

Management Across Cultures

Developing Global Competencies

Richard M. Steers
Luciara Nardon
Carlos J. Sanchez-Runde

Third Edition





Management Across Cultures

The third edition of this popular textbook has been revised and updated throughout to explore the latest approaches to cross-cultural management, presenting strategies and tactics for managing international assignments and global teams. With a clear emphasis on learning and development, this new edition introduces a global management model, along with enhanced “Applications” and “Manager’s Notebooks,” to encourage students to acquire skills in multicultural competence that will be highly valued by their future employers. These skills have never been as important as now, in a world where, increasingly, all managers are global managers and where management practices and processes can differ significantly across national and regional boundaries. This book is suitable for students taking courses on international management, as well as those on executive training programs.

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Contents

List of exhibits	<i>page</i> ix
Guided tour	xii
Preface	xv
1 Management across cultures: an introduction	1
Management challenge	1
The changing global landscape	3
Multicultural competence and managerial success	8
Manager's Notebook: Developing multicultural competence	9
Plan of book	12
Key terms	13
Discussion questions	13
Case: Global training at Google	14
2 Global managers: challenges and responsibilities	17
Management challenge	17
Traditional management models	19
Context of global management	21
Rethinking management models	25
Diversity in global assignments	30
Manager's Notebook: A model for global managers	38
Key terms	41
Discussion questions	41
Case: Two expatriates	42
3 Cultural environments	46
Management challenge	46
Culture, socialization, and normative behavior	48
Descriptive models of culture	52
Culture and institutional environments	59
Cultural complexities and contradictions	63
Cultural diversity and multiculturalism	70
Manager's Notebook: Working across cultures	72
Key terms	77
Discussion questions	77
Case: Anna Håkansson – from Sweden to Bahrain	78

4	Organizational environments	83
	Management challenge	83
	Organizations and environments	84
	Stakeholders and global strategies	86
	Organizing for global business	88
	Regional organizing models	92
	Control, participation, and decision-making	105
	Corporate culture	109
	Manager's Notebook: Working with global organizations	114
	Key terms	119
	Discussion questions	119
	Case: Co-determination at Volkswagen	121
5	Communicating across cultures	126
	Management challenge	126
	Interpersonal communication	128
	Cultural screens on interpersonal communication	130
	Culture, cognition, and communication	132
	Culture and communication protocols	141
	Manager's Notebook: Communicating across cultures	149
	Key terms	155
	Discussion questions	155
	Case: Roos Dekker, Global Healthcare	156
6	Leading global organizations	160
	Management challenge	160
	Dimensions of organizational leadership	162
	Contemporary approaches to cross-cultural leadership	164
	Limitations on contemporary approaches	171
	GLOBE leadership study	174
	Women leaders: challenges and opportunities	179
	Leadership in China and the West	182
	Manager's Notebook: Leading global organizations	185
	Key terms	188
	Discussion questions	188
	Case: Emerson Electric – Suzhou	190
7	Negotiating global partnerships	194
	Management challenge	194
	Negotiations and global partnerships	196
	Preparing for cross-cultural negotiations	201
	Negotiating strategies and processes	207

Managing conflicts and compromise	211
Managing agreements and contracts	214
Manager's Notebook: Negotiating global partnerships	218
Key terms	221
Discussion questions	221
Case: Perils of being a junior manager	222
8 Managing ethical conflicts	228
Management challenge	228
Conflicts over beliefs and values	230
Conflicts between beliefs and institutional requirements	233
The ethical global leader	236
Ethical guidelines for global managers	239
Manager's Notebook: Managing ethical conflicts	252
Key terms	257
Discussion questions	257
Case: Energy contracts in Nigeria	258
9 Managing work and motivation	262
Management challenge	262
The world of work	264
Culture and the psychology of work	269
Managing incentives and rewards	275
Gender, compensation, and opportunities	280
Manager's Notebook: Managing work and motivation	283
Key terms	286
Discussion questions	286
Case: Samsung's <i>maquiladora</i> plant	287
10 Managing global teams	292
Management challenge	292
Global teams	294
Co-located and dispersed global teams	299
Special challenges of dispersed global teams	300
Managing dispersed global teams	306
Managing tasks and team processes	308
Leadership and global team-building	312
Manager's Notebook: Managing global teams	317
Key terms	321
Discussion questions	321
Case: IBM Cloud Labs	322

11 Managing global assignments	326
Management challenge	326
Global assignments	329
Challenges of living and working globally	336
Finding your way: coping with culture shock	341
Finding your place: acculturation strategies	350
Managing repatriation	353
Manager's Notebook: Managing global assignments	356
Key terms	361
Discussion questions	361
Case: Global assignment, Myanmar	362
12 Lessons learned	365
Management challenge	365
What have we learned?	366
Where do we go from here?	372
Appendix: Models of national cultures	378
Name index	393
Subject index	396



Exhibits

1.1	The changing global landscape	page 4
1.2	Building global management skills	10
1.3	Stages in developing multicultural competence	11
2.1	Traditional “logic” of organization and management	20
2.2	Managerial roles	21
2.3	Context of global management	23
2.4	Supervisory roles across cultures	25
2.5	Perceptions of managerial roles	26
2.6	Perceptions of managerial practices	27
2.7	Cultural influences on managerial roles	29
2.8	Challenges of global assignments	32
2.9	A model for global managers	39
3.1	The cultural environment of global management	48
3.2	Culture, personality, and human nature	51
3.3	Popular models of national cultures	54
3.4	Core cultural dimensions	58
3.5	Normative beliefs, institutional requirements, and social control	61
3.6	Cultural complexities and contradictions	67
3.7	Strategies for working across cultures	73
3.8	Hofstede’s cultural dimensions for Bahrain and Sweden	80
4.1	The organizational environment of global management	85
4.2	Global organization designs	90
4.3	Regional models of organization	93
4.4	Example of US investor model of organization	95
4.5	Example of Chinese family model of organization (<i>gong-si</i>)	99
4.6	Example of Japanese network model of organization (Kirin Holdings <i>kaisha</i> , Mitsubishi <i>keiretsu</i>)	102
4.7	Example of German mutual benefit organization (<i>konzern</i>)	104
4.8	Employee participation in organizational decision-making	106
4.9	Decision analysis and implementation speed	107
4.10	Influences on corporate culture	111
4.11	Strategies for working with global organizations	116
4.12	Learning from different organizational models	118
5.1	AIA model of interpersonal communication	129
5.2	Cultural screens on interpersonal communication	131

5.3	Culturally mediated cognitions in communication	132
5.4	Native and non-native speakers	136
5.5	Culturally mandated communication protocols	141
5.6	Communication in low- and high-context cultures	145
5.7	Strategies for communicating across cultures	152
6.1	Dimensions of organizational leadership	163
6.2	Contemporary approaches to cross-cultural leadership	165
6.3	Global mindset of effective leaders	168
6.4	GLOBE cultural perspectives on leadership effectiveness	175
6.5	GLOBE leadership dimensions	176
6.6	Cultural beliefs about leadership styles	177
6.7	Percentage of women in senior leadership positions (rank order)	179
6.8	Percentage of board of director's seats held by women	180
6.9	Leadership patterns in China and the West	183
6.10	Strategies for leading global organizations	187
7.1	Benefits and challenges of global partnerships	197
7.2	Preparing for cross-cultural negotiations	202
7.3	Key success factors in cross-cultural partnerships	202
7.4	Competitive and problem-solving negotiation strategies	209
7.5	Examples of competitive and problem-solving negotiation strategies	210
7.6	Sequential and holistic bargaining strategies	211
7.7	Conflict resolution strategies	212
7.8	Contracts and the doctrine of changed circumstances	216
7.9	Strategies for negotiating global partnerships	219
8.1	Sources of ethical conflicts across cultures	231
8.2	Universalism, particularism, and ethical beliefs	232
8.3	Ethical beliefs, institutional requirements, and social control	234
8.4	GLOBE attributes of ethical leaders	237
8.5	OECD guidelines for ethical managerial behavior	240
8.6	Global Corruption Index	241
8.7	Pressures for and against OECD guideline compliance on bribery and corruption	243
8.8	Strategies for managing ethical conflicts	254
9.1	Culture, work values, and behavior	265
9.2	Vacation policies in selected countries	267
9.3	Culture and the psychological contract	270
9.4	Gender wage gaps across nations	281
9.5	Strategies for managing work and motivation	285
10.1	Advantages and drawbacks of global teams	296
10.2	Influences on global team synergy	298

10.3	Characteristics of co-located and dispersed global teams	301
10.4	Strategies for managing dispersed global teams	307
10.5	Managing tasks and team processes	309
10.6	Leadership and global team building strategies	313
10.7	Can people be trusted?	315
10.8	Developing mutual trust	316
10.9	Strategies for managing global teams	319
10.10	IBM's dispersed global development team for South Korean bank	322
11.1	Key relationships in living and working globally	328
11.2	Implications of employer-initiated and self-initiated global assignments	330
11.3	Long- and short-term global assignments	331
11.4	Long-term global assignments	332
11.5	Short-term global assignments	335
11.6	Challenges of living and working globally	336
11.7	Family considerations in global assignments	340
11.8	Career considerations in global assignments	341
11.9	Stages in psychological adaptation to a new culture	345
11.10	Strategies for coping with culture shock	348
11.11	Acculturation strategies in local cultures	351
11.12	Influences on acculturation success	353
11.13	Coping strategies of returning expatriates	354
11.14	Strategies for living and working globally	358
12.1	Stages in developing multicultural competence	367
12.2	Cultural, organizational, and situational contexts	368
12.3	Global management skills	369
12.4	Model for global managers	371
12.5	Learning from the past, looking to the future	375
A.1	Kluckhohn and Strodtbeck's cultural dimensions	379
A.2	Hofstede's cultural dimensions	380
A.3	Hall's cultural dimensions	381
A.4	Trompenaars' cultural dimensions	382
A.5	Schwartz's cultural dimensions	383
A.6	GLOBE project's cultural dimensions	384
A.7	Core cultural dimensions	386

Guided tour

Learning strategy for book

The learning strategy for this book is organized around a 3-stage developmental process:

Global challenges

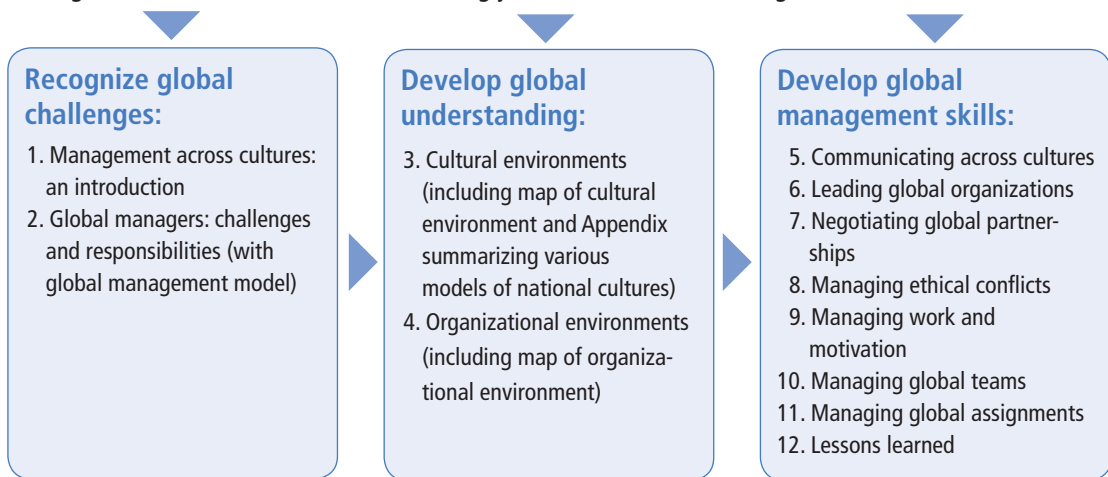
Stage I begins our analysis by discussing both the challenges facing managers and how various managerial roles and responsibilities can often differ across cultural and organizational boundaries.

Global understanding

Stage II focuses on developing a deeper awareness and critical analysis of the complex cultural, organizational, and situational contexts in which global managers increasingly find themselves.

Global management

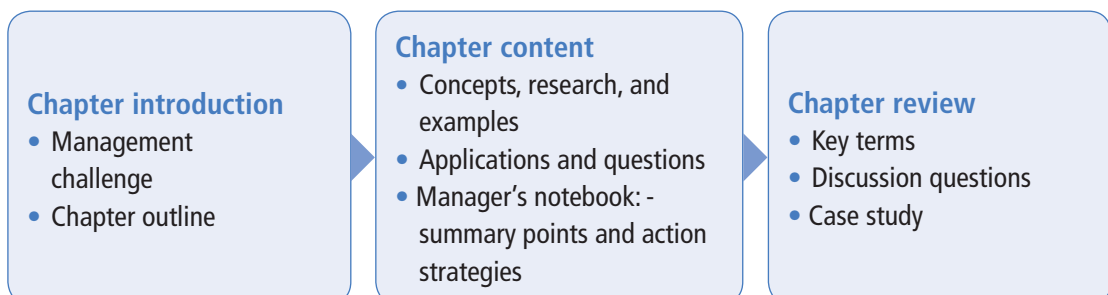
Stage III then builds on this foundation to focus on developing specific multicultural skills managers can use to survive and succeed in today's competitive global environment.



A **global management model** is introduced early in the text to guide in the development of critical analysis skills as the book progresses.

Learning strategy for chapters

Each chapter also follows a learning strategy aimed at building bridges between theory and practice using a range of real-world examples, applications, discussion questions, and cases.



Chapter introduction

Each chapter begins by highlighting the **management challenges** that serve as the basis for the chapter. **Chapter outlines** organize the text.

1

Management across cultures: an introduction

MANAGEMENT CHALLENGE

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

CHAPTER OUTLINE

- The changing global landscape page 3
- Multicultural competence and managerial success 8
- MANAGER'S NOTEBOOK: Developing multicultural competence 9
- Plan of book 12
- Key terms 13
- Discussion questions 13
- Case: Global training at Google 14

During a dinner meeting in Prague between Japanese marketing representative Hiroko Numata and her Czech host, Irena Novák, confusion quickly emerged when the Japanese guest went off to find the restroom. She began to open the door to the men's room when her host stopped her: "Durr! You see the sign?" Novák asked.

24 **Global managers: challenges and responsibilities**

of the work being performed (e.g., marketing, production), the location of the interaction (e.g., office, restaurant, country), the relative positions or roles of the people involved (e.g., superior, subordinate), and so forth.

This is the complex and often contradictory environment in which global managers find themselves and must work to succeed. Each element of this contextual environment is important and each can exhibit considerable variability. The question now is how to put these three contexts of the work environment together to better understand both the managerial challenge, as well as what managers can actually do in the field. Although global managers obviously face a number of demands and constraints in the workplace, they also have a number of opportunities. The challenge is to understand how these can be realized.

APPLICATION 2.1 What is a supervisor?

To see just one example of differences in the contexts that managers face, consider how people in different cultures view the role of supervisors. What does this term mean? What does it conjure up in people's minds? In English, the word "supervisor" carries with it connotations of authority, control, and power; a supervisor is a boss (see Exhibit 2.4). In Japanese, by contrast, the word often assumes a more familial connotation; a supervisor is a senior role model and protector of subordinates, much like parents. Indeed, *kachou* in Japanese means "supervisor" (or, more accurately, "section chief"), but it also means "patriarch" or "family head." In German, the word "supervisor" carries strong connotations of technical competence and expertise. Indeed, a supervisor is sometimes referred to as *meister* (or *master technician*). German supervisors are generally chosen for their knowledge, technical competence (expertise in German) and training abilities, and not necessarily for their ability to control others. In Mexico, a supervisor is considered to be a patron, looking after the interests of his or her employees in exchange for allegiance and obedience (*capataz* or *jefe*). Same word, basically, but very different meanings—and sometimes very different behavioral consequences. Think about it . . .

- (1) What are the implications of these different meanings for the supervisory role in the workplace and for those who report to supervisors? Explain.
- (2) What is your personal definition of a "supervisor"? Where did your definition come from? How did it develop?
- (3) If you were assigned to meet with several supervisors from, say, Turkey or Malaysia, how would you learn about the supervisory role in those locations prior to your meeting?

Chapter content

The **text** brings together what we currently know—and, in some cases, what we don't know—about the problems global managers may face in the field and the global skills they require to survive and succeed. These materials are based on current theory and research.

Applications are interspersed throughout each chapter to illustrate how concepts under study apply in practice. Application questions encourage students to develop an understanding of what managers did in particular situations and how they might have done it better.

Manager's notebooks summarize chapter lessons and their implications for managerial action.

38 **Global managers: challenges and responsibilities**

(2) Iyengar spends a lot of time interacting with her colleagues across the globe, but very little time face-to-face with people. What do you think the challenges are of interacting mostly through technology?

(3) While we know very little about this case, speculate about what Iyengar's life might look like in five or ten years. What might be different? What might be the same?

Once again, it is important to remember that these three categories of global managers—expatriates, frequent flyers, and virtual managers—represent overlapping categories. Clearly, most expatriates today are heavy users of the Web and other communication technologies, while many virtual managers must travel at times to get their jobs done. Our purpose in differentiating between these three categories, even in terms of general trends, is to highlight differences in managerial responsibilities and challenges in doing business across national borders.

MANAGER'S NOTEBOOK

A model for global managers

In this chapter, we learned that what differentiates effective global managers is not so much their managerial skills—important though these obviously are—as but the combination of these skills with additional multicultural competencies that allow people to apply their managerial skills across a diverse spectrum of environments. In other words: **global management skills = managerial competence + multicultural competence**. Being multiculturally competent is more than just being polite or empathetic to people from other cultures; it is getting things done through people by capitalizing on cultural diversity.

Based on what we learned, we have one more topic to discuss: how to build a model of global management that can support managers' efforts to understand, plan, and act in foreign environments. Any useful model guiding managerial behavior in essential areas such as the global marketplace must recognize at least two challenges. First, managers must understand their environment. What must they know or do? What must they see or do? Where are the opportunities? And how much discretion do they have in making reasoned decisions or talking concrete actions? Second, managers must have (or develop) the requisite skills and abilities to pursue their goals and objectives within the constraints of their immediate environment. Without these skills, opportunities are easily missed.

14 Management across cultures: an introduction

8. What does ABIB's Percy Barwick mean when he says that global managers are made, not born beyond the obvious implications for training? Is there a developmental process at work here?
9. In your view, what are the key challenges facing global managers in the coming decade? How can they prepare for these challenges?
10. In view of the complexity of the global environment, it is suggested here that a three-stage approach to developing multicultural competence may be useful (see Exhibit 1.1). What are the potential advantages and drawbacks of using such a model?

CASE: GLOBAL TRAINING AT GOOGLE

A "google" is a number followed by 100 zeros. It is a huge number, and, metaphorically, it captured the imagination of the founders of the company. They sought to build a nexus where millions and millions of people could cross paths. To accomplish this operationally, however, the company required a global reach and international expertise. This endeavor can be seen in a number of actions, but particularly in the company's global training program.

The example of Google's traveling managers illustrates how this company, and many others, search to find unique ways to educate their managers about both the global challenges facing them and the strategies that can help them succeed. To train a new generation of managers, search giant Google is now sending its young "trainees" on a worldwide mission.¹⁰ One recent group of trainees began their journey in a small village outside Bangalore. There were no computers in the tiny village, only unpaved roads surrounded by open fields in which elephants roamed and trampled local crops at will. The visit was aimed at educating Google associate product managers about the humble, unadorned ways of life experienced by billions of people around the world. Discussions with local villagers began awkwardly, as the managers discovered that the villagers had never heard of the company. As one young manager noted, the experience brought "a whole new meaning to what's on the back of [my] shirt," referring to a T-shirt with the company logo in front and, on the back, the now classic phrase from the company's home page: "I'm feeling lucky."

On their first day in Bangalore the visitors went to the Commercial Street shopping district for a bargaining competition. Each Google manager was given 500 rupees (about \$10) to spend on "items that don't suck," with a prize given to the one who attained the highest discount on the purchase. For most, it was the first time they had to bargain with street vendors. "I usually shop at 'Netman Markets,'" observed one manager, after she bargained the price of a necklace down from 375 rupees to 250. It was one of her colleagues who won the competition, however,

Chapter review

Key terms highlight chapter concepts for purposes of review, while **discussion questions** probe both the conceptual and managerial implications of the materials under study.

Each chapter concludes with a **case study** for applying the problem-solving skills learned.

Learning strategy online

Instructors can access a comprehensive set of 600 downloadable **PowerPoint slides** online at www.cambridge.org/steers. These slides are designed to review the materials covered in each chapter, including key concepts, chapter applications, manager's notebooks, end-of-chapter discussion questions, and cases.

An online **instructional resources package** is also available to instructors that includes suggestions for use of in-text materials and PowerPoint slides; web links to author-recommended videos, cases, exercises, and simulations; team problem-solving activities; and supplemental downloadable global management cases and exercises by the authors.



Preface

This is a fantastic time to be entering the business world, because business is going to change more in the next 10 years than it has in the last 50.

Bill Gates, Founder, Microsoft¹

Success in the global economy requires a number of ingredients, including innovative ideas and products, access to raw materials and competitive labor, savvy marketing strategies, solid financing, sustainable supply chains, and predictable logistical support. The central driver in this endeavor, however, is the manager – who is perpetually caught in the middle. Indeed, no one ever said being a manager was easy, but it seems to get more difficult with each passing year. As competitive pressures increase across most industries and services, so too do the pressures on managers to deliver results. Succeeding against the odds often catapults a manager into the higher echelons of the organization, with a concomitant increase in personal rewards. Failure to deliver often slows one’s career advancement, though, if it doesn’t stop it altogether. The stakes are very high for managers and organizations alike.

With this in mind, what do managers need to know to survive and succeed in this complex and turbulent environment? Certainly, they need to understand both micro- and macroeconomics. They need to understand the fundamentals of business practices, including strategy, marketing, operations and logistics, finance, and accounting. They also need to understand issues such as outsourcing, political risk, legal institutions, and the application of emerging technologies to organizational operations. In addition to this knowledge, however, managers must understand how to work with other people and organizations around the world to get their jobs done. We refer to this as *multicultural competence*, and it is the focus of this book.

This book is aimed at managers from around the world. It is not intended to be a North American book, a European book, a Latin American book, and so forth. Rather, it aims to explore managerial processes and practices from the standpoint of managers from all regions of the globe – China and Brazil, India and Germany, Australia and Singapore – as they pursue their goals and objectives in the field. This is done in the belief that the fundamental managerial role around the world is a relative constant, even though the details and specifics of managerial cognitions and actions may often vary – sometimes significantly – across cultures. Taken together, our goal in this book is to help managers develop an enhanced behavioral

repertoire of cross-cultural management skills that can be used in a timely fashion when they are confronted with challenging and at times confusing situations. It is our hope that future managers, by better understanding cultural realities on the ground, and then using this understanding to develop improved coping strategies, will succeed when many of their predecessors did not.

As a result, this book focuses on developing a deeper understanding of how management practices and processes can often differ around the world, and why. It draws heavily on recent research in cultural anthropology, psychology, economics, and management as it relates to how managers structure their enterprises and pursue the day-to-day work necessary to make a venture succeed. It emphasizes both differences and similarities across cultures, since we believe that this approach mirrors reality. It attempts to explore the psychological underpinnings that help shape the attitudes and behaviors of managers, as well as their approaches to people from other regions of the world. Most of all, though, this book is about learning. It introduces a *global management model* early in the text to serve as a guide in the intellectual and practical development of managers seeking global experience. Further, it assumes a lifelong learning approach to global encounters, managerial performance, and career success.

Throughout this book, our emphasis is on critical analysis, not drawing arbitrary conclusions or selecting favorites. This is done in the belief that successful global managers will focus more on understanding and flexibility than evaluation and dogmatism. This understanding can facilitate a manager's ability both to prepare and to act in ways that are more in tune with local environments. As a result, managers who are better prepared for future events are more likely to succeed – full stop. By integrating these two perspectives – explorations into the cultural drivers underlying managerial action and the common management strategies used in the field – it is our intention to present a more process-oriented look at global managers at work.

The title of this book reflects the twin goals in writing it. First, we wanted to examine how management practices and processes can frequently differ – often significantly – across national and regional boundaries. Managers in different cultures often see their roles and responsibilities in different ways. They often organize themselves and make decisions differently. They often communicate, negotiate, and motivate employees in different ways. Understanding these differences is the first step in developing global management capabilities. Second, we wanted to identify and discuss realistic strategies and tactics that can be used by global managers as they work to succeed across cultures. In other words, we wanted to explore how people can work and manage across cultures – and how they can overcome many of the hurdles along the way. We see these two goals as not just mutually compatible but indispensable for meeting the business challenges ahead.

Like most authors who seek an interested audience, we wrote this book primarily to express our own views, ideas, and frustrations. As both teachers and researchers in the field, we have grown increasingly impatient with books in this area that seem to aim somewhat below the readers' intelligence in the presentation of materials. In our view, managers and would-be managers alike are intelligent consumers of behavioral information. To do their jobs better, they seek useful information and dialogue about the uncertain environments in which they work; they are not seeking unwarranted or simplistic conclusions or narrow rulebooks. Moreover, in our view, managers are looking for learning strategies, not prescriptions, and understand that becoming a global manager is a long-term pursuit – a marathon, not a sprint.

We have likewise been dismayed seeing books that assume one worldview, whether it is British, Chinese, American, French, or whatever, in interpreting both global business challenges and managerial behavior. Instead, we have tried diligently to cast our net a bit wider and incorporate divergent viewpoints when exploring various topics, such as communication, negotiation, and leadership. For example, asking how Chinese or Indian management practices differ from Australian or Canadian practices assumes a largely Western bias as a starting point: “How are *they* different from us?” Instead, why not ask a simpler and more useful question, to find out how Chinese, Indian, Australian, and Canadian management styles in general differ: “How are we *all* different from one another?” Moreover, we might add a further, also useful, question concerning managerial similarities across cultures: “How are we *all* similar to each other?” To achieve this end, we have resisted a one-size-fits-all approach to management, locally or globally, in the belief that such an approach limits both understanding and success in the field. Rather, our goal here is to develop multicultural competence through the development of learning strategies in which managers can draw on their own personal experiences, combined with outside information such as that provided in this book and elsewhere, to develop cross-cultural understanding and theories-in-use that can guide them in the pursuit of their managerial activities.

In writing this book, we were also able to draw on our research and teaching experiences in various countries and regions of the world, including Argentina, Belgium, Brazil, Canada, Chile, China, Colombia, Denmark, Germany, Japan, Mexico, Netherlands, Norway, Peru, Singapore, South Africa, South Korea, Spain, United Kingdom, United States, and Uruguay. In doing so, we learned from our colleagues and students in various parts of the world, and we believe that these experiences have made this a better book than it might otherwise have been. Our aim here is not to write a bias-free book, as we believe this would have been an impossible task. Indeed, the decision to write this book in English, largely for reasons of audience, market, and personal competence, does itself introduce some bias into the end result. Rather, our intent was to write a book that simultaneously

reflects differing national, cultural, and personal viewpoints, in which biases are identified and discussed openly instead of being hidden or rationalized. As a result, this book contains few certainties and many contradictions, reflecting our views on the life of global managers.

Few projects of this magnitude can be successful without the support of families. This is especially true in our case, with all three of our families joining together to help make this project a reality. In particular, Richard would like to thank the three generations of women who surround and support him: Sheila, Kathleen, and Allison; Luciara would like to thank her mother, Jussara, for her unconditional support, and her son, Caio, for his inspiration; and Carlos would like to thank his wife, Carol, and daughters, Clara and Isabel, for their continued support and encouragement. Throughout, our families have been there for us in every way possible, and for this we are grateful.

Any successful book is a joint venture between authors, instructors, students, and publishers. In this regard, we were fortunate to have received useful comments from instructors and outside reviewers alike aimed at making this edition superior to the last. Student comments, both in our own classes and those of others, have also helped us improve on the first edition. Finally, we are indebted to the people at Cambridge University Press for their help and support throughout the revision and production process. They lived up to their reputation as a first-class group of people to work with. In particular, we wish to thank Paula Parish, Raihanah Begum, and Jo Lane for their advice, patience, and support through the project. We are indebted to them all.

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NOTE

1. J. D. Meier, "Lessons learned from Bill Gates," sourcesofinsight.com, 2013.

1

Management across cultures: an introduction

MANAGEMENT CHALLENGE

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

CHAPTER OUTLINE

- The changing global landscape page 3
- Multicultural competence and managerial success 8
- MANAGER’S NOTEBOOK: Developing multicultural competence 9
- Plan of book 12
- Key terms 13
- Discussion questions 13
- Case: Global training at Google 14

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

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

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

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

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

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

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

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

The changing global landscape

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



Exhibit 1.1 The changing global landscape

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

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

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

From intermittent to continuous change

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

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

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

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

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

From isolation to interconnectedness

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

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

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

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

From biculturalism to multiculturalism

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

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

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

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

Multicultural competence and managerial success

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

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

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

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

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

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

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

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

MANAGER'S NOTEBOOK

Developing multicultural competence

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



Exhibit 1.2 Building global management skills

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

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

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

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

continuous improvement, with a capacity for self-improvement and helping others develop. They typically take a long-term perspective on activities and plans, focusing on long-term results and not obsessing on short-term problems or results. Finally, they frequently take a systems perspective, including an ability to seek out interdependencies and cause-effect relationships.

It seems clear that, as the world of business draws closer together, companies in all countries will require managers who can work in a truly global environment. In this environment, successful managers bring a depth and breadth of understanding of how to capitalize on cultural differences in ways that enhance corporate goals and employee welfare as well. In large measure, this is what distinguishes between managers who can succeed in their local surroundings and managers who can succeed in the global economy.

Much has been written on the topic of developing global management skills, and much of what has been written is contradictory, simplistic, and sometimes simply incorrect. Successful global managers tend to rely on themselves, including their own perceptions and assessments of what is going on in the world. They often require personal insight more than outside advice. Indeed, what often differentiates successful global managers from unsuccessful ones is the fact that they have developed a way of thinking about the world that is flexible and inclusive and guides their behavior across cultures and national boundaries.

One way to view this is to think about professional development as consisting of *three stages* (see Exhibit 1.3). In the first stage, emphasis is placed on better

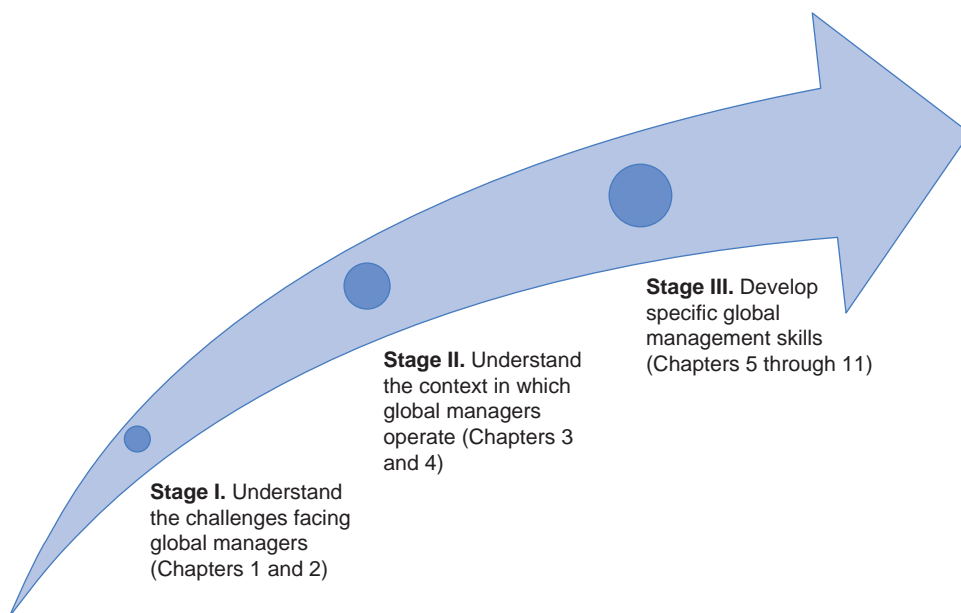


Exhibit 1.3 Stages in developing multicultural competence