

Constructive Intercultural Management

Integrating Cultural Differences Successfully
Edward Elgar (2021)

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CONSTRUCTIVE INTERCULTURAL MANAGEMENT

Integrating Cultural Differences Successfully

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and Ulrike Mayrhofer**



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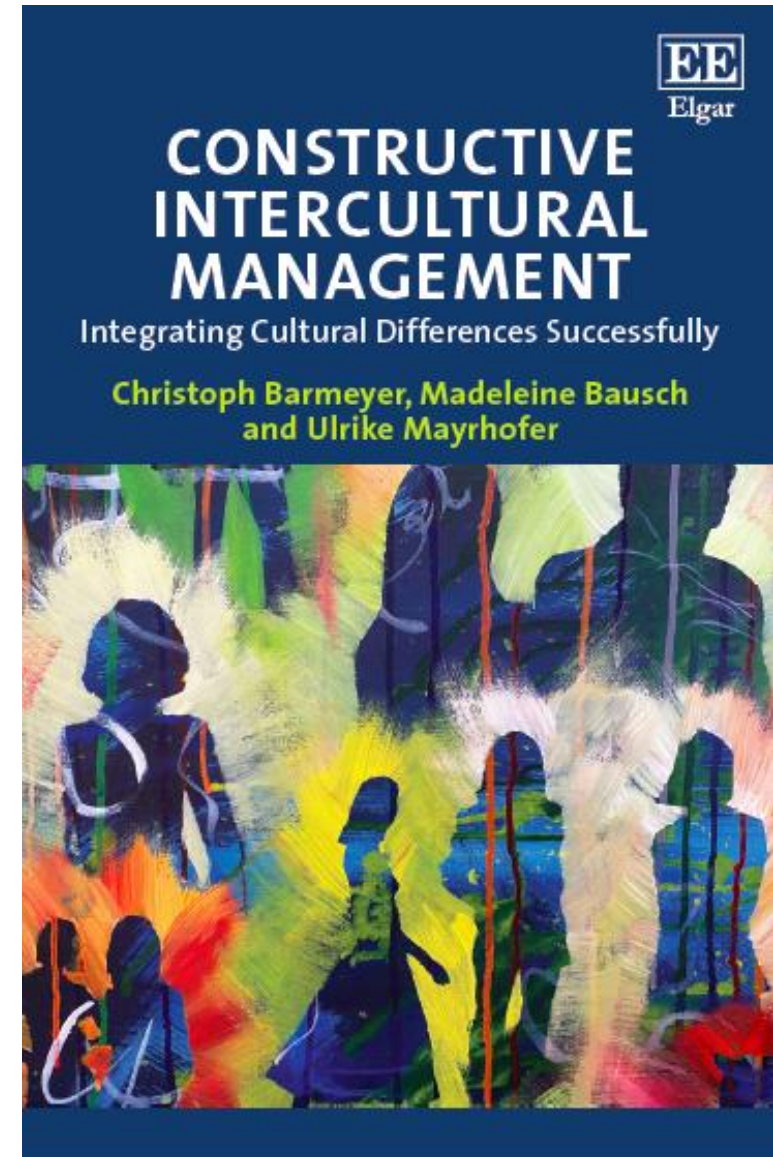


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Chapter 2: Interculturality in a global context

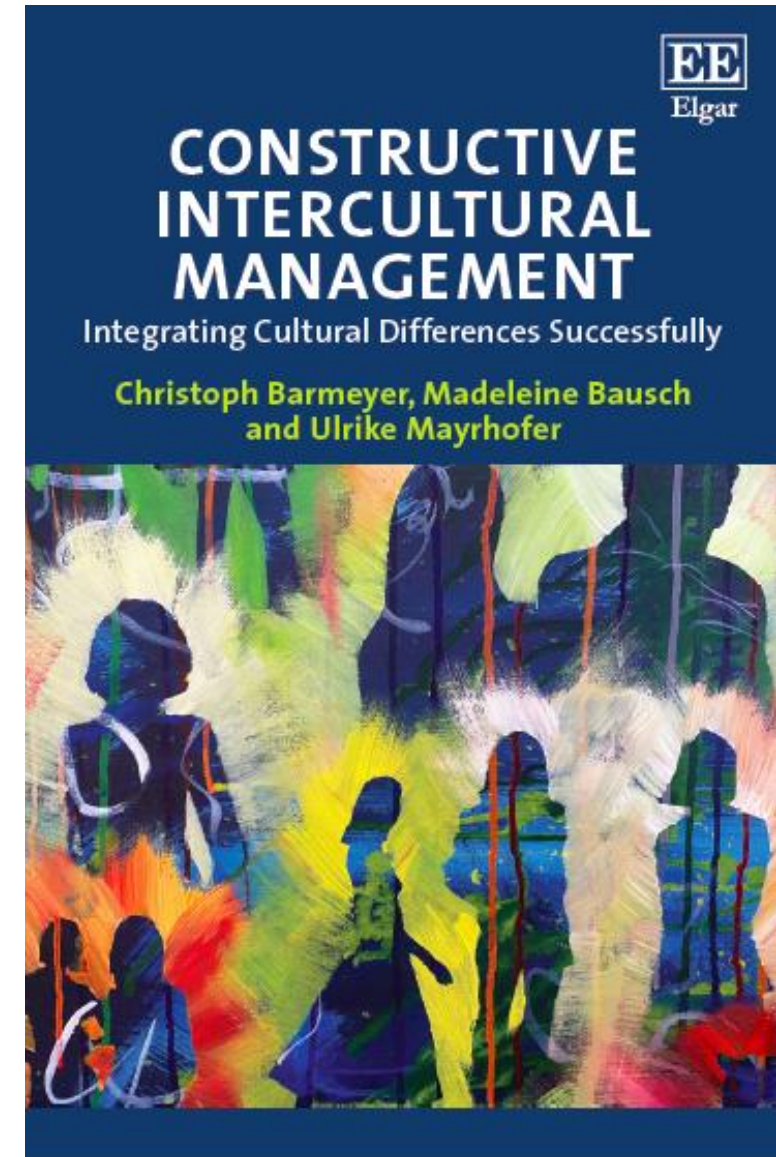
Content

1. Learning objectives
2. Macro-context: Globalization, digitalization and migration
3. Meso-context: Internationalization of organizations
4. Micro-context: Intercultural individuals
5. Conclusion



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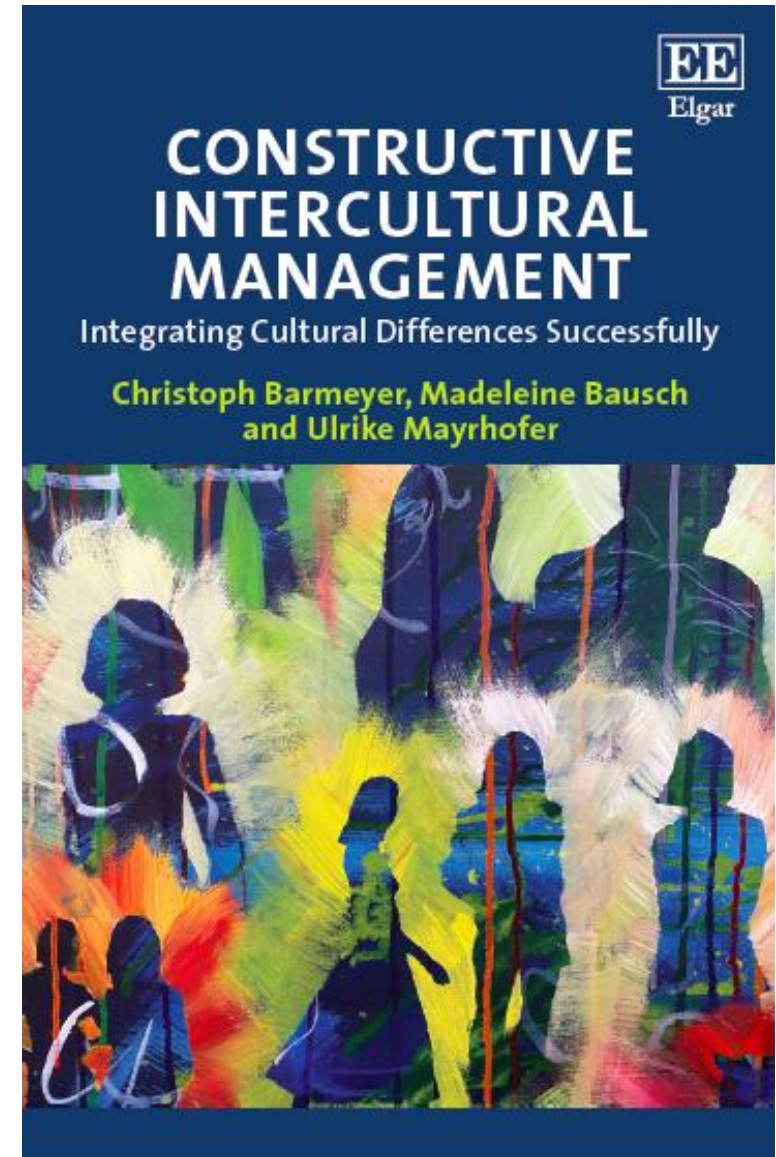


Learning objectives

- Understand that intercultural management is embedded in internationalization and globalization processes
- Be aware about globalization, digitalization and migration trends (macro-context)
- Identify intercultural challenges associated with the internationalization of organizations (meso-context)
- Define cultural identities, intercultural individuals and boundary spanners (micro-context)

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Factors influencing interculturality in organizations

- Global investment trends
- Digitalization & the VUCA world
- International migration and mobility



Macro-context: Global investment trends

Geographic region	FDI inflows (billion dollars and per cent) (2019)	FDI outflows (billion dollars and per cent) (2019)
Developed economies (1)	800 (52%)	917 (69.8%)
<i>Europe</i>	<i>429 (27.9%)</i>	<i>475 (36.1%)</i>
<i>North America</i>	<i>297 (19.3%)</i>	<i>202 (15.3%)</i>
Developing economies (2)	685 (44.5%)	373 (28.4%)
<i>Africa</i>	<i>45 (2.9%)</i>	<i>5 (0.4%)</i>
<i>Asia</i>	<i>474 (30.8%)</i>	<i>328 (24.9%)</i>
<i>(East and South-East Asia)</i>	<i>389 (25.2%)</i>	<i>280 (21.3%)</i>
<i>Latin America and the Caribbean</i>	<i>164 (10.7%)</i>	<i>42 (3.2%)</i>
<i>Oceania</i>	<i>1 (0.1%)</i>	<i>-1 (-0.1%)</i>
Transition economies (3)	55 (3.6%)	24 (1.8%)
World	1,540 (100%)	1,314 (100%)

(adapted from UNCTAD, 2020, 13)

Macro-context: Digitalization and the VUCA world

- Increased use of digital technologies, resulting in a shift to digital processes and solutions
- Industry 4.0
- VUCA = **V**olatility, **U**ncertainty, **C**omplexity, **A**mbiguity (Bennett & Lemoine, 2014)

“The digital transformation has accelerated the internationalization and globalization processes. In general, they have changed economic, social, cultural and human interaction.” (Barmeyer, Bausch & Mayrhofer, 2021, 10)

International migration and mobility

- Today, one out of 30 people has a migration background (International Organization for Migration, 2019)

Top 10 countries of origin

India: 17.5 million

Mexico: 11.8 million

China: 10.7 million

Russian Federation: 10.5 million

Syrian Arab Republic: 8.2 million

Bangladesh: 7.8 million

Pakistan: 6.3 million

Ukraine: 5.9 million

Philippines: 5.4 million

Afghanistan: 5.1 million

Top 10 countries of destination

United States: 50.7 million

Germany: 13.1 million

Saudi Arabia: 13.1 million

Russian Federation: 11.6 million

United Kingdom: 9.6 million

United Arab Emirates: 8.6 million

France: 8.3 million

Canada: 8 million

Australia: 7.5 million

Italy: 6.3 million

(International Organization for Migration, 2019; United Nations, 2019)

Convergence or divergence of cultures?

1. The *convergence* thesis
→ predicts a global alignment of cultural and institutional characteristics
2. The *divergence* thesis
→ predicts the increasing development of unique cultural and institutional characteristics

Characteristics	Convergence	Divergence
Assumption	Differences are likely to disappear.	Differences are likely to remain or increase.
Consequence	Cultural homogeneity	Cultural heterogeneity
Management	Management methods are universal and can be transferred and applied in other societal contexts.	Management methods are marked by their culture of origin and encounter resistance when applied in other societal contexts.
Risk	The negation of culture may cause misunderstandings and conflicts.	The overestimation of culture may cause misunderstandings and conflicts.
Organizational change	Cultures can change over time; therefore, it is possible to develop and implement new corporate values and practices.	Cultures resist change; consequently, adjustments and compromises are necessary.

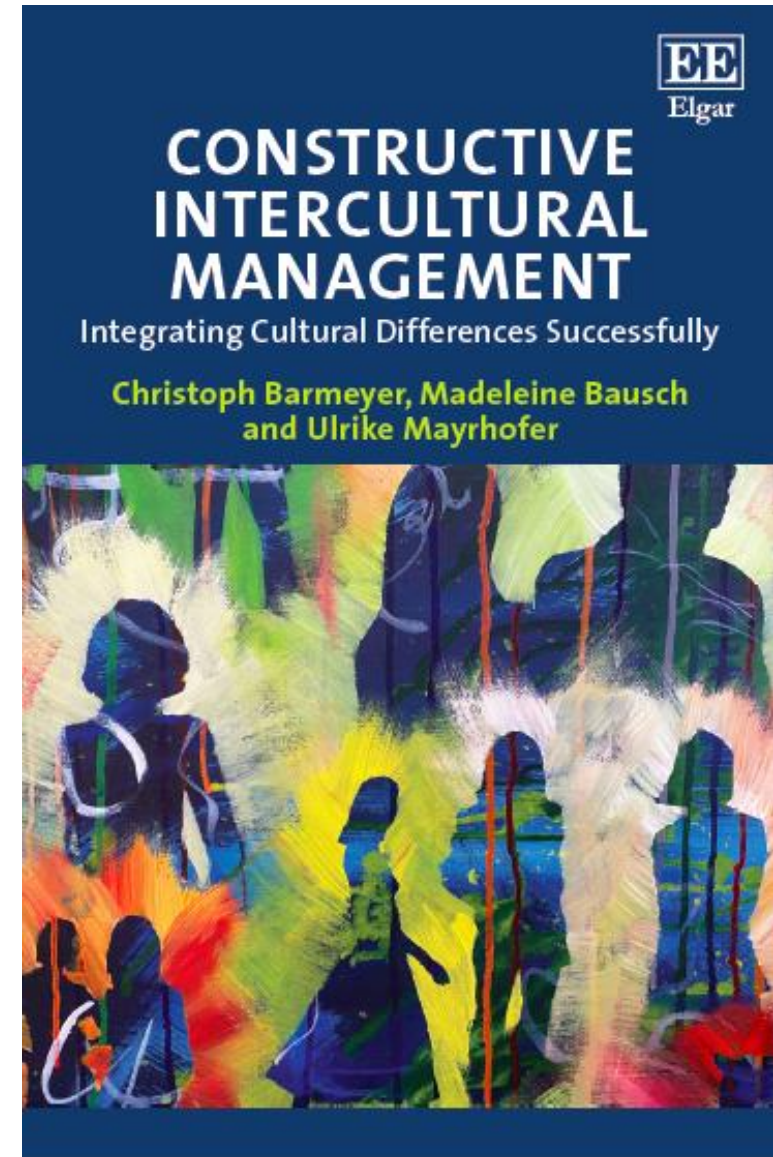
(adapted from Barmeyer & Mayrhofer, 2008, 31)

Crossvergence

„Crossvergence advocates that the combination of sociocultural influences and business ideology influences is the driving force that precipitates the development of new and unique values systems among individuals in a society owing to the dynamic interaction of these influences.“ (Ralston, 2008, 28)

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Foreign market entry modes

Export activities

- The selling of products and services abroad

Strategic alliances

- Cooperation contracts, minority equity investments and joint ventures

Wholly owned subsidiaries

- Subsidiaries whose capital is fully controlled by the company

(Mayrhofer, 2013)

Foreign market entry modes

The establishment of wholly owned subsidiaries abroad affects different fields of action in MNC (Moore, 2016; Schmid, Grosche & Mayrhofer, 2016):

- (1) Organizations coordinate their actions across borders (transnationalization)
- (2) The complexity of managing multinational companies increases with the diversity of headquarters–subsidiaries relationships.
- (3) Resource acquisition involves different cultural and institutional contexts.
- (4) Internationalization strategies develop in tension between process design, implementation (headquarters) and adaptation (subsidiaries).

Diverging conceptions of organizations

“Organizations are **cultural constructs** and, at the end of the day, any social system is a set of relationships between actors. The **essence of these relationships is communication.**

Communication is the transport of information and information is the carrier of meaning. Since culture is the system of shared meaning, **the organization is essentially a cultural construct.**”

(Trompenaars, 2003, 183)

Functional versus person-oriented views of organizations

Characteristics	Functional organization	Person-oriented organization
Conception of the organization	System of tasks, functions and objectives	System of persons working together on a project
Metaphor	'Well-oiled machine'	'Pyramid of people'
Structures	Defining activities	Defining degree of authority and status
Position of actors in the structure	Functional	Social
Management coordination	Tasks and responsibilities: who is responsible for what?	Relationships between actors and definitions of authority zones: who has authority over whom?
Authority	Functional attribute: limited, specific and impersonal	Personal attribute: diffuse, all-encompassing and personalized
Achieving order and efficiency	Heterarchical distribution of functional responsibilities	Hierarchical structures of authority relationships
Management instruments	High degree of participation and personal responsibility: MBO (management by objectives), empowerment, 360° feedback, matrix organization	Hierarchy: paternalist leadership style, clear roles; 'open-door' policy

(based on Amado, Faucheux & Laurent, 1991, 82; Hofstede, Hofstede & Minkow, 2010)

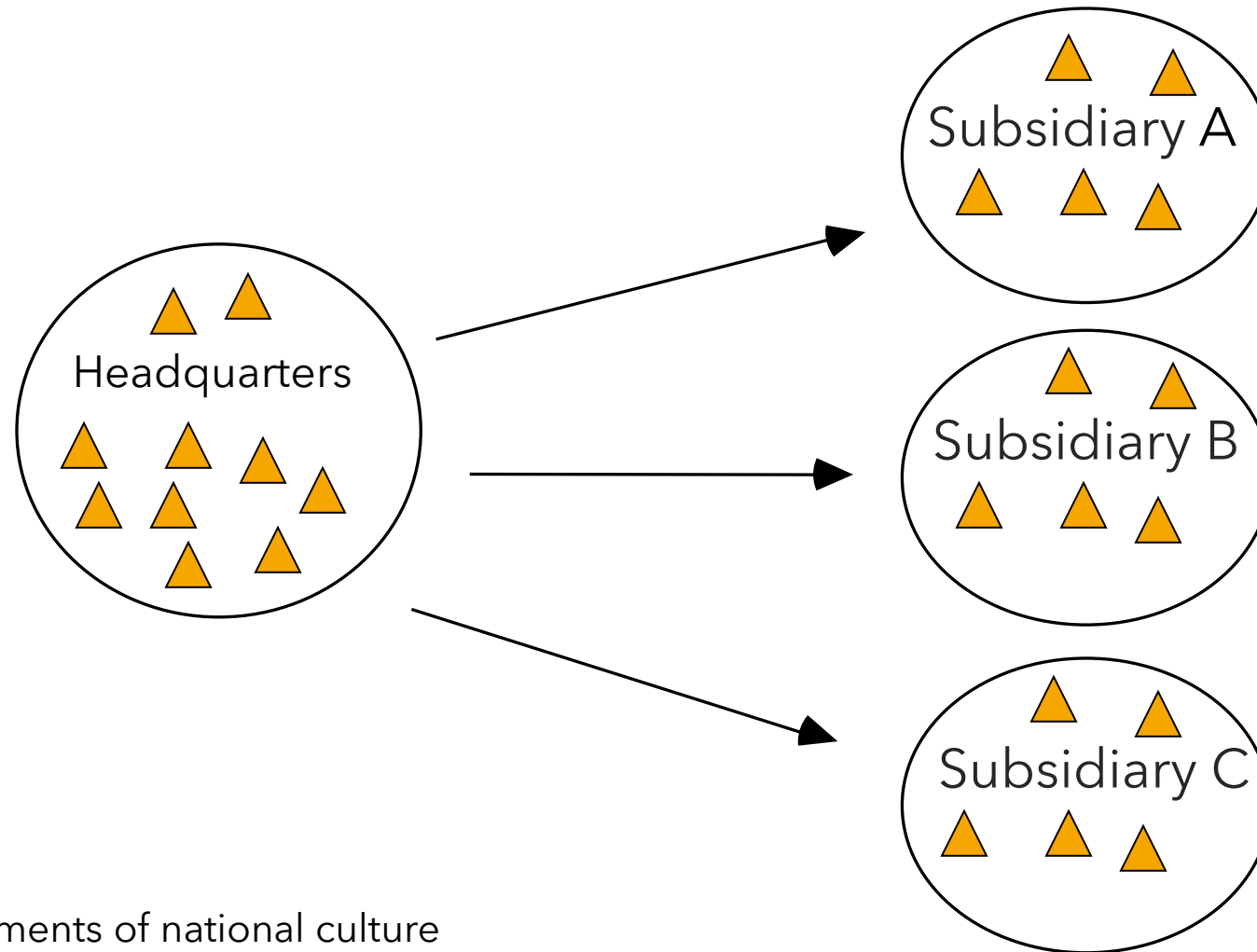
Strategy: Managing subsidiaries

The EPRG model allows to differentiate four strategic orientations of international companies:

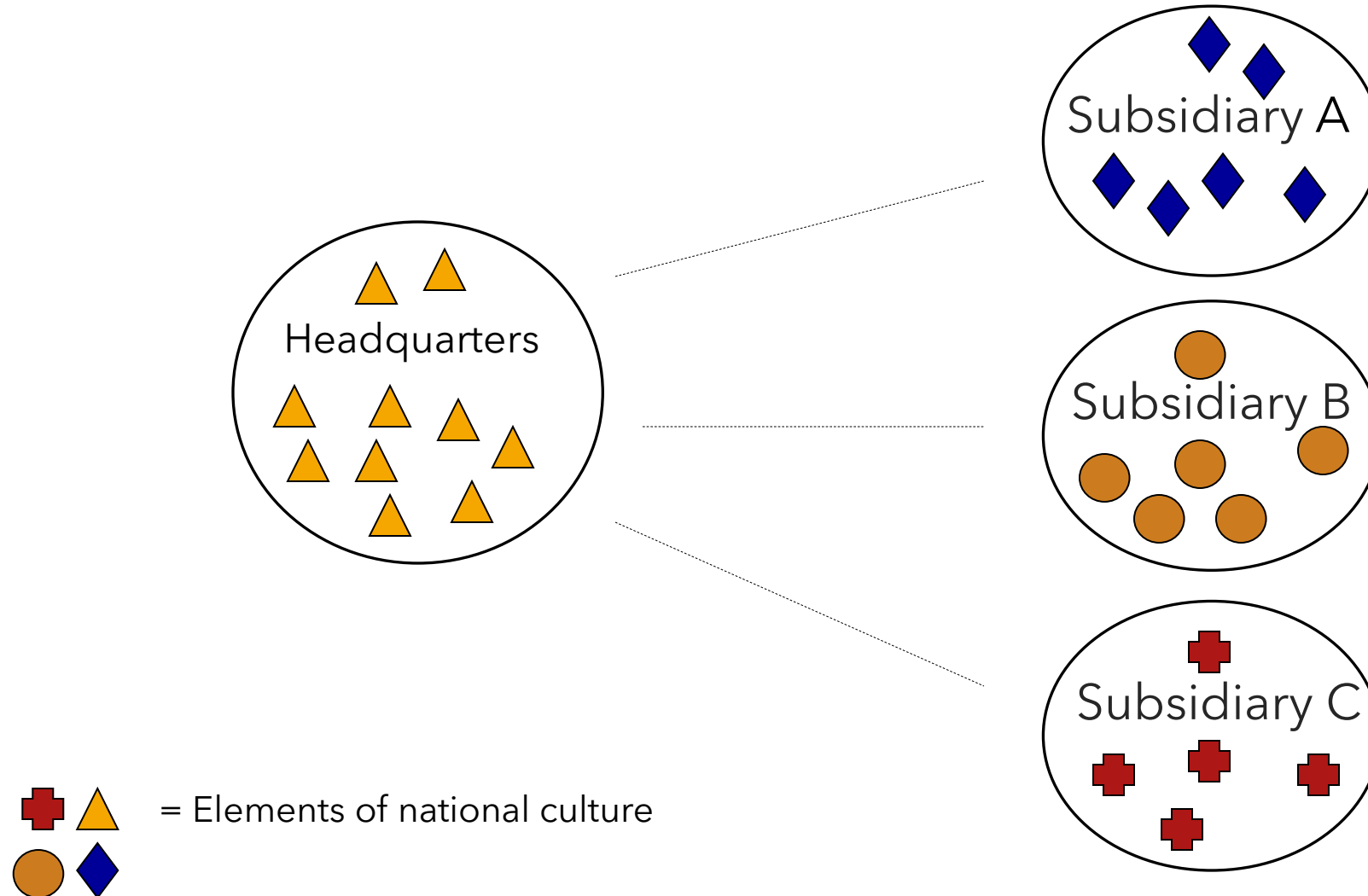
1. Ethnocentrism
2. Polycentrism
3. Regiocentrism
4. Geocentrism

(Perlmutter 1969; Perlmutter & Heenan, 1979)

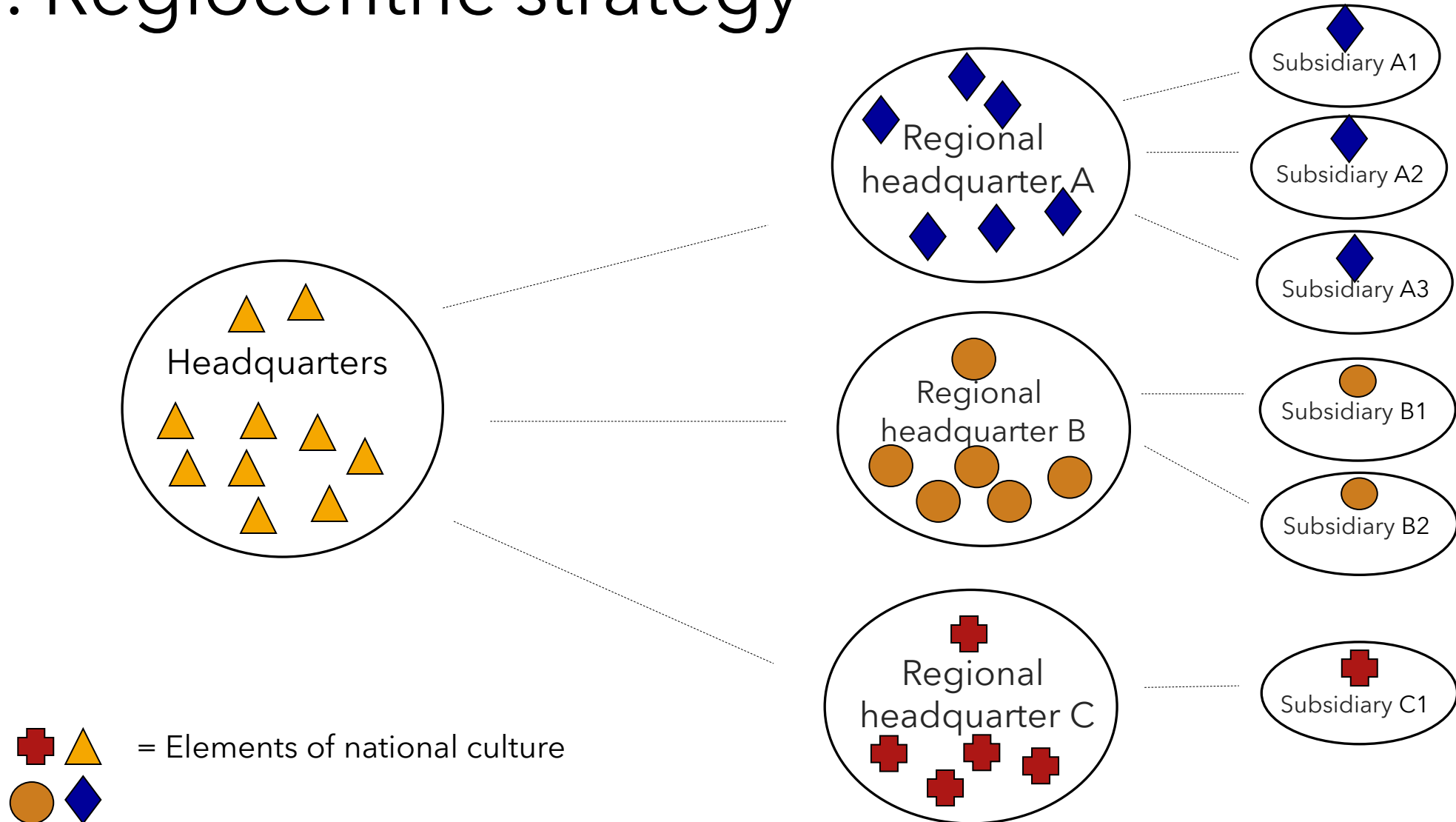
1. Ethnocentric strategy



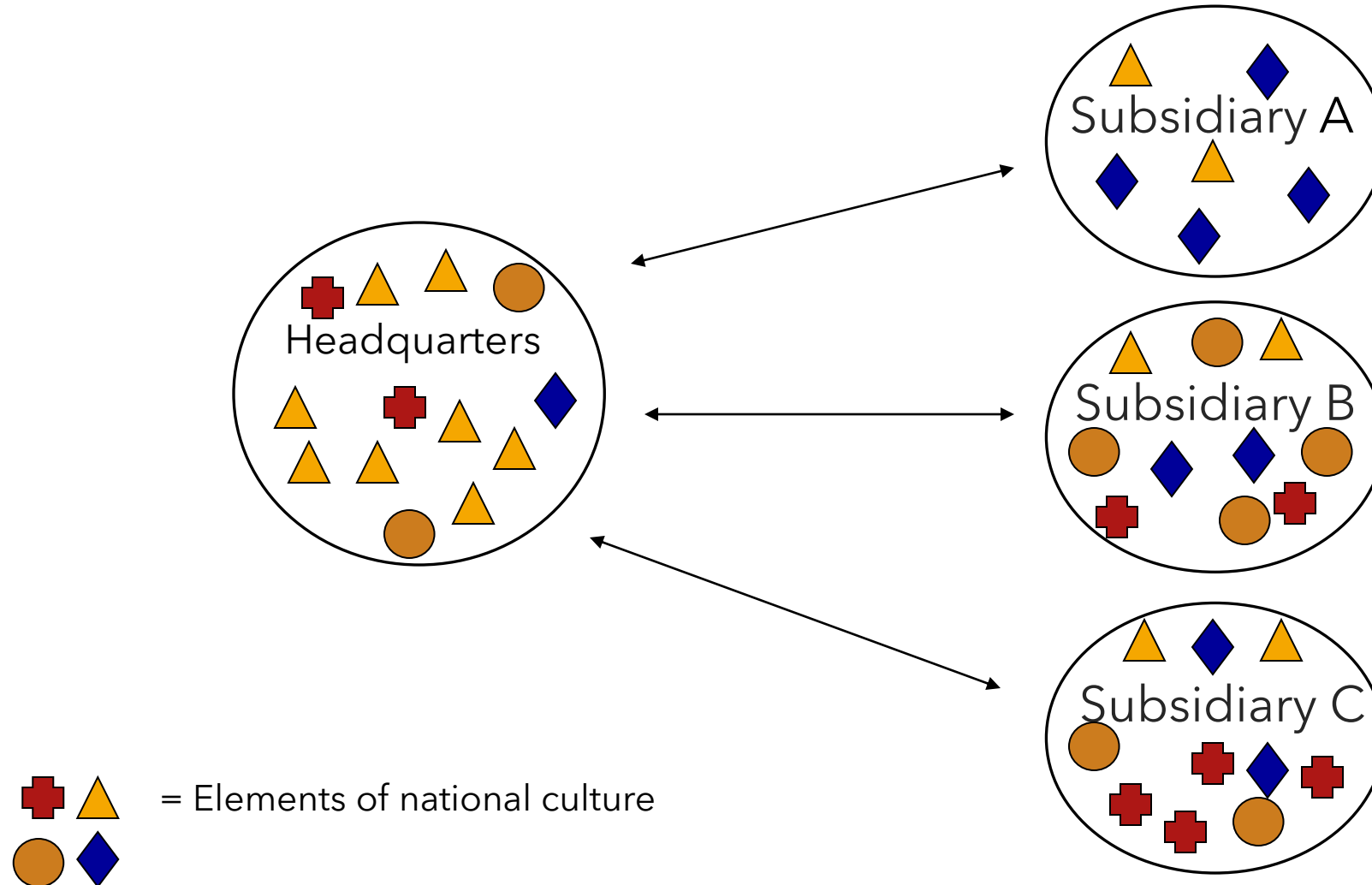
2. Polycentric strategy



3. Regiocentric strategy



4. Geocentric strategy



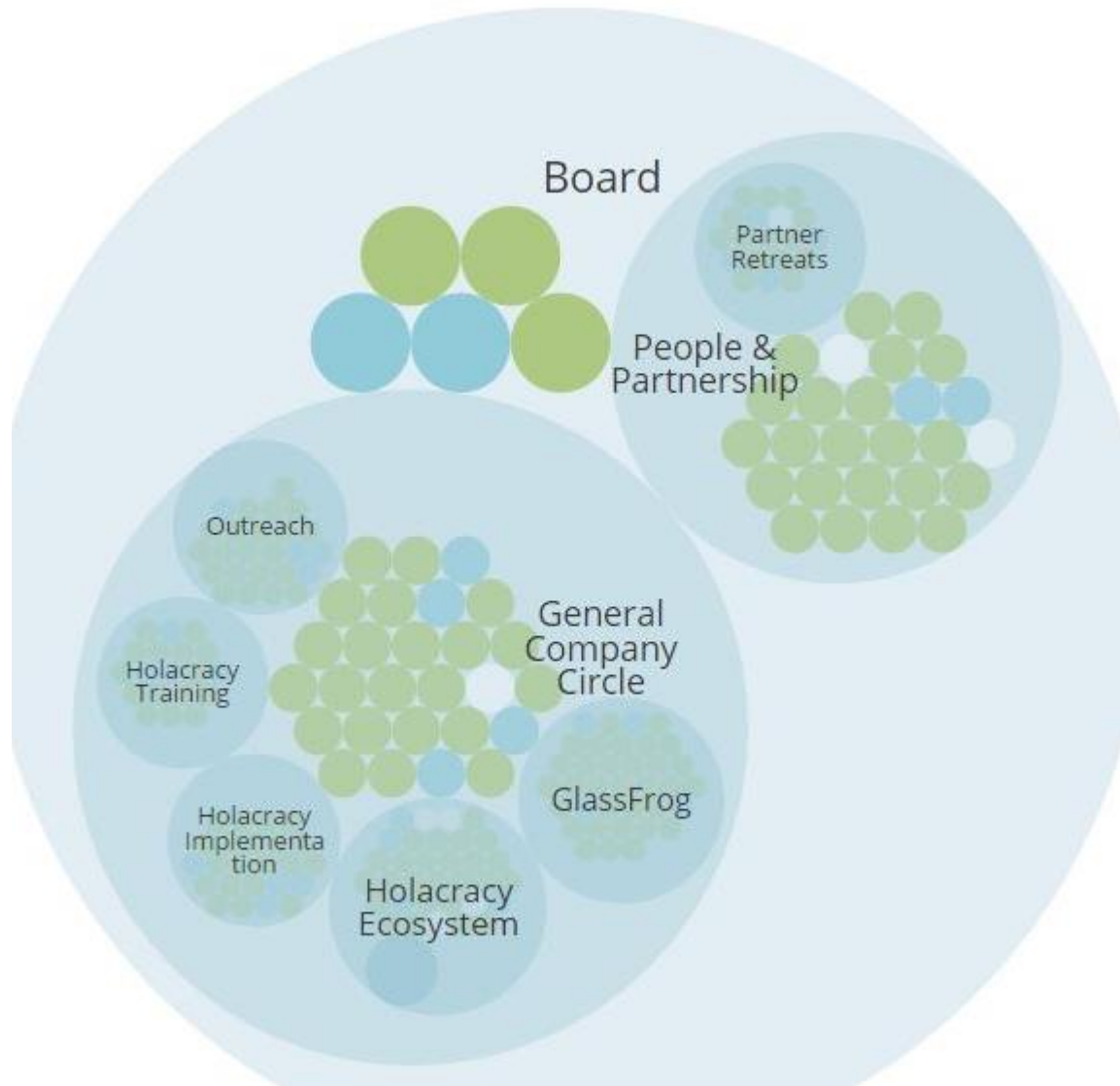
Dealing with cultural diversity

Characteristics	Ignoring cultural differences	Minimizing cultural differences	Utilizing cultural differences
Strategic orientation	Ethnocentric	Polycentric	Geocentric
Assumption of culture	Irrelevant	Problematic	Opening opportunities
Major challenge	Gaining acceptance	Achieving coherence	Leveraging differences
Major concern	Inflexibility	Fragmentation	Confusion
Expected benefit	Standardizing	Localizing	Innovating
Performance criteria	Efficiency	Adaptability	Synergy
Meaning for constructive interculturality	Dominance of <i>one</i> option	Multitude of <i>separate</i> options	Multitude of <i>combined</i> options

(adapted from Schneider, Barsoux & Stahl, 2014, 247)

New Organizational Forms

- Internationalization and globalization have challenged the traditional view of coherent, stable and continuously growing organizations
- Companies have adapted their strategies, structures and processes to remain competitive and new organizational forms have emerged, e.g.:
 - Born global companies
 - Holacratic organizations



Holacracy

- Decentralized management and organizational structures
- Authority and decision-making are distributed throughout self-organizing teams.
- Holacracy structures enjoy a high degree of agility and can easily change their processes and adapt to external pressures and changes (Robertson, 2015).

Example: VALVE

- Emblematic example for a decentralized organization
- Development of video games (Counter-Strike or Half-Life)
- Handbook for new employees
 - 'Cabals' structure
 - Anyone can modify Valve's code
 - Open error culture
 - Evaluation of work occurs via peer reviews and stack ranking
 - 'Bring your friends' principle

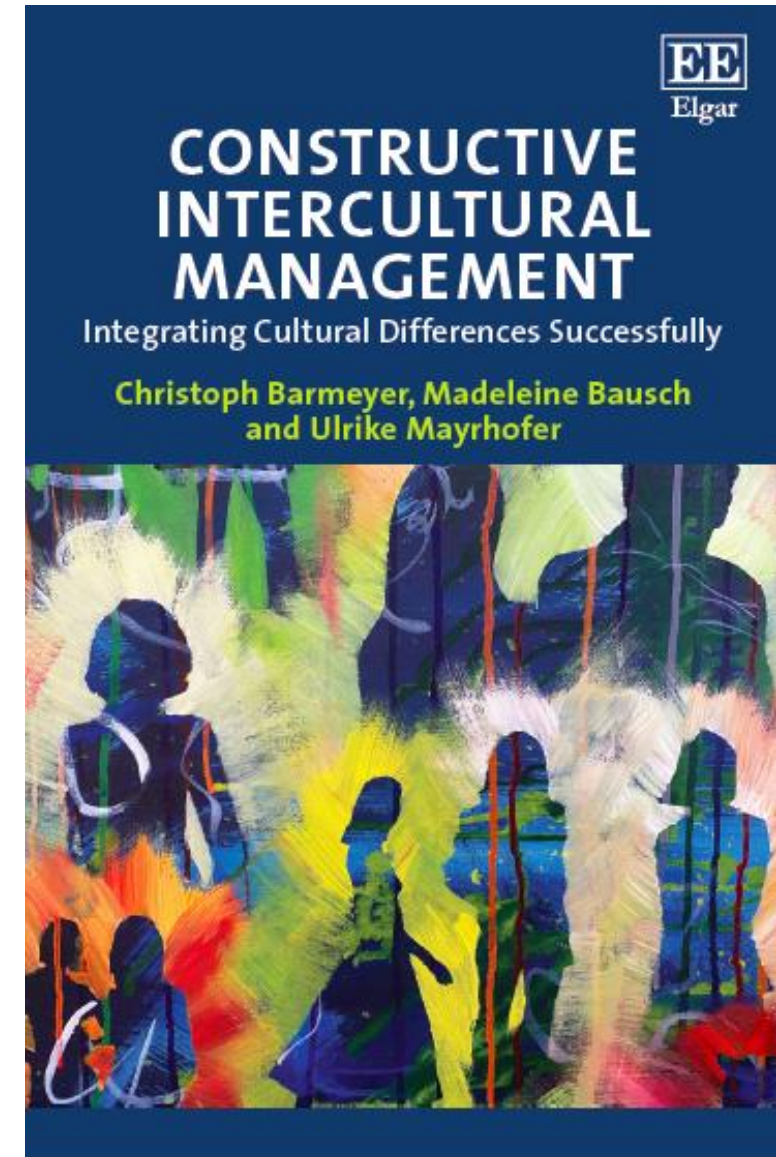


VALVE[®]

**HANDBOOK FOR
NEW EMPLOYEES**

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Cultural identities of individuals



(Schneider, Barsoux & Stahl, 2014)

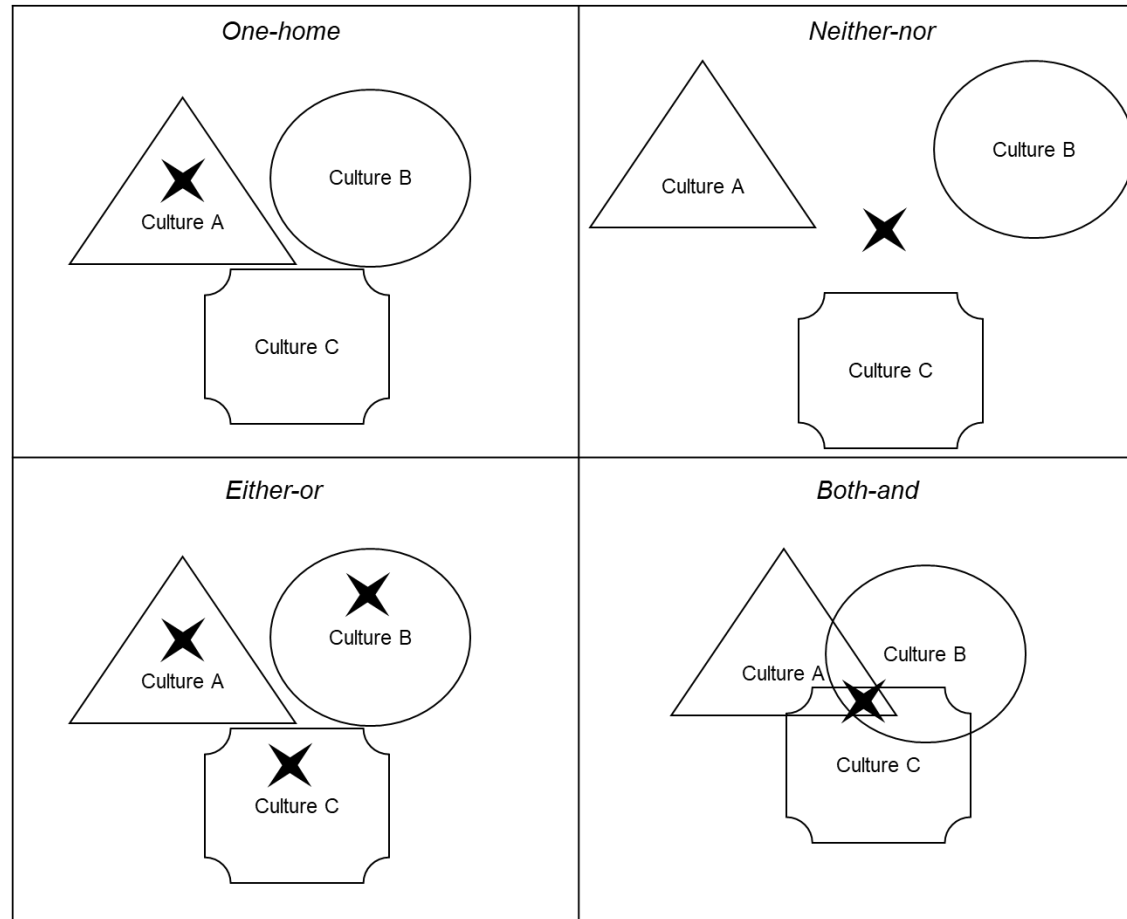
Intercultural individuals

- Third culture individuals (or third culture kids) (Moore & Barker, 2012; Pollock, van Reken & Pfüger, 2003).
- Cultural marginals (Bennett, 1993; Fitzsimmons, Lee & Brannen, 2012).
- Global cosmopolitans (Brimm, 2010)

Intercultural individuals

- Intercultural individuals present the following characteristics (Brannen, Garcia & Thomas, 2009; Brannen & Thomas, 2010). They:
 - have access to several cultural knowledge systems,
 - understand and speak several languages,
 - are able to switch between different frames of reference (cultural frame switching),
 - dispose of a higher cultural mindfulness,
 - reveal a high degree of empathy and flexibility,
 - have the ability to integrate ideas in novel and more creative ways.

Types of intercultural individuals



(adapted from Brannen, Garcia & Thomas, 2009)

Types of intercultural individuals

1. One-home individuals: usually identify themselves with one of the cultures where they have grown up.
2. Neither-nor individuals: identify themselves with neither the one nor the other cultures; they are also called 'cultural marginals'.
3. Either-or individuals: identify themselves with several cultures, but engage in cultural code switching depending on the context and the situation.
4. Both-and individuals: identify themselves with several cultures and integrate them into something new; they either mix characteristics from these cultures (hybridization of cultural identity) or they develop a new cultural identity (cultural syncretism).

(Brannen, Garcia & Thomas, 2009)

Boundary Spanners

- Intercultural individuals can act as *boundary spanners* and knowledge brokers between two cultures and/or organizations.
- Boundary spanners are individuals “who are perceived by other members of both their own in-group and/or relevant out-groups to engage in and facilitate significant interactions between the two groups.” (Barner-Rasmussen et al., 2014, 887)

Boundary Spanners

Functions	Exchanging	Personal engagement in the exchange of information, knowledge and other resources with actors across units and organizations
	Linking	Utilization of personal networks to enable other, previously unconnected actors to connect across unit and organizational boundaries
	Facilitating	Personal engagement in facilitating and assisting others' cross-boundary transactions
	Intervening	Personal active intervention in inter-unit and inter-organizational interactions to create positive outcomes
Skills	Cultural skills	Extent to which individuals have internalized both tacit and explicit aspects of domain-specific knowledge, values, norms and beliefs
	Language skills	Extent to which individuals are able to interfere in and to master the linguistic and semantic signals that together constitute a particular language and to transfer meaning in that language

(based on Barner-Rasmussen et al., 2014, 893)

Overview

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Conclusion

- Intercultural management is embedded in internationalization and globalization processes.
- Characteristics of the macro-, meso- and micro-contexts:
 - **Macro-context:** primarily shaped by global investment flows, digitalization and the VUCA world as well as international migration and mobility.
 - **Meso-context:** mainly concerns the internationalization of companies.
 - **Micro-context:** refers to the cultural identities of individuals.

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