IMPACTS OF CULTURAL DIFFERENCES ON MANAGEMENT

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ABSTRACT

A major failing in the preparation of American managers is their lack of cross-cultural understanding—or even sensitivity. In a recent trip to Latin America, affiliates of U.S. companies complained of the cultural gaps that make agreement on management policies and tasks difficult. Though there have been a number of studies which would be useful to managers dealing with foreign customers and managers, too little attention is paid by Americans to learning foreign languages—or even what other languages impart in the way of thinking patterns and mind-sets. Even less is attention

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paid to the religious foundations of foreign cultures, which set the stage for personal and organizational behavior. Beyond these, the educational processes, the role of the family and extended family, the worldview and even cosmology of a culture are imbedded in the mental and emotional processes of managers. The extent to which U.S. management is itself influenced by the country being founded on Christianity is not fully appreciated; if it were, the necessity to make comparisons and to become cross-culturally sensitive would be greater. A number of elements of culture are discussed as to their impact on management, giving the reader an introduction to what is needed to close a gap in the preparation for global business activities.

In a recent conference on cross-cultural understanding among managers within transnational corporations it was determined that the qualities needed by such managers included the following: competence, commitment/contribution, cooperation, communication, cleanliness (of mind, body, and intent), gratitude, self-discipline, and selflessness. Although all cultures might agree on these qualities, they are held in quite different mixtures by managers around the world, are expressed differently, and even valued differently.

The reasons for the differences are imbedded in the culture of each country, which is composed of several major characteristics or "distinguishers." Success in international management will be grounded in the ability to understand the impacts of these differences and how to adjust to or bridge them so as to gain competitive efficiency for the company and its affiliates or partners.

American transnationals have been slow to give priority to preparing their managers for dealing with foreign cultures, and many mistakes and lost opportunities have arisen because of this gap in understanding. The reluctance of Americans to give priority to such learning extends into the government, business, and academia. There is a strong ethnocentricity, which implies that others will want to act the way we do or should, anyway.

Thus, we have given foreign aid without understanding how it will be used by the recipient; we have invested abroad without understanding the risks arising from culture; and we have negotiated in business and government as though the other party has similar objectives, operated similarly, was similarly concerned for truth and honesty, and would act within the "legal" agreed documents. The errors in this position are illustrated in our continuing disagreements with NATO and the UN, over Yugoslavia, Russian aid, trade with China and Japan, and the desirability of certain activities under NAFTA.

As Joan Robinson observed (*Essays in the Theory of Economic Growth,* New York: St. Martins Press, 1962) disagreement on policies can arise at three levels: factual, analytical, or underlying values. She concluded that the facts could be discovered through diligence, that debate would remove disagreement on the analysis but that different values would be the source of misunderstanding and disagreement on what should be done—not how or with what effect. Her view is probably correct within any given culture, but cultural differences will cause disagreements at the other two levels as well.

Not all people see the same thing the same way, and cultural differences will cause people not even to "recognize" a given event or action the same way. Lack of understanding of the rules of a game will cause spectators to "see" the action differently. And, the rules of logic are not the same around the world. Western science starts from the position of the part and seeks to disassemble everything to see "how it ticks"; Eastern science starts with the whole and seeks to remain tied to the overarching law while examining multiple manifestations. The underlying logic is different because the approach and assumptions are different. Reconciliation is difficult, for our understanding remains partial.

At the level of values, beliefs are injected, and these are so firmly held that they are not to be questioned. Any questioning makes the belief an hypothesis or an assumption, which will be given up readily in the face of factual or analytical evidence to the contrary. Beliefs are firm anchors, and they are tied to the values judged as desirable guidelines for living (and dying). They lead to quite different approaches to the goals of life, relations among peoples, and the criteria of good (or acceptable) behavior.

Management across cultures, therefore, faces differences at all three levels, and these arise from the major distinctive features of cultures.

CULTURAL DISTINGUISHERS

The fundamental distinctions among cultures are identified with their religion, language, location, and education. These four provide the bases for all other cultural traits, leading to differences in policies and practices in work (economic activity), communal action (politics and government), and contemplation (arts, science, academic pursuits, and spiritual development).[1]

Religions

Basic beliefs and moral imperatives are derived from the major religion of a culture, shaping personal values and social virtues (ethics). Religion provides an identity and instructs in the treatment of others—both in and outside the society. There are many similarities in the fundamentals of all major religions—the golden rule, a triune God, an originating creator, a process of judgment of behavior of mankind, a special place for mankind above all other life forms but "a little lower than the angels," a concept of virtue involving service to others, development of the soul or spiritual qualities, and a community of believers/practitioners.

The differences are the sources of confusion and conflict; they are minor compared to the similarities, but they are used by those who do not understand the fundamental unity of all religions to divide. The differences relate to institutional structure and authority, the dogma enunciated by that authority, the relationship of church and state, rules of personal behavior and dress, responsibilities in and to the society.

The role of religion ranges all the way from Sweden—where each baby is immediately registered in the Lutheran church, which is supported by the state, but where the people declare themselves to be atheists—to Iran—where the Imams are in charge of government and have declared a religious state. Each foundation has a significant impact on management. Despite the fact of extensive unchristian behavior, management in the US is constrained and sometimes guided by the fact that the country is itself avowedly Christian—to such an extent that in a survey a few years ago by Continental Life Insurance 85% of the Congressmen reported that they had had a "born again" experience.

Language

Oral and written language is the most pervasive means of communication and shapes how a people think, as well as identifying what to think about. A hint as to how language affects thinking processes and patterns is shown in the accompanying chart suggesting a fundamentally different characteristic of each. The ambiguity and mysticism in Japanese is so strong that even the Japanese have difficulty understanding its poetry and much of its literature; thoughts are clarified only after the entire piece has been read, and often only after many readings. Spanish has been so influenced by Arabic that there are many words taken into it from Arabic, and even its culture (and that of Latin America, subsequently)

reflects the 500 years of occupation by the Moors. Many African languages are without concepts of time or of work; a sequence of events is place oriented or people oriented. So, a question of "when did you see your brother last?" would be answered: "when I was standing in front of the grocery store". Hindu draws heavily on Sanskrit, which was a language for spiritual discovery. And so on.

Chart 1: Languages: A Fundamental Orientation in Each

A person:

- Does scientific experiments in English—rationality, logic, precision
- Makes love in French—niceties, negotiation
- Commands in German—authority, control, certainty
- Discourses on nature and relationships in Japanese—emotional, mystical, ambiguous
- Argues in Italian—emotional, persuasive, conflicting
- Seeks spirituality in Arabic—mystical, repetitive
- Expresses pathos in Russian—emotional, empathy, suffering, fatalism
- Vents agitation in Spanish—emotional, anarchic
- Distinguishes complexity in Hindi—spiritual
- Locates place and sequence in Swahili—factual

No language is so singular, but the "foreigner" is forewarned by knowing even this much about the mind-set arising from each language.

Language & Environment

- Eskimos have 26 words for "snow."
- Arab's have 5,000 words relating to "camel."
- Many African languages have no word for abstract "work"; rather, the function is named: hunting, cooking, etc.
- Japanese have no word for "ego" nor for "individual"; everyone exists only within an environment of nature and relationships within society; no one determines his or her own identity introspectively; one's persona is defined by others.

Although it would be useful to be able to speak all languages in countries where cross-cultural business is transacted, this is not possible.

But it is important to know how the others think. Only by becoming at least roughly familiar with the structure and orientation of a language can one begin to understand the thinking process and the resulting problems of communication. And, of course, silent communication is equally important in achieving mutual understanding that leads to cooperation and organizational success.

Location

The location of the country geographically sets the environment within which the culture is formed and therefore the concerns for livelihood and security. These aspects are sufficiently familiar to the reader not to be repeated, except to note that the economic structure of the country is shaped by location, as are lifestyles, patterns of consumption, and the population centers. All of these may be overcome by technology, but this is too costly for most countries.

The impact on management may be illustrated by the daily "schedule" in Latin America, where the very late dinners (to dine in the cool of the day) cause office hours to begin late in the morning; late and long lunches (plus a siesta) cause work to begin again late in the afternoon, with dinners again starting at 9 or 10 in the evening and going to 12 or 2 in the morning—depending on the occasion. The consequent absence of tight time schedules means that one had best deal with the individual who is presently available—even if an appointment with another will be missed, for the second may not have appeared anyway.

Education

Education not only carries the value system forward but also instructs as to what aspects of life should be given priority in thinking and action, and how; its major tool is language, but it will also employ all of the arts for communication of ideas, emotions, and values. The nature and purpose of education differs around the world—some for vocations, some for varied professional careers, some for service, and some for life in its most general aspects. And the methodologies vary considerably—from lecture, to readings outside of class, to memorization, to conceptualization and analysis, to indoctrination, and so on. Much too little is done as yet in eliciting creativity at any level of education. But, as noted below, education of managers has its own peculiar impacts in each country.

Difficulty of Understanding

To bridge the differences among cultures with complete understanding is impossible. All peoples are imbedded in their culture, and even the few who have grown up in two cultures will have missed some aspects which make them less knowledgeable about or responsive to one or the other. It is for this reason that Japanese children raised outside of Japan find it hard to go back; they are even "bullied" at school on their return and have greater difficulty passing the national exams for educational advancement; they often decide, therefore, not to return to Japan.

It is quite difficult to understand through mere description by another observer; the most effective approach is to live abroad, despite its inadequacy. And even this will not be effective without close attention and careful observation—without preconceptions or pre-judgments.

These difficulties make it clear that any evaluation of another culture is fraught with erroneous criteria—taken from the base country. Comparisons are therefore dangerous to our understanding; they should be made only after "walking in the others' shoes" for a considerable time.

DIFFERENT CULTURAL CONCEPTS

The significance of many of the manifestations of culture for management can be seen in the way in which they impact thinking processes and business practices. These differences make for considerable misunderstanding in the management of affiliates overseas, joint ventures, and negotiations.

Basic differences exist in the concepts of mind and the intellect and their primacy in human development, as compared to the emotions and feeling. The U.S. is a "mentating, rational" society in which market decisions are to be made analytically; Japan is an "emoting, feeling" society in which decisions are shaped by the way in which they affect the group of which the person is a member; in fact, the decision may be made by the group.

Differences exist in the extent to which custom is to be abided by and to which individuals are permitted to break customs—as with the veil for women in Islamic countries and the dress of youth in California.

Attention to the building of institutions which form the patterns of behavior also differs. Democracies tend to rely on multi-institutional settings to inform and guide behavior; authoritarian systems reject such an approach to reduce constraints on their own actions.

The concepts of change and how it occurs, plus the ways in which mankind may be creative or should be reactive in dealing with change are fundamentally different among some cultures. Japan tends to be a reactive society, yielding to the forces of nature and to changes in the world around it. The West takes a proactive stance, attempting to predict the movements of nature and to alter them more suitably than to merely seek to withstand them. Creativity in the West is the mark of advancement in the individual and is the means to human improvement; creativity in eastern societies is less likely to be lauded, because disturbing change results.

Not seeking change, many eastern societies have sought greater security and stability than change. They recognize that change is inevitable, but it is not necessarily desirable to seek it. Related to these concepts of stasis and change are those relating to freedom and risk/uncertainty. Western cultures are more concerned with freedom than security, having felt secure for some centuries; and they are willing, in principle but not often in practice, to accept the risks accompanying change. In fact, businesses in the West seek to reduce their risks and avoid the adverse impacts of uncertainty. Eastern societies tend to be more risk averse and more accepting that uncertainty is endemic.

Several different concepts conflict among cultures, producing confusion and difficulties in cross-cultural negotiation and management, as seen in the following.

Time and Space

One of the singular differences among cultures, directly affecting management, is the concept each holds of time and space. We can discuss these together because it is now common to view them as a "space-time continuum"; they are, in fact, the same phenomenon, seen from different perspectives. But, more importantly neither really exists; they are illusions of the mind of man, and as such are subject to quite different conceptualizations, reflecting each culture.

As the astrophysicists have shown, time is merely the way in which the relative movement of matter in space is measured by man. Without man, there is no need to invent time, and nature knows no space distinctions; [territories are marked, but not space]. Every element of nature merges into or melds with some other elements, as with the layers of atmosphere, stratosphere, and ionosphere. And, of course, if "space" between and among planets and solar and galactic systems are found to be full of "matter," even our concept of "empty space" will have to be revised.

There are many concepts of time and space, therefore, and each culture will have different expressions of each in daily life. The fundamental concept of time in the U.S. and Europe is that it has a linear shape and is slightly rising. The linear concept is taken from mechanical physics and is exemplified by placing "time" on the X-axis of any graph showing change "through time." Time can be measured precisely and cut into tiny bits so that it can be "used and managed" most efficiently. Nature, therefore, can be commanded "in time." The rising concept comes from the view that "history" can only bring progress over time; "Time Marches On" but it moves upward. The West has no concept of time bringing degradation and destruction over its aeons.

In India, time moves in 1,500 year cycles called "yugas", adding into 450,000 year cycles, and each has its progress and declines, some of which are terrifying. The present cycle is called the "Kali yuga", which means that it is a most destructive one—the god Kali being the destroyer. Its existence is used by Hindus to explain all "unexplainable" disasters. The underlying concept is that of the Zodiac, or cosmic cycles of change.

The Japanese concept of time is also cyclical, but similar to that in the Biblical book of Ecclesiastes, in which it is said that there is a time to sow, a time to reap; a time for being born and a time for dying; a time for happiness and a time for sadness; a time for illness and a time for healthiness, and so on. These "times" are not repeated periodically; they arrive "in their time"—that is, when other forces bring them about. They are not necessarily seen as efficient from man's viewpoint; it is just that this is the way nature operates. The underlying concept is that of biology and zoology—not of mechanics.

When time is "used," management behaves quite differently. In the U.S., the least time used to accomplish a task, the better—this shows efficiency and "command". In Japan, the more time devoted to a matter, the better—this shows commitment and dedication to the task and loyalty to the organization; time is "used" reactively, therefore, in response to the situation. "Just in time" is no contradiction to the underlying concept, for all else in the process is "ready," so the delivery is properly "now." In India, time is life and one moves within it, altering one's attention and activities according to what "time brings"; the American view that "time is money" is nonsense to the Hindu.

To the Arab, time is "kinked" and contained within a barrel. It is not linear or cyclical, but all events within the barrel are related to all

other events in a complex and kinked pattern of cause and effect, with multiple feedbacks. The universe of Allah is timeless and spaceless and all things are instantaneous and completely interdependent. Time is an invention of man to keep from having to see that "everything happens at once."[2]

Because everything "has already happened," there is not much man can do except to try to follow "the Will of Allah," who has already willed everything. Thus, "Inshallah," which means not that I will wait for Allah's orders but, I will do as I promised unless Allah prevents it. Because one's acts are subject to Allah's will, there is no need to rush into anything. Therefore, the expression "buqra," a concept from which the Spanish "manana" was derived.

Space is merely a measure of distance traversed in time, related to the relative speed of movement of matter. At the speed of light, there is very little "space," and at the speed of thought (which appears to be nearly instantaneous in transmission), space hardly exists—everything is right next to everything else. Again, therefore, quite different concepts of privacy, public space, and the need for mobility arise in cultures. In Germany, if one comes closer than two meters to two or three others who are talking together, private space has been invaded; offices are behind heavy oak doors, which require an invasionary action to enter. In Arabia, if you are not able to smell the garlic on the other person's breath, you are not close enough for conversation—similarly, in Latin America, conversational distance is close. In the U.S., the comfortable distance is arm's length; and so on. Lack of understanding of these concepts can lead to embarrassment and faux pas in cross-cultural negotiation and management.

Rule of Law

Cultures are distinguished according to their reliance on a "rule of law" or "rule by men." In the latter, laws may be issued, but they are by the fiat of a single rule or ruling group—not out of the will of the people. The difference is in the origin of rules, their legitimacy, the obedience of the people to the laws, and the use of rules in forming business and other agreements.

Even within countries under the "rule of law," some develop "common law" and others employ "Napoleonic law"—the major distinction being that under the former, law is developed by precedent, out of communal experience, and one is innocent until proven guilty; under the latter, statutes encompass every conceivable action, and one is guilty until proven innocent. Similarly, under the former, all is permitted that is not prohibited; under the latter, all is prohibited unless the statutes explicitly permit. In both approaches, there is much leeway for disagreement as to what the law means, but they are fundamentally different.

And they lead to quite different behavior on the part of citizens. Under common law, one is sometimes surprised to hear they have broken the law, for they were seeking to be law-abiding. Under Napoleonic law, the major effort of a citizen is to weave his way between limitations so as to be left alone. The law is seen as less desirable to employ in negotiations. Whereas the Anglo-Saxon common law leads to quite legalistic behavior among companies and managers (as well as customers and suppliers). Apropos is the comment by a Chinese manager to an American: "If you are going to keep bringing up our agreement, we are not going to get anywhere."

Contracts are seen in the less legalistic countries as being "memoranda of understanding" or, at best, marriage contracts—neither of which specify how all events are to be handled in the future. The only thing not up for re-negotiation, therefore, is the marriage itself. This attitude is characteristic of many Eastern cultures, spreading from Arabia to China and Japan. Similarly, friendship and close relationships are more important than truth under the law—so witnessing and "telling the whole truth" are not of the same nature as in some other countries.

Property and Ownership

Not all countries are as imbued with the rights of property ownership as those in the West, and only a few Western countries permit private ownership of the resources of the sub-soil. Thus, mineral and petroleum resources are the property of the state, holding them in trust for the people, and are developed by private business only under government contracts. The same limitations sometimes exist on "air rights"—i.e., to the space above a specific piece of property.

Limitations on the form of ownership—in the legislation on company charters and the many types of companies that may be formed—determine the rights and liabilities of those establishing new businesses. The pursuits and activities permitted, their ownership structure and governance, and their liabilities to shareholders, lenders, workers, customers and suppliers are determined by laws. Thus, all cultures produce

their own property systems, including the development and rights in intellectual property—patents, trademarks, copyrights, and know-how.

Countries have different orientations to foreign ownership of land and enterprises, limiting the percentage a foreigner may own in a local company, a foreigner's right to enter a sector, the right to repatriate capital and profits; and various incentives and disincentives may be applied in order to guide or constrain the activities of foreign business. Distrusts of foreign companies seeking to invest were pervasive during the 1960s through 1980s, and it remains in many of the formerly socialist countries. However, virtually all countries now recognize the need for foreign capital to assist in their economic development, so there is a more lenient attitude toward foreign ownership. However, significant differences remain.

Some of the differences are seen in the hold which elites in a country have on productive property and the incursions by government on its use and profitability. In the former socialist countries, the wealth-generation to the Nomenklatura (the upper strata of the bureaucracy) of state-owned companies was so great that they are loath to let them pass into private hands, unless they are their own hands. Privatization has become "grabitization," and the former elites are becoming the new, private elites. This pattern of property ownership is a reversion to the underlying culture, in which property was held by the feudal lord for his own benefit—not for that of the people.

Patterns of Negotiation

The processes of negotiation themselves differ by culture, beginning with the mode of introduction of the parties, and proceeding through the various stages, through the signing ceremonies, and into the implementation. Japanese procedures differ sharply from those in China, and from Arabic patterns and those in the U.S.

In each there is an underlying difference in the concept of time and how it is "used." An American will seek to spend as little time as possible in the negotiation and implementation in achieving desired results. The Japanese see the expenditure of time as evidence of the importance of the relationship, which should be long-continued, and in which any specific result is unimportant; loyalty and commitment are worth more than profits.

It is, therefore, natural to the Japanese to have a number of different groups enter the negotiations to determine for themselves how the

"relationship" can best be formed—to the annoyance of the Americans. The tactics of the Japanese are derived from the "art of war," involving feints, encirclement, generating confusion, withdrawing suddenly, periods of inaction, and so on. And silence is used as a means of gaining advantage, for the American can hardly stand silence; his response is to offer another concession to get the process moving again.

Even the signing ceremony in Japan is culture-bound, for the new relationship should be "blessed" by the spirits, and only the Shinto priest can determine the most propitious time—day and hour. This may be several days after the final agreements on the arrangements, delaying the American still more and creating tension—unless an understanding of the culture has been gained.

Authority System

The systems by which business decisions are made in each culture vary from highly authoritarian to broadly participative. The structures within which this takes place are also different, altering the channels of information and the ability of units within a company to participate effectively.

The Latin cultures are authoritarian and centralized, with broad and flat authority over lower levels, which are usually few. Information is seldom passed among the layers of management, for top management does not generally trust lower levels. In France, top management is recruited from the top ranks of the seven leading technical schools (Les Grande Ecoles) so that middle managers have no opportunity to rise; a conflict in the passage of information and in the objectives of each layer arises, with each pursuing divergent goals.

West European and American systems tend to be pyramidal in structure, with a number of layers—as many as 10 or 11 up to the present—with constant feedback into the decisions so as to adjust them rapidly to meet changed conditions. But the flow of information is only on "as needed" basis, and is to be acted upon. Information, therefore, becomes power, and supposedly is to be used to advance to the goals of both the individual and the company, which presumably coincide, though they may not.

The Japanese have fewer layers (usually four), with broad participation in a system literally called "discussion upward;" however, top management is capable of sending signals as to what the outcome should be, and once the decision is made, there is no further caviling. However, new information brings a further round of upward discussion, if needed.

All managers are supposed to be alert to changes and are therefore given all information, though they are not to act on it until a decision has been made by the relevant group. Information is often even more broadly disseminated throughout an industry sector so all may become more powerful competitively against the foreigner. Cooperative R&D activities are more frequent among Japanese companies than is found to be the case in the U.S. or Europe.

Management as an Elite

Historically, business managers arose out of other functions or classes within society. Prior activities of a similar nature involved management of the fisc of the monarchy or feudal lords—their receipts and expenditures. In all Western and Eastern societies prior to the 19th century, producers tended to be artisans or handicraft workers, requiring little management; some managerial functions were performed by guilds, which set prices, indicated the required levels of production, and regulated quality somewhat.

The merchant—a traveling salesman or a trader—was seen by virtually all societies as adding no value to the product and therefore "exploiting" the customer, who did not have ready access to the goods. These merchants were low on the social scale, and salesmen today are not regarded as of high class in many countries of Europe and the Orient. Business management was not needed until industrialization, and the development of markets and the system called "capitalism" permitted widespread "profiteering," which did not endear managers to the public. Management is still not the preferred employment of university graduates in Britain, but it is gradually rising in status on the Continent and in Japan, where the Samurai became managers under the leadership of their lords, who were given industrial property by the Emperor in the drive to industrialization in the last half of the 19th century.

Only in America is management a position of high social status, though it is still a bit lower than the professions. In most countries, including Japan, China, India, Egypt, France, Germany, Britain, and others, the preferred employment is in government service, with the professions second, and management following. This stratification has impacts on the relation between government and business and therefore on the opportunities for business and its freedom of action in each country.

Planning

The activities of a business in the short or long term have been planned since the early days of industrialism, but the purposes and practices have been quite different among cultures. Despite the aversion in America to national planning, planning among all other activities of institutions or individuals is considered a "good thing." Being proactive, business seeks to plan for the long term (five to ten years), but in fact concentrates most heavily on the short term (3 to 6 months); this is partly a response to the entities in the capital market, which are themselves judged on short term returns in their portfolios.

The reaction to and implementation of plans have a significant impact on the place of planning among different cultures. Somewhat simplistically, it is said that the British will agree to virtually any plan, knowing that they are not going to follow it. The French construct an "indicative plan," adjusting it every year to reflect what actually happened; it is the task of the Directeur Generale to make certain that the company is where it should be 15 years in the future. The Germans permit the staff to plan but do not give the plans to line managers, knowing that they would be carried out to the letter—even in the face of major changes, as occurred under the German General Staff during World War II. The Japanese construct 10-year "visions" under discussions between business and government officials, but neither is bound by them in their operational decisions; the Chairman of Mitsubishi has asserted that it is his role to make certain that the company is ready to face its challenges 250 years hence.

Objectives

The objectives of states and corporations are not the same, and the nature of each flows out of their culture and the surrounding culture of society. Thus, there cannot be a decided difference between the cultures in government from that of society, at least not for any lengthy period, except by the use of force—as in Russia and China during the mid-20th century. It was the difference also between the culture adopted by Peter the Great from France and inculcated in Moscow and St. Petersburg that so offended the Slavs, with their quite different culture.

Nor can a company adopt a culture—e.g., of exploitation—that goes against the culture of society in general—again, in the absence of force. One of the disturbing aspects of international management to

the home office and to the affiliates is the divergence of cultures. Many a headquarters company has asked "Why is it so difficult to get the 'company culture' adopted by the affiliates abroad?" Mostly, however, they are not willing to hear the answer, for the process takes mutual understanding, which requires a commitment of time and effort.

More specifically, the objectives of states are entwined with their desire to survive—both as a country and as a government. This objective is immediately identified with growth (wealth) and security (power). Many governments have acted as though there could be no limit to either, but in fact, both are simply relative concepts. Each nation is seeking merely to be more wealthy and powerful than others. The divergences lead to concepts of "equity" and "justice" in the distribution of the resources of the world, technology, incomes, and wealth.

The objectives of companies are similar—survival through wealth (assets) and power (competitive strength). But, of course, the playing field and the means to play are different from those of governments and among countries. Countries have not agreed as to "what game is being played" and therefore cannot agree on the "rules of the game." Americans say that want a "level playing field," which means that the game is defined and the same rules apply to everyone. The different cultures of the world produce quite different concepts of the game being played.

For example, a Japanese company wants to survive—not only for its owners but also for the workers and for Japan itself. In other words, the company is seen more as a "small society" which is part of the larger society of Japan. The survival of one helps guarantee the survival of the other. In the U.S., management does not see this identity of interests, except in the extreme situation when failure looms or is threatened from abroad. When Charles Wilson, Chairman of GM, testified to Congress that he saw no difference between the interests of GM and the U.S., he was pilloried in the press and by commentators.[3]

The basic view in the U.S. is that of adversarial relations between business and government—an attitude not mirrored in most other countries.

Rationality vs. Relationships

Western thought and education praises and promotes rationality—the ability of the mind, through right reason, to arrive at viable, acceptable, and effective solutions to any and all problems. This approach is so

clinical that it is used at times as though humans did not enter the picture; a rational solution should be accepted by all. But few cultures of the world are as imbued with this concept. And American marketing, supposedly based on gaining customers through market signals, is fraught with advertising that seeks to play on the irrational (feeling) part of the consumer so as to increase sales.

Most of the world, by far, adheres to the assumption of irrationality as the mode of decision-making and emphasizes the acceptable over the efficiency solution. It is, therefore, much more concerned with relationships—as is most notable in Japan and China, but also in the former Soviet Union, Indonesia, India, Arabia, Africa, and Latin America. The protection of "face" or feelings and honor is much more important than efficiency. This reflects the societal or community orientation in these cultures, versus the individualistic one in the Anglo-Saxon.

Individual vs. Community

Western societies, particularly Britain and the U.S., developed a strong individualistic aspect to their cultures, emphasizing the responsibility of individuals for themselves. Much of the rest of the world relies on group responsibility, especially that of the extended family—but also encompassing society, or at least their ethnic group. What the West calls "nepotism" is, in the East, only proper concern for family members.

The East generally makes room for the individual within the community, but not always—vide, the Japanese distaste for individual action, particularly against his/her group. The West is having a hard time developing supportive communities, which would lessen the problems of education, crime, and public health.

A healthy society requires both, and such health is of greatest importance; as Will Durant said: "The health of nations is more important than the wealth of nations." But interestingly, no nation includes its health as a major objective.

Scientific vs. Mystical

Since Descartes and Newton, Western culture has built its understanding of the universe and nature on scientific theory and experimentation. It has eschewed all concepts that there is something yet "mystical" about the universe, which would mean that man cannot know everything. As Stephen Hawking, the British astrophysicist, has said in seeking to learn

the Grand Unified Theory (GUT) that would remove the contradictions between Quantum Theory and the Theory of Relativity and combine the four basic theories of energy: "I am seeking to know the mind of God."

The laws of science are supposed to be objectively understandable; therefore, replicable, testable, and validated. Under mysticism, events and relationships are subjectively known, and there always remains an "unknowable"—the mind of God. In the main, the West has rejected all mysticism, even the Catholic and Protestant churches, though both still reserve a small place for miracles. The East, from Arabia, the Slavic countries, South and Southeast Asia, and Africa still recognize the mystical aspects of life.

In the West, therefore, nature is under the command of man, and all untoward events are potentially preventable—all we need is more scientific knowledge to control earthquakes and hurricanes. While the East recognizes the uncertainties and power of nature to be the hand of God, which has its own reasons. No Japanese would ever consider that man could tame the earthquakes, the typhoons, the hurricanes, or the eruptions of volcanoes. Nor does that society (and many others) believe that the approach of Western science is the route to knowledge.

On the contrary, Islamic science begins from another point: the purpose of science is to understand the laws of Allah and to learn, therefore, how to obey His Will. Science is a spiritual pursuit, seeking first to "know God," out of which understanding will come a fuller knowledge of all that proceeded out of His mind and hand—down to the smallest manifestation of His creation—from the macrocosm to the microcosm.

Western science starts with the microcosm and seeks to build upward to the universe, or macrocosm. There is no contradiction between the two—merely differences in approaches. There can be only One Law, and it produces multiple manifestations. But, the West seeks to know the manifestations and how they work in order to understand the basic principle. The East seeks to know the principle, making all "science" a reflection of the spiritual, of which the manifestations are then more readily understood. The difference is between the reductionist approach of the West and the holistic approach of the East and is reflected in the emphasis on the material over the spiritual.

Material vs. Spiritual

The emphasis by the West on materialism is deplored and even rejected by some cultures—Islam in its fundamentalist form and the Slavic

peasant society. Others, such as the Bushmen of Africa, simply see no need for it. But the West has developed a culture that relies on material (and technological) advance to solve all problems; the malaise in many advanced countries today—represented by high rates of crime, poverty, suicide, ennui, alienation, and so on—is most disturbing, for it was postulated that economic growth would eliminate these ills. Growth was supposed to remove ignorance, disease, poverty, and squalor—though wars and crime might remain.

But neither Western nor Eastern cultures have found a way to live that removes the basic evils in mankind's existence. Nor is it evident that the solution is in still greater material growth. The turn toward spiritual cults, mystical rites, and the pursuit of higher consciousness in many cultures is a reflection of the disappointment with materialism.

The disappointment is increased by the evidence that materialism brings further problems—such as ill-health, environmental degradation, depletion of basic resources (water and certain forms of energy), and destruction of many of the beauties of nature.

As with the approaches to science, much will be learned from the continuing merging of these two approaches, which are—at the foundation—reflected in the differences between the masculine and the feminine.

Masculine vs. Feminine

In his study of the cultural bases of management differences, Geert Hofstede selected differing views of the place of masculinity and femininity as a key to understanding.[4]

Cultures emphasizing the masculine and giving precedence to the male are seen as more dynamic and active, aggressive, individualistic, and competitive; those relying on the feminine were more status oriented, cooperative and sharing, group oriented, and receptive or passive. These differences were reflected in management styles and organizations.

Not all societies are at the extremes, however, and the symbol of the "yin and yang" forces—interlocking black and white (or red) teardrops within a circle—itself show some yin within the yang portion and some yang within the yin portion. That is, there is no wholly masculine nor wholly feminine in the world; there are two principles, but they are mixed. And, of course, we know this from the development of the fetus and the merging of both positive and negative forces in physics and in nature.

It is, however, necessary to understand these two principles and how they interact in order to achieve both order and progress within the world. And some managements are now trying to learn by bringing more of the feminine into their circles.[5]

Charity and Responsibility—To or For

Still another evident difference among cultures is the attitudes toward charity and responsibility. In the main, the Protestant West considers charity as involving a "responsibility for" another; whereas the Catholic West and Islam, as well as Judaic and Eastern concepts of charity emphasize the duty to God that is involved in charity, so that one extends it as an expiation of their sins. It matters not to the donor what is done with the gift in this latter view.

But to a Protestant, to the American voter, and to the Congress, any assistance (charitable or otherwise) is supposed to produce results—and particularly the results sought initially! Therefore, if the recipient does not use the gift to remove the necessity for further giving, it has been misused.

Contrarily, the Islamic giver knows that the beggar is there to permit his expression of largesse and concern so as to gain favor with God—the act is known as the "zakat" and resembles the tithe in Judeo-Christian traditions, which was "due" to God in gratitude; what God and His poor did with it is no business of the giver. A similar concept exists in India, where charity as between states—when one has ample wheat and the other a scarcity—is little known; even when the U.S. was giving wheat to help starving masses in India, there was little sharing among the various states.

At the same time that charity among equals may not be expressed strongly, obligations of the rich to the poor are recognized in many societies—but only if there is some relationship between them. Thus, the large Japanese company is obliged to assist a troubled sub-contractor; the U.S. is obliged in the view of the Chinese to accept a poor exchange because China is poorer; and the stronger should be "handicapped" in some way to make the game or contest more equal—as with horse-racing in the West. The concept of a "level playing field" is, therefore, quite different.

In all societies, the concept of responsibility to others (rather than for them) is complex and reflects the underlying culture strongly. For example, in the U.S., the concept of mutual obligations among citizens has been restricted to that of the rights of an individual against others: rights of privacy, of property, of personal safety, of the road, of non-smokers, of gun owners, and so on. These rights have been engendered by the members of society extending to all the protections each wants. And the concept has been expanded to include entitlements, which imply that each individual is born with rights which society did not give and which are inalienable—in addition to "life, liberty, and the pursuit of happiness."

In Japan, there is no word for "rights"; there are only obligations. And these are mutual—extending up, down, and across; they are bilateral within a group and between two groups. These obligations create an interwoven network of stable relationships in which benefits to the whole are seen as benefits to each member, simply by maintaining the group's survival.

These differences between the concepts of individual rights and responsibility have led to emphasis on rights in the West, and a degrading of responsibilities. Contrarily, the network of obligations within the East is now seen by some observers as a major source of the competitive strength of the "Four Dragons" and others in Southeast Asia.[6]

IMPACTS ON MANAGEMENT

These cultural differences have direct and indirect impacts on management in each country. To illustrate, it is sufficient to focus only on a few, but much more study should be given to differing management styles not only to make collaboration more effective but also to learn from the diverse approaches and methods, enriching the lives of all managers. The importance of the differences can be seen in the role of loyalty, the education of managers, the structure of organizations, and the existence of sub-optimization within them. These aspects are linked in that loyalty affects the need for a structure of organization; it is inculcated in education, and it alters the optimization of company goals.

Loyalty

The subjects of loyalty vary widely around the world. They may have the same names, such as "God," but still be quite different in concept or content. Or they may have the same content with different names; e.g., one person may be a loyal customer of McDonald's and another

of Burger King, though both are buying hamburgers. In any organization, there is a concern over loyalty of its managers.

In a hierarchy from God down to self, the intermediate subjects of loyalty include country, state, church, city, organization, extended family, immediate family, athletic team, political party, school, service club, sports club, and so. From the standpoint of company management, there is no problem with multiple or shifting loyalties among many of these groups unless they reduce loyalty to the company. The strength and duration of such loyalty varies among cultures.

In the U.S., companies would like to know that management is loyal, but the culture encourages loyalty to one's career, which may require moving among companies. There are internal conflicts, however; given the separation of ownership and management in most companies, loyalty to the company can conflict with loyalty to management—especially on ethical questions or illegal acts of managers. Albert Hirschmann, in analyzing appropriate responses to conflicts within management, identified the linked relations among loyalty to company or management, (being critical through memos or voice), and leaving the organization (with the option of speaking out or keeping quiet).[7]

In all instances, the question arises of which act is "more loyal." It is feasible to be loyal to the company by speaking out against management, thereby protecting its future. But the whistleblower is seldom rewarded—because of presumed "disloyalty." The issue of loyalty is the least examined aspect of American management, yet it is highly important.

In Japan, loyalty is stronger, because there are mutual obligations, with the company offering life-time employment. As this offer changes, loyalty will change, as evidenced in the rise of the "sararyman," who is willing to move for money and position. But the highest loyalty is to Japan—and there is nothing higher—for Japan is where the Sun-goddess resides, incarnated in the Emperor. The next is to the extended family, as seen in the interlocking of families around the Emperor's palace and within the major keiretsu.

In Germany, the manager is loyal to the company because it offers him work and position and has educated him in management, which is seen as particular to each company. Movement among companies is still infrequent, and companies look for candidates who have demonstrated loyalty—again, with preference going to the family. In France, loyalty is to one's role—top management to survival of the company and "the glory of France," and the cadre to their function (engineering, accounting, or administration).

In Latin America, loyalty is predominantly to the extended family; it is therefore fortunate that families own companies, where family members can work. The case is similar in Arabia, Spain, India, and Africa, as well as throughout Asia. In India, loyalty is given to the employer in exchange for his obligation to find other employment if he is unable to continue; that is, the employee "becomes" a family member.

Education of Managers

The role of management is inculcated in the educational process in each culture. The U.S. has by far the most schools for professional management; others have no such schools or do not consider management a "profession" at all. Rather, young people are educated for life, and their vocational pursuits are learned in practice.

The business school in the U.S. signals that the skills of management are distinctive and can be gained by education, that the one so educated can "manage any business," that others not so educated are less able, and that one's position in society is a result of this "frame of reference"—as a manager.

Though Japan has established a few professional business schools, managerial training is essentially within the company. Company management styles are presumed to be distinct and a young manager from Toshiba has "nothing in common" with one from Mitsui. A Japanese, whose "frame of reference" might be engineering does not normally congregate with other engineers, as American engineers do; they have nothing to say to each other. Rather, any conference of managers will soon split along company lines, with the conversation focusing on company events. This is why conferences among Japanese and Westerners find the latter entering into discussions readily, while the Japanese remain quiet and politely observant. It is not that they are trying to soak up intelligence from the West; they simply have nothing to say to an "outsider" on those issues.

The Japanese system of education was taken from the German, but it is also similar to the French in that these two countries are the only "meritocracies" in the world. This concept means that the opportunity for education (from pre-kindergarten through the highest levels) is available to any and all who can pass the national tests at each level. In both, enrollment in the top universities is state-supported; and, the highest loyalty of the graduates is to the country and its future.

Germany has only one graduate business school (Koblenz). Specialty education is in law, economics, or engineering. A "commercial degree" is preparation for middle management and is not normally sufficient to warrant top management positions. Preparation for management is within the company—preferably "at the knee" of the supervisor or higher manager. The old-line "unternehmer" (or owner-manager) managed the company for the family dynasty and to support the private-enterprise system, even against the incursions of government. (The breakdown of this view under Hitler is another story.)

In France, education of future top managers is predominantly in the "Grandes Ecoles," which are mostly engineering, with Polytechnique standing the highest, followed by Ecole des Mines; however, two administrative schools are included—Ecole Nationale d'Administration (ENA) and Hautes Etudes Commerciales (HEC). Anyone graduating from these several schools enters either government ministries or companies as "golden-haired"—destined already for top management. As in Japan, anyone not reaching these educational levels will find opportunities of advancement diminished or absent. In both countries, movement between government and business—at the highest echelons—occurs fairly readily because one's first loyalty is to country.

Organization Structure

Given the education of managers in each country, the organizational structure reflects that preparation. It is clearest in Japan and France. In France, the education is in engineering, as a result of Napoleon's purpose in training future officers. The structure of organization is, therefore, hierarchical and iterated into the most refined and complex system that an engineering mind can conceptualize. But the flow of information and decisions does not necessarily follow the chart. It is beautiful but not necessarily functional; similarly for the accounting system.

In Japan, the organization is tight with few layers of management, because it is not necessary to have frequent promotions in order to retain managers. It is segmented into relatively small groups, but again in an hierarchical system. The hierarchy is readily apparent to anyone visiting an office, for the desks are placed in the sequence and position within the hierarchy. This is an open office system, with even the Chairman in full view of all the other 50 or 60 managers in the central office.

In Latin America, the organization is quite flat—particularistic—because of the personal attention that the owner-manager gives to the operation. The place of management is derived from the "patron" or "caudillo," who was responsible for the entire entity, workers and all. Few decisions are made without his participation or final judgment. The Italian organization is similar.

But the Arabic organization is disjointed—variously kinked. There is a top manager, but he takes advice and counsel from whomever he wishes, and the responsibility in each instance will be assigned by him if others are to act. Delegated responsibilities will go first to close relatives, who can be fully trusted.

The accompanying diagram (Figure 1) of types of organizations, worldwide was developed partly in jest, but as with most such humor, there is a kernel of truth in each. Despite the removal of Stalin and Communism, the organizational structure in Russia remains strongly similar. The Polish remains turned upside down by political splintering. The Arab remains unintegrated despite protestations to the contrary. The Chinese speaks for itself, as do Women's Lib, and the Vatican. Events in Mexico have validated the structure in Latin America. The American still relies on "open door," feedback, and now more "participatory" management. The UN continues to go "around and around" within its halls. And the Italian is non-cooperative and particularistic, even among political parties and within the government.

Organizational sub-optimization results from sub-groups or individuals pursuing objectives different from those set for the organization as a whole. Sub-optimization results within a conglomerate or multinational enterprise simply from the fact that the interests of the separate affiliates diverge. Managerial sub-optimization means that the managers themselves are not wholly dedicated to the goals of the enterprise; they pursue other interests from time to time, thereby failing to achieve the optimum organizational objectives—much less its potential maximum performance.

In the U.S. sub-optimization arises from the characteristics noted above: loyalty is first to one's own career, giving rise to a political effort within the enterprise and readiness to change companies when attractive offers arise; education encourages managing any organization and therefore mobility; and the structure is readily changed to meet the perceived new demands, with individuals re-slotted or rejected, again reducing loyalty.

In France, top management is likely to bend to the wishes of government, at times, even to the detriment of the company, though it will attempt to bend the government itself. Thus, an "indicative" plan is

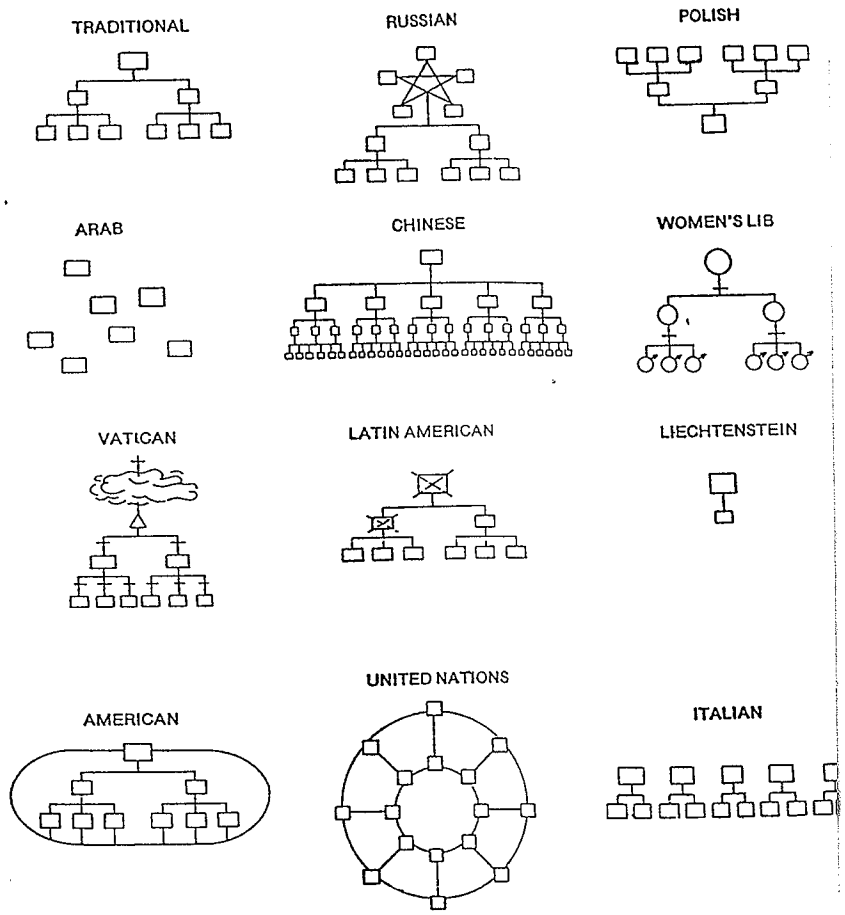

FIGURE 1
Types of Organizations Worldwide.

detailed in cooperation between government and companies in a sector, with the lead company assuming responsibilities to lead the others; but all will then pursue their company interest, forcing the plan to be revised. The inability of the cadre (middle management) to rise to top management positions elicits a loyalty to one's profession—engineering, accounting, law, or administration. Consequently, French products are

over-engineered into fineness and complexity, with little attention to costs, which are not accurately recorded by the accountant, anyway, top management has its own accounting system to direct the company to the correct current investments and prepare for the future 15-years distant. Only top management sees the overall objectives, but lower management would not be eager to pursue them even if known.

Sub-optimization in the U.K. is also based on the educational system in that it is functionally oriented. Management is not the top career for graduates of "Oxbridge," who prefer government service, or legal and banking careers. Entry into management comes from within or through specialized preparation—accounting, finance, production, distribution. One then rises up this career ladder, becoming more specialized. At the top, a committee of specialists attempts to integrate the activities into a whole; but affiliates are usually quite independent of the center. Sub-optimization occurs, therefore, because no one has been prepared to set overall objectives and to see how to put all activities together for the good of the organization.

In Italy, sub-optimization arises from the fact that only top management has a perception of organizational goals; all others are kept somewhat ignorant. In India, the desire of middle management is for position and security; there is little eagerness for innovation or the responsibility of decision making that might improve organizational performance but might also prove risky.

In Germany, a dysfunction of management arises from functional specializations. A management committee (Vorstand) is selected by the Supervisory Board (Aufsichtsrat) made up of shareholders, public, and labor representatives; the criteria for a top management position relate to success in functional specialties, so the Vorstand has some from each. Again, there is much discussion as to how to put the several functions together.

Japan is the only country in which sub-optimization does not normally occur. All levels of workers and managers are loyal to the company and seek to achieve the collective objectives—because it is their livelihood and security for life. And their entire culture emphasizes loyalty to the group to which one belongs. Consequently, as the saying goes, "the Japanese do not work particularly hard; they simply work together." An American manager, on hearing this, commented that 80 percent of his time was taken by getting people to work together; how he could raise productivity if they would do this automatically! However, sub-optimization with the decline in life-time employment and the rise of manager mobility, seduced by the "hedda hunta" [Japanese words do

not end in consonants, except for the letter "n," so foreign derivatives have a vowel added or a consonant subtracted].

How to mesh these different management styles is the problem facing the transnational corporations or anyone establishing an alliance with an overseas enterprise. The most difficult tasks of meshing are found with affiliates or companies in China, Japan, and Arabia, where the cultures begin from a different base entirely. Even India remains a mystery in some aspects, despite the incursion of British management for decades. American companies continue to try different organizational and managerial approaches, including a "matrix" structure. But it is not structure that will make the difference in performance. It is mind-set, and working through the obstacles of such mind-sets requires cross-cultural understanding. Only this will achieve peak competitive performances for the international companies.

NOTES

1. See Hannah Arendt, *The Human Condition,* Chicago: Chicago Univ. Press, 1958; and Gellner, Ernest, *Plough, Sword and Book,* London: Collins Harvill, 1988.
2. Of course, if the Creator is omnipresent, omnipotent, and omniscient, as well as immanent in the Universe, He, at least, knows everything and being everywhere simultaneously has total knowledge of every cause and effect, without the constraint of sequence—or relative movement.
3. He was reported to have said during his confirmation for Secretary of Defense after World War II in reply to a question as to his impartiality if a situation arose that required a decision that would be good for the country but not necessarily for GM: "What is good for General Motors is good for the country, and what is good for the country is good for General Motors". It was this phrasing that caused widespread criticism. In fact, he responded: "I could, I cannot conceive of one because for years I thought what was good for our country was good for General Motors, and vice versa. The difference did not exist. Our company was too big. It goes with the welfare of the country." (In a commentary by George Will, *Newsweek,* Feb. 20, 1995, p. 78.)
4. See his, *Culture's Consequences,* Beverly Hills, CA: Sage, 1980. The other distinguishers he focused on were "power distance," "individualism vs. collectivism," and "uncertainty avoidance." He found substantial differences in these characteristics among the different managements of IBM and its affiliates around the world, all culturally based.
5. See David Whyte, *The Heart Aroused* (New York: Doubleday, 1994.
6. See Lodge, George and Ezra F. Vogel, *Ideology and National Competitiveness,* Boston: Harvard Business School Press, 1987; and Geert Hofstede and Michael H. Bond, "The Confucius Connection", *Organizational Dynamics* 16, 4, Spring 1988, pp. 4–21.
7. Hirschman, A. O., *Exit, Voice, and Loyalty,* Cambridge, MA: Harvard Univ Press, 1970.

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