

Constructive Intercultural Management

Integrating Cultural Differences Successfully
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CONSTRUCTIVE INTERCULTURAL MANAGEMENT

Integrating Cultural Differences Successfully

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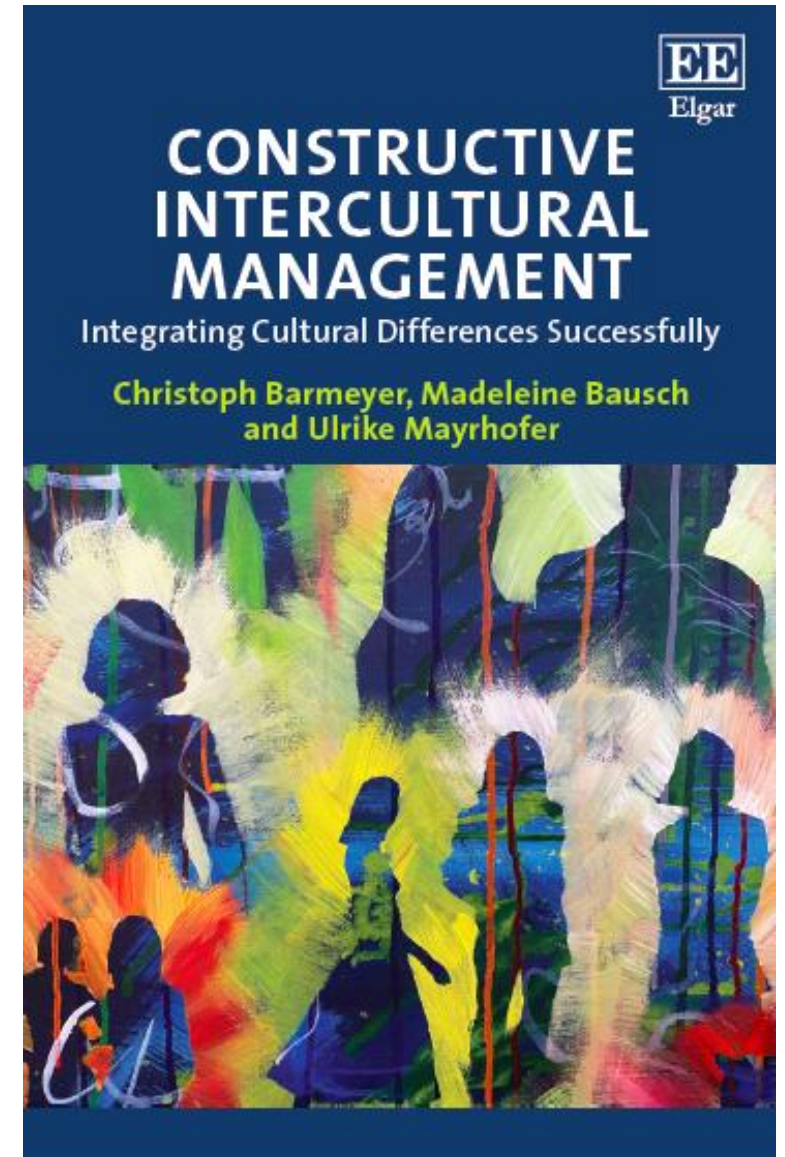


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Chapter 8: Intercultural transfer of management practices

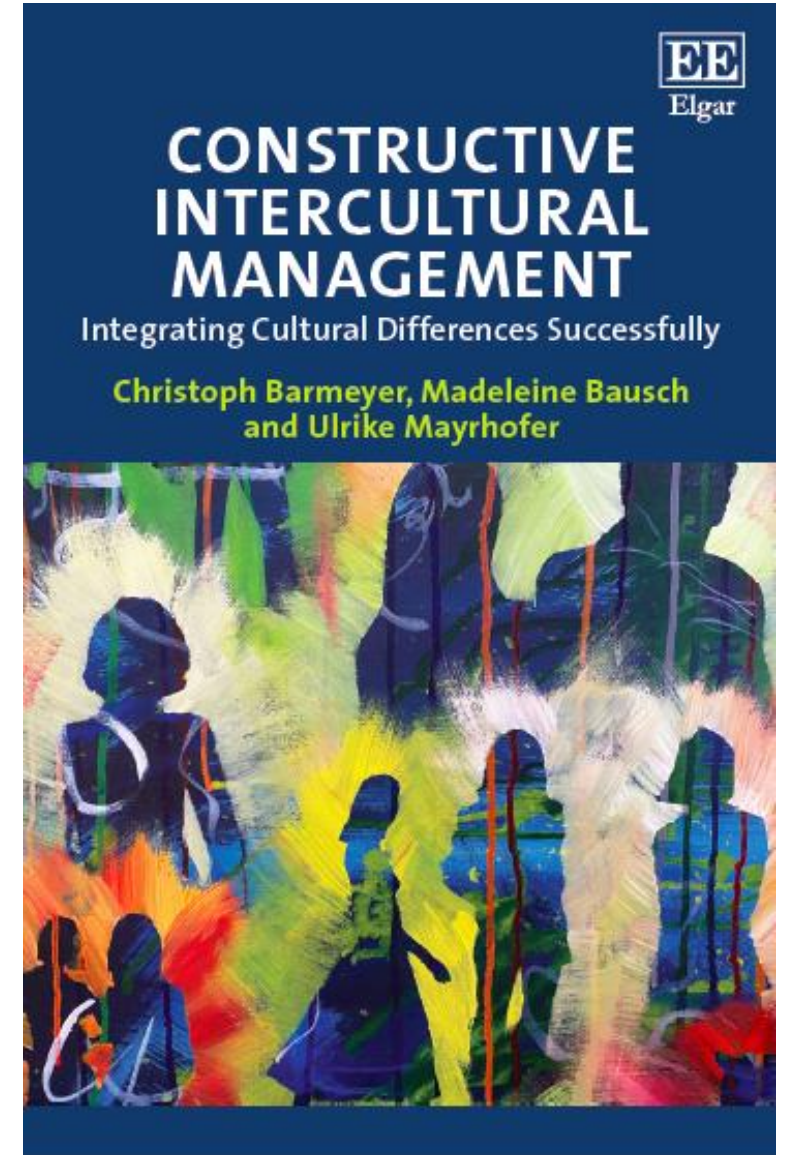
Content

1. Learning objectives
2. Concepts and models of intercultural transfer
3. Challenges in intercultural transfer
4. Constructive intercultural transfer of management practices
5. Conclusion



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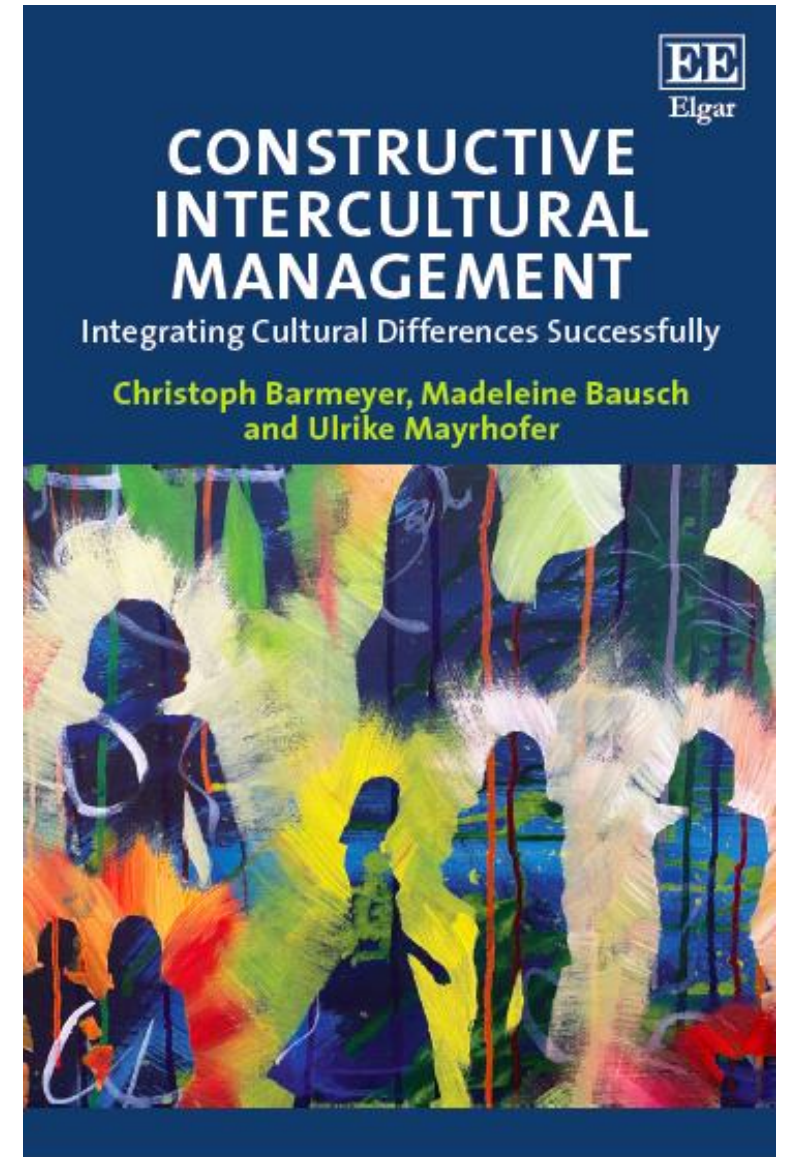


Learning objectives

- Be familiar with concepts and models of intercultural transfer
- Know how multinationals can organize intercultural transfer processes
- Understand the concepts of contextualization, decontextualization and recontextualization
- Gain an appreciation of how to manage intercultural transfer constructively

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International transfer

As global players, organizations transfer products and services, knowledge (know-how) and management practices across national borders, for example:

- Production methods, e.g. lean management, quality management
- Environmental practices, e.g. corporate social responsibility
- HR practices, e.g. diversity management, HR assessment tools (360°feedback)



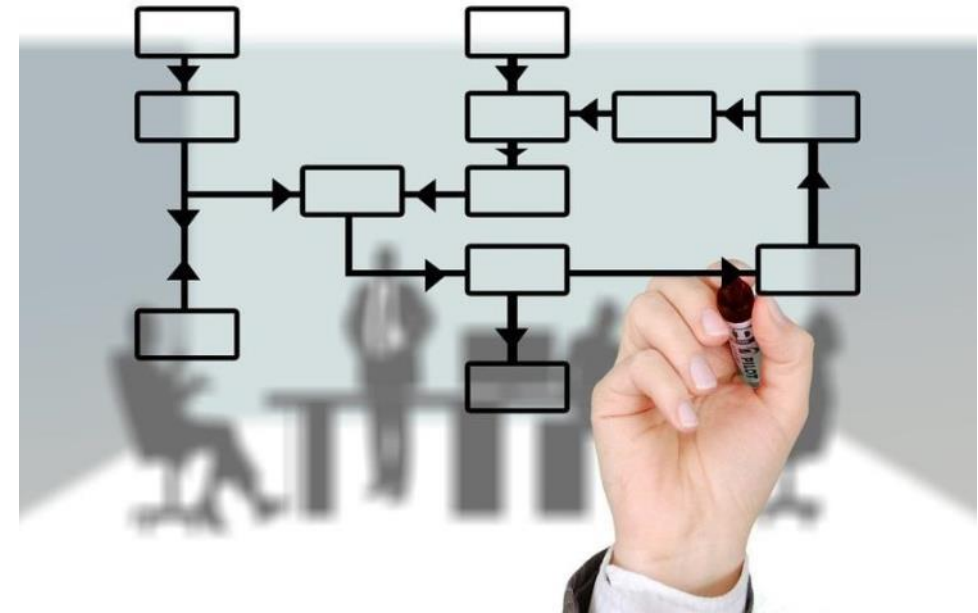
International transfer



- The **intercultural transfer of management practices** concerns the diffusion and adaptation of artefacts, routines and practices across cultural boundaries.
- Internationalization and globalization increase the necessity to transfer management practices interculturally, within and between organizations.
- Transfer processes can take place at the individual, organizational and societal levels.
- They are subject to culture, institutions and contextual conditions, e.g. asymmetries of interests and power (Ybema & Byun, 2009).

Concepts and models of intercultural transfer

- The success of multinational companies depends on the **effective circulation of knowledge and ideas**.
- Headquarters often attempt to exert direct influence on their subsidiaries through coordination, management and control mechanisms.
- They strive for the harmonization and standardization of their strategies, structures, processes and organizational cultures to reduce complexity and to create coherence, alignment and transparency (Dörrenbächer & Geppert, 2017).



Three-level model

Levels	Examples of intercultural transfer
<i>Micro level:</i> Individuals	<ul style="list-style-type: none">• Migrant workers and expatriates• International consulting
<i>Meso level:</i> Organizations	<ul style="list-style-type: none">• Organizational practices• Management instruments (e.g. corporate values, codes of conduct and ERP - Enterprise Resource Planning)
<i>Macro level:</i> Societies	<ul style="list-style-type: none">• Models of vocational training• Liberalization/hybridization of economic models

(Barmeyer, Bausch & Mayrhofer, 2021, 120)

Example: Fordlândia

- Named after the founder of Ford Motor Company and located in the Amazon rainforest
- The town was established in 1928 by Henry Ford to secure natural rubber exploitation for the production of car tires in the United States. The aim was to build a city of 10 000 inhabitants, but the project failed.
- Brazilian workers could not get used to the prescribed - puritanically oriented - living and working conditions modelled on the corporate headquarters in Detroit.

(Grandin, 2009)



Example: Fordlândia

- They had to wear identity badges, keep early working hours (from 6 a.m. to 3 p.m.) and adopt the US way of life, including American-style housing and US food in the canteens. Alcohol, tobacco and football were prohibited.
- In 1930, the workers revolted against the prescribed rules of life and nutrition, and the Brazilian army intervened.
- The city was abandoned in 1934 and the area was sold back to the Brazilian government. Nowadays, the city is a ghost town in the middle of the jungle.

(Grandin, 2009)



Example: Schuler in Mexico

- The German company Schuler is the world's leading manufacturer of presses for the metal forming industry. The company employs 6 000 people in more than 40 countries.
- Three subsidiaries are located in Mexico where the company has established a vocational training centre. The three-year course is based on the curriculum for apprenticeships in industrial engineering professions, with theoretical and practical phases like in Germany.
- The participants receive a certificate from the German Chamber of Commerce and Industry, the equivalent to the qualification received in Germany.
- The transfer of the dual vocational training facilitates the supply of a young and skilled workforce, which is essential for the production of high-tech presses and technological system solutions.
- In the past, Schuler was facing difficulties to recruit qualified staff since the Mexican education system does not offer basic technical training as in Germany.

(Schuler, 2013)

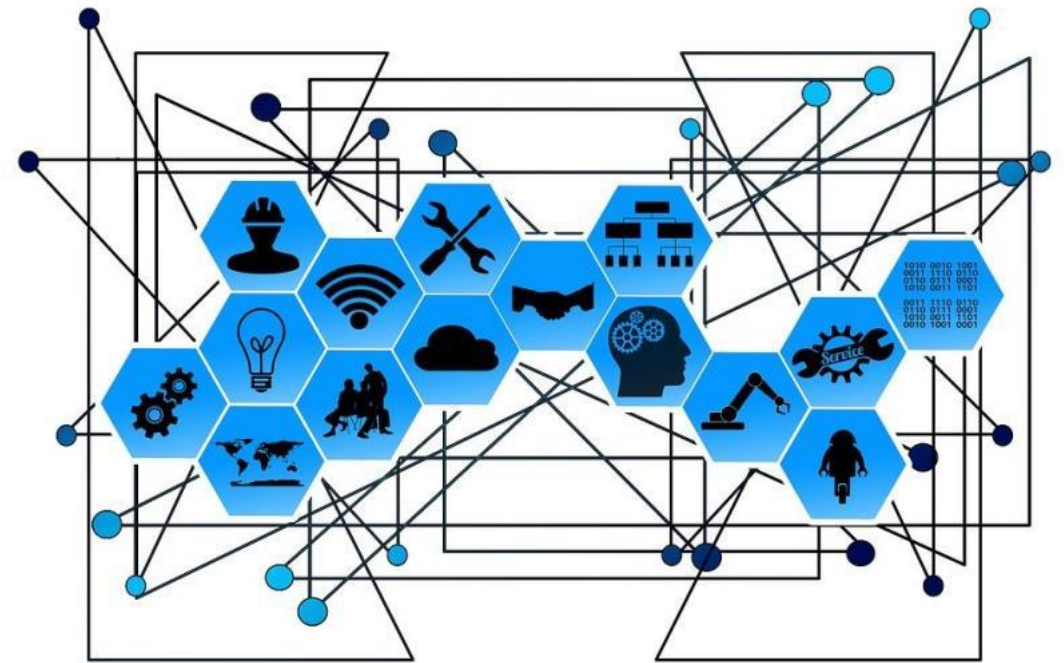
Intercultural transfer of organizational practices

- **Organizational practices** are '[...] particular ways of conducting organizational functions that have evolved over time under the influence of an organization's history, people, interests, and actions and that have become institutionalized in the organization' (Kostova, 1999, p. 309).
- Value-infused practices relate to issues of identity, culture, language, rituals and customs which have evolved within local cultural systems.
- The transfer of value-infused practices requires the transfer of knowledge and behavioural rules, but also the change of patterns of meaning, interpretation, symbolic attachment and individual values (Blazejewski, 2006, 66).

Intercultural transfer of organizational practices

Multinational companies who transfer practices from headquarters to subsidiaries need to take into account four major elements:

- (1) Contexts
- (2) Actors
- (3) Contents
- (4) Interactions



(1) Contexts

- There are **contexts** such as countries and organizations, with defined boundaries and different degrees of information and knowledge permeability.
- Transfer processes are characterized by subordination and superordination, with (strategic, financial and legal) power being generally more concentrated at the parent company.

(2) Actors

- **Actors** such as managers, employees, consultants and stakeholders participate in transfer processes.
- At the headquarters, 'transfer managers' can be responsible for managing subsidiaries and, in particular, implementing information and production systems.
- Expatriates and external consultants can play a mediating role in international transfer processes.

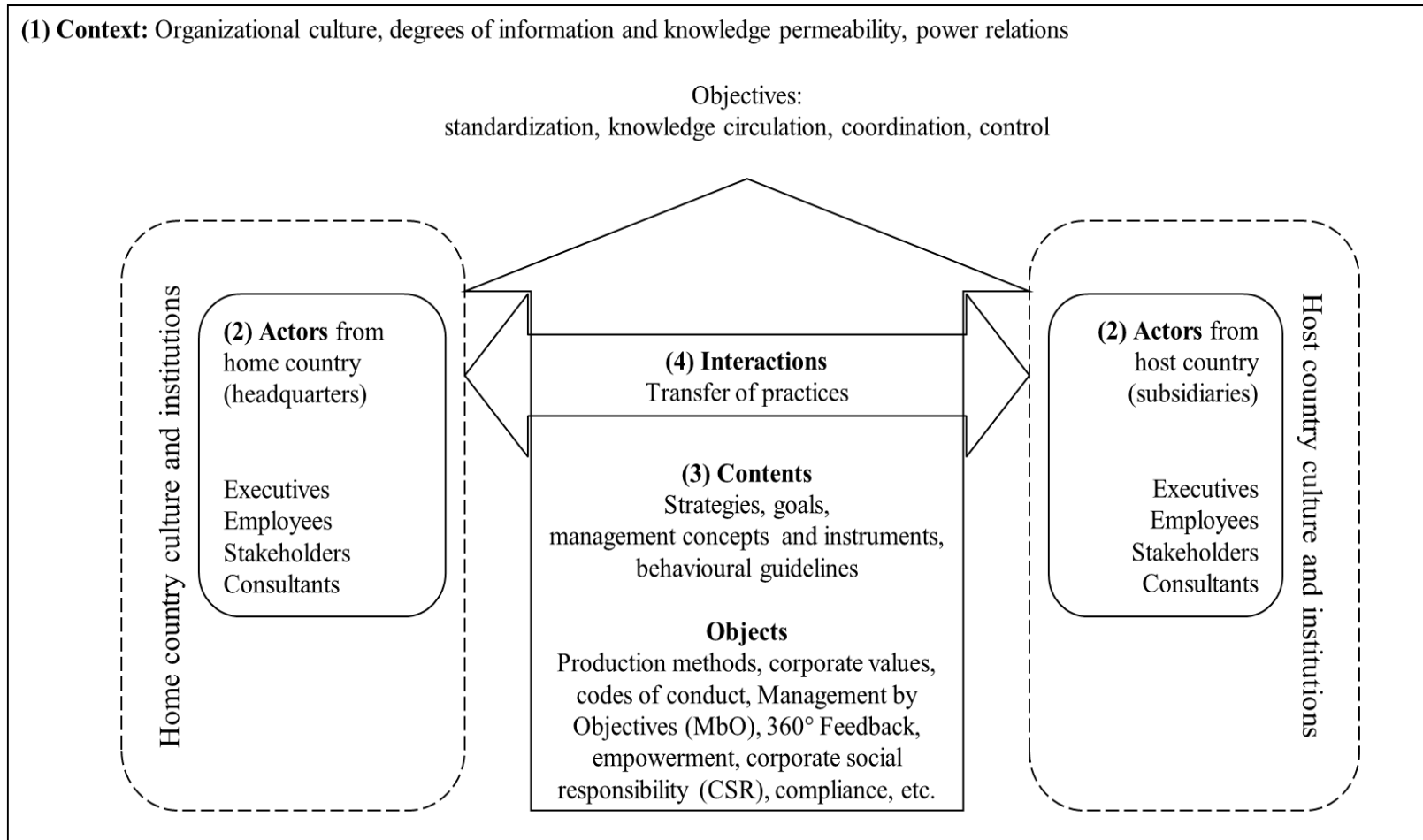
(3) Contents

- **Contents** concern, for example, strategies, goals, management instruments and concepts, and behavioural guidelines.
- They are materialized in objects such as production methods, corporate values and codes of conduct.

(4) Interactions

- Intercultural transfer takes place in **interactions**, with the exchange of knowledge and practices.
- Interactions can be unidirectional or bidirectional, with varying intensity, and might lead to changes within the whole system.
- They are often asymmetrical, originating from the parent company and being transferred to the subsidiary.

International transfer in multinationals



(based on Barmeyer, 2018)

Analysing intercultural transfer processes

The transfer of organizational practices takes place in two steps:

- (1) **Implementation** concerns the way subsidiaries comply with the formal rules of the parent company's organizational practices, and the adoption of behaviours and processes that can be observed objectively.
- (2) **Internalization** refers to the fact that employees of subsidiaries consider the transferred organizational practices to be valuable and give them a symbolic meaning. Employees are motivated and committed to put formal rules into practice and they are satisfied with the new practices.

The **cultural perspective** pays attention to organizational culture and culture in general, which are likely to shape organizational practices.

(Kostova 1999, 313)

Example: Danone

The French Danone group transfers its corporate lean production program to foreign subsidiaries. The program, called 'DaMaWay' (Danone Manufacturing Way), is based on three principles:

- Performance management: indicators and tools are used to guarantee continuous and progressive improvement.
- Organizational development: clear and precise tasks are assigned to workers to develop competences and skills.
- Proximity leadership: communication and teamwork are encouraged.

The implementation and internalization of 'DaMaWay' require adaptations to local institutional contexts.

(Friel & de Villechenon, 2018)

Example: Danone

- In **Argentina**, following the workers' resistance to the program, 'DaMaWay' was renamed 'Proyecto Dueños' ('Project Owners').
- Instead of applying teamwork, each worker was made an 'owner' of his or her task: 'some machines were divided into pieces in order to ensure that every worker had his or her own individual responsibility' (Friel & de Villechenon, 2018, 8).
- A strong labour union secured higher salaries so that workers were motivated by the desire to feel proud of their work, a characteristic of Argentinian culture.

(Friel & de Villechenon, 2018)

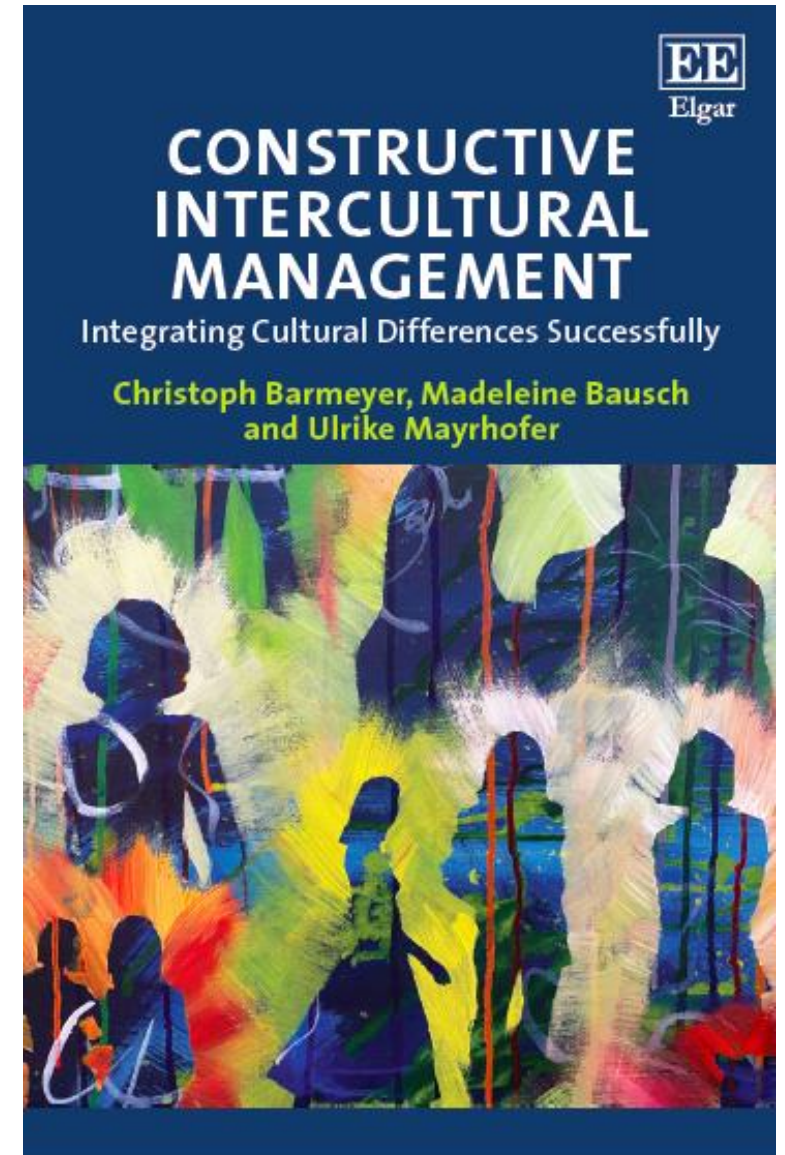
Example: Danone

- In Brazil, teamwork was introduced, but hierarchies remained the same, so that the company started to promote workers to managerial positions.
- High wage differentials between managers and workers, and weak labour unions in Brazil led to the fact that workers were motivated by promotion to compensate wage differentials. They received year-end bonuses for team performance.
- Local labour laws cause high turnover in Brazil, since workers are paid upon their dismissal. Workers with low wages therefore often ask voluntarily for dismissal.

(Friel & de Villechenon, 2018)

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Challenges in intercultural transfer

When new organizational practices are adopted in target organizations, three possible reactions can be observed (Barmeyer & Davoine, 2006):

- **Resistance:** employees resist the introduced practices and do not implement them.
- **Adaptation:** employees adopt the new practices following content-related and linguistic modifications to take into account the local context.
- **Integration:** employees accept the new practices without questioning or conflict.



Example: Transferring corporate values to Europe

A US and a Canadian multinational attempted to transfer their corporate values to their French and German subsidiaries.

- The French subsidiary rejected the common American value of 'compliance' to report misbehaviour, irregularities and infringements, which was interpreted as denouncement and whistleblowing (**resistance**).
- Corporate values were translated into French and German, but words like 'integrity' and 'excellence' had new connotations and had to be changed (**adaptation**).
- The corporate values were displayed in the subsidiaries, but they were not integrated and internalized by local employees.

(based on Barmeyer & Davoine, 2006)

Example: Transferring organizational practices to Japan

- The transfer of organizational practices from a German multinational to its Japanese subsidiary illustrates the potential for conflicts, linked to diverging institutional and cultural contexts.
- The respective entities are described as 'typically German' and 'typically Japanese'.
- Several organizational practices led to incomprehension and conflicts in the Japanese subsidiary.

(Blazejewski, 2006)

Example: Transferring organizational practices to Japan

The corporate value of 'integrity':

- According to German understanding, the term was evidenced with guidelines of conduct relating to price agreements, negotiation tactics and corruption.
- For Japanese managers, this value clashed with local practices, since the exchange of gifts between business partners is an important ritual.
- In Japan, exchanging gifts is a gesture of courtesy that strengthens the quality of relationships between business partners.

English as the common corporate language:

- This challenge refers to the conflict between young English-speaking Japanese employees and older employees with little knowledge of English, but with higher hierarchical positions.
- The latter complained that they were increasingly unable to participate in meetings, misunderstood written and verbal information, and were becoming more isolated in regard to the parent company.

(Blazejewski, 2006)

Example: Transferring organizational practices to Japan

Quality standards set by the German parent company:

- The objective was to reduce costs, but the new standards clashed with the Japanese understanding of quality.
- In Japan, quality has a high symbolic meaning, leading to proudness and identification with the company and its products. Cost reduction cannot take place at the expense of quality.

A global evaluation and feedback system for managers:

- The proposed system is in contrast with the traditional seniority principle in Japanese organizations.
- Evaluation as open criticism and confrontation between colleagues or superiors is not a common practice in Japan due to the value of 'saving face'.

(Blazejewski, 2006)

Example: Transferring codes of conduct to Lebanon

- The Lebanese context is characterized by cultural diversity, the coexistence of religious groups and a high proportion of women in leading positions.
- Several US and European companies observed that their codes of conduct had been adapted by their Lebanese subsidiaries.
- Even if local employees did not express criticism or resistance to the parent companies, they interpreted and adapted several rules of the transferred code of conduct.
- For example, private discussions were allowed at work since social relationships are paramount in the Lebanese culture.
- In the same way, the recruitment of family members was possible, since this is a widespread practice in Lebanon.

(Nakhle & Davoine, 2016)

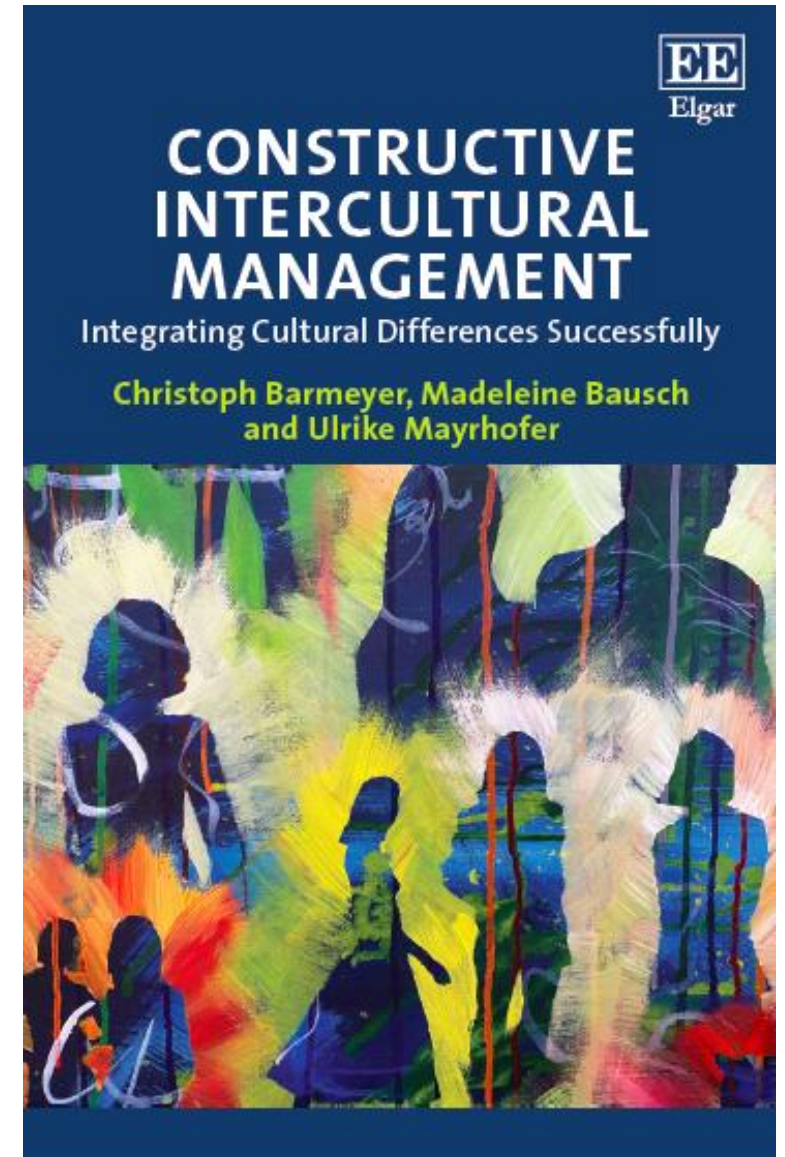
Example: Transferring codes of conduct to Vietnam

- The US headquarters of Pizza Hut proposes a global code of conduct, which employees need to sign to ensure that they will follow the established rules.
- In Vietnam, the implementation of the company's code of conduct presented several challenges for local managers since certain ethical rules clashed with the Vietnamese business culture.
- For example, commissions and gifts from suppliers, illicit payments to local authorities and personal favours appeared to be critical issues.
- Local managers had to explain the importance of the code of conduct for long-term profitability and sustainability, and train local employees to respect the rules and principles established by the US headquarters.

(Claes, 2019)

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Contextualization for intercultural transfers

The transfer of management and control instruments to other cultural contexts might be problematic. There exist three forms of contextualization.

Concept	Time	Challenge
(1) Contextualization	Past	Concepts make sense in their context of origin, but there is a lack of awareness of one's own cultural characteristics
(2) Decontextualisation	Present	Irritation if practices do not fit to the context or seem senseless
(3) Recontextualization	Future	Confrontation with the existing and the new, and dialogical creation of meaning to be effective

(based on Barmeyer, 2012b, 110)

(1) Contextualization

- Organizational practices that are regarded as universal are neither culture-free nor value-free. They are created in a specific cultural and institutional context, at a specific time and in a specific space, due to underlying challenges or problems.
- **Contextualization** can be defined as the consideration of meaningful elements of the actors' organizational environment, which influence the framework for action, i.e. the interactions, and thus contribute to their development and interpretation.

(2) Decontextualization

- When transferred to other cultural and institutional contexts, organizational practices are not always understood since their meaning and sense are likely to change.
- **Decontextualization** describes the state in which practices no longer make sense to local employees. Intercultural misunderstandings lead then to resistance and practices remain ineffective.

Example: Walmart in Germany

- In the United States, codes of conducts require a commitment to the rules of conduct specified by the company, which is expressed by a signature.
- Any breaking of the rules of conduct can lead to sanctions, including dismissal.
- In Germany, the US retail company Walmart made headlines with transferring these rules: two employees were fired because their collegial relationship developed into an intimate one and eventually led to marriage.
- Several months later, the ethics guideline was declared void by the German labour court, and Walmart had to rehire both employees.

(Barmeyer, 2012b, 104)

Example: Rio Tinto in Brazil

- North American codes of conduct often start with a passage stating the prohibition of carrying firearms within the company.
- This is mostly contained in other versions of foreign subsidiaries, although national weapons bans apply in most countries by law.
- While the passage was surprising for European employees of Rio Tinto, an Anglo-Australian metals and mining corporation, the situation was very different in Brazil.
- The ban led to the fact that previously armed and socially weak workers, who received their salaries in a wage bag at the end of the month, were attacked on the company site and had to hand over their monthly salaries, defenceless.

(Barmeyer, 2012b, 104)

(3) Recontextualization

- Transfer processes can provide new knowledge, ideas and elements to organizations, and they initiate change and learning processes which contribute to organizational development. To be effectively implemented, they should be recontextualized (Søderberg, 2015).
- **Recontextualization** refers to a process in which involved actors provide meaning and sense to signs (e.g. language) and objects in social systems (Brannen, 2004). It corresponds to the mutual dialogical negotiation process between actors from different cultural contexts.
- Central elements (e.g., organizational practices) of the context of origin (e.g., the parent company) fit to the context of application (e.g., the subsidiary) in such a way that they are understood as meaningful and accepted as a common frame for action.
- Local interpretations and new combinations of meaning take place, and organizational practices are then perceived as useful.

Example: Walt Disney Company

- Products (cartoon character Mickey Mouse, the figure of the cowboy and souvenirs), organizational practices (service orientation, human resource management and training) and ideologies (the concepts of Disneyland and 'foreignness') take on different meanings when transferred internationally:
- USA: Souvenirs are 'fun' and 'part of the experience'.
- France: Souvenirs are rather a waste of money.
- Japan: Souvenirs must fit into the 'senbetsu' system, i.e. the traditional gift giving custom, and represent a legitimating memento.

(adapted from Brannen, 2004)



Example: Walt Disney Company

Transferred organizational practices	United States	Japan	France
Perception of service orientation	Hypernormal The 'what' and 'how' of services including food reflects American norms and values (e.g., alcohol is prohibited).	Normal Pronounced service and harmony orientation are also present in everyday life.	Abnormal Service orientation is perceived as exaggerated.
Human resource management practices	Hypernormal American standards and labour regulations. Strict 'Disney' dress code and behaviour.	Normal Standards are regarded as patronage by employers who prescribe how to dress.	Illegal and invasive Labour regulations are perceived as an invasion of privacy and personal expression.
Training practices	Hypernormal Disney has its own rules. 40 days of training at Disney University.	Normal No special training is necessary, since rules and service-orientation are taught in all other jobs.	Totalitarian Rules are perceived as totalitarian.

(adapted from Brannen, 2004)

Example: A Danish company in India

- A Danish biotechnology company attempted to implement corporate values, which were defined uniformly throughout the company, in the Indian subsidiary.
- The two values **work-life balance** and **empowerment** show that local adjustments were made at the subsidiary: through reinterpretation the Indian workforce made the corporate values fit into their work context.

(based on Gertsen & Zølner, 2012)

Example: A Danish company in India

- The value *work-life balance* is a general concern for the well-being of employees in Scandinavian countries and, for the Danish multinational, means that the company takes care of employees and encourages professional growth.
- The value was quickly and easily accepted by Indian employees, but adapted to the local context.
- In line with the prevailing 'nurturant leadership', Indian employees reinterpreted the value *work-life balance* as the nurturing of their personal and professional development, including the well-being of their families.
- Consequently, they left the workplace relatively early, even if the work to be done has not been finished yet.

(based on Gertsen & Zølner, 2012)

Example: A Danish company in India

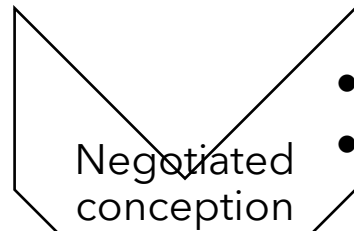
- The value *empowerment* encourages the autonomy of employees. In the Scandinavian context, marked by flat hierarchies, the value refers to the employees' responsibilities and expansion of their scope of action for the benefit of the organization. For the Danish company, it involves developing leadership skills, taking initiatives and encouraging innovation.
- In the Indian subsidiary, the value *empowerment* was interpreted as a lack of interest and support from managers.
- Indian employees expect a rather directive leadership style, with managers taking initiatives, giving orders and controlling their execution.
- They respect hierarchy and are reluctant to provide feedback to superiors. Therefore, local employees waited for their managers to enable them to work with more autonomy.

(based on Gertsen & Zølner, 2012)

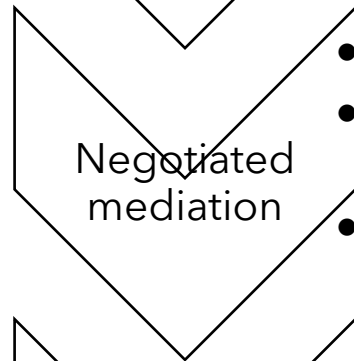
Facilitating factors for the constructive transfer of organizational practices

- **Ethnorelativist attitude:** actors should develop an awareness of cultural differences to better understand intercultural issues and their consequences for management. They need to build intercultural competence to lead transfer processes constructively. This includes an awareness of one's own cultural background and the questioning of context-related management instruments.
- **Strategic impulses:** the organization should provide strategic support and shape the organizational culture to promote an ethnorelativist attitude. Actors will then be able to recognize the practices of host companies as equal in terms of knowledge and skills, and possibly leverage them for the entire organization.
- **Institutional anchoring:** an ethnorelativist stance can be promoted through increased contact and exchange with actors from other cultures, e.g. by short-term assignments, discussion forums and workshops on specific topics. Management can thus address and promote interculturality with institutionalized practices within the organization.

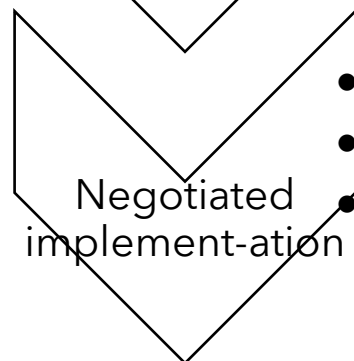
Designing cross-border transfers constructively



- Involvement of employees from home and host organizations
- Common development leads to identification and recognition of meaning of organizational practices



- Joint preparation of reception and recontextualization
- Explanation and understanding of practices under cultural and institutional circumstances
- Deployment of boundary spanners facilitates the exchange



- Creation of opportunities for recontextualization
- A certain scope for interpretation strengthens the meaningfulness for employees
- Toleration of altered or new meanings

(Barmeyer, Bausch & Mayrhofer, 2021, 134)

Designing cross-border transfers constructively

(1) Negotiated conception: the conception and development of management instruments should associate employees from home and host organizations. It is then possible to consider a wide range of cultural ideas, positions and meanings (Özbilgin & Chanlat, 2018).

(2) Negotiated mediation: actors from home and host organizations should jointly prepare the implementation and recontextualization of organizational practices. This includes explaining organizational practices, which take into account institutional and cultural specifics. Expatriates and bicultural profiles can act as boundary spanners to facilitate negotiated mediation (Søderberg, 2015).

(3) Negotiated implementation: the implementation of organizational practices should leave space for recontextualization to allow a certain scope for interpretation (Barmeyer & Davoine, 2011). Employees then have the possibility - to a certain extent - to give management concepts a new meaning that makes sense to them. These meanings should then be accepted by the parent organization.

Example: Transferring organizational practices to Russia

- Two Finnish multinationals experienced significant cultural differences when transferring four organizational practices (corporate culture, human resource management, management training, intercultural and linguistic training) to their Russian subsidiaries.
 - The Finnish culture is characterized by egalitarianism, participation and advanced English language skills.
 - The Russian culture is marked by the post-Soviet period, the preference for a strong leader and limited English language skills.
- They were able to overcome cultural barriers by two internalization mechanisms: boundary spanning and the reliance on local competence, i.e. the recruitment of local managers.

(Koveshnikov et al., 2012)

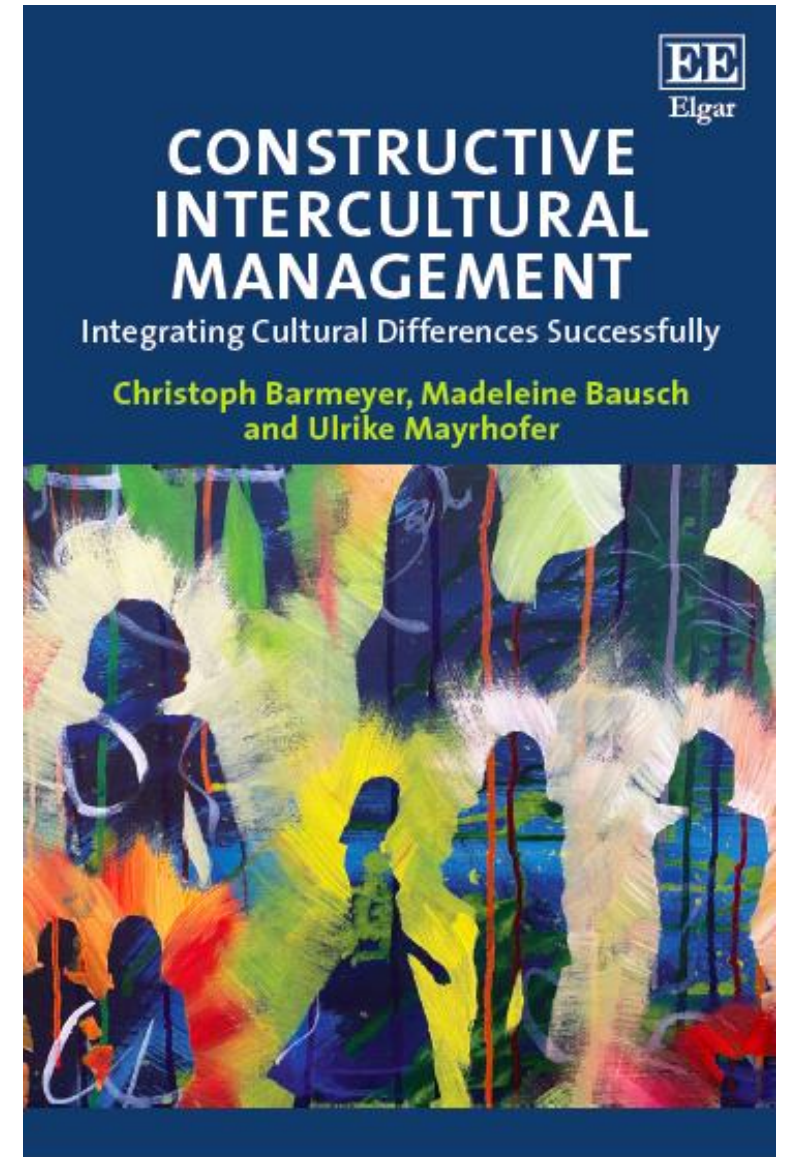
Example: Transferring organizational practices to Russia

- The two multinationals proposed training sessions at the Finnish headquarters to eliminate the mistrust Russian managers initially showed towards Finnish managers.
- They also used translation and boundary spanners to compensate the lack of language and cultural knowledge.
- The companies decided to rely on local, Russian managers in the Russian subsidiaries.
- They were able to create a new corporate culture which was neither shaped by Finnish nor by Russian culture.
- The negotiated corporate values facilitated trust building, lowered the perception of cultural differences and enhanced employee motivation.

(Koveshnikov et al., 2012)

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Conclusion

- Organizational practices emerge in a specific cultural and institutional environment, they are "context bound".
- When multinational companies transfer knowledge and practices internationally, they are facing cultural and institutional challenges.
- These challenges are linked to the intercultural transfer of management tools and practices.
- Recontextualization can facilitate the constructive transfer of management practices between home and host organizations.

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