. For an introduction to the details, see S. Freud, The Ego and the Id (The Standard Edition of the Complete Psychological Works of Sigmund Freud) (New York: W.W. Norton & Company, 1990).
national identity which drove them to work hard out of a strong feeling of obligation to their country and fellow citizens.\(^{198}\)

Hofstede also argued that his survey results with respect to the US could explain why the other non-Freudian theories relating to motivation, which he referred to generally as “expectancy” theories, achieved a high level of recognition and acceptance in that country. The combination of weak uncertainty avoidance and strong masculinity was found exclusively in the US, in other countries in the Anglo-American group and in some of their former colonies. Hofstede cited a strong relationship between the grouping of countries in this quadrant and countries found to evidence a high need for achievement by other researchers such as McClelland, who is one of the noted US management theorists in area of motivation.\(^ {199}\) Hofstede observed correlations between the beliefs that are most likely to be seen in weak uncertainty avoidance and strongly masculine societies and the writings of McClelland and US theorists on the motives behind the actions taken by persons in those societies. For example, Hofstede argued that McClelland’s “achievement motive”\(^ {200}\) was only viable in a cultural context where persons were willing to accept at least a moderate level of risk and were also concerned about performance (i.e., weak uncertainty avoidance/masculine societies).\(^ {201}\) The logical corollary to this argument is that management practices based on the assumption that people behave in accordance with the “achievement motive” would not be successful in countries where there is a great concern with security in life, competition is looked upon with disapproval and motivation is provided by the desire to be of service rather than a need to attain greater levels of wealth and fame (i.e., countries appearing in the strong uncertainty avoidance/feminine quadrant). Care should be taken not to make assumptions based on observation of a single cultural element since a strong urge to work hard can be a sign of both a strong drive for achievement and an attempt to somehow manage and reduce risk and insecurity.


\(^{199}\) Id. at 55. McClelland identified “need for achievement scores” in a number of countries based on survey data collected for both 1925 and 1950. D. McClelland, The Achieving Society (Princeton, NJ: D. Van Nostrand, 1961). Hofstede noted that the countries in the weak uncertainty avoidance/masculine quadrant received mostly high achievement need scores while countries in the strong uncertainty avoidance/feminine quadrant scored on at the lower end of the range in the McClelland survey. Hofstede also observed that the very word “achievement” is difficult to translate into any language other than English and that he could not use the word in the questionnaire relied upon in his own research because it could not be readily understood in many of the countries in his survey group. The English-speaking countries in the Hofstede survey all appeared in the weak uncertainty avoidance/masculine quadrant. G. Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad?”, Organization Dynamics, 9 (1980), 42-63, 55.

\(^{200}\) McClelland claimed that humans act out of a need to achieve, which he referred to as the “achievement motive”. See D.C. McClelland et al, The Achievement Motive (New York: Appleton-Century Crofts, 1953) and Power: The Inner Experience (New York: Irvington, 1975) and Human Motivation (Cambridge, UK: Cambridge University Press, 1987).

\(^{201}\) Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad?”, Organization Dynamics, 9 (1980), 42-63, 55. In countries where uncertainty avoidance is weak there is more willingness within society to take risks in life. In strongly masculine societies performance is what counts, money and things are important and are to be pursued, the drive for work and success is fueled by ambition and those who achieve success are admired and praised.
Hofstede also discussed how the information from his study might call into question the universality of the hierarchy of human needs proposed by Maslow. Hofstede focused on the four quadrants of the cultural map that had masculinity and uncertainty avoidance as its two dimensional axis and described what he believed was the correlation between each quadrant and the hierarchical levels of the Maslow model:

- The weak uncertainty avoidance/masculine quadrant, which was exclusively populated by the US, other countries in the Anglo-American group and some of their former colonies, was consistent with Maslow’s fourth hierarchical level: esteem needs (i.e., self-esteem, confidence, performance, achievement and respect from others).
- The strong uncertainty avoidance/masculine quadrant includes countries that also value performance and hard work, as do those countries in the weak uncertainty avoidance/masculine quadrant; however, the primary objective of these behaviors in these countries is security (i.e., the management and reduction of risk), which is Maslow’s second hierarchical level.
- The two quadrants for which feminine values were higher each include countries in which quality of life and interpersonal relationships are more important than performance, money and collecting symbols of wealth and achievement. Although risk tolerance, measured by uncertainty avoidance, varied between these two quadrants, Hofstede argued that Maslow’s third hierarchical level, social needs (i.e., friendship, family, sexual intimacy, quality of life), were most important to all of these more feminine countries.

Hofstede, noting that Maslow placed esteem/achievement needs above social and security needs in his ideal hierarchical structure, argued that the Maslow model could not be a universally true description of the human motivation process in light of the information regarding cultural values outlined above and was instead a description of the prevailing value system in Maslow’s home country (US). Hofstede explained that continued reference to some sorts of hierarchy of human needs would only be meaningful if the levels were rearranged for countries in each of the quadrants to recognize their specific needs and cultural values. Therefore, for those countries in the strong uncertainty avoidance/masculine quadrant, such as Japan and Latin and Mediterranean countries such as Argentina, Columbia, Italy, Mexico and Venezuela, security needs would be a higher priority; for those countries in the weak uncertainty avoidance/feminine quadrant, such as the Scandinavian countries and the Netherlands, social needs would rank at the top of the hierarchy; and for those countries in the strong uncertainty avoidance/feminine quadrant, a diverse geographically dispersed group including Brazil, France, Israel, Portugal and

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202 Id. at 55-56. Under Maslow’s famous hierarchy of human needs persons behave in a rational fashion to satisfy five levels of needs running from “basic” to “higher” in the following successive fashion—psychological needs; safety or security needs; social needs; esteem needs; and self-actualization needs. A higher need will not be an active concern for a person until he or she has sufficiently satisfied each of the lower needs. See A. H. Maslow, “A Theory of Human Motivation”, Psychological Review 50 (1943), 370-96. See also A.H. Maslow, Motivation and Personality (New York: Harper, 1943) and A.H. Maslow, Maslow on Management (New York, Wiley, 1998).
Motivation in the workplace is obviously a complex topic and there have been a number of ideas about how firms can improve attitudes of workers and thus motivate to engage in the behaviors desired by management.\textsuperscript{204} Hofstede referred to two proposals, that he placed under the general umbrella of “humanization of work,” that were becoming quite popular at the time that Hofstede began publishing on the results of his initial survey: job enrichment, which has been credited to Herzberg and seeks to motivate employees by allowing them to have more responsibility and variety in their jobs\textsuperscript{205}; and the formation of autonomous work groups (“teams”) with almost complete autonomy to decide upon the best way to achieve specific goals assigned to the team by senior management. Hofstede speculated that the origin of these proposals reflected the cultural values of their chief proponents and that the efficacy of the proposals would be determined by how well they fit with societal beliefs about just what made a particular job “human”.\textsuperscript{206} As for job enrichment, Hofstede felt that it would take flight more easily in more masculine countries such as the US since individual performance was more important in those societies.\textsuperscript{206} In contrast, teams seemed to be a better fit for feminine societies where humanization was realized through creating more opportunities for wholesome interpersonal relationships while downplaying competition among individuals in the workplace.\textsuperscript{207} In fact, one of the first companies to experiment with the use of autonomous work teams was Volvo in Sweden, which had the highest femininity score in the survey group, where teams had the right to determine all of the key aspects associated with the activities of the team and particular job responsibilities including work assignments, schedules and quality control procedures. Many teams functioned without

\begin{footnotes}
204 For further discussion of “motivation” in the workplace, see “Human Resources: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
205 Herzberg distinguished between motivator and hygienic factors. His motivator factors are similar to Maslow’s “higher” esteem and self-actualization needs and include achievement, recognition, responsibility, promotion, growth and fulfilling work activities. His hygienic factors are similar to Maslow’s three lowest/most basic levels—psychological, safety and social—and include pay and benefits, personal life, work conditions, job security, status, relations with co-workers and supervisors and company policies and administrative procedures. See F. Herzberg, The Motivation to Work (New York: John Wiley & Sons, 1959). Job enrichment was one of the strategies that hopefully would serve as a motivator by allowing workers to find more satisfaction, and increase their motivation to perform, by introducing skill variety, task identity, task significance, autonomy, and feedback.

206 While job enrichment would appear, on the face of it, to be a positive initiative in a cultural environment such as the US it is not necessarily the best approach in all instances. As one commentator noted: “... [j]ob enrichment doesn't work for everyone. Some people are very resistant to more responsibility or to opportunities for personal growth, but...researchers report that some people they expected to resist, seized the opportunity. Enriching jobs is a particularly effective way to develop employees provided the jobs are truly enriched, not just more work for them to do.” See R. Brown, Design Jobs that motivate and develop people, April 22, 2010 <http://www.media-associates.co.nz/index.php?option=com_content&view=article&id=26:design-jobs-that-motivate-and-develop-people&catid=4:free&Itemid=21>.
\end{footnotes}
formal supervisors and decision were to be made democratically with each team member shouldering leadership of the group and providing input on decisions about strategies and allocations of resources.208

§4:4 —Theories of organization

Two of the fundamental issues relating to organizational structure are the degree to which authority for decisions can be comfortably delegated to lower levels within the hierarchy—centralization versus decentralization—and the level of reliance on formal rules and specialization.209 Hofstede argued that the position of a country on his power distance/uncertainty avoidance cultural map could provide important clues as to what type of organizational structure would be most effective in that country.210 He asserted that, in general, managers and subordinates in larger power distance countries preferred and expected that responsibility for launching new initiatives and making decisions would be centralized and placed near the top of the organizational hierarchy211 while persons in small power distance countries, both managers and subordinates, would be more comfortable with decentralization.212 With regard to formalities and rulemaking, Hofstede believed that the stronger the level of uncertainty avoidance the more likely it

209 For further discussion of the challenges in designing the organizational structure, including the appropriate balance between centralization and decentralization and the proper level of standardization through formal rules, see “Organizational Design: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
210 For fuller discussion and explanation of Hofstede’s “culture maps”, see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
211 Hofstede provided an example of country differences based on power distance by contrasting what he referred to as the standard practice among medium power distance US multinationals of having salary increase proposals initiated by the direct superior of the impacted employee to the process followed in French firms of requiring that such proposals must be initiated by superiors several levels removed and above the impacted employee after information is delivered upward through the appropriate channels. Hofstede explained that in large power distance countries such as France even superiors are strongly dependent on their own superiors and thus middle managers are more comfortable referring decisions upward and, in fact, employees in those countries expect that this will be the process that is followed and generally do not object. See Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad”, Organization Dynamics, 9:1980, 42-63, 59-60.
212 Id. at 59. Related to the decision regarding the appropriate degree of decentralization is the number of hierarchical levels in the organizational structure—organizations with more levels are referred to as “tall” while organizations with fewer levels are referred to as “flat” and are inclined to accept and embrace decentralization since power distances are, by definition, smaller. For discussion of “tall” versus “flat” organizational structures, see “Organizational Design: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org). It would be expected that organizations in large power distance cultures would be taller with more layers (i.e., more hierarchical) and that the chain of command would be a more important element of the decision making processes in those organizations. See also S. Schwartz, “A theory of cultural values and some implications for work”, Applied Psychology: An International Review, 1999:48, 23-47 (distinguishing cultures on a continuum between hierarchical and egalitarian and noting importance of hierarchical organizational structures and chain of authority in hierarchical cultures).
would be that one would find highly formalized systems since rules and procedures are seen as appropriate tools to manage uncertainty and alleviate stress and anxiety.²¹³

Hofstede cited a then unpublished work of one of his colleagues as a source of interesting insight on how a country’s placement along the dimensions of power distance and uncertainty avoidance might predict the preferences of firms from those countries with respect to the centralization and formality in their organizational structures and, in turn, the processes used by those firms to identify and resolve problems that might arise during day-to-day operations. His colleague surveyed graduate business students from three different European countries—France, Germany and Great Britain—and asked them for ideas about how to deal with issues in a case study that involved a conflict between the product development and sales departments at a hypothetical firm. Interestingly, most of the students from France advised that resolution of the conflict required attention and intervention from the highest level of the organizational hierarchy (i.e., the president); however, the Germans and British had other ideas about the reasons for the problem and the suggested solution—the Germans pointed to a lack of written policies to guide each of the departments and recommended that such policies be drafted while the British felt that the conflict was a product of poor interpersonal communication that required more training for the parties involved.²¹⁴

Based on these results Hofstede’s colleague proposed “implicit models” of organization for the three countries and other countries that occupied the same quadrant with them on the cultural map that had uncertainty avoidance and power distance as its two dimensional axis. For French firms (large power distance/ strong uncertainty avoidance) the preferred organizational structure resembled a pyramid and responsibility and authority for making decisions was centralized and the rules of operation were formalized. German firms (small power distance/strong uncertainty avoidance) strived for a “well-oiled machine” efficiently directed by formal procedures although not necessarily centralized. Hofstede noted that this was consistent with the views of the well-known German management theorist Max Weber, whose theory of bureaucracy included a high level of formalization in management systems but with rules that were intended to protect persons at lower levels in the hierarchical structure from attempts by their superior to abuse their power.²¹⁵ British firms (small power distance/weak uncertainty avoidance) tended to opt for what was referred to as a “village market” that was neither formalized nor centralized. As for the four Asian countries—Hong Kong, India, the Philippines and Singapore—in the remaining quadrant of the cultural map (large power distance/weak uncertainty avoidance) Hofstede suggested that the appropriate implicit model of organization should be the “family”, which he described as centralized with respect to how and by whom decisions are made and formalized with

²¹⁴ Hofstede was referring to the work of O.J. Stevens at INSTEAD. Id. at 60.
²¹⁵ According to Weber’s theory of bureaucracy persons in a position of authority within the organizational structure did not have power in their own right but could give directions that were consistent with the authority vested in their position in the formal written rules and procedures that described the approved management systems for the firm. In short, as Hofstede said “the power is in the role, not in the person (small Power Distance)” Id.
Hofstede noted that the US could be found in the middle of the uncertainty avoidance/power distance cultural map and suggested that this provided an explanation as to why US firms doing business outside their domestic borders could readily adapt to each of the “implicit models” described above. For example, when operating in France a local subsidiary of a US company operating with local manages and personnel might use the pyramid model and formulate more formal rules and procedures than would be the case in the US. This approach would be followed not because hierarchies and rules are goals in and of themselves, as might be the case with a truly French firm, but as a means for accomplishing the business and strategic objective of establishing an efficient and productive subsidiary in France using local human resources. Hofstede also suggested that the preferred implicit model for a particularly country could predict the likelihood that firms and managers from those countries would experiment with various temporary and flexible organizational structures such as the “matrix”. For example, the relatively pragmatic attitudes of US firms toward the value and use of hierarchical structures and bureaucratic processes could explain why they were more likely to implement matrix organizational structures while French and German managers could be expected to be uncomfortable with the matrix based on what they perceive to be a lack of a clear chain of command and organizational clarity.

At least two studies appear to confirm the assumptions made by Hofstede with respect to the relationship between power distance and reliance upon formal rules and procedures to provide guidance on carrying out day-to-day activities. In both cases the researchers found that managers in large power distance countries were more likely than their colleagues in small power distance countries to use formal rules and procedures that were established at the top of the organizational hierarchy to direct subordinates and that those managers were also more likely to rely on their own experiences when making decisions about everyday activities and issues without seeking and considering the views and opinions of their subordinates.

Another interesting finding with regard to power distance is the impact that it appears to have on how organizational support for innovation is pursued. One group of researchers

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216 Id.
217 Id.
218 Id. at 60-61. Hofstede noted, however, that there were instances of French and German firms where the matrix structure had been used successfully and argued that cultural barriers and skepticism could be overcome by careful planning and implementation such as working to ensure that the organizational role of each person is unambiguously defined and formal procedures are put in place at the beginning to resolve conflicts that may arise in the matrix structure due to the dual reporting relationships that will exist.
has found evidence that people working within organizations in large power distance countries prefer that persons looking to gain support for a new product or idea, so-called “innovation champions,” go first to those in authority for review and approval as opposed to trying to build a groundswell of support from the “bottom up” by eliciting interest and excitement from members working at lower levels in the hierarchical structure of the organization. As power distance gets smaller, however, there is greater acceptance and tolerance of proactive innovation efforts by persons at any level in the hierarchy.  

§4:5 --Management by objectives

Hofstede also commented on how well one might expect Drucker’s well-known “management by objectives” (“MBO”) to be accepted in cultural environments other than the US. In brief, MBO, which was first introduced by Drucker in the 1950s and was much discussed during the time that Hofstede first released his survey results, is based on the principle that individual efforts must be put together to achieve a common goal known to, and accepted by, everyone in the organization and required the completion of the following steps: organizational objectives must be defined at the very top of the hierarchy, such as the board level; management roles and activities should be analyzed to that duties and responsibilities relating to achievement of the objectives can be properly allocated among the individual managers; performance standards should be established; managers and subordinates should agree upon and define specific objectives for the activities of the subordinates; the targets set for each subordinate should be aligned with the larger objectives of the organization; and management information systems should be created to monitor performance and the actual relationship of individual achievement to organizational objectives.

Hofstede argued that, not surprisingly, several of the assumptions underlying MBO could be traced to cultural dimensions that were comfortable for the US. First of all, MBO, which contemplates a good deal of dialogue between organizational units, and managers and subordinates, regarding objectives, targets and standards assumes that subordinates have sufficient independence and confidence to engage in meaningful negotiations with persons higher in the organizational hierarchy (i.e., small or medium power distance). Second, MBO assumes that everyone in the organization, subordinates and their managers, is willing to take risks (i.e., weak uncertainty avoidance). Finally, MBO assumes that subordinates and managers all believe that performance, as measured by achievement of organizational goals and related individual targets, is important (i.e., high masculinity). He then discussed how well MBO might be received in countries with a different cultural profile. In Germany, for example, Hofstede noted that its small power distance should support and welcome dialogue within the organization regarding goals and objectives but that problems might arise with respect to acceptance of risk given that Germany is a much stronger uncertainty avoidance society. 

Attempts to implement

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MBO in France were a failure in Hofstede’s view because France is a large power distance society in which managers are uncomfortable with decentralizing authority and subordinates do not expect managers to delegate authority and, in fact, prefer that managers provide direction through a hierarchical structure that reduces stress and anxiety by its very predictability.²²³

§4:6 Harris and Moran

The ability of a manager to communicate and direct effectively in another country depends in large part on the manager’s understanding of the local societal culture and the way that it influences expectations regarding the relationship between managers and subordinates in the workplace. It is generally understood and explained that societal culture depends on economic, legal and political factors as well as sociocultural factors including religion and language. Harris and Moran were more specific when they identified eight categories or subsystems of variables that they argued should be analyzed in order to develop a comprehensive profile of a particular societal culture²²⁴:

- Kinship – guides family relationships
- Education – formal or informal education of workers affects workplace expectations
- Economy – means of production and distribution in a society influences all aspects of the resource allocation
- Politics – system of government imposes varying constraints on an organization
- Religion – spiritual beliefs of a society are so powerful that they overpower all other cultural aspects
- Associations – the formal and informal groups that make up a society
- Health – system of health care affects employee productivity
- Recreation – the use, attitude, and choice of how to use leisure time

All these factors and variables combine and work together to provide the context for the emergence of a societal culture that consists of a set of beliefs, values, attitudes and assumptions that are shared by a significant number of people. These elements of societal culture are important determinants of the basic attitudes and orientations of people in the society, including managers and employees, toward work, time,

²²³ Id. at 58-59. Initially it was thought that MBO might be a means for implementing what some believed was a long overdue democratization of management processes within French organizations; however, the cultural aversion to participatory management practices, shared by persons at all levels of the organizational hierarchy, proved too difficult to overcome in most instances and Hofstede reported that the French version of MBO—referred to as DPPO (Direction Participative par Objectifs)—had largely been discredited by the time that he first published his survey results at the end of the 1970s. Id.

²²⁴ The list and description of Harris and Moran’s eight categories or subsystems of variables is adapted from K. Blanchard and A. Abdullah, Chapter 3: Understanding the Role of Culture, Power Point presentation, 2006, Prentice Hall, classes.uleth.ca/200802/mgt3650n/CHAP03PP.PPT
materialism, individualism, and change and these attitudes must be understood by managers so they can take into account the expectations of employees and develop managerial styles and practices that will motivate employees to perform their jobs in ways that achieve the outcomes desired by the managers and the entire organization.\textsuperscript{225}

Harris and Moran set out to illustrate some of the potential difficulties that US-centric managers might have when attempting to perform various managerial functions and roles in a different cultural environment and/or simply engaging in “arms-length” business relationships with their counterparts from other countries.\textsuperscript{226} They began by providing the following list of various aspects of US culture (i.e., beliefs, values, attitudes and assumptions that were shared by a significant number of people):

- The individual can influence the future (“where there is a will there is a way”);
- The individual can change and improve the environment; an individual should be realistic in his or her aspirations;
- We must work hard to accomplish our objectives (the “Puritan work ethic”);
- Commitments should be honored and people should/will do what they say they will do;
- One should effectively use one’s time (“time is money” and thus can be saved or wasted);
- A primary obligation of an employee is to his or her organization;
- The employer or the employee can terminate the employment relationship; and
- The best-qualified people should be given the available positions.

Harris and Moran also summarized key elements or characteristics of US culture that profiled Americans as goal and achievement oriented, highly organized and institutionally minded, freedom-loving and self-reliant, work oriented and efficient, friendly and informal, competitive and aggressive, and generous.\textsuperscript{227}

Harris and Moran then suggested the following list of alternative views to certain aspects of traditional US cultural beliefs, values, attitudes and assumptions:

- Life follows a preordained course and human action is determined by the will of God;
- People are intended to adjust to the physical environment rather than alter it;
- Ideals are to be pursued regardless of what is “reasonable”;
- Hard work is not the only prerequisite for success, wisdom, luck and time are also required;
- A commitment can be superseded by a conflict request, or an agreement may only signify intention and have little or no relationship to the capacity for performance;
- Schedules are important, but only in relation to other priorities;

\textsuperscript{225} Id.
\textsuperscript{226} The following discussion of the ideas of Harris and Moran is adapted from P. Harris and R. Moran, Managing Cultural Differences (5\textsuperscript{th} Ed) (Houston TX: Gulf Publishing Company, 2000).
\textsuperscript{227} Id. For further discussion see the chapter on “National Business Cultures” in “Comparative Management Studies” in “Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
The individual employee has a primary obligation to his or her family and friends; Employment is for a lifetime; and Family, friendship, and other considerations should determine employment practices.

Having laid out two contrasting cultural visions of the world, Harris and Moran provided a few illustrations of potential problems for US managers operating abroad:

**Planning:** US managers are likely to rely heavily on scheduling and developing and implementing short- and long-term plans due to their belief that individuals can influence the future and that time is a scarce resource that is valued and thus needs to be carefully managed to avoid waste. In contrast, however, people from other cultures may avoid planning and/or routinely ignore schedules because the fundamentally believe that the future is out of their hands, thus making planning a meaningless exercise, and that schedules are always subject to change if other priorities demand.

**Motivation and Reward Systems:** US managers are likely to bring an egalitarian perspective to motivational strategies and decisions regarding rewards in the relationship due to the influence of the Puritan work ethic, the belief that rewards should be given to the employees with the best qualifications and performance record and the understanding that disenchanted employees are free to terminate the relationship at any time. People in other cultures, however, may have very different ideas about reward systems in the workplace and may place greater value on things other than hard work and productivity including wisdom, longevity and familial/friendship relations.

**Control:** US managers are used to working in situations where their ability to control activities within their department or larger business unit is grounded in the fundamental expectation that employees will be honest and realistic in making their commitments to the organization; commitments, once made, will be honored; and employees will make their commitments to the organization a priority in their lives since a primary obligation of an employee is to his or her organization. However, people operating under alternative cultural values may cause frustrations to US managers because they tend to be more idealistic than realistic in making their commitments, thus setting the stage for failure, and are more prone than US persons to allowing commitments to be superseded by conflicting requests and to allowing obligations to family and friends to get in the way of their duties to their organization.

§4:7 Transfer of Japanese management theories to the US

While much of the debate among scholars of management studies has focused on the transferability of US management theories to other countries with different societal cultures, it has become clear that the US does not have a monopoly on management ideas. It is well-known that the success of Japanese firms in the US and other “Western” markets during the 1980s and early 1990s led to a great deal of interest in examining whether Western companies could and should adopt certain managerial practices that appeared to be responsible for the growth and profitability of their Japanese
Conclusions among the experts have been mixed: some argue that Japanese managerial techniques are not transferable because they are based on unique cultural elements found only in Japan while others have claimed that these techniques can indeed be transferred and provided illustrations of how companies in the US and Europe have successfully integrated strategies borrowed from Japan such as “quality circles” and “just-in-time” management.²²⁹

Linowes identified and described a “cultural divide” between the US and Japan that would likely cause difficulties for Japanese managers attempting to operate and oversee subordinates in the US.²³⁰ Linowes suggested three points of differentiation. First, the Japanese managers tended toward patience and caution while action, risk-taking and bold initiatives were expected in the US. Second, harmony, consensus building, conformity and group convention were fundamental principles for the Japanese while those in the US valued freedom, individuality, “being heard” and operating within a sort of “chaotic anarchy”. Finally, while hierarchy based on loyalty and rewarding seniority was a long-standing tenant of Japanese organizational design and culture, persons in the US had grown to expect equality in the workplace that included broad opportunities for training and advancement, a “level playing field” and reward systems based on performance.

The real answer regarding transferability of Japanese management techniques to the US probably lies somewhere in the middle and recognizes that the content and utility of management techniques are always bound by cultural conditions to some extent and that some techniques simply cannot be transferred from culture to culture unless there is a conductive cultural environment in the society where the techniques are being introduced. For example, Culpan and Kucukemiroglu predicted that the Japanese “ringi” system and the paternalistic orientation found in Japanese companies would not transfer well to a country such as the US where individualism and privacy are highly valued.²³¹ However, they speculated that “a paternalistic approach, if modified to accommodate American cultural values, can be used by American managers to enhance employee commitment and involvement” and noted that the “open communication” techniques used in Japanese companies would be welcomed in the US as a means of encouraged the increased sense of involvement craved by most US employees.²³²

Chapter 5
Research on Management in Developing Countries

§5:1 Introduction

For decades the general consensus among Western policymakers involved with international economic development was that real progress was dependent on making sure that poorer countries implemented and followed “appropriate” fiscal, monetary, trade and legal practices. While there is little dispute that national economic policies and rules are important for economic development, it has also been recognized that the managers in developing countries that have a hand in producing goods and services can have just as much impact on the pace of development.233 It is, therefore, essential to study and understand management practices and styles in developing countries; however, while developing countries represent an overwhelmingly large percentage of the world’s population, the relatively small portion of global business activities in those countries, as well as other factors, has led to a small and spotty body of research on management practices and styles in those countries.234 One researcher lamented that while “[d]eveloping countries offer potentially some of the most important growth opportunities for companies both from the developing as the developing world . . . [reviews] . . . of empirical research grounded in institutional theory [have] found that most studies focused on developed countries and that only a small portion of the studies tried to test institutional theory in developed countries” 235

As discussed elsewhere in this Research Paper, the field of management studies was conceived and developed predominantly in the US, with some recent inputs coming from other industrialized countries in Europe and Asia (e.g., the tremendous interest in researching Japanese management practices in the 1980s and early 1990s). As such, most of management-related theories that have been produced and researched are based on circumstances in developed countries and thus include biases and assumptions that will likely make them inapplicable in developing countries. One of the problems with studying management in developing countries is that the landscape is tremendously diverse and includes countries of all sizes and from all continents and peoples who with unique histories that practice numerous religions, speak hundreds of different languages and live in a breathtaking sweep of geographic conditions. All of this makes it difficult to formulate accurate and useful generalizations about “developing country management

233 For an early discussion of the debate regarding the importance of “economists” versus “businesspeople” in fostering economic development, see F. Heller, “The Role of Management in Economic Development”, Management International Review, 8(6) (1968), 63-70.
234 For a general introduction to the issues relating to management including the relationship between management and performance and the challenges confronting managers around the world, see “Introduction to Management Studies” in “Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
practices” and/or the attitudes and preferences of employees in all of those countries as to how they would like to be managed.

§5:2 Applicability of Western management theories to developing countries

One of the long-running issues within the research community focusing on developing countries has been the extent to which management theories and practices with roots in the industrialized world could be understood and effectively applied by organizational managers in developing countries.\footnote{236} Not surprisingly, there are several different theories on this issue including the following:\footnote{237}

- Proponents of the “divergence” perspective argue that cultural differences between societies such as those that have been identified by Hofstede and others make it difficult for Western management theories and practices to be effectively applied in non-Western societal cultures that are typically found in the developing world. Scholars holding this view also reject the notion of a universal theory of management on the grounds that cultural differences cannot be overcome.\footnote{238}

- The “universal” perspective contrasts directly and sharply with the divergence perspective and holds that applicability of management theories and practices is not limited by culture and that certain similar management practices—universal practices—can be identified in organizations all around the world regardless of the level of economic development in the location where they are operating.\footnote{239}

- The “convergence” perspective argues that applicability of management theories is correlated with the level of economic development and industrialization of a society and that the adoption of Western-style management theories by developing countries is a function of their ability to overcome technical and economic difficulties rather than cultural constraints.

- The “situational”, or “contingency”, theory dismisses the claims of the proponents of the universal perspective and argues that applicability of management theories will depend on situational factors such as the personality of the manager, the ownership

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One of the earliest formal studies of the applicability of Western-style management theories to developing countries was conducted by Kiggundu et al. in the early 1980s and they concluded that those theories would only be applicable in situations where the organization in the developing country could behave as a closed system. In other words, when the theories related only to the core technology of an organization without reference to its external environment the theories tended to be applicable with conditions and results similar to those of organizations in developed countries; however, the theories would not be applicable in situations involving the external environment.²⁴⁰

In the decades following the publication of the Kiggundu et al. study a growing number of researchers turned their attention to empirically studying the effectiveness of attempts to introduce and implement Western managerial practices in developing countries. For example, Wood and Caldas conducted extensive research on the successes and failures associated with attempts to adopt imported managerial expertise into Brazil.²⁴¹ They posited a model, or framework, for understanding the integration of foreign managerial techniques in Brazil that began with various external, or contextual, factors such as the historical roots and cultural heritage of the country, particularly “plasticity” and “formalism”; contemporary external influences, including globalization and the sudden need for Brazil to transition from a feudal, agrarian economy into a player on the world economic stage; and low national competitiveness due to protectionist policies and underdeveloped productivity tools. Wood and Caldas emphasized that the two cultural traits—“plasticity” and “formalism”—significantly influenced the receptivity of Brazilians to foreign managerial techniques. On the one hand, plasticity, or an “openness and permeability to foreign influences”, triggered an apparent acceptance of foreign items; however, the formalism in Brazilian societal culture meant there was a “tendency to adopt façade behaviors resulting in a discrepancy between the formal and the real”, including behavior designed to deceive foreigners that alien practices were being adopted when, in fact, they were being resisted or only being partially adopted.²⁴² The framework also included intermediate factors, including diffusion agents (e.g., Brazilian government and its agencies, business schools, business media and consultancies), that drove the promotion, dissemination and legitimization of new ideas. For example, Caldas and Wood noted that initiatives to adopt imported managerial practices such as the ISO 9000

²⁴¹ See T. Wood and M. Caldas, “‘Adopting imported managerial expertise in developing countries: The Brazilian experience’, Academy of Management Executive, 16(2) (2002), 18-32. The description of Brazilian experiences with ISO 9000, reengineering and enterprise resource planning in the following paragraph is adapted from a discussion on page 19 of the cited article. See also M. Caldas and T. Wood, “‘For the English to See’: The Importation of Managerial Technology in Late 20th Century Brazil”, Organization, 4(4) (1997), 517-34.
system were often driven by government programs that provided incentives to firms if they pursued ISO certification.²⁴³

Caldas and Wood found evidence that Brazilian managers perceived programs and projects based on ISO certification to be irrelevant and/or inappropriate and that efforts to develop ISO systems actually raised costs and contributed to organizational rigidity because the conditions that existed in Brazilian firms were not favorable to such systems (i.e., poorly skilled laborers, high power distance and highly centralized decision making processes). Reengineering programs launched in Brazil during the mid- and late-1990s also yielded minimal benefits, which Wood and Caldas blamed on a failure to take into account organizational culture, competencies and strategies. Other unexpected and damaging consequences of reengineering in Brazil flowed from the tendency of firms to use the programs as an excuse for downsizing for its own sake, rather than enhancing productivity, and this led to “loss of leadership, deterioration of organizational climate, decrease of organizational memory, reduction of productivity and efficiency, decline of perceived product and/or service quality, and hammering of organizational reputation”. Finally, while the introduction of enterprise resource planning did result in some improvements with respect to integration and quality of information, gains in productivity and competitiveness were rare due to scope and planning mistakes and failure to customize the new systems to the specific organizational needs of Brazilian firms.

Wood and Caldas concluded that Brazilian firms often appeared to adopt foreign managerial practices in response to political, institutional and substantive pressures but that cultural factors, notably formalism, and contemporary economic and social factors, such as poorly skilled workers, led to unsuccessful and unreasoned adoption of the practices with little added value.²⁴⁴ Wood and Caldas had also cited the “level of critical reasoning” as an important factor in predicting the success of effectively adopting foreign managerial techniques, noting that higher levels of critical reasoning would allow local managers to critically analyze the techniques and adapt them to local conditions in a way that would increase the changes of effective integration. Wood and Caldas noted that the significant political and institutional pressures in Brazil to appear to adopt foreign methods quickly deprived local managers of the time or incentive to critically analyze the proposed solutions and the result was that “most adoptions tend to be uncritical, and the results for firms may be quite harmful”.²⁴⁵

In 2005, Hafsi and Farashahi decided it was time to take a fresh look at the research that had been conducted since the Kiggundu et al. article and undertook a review of 170 articles that were published from 1983 through 2002 to test their hypothesis that, despite the findings of researchers such as Caldas and Wood, circumstances had changed and that Western-based concepts of general management and organizational theories had achieved

²⁴³ T. Wood and M. Caldas, “‘Adopting imported managerial expertise in developing countries: The Brazilian experience”, Academy of Management Executive, 16(2) (2002), 18-32, 23.
²⁴⁴ Id. at 21 and 25.
²⁴⁵ Id. at 21.
widespread applicability in developing countries.\textsuperscript{246} Their review led them to conclude that the “[r]esearchers working on organizations in developing countries will find a managerial behaviour that is similar to what may be seen in the developed countries”. Hafsi and Frashahi suggested that their conclusions could be traced to a mix of environmental changes since the early 1980s as well as to extension of organizational theory to cover an increasing variety of circumstances and organizations.\textsuperscript{247} In their view, the key environmental changes included the following:

- Major global political and economic institutions, such as the World Bank and the International Monetary Fund, imposed their structural adjustment framework on many emerging and developing economies.\textsuperscript{248} While this has not necessarily produced the economic growth that was anticipated and desired it has been successful from a process perspective and, as a result, local institutions—governments that insisted on continuous intervention in the economy and commercial markets—have been pushed aside and replaced by growing influence of global institutions dominated by Western countries.\textsuperscript{249} While this has sometimes caused resentment in developing countries it has also softened the view of Western management and organizational practices in those countries and they are now increasingly seen as being acceptable.\textsuperscript{250}

- A number of events and innovations have accelerated globalization of markets, industries and firms including reduction of tariff and non-tariff barriers, creation of the World Trade Organization and the emergence, growth and maturation of large free trade areas (e.g., the European Union, ASEAN and the North American Free Trade Agreement).\textsuperscript{251}

- Barriers to cross-border communication have been struck down by rapid and often astonishing technological innovations thus facilitating the movement toward global

\textsuperscript{246} T. Hafsi and M. Farashahi, "Applicability of management theories to developing countries: a synthesis" The Free Library (October 1, 2005) http://www.thefreelibrary.com/Applicability of management theories to developing countries: a...a0141092760
\textsuperscript{249} With regard to how interaction between local institutions and global ones have influenced regulators, firms and markets in developing countries, see M. Carney and M. Farashahi, “Transnational Institutions in Developing Countries: The Case of Iranian Civil Aviation”, Organization Studies, 27(1) (2006), 53-77. In general, developing countries looking to build and enhance their own capabilities in a complex and technology-driven area such as commercial airlines must be prepared to recognize and follow global regulatory schemes and managerial, technical and security norms dictated by manufacturers and investors from Western countries.
uniformity of perceptions and understanding regarding fundamental financial and economic issues and potential solutions.\textsuperscript{252}

- Most emerging and developing countries have embraced and launched privatization programs and the processes and practices of privatization have become more uniform around the world.\textsuperscript{253}

- The rapid global growth of industries based on the application of common and complex technologies has pushed developing and emerging countries to learn and adopt the managerial rules, norms and theories associated with those industries. This has been particularly true in instances where globalization has been led by multinational firms as has been the cases in industries such as banking and automobiles. The standardization that so often accompanies globalization has often clashed with strong local tastes and cultural constraints including religious practices; however, even in those instances multinational firms have generally found a way to make reasonable accommodations for local preferences while implementing managerial practices and administrative techniques that are quite similar in most parts of the world (e.g., automobile manufacturers use the same standards to manage production and train workers in every country where they build their products).

- More and more firms headquartered in countries around the world have adopted and implemented global growth strategies that has resulted in wider and freer access to markets, capital, human resources and other assets and facilitated the transfer of managerial theories through actual practice in developing and emerging countries.\textsuperscript{254} Multinational firms, in particular, have taken the lead in introducing and popularizing effective management practices that other firms, including many in developing countries, want to emulate. The practice of multinational firms of entering into joint ventures and other strategic alliances with local partners in developing countries is another way in which those firms are leading the push toward convergence in management practices.\textsuperscript{255}

- Managing training has become more uniform and standardized around the world and developing countries in particular has experienced substantial growth in the number of formal management training programs and business schools sponsored and staffed by Western-based organizations such as the Association to Advance Collegiate Schools of Business and the Association of MBAs.\textsuperscript{256} The result has been that managers being trained today in developing countries are more likely to be exposed


Hafsi and Farashahi argued that, taken together, the changes listed above had led to the development and dissemination of shared knowledge and technical language among managers around the world regardless of the level of development of the countries in which they are practicing. They also noted that the global environment for business activities had been transformed by advances in technology and elimination of trade barriers that allowed great mobility of capital, labor and other resources and wider and freer access to markets around the world. In addition, Hafsi and Farashahi felt that these trends had reduced the traditional ability of governments in developing countries to exercise inordinate amounts of control over their local economies and had forced public officials in those countries to begin acting in the same way as their colleagues in the industrialized world and adopt policies, such as privatization, that turned responsibility for commerce and innovation over to managers in the private sector. In their words: “To restate the obvious, we claim that an important process of institutional diffusion has taken place in the last decades. It has been pushed by international agencies' regulatory processes; by powerful normative processes that have defined good economic practices, and determined the behaviour of economists and managers all over the world; and by dominant cultural-cognitive processes whereby western civilization mostly economic values take over traditional values (citations omitted).”

§5:3 Impact of emergence of global competitors from developing countries

Interest in management outside of the US, Europe, Japan and other Asian countries such as Korea was fueled by the emergence of new global competitors such as the so-called “BRIC countries”: Brazil, Russia, India and China, and it is now increasingly common to see articles and books comparing management practices in those countries to those used in the US and other developed countries. In many instances, however, the primary thread of inquiry is on how US-based management practices, particularly in the human resources area, can be transferred to these developing economies, often with the anticipation that US multinationals will be establishing a large presence in those countries and are interested in importing their own management techniques as opposed to learning and applying indigenous practices. Many developing countries have their own body of research on local management practices compiled and recorded by academics, consultants and policymakers in those countries—India is a particularly good example of a developing country with a substantial body of indigenous management literature; however, these materials are often difficult to access and may not have been translated to make it useful for interested parties from outside those countries.

257 The spread of Western management techniques to developing countries has corresponded to the evolution of management toward more of a science than an art, a phenomenon which has led to global training practices supported by what Hafsi and Farashahi referred to as the “strong homogenizing effect of certification associations and agencies”. See also P. Wright and G. Geroy, “Is it Time for ISO-9000 Managers?”, Management Research News, 26(1) (2003), 41-54.

The dichotomy between developed and developing countries, and the members of each of those groups, has a long history and has become deeply engrained in the minds of many scholars, policymakers and ordinary citizens around the world. However, there is evidence of significant changes which, if taken to their seemingly logical conclusion, will disrupt orthodox thinking about the sources of best practices for managers and will generate new ideas among scholars researching management in developing countries. Already we are seeing large enterprises from countries still classified as “developing”, such as Brazil, China and India, involved in battles to assume ownership and managerial control over valuable economic assets in industrialized countries—and sometimes the only serious bidders are firms from the developing countries. In addition, industrialized countries are seeing progressively higher levels of inbound foreign investment from developing countries, often accompanied by a transfer of managers and their own managerial styles and practices from the investing country. Observing these events, Punnett has commented: “What literature there is on management interactions between developing and developed countries implicitly assumes that managers from developed countries will be adapting to the environment in developing countries. The reverse may be more and more the reality of the management challenges of the 21st century.”

§5:4 Developing countries as testing grounds for new management theories

There is no question that introduction and transfer of “foreign” management theories and practices into developing countries has been a long and challenging process that is far from ending and which has been complicated by various factors including the importance of history, values and unwritten rules, norms and related practices that cannot be easily identified and understood by outsiders. However, globalization generally, as well as the specific factors emphasized by Hafsi and Frashahi, have become sources of change for values and institutions in developing countries and recent years have seen countries such as China, India, Korea and Turkey willingly seek out and adapt various Western management practices in a way rarely thought to be possible in the past. As a result, Hafsi and Frashahi posited the somewhat radical suggestion that “the question, whether Western-based theoretical development is applicable to developing countries, may have become irrelevant”, and then went on to explain that if one does concede that Western management theories can be effectively applied in many ways in developing countries then it was time to include those countries as part of “normal” scientific development that simply expands the diversity of contexts and circumstances in which discoveries regarding organizational structures and management can be made.

Hafsi and Frashahi predicted that developing countries may, in the future, provide novel and interesting ideas for managers in more industrialized countries, particularly as managers in the US and Western Europe struggle to compete in fast changing and relatively unstable environments that have long been the norm in developing countries. Hafsi and Farashahi noted: “What is discovered in organizations in Texas, France or Saudi Arabia may or may not apply to organizations in Bangladesh, California or the UK;
but we can at least relate the reasons to well-known concepts and theories, in particular to developments that recognize the importance of perceptions, values, beliefs and other soft influences on decision-makers' behaviour.260 What this means is that in order for organizational management theory and research to be robust, timely and useful in the future it should include study of practices in all of the geographical locations mentioned above coupled with rejection of the historical notion of management practices in developing countries being a degraded, or poor, form of management.

A. de Waal also expressed high hopes for the value of management studies in developing countries and argued that it could reasonably be assumed that the “highly dynamic environment . . . [in these countries] . . . is a good testing ground for new theory, techniques and concepts of business and management”.261 He was more cautious than Hafsi and Frashahi about the efficacy of Western management practices in emerging markets due to significant cultural differences, but pointed out that if such practices could not be easily transferred then it was imperative for management scholars all over the world to seek out new solutions to managerial issues that would suit the specific cultural, economic and political conditions found in developing countries. It does appear that interest in this type of research is increasing with the initial work focusing primarily on topics such as human resources management, new public management, and management control and information systems.262

§5:5 Challenges for managers in developing countries

The environment for business activities in developing countries—economic, political and social conditions—generally varies significantly from the environment confronting managers in developed countries and this imposes significant and unique challenges on managers in developing countries as they attempt to set and execute their operational plans and strategies for their enterprises. For example, managers in developing countries are typically faced with production difficulties, poor infrastructure conditions, market uncertainties and disruptions, unstable and turbulent macroeconomic conditions, financial restrictions, governmental controls and unstable and under-developed political systems and institutions, inadequate access to reliable information, relatively primitive technology levels and a lack of skilled and trained human capital. Managers in developing countries must also pay particular attention to the health and development of the natural resources sector in their countries since natural resources continue to play an important role in the

economies of many of those countries as they embark on a transition toward greater reliance on jobs and economic activities in the manufacturing and services sectors. In addition, the opportunities and pressures of globalization raise difficult and emotional issues of business ethics and corporate social responsibility. Finally, like managers all around the world, managers in developing countries must understand how elements of societal culture may impact the efficacy of the managerial practices and styles that they attempt to employ. \(^{263}\)

§5:6 Management processes in developing countries

Most of the popular models of managerial activities focus on certain key functions. \(^{264}\) In the early 2000s, Jones et al. referred to management as “the process of using an organization’s resources to achieve specific goals through the functions of planning, organizing, leading and controlling” \(^{265}\); however, long before that Henri Fayol pioneered the notion of “functions of management” in his 1916 book “Administration Industrielle et Generale” in which he identified and described five functions of managers—planning, organizing, commanding, coordinating and controlling—that he believed were universal and required of all managers as they went about performing their day-to-day activities regardless of whether they were operating in the business environment or overseeing the activities of governmental, military, religious or philanthropic organizations. In 1937 Gulick and Urwick added two additional items to Fayol’s original list: reporting and budgeting. \(^{266}\) Other management theorists working and writing during the 1950s and 1960s also embraced what has become known as the “process school of management” based on the notion that management should be viewed as a linear process that included an identifiable set of several interdependent functions. For example, Koontz et al. identified the following five activities as “major management functions”: planning, organizing, staffing, directing and controlling. \(^{267}\)

While the process school of management, and the accompanying similar lists of five to seven managerial functions, has remained a dominant analytical framework, others have criticized this approach. Perhaps the most well-known opposition came from Mintzberg and his suggestion of an alternative descriptive model of the ten core “roles”, or organized sets of behaviors, that could be identified with a managerial position. Mintzberg divided these roles into three groups: interpersonal roles (i.e., figure-head, leader and liaison offer), informational roles (i.e., monitors, disseminators, spokespeople)
and decisional roles (i.e., entrepreneurs, disturbance handlers, resource allocators and negotiators). Mintzberg’s work generated a fair amount of debate regarding the validity of the process school of management since it questioned the linearity of managerial activities and suggested that the manager’s life is more realistically viewed as a continuously changing set of roles that demanded different skills.

When studying management practices and styles in developing countries a threshold question is whether or not such a model of the management process, which was created by Western researchers working in largely developed and industrialized economies, is applicable and useful for understanding how managers operate in those countries. Punnett cautioned that the model had certain “Western biases” that must be accounted for when it is used for analysis of actions in developing countries. For example, she pointed out that “the process in the model is based on a sequential, logical, rational set of discrete activities” and also “assumes control over the environment so that making plans, designing structures, choosing people for specific jobs, and measuring outcomes are all reasonable activities.” While all of this is consistent with a Western view of the world, Punnett argued that non-Western developing countries “do not see the world in the same straight, sequenced pattern” and that the efficacy of the model in those countries may be undermined by different perspectives regarding time orientation and the role of fate and the degree of control that people actually have over their environment. To the extent that there is truth in Punnett’s words, which are supported by a good deal of empirical evidence on world views of managers and subordinates in many developing countries, it may well be that Mintzberg’s family of roles would be a better reference point for developing country managers looking to identify the skills they might need to carry out the full scope of their jobs.

Models of the management process in various countries must also take into account the impact of societal culture. This is true regardless of whether countries are developed and industrialized or developing. Generalizing about the profile of societal cultures for developing countries is difficult and problematic; however, it is probably fair to say that the cultural characteristics of many developing countries differ from those found in the US and other industrialized Western countries and these differences will be reflected in how managers in developed countries approach activities such as planning, leading and controlling. Punnett observed that “[d]eveloping countries have generally been found to be somewhat more collective than developed countries, somewhat more accepting of power differentials, somewhat more averse to uncertainty, and more fatalistic.” She also noted that in developing countries the “need for achievement” was generally lower and gender roles were more firmly delineated, a situation that often led to discrimination.

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269 B. Punnett, Management in Developing Countries, http://cavehill-uwi.academia.edu/BettyJanePunnett/Papers/181413/Managing_in_Developing_Countries
against women with respect to property rights (e.g., land ownership and inheritance rights), educational opportunities and income. Punnett argued that the collection of societal culture characteristics described above tended to push managers in developing countries toward a “Theory X” management style that featured rigid hierarchies; direction from the top down, albeit with modest levels of input from subordinates and a touch of paternalism and parental benevolence; and tight controls and rare challenges to managerial instructions by subordinates. Punnett suggested that the cultural context in developing countries raised serious questions about how managers in those countries should approach the most commonly mentioned managerial functions and activities. For example, she questioned whether planning really necessary if events are predetermined, what good were organizational charts if power and responsibilities are based on personal influence and relationships, and were control systems irrelevant when subordinates are culturally conditioned to unquestionably act upon the instructions of their superiors?

In attempting to explain the foundation for the characteristics of societal culture in developing countries and attitudes in those countries toward various business-related activities, Punnett and others have emphasized the impact of the long periods of colonial occupation by European countries, many of which continue to play a strong role in the political and economic affairs of their former colonies even after independence. Punnett noted that the colonies were in subordinate positions in relation to their “colonial masters” from Europe and thus were dependent on European officials with respect to a wide array of decisions relating to politics, economic and business. She suggested that this dependence has survived in the form of a lingering tendency among Africans to look to others for decisions and to unquestionably accept those decisions when they come from persons perceived to have legitimate authority in African culture. Remnants of the “top down” colonial authority structure, with little input from the local level, can also be found in the high power distance and tall organizational hierarchies that remain prevalent in post-independence African businesses. Another interesting observation is that the relative lack of marketing acumen among African businesses can be traced to the fact that colonies were generally exclusive producers for their overlords and thus there was no need to develop skills in business-related functions outside of production.

Many continue to believe that Western models of managerial functions and activities may not be totally applicable to developing countries and the study of managerial processes in developing countries must certainly take into account the unique challenges confronting managers in those countries. However, in spite of those limitations, managerial processes in developing countries are often discussed by reference to dimensions familiar to scholars from the West: planning, organizing, staffing, leading and coordinating. 

B. Punnett, Management in Developing Countries, http://cavehill-uwi.academia.edu/BettyJanePunnett/Papers/181413/Managing_in_Developing_Countries
B. Punnett, Management in Developing Countries, http://cavehill-uwi.academia.edu/BettyJanePunnett/Papers/181413/Managing_in_Developing_Countries
For detailed discussion of managerial processes in developing countries based on these dimensions, see “Managing in Developing Countries” in “Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
Whether or not these dimensions are “universal” remains a matter for debate.\textsuperscript{273} Moreover, even if one can reasonably assume that managers in developing countries must devote some amount of their time and resources to planning, coordinating and other activities listed above, they will necessarily bring a different perspective to due to factors such as societal culture, the level of training of their subordinates, their own prior exposure to managerial training and technology and, finally, the local institutional influences on business activities (i.e., national business systems). For example, Farashahi suggested that managers in developing countries have less sensitivity, or sometimes even no response, to competition and economic objectives given the reality that firms in developing countries remain so dependent on central governments that strictly control the allocation of resources and dictate plans to both public and private sector enterprises.\textsuperscript{274} Farashashi also suggested that managers in developing countries are very sensitive to social relations and political objectives, which may impact staffing policies and decisions, and that they are less used to making and implementing decisions.

\section{5:7 Management training in developing countries}

Managers in all parts of the world, including developing countries, can be expected to be most effective when they possess certain fundamental skills—technical, human, conceptual and design—that are necessary and appropriate for their particular managerial level and scope of responsibilities.\textsuperscript{275} It is reasonable and useful to thinking of managerial training in developing countries as having the important objective of building “management capacity” in those countries, both at the national level and within specific enterprises. A useful definition of management capacity has been provided by the European Commission, albeit in a different context: research and policy advice regarding support for the creation and growth of small- and medium sized enterprises (“SMEs”) in the European Union. In a report on “management capacity building” the European Commission noted that “management capacity building has been understood broadly as encompassing all the means through which a start-up enterprise or an existing SME gathers and strengthens its knowledge and competencies in four main areas having an impact on a firm’s profitability: (1) strategic and management knowledge aspects (including human resource management, accounting, financing, marketing, strategy and organizational issues, such as production and information and technology aspects); (2) understanding the running of the business and of the potential opportunities or threats (including visions for further development of activities, current and prospective marketing aspects); (3) willingness to question and maybe review the established patterns (innovation, organizational aspects); and (4) attitudes towards investing time in


\textsuperscript{275} For further discussion of each category of managerial skills mentioned in the text, as well as how skill requirements may different depending on management level, see “Management Skills” in “Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
management development or other needed competencies”. The report also identified three main categories of means that can be used to acquire the needed managerial skills, including training, advice from professionals and/or consultants, and “knowledge sharing” activities, such as networking and Internet research, aimed at finding out applicable information.

Training and skills building programs have frequently been offered in developing countries through international aid organizations. In 2006, for example, it was estimated that more $250 billion of the estimated $2 trillion global market for education and training was spent in developing countries and it was observed that “training constitutes an important part of both developing country budgets and overseas development assistance”. In fact, international organizations have invested significant amounts in various types of “technical cooperation”, which includes training, equipment and advice. Unfortunately, methodological and data problems have made it difficult to accurately compute the “return” on these investments and “most evaluations of training in a development context is that it has proved less effective than expected”.

While work needs to be done on uncovering and analyzing empirical evidence, there is a general impression that a handful of “favorable conditions” need to be present in order for training and skills building programs in developing countries to be effective. For example, it is recommended that “capacity development . . . be integrated in a country-led development strategy”, which means avoiding one-off training events and minimizing activities that primarily benefit individuals and focusing on initiatives that can support needed institutional and organizational changes. In addition, to the extent possible training programs should be designed and implemented in ways that do not get caught up in local politics. In many cases, donor countries create and use training programs as a way to favor and support their own institutes, universities and consultants. For their part, governments in developing countries often hand out opportunities to participate in training junkets as political favors. In that same vein, it is recommended that the organizations in developing countries benefitting from the training take ownership of the results of the programs, thus providing incentives for those organizations to take the programs seriously and commit their most valuable resources (i.e., people, time and capital) to making sure that the programs are effective and successful. Finally, both sides of the training equation—donors and recipients—must commit to setting benchmarks for success before the programs begin and continuously measuring performance toward those benchmarks once the training has been delivered.

Improvement of local business education institutions has also been a priority among efforts to enhance capacity building in developing countries. For example, the Global

277 Id.
279 Id.
280 Id.
281 Id.
Business School Network ("GBSN") is an international non-profit organization focusing on the improvement of management education in emerging markets. The GBSN has undertaken a number of initiatives to build competencies within business schools in developing countries including strengthening and expanding existing curricula; facilitating faculty training, mentoring and developing; creating entrepreneurship modules; researching, writing and disseminating local case studies and other instructional materials; and creating networks for the dissemination of knowledge, best practices and “lessons learned”. In addition, the GBSN acts as a hub for connecting program schools in developing countries with organizational partners, including business schools in developed countries, to foster communication and the flow of resources to the program schools. For further discussion, see the GBSN website. In addition, the World Federal of Engineers, a non-governmental international organization that brings together national engineering organizations from over 90 nations and represents some 8,000,000 engineers from around the world, has led several programs designed to improve engineering education and practice in developing countries.

Training through business education at universities and colleges in developing countries is an important topic and there are various issues that often must be addressed simultaneously and on an ongoing basis as the needs of developing countries change and evolve. In many cases, business schools in developing countries begin by imitating the curriculum offering in the US and other developed countries; however, it soon becomes apparent that modifications are need to meet the needs of the local communities. Accounting and finance are fundamental subjects for developing countries as they transition toward market-oriented economies and the curriculum must also address marketing, particularly international marketing of consumer products, planning and distribution. While training for “general manager” positions is needed in developing countries there is a rapidly increasing need for development of specialists such as professional marketers, project managers and controllers. The “demand” for certain skills varies from country-to-country. For example, students in many countries need more coursework in computer skills, oral communications and foreign language and leadership and interpersonal communications skills. Other issues of interest include the creating and offering of advanced degrees, such as MBAs; incorporating distance learning techniques, particularly in larger countries where it is difficult for all students to travel to a central training hub; providing education to local instructors on how to teach the new business topics; building research capacity to support the expansion of specific scholarly work on management in developing countries; and, finally, academic-industry collaboration to improve worker skills and transfer scientific knowledge and technology from the university laboratory to the factory floor.

Additional research on management skills acquisition in developing countries has focused on knowledge transfer methods and the ability of developing countries to retain

283 For an interesting series of essays on business and management education in developing countries around the world, see J. McIntyre and I. Alon (Eds), Business and Management Education in Transitioning and Developing Countries (Armonk, NY: M.E. Sharpe, 2005).
qualified managers once they have been trained, either locally or overseas. For example, Beudry and Francois suggested that continuously observing other competent managers (“learning by seeing”) may actually be a more effective means for acquisition of managerial skills than the traditional “learning by doing” that emphasizes repetitive practice of new skills. The same researchers also cautioned that hopes that managers sent abroad for training would return home to help disseminate their knowledge locally and support development might be misplaced. Specifically, they observed that “the incentive for managers to migrate from a more developed country (where managerial knowledge is abundant) to a less developed country (where it is scarce) is . . . very weak and possibly non-existent” an observation that they noted “has the potential to help understand the persistence of under-development”.

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284 P. Beudry and P. Francois, Managerial Skills Acquisition and the Theory of Economic Development, Review of Economic Studies, 77(1) (2005), 90-126. Beudry and Francois explained that “‘learning by seeing’ is a process whereby, when working as an unskilled worker in production, some of the knowledge that is currently only held by a worker’s skilled counterparts is transmitted to the work through experience. . . [b]y working alongside (or as a subordinate to) the skilled, unskilled workers can succeed in picking up the skills required to fill skilled positions in the firm, or use that experience to themselves start up firms of their own that will replicate the product methods that they have learned”.