A MODEL FOR MANAGING CULTURAL DIVERSITY IN INTERNATIONAL JOINT VENTURES: THE SASOL CASE

By

JAN HARM THOMAS REYNEKE

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PROMOTER: **PROF. P F VENTER**

DATE: **NOVEMBER 2006**

NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

Tel (016) 910-3320
Fax (016) 910-3326
E-Mail itbao@puk.ac.za

30 October 2006

TO WHOM IT MAY CONCERN

This is to confirm that the statistical analysis for the Masters dissertation for Mr JHT Reyneke was done by Aldine Oosthuyzen (M Sc) using the STATISTICA computer package.

Yours sincerely

Aldine Oosthuyzen
Manger: IT (Vaal Triangle Campus)

ITBAO p:\vdkadmin\2006\konsultasie\rampa_letter.doc

L.S.

THIS TO CERTIFY THAT THE WORK OF

~~Dr~~ / Mr / ~~Ms~~ JAN REYNEKE has been professionally Edited / proofread / ~~translated~~.

Dr JC Huebsch (MSATG; MSATI)
Member of South African Translators' Institute
255 Louis Trichardt Blvd
Vanderbijlpark 1910
Phone: (016) 933 9857

2007

DR. J.C. HUEBSCH
(MTGSA; MSATI)
Sworn Translator/Linguist
Gesworе Vertaler/Taalkundige
Tel. & Fax: (016) 933-9857

JC Huebsch

DECLARATION

I, Jan Harm Thomas Reyneke declare that:

"A Model for Managing Cultural Diversity in International Joint Ventures: The Sasol Case"

is my own work, that all sources used or quoted have been indicated and acknowledged by means of completed references, and that I have not previously submitted this thesis for a degree at any other university.

.....
JHT Reyneke

November 2006

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OPSOMMING

Besighede in die 21ste eeu staar 'n wye reeks gekompliseerde geleenthede in die gesig. Hierdie geleenthede bestaan, onder andere, uit die uitbreiding in globale markte, die ontwikkeling van interne en eksterne innoverende produkte en gebruike ten einde kompeterend te bly, en die talentvolste werksmag te lok en te behou. Verder, weens die ontwikkeling van sekere tendense van die 1980's – die intensifisering van buitelandse kompetisie, verkorte produksiklusse, stygende kapitale beleggingskoste, en die ewig-groeiende aanvraag vir nuwe tegnologie – is strategiese alliansies besig om 'n al hoe meer aantreklike strategie vir die toekoms te word. Die aantal plaaslike en internasionale alliansies het sedert 1990 jaarliks teen meer as 25% gegroei. Alhoewel hierdie strategiese alliansies 'n aantal vorme kan aanneem, is internasionale gesamentlike ondernemings van die vorme van strategiese alliansies wat die meeste gebruik word.

Globalisasie beteken egter ook, dat organisasies al hoe meer gedwing word om met mense van verskillende kulture te handel. Daarom, word die effektiwitiet waarmee 'n organisasie sy sake bedryf, deels bepaal deur die effektiwiteit waarmee die organisasie kulturele skeidings kan oorbrug. Alhowel organisasies internasionale grense en handelsversperrings oënskeinlik maklik te bowe kom, word kulturele grense nie so maklik oorbrug nie.

Op 'n praktiese vlak manifisteer kultuur in persepsies, behoeftes, denk-patrone en optredes. Die kognitiewe omtrek van kultuur bevat egter geen praktiese oplossinsg nie. Ten einde 'n spesifieke verskynsel te bestuur, moet mens eers die aard daarvan verstaan, en die invloed wat dit op die organisasie het. Sodra die verskynsel verstaan word, kan bestuursparktyke ontwerp en aangepas word om dit doeltreffend te bestuur.

Die literatuuroorsig fokus op wat kultuur is, hoe dit in verkillende dimensies ingedeel kan word, die invloed wat dit op bestuur het, en die formulering van 'n model, gebaseer op die nuutste literatuur, vir die bestuur van kulturele diversiteit in internasionale gesamentlike ondernemings.

Sasol, 'n veelvolkige petro-chemise maatskappy met besigheidsaktiwiteite in ses kontinente, en die derde grootste maatskappy in Suid Afrika, bied 'n ideale platform om die bestuurspraktyke - ten opsigte van die bestuur van kulturele diversiteit in internasionale gesamentlike ondernemings - van 'n prominente Suid-Afrikaanse maatskappy met buitelandse belange, teen die model te toets. Die empirisie studie is uitgevoer deur 'n navorsinsgsvraelys aan dertien senior bestuurders van Sasol, van wie almal 'n internasionale menslike hulkpbronbetsuur, en/of ekspatriasie bestuur, en/ of internasionale gesamentlike ondernemings bestuurs-portfolio het. Die hoofdoel van die vraelys was, om die voorgestelde model vir die bestuur van kulturele diversiteit in internasionale gesamentlike ondernemings te toets teen die huidige bestuurpraktyke, en wel rakende die bestuur van kulturele diversiteit in internasionale gesamentlike ondernemings, van Sasol.

Die navorsingsbevindings toon duidelik, dat alhoewel Sasol voldoen aan sekere bestuurspraktyke soos deur die model voorgestel, Sasol nie aan die oorgrote meerderheid van die bestuurspraktyke, wat in die model vervat is, voldoen nie.

Die studie maak ook spesifieke aanbevelings wat Sasol in staat sal stel om 'n hoër mate van voldoening i.v.m. die model te bewerkstellig.

ABSRACT

Businesses in the 21st Century face a wide array of complex opportunities, including expanding into global markets, developing internal and external innovative products and practices in order to remain competitive, and attracting and retaining the most talented workforce possible. Furthermore, as a result of the maturation of several trends of the 1980s - intensified foreign competition, shortened product cycles, soaring capital investment costs, and the ever-growing demand for new technologies – strategic alliances are becoming an attractive strategy for the future. The number of domestic and international alliances has grown by more than 25 percent annually since 1990. Although these strategic alliances can take on a number of forms, International Joint Ventures are one of the most often used forms of strategic alliances.

However, globalisation means, that organisations are increasingly being forced to deal with people who come from different cultures. Therefore, how effectively organisations perform, depends in part on how effectively they can work across cultural divides. Although organisation cross international boundaries and surmount trade barriers seemingly easily, cultural boundaries are not so easily bridged.

On a practical level, culture translates into perceptions, needs, thought patterns and conduct. The cognitive map of culture, however, holds no practical solutions. In order to manage a particular phenomenon, one first needs to understand the nature of it, and what influence it may have on the organisation. Once the phenomenon is understood, management practices can be designed and developed in order to effectively manage it.

The literature review focuses on what culture is, how it can be grouped into dimensions, the influence it has on management, and, based on the latest literature, formulate a model for managing cultural diversity in International Joint Ventures.

Sasol, a multinational petro-chemical company with business activities in six continents, and being the third-largest company in South Africa, offers the ideal

platform to measure management practises, with regards to management of cultural diversity in International Joint Ventures of a prominent South African company, with off-shore interests, against the model. The empirical study was done by sending out a research questionnaire to thirteen senior managers of Sasol, all with an international human resource and/or expatriate management and/or international joint venture management portfolio. The primary objective of the questionnaire is to test the suggested model for managing cultural diversity in International Joint Ventures against current Sasol management practices, and indeed regarding the management of cultural diversity in International Joint Ventures.

The research findings clearly indicate, that although Sasol complies with certain management practices as proposed by the model, Sasol does not comply with the overwhelming majority of management practises of the model.

The study also makes specific recommendations that will assist Sasol to achieve a greater level of compliance with the model.

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Chapter I

OBJECTIVES AND SCOPE OF THE STUDY

1.1 Introduction

The rapid pace of technological advancements, increased drive for market globalisation, the emergence of new markets and the importance for rapid market response, have all contributed to a considerable increase in the use of international joint ventures (IJV's) by organisations, as a means of pursuing their strategic intent within multinational contexts (Elashmawi, 1998).

An IJV is defined as a separate legal entity representing the partial holdings of two or more parent firms, in which the head office of at least one is located outside the country of operation of the joint venture. This new entity is subject to the joint control of its parent organisations, each of which is economically and legally independent of the other (Petrovic & Kakabadse, 2003:394).

Organisations can no longer expect to provide all the resources and skills required to achieve their strategic objectives from within their own structure, nor afford to carry all costs and risks associated with increased size and complexity of their international activities. As a result, IJV's have become a prevalent mode of entry into global markets and have been a dominant entry mode in most emerging regions (Petrovic & Kakabadse, 2003:394).

As an alternative to wholly owned subsidiaries, organisations commonly use IJV's as strategic weapons to facilitate global expansion (Pitts & Woodside, 1996). In this regard, Drucker (1995) suggests that the greatest change in the way business is being conducted, is the accelerating growth of relationships based not on ownership, but on partnership. This is also supported in Trefry and Vaillant (2002:47), who state that, because of the efforts made for globalisation and geographic changes, modern organisations have increased the interaction between employees from different cultural backgrounds, and therefore, multicultural organisations will become the norm rather than the exception.

Therefore, there can be no discussion of innovation, global markets, foreign subsidiaries or alliances without a comprehensive discussion of cultural issues related to international business.

The cultural mix of international joint venture (IJV) partners, creates a milieu in which competing understandings arise about the purpose and function of systems and organisational cultures. Many IJV partners have different cultures and backgrounds, meaning they interpret the same terms in different ways (Büchel, 2002; Bamford et al., 2004:92). IJV's with specifically shared management, (50/50), have often been characterised by researchers to be particularly sensitive to cultural differences and parental tensions (Birkinshaw et al., 1999).

IJV's are communication intensive and relationship dependent, and they therefore, cannot function well if substantial cultural barriers internally divide them. Lack of sufficient communication and shared information means that much time is wasted in order to arrive at a position of mutual understanding (Büchel, 2002; Bamford et al., 2004:92, 95). If cultural distance is not reduced, or at least channelled into a form that avoids conflict, it is likely to give rise to serious breakdowns in communication of information and integration within international joint ventures (Green & Hassen 2003).

Sasol Limited, the South African based global energy company, is a global player in chemicals and fuels, and has in recent years, as part of its strategy of growth and expansion of its worldwide markets by seeking new business opportunities, including synergistic alliances, embarked on the formation of numerous international joint ventures.

The foundation of Sasol was laid in 1927 when a White Paper was tabled in the South African Parliament to investigate the establishment of a South African oil-from-coal industry. It was realised then that, because South Africa did not have crude oil reserves, the country's balance of payments had to be protected against increasing

crude oil imports. After many years of research and international negotiations, the South African Coal, Oil and Gas Corporation was formed in 1950.

From its first eight drums of creosote to the acquisition of the German CONDEA Group in 2001, Sasol has developed into a company whose success has been founded on innovative thinking. Major milestones include the first automotive fuel (1955), the construction of the National Petroleum Refiners of South Africa (1967) and the establishment in 1990 of its first international marketing company, Sasol Chemicals Europe, which paved the way for its globalisation programme.

The company has developed world-leading technology for the conversion of low-grade coal into value-added synthetic fuels and chemicals. Sasol's chemical activities are structured around the global focus areas of polymers, olefins & surfactants, solvents and waxes. These are supplemented by the Merisol phenolics, African amines and Polymer joint ventures, which further extend Sasol's activities into Australasia and North America. Feasibility studies are currently being conducted to build coal –to –liquid-fuel plants in China and North America.

Increasing finds of natural gas reserves, especially in remote regions, present the opportunity to apply their Slurry Phase Distillate (SPD) process in many parts of the world. Project work for the construction of the US$950 million ORYX GTL plant, has commenced in Qatar. Sasol has been awarded a GTL project in Nigeria. Gas rich regions such as Australasia, the Middle East and the Caribbean, are under review.

Today Sasol's operational footprint extends to more than 20 countries over six continents and exports to over 100 countries. Sasol is one of the top five publicly listed companies in South Africa and is quoted on the JSE and the NYSE.

1.2 Background to the Study

It is evident from the literature, that although international joint ventures (IJV's) are increasing in frequency and strategic importance, the risk of failure of these ventures are high, and many IJV's perform poorly and fail to achieve their objectives (Frayne and Geringer, 1992:69). Studies show, that most IJV's fail within the first five to six years of their establishment, and that on average, IJV's dissolve within six to seven years (Kogut, 1988; Büchel, 2002).

This is supported by empirical research conducted on 97 Japanese manufacturing joint ventures established in the United States in or before 1980, which revealed that by 1994 sixty-four had been dissolved (Hennart & Zeng, 2002). Although reliable figures are difficult to find, it is estimated, that somewhere between fifty and seventy-five percent of all IJV's end in failure (Shimin & Russ, 1999). Even if IJV's do not always result in dissolution, estimates of unsatisfactory IJV performance range from thirty-seven to seventy percent (Geringer, 1991). A study conducted in 1991 amongst forty-nine joint ventures found, that only fifty-one percent were successful. In 2001 a second study was conducted amongst 2000 alliance announcements, and the success rate still hovered around fifty-three percent (Bamford et al., 2004:91).

In theory, joint ventures do not seem to be too complicated. Decisions are to be made and contracts drawn up, but basically they are just about two or more organisations pooling their expertise for mutually beneficial outcomes. In the light of this, IJV's are nothing new and hundreds of organisations are regularly forming alliances. Then why do companies find it so hard to implement and manage IJV's successfully? Why is it that most international joint ventures collapse after six years?

A number of researchers have investigated international joint venture successes and failures. Some critical success factors have been identified.

- Develop clear goals and objectives. While this best practice seems straightforward, it is often the hardest to achieve. Given different operating models, cultures and even accounting policies, it is rare that two parties have the same objectives, metrics and definition of success (Anslinger & Jenk, 2004:19). In a study conducted by the authors, it was found, that the most prevalent cause for joint venture failure was the shift in strategic direction by one partner.

- Proper governance system. Hay (1993:238), and Bamford et al., (2004:92) point out, that joint ventures and alliance partners try to anticipate areas of potential misalignment during the negotiation phase, but many conflicts

surface when the partners dig deep into operational details and start to run the business. Establishing the appropriate governance model is critical for clear decision-making and operating viability.

- Lack of dominant management control. In a study conducted by Jagersma (2005), it was shown that 70 percent of the JVs succeeded in realizing strategic and financial alliance objectives when ownership was equally divided, compared with only 35 percent of those with an uneven shareholding split. However, even where ownership is equally divided, one partner should be clearly responsible for the ultimate management control. There were very few instances of a successful cross-border alliance where management control was shared evenly between the owners (Jagersma, 2005).

- Trust and communication. Research revealed, that trust is an essential element for the success of international joint ventures (IJV's). Interacting, negotiating and planning an IJV, involve the building of trust. Trust is a key element in structuring and developing any relational exchange. However, trust in a business context depends on the ability to interpret culturally coded signs. This is because most organisational decision-making, whether it originates from western or non-western stakeholders, is filtered through a set of cultural assumptions (Berell et al., 2002). If such codes are ignored or misunderstood, trust may be withdrawn. According to Perks and Sanderson (2000:276), the ability to build and maintain trust with people from different cultural backgrounds, is essential for any IJV success. Managers of IJV's are, therefore, required to adapt to the local market, legislation and fiscal regimes, and to the cultural system.

- Conflict between the parent organisations due to cultural differences. Cultural difference may create ambiguities in the relationship, which may lead to conflict and even dissolution of the venture. A theme that runs through much of the literature on IJV's are, that conflict in general, and cultural conflicts in particular, can lead to instability and poor performance. (Killing 1983; Nam, 1995:554; Darling & Fogliasso, 1999:383; Hennart & Zeng 2002).

The management of a multicultural workforce is complicated by the following factors.

- From technical specialist to manager of people with various functions. Neal (1998:52) reported on research conducted amongst management, that proved most managers began their careers in technical roles in their home countries, but a significant proportion of these soon went abroad. It emerged that cultural problems in these early foreign assignments had been slight, and had made very little impact on their ability to perform their tasks, mainly because within multinational companies there is often a high degree of commonality in the kind of technology utilised in different countries. Therefore, the relative lack of importance and impact of social elements means, that technicians are less prone to the more destructive effects of cultural difference. However, as time progressed and they took on more managerial responsibilities, becoming increasingly responsible for managing people, the culture factor became increasingly important and problematic.

- Cultural idiosyncrasies. Many of the multinational construction firms working in developing countries and in the Middle East in particular have been facing serious problems managing and carrying out their assignments. Many project managers have returned home from their Middle East assignments with strange stories about socio-cultural mishaps that had resulted from misinterpretations, frustrations, and conflicts (Dadfar & Gustavsson, 1992).

- Communication. Parent organisations of international joint ventures (IJV's) that are from different countries, will also often have different mother tongues, and this can be expected to cause communication difficulties. Verbal communication may suffer from both perceptual and encoding or decoding gaps. Effective communication between IJV parent organisations is crucial for IJV management for at least two reasons. First, IJV parent organisations do not usually start their collaboration with a full understanding of each other's goals, capabilities, and behaviours; these are revealed when the JV starts operating. Failure by parents to quickly learn about each other may lead to

misunderstandings and suspicion, and eventually to lower commitment, poor economic results, and dissolution (Czapleski, 2002). Second, in most cases unanticipated events render the initial IJV agreement quickly obsolete and require it to be renegotiated. To successfully carry out these renegotiations necessitates effective communication between the parent organisations.

Cultural differences thus pose significant and often-insuperable difficulties for managers, those who through their decisions shape the company and its fortunes (Neal, 1998:53).

The prevalent approach to cultural diversity has had a distinct problem-solving orientation. Recently much mention has been made of the potential that multicultural diversity offers for organisational effectiveness (Trefry & Vaillant, 2002:49). Managing diversity is about more than avoiding negative outcomes. Diversity advocates make a strong claim that if managed well, diversity can be a positive force, spurring creativity, dynamism and excellence, renewing and refreshing the corporation, and ultimately improving the bottom line (Aronson, 2002:49-50). Organisations, therefore, need to move from a problem-solving mind-set to one of recognising the very real opportunities presented by cultural diversity (Trefry & Vaillant, 2002:49).

It is reported by Kirby and Harter (2003:28), that seventy-five percent of Fortune 500 companies have already instituted diversity-training programs, at least another eight percent are in the planning stage, and small companies are also beginning to plan diversity programs. Managed well, diversity can be a source of competitive advantage; managed poorly (or simply left to its own devices), a source of frustration, resentment, and even disaster. If there is one consistent message to be gleaned from the existing research and from the experience of countless corporations, it is that responding proactively to diversity, is not only the right thing to do, it is also the smartest. As Jocelyn Roberts, the human resources manager for a USA based technology company, noted that they view "... diversity as something more than a moral imperative or a business necessity". Rather, they view diversity as "... a business opportunity".

Organisational goals and objectives are achieved through more effective and perceptive strategic planning and global positioning. Through better understanding how intercultural issues influence all areas of an organisation, organisations can gain superior effectiveness in international management, research and development, design, engineering, marketing, sales, customer service and support, and overall customer relations.

1.3 Research Problems

Cross-border mergers and international joint ventures create the need for a new type of manager, one with intercultural management skills in planning, leadership, setting objectives, delegation of responsibility, judgement and criticism, motivation, problem solving, conflict resolution, and achieving goals.

Current literature is limited in scope and does not provide a comprehensive theoretical model to be utilised by organisations in managing cultural diversity in international joint ventures.

Sasol's global expansion drive has inevitably brought Sasol into contact with different cultures, and all the threats and opportunities that it represents. In order to navigate these potential troubled waters effectively and optimally, Sasol must ensure that it manages cultural diversity in accordance with a management model that incorporates the latest theories and best practices. It is hypothesised, that there exists an opportunity to implement a management model within Sasol, based on best practices derived from literature and case studies to optimise management of cultural diversity. Sakkie Jacobs, international Human Resource manager at Solvents and Olifans & Surfactants, (One of Sasol's business units) is quoted as follows from Sasol News, March 2005.

"Some of our emerging HR challenges include the increase need for multicultural sensitivity, change management, expatriate and repatriation management, as well as the delivery of learning in a global organisation".

The abovementioned challenges can be met only when cultural diversity is properly understood and managed.

1.4 Expected outputs and Benefits of the Study

The main aim of the study, is to develop a theoretical model for effectively managing cultural diversity in international joint ventures.

A secondary aim is to come to an understanding as to the impact that cultural diversity has on the success of international joint ventures, and to establish how effectively Sasol Limited is managing cultural diversity in international joints ventures, as measured against the said theoretical model, and to make recommendations on how Sasol Limited can optimise and leverage cultural diversity through methods in line with the latest theory and practices, as identified by the theoretical model.

The study will provide the following benefits.

- The formulation of a theoretical model for managing cultural diversity in international joint ventures that incorporates the most recent theory and research.
- Provision of empirical evidence on how one of the largest companies in South Africa is currently managing cultural diversity in its global operations.

- Provision of recommendations to Sasol Limited on what needs to be done in order to optimally manage cultural diversity in joint ventures.

1.5 Objectives of the Study

One primary and six secondary objectives have been identified for this research study.

1.5.1 Primary Objective

The primary objective of the study is to investigate and develop a theoretical model for the management of cultural diversity in international joint ventures.

1.5.2 Secondary Objectives

The following secondary objectives will support the researcher in the attainment of the primary objective.

- Discussing the high failure rate and problems associated with international joint ventures.
- Defining culture and studying the cultural dimensions developed by the leading authorities on the subject.
- Identifying the reasons for IJV failure relating to management of cultural diversity and analyse the importance of managing cultural diversity in order to understand the impact it has on organisational effectiveness.
- Investigating the current method Sasol Limited utilises for managing cultural diversity in international joint ventures and to evaluate the organisation's compliance with an ideal theoretical model.
- Making recommendations regarding change management required, in order to progress from the existing Sasol philosophy and management practices to the point where the organisation will comply with an ideal theoretical model for managing cultural diversity in international joint ventures.

1.6 Hypothesis

In this study a hypothesis is set to test the relevance and necessity of Sasol Limited to augment its current international strategic alliance management model, to meet the criteria of the ideal theoretical model to be developed.

The hypotheses for this study are the following:

Ho (Null hypothesis). Management practices of Sasol Limited do not incorporate the latest theory and strategies for managing cultural diversity in international joint ventures.

Ha (Alternative hypothesis). Management practices of Sasol Limited incorporate the latest theory and strategies for managing cultural diversity in international joint ventures.

1.7 Research Method

In this study the following research methods will be followed:

A literature study will be completed and thereafter an empirical study, by utilising questionnaires completed through personal interviews.

The research is divided into the following three phases.

Phase 1 Identifying and developing a theoretical model for managing cultural diversity in joint ventures, based on the most authoritative theory and recent research.

Phase 2 Undertaking qualitative, in-depth interviews to identify the respondents and complete the questionnaire for data collection. Phase two will investigate and identify the Sasol Limited philosophy and model for managing cultural diversity in international joint ventures.

Phase 3 This phase will analyse and discuss the research findings and make recommendations regarding the steps required towards implementing the theoretical model. The objective is to formulate specific change or transformation management tasks to be performed so as to ultimately comply with the theoretical model.

1.7.1 Literature Study

A study was undertaken to identify the most important sources. These sources have been carefully studied, evaluated and compared in order to determine the true meanings and values of the relevant information of the sources.

A literature study has also been compiled on the relevant subject of study, so as to provide a better insight into the research problem and the necessary background to guide the empirical part of the study. Apart from the information obtained from textbooks, other sources will be consulted in order to obtain the information needed for this particular study. Sources such as journal articles, magazines and the internet will be consulted. Statistics and other relevant information will also be used during the study.

1.7.2 Empirical Research

The empirical investigation will be conducted to gather information and data on the current Sasol Limited philosophy and model for managing cultural diversity in international joint ventures.

Field-based interviews will be conducted with personnel of Sasol Limited in order to complete questionnaires to provide the data for understanding the mechanisms by which national cultural distance is addressed in the organisation. Fieldwork will consist of interviews with directors, senior executives, line managers and other staff that have in-depth knowledge of their organisation's international joint venture and international human resource activities. These personnel members will be selected on the basis of their direct decision-making and long-term involvement in their organisations' joint venture activities throughout the assessment, negotiation and implementation phases.

Detailed research on each organisation's international joint venture activities will precede every interview. The interviews themselves will be highly structured, and focused on the specific organisation's international joint venture activities in culturally distant countries. Questions in the questionnaire will be designed around the key factors needed in order to successfully manage cultural diversity, as identified by theory and case studies, and to test the degree of conformance to these theories by Sasol Limited.

1.8 Demarcations and Limitations of the Study

This study specifically focuses on the impact of cultural diversity on international joint ventures. The impact of cultural diversity on other forms of strategic alliances will not be covered by this study.

The empirical portion of this study specifically focuses on the Sasol Limited environment and its philosophy and approach to managing cultural diversity in international joint ventures.

The empirical study consists of a questionnaire, as the basis for interviews with relevant Sasol Limited personnel only. Where specific theoretical and literature research will be conducted with regard to culture, it will focus on current or future alliances with Sasol Limited. Where possible, the same principles will be applied with regards to case studies.

1.9 Outline of the Study

The research study consists of eight chapters, which are summarised as follows:

Chapter 1 Objectives and the scope of the study

This chapter comprises the introductory section of the study. The scope of the study explains the importance and benefits for managing cultural diversity in international joint ventures. Reference is also made to the importance for this study and the need therefore. The problem statement is emphasised, as well as the aims of the study, research objectives, the demarcation of the field of study, and the research methodology.

Chapter 2 International joint ventures: a strategy for expansion and growth

In this chapter an overview of international joint ventures as a strategy for global expansion, and the problems associated with this particular form of organisation, will be discussed briefly.

Chapter 3 The importance of and managing of cultural diversity

A review on the theories of cultural diversity and specific reference to cultural dimensions of different countries will be discussed in chapter 3. The importance of managing cultural diversity pertaining to international joint ventures, will be analysed.

Chapter 4 The Impact that cultural diversity has on management

In this chapter the impact that cultural diversity has on various aspects of management, will be examined. The opportunities of cultural diversity, when managed effectively, will also be outlined.

Chapter 5 A model for managing cultural diversity in international joint ventures

The literature review undertaken in chapters 2 and 3 together, with the most recent theory and case studies, are utilised to build a framework from which propositions are developed.

Chapter 6 Empirical research design

In this chapter the empirical research design and methodology will be discussed. A set of questionnaires will be listed and the theory behind their development discussed.

Chapter 7 Data analysis and interpretation

In this chapter the results and findings of the empirical research will be analysed and discussed.

Chapter 8 Conclusions and recommendations

From the findings of the empirical study, recommendations will be made on how to incorporate the theoretical model into the current Sasol Limited management method.

1.10 Reference Techniques

The Harvard Method of source referencing and acknowledgement will be used. Footnotes will not appear at the bottom of each page; instead, quotations and references are specified directly after the particular quotation or reference.

1.11 List of Acronyms

HR	:	Human Resources
HRM	:	Human Resource Management
IDV	:	Individualism
IHR	:	International Human Resources
IJV	:	International Joint Venture
JV	:	Joint Venture
LTO	:	Long-term Orientation
MNC	:	Multinational Company
PDI	:	Power Distance Index
UAI	:	Uncertainty Avoidance Index

Chapter II

INTERNATIONAL JOINT VENTURES: A STRATEGY FOR GLOBAL EXPANSION AND GROWTH

2.1 Introduction

Businesses in the 21st century face a wide array of complex opportunities, including expanding into global markets, developing internal and external innovative products and practices to remain competitive, and attracting and retaining the most talented workforce possible. Furthermore, as a result of the maturation of several trends of the 1980s - intensified foreign competition, shortened product cycles, soaring capital investment costs, and the ever-growing demand for new technologies - alliances are becoming an attractive strategy for the future (Vyas et al., 1995). The number of domestic and international alliances has grown by more than 25 percent annually since 1990 (Inkpen and Dinur, 1998:455). In 1997 and 1998 alone, agreements for more than 21 000 IJV's were signed with a total contract value exceeding US$ 61.5 billion (Zhang and Rajagopalan, 2002). By 2001, global foreign direct investment activities have created 850 000 foreign subsidiaries, which employed 54 million people across the globe, and their sales of $19 trillion were more than twice as high as world exports. IJV's now account for more than one-tenth of world GDP and one third of world exports (Geng, 2004). A vice-president of Nokia was recently quoted as saying: "We don't view cross-border alliances as one-off situations but as an essential way of doing business" (Jagersma, 2005:2).

International markets have, therefore, become enticing prospects in companies' efforts to increase their market share and diversify offerings. However, organisations are not willing to accept the risk of providing all the resources and skills required to achieve their strategic objectives from within their own structure, nor afford to carry all costs and risks associated with increased size and complexity of their international activities. In order to facilitate international growth and expansion, companies are increasingly depending on external relationships, i.e. alliances, joint ventures, strategic partnerships or outsourcing (Anslinger & Jenk, 2004:18-19). Alliances may

enable firms to gain access to a partners' advanced technology or share the high cost of developing new capabilities through research and development. Cooperation between firms can also permit the pooling of their complementary strengths so as to secure creative synergies. Companies have looked increasingly to cooperate with each other, due to the limitations of coping successfully on their own with a world where markets are becoming global in scope, technologies are changing rapidly, huge investment funds are regularly demanded to develop new products with ever-shortening life cycles, and the economic scene is becoming characterised by high uncertainty and turbulence (Vyas et al., 1995:3; Child & Faulkner, 1998:233). It is, therefore, clear that global expansion has become synonymous with international alliances.

Modes of entry into global markets can include the following forms:

- Joint ventures
- Strategic alliances
- Minority investments
- Venture capital programs
- Licensing agreements
- Mergers and acquisitions.

Sources: Mead (1998); Child & Faulkner (1998); Johnson (1999).

In this Chapter, the rationale and popularity of joint ventures as a tool for global expansion will be discussed. The problems associated with joint ventures will be also be looked at.

2.2 Cooperation as a Strategy

According to Child and Faulkner (1998:233), competitive strategy is concerned with the question of how a firm can gain an advantage over its competitors. There are two broad traditions within thinking about a competitive strategy. The first emphasises how superior profits can derive from the structure of the industry in which a firm is located, and from the pursuit of generic strategies-cost leadership, differentiation, or

focus-in ways which suit the conditions of that industry. The second tradition draws attention to the competitive advantage that can be gained from a firm's unique competences and resources, which combine to deliver valued products and are difficult to imitate or acquire. This is also supported by Elmuti and Kathawala (2001: 5). A strategy of cooperation with one or more other firms, can be a counterpart to the pursuit of a competitive advantage in the ways identified by both these traditions of thinking about competitive strategy (Marshall, 2004: 2). Child and Faulkner (1998:233) further suggest, that in certain cases entry into an industry or regional sector is feasible in the first place only via a partner. The ability to enter some markets, especially in developing countries or those with invisible entry barriers like Japan, may be possible only through cooperation with a local firm. The local firm is able to offer a capability that the foreign partner does not at the time possess. The successful collaboration between Rover and Honda, which ceased only with the decision of Rover's owners to sell it to BMW, was based on identifiable complementarities, which gave rise to fruitful synergies. Rover could offer access to a network of component suppliers and subcontractors, spare capacity in its factories, and an understanding of European automobile tastes. Honda was able to offer Rover the quality engineering it badly lacked and models to revitalise its model range. Stanek (2004) further notes, that it is plausible to assume that firms will form alliances in an effort to block a competitor from forming a similar one or as a means to discourage product/service entry into specific markets where the newly formed alliance would lead. According to Vyas et al., (1995:3) and Child and Faulkner (1998:233) however, cooperative strategy is the attempt by organisations to realize their objectives through cooperation with other organisations, rather than in competition with them. It focuses on the benefits that can be gained through cooperation and how to manage the cooperation so as to realise them. A cooperative strategy can, therefore, offer significant advantages for companies which are lacking in particular competences or resources to secure these through links with others possessing complementary skills or assets; it may also offer easier access to new markets, and opportunities for mutual synergy and learning.

2.3. Why a Joint Venture?

Drucker (1995) suggested, that the greatest change in the way business is being conducted, is the accelerating growth of relationships based not on ownership but on partnership. According to Todveda and Knoke (2005) in general, the further removed the new business opportunity is from a company's existing business, the more likely an organisation is to consider an alliance instead of a merger or an acquisition. International business literature has already acknowledged a number of positive outcomes for companies actively engaged in strategic alliances, such as higher return on equity, better return on investment, and higher success rates, compared with integration through mergers and acquisitions. Das et al., (2003:11) and Johnson, (1999: 85) note, that the most common form of corporate partnering is, therefore, the joint venture in which two or more firms join forces to create a new jointly owned business entity for a specific purpose. This is supported by Petrovic and Kakabadse (2003:394) who point out, that a JV has become a prevalent mode of entry into global markets and has been a dominant entry mode in most emerging regions. Bamford et al., (2004:94) argue, that JV's tend to have higher success rates than mergers and acquisitions when the objective is to enter a new region, product area or customer segment or to develop entirely new capabilities. JV's have lower success rates when control is important – when the gaol is consolidation of operations or improved performance. Mergers and acquisitions often require that the buyer pay a premium of 20% to 50% over the current stock price of the targeted company. By contrast, a joint venture typically involves no premium. An unwilling M&A target may also be a barrier. Sometimes organisations of comparative sizes may be unwilling or unable (competition or other local laws) to participate in a merger. In these circumstances a joint venture may be an attractive alternative to capture specific capabilities or resources from another company. In a study conducted by Jagersma (2005) amongst 106 CEO's of the world's top corporations, it was found, that JV's were a much preferred mode of entry over mergers and acquisitions.

2.4 Opportunities represented by International Joint Ventures

Some of the reason why organisations make use of alliances, is to build strengths, improve performance when the scope for cutting internal costs and reengineering

business processes has been exhausted, shore up weaknesses, extract latent value from assets, and make pre-emptive moves to retain or regain leading market positions (Ernst, Steinhubi, 1997:144). The following is a summary of advantages offered by joint ventures as identified by literature.

2.4.1 Cost Competitiveness

International diversification may yield cost advantages by allowing the firm to expand in its domain of distinctive competence and boost production economies without resorting to product diversification. Potential benefits include greater efficiency in the use of equipment and infrastructure and lower labour costs. This also allows cross-subsidisation between markets, an extended life for natural resources and increased recoveries from them, more bargaining power with suppliers, and promoting economies of scale. At their best, such ventures enable organisations to maintain or reclaim a structural advantage over specialist companies with lower operating costs or distinctive skills (Ernst and Steinhubi, 1997; Mead, 1998; Johnson, 1999; Elmuti & Kathawala, 2001: 2; Abdou and Kliche, 2004:12). Typical examples include new business start-ups with parents contributing specific complementary capabilities that constitute the basis for a new business. Airbus, for example, was a joint venture between French, German, British and Spanish manufacturers that eventually became a single company. Each national partner has specialised in one facet of aircraft manufacturing. The French became experts in aircraft electronics and cockpit design, the British became world leaders in wing manufacturing, the Germans concentrated on making fuselages, and the Spaniards focused on aircraft tails. This type of collaboration ensures specialisation and cost competitiveness (Jagersma, 2005:3).

2.4.2 Competitive Markets and Spreading of Risk

Being close to the local market, not only enables the company to customise its products to local flavours, but also allows it to be more responsive to market changes. Markets are not perfectly integrated, thus involvement in more than one national market serves to balance out regional macro-economic trends that are less than perfectly correlated. The IJV allows the firm to share the costs and the risks of foreign entry and to use the local partner's knowledge about the local institutional framework,

local consumer tastes, and business practices (Barkema & Vermeulen, 1997:845; Mead, 1998; Larkin et al., 1999:53; Elmuti & Kathawala, 2001: 3; Abdou & Kliche, 2004:12; Ma, 2004:7; Todeva & Knoke, 2005:4). As a result, JV's experience greater market performance, since investors recognise and reward performance stability. Greater spread across international markets reduces the risk profile of the corporation's overall portfolio of business units, which in turn, should have a salutary effect on corporate performance. When the domestic market shows signs of approaching maturity, expanding to an overseas market can be a significant step toward seeking continued growth. The strategic importance of JV's is intensified, since they are usually formed between existing or potential competitors and involve products or markets which constitute the primary or "core" activities of the partner firms (Frayne & Geringer 1992). As natural resources mature, companies that move quickly to form effective alliances, may enjoy enhanced staying power and new opportunities for growth. For the non-resident participant, a JV, therefore, effectively spreads risks (both political and economic) and facilitates entry into the foreign market. When the host partner has an established distribution system, the investor participant obtains an immediate local market share. In addition, the JV can expect greater sales to public buyers in countries where strong nationalist feelings inhibit foreign company contracts (Ernst & Steinhubi, 1997).

2.4.3 Manufacturing Competency and Exchange of Knowledge and Technology

According to Johnson (1999), a joint venture must meet two needs: it must be able to obtain resources from other partners (which leads to cooperation) and it must be able to protect the assets associated with the particular competencies. The reasons for joint ventures, are generic motives of cooperation, because the goals sought through the formation of joint ventures can be achieved through other contractual arrangements. One of the most influential factors in the formation of joint ventures over contractual agreements has been strategic complexity: the need to learn about the characteristics of the market of the local partner. Thus performance of the joint activities overlaps with the transfer of knowledge. Firms seeking immediate competitive advantages, will seek alliances in new but readily available technologies, while those who want to remain at the cutting edge of technology and plan for long-term growth, team up in

technologies which are being developed (Vyas et al., 1995: 4; Johnson, 1999; Osland et al., 2001:6; Abdou & Kliche, 2004:11; Todeva & Knoke, 2005: 4). Technology transfer has been one of the key drivers for the Chinese when forming JV's (Sun, 1999: 8). This is supported by Nie and Young (1996:6) who argue, that an important factor in manufacturing competency is the exchange of technology across national boundaries. To compete on a global basis, companies not only transfer technology to foreign countries but also try to learn from locals. The exchange of ideas and expertise among people from various parts of the world serves to broaden perspectives and adds richness and variety to the knowledge base. The experience of exchanging, teaching, and relearning can therefore, is brought back to improve domestic manufacturing and is an important step towards achieving a world class manufacturing excellence. Companies can also share best operating practices (Ernst & Steinhubi, 1997; Johnson, 1999). Child and Yan (2003) list three aspects of learning relevant to joint ventures. First, there is learning from experience. This consists of information gained by parent company personnel from experience with the host country partner and vice versa. Secondly, there is formation learning, acquired while seeking and negotiating terms with partners. Thirdly, there is operational learning, consisting of knowledge gained on how to work. The NUMMI project between GM and Toyota is a fitting example in which GM tried to access Toyota's expertise in small-car manufacturing, while Toyota wanted GM's know-how in selling to the US market. Firms with great marketing know-how in the consumer goods market, also often join forces to test new products in a new market. In high-tech industries, learning from partners becomes extremely important. In the fast changing computer industry, for instance, no firm can dominate the market through their own products alone. It is a business community where multiple firms collaborate and multiple alliances co-evolve. In such an environment, collaboration is a necessity and slow learners will not survive. It is a known fact that firms in Silicon Valley often sue each other for stealing technologies. Yet, that does not change the fact that they are still cooperating in the midst of a dispute. The firm that can learn from its rival partners more quickly, will likely gain competitive advantage (Ma, 2004:7).

2.4.4 Government Policy

Osland et al., (2001:7) note, that host government local content requirements are one of the factors that that drive the formation of IJV's. Other writers (Nie & Young, 1996:7; Gomez-Mejia & Palich, 1997:309; Johnson, 1999) note, that world economics require nations to have an open approach to companies seeking global operations. Even Communist countries like Vietnam and Cuba are considering opening their doors to outside investment. China and Russia have begun to privatise some industries that were traditionally controlled by government and considered as public sectors. This creates a tremendous opportunity for developed countries, considering the geographic size and population of China and Russia. China set up several economic development zones that provide tax breaks and other business incentives to attract foreign investment.

2.5 Forms of Joint Ventures

A number of forms for cooperation and market entry by forming joint ventures have been identified. Although this is not an exhaustive list, it encompasses the most commonly used structures.

2.5.1 Consolidation Joint Ventures

According to Ernst and Steinhubi (1997:145), the consolidation joint venture combines parent companies' assets across a wide area of activities. In the case of oil companies, consolidation ventures are most appropriate in regions where production has peaked and ownership and operating structures are fragmented. The Altura joint venture between Shell and Amoco in the Permian Basin of West Texas and the partnership between Shell and Mobil on the west coast, are examples. This approach is also relevant to mature assets in the North Sea and elsewhere. Consolidation can take several forms. Partners can merge all their operations, assets, and underground reserves, or form an above-the-ground joint venture services company in which each partner retains the ownership of reserves, operating licences, and even capital equipment. Full consolidation of reserves and other physical assets may offer greater value, but it also presents more hurdles, as valuing reserves, meeting regulatory requirements, and persuading minority shareholders to accept the consolidation, can cause difficulties. Johnson, (1999) and Bamford et al., (2004:93) suggest, that

consolidation ventures are like mergers in the management challenges they pose. The parent companies must act quickly so as to minimise disruption to each organisation; decide key issues (such as how they will carry out the integration, who will lead the new entity, how the parents will govern it, and how capital will be allocated) before they conclude the deal, in order to ensure that they harness the benefits from the transfer of skills such as improved drilling cycles or supplier management.

2.5.2 Skills and Technology Transfer Joint Ventures

In allying with specialists, companies hope to replicate the results giant drug companies have achieved by harnessing the entrepreneurial culture of innovative biotechnology companies or the streamlined business approaches of generic drug manufacturers (Vyas et al., 1995: 4; Johnson, 1999; Bamford et al., 2004:93). Such alliances marry the resources and technology of a major company with the know-how, business approaches, and cost structure of a smaller specialised operator (Ernst & Steinhubi, 1997:146).

2.5.3 Coordination Joint Venture

Also called enhanced supplier relationships and outsourcing alliances, the above form of JV came about following enhanced supplier relationships and outsourcing alliances that go beyond ordinary transactional arrangements and involve the sharing of risk and reward. For example, Mobil and Halliburton have launched an arrangement in which Halliburton plans to invest $10 million to drill five horizontal wells in Mobil's Parks Devonian field in west Texas in return for a percentage of production. Halliburton invests risk capital and acts as overall project manager, providing drilling and completion rigs, well-site facilities, and subsurface products and services. It also manages all third-party inputs. Mobil brings assets; knowledge of the field, well site supervision, and well bore construction engineering. If the venture is successful, the arrangement is usually extended. This Mobil-Halliburton JV is an example of how production and service companies can craft win-win partnerships. Mobil enhances its resource development while focusing its capital and resources elsewhere. Halliburton expands its activities while sharing in revenues from the field. In addition, both companies should gain valuable insights into structuring and managing innovative

supplier arrangements that will be applicable in other arenas (Ernst & Steinhubi, 1997:147).

Therefore, with more deals and more types of alliance to choose from, more is at stake. The winning companies will be those that understand the range of alliance types, build internal skills to handle the growing number of alliances, link partnerships to regional and asset strategies - and focus on the few deals that really matter.

2.6 The Complexity of International Joint Ventures

Although they are increasing in frequency and strategic importance, the risk of failure of such ventures is high, and many IJV's perform poorly and fail to achieve their objectives (Frayne & Geringer, 1992; Zineldin & Bredenlöw, 2003: 3). Studies have shown, that most IJV's dissolve within the first 5-6 years of their establishment, and that, on average, last about 6.7 years (Kogut, 1988; Büchel, 2002). Research conducted on 97 Japanese manufacturing JV's established in the United States in or before 1980 revealed that by 1994 sixty-four were dissolved (Hennart and Zeng, 2002:702). Although reliable figures are difficult to find, it is estimated that somewhere between 50 and 75 per cent of all JV's end in failure (Shimin and Russ, 1999). Even if JV's do not always result in dissolution, estimates of unsatisfactory IJV performance range from 37% to over 70% (Geringer, 1991; Elmuti & Kathawala, 2001: 2). In 1991, Bamford et al., (2004:91) conducted a study amongst 49 joint ventures and found that only 51% were successful. In 2001 a second study was conducted amongst 2000 alliance announcements, and the success rate still hovered around 53 %. Stanek (2004), who conducted a study on 323 senior executives over an 18-month period, found that only 39 percent of alliances met or exceeded corporate expectations. IJV's, therefore, are fraught with risks and highly unstable. Child and Faulkner (1998:232-234) suggest that the division of activities in the value chain and issues of division of markets and decision responsibilities complicate management in JV's. Managing cooperative ventures is a process to be learned by trial-and-error. It requires mutual adaptation to each other's business cultures (especially among direct competitors) and the need to live with reduced autonomy. IJV's are especially difficult to manage and organise, as they represent the highest level of interaction,

shared commitment, and administrative complexity among the forms of cooperative agreements.

2.7 Factors Critical to Joint Venture Success

The reasons for joint venture failure and success, have been heavily researched and debated. A number of critical success factors for joint ventures have been identified by literature. They are the following.

2.7.1 Develop clear Goals and Objectives

In any organisation specific goals lead to better performance than do vague goals. While this best practice seems straightforward, it is often the hardest to achieve. Given different operating models, cultures and even accounting policies, it is rare that two parties have the same objectives, metrics and definition of success. Failure to define clear strategies and objectives, is the greatest alliance risk (Vyas et al., 1995: 7; Teagarden, 1998: 180; Elmuti & Kathawala, 2001: 5; Stanek 2004:3). Aslinger and Jenk (2004:19) argue that the most prevalent cause for joint venture failure, is the shift in strategic direction by one partner. In any type of arrangement, goals and objectives have to be explored and articulated. Firms need to agree to what the partnership is all about. By determining the goals and objectives, firms can ensure that each partner's desired outcomes have complementary fit and are not adversarial towards one another. Alliance tensions and instabilities have been sown from the start when the alliance partners fail to recognise mismatches in their goals. Kauser and Shaw (2004) also note, that communication in terms of the quality of information transmitted, the extent of information shared and participation of both parties in the planning of goals and activities, are crucial for the success of an international strategic alliance.

2.7.2 Degree of Autonomy

Conflict can occur when the management of the joint venture does not have enough responsibility. The parent companies should not intervene in the decision-making of the joint venture executive. The objectives, the rules, the strategies, and the concerns of the different parent companies should be fixed in the joint venture contract; therefore the joint venture managers should have complete rights and responsibilities in the independent management of the company (Pitts & Woodside, 1996).

2.7.3 Documents of Incorporation

While detailed documents may not prevent disagreements, they may reduce the potential for misunderstandings, and this is one reason why detailed documents of incorporation are considered important by policymakers in multinational corporations (Pitts & Woodside, 1996). However, there is still a running debate about the value of contract specification with regard to alliance management. Some feel that contracts laden with safeguards that protect each other from opportunistic behaviour, are costly, stifling, and can lead to exiting or suspicion, while others assert, that technology transfer and intellectual property assets need to be guarded at any cost
(Stanek 2004: 4).

2.7.4 Role Clarification

The partners in an alliance often remain far apart in their views on the missions of the alliance, even after protracted negotiations (Sharma, 1998:4). A number of writers (Elmuti & Kathawala, 2001: 5; Buchel, 2002; Bamford et al., 2004:92) point out, that one of the first challenges IJV partners face, is building strategic alignment across the separate corporate entities, each of which has its own goals, market pressures and shareholders. It appears as though the partner's roles continued to change, meaning neither company could ever be confident enough about where they stood to move things forward efficiently.

2.7.5 Proper Governance System

Hay (1993), and Bamford et al., (2004:95-96) points out, that joint ventures and alliance partners try to anticipate areas of potential misalignment during the negotiation phase, but many conflicts surface when the partners dig deep into operational details and start to run the business. Establishing the appropriate governance model, is critical for clear decision-making and operating viability. Deciding who makes decisions and how they should be made, is one of the important components of governance in IJV's. Therefore, it is critical that governance systems that promote shared decision-making between parents and a cohesive, high-performing JV organisation, needs to be formed. Hennart and Zeng (2002:700) point out, that JV parents do not usually start their collaboration with a full understanding of each other's goals, capabilities, and behaviours, and these are revealed when the JV

starts operating. Finally Bamford et al., (2004:97) note that by nature, joint ventures bring together twice the data that one firm has to manage. This leaves room for increased discrepancies in understandings made on the basis of that data, which, without a proper governance system, in turn can leads to areas of conflict.

2.7.6 Lack of Dominant Control

Killing (1983) suggests, that IJV's with one dominant partner, tend to be more likely to succeed. There are two reasons for this notion: Firstly, joint ventures with majority control approximate to a unitary firm and are easier to manage. Secondly, majority control affords a firm the ability to most effectively use whatever strategic resources a parent company shares with a joint venture. Killings findings were later confirmed by Yan and Gray (2001:410), and is also supported by Geringer and Hebert (1989), who suggest, that exercise of control by a parent company over some or all of an IJV's activities, help to protect it from prematurely exposing its technological or other proprietary assets to a partner.

Yan and Gray (2001:411), on the other hand, argue that one of the reasons why companies form joint ventures, is to remedy a resource deficiency or to take advantage of an opportunity that they cannot realise on their own. A policy of dominant control may, therefore, negate the contribution a partner can make, for two reasons. It may damage that partners willingness to contribute to what it regards as an unequal partnership in which its own goals are not given due weight. This may also impede the level of trust between partners. Second, unequal control may also limit the dominant partner's receptivity to advice and information offered by the weaker partner. This is also supported by Bleeke (1991:134) and Teagarden (1998:180). Research conducted by Jagersma (2005:5), show that a 50/50 ownership was ideal whenever possible, to ensure that both partners are fully committed. Of the 252 cross-border alliances covered in the study, 70 percent succeeded in realising strategic and financial alliance objectives when ownership was equally divided, compared with only 35 percent of those with an uneven shareholding split. Geng (2004:80) found, that minority ownership tended to result in greater expatriate representation by the

minority shareholder, in an attempt to exercise a degree of control over the JV. This may also lead to friction between the partners.

2.7.7 Trust and Communication

Tsang et al., (2004:85) suggest, that trust is an essential element for the success of IJV's. Interacting, negotiating and planning a JV, involve the build up of trust and, therefore, trust is a key element in structuring and developing any relational exchange. Contracts mean little when legal systems change rapidly and rules of the competitive game are in flux. However, strong relationships between the IJV partners will ensure that the venture will make progress towards its goals, despite difficult times. Cultivating trust among organisation members, therefore, needs to receive top priority. It has been stated by Jagersma (2005), that communication oils the wheel of alliances and nothing is worse than to have two partners in the same bed with different dreams. In a study of alliances by Govindarajan and Gupta (2001), alliance communication barriers were ranked second in importance and degree of difficulty to fix. Research by Stanek (2004:5) shows that, on average, people trust one another more when they share similarities communicate frequently and operate in a common cultural context that imposes tough sanctions for behaving in an untrustworthy manner. In a study conducted by the writer, it was found, that trust was considered the second most important success factor in IJV's. A number of writers (Quang et al., 1998: 8; Rodriques et al., 2003:144; Todeva & Knoke, 2005:9) also support the view that when high degrees of trust exist, organisational learning is enhanced, which has an effect on the policies and the underlying values of the organisation. Kauser and Shaw (2004) provided empirical evidence to show that a trusting relationship that enjoys a high degree of harmony, loyalty and sincerity, have a positive impact on the performance of international strategic alliances. Tsang et al., (2004:85) note, that at the inter-firm level, conflict erodes trust and increases the potential for opportunistic behaviour. This may result in the reluctance of parent firms to dedicate necessary resources to the IJV.

2.7.8 Ability to manage Cultural Diversity

2.7.8.1 The impact of culture on IJV's

According to Selmer (2001:6) competition in global markets is determined, not only by the extent of the company's expertise, but also by the way this know-how is successfully applied or transferred to another culture. Nie and Young (1996:92) point out, that JV's involve planning, organising, and managing people, resources, technology, and processes in order to make the conversion of the two companies effective and efficient on a global scale. Cultural differences can impact on interactions among operations managers and employees from different cultural backgrounds, on how resources are used, on how technologies are transferred across borders, and on how process improvements are achieved. According to Buchel (2002) and Bamford et al., (2004:93), part of the reason is, that most organisational decision-making, whether it originates from western or non-western stakeholders, is filtered through a set of cultural assumptions, meaning they interpreted the same terms in different ways. Selmer (2001:7) lists the examples of Chinese workers who are more accustomed to an authoritative management style. A participative management style may make them uncomfortable and prove ultimately unproductive. People in some areas view certain forests and mountains as embodying special spiritual meanings and, therefore, unplanned and excessive tapping of resources in those regions may be regarded as a lack of respect for the local culture. A number of writers (Vyas et al., 1995:8; Berell et al., 2002:840; Steensma et al., 2004:1; Jagersma (2005:5) all argue, that IJVs are further complicated due to the cultural mix of the joint venture partners that create a milieu in which competing understandings arise about the purpose and function of the JV. The external social, religious and political values of the host national culture subtly influence the internal structures and systems of a JV.

In order to demonstrate the effect that culture has on IJV's, Bijlsma-Frankema (2001:194) uses an Antarctic iceberg metaphor, where the tip of each represents the top management groups deciding the fate of the two companies and how the joint venture will work. As these top management groups set the JV in process, the two icebergs begin moving toward one another until the tips meet and mesh as one. Such a consolidation however, can never take place. As the icebergs approach one another, it

is not the tops that meet; rather it is the much larger mass below the surface of the water, the respective cultures, which collide. Instead of synergy, there is potential for a culture clash. Even when there is no direct clash, it is most likely that the cultures of the two firms will differ. If not managed properly, these differences can grow easily into destructive diversity, causing productivity problems like low levels of trust and co-operation between groups of employees coming from different firms. This is so, because each of the former nuclear firms bears its own cultural values, beliefs and assumptions distinguishing it from others, including the new partner, providing employees with a feeling of collective competence, identity and pride. Therefore there is a good chance of "them-and-us" feelings simmering between employees of the joint venture. These them-and-us feelings do not disappear without proper management. In fact, when left alone, they tend to grow into direct confrontation, sometimes triggering a vicious cycle to develop that affects the performance of the new organisation in a negative way. This mechanism, that is highly probable in joint ventures, is one of the ways of accounting for the high percentage of failure in these forms of business. In support of this, Neal (1998:77-78) suggests, that cultural difference may create ambiguities in the relationship, which may lead to conflict and even dissolution of the venture. In the management of a joint venture a cultural interface may compound the corporate interface, thus ensuring that integration and harmonisation of structures and systems are complicated. The dilution of control, together with the cross – national interface, can also undermine the ability to manage. Frayne and Geringer (1992) argue that therefore, in addition to running the venture itself, managers in the JV's must manage relationships with each of these partner organisations, which often have conflicting motivations, operating policies, and cultures. A theme that runs through much of the literature on IJV's is that conflict in general, and cultural conflicts in particular, can lead to instability and poor performance (Killing 1983; Nam, 1995:554; Johnson, 1999:85; Hennart and Zeng 2002:700). In 2002, after a failed cross-border alliance between Ahold, a Dutch company, and Capabro, a Spanish company, Cees van der Hoeven, the CEO of Ahold commented as follows. "It became apparent that the cross-ownership and cultural differences were depriving both companies of the flexibility to take fast management action in the consumer business in Spain." (Jagersma, 2005:5).

A comprehensive discussion on the influence that cultural diversity has per the element of management, will follow in Chapter IV.

Theories with regard to the importance of managing cultural diversity in joint ventures, find application on a daily basis in practice. A number of chief executive officers (CEO's) of large corporates with global interest, have confirmed the importance of managing cultural differences to prevent such differences from undermining their newly formed joint ventures's ability to exploit their winning products. According to Jeffrey Immelt, Chairman and CEO of General Electric, a global company does three things: It's a global sales company – meaning its number one with customers all over the world. It's a global products company, with technologies, factories and products made for the world, not just for a single region. And most important, it's a global people company – a company that keeps getting better by capturing global markets and brains. Daniel Meiland, executive chairman of Egon Zehnder International, has predicted that if one looks ahead five to ten years from now, people in the top jobs in large corporations will be those who have lived in several cultures and who can converse at least in two languages. Most CEO's will have true global exposure, and their companies will be all the stronger for it (Green, 2003:45-47). The importance of recognising culture as a business strategy was recently emphasised when Motorolla, the US telecommunications company was voted the second most welcomed foreign investor in China, because the company understands the economic and political system and respects the country's culture and traditions. It also shares the benefits – as well as risk – of business with its joint venture partners and seeks to create a win-win solution for both the company and it partners in China. Motorola actively sought to integrate Western and Chinese cultures into a consistent company policy, and resolved to intensive employee training in order to achieve this (Yang and Lee, 2002).

Child and Faulkner (1998:233) suggest that IJV's therefore, bring additional dimensions of management into play as compared with purely domestic and unitary enterprises. The relationships to be managed are more complex, because of the hybrid nature of joint ventures per se and the mix of corporate and national cultures in IJV's. Additional managerial competencies are required, including a broader strategic vision

to reflect parent company objectives, a capacity to handle cultural and institutional differences, and an ability to transfer hard and soft technologies to the IJV. The interface between the two (sometimes more) company cultures is the crucible of potential achievement. Sensitivity to each other's cultures is vital to effective joint operation. Its absence leads to a failed alliance, however great the potential economic synergies between the partners.

2.7 Conclusion

Economic activity in the global market place continues to accelerate, requiring effective responses from management to the inevitable changes. Global competition also requires firms and their members to continually work with and learn from people worldwide. As more forms become transnational, business relationship will increasingly take place within networks of equals rather than in hierarchies of dominance and subordination. The most important action to be taken by managers in building a successful international strategic alliance, is to foster and nurture the alliance relationship through the development of greater levels of co-ordination, commitment, trust, communication and through the avoidance of conflict. This means that it is imperative for managers of international alliances to focus their attention on the interpersonal relationships between managers in partner firms if they want to be successful. Designing structures to fit the needs of international strategic alliances can help partnerships to be managed more effectively, but the real focus of managers should be on behavioural issues rather than on structural and control-related matters. A balance, therefore, needs to be struck between the need for control and the need to maintain a harmonious relationship. Control should be monitored through social interactions for maintaining partnerships, such as regular reporting on performance, involvement in the planning process and informal and formal contacts between managers.

Although the effect of cultural diversity on joint venture success has been established by research, as a factor in itself, it does not rate as high as other factors influencing joint venture success, such as stating clear gaols and objectives, trust and communication. However, the influence that culture has on these elements is - as has

already been shown and will again be discussed in the next chapter- significant, and cultural diversity must, therefore, rate as one of the most critical elements of joint venture success. The reasons for the relatively low rating of culture as a critical success factor by CEO's may be attributed to management's lack of understanding and appreciation for the subtleties of cultural impact. As Neal (1998:42) points out, people find working with foreigners difficult and frustrating, and when given the chance, they tend to prefer working with compatriots with whom they have a lot more in common. At the corporate level this results in a subtle but pervasive polarising of the organisation along ethnical lines. This, in turn, encourages mistrust and conflict between the resultant ethnical groups. Only by examining the social dynamics of cultural differences within organisations we can begin to understand why such a high proportion of management missions under perform

In the next chapter theories on culture and mapping different cultural dimensions for the purpose of management cultural diversity in the IJV context will be studied.

Chapter III

CULTURE AND CULTURAL DIMENSIONS

3.1 Introduction

According to Thomas and Inkson (2004:8), the conclusion is clear. Whether you like it or not, you are a global manager, even if you have never done business abroad, because the globe has come to you.

As discussed in Chapter 2, globalisation means that all of us are increasingly being forced to deal with people who come from different cultures. Therefore, how effectively we perform our job, depends in part on how well we can work across cultural divides. Although we increasingly cross boundaries and surmount barriers to trade, migration, travel, and the exchange of information, cultural boundaries are not so easily bridged. Unlike legal, political or economic aspects of the business environment, which is observable, cultural is largely invisible. This chapter explores the concept of culture, to what extent it drives human behaviour, and whether it can be classified according to certain dimensions in order to identify and manage it more effectively.

3.2 What is Culture?

3.2.1 Definition of Culture

Culture has been adapted from the Latin word *cultura,* which is related to cultus, cult or worship. *Cult* in Latin means to inhabit, cultivate or worship and *are* is defined as 'the result of'. In the broad sense, culture may thus be defined as 'the result of' (Joynt & Warner, 1996:3). Several definitions of culture have been developed, and Krober and Kluckhohn (1985) in Child and Faulkner (1998:229), drew on 160 definitions to offer a comprehensive definition, which reads as follows.

> "Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in their artefacts; the essential core of culture consists of

> traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action."

Child and Faulkner (1998:229) describe culture as knowledge, values, preferences, habits and customs, established practices and behaviour, and artefacts. Joynt and Warner (1996) state, that culture embodies values, attitudes, beliefs and identity. The word "culture" has several meanings, all derived from its Latin source, which refers to the tilling of the soil. In most western languages 'culture' commonly means 'civilisation' or 'refinement of the mind' and in particular, the results of such refinement, like education, art and literature.

3.2.2 Hofstede's Definition

One of the leading authorities on cultural dimensions, Geert Hofstede, has defined culture as 'the mental programming of the mind" (Hofstede, 1997; 2001). According to him, every person carries with him or herself patterns of thinking, feeling, and potential acting, which were learned throughout his/her lifetime. Much of it was acquired in early childhood, because at that time a person is most susceptible to learning and assimilating. As soon as certain patterns of thinking, feeling and acting have established themselves within a person's mind, he or she must unlearn these before being able to learn something different, and unlearning is more difficult than learning something for the first time. In much the same way that computers are programmed, a person's mind is programmed with certain patterns of thinking, feeling, and acting. It is these patterns that Hofstede calls "the software of the mind". However, a person's behaviour is only partially predetermined by his or her mental programs. She or he has a basic ability to deviate from them, and to react in ways which are new, creative, destructive, or unexpected. According to Hofstede, the customary term for such mental software is "culture". Social (or cultural) anthropology is the science of human societies, in particular, although not only traditional or primitive ones. In social anthropology, 'culture' is a catchword for all those patterns of thinking, feeling and acting referred to. This common cultural experience represents a form of "collective mental programming" that is reflected in

their values, beliefs and behaviours, and is embedded in their institutions. Morisini and Steger (2004) suggest that these institutions can include the family, religious, educational, political and other organisational relationships that reinforce the ways of thinking and behaving. Laroche (2003:6) argues that from a practical sense, having culture as a default mode of operation makes everyday life much simpler. Indeed, culture includes an implicit list of standard operating procedures for daily activities and interactions. For example, culture tells us how to greet one another, when it is appropriate to call someone on the phone, and what topics we should avoid in conversations. In the professional world culture tells us how to achieve our professional goals, what our professional goals should be, how to be a good manager, and so forth.

3.2.3 Origins of Culture

The sources of one's mental programs lie within the social environments in which one grew up and collected one's life experiences. The programming starts within the family. It continues within the neighbourhood, at school, in youth groups, at the work place, and in the living community (Hofstede, 1997). Trompenaars (1997) suggests, that culture is 'a way that people solve problems' and different cultures therefore, have different ways of solving common problems. Even among small tribal communities, solutions to these problems evolve into systems of social and economic behavior. As early tribal societies evolved, they reflected the conditions of their natural environments. Those in continental Europe found ample game to hunt for food and clothing. Adapting to these conditions, Europeans settled in agricultural enclaves that were often self-sufficient and isolated from one another. Desert societies in Asia and North Africa had to travel great distances in order to find water. Consequently, people in each of these regions developed substantially different systems for acquiring basic resources. This is supported by Holt and Wigginton (2002) who argue, that in each tribe or community, people worked out solutions to their physiological problems, and patterns of behaviour became established through generations of development. Future generations of a particular culture are therefore, ensured by social and marital customs, but also by systems of education that perpetuate society's values, beliefs and knowledge. Education systems in Japan for example, emphasise group harmony and loyalty. They also stress rigorous conformance to group and social norms, and to diligence for work. These are values that mirror the broader profile of Japan as a

collectivist society. In contrast, education in the United Sates encourages self-achievement and independence. These re-enforce concepts of self-determination, debate and innovation that characterise the United States as an individualistic society. Each nation also explains history in it sown cultural context, thereby engraining beliefs and values in future generations, even though they often conflict with teachings of other societies. In any country, local laws ranging from traffic rules to penal codes, constitute an elaborate system of institutionalised behavioral norms. When the majority of people follow the laws, it solidifies its systems of values and beliefs, thus enhancing its internal security. Thomas and Inkson (2004:46) suggest, that we all carry elements of culture around with us from an early age. Much learning is imitative. Children imitate the behaviour and attitudes of their parents and role models. They become aware of ideas and ways of acting that are considered normal within the confines of their own culture. There are also deliberate practices of socialisation learning programs at home, in school, in peer groups, and so forth-where rules of action, often derived from the culture or subculture, are deliberately passed on to newcomers.

3.2.4 Characteristics of Culture

3.2.4.1 Culture is shared

Culture is by definition something that a group has in common, and is normally not available to people outside the group. It is mental programming held in common that enables insiders to interact with each other with a special intimacy denied outsiders. Scottish people for example, share a common feeling stemming from years of oppression by the English (Thomas & Inkson, 2004:24). Hofstede (1997) also argues, that culture is a collective phenomenon, because it is at least partly shared with people who live or lived within the same social environment, which is where it was learned. It is, therefore, the collective programming of the mind, which distinguishes one group of people from another. Laroche (2003:2) also argues, that culture is a group phenomenon. It is associated with a specific society or people. Culture is to people or a society what personality is to an individual. It distinguishes one society or people from another. Culture is something we have in common with some people but not with others. This commonality is what enables us to spot compatriots easily when we travel abroad.

3.2.4.2 Culture is learned and is enduring

Culture is built up systematically over time. The mental programming takes place over long periods as they interact with the environment. Some aspects of culture are built into institutions, such as religious beliefs, systems of landownership, forms of marriage, and the like. Others are passed on through the generations in the form of parental role-modelling and advice to the young (Thomas & Inkson, 2004:24). Hofstede (1997) supports the view, that culture is learned, not inherited. It derives from one's social environment, not from one's genes. Culture should be distinguished from human nature on one side, and from an individual's personality on the other, although exactly where the borders between human nature, culture and personality lie, is a matter of discussion among social scientists. He is supported by Laroche (2003:2) who argues, that culture is transmitted from one generation to the next, through a variety of means, such as arts, stories, tales, novels, movies and education. This transmission is both active and passive. Children learn from formal teachings and by observing how their parents and other adults behave.

3.2.4.3 Culture is a powerful influence on behaviour

Because of the mental programming, we have a tendency to revert to our cultural roots. Cultural intelligence, therefore, could require us to do something that may not come naturally. However, through a process of acculturation people can learn about a new culture while still retaining their individual culture (Thomas & Inkson, 2004:25). Laroche (2003:2) suggests, that culture specifies a range of attitudes and behaviours considered acceptable in specific situations, and this in turn, leads to enforcement of those beliefs through behaviour.

3.2.4.4 Culture is systematic and organised

Culture is not random, but an organised system of values, attitudes and beliefs, and meanings that are related to each other and the environmental context. The Chinese for example, developed certain cultural behaviours based on centuries of survival and cooperation in their largely agricultural economy and culture. Because of the mental programming imposed by our own culture, the cultures of other people often seem strange and illogical. Deeper scrutiny can reveal that each culture has its own, often exquisite, logic and coherence (Thomas & Inkson, 2004:25).

3.2.4.5 Culture is largely invincible

Aronson (2002:52) uses the metaphor of the fish in the water, to argue that although culture surrounds us, it remains largely invisible. Laroche (2003:3) compares culture to an iceberg, and states that culture contains a small, visible part made of the tangible or exterior manifestations of culture, which we perceive through our senses. Thomas and Inkson (2004:26) note, that some elements of culture are expressed in living artefacts, language, customs and dress, art, architecture and decoration. Much of culture, however, is hidden. The important part of this iceberg is not the obvious physical symbols that are above the surface, but the deep underlying values that they express. Understanding culture, therefore, involves a lot more than understanding immediate surface behaviour such as bows, handshakes, invitations, ceremonies, and body language. It is the invincible elements of culture, such as the underlying values, social structures, and ways of thinking, that are most important. Dadfar and Gustavsson (1993) argue, that from an observational point of view, the elements of any culture can be classified into two groups, namely observable elements that constitute "surface culture," and hidden elements called "deep culture." The surface culture includes easily observable elements such as customs, dressing, eating, technology, arts, behaviour, and the like. The deep culture includes elements that are not easily observable, such as values, beliefs, and systems of thinking, but manifestation of these elements can be observed in the surface culture.

3.2.4.6. Culture may be tight or loose

Cultures differ in their details and pervasiveness. In some societies there is unanimity with regards to correct behaviour, and in others there may be tolerance of differences and diversity. Japan is a good example of a tight culture, based on homogeneous populations or the dominance of particular religions and beliefs. The United Sates, on the other hand, with its diversity of populations, has relatively loose cultures (Thomas & Inkson, 2004:27).

3.2.5 The boundary between culture and personality

When an Italian reacts to a comment in a way that was not anticipated, is it because he or she is Italian or because of his or her personality? According to Thomas and Inkson (2004:22) the answer to this question is rarely black or white; it often comes in shades of grey. A person's actions and words depend on both his and her culture and

personality. Two people may grow up in the same culture but behave differently. However, culture as a whole has a mean centred on certain core values held by most people within that culture.

3.2.5.1 Layers of culture

According to Hofstede (1997), almost everyone belongs to a number of different groups and categories of people at the same time, and therefore, people unavoidably carry several layers of mental programming with themselves, corresponding to different levels of culture. The following are inherent in this viewpoint.

- A national culture according to one's country.
- A regional and/or ethnic and/or religious and/or linguistic affiliation level, as most nations are composed of culturally different regions and/or religious and/or language groups.
- A gender level, according to whether a person was born as a girl or as a boy.
- A generation level, which separates grandparents from parents and parents from children.
- A social class level, associated with educational opportunities and with a persons occupation and profession.
- For those who are employed, an organisational corporate level according to the way employees have been socialised by their work organisations.

According to Thomas and Inkson (2004:24), the most pervasive influences on human behaviour can be listed as follows.

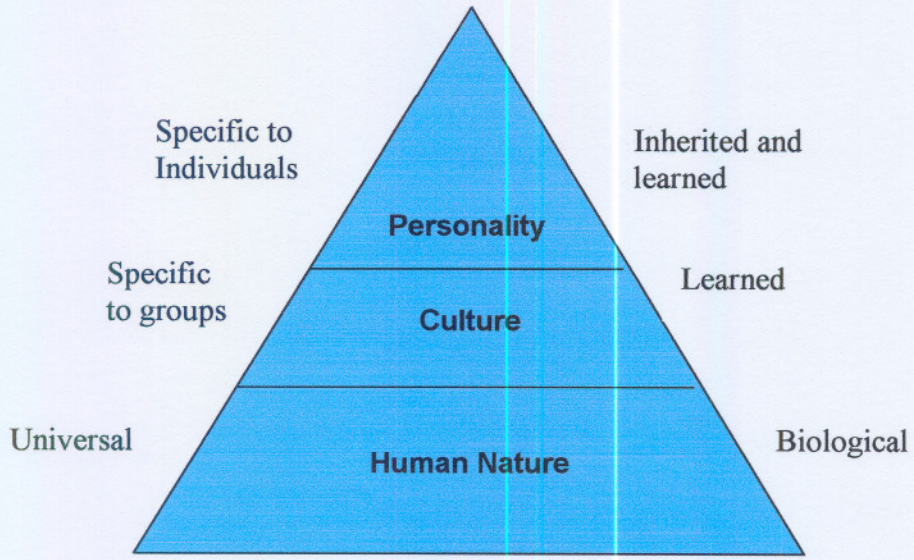
- At the deepest level it is human nature – based on common biological reactions such as hunger, sexual drive, territoriality, and nurturing of the young, which all members of the human race have in common. Because of human behaviour, there are many behaviours and understandings that all people share, even though they are from different cultures. Hofstede (1997) states, that human nature is what all human beings, from the Russian professor to the Australian Aborigine, have in common: it presents the universal level in one's mental software. It is inherited in ones genes, and is the 'operating

system', which determines one's physical and basic psychological functioning. The human ability to feel fear, anger love, joy, sadness, the need to associate with others, to play and exercise oneself, the facility to observe the environment and to talk about it with other humans, all belong to this level of mental programming. However, what one does with these feelings, how one express as joy, fear, observations, and so on, is modified by culture (Hofstede, 1997).

- At the intermediate level it is culture – based on common experiences that we share with a particular group of our fellow human beings. Cultural values, attitudes, and behaviour give us something in common with a definable group of others, but not with all of them. In recent years organisations realising the power of culture, have tried very hard to shape an organisational culture that will bond the activities of diverse members to common values and themes, such as customer service or excellence.

- At the lowest level it is personality – based on the specific genetic make-up and personal experiences that make each of us a unique individual – for example, we may be sociable or introverted, aggressive or submissive, emotional or stable, or perhaps, as a result of learning, we have a specific interest. Because of personality differences, there will be many behaviours and understandings that will be quite different, even though they come from the same culture. According to Hofstede (1997), the personality of an individual is his or her unique set of mental programs, which he or she does not share with any other human being. It is partly based on traits that are inherited, with the individual's unique sets of genes and that which has been partly learned.

Figure 3.1: Culture as an influencer of human behaviour -three levels of mental programming



Source: Thomas and Inkson (2004:23)

3.2.6 Culture and Religion

Hofstede (1997) argues, that religious affiliation by itself is less culturally relevant than is often assumed. If we trace the religious history of countries, the religion a population has embraced along the version of that religion, seems to have been a result of previously existing cultural patterns rather than the cause of cultural differences. The great religions in the world, at some time in their history, have all undergone profound divisions: between Roman Catholics, Eastern Orthodox, and various Protestant groups in Christianity, between Sunni and Shiite in Islam; between liberals and various fundamentalist groups in Jewry; between Hinayana and Mahayana in Buddhism. Cultural differences have always played a major role in such divisions. For example, the reformation movement within the Roman Catholic Church in the sixteenth century initially affected all of Europe. However, in countries, which more than a thousand years earlier had belonged to the Roman Empire, a counter - reformation reinstated the authority of their Roman church. In the end, the reformation only succeeded in countries without a Roman tradition. This does not mean that once a religion has settled, it does not reinforce the value patterns on the basis of which it was adopted, by fusing this into core elements in its teachings.

3.2.7 National cultural Differences versus Organisational Culture

Hofstede (2001) defines "culture" as "the mental programming of the mind". National and organisational culture is the result of collective programming derived from the organisations in which people work and the societies in which they live. These have given rise to the concepts of "organisational culture" and "national culture."

3.2.7.1 National cultural differences

According to Child and Faulkner (1998:231), national cultures are acquired with upbringing and as a result are deeply embedded. The mental programming, which takes place during childhood, and which is reinforced during a lifetime of living in a particular society, is therefore, likely to be resistant to change. For this reason, culture becomes a particularly significant phenomenon in alliances that are international rather than purely domestic. As well as having their roots in the traditions of country, national cultures are also tied up with the specific institutions of that country and its prevailing political ideologies. These institutions and ideologies can within a generation or two have a significant impact upon national cultures, as comparisons between the PRC and Taiwan or Hong Kong, or between East and West Germany, have made abundantly clear. The fact that national economic and political ideologies can generate their own mental programming, serves to remind us that national culture, though historically embedded, does not necessarily rule out the capacity for some mental adaptation on the part of the individual. In the case of China, the younger generation that has grown up and entered employment during the age of reform, displays more individualistic and materialistic (and therefore, in some respects more Western) attitudes than does the older generation. The authors cite earlier research by industrial sociologists (Dubin; 1956 and Dubin *et al.* 1975), into "central life interests", that suggest that people can draw a distinction between work-related values and behaviour and those they adopt within their families and communities. In other words, under conditions that motivate them to do so, many people may be able and willing to adapt their national cultural dispositions in clearly defined situations such as working in an international cooperative venture.

Thomas and Inkson (2004:27-28) support this view, by indicating that "nation" and "culture" are not identical. Many ethnic cultures, organisational cultures, minority cultures and subcultures may influence different people within the same country. Nations are often formed because of cultural similarities among different population groups, and over time they reinforce their adherence to a national culture by means of shared institutions, legal and educational systems and mass media. National cultures are particularly important in international business because of the concept of national sovereignty and the need to conduct business affairs within national, legal, and political frameworks. Culture tends to accept some aspects of other societies and reject others. In Hong Kong for example, the traditional Chinese person's respect for authority has been retained, while rejecting their fatalism, and have adopted modern competitiveness without drifting towards sexual promiscuity.

3.2.7.2 Organisational culture

Child and Faulkner (1998:231) identify the following three main perspectives on organisational culture. These respectively draw the attention to the -

- culture which may be shared by all the members of an organisation and which therefore acts as a unifying force;
- subcultures of different groups within an organisation - such as specialist groups or managers compared with workers, or the staff drawn from different strategic alliance partners - which tend to act as a differentiating and divisive force; and
- cultures as a fragmented mix of cross-cutting personal identities, full of paradoxes and ambiguities which are promoted, *inter alia*, by the constant flux of change in modern organisations and societies.

In view of these possibilities, culture may respectively be -

- a means to integrate people around a common task or operation, similar to a strategic alliance;
- a divisive factor which threatens to fragment the alliance; or
- a source of confusion for employees, which may be alienating and distressing for some of them.

The authors also argue, that organisational cultures are associated with places of work, which may be relatively short-term employment locations for many people. Such cultures may change substantially and suddenly with circumstances - the experience of downsizing being a case in point. The economic threat and psychological shock accompanying compulsory redundancy can rapidly destroy any sense of sharing a common culture with management. The practices which people have learned within the framework of a particular organisational culture, may be more deeply embedded and, therefore, persist beyond a cultural change. Hofstede (1997; 2001:393-394) also stresses, that an organisation is a social system very different by nature than that of a national culture; if only because the organisation's members usually had a certain influence in their decision to join it, are only involved in it during working hours, and may one day leave it again. Therefore, the attitude towards organisational cultures is strongly influenced by national cultures. Furthermore, a study conducted by the Institute for Research on Intercultural Cooperation (IRIC) found that employees values differed more according to criteria such as the nationality, age, and education of the employees than according to their membership of an organisation *per se.* This view is also supported by Trompenaars and Prud'homme van Reine (2004:106-107).

Finally, organisational culture is often a result of the values of the founders, which were aimed at fostering and harnessing behaviour that will lead to achievement of business objectives, and will therefore, in essence, differ substantially from the dynamics of national culture. Furthermore, employees who leave an organisation will often discard that organisational culture for the culture in the next organisation that he or she may join. This will obviously not be possible in the case of national culture.

A national culture will, therefore, always be much more pervasive and exert greater influence over the behavior of employees than will any organisational culture.

3.3 Cultural Dimensions

According to Hofstede (1997), human societies have existed for at least 10 000 years, possibly much longer. In the first half of the twentieth century, social anthropology has developed the conviction that all societies, modern or traditional, face the same basic problems, only the answers differ. The logical next step was, that social

scientists attempted to identify what problems were common to all societies, through conceptual reasoning and reflection upon field experiences, as well as through statistical studies. In 1954, two Americans, the sociologist Alex Inkeles and the psychologist Daniel Levinson, published a broad survey of the English language literature on national culture. They suggested, that the following issues qualify as basic problems worldwide, with consequences for the functioning of societies, of groups within those societies, and of individuals within those groups.

- Relationship to authority.
- Conception of self, in particular:
    - the relationship between individual and society, and
    - the individual's concept of masculinity and femininity.
- Ways of dealing with conflict, including the control of aggression and the expression of feelings.

The past two decades have witnessed a growing interest by practising managers, consultants, and management researchers in the implications of culture. Hofstede's work (1980, 1991; Hofstede and Bond 1988, 1997 and 2001), that entailed a large-scale investigation across different national branches of IBM, has been one of the most influential contributions. His research, conducted 20 years after the classification by Inkeles and Levinson, resulted in findings that strikingly overlapped with theirs.

3.3.1 Hofstede's five Dimensions of National Culture

Perhaps the best-known study of how national values relate to the workplace, was presented by Hofstede and first published in 1980. Hofstede's work was carried out when he was employed as manager of the Personnel Research Department of IBM Europe. In a longitudinal study between 1967 and 1978, covering 50 countries, he defined and measured four cultural dimensions: power distance, individualism versus collectivism, uncertainty avoidance, and masculinity versus femininity (Hofstede, 1997). Neal (1998:4) argues, that the impact of this study lay partly in its specific methodology; which follows.

- The questionnaire had been administered throughout a single multinational company.
- IBM used similar technology throughout the world.
- It used similar administrative structures throughout the world.
- It prided itself upon a strong corporate culture.

By holding these factors constant, the study demonstrated, that cultural differences persisted between countries at similar stages in industrialisation, and it suggested, that national culture had a pervasive influence even upon these institutional, production and managerial structures that had formerly been cited as instrumental in international organisation convergence. He asserted, that as societies across the world differed with respect to their attitudes toward these dimensions, so did their approaches to management. Power distance referred to how a society felt about the fact that some people in a society had power and others did not. Individualism versus collectivism referred to whether relationships between individuals were loose and where competition was valued, as opposed to collectivism, where relationships were tighter and individuals were supposed to cooperate and look after each other. Uncertainty avoidance referred to whether individuals in a society were uncomfortable with uncertainty and ambiguous situations. Finally, masculinity versus femininity referred to whether traditional masculine values such as assertiveness, or traditional feminine values, such as tenderness, were viewed as cultural ideals.

The fifth dimension, long - versus short-term orientation, was found in the answers of student samples from 23 countries around 1985 to the Chinese Value Survey (CVS), an instrument developed by Michael Harris Bond in Hong Kong from values suggested by Chinese scholars. According to Hofstede (1997), the fact that this element was not found in the IBM data, can be attributed to the Western minds of the designers of the IBM questionnaire and other value lists used in international research so far. The CVS was composed from a values inventory suggested by eastern minds, which only partly covered the themes judged important in the West. In fact, the long- versus short-term orientation dimension appears to be based on items reminiscent of the teachings of Confucius, at both of its poles. It opposes long-term to short-term

aspects of Confucian thinking: persistence and thrift to personal stability and respect for tradition.

Hofstede compiled country scores for each dimension and asserted, that these dimensions affected how individuals in these societies approached management.

Thirteen years after his original publication, Hofstede (1993) noted, that while diversity in management practices around the world had been recognised since the 1960s, even today many do still not agree with the notion that the applicability of management theories may stop at national borders. It should be noted, that while Hofstede's work has been criticised by some, he is still considered by many to be the father of the idea that national culture affects management, and it is generally accepted that Hoppe's large-scale work as cited by Joynt and Warner (1996:39) validates the universal application of Hofstede's survey outside IBM. The five cultural dimensions identified by Hofstede, could be summarised as follows:

3.3.1.1 **Individualism versus collectivism.** The extent to which the ties between individuals are loose, with everyone expected to look after himself or herself and his or her immediate family rather than belonging to strong, cohesive wider in-groups. Individualism describes the relationship between the individual and the collectivism of a given society.

3.3.1.2 **Power distance.** The extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.

3.3.1.3 **Uncertainty avoidance.** The extent to which the members of a culture feel threatened by uncertain or unknown situations. Uncertainty avoidance originates from the fact, that the tolerance for uncertainty varies considerably among people in subsidiaries in different countries. Three indicators of rule orientation, employment stability, and stress are used to produce this index.

3.3.1.4 **Masculinity versus femininity.** The distinction between a set of values and attitudes usually associated with men (e.g., assertiveness, competitiveness) in contrast to those usually associated with women (e.g., concern for people, attaching value to cooperative relationships), strongly correlated with personal time phrased as having a job that leaves you sufficient time for personal or family life.

3.3.1.5 **Time-orientation.** Long-term versus short-term gratification of needs, where the former is more oriented towards the future, emphasising the value of perseverance and thrift, combined with valuing ordered relationships and having a sense of shame or honour. This fifth dimension emerged from research among Chinese populations and has sometimes been called "Confucian Dynamism".

Source: Hofstede (1997; 2001).

These dimensions are not separate. They interact with each other to define and impact culture. For instance, countries scoring higher in power distance tend to have low individualism and countries with small power distance, tend to have high individualism. As will subsequently be seen, there are some exceptions, such as in Spain, France, and Italy, which exhibit both large power distance and high individualism. Anglo and Scandinavian countries have small power distance and weak uncertainty avoidance; South-east Asian countries exhibit large power distance and weak uncertainty avoidance; German-speaking countries demonstrate small power distance and strong uncertainty avoidance; and Latin countries display large power distance and strong uncertainty avoidance.

Another cultural researcher, Fons Trompenaars, conducted studies and formulated seven cultural dimensions. Trompenaar had composed a 79-item questionnaire from items addressing seven hypothesised dimensions of cultural valuing. The answers from 653 respondents were reported (Hampden-Turner & Trompenaars, 2000:11), and are set out as follows.

3.3.2 Trompenaars's Seven Dimensions of National Culture

3.3.2.1 **Universalism versus particularism** - always applying the best way or a standard rule vs. deciding on the basis of the specific case, especially when friendship is involved.

3.3.2.2 **Individualism versus collectivism** - people regarding themselves primarily as individuals vs. as part of a group or community.

3.3.2.3 **Neutral versus emotional** - attaching importance to being objective and detached as opposed to permitting emotions to become involved.

3.3.2.4 **Specific versus diffuse** - confining business to the contractual versus involving personal contacts as well.

3.3.2.5 **Achievement versus ascription** - evaluating people on achievement versus evaluating them according to background and connections.

3.3.2.6 **Attitudes towards time** - future versus past orientation and how past, present, and future are seen to be related.

3.3.2.7 **Attitudes towards the environment** - the view that individuals can shape the environment and other people ('inner-direction') versus one that we have to live in harmony with the environment and with other people and hence take our cues from them ('outer-direction').

It is apparent, that there is a substantial overlap between the dimensions of Hofstede and Trompenaars, especially in regard to individualism (dimensions 2, 5, 6, and 7), relationships (dimensions 4, 5, and 7), and universalism (dimensions 1, 3, and 4).

Hofstede criticises Trompenaars's dimensions. He concludes from a re-analysis of Trompenaars's data, that only two dimensions can be confirmed statistically -

individualism/achievement and universalism/diffuse - and that both are correlated with Hofstede's individualism dimension (Hofstede 2001). Mead (2000) also criticises Trompenaars work on the basis that it meets practical rather than academic needs. According to him the disadvantage lies in the value of Trompenaar's research, which is problematic. He further argues, that the pool of research subjects is vaguely defined and lacks homogeneity, hence only imprecise comparisons can be made between cultures. Cultures are classified only in terms of their responses to case questions and Trompenaars's model does not provide comparisons on the basis of parameters.

Thomas and Inkson (2004:13) support the idea, that although a laundry list approach to culture is not feasible, it is, however, possible to "unpackage" or "map" culture by describing their essential features in order to understand it. Even though each individual human being is unique with specific qualities and quirks of character that may take long to describe, certain words, such as intelligent, extroverted, emotionally stable and unassertive, conveys a lot of information about that person. In the same way it is possible to summarise characteristics of culture. An important way to describe both the similarities and differences among cultures, is by their underlying values. These cultural values are fundamental shared beliefs about how things should be done.

3.3.3 Other cultural Mappings

Shalom Scwartz, as reported by Thomas and Inkson, (2004:35-36) did a mapping of culture according to their value orientation. He identified the following seven value orientations:

- Egalitarianism - Recognition of people as moral equals.
- Harmony - Fitting in harmoniously with the environment.
- Embeddedness - People as part of a collective.
- Hierarchy - Unequal distribution of power.
- Mastery - Exploitation of the natural or social environment.
- Affective autonomy - Pursuit of positive experiences.
- Intellectual autonomy - Independent pursuit of own ideas.

Joynt and Warner (1996:38) categorised the findings of Kluckhohm and Strodtbeck (1961), Hall (1960, 66, 73), Hall and Hall (1987) and Maznevski's (1994) into seven main categories, namely human nature, relation to nature, activity orientation, human relationships, relation to time and space orientation (table 3.1).

Table 3.1: Comparison of cultural dimensions

	Kluckhohm and Strodtbeck (1961)	**Hall (1960,66,73) Hall and Hall (1987)**	**Hofstede (2001)**	**Trompenaars (2000)**	**Trompenaars and Hampden-Turner (1997)**	**Maznevski (1994)**
Human nature	Good, evil. Neutral, mixed: Changeable, unchangeable.	Agreements	Uncertainty avoidance index	Universalism: Particularism.	Universalism: Particularism.	Good/evil: Changeable
Relation to Nature	Subjugation Harmony Mastery		Uncertainty avoidance index	Internal: External Orientation	Inner: Outer Directed	Subjection Mastery Harmony
Activity Orientation	Doing, Being, being in becoming	Monochromic, Polychronic (interacts with individualism)	Masculinity index	Achievement: Ascription	Achievement: Ascription, Analyzing: Integrating	Doing, Being, Containing and Controlling (thinking)
Human relationships	Individual, collective, hierarchical.	Amount of space, possession, friendship, communication.	Power Distance index, Individualism index	Equality: Hierarchy. Individualism: Collectivism. Affective: Neutral	Equality: Hierarchy. Individualism: Communitarian-ism.	Individual Collective Hierarchical
Relation to time	Past, present, future.	Past, Future	Long Term Orientation	Sequential; Synchronic Past, Present, Future	Sequential; Synchronic	
Space orientation	Public, Private, Mixed	Public, Private				

Source: Joynt and Warner (1996:38).

It is clear, that there is a certain overlapping in the work of all the main researchers. Hoftsede has been criticised on a number of issues. His initial study, though global in scope, was limited to IBM, and critics point out, that IBM employees are not necessarily representative of societies at large (Mead, 2000:41; Holt & Wigginton, 2002). In addition, Hofstede worked mainly with managers, and not a full complement of employees. He recognised these limitations and subsequently broadened his study to a wider range of employees and organisations. Another criticism is the study's disregard of subcultures in a given society (Mead, 2000:41; Holt & Wigginton, 2002), hence conflicting results were found in China, a country with many subcultures. Hofstede's fifth dimension has been criticised by Fang

(2003:357) as being based on solely on Confucian values, but points out that Confucian values are not the only values that have influenced Chinese culture. The writer further points to the fact, that the study was conducted amongst students, who are not representative of the broader population.

It is however, Hofstede's work that is regarded as the authority on cultural dimensions, and is referred to most often in academic literature (Holt & Wigginton, 2002). Hofstede's findings have also subsequently been proven on various occasions outside the IBM context (Barkema & Vermeulen, 1997; Holt & Wigginton, 2002). Bochner and Hesketh (1994), reported by Bond and Smith (1996:219), studied Australian bank employees whose ethnic identity was with either high (e.g. Hong Kong) or low (e.g. Great Britain) power distance cultures. The high power distance group reported significantly more behaviour likely to be expected from high power distance, collectivist cultures and reported experiencing more discrimination than did respondents from the majority, low power distance group. Wong and Birnbaum-More (1994) reported by Bond and Smith (1996:219) found, that among banks in Hong Kong, Hofstede's power distance score of the country owning the bank, could predict the degree of centralisation and hierarchy. Sondergaard (1994), reported in Mead (2000), discussed 61 works replicating Hofstede's methods and finds that the four dimensions are "largely confirmed".

Organisational researchers have also sought to outline the relationship between organisational culture and national culture. Morris et al., (1994) compared the incidence of entrepreneurial corporate climate in US, South African, and Portuguese organisations. Within-country analyses revealed, that within the United States and South Africa, respondents' endorsement of moderate levels of individualism-collectivism was associated with the highest endorsement of entrepreneurial values. Van Muijen and Koopman (1994) report results from the FOCUS 92 group, which surveyed perceptions of organisational climate in 10 European nations. Differences in mean country scores on preference for innovation, paralleled Hofstede's individualism scores, but rules-orientation did not accord with any of the Hofstede scores. Janssens et al., (1995) compared perceptions of safety policy within US, French, and Argentinean plants of the same US multinational corporation. Although a company-

wide policy was in force, its implementation varied in ways that were interpreted in terms of individualism-collectivism (Reported by Bond & Smith, 1996:219).

These studies are further proof of the accuracy of Hofstede's findings.

3.4 Pitfalls in cultural Research

Bond and Smith (1996:230) argue that, despite numerous publications by academic researchers, numerous pitfalls along the path toward a well-validated framework for cross-cultural studies, remain. First, this review demonstrates how the sampling of national cultures within recent studies is woefully biased. Current studies over represent North America, East Asia, and Western Europe, with consequent neglect of Latin American, African, East European, Arab, South Asian, and other societies. Secondly, the strongly individualistic values of the cultures from which most researchers have drawn their results are confusing regarding the appropriate levels of analysis of cross-cultural data. Most current culture-level analyses are based upon the aggregation of individual-level data, and reviewers used by major North American journals, often require that researchers engage in individual-level data analyses, which is inappropriate to a culture-level analysis. Hofstede (2001) stresses, that appropriate-level variables must be used if we are to understand variation at a given level. Equally invalid assumptions are also widespread in the reverse direction: researchers infer, that because culture X has certain values, individuals within that culture will share those values. Separate individual-level variables are needed. Schwartz's (1994) large-scale surveys show how individual-level analyses yield results different from culture-level analyses and provide relatively comprehensive guidelines with respect to intercultural continuities in the structure of values. How we define the boundaries of one's cultural samples, is also a question that academics grapple with. Most studies use national affiliation, but the existing and increasing cultural diversity of many nations makes this strategy unsatisfactory. Butler (1998:4) also points to certain problems related to team – based cultural research, whilst Fine (1996: 500) suggests, that still too little empirical research have been conducted on cultural diversity management.

Bond and Smith (1996:230) argue, that although the problems facing cross-cultural researchers should not be minimised, the importance of what has thus far been

achieved by research, should not be overlooked. Cross-cultural social and organisational psychology has for the first time a theoretical framework upon which studies may be designed and relevant samples may be selected. That framework must be scrutinised, of course, but a set of dimensions of cultural variation proven to predict social phenomena, is now available to researchers. While the definition of individualism and collectivism as polar opposites will certainly prove unable to integrate the full range of global variations in social behaviour, further progress can be expected in defining just how many dimensions are required for optimal parsimony.

3.5 A Discussion of Hofstede's Dimensions

3.5.1 Power Distance

3.5.1.1 Definition

The basic issue involved, which different societies handle differently, is human inequality. Inequality can occur in areas such as prestige, wealth and power; different societies put different weights on status consistency among these areas. Inside organisations inequality in power is inevitable and functional. This inequality is usually formalised within the boss –subordinate relationship. Power distance is to a considerable extent determined by society (Hofstede, 2001:79). According to Bond and Smith (1996:216), power distance is the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally. It measures the interpersonal power between the supervisor and the subordinate. The power distance index (PDI) is derived from the questions that measure perceptions of the supervisor's style of decision-making, perceptions of colleagues' fear to disagree with supervisors, and the type of decision-making style that subordinates prefer in their supervisor. Power distance is, therefore, a measure of the interpersonal power or influence between boss and subordinate as perceived by the less powerful of the two. Inequality confirms and perpetuates itself.

3.5.1.2 Origination

From a biological point of view, according to Hofstede (2001:80), the human species belongs to the category that shows dominance behaviour. How the basic fact of dominance manifests in human social existence, varies from one society to another. Inequality in society is multidimensional. Successful athletes, artists and scientists

who show unique physical and mental characteristics, usually enjoy status, but only in some societies do they enjoy wealth as well, and rarely do they have power. Politicians in some countries can enjoy status and power without wealth, businessmen wealth and power without status. In general, in society, we can distinguish two opposing forces. One force tries to eliminate status inconsistencies between the various areas. The counterforce tries to maintain equality by offsetting rank in one area against another. The battle between the two forces – status consistence versus overall equality – is one of the basic issues in any human society. Within organisations, as units of society, we inevitably find inequality of members' abilities and inequality of power. An unequal distribution of power over members is the essence of organisation. In most utilitarian organisations the distribution of power is formalised in hierarchies. The basic element from which hierarchal pyramids are built, is the relationship between a boss B and a subordinate S. If we know S reports to B we know certain formal aspects of their relationship; it is likely that B, can set priorities for S's work and possible that B has some influence on S's reward and career. The power distance between a boss and a subordinate in a hierarchy is the differences between the extent to which the boss can determine the behaviour of the subordinate and vice versa. Culture sets the level of power distance at which the tendency of the powerful to maintain or increase power distance and the tendency of the less powerful to reduce them, will find their equilibrium. The origins of power distance can be traced back to certain factors that are present in a particular society.

In China for example, in around 500 B.C, Kong Ze, whose name the Jesuit missionaries 2000 years later latinised as Confucius, maintained that stability in society is founded on unequal relationships between people. He distinguishes *wu lun*, the five basic relationships: master - follower, father - son, elder brother – younger brother, husband – wife, and senior friend – junior friend. These relationships contain mutual and complementary obligations: The junior partner owes the senior respect and obedience and the senior owes the junior protection and consideration. Confucius's ideas have survived to serve as a guideline for proper behaviour by Chinese people. Countries in the IBM survey that have also undergone Chinese influence, are in order of PDI: Singapore, Hong Kong, South Korea, Taiwan and Japan. The author furthermore argues, that their population's respect for hierarchy may be explained by their Confucian heritage. Power distance norms are definitely

associated with religious life, but it is doubtful whether power distance can influence a religion, rather they stem from common roots. When a religion is established in a country, it will reinforce the values that led to its adoption. In Asia, religion can be seen as a factor that explains the power distance between Muslim Pakistan and Hindu India. Islam is more egalitarian. In Islam all believers are equal before God, although they may be very unequal in society. In India the caste system is a more fundamental element of Indian society than the Hindu religion. Table 3.2 contains a list of factors that influence the origins of power distance.

3.5.1.3 Hofstede's Index

In the IBM questionnaire designed and conducted by Hofstede, the question was posed: "How frequently in your experience does the following problem occur: employees being afraid to express disagreement with their managers? A further question asked employees what type of manager they preferred. In countries where few employees were perceived as afraid, many preferred a consultative manager. In countries where many employees were perceived as afraid, employees tended not to prefer the consultative manager but the autocratic, the persuasive or the democratic majority-vote manager. Table 3.3 contains the list of countries in which the study was conducted and the respective scores.

Table 3.2: Origins of power distance norm

Low PDI	High PDI
Moderate to cold climates.	Tropical and subtropical climates.
Survival and population growth more dependent on human interventions with nature.	Survival and population growth less dependent on human interventions with nature.
More need for technology.	Less need for technology.
Historical events, early legislation applied to rulers, one-son inheritance.	Historical events, early legislation not applied to rulers, divided inheritance.
Less traditional, agriculture, more modern industry, more urbanization.	More traditional, agriculture, less modern industry, less urbanization.
More need for education of lower strata (literacy, mass education).	Less need for education of lower strata (literacy, mass education).
Greater social mobility and strong development of middleclass.	Less social mobility and weak development of middleclass.
Greater national wealth.	Less national wealth.
Wealth more widely distributed.	Wealth concentrated in hands of small elite.
Political power based on system of representation.	Political power concentrated in hands of oligarchy or military.
Strong will to be independent, smaller size of population.	Little popular resistance to integration into a large state: large size of population.
Historical events: Independence, federalism, and negotiation.	Historical events: Occupation, colonialism, and imperialism.

Low PDI	High PDI
Less centralisation of political power.	Centralisation of political power.
Faster population increase in wealthy countries.	Slower population increase in wealthy countries.
Technological momentum of change.	More static society.
Children learn things that elders never learned: less dependent.	Children's education dependent on parents and elders.
Some teaching is two way.	Teachers are omniscient, teaching is one way
More questioning of authority in general	Less questioning of authority in general

Source: Hofstede (2001:118)

These factors are of course not absolute, and discrepancies can be found, most notably with Malaysia, France, India and Hong Kong, all of which rank high on the PDI, but is known for its technology, do not have military governments and is highly industrialised. Conversely though, the majority of the other factors listed in the index, are also present in the societies mentioned.

Table 3.3: Power distance index

Rank	Country	Actual	Rank	Country	Actual
1	Malaysia	104	27/28	South Korea	60
2/3	Guatemala	95	29/30	Iran	58
2/3	Panama	95	29/30	Taiwan	58
4	Philippines	94	31	Spain	57
5/6	Mexico	81	32	Pakistan	55
5/6	Venezuela	81	33	Japan	54
7	Arab countries	80	34	Italy	50
8/9	Ecuador	78	35/36	Argentina	49
8/9	Indonesia	78	35/36	South Africa	49
10/11	India	77	37	Jamaica	45
10/11	West Africa	77	38	United States	40
12	Yugoslavia	76	39	Canada	39
13	Singapore	74	40	Netherlands	38
14	Brazil	69	41	Australia	36
15/16	France	68	42/44	Costa Rica	35
15/16	Hong Kong	67	42/44	Germany	35
17	Columbia	66	42/44	Great Britain	35
18/19	Salvador	66	45	Switzerland	34
20	Belgium	65	46	Finland	33
21/23	East Africa	64	47/48	Norway	31
21/23	Peru	64	47/48	Sweden	31
21/23	Thailand	64	49	Ireland	28
24/25	Chile	63	50	New Zealand	22
24/25	Portugal	63	51	Denmark	18
26	Uruguay	61	52	Israel	13
27/28	Greece	60	53	Austria	11

Source: Hofstede (2001:87)

Hofstede found, that the scores across occupations were also correlated, but not amongst individuals. Lower education and lower status occupations tended to produce high PDI values, and higher education, higher status occupations, tend to produce lower PDI results. In fact, every additional year of formal education needed for an occupation, reduced the occupation's PDI score by about 18 points. Paradoxically, the correlation between PDI and educational level, which was so strongly negative across occupations, was positive across countries. In higher PDI countries, IBM employees in the particular occupation used for comparison (managerial, professional, technical, and clerical) tended to have *more* years of formal education than those in power PDI countries. Hofstede ascribes this to the labour market situation and the educational system in many poorer countries. He therefore concludes as follows.

- Power distance between less educated and non-managerial employees and their superiors tend to be larger than between more educated and managerial employees and their superiors.

- If occupation and education was held constant, the range between different countries was still as large as between different occupations, meaning that power distance between equally educated employees in one country was the same as between unskilled labour and college professionals in another.

Low PDI values occurred for only highly educated occupations in small power distance countries. Class differences in power distance scores were particularly high in Great Britain and Germany. Such differences were low in India and Mexico, where power distance was large, irrespective of class. Japan took a middle position with middle range PDI scores for all four occupations. Table 3.4 contains a summary of the values found within the PDI.

Table 3.4: Summary of values and attitudes difference found correlated with PDI

LOW PDI	HIGH PDI
National elites hold relatively un-authoritarian values.	National elites hold relatively authoritarian values.
Authoritarian attitudes in students a matter of individual personality.	Authoritarian attitudes in students a social norm.
Students put value on independence.	Students put value on conformity.

LOW PDI	HIGH PDI
Freedom more important than equality.	Equality more important than freedom.
Authority based on secular rational arguments.	Authority based on tradition.
Students have positive associations with "power" and "wealth".	Students have negative associations with "power" and "wealth".
Positive attitude towards older people.	Negative attitudes towards older people.
Top leaders younger.	Top leaders older.
Middle age starts after 40.	Middle age starts before 40.
Students see world as a just place.	Students see world as an unjust place.
Less acquiescence in answering survey questions.	Less acquiescence in answering survey questions.

Source: Hofstede (2001:96)

Hofstede also found, that certain values held by a particular society, could be categorised with relation to PDI scores.

Table 3.5: Power distance societal norm

LOW PDI	HIGH PDI
All should be interdependent.	A few should be interdependent, most should be dependent.
Inequality in society should be minimised.	There should be an order of inequality in this world in which everyone has his/her rightful place, high and low are protested by this order.
Hierarchy means an inequality of roles, established for convenience.	Hierarchy means existential inequality.
Subordinates are people like me.	Superiors consider subordinates as being of a different kind.
Superiors are people like me.	Subordinates consider superiors as being of a different kind.
The use of power should be legitimate and is subject to the judgment between good and evil.	Power is a fact of society that antedates good or evil, its legitimacy is irrelevant.
All should have equal rights.	Power holders are entitled to privileges.
Powerful people should try and look less powerful than they are.	Powerful people should try and look as powerful as possible.
Stress on reward, legitimate and expert power.	Stress on coercive and referent power.
The system is to blame.	The underdog is to blame.
The way to change a social system is to redistribute power.	The way to change a social system by dethroning those in power.
Latent harmony between the powerful and the powerless.	Latent conflict between the powerful and the powerless.
Older people neither respected nor feared.	Older people respected and feared.

Source: Hofstede (2001:98)

3.5.2 Individualism versus Collectivism

3.5.2.1 Definition

Hofstede (2001:209) defines individualism and collectivism as the relationship between an individual and the collectivity that prevails in a given society. It is reflected in the way people live together, for example in nuclear families, extended

families, or tribes – and it has many implications for values and behaviour. He argues, that in some cultures, individualism is seen as a blessing and a source of well-being, in others it is seen as alienating. The relationship between the individual and the collectivist in human society is not only a matter of ways of living together; it is intimately linked with social norms. It therefore, affects both people's mental programming and the structure and functioning of many institutions aside from the family: educational, religious, political, and utilitarian.

3.5.2.2 Origination

According to Hofstede (2001:210-211), the central element in our mental programming involved in this case, is the self-concept. As opposed to the western trait of respecting and protecting individual's rights, a very different concept is found in China. For Mao Zedong, individualism was evil. In his opinion individualism and liberalism were manifest in the selfishness and aversion to discipline characteristics of the petty bourgeoisie. The selfish behaviour that Mao condemned was not necessary at the expense of others, it was sufficient to place personal interest above the group and devote too much attention to one's "own thing". In Chinese culture maintaining the group's well-being is the best way of maintaining the individual's well-being. He further observes, that inactive agricultural societies mostly showed and still show more complex extended families or village communities in groups. When farmers migrate to cities, extended families become smaller and the typical urban family is again nuclear. In most countries today one finds only agricultural and urban subcultures. For these two types, modernisation corresponds to individualisation. Following the logic of this hypothesis, differences in individualism among countries should be primarily a matter of differences in modernisation, due to different degrees of economic development. Tables 3.6 and 3.7 below demonstrate the different origins of individualism and collectivism and their societal norms, as identified by Hofstede.

Table 3.6: Origins of national individualism index differences

Low IDV	High IDV
Less economic development.	More economic development.
Less social mobility and weak development of middle class.	Greater social mobility and stronger development of middle class.
Tropical and sub –tropical climates.	Moderate to cold climates.
Survival less dependent on individual initiative.	Survival more dependent on individual initiative.

LOW PDI	HIGH PDI
More traditional agriculture, less modern industry, less urbanisation.	Less traditional agriculture, more modern industry, more urbanisation.
Extended family or tribal structure.	Nuclear family structure.
More children per parent couple.	Fewer children per nuclear family.
Traditional education system for minority of population.	Pragmatic education system for majority of population.
Historical factors: tradition of collectivist thinking and action.	Historical factors: tradition of individualist thinking and action.
Smaller particularistic organisation.	Larger, universalistic organisation.

Source: Hofstede (2001:254)

Table 3.7 sets out the individualism societal norm as described by Hofstede (2001).

Table 3.7: The individualism societal norm

Low IDV	High IDV
In societies people are born into extended families or clans, which protect them in exchange for loyalty.	In societies everyone is supposed to take care of him or her-self in his or her individual family.
"We" consciousness.	"I" consciousness.
Collective orientation.	Self- orientation.
Value standards different for in-groups and out-groups.	Value standards should apply to all: universalism.
Identity is based on the social system	Identity is based on the individual.
"Shame" cultures.	"Guilt" cultures.
High context communication.	Low context communication.
Emphasis on belonging: membership ideal.	Emphasis on individual initiative and achievement: leadership ideal.
Expertise, order, duty, security, provided by organisations or clan.	Autonomy, variety, pleasure, individual financial security.
Traditional society.	"Modern" or "post-modern" society.

Source: Hofstede (2001:227)

3.5.2.3 Hofstede's Index

The study conducted by Hofstede, provided the following results.

Table 3.8: Hofstede's country scores for individualism index

Rank	Country	Score	Rank	Country	Score
1	United States	91	28	Turkey	37
2	Australia	90	29	Uruguay	36
3	Great Britain	89	30	Greece	35
4/5	Canada	80	31	Philippines	32
4/5	Netherlands	80	32	Mexico	30
6	New Zealand	79	33/35	Yugoslavia	27
7	Italy	76	33/35	Portugal	27
8	Belgium	75	35/36	East Africa	27
9	Denmark	74	35/36	Malaysia	26
10/11	Sweden	71	37	Hong Kong	25
10/11	France	71	38	Chile	23
12	Ireland	70	39/41	Singapore	20
13	Norway	69	39/41	Thailand	20

Rank	Country	Score	Rank	Country	Score
14	Switzerland	68	39/41	West Africa	20
15	Germany	67	42	Salvador	19
16	South Africa	65	43	South Korea	18
17	Finland	63	44	Taiwan	17
18	Austria	55	45	Peru	16
19	Israel	54	46	Costa Rica	15
20	Spain	51	47/48	Pakistan	14
21	India	48	47/48	Indonesia	14
22/23	Japan	46	49	Columbia	13
22/23	Argentina	46	50	Venezuela	12
24	Iran	41	51	Panama	11
25	Jamaica	39	52	Ecuador	8
26/27	Brazil	38	53	Guatemala	6
26/27	Arab Countries	38			

Source: Hofstede (2001:215)

3.5.3 Uncertainty Avoidance

3.5.3.1 Definition

Uncertainty avoidance is the extent to which the members of a culture feel threatened by uncertain or unknown situations. Uncertainty avoidance originates from the fact that the tolerance for uncertainty varies considerably among people in subsidiaries in different countries (Bond & Smith, 1996).

3.5.3.2 Origination

According to Hofstede (2001:145-146), uncertainty about the future is a basic fact of human life, with which we try to cope through the domains of technology, law and religion. Time goes only one way. We are caught in a present that is just an indiscernible borderline between past and future. We have to live with a future that moves away as fast as we try to approach it, but onto which we project our present hopes and fears. In other words, we are living with an uncertainty of which we are conscious. Technology has helped us to defend ourselves against uncertainties caused by nature, law, against the uncertainties caused by others, and religion against uncertainties that we cannot protect ourselves against. Different societies have adapted to uncertainty in different ways. These ways differ not only between traditional and modern societies, but also between different modern societies. They are reflected in collectively held values of the members of a particular society. Their roots are non-rational and they may lead to collective behaviour in one society that may seem unusual and incomprehensible to members of other societies. Hofstede

(2001) cites Fromm (1965), who suggests that Fascism and Nazism were a result of a need to "escape from freedom", a response to the anxiety that freedom created in societies with a low tolerance for anxiety. Freedom implies uncertainty in the behaviour of oneself and others. Totalitarian ideologies try to avoid this uncertainty. According to Hofstede (2001:146), on the national cultural level, tendencies towards prejudice, rigidity and dogmatism, intolerance of different opinion, traditionalism, superstition, racism and ethnocentrism, all relate to a norm for intolerance of ambiguity expressed in a national uncertainty avoidance index.

3.5.3.3 Hofstede's Index

Table 3.9: Uncertainty avoidance index values

Rank	Country	Score	Rank	Country	Score
1	Greece	112	28	Ecuador	67
2	Portugal	104	29	Germany	65
3	Guatemala	101	30	Thailand	64
4	Uruguay	100	31/32	Iran	59
5/6	Belgium	94	31/32	Finland	59
5/6	Salvador	94	33	Switzerland	58
7	Japan	92	34	West Africa	52
8/9	Yugoslavia	88	35	Netherlands	53
8/9	Peru	87	36	East Africa	52
10/11	Spain	86	37	Australia	51
10/11	Argentina	86	38	Norway	50
12	Panama	86	39/40	South Africa	49
13	France	86	39/40	New Zealand	49
14	Chile	86	41/42	Indonesia	48
15/16	Costa Rica	86	41/42	Canada	48
15/16	Turkey	85	43	United States	46
17	South Korea	85	44	Philippines	44
18/19	Mexico	82	45	India	40
20	Israel	81	46	Malaysia	36
21/23	Columbia	80	47/48	Great Britain	35
21/23	Venezuela	76	47/48	Ireland	35
21/23	Brazil	76	49	Hong Kong	29
24/25	Italy	75	50	Sweden	29
24/25	Pakistan	70	51	Denmark	23
26	Austria	70	52	Jamaica	13
27/28	Taiwan	69	53	Singapore	8
27	Arab Countries	68			

Source: Hofstede (2001:151)

Hofstede (2001:181) points out, that on the Uncertainty avoidance index, we again find countries with Roman languages grouped together. However, unlike in the case of PDI, those countries of Roman and Chinese heritage were not grouped together in

the UAI. The Chinese-speaking countries Taiwan, Hong Kong, and Singapore, scored much lower on UAI than did the Latin countries, as did countries with important minorities of Chinese origin: Thailand, Indonesia, the Philippines, and Malaysia. He further notes that with no convincing systematic cause, only historical factors can explain why different societies have developed different ways of coping with uncertainty. The grouping of countries suggests, that the roots of the differences go back as far as the Roman Empire 2000 years ago. In East Asia it assumed roots in even the older Chinese Empire. Both empires left legacies of large power distance. The Roman and Chinese empires were both powerful centralised states, conditioning their populace to take orders from the centre. But the two differ in important respects. The Roman Empire developed a unique system of codified laws that in principle applied to all persons with citizen status regardless of their origin. The Chinese empire never knew this concept of law. The main continuous principle of Chinese administration has been described as "government by man" in contrast to the Roman idea of "government by law". Chinese judges were supposed to be guided by broad general principles such as those formulated by Confucius. Michael Harris Bond (1988) in Hofstede (200:181) noted that in Chinese cultures, rule is by the rulers, in western culture, rule is by the rules, created by the ruled in order to protect them from the rulers. The contrast between the two intellectual traditions, explains the fact that IBM employees from countries with a Roman inheritance scored much higher on UAI than their colleagues from countries with a Chinese inheritance. This illustrates the profound influence that historical roots have on national culture differences. Finally, it should be noted that subsequent empirical studies conducted, have supported the findings of Hofstede (Hofstede, 2001:166).

3.5.4 Masculinity versus Femininity

3.5.4.1 Definition

Masculinity versus femininity is the distinction between a set of values and attitudes usually associated with men (e.g., assertiveness, competitiveness) in contrast to those usually associated with women (e.g., concern for people, attaching value to cooperative relationships), (Bond and Smith, 1996). Masculinity and femininity therefore, refer to the dominant gender role patters in the vast majority of both traditional and modern societies: the patterns of male assertiveness and female

nurturance. These words should not be taken to imply that men always behave in a more masculine manner than do women or that women behave in more feminine ways than do men; rather, statistically, men as a rule will show more 'masculine" and women more "feminine" behaviour.

3.5.4.2 Origination

According to Hofstede (2001:279), the duality of sexes is a fundamental fact with which different societies cope in different ways; the issue is, what implications the biological differences of the sexes should have for the emotional and the social roles of the genders. Surveys on the importance of work goals, both inside IBM and elsewhere, show that almost universally women attach more importance to social goals such as relationships, helping others and the physical environment, and men attach more importance to ego goals such as careers and money. However, the IBM database revealed that the importance respondents attached to such "feminine" versus "masculine" work goals varied across countries as well as across occupations. The sex role system is at the heart of our cultural norms. In a strict sense, the only behaviour connected with procreation (child-bearing and child-begetting) is "feminine" or "masculine". Yet every society recognises many other behaviours as being more suitable to females or more suitable to males. These represent fairly arbitrary choices, mediated by cultural norms and traditions. There is a common trend in most societies, both traditional and modern, as to the distribution of gender roles apart from procreation. Men must be more concerned with economic and other achievements, be more assertive, competitive and tough and women must be more concerned with taking care of people in general and children in particular – that is to assume the gender roles. The common patterns of male assertiveness and female nurturance lead to male dominance at least in matters of politics, and, usually, of economic life; within households, whether extended or nuclear family groups, different societies show different distributions of power between the genders.

3.5.4.3 Hofstede's Index

Table 3.10: Masculinity index values for 50 countries and three regions

Rank	Country	Score	Rank	Country	Score
1	Japan	95	28	Singapore	48
2	Austria	79	29	Israel	47
3	Venezuela	73	30/31	Indonesia	46

Rank	Country	Score	Rank	Country	Score
4/5	Italy	70	30/31	West Africa	46
4/5	Switzerland	70	32/33	Turkey	45
6	Mexico	69	32/33	Taiwan	45
7/8	Ireland	68	34	Panama	44
7/8	Jamaica	68	35/36	Iran	43
9/10	Great Britain	66	35/36	France	43
9/10	Germany	66	37/38	Spain	42
11/12	Philippines	64	37/38	Peru	42
11/12	Colombia	64	39	East Africa	41
13/14	South Africa	66	40	South Korea	39
15	Ecuador	63	42	Uruguay	38
16	United States	62	43	Guatemala	37
17	Australia	61	44	Thailand	34
17	New Zealand	58	45	Portugal	31
18/19	Greece	57	46	Chile	28
18/19	Hong Kong	57	47	Finland	26
20/21	Argentina	56	48/49	Yugoslavia	21
20/21	India	56	48/49	Costa Rica	21
22	Belgium	54	50	Denmark	16
23	Arab Countries	53	51	Netherlands	14
24	Canada	52	52	Norway	8
25/26	Malaysia	50	53	Sweden	5
25/26	Pakistan	50			
27	Brazil	49			

Source: Hofstede (2001:282)

3.5.5. Long-term v Short-term Orientation

3.5.5.1 Definition

Long-term v short-term orientation refers to the long-term versus short-term gratification of needs, where the former is more oriented towards the future, emphasising the value of perseverance and thrift, combined with valuing ordered relationships and having a sense of shame or honour. This fifth dimension emerged from research among Chinese populations and has sometimes been called "Confucian Dynamism" (Bond and Smith, 1996).

3.5.5.2 Origination

Hofstede (2001:351) states, that long-term orientation scores are strongly correlated with national economic growth in the period 1965-85 preceding the CVS study, and even more in the period 1985-95 following it. Long-term orientation is thus identified as a major explanation for the explosive growth in the East Asian economies in the latter part of the 20th century; this confirms the "neo-Confucian hypothesis", so far considered speculative. Confucius, as previously mentioned, held a position similar

in ancient China than Socrates in ancient Greece. Confucius's teachings are lessons in practical ethics without any religious content. The early Chinese philosophers were convinced that religion alienated man from his essence, and began replacing religion with pure ethics. Confucianism is, therefore, a set of pragmatic rules for daily life derived from what Confucius saw as lessons of Chinese history; it is a secular social theory, the foremost principle of which is to achieve a harmonious society. According to Hofstede (2001:354), the following are key principles of Confucian teaching.

- The stability of society is based on unequal relationships between people. The previously mentioned five principles of *Wu lun* is the manifestation of this principle.

- The family is the prototype of all social organisations. A person is not primarily an individual; rather he or she is a member of a family. Children should learn to restrain themselves, to overcome their individuality so as to maintain harmony in the family. Harmony is found in the maintaining of everybody's *face*, in the sense of dignity, self-respect, and prestige. Losing one's dignity, in Chinese tradition, is equal to losing one's eye, nose, and mouth.

- Virtuous behaviour towards others consists of not treating others as one would not like to be treated oneself. (The Chinese golden rule is negatively phrased).

- Virtue with regard to one's tasks in life, consists of trying to acquire skills and education, working hard, not spending more than necessary, being patient, and persevering. Losing one's temper is forbidden and moderation is prescribed in all things.

3.5.5.3 Hofstede's Index

Table 3.11: Long-term orientation index values for 23 countries

Score Rank	Country of origin	LTO Score
1	China	118
2	Hong Kong	96

Score Rank	Country of origin	LTO Score
3	Taiwan	87
4	Japan	80
5	South Korea	75
6	Brazil	65
7	India	61
8	Thailand	56
9	Singapore	48
10	Netherlands	44
11	Bangladesh	40
12	Sweden	33
13	Poland	32
14	Germany	31
15	Australia	31
16	New Zealand	30
17	United States	29
18	Great Britain	25
19	Zimbabwe	25
20	Canada	23
21	Philippines	19
22	Nigeria	16
23	Pakistan	0

Source: Hofstede (2001: 356)

Other studies as cited by Hofstede (2001), also confirmed the differences found by the CVS survey. The results of the study were translated into values observed by high and low LTO scours. These are summarised in table 3.12 below.

Table 3.12: Summary of connotations of LTO differences found in surveys and other comparative studies of values

Low LTO	High LTO
Quick results expected.	Persistence, perseverance.
Status not major issue in relationship.	Relationships ordered by status and this order observed.
Nice people know how to spend.	Nice people are thrifty, sparing with resources.
Shame is not a common feeling.	A sense of shame common.
Personal steadiness and stability.	Personal adaptability.
Protection of one's "face".	Face considerations common but considered a weakness.
Respect for traditions.	Adaptation of traditions to new circumstances.
Reciprocations of greetings, favours and gifts.	Reciprocations considerations are problematic, risk of overspending.
Children should learn tolerance and respect for other people.	Children should learn thrift.
Leisure time important.	Leisure time not so important.
Most important events in life occurred in past or occur in present.	Most important events in life will occur in future.
Students consider "persistent" not an important personality trait.	Students consider "persistent" an important personality trait.
Small share of additional income saved.	Large share of additional income saved.
Investment in mutual funds.	Investment in real estate.

Source: Hofstede (2001:360)

3.6 Are Cultures Converging?

3.6.1 Divergence versus Convergence Teory

According to Adler and Bartholomew (1992:559) there is a group of scholars that maintains, that management behaviour worldwide is becoming more similar (convergence), while other scholars argue, that it is maintaining its dissimilarity (divergence). Joynt and Warner (1996:4) argue, that the divergency theory suggests that we should study culture because management differs from country to country. Furthermore, the divergency theory assumes, that elements such as differing values and behaviours, different stages of economic development and unevenly distributed global resources will guarantee global diversity. The convergency theory furthermore suggests that there is only one best way of managing organisations world-wide, irrespective of cultural differences, and that is through a network of "alliances among equals."

3.6.2 Origins of the Convergence Theory

3.6.2.1 Expecting others to adapt

Thomas and Inkson (2004:12) argue, that one way to deal with the problems posed by cultural differences, is to stick to the "be like me" approach and expect others to adapt. It is reasoned that if we come from a dominating economy or culture, such as the United Sates, that we will set the business behaviour and then it is up to others to learn to imitate us. People that support this approach reason firstly that the dominating culture will win in the end anyway. This is especially so when the English language has become the lingua franca of business. Secondly, they argue that cultures are anyway converging, due to mass communication, and standardisation of consumption. However, evidence shows that convergence is taking place in only superficial matters, such as business practices and consumer preferences. This approach also deprives us of the great potential of diversity, as will be discussed in the next chapter. Furthermore, anyone behaving in such a way, is acting insensitively and such behaviour can have only a diverse effect on any business opportunity. Shenkar (2001: 525-526) argues that in the case of cultural distance the "distance" metaphor is translated into a focus on what sets cultures apart but not on what might bring them together. A balanced analysis of the relations between social entities should, however,

consider both opening and closing mechanisms. He then goes on to list the following number of key mechanisms with the potential of closing cultural distance.

- Globalisation and convergence due to improved communication systems.
- Geographical proximity that reduces entry barriers and facilitates the personal contact that is necessary for effective transfer of knowledge and other resources.
- Foreign Experience as a cultural distance closing mechanism.
- Acculturation, meaning adaptation to certain cultures.
- Cultural Attractiveness. For certain people the attraction of a specific culture may reduce the effect of its peculiarities.
- Staffing. Bicultural individuals play an especially important role in closing the cultural distance gap between foreign and host countries. By virtue of their familiarity with both cultures, such individuals bring the two countries together by serving as emissaries and interpreters of culturally embedded signals and behaviours. The presence of such individuals in a company, especially in senior positions, may hence serve as a mechanism closing cultural distance.

However, Hall et al., (2000:305) argue that it may be an oversimplification to insist that national cultures across the globe are trading values and, therefore, are converging and becoming more homogenous. Some cultures are more resistant to cultural invasion and integration than others. Some cultures react with cultural backlash and attempt to eliminate external influences. Examples from South-east Asia and the Middle East are well-known. We should not assume on face value that cultural convergence is rapidly creating its own place in the status quo. Systematic research efforts offer a way to learn more about the existence of this phenomenon and to discover which value systems are more susceptible to cultural convergence. Conversely, considerable evidence (both anecdotal and scientific) provides us with grounds for speculating that global economics and media are substantially influencing intercultural sensitivity. Regardless of whether such influence leads to widespread cultural convergence, is a question for research, but we can safely surmise that exposure to new cultural values will create different cognitive and emotional

experiences for both insiders and outsiders of a particular culture. In support of this, a study conducted by Barkema and Vermeulen (1997:850) on 828 JV's also supported a key assumption of Hofstede's work, namely that values are stable over time, and thereby provided further evidence that cultures are not converging. Thomas and Inkson (2004:12) argue, that even if cultures are converging, the pace is very slow. The evolution of culture in any society is not easily predicted. Traditional cultural patterns tend to be deeply imbedded. Those who wait for the rest of the world to catch up with the West in terms of culture, will have to wait for a very long time. There is increasing recognition worldwide of the value of diversity in human affairs. Most societies these days take steps to ensure that minority cultures are not submerged by majority cultures. Business needs to think in a similar manner. Neal (1998:3) observes that as the debate continues, the proponents of the "culturist" and "culture- free" theses found an analytical middle ground, by pointing out that similarities in international organisation and management could be explained by an inherent convergence in the ongoing process of industrialisation, as opposed to explaining differences by the pervasive and persistent differences in cultures. This settlement between the culturist and culture-free theorists became influential throughout the remainder of the 1970's, and further studies consolidated the approach. It was observed, that whereas organisational technology and structures were converging internationally, micro-and social interactive variables rooted in national culture, then, were treated in a restricted way, as but one variable among many others.

The final word should perhaps be left to Hofstede (1997; 2001), who points out, that research about the development of cultural values has shown repeatedly that there is very little evidence of international convergence over time, except for an actual increase of individualism for countries that have become richer. Value differences between nations described by authors centuries ago are still present today, in spite of continued close contact. He also argues that not only will cultural diversity among countries remain with us: it even seems as though differences within countries are increasing. He points out, that ethnic groups arrive at a new consciousness of their identity and then ask for political recognition of this fact. Mental programs do change, but slowly and not according to anyone's master plan. Change takes decades, if not centuries. He sites the example of the Roman Empire inheritance which still separates Belgium from the Netherlands, two countries in intimate contact for more than 2000

years. Therefore, according to him, for the next few hundred years countries will remain culturally very diverse. Finally he takes issue with the popular business slogan: "Think globally, act locally". Because we all think according to our local software, we need to understand that intercultural encounters are about recognising that we think differently but resolving our common problems anyway. The slogan should therefore, be: "Think locally, act globally."

3.7 Summary

Research has confirmed, that culture can be mapped, and the study conducted by Hofstede has been corroborated by a number of other researchers over the years. The dimensions identified by Hofstede can, therefore, be used as a theoretical basis from which to manage cultural diversity in an organisation. However, if one considers the very real problems associated with the culture factor in international business, the cognitive map of culture is of little help. They merely compound that what management already know – that there are cultural differences between people of different nationalities. If one moves to consider what one should do about the problems associated with the cultural factor, the cognitive map of culture holds no answers. In order to manage a particular phenomenon, one first needs to understand the nature of it, and what influence it may have on the organisation. In this regard Neal (1998:7) argues, that Hofstede's definition of culture became important, because firstly, it characterised culture in a straightforward way. Secondly, and more importantly, it sanctioned the methodology employed within the cultural orthodoxy. Much of the research in the 1980's was thus concerned with mapping out the collective programming of the mind. As such, literature on the nature and impact of national cultural differences became dominated by measures of culture along a variety of attitudinal dimensions. Within the literature, these cognitive maps of the world have been cited and accepted as characterising the cultures of specific states. This has the following important implications for management.

- Firstly, at the intellectual level, treating the nature of culture straightforward and unproblematically is academically risky.

- Secondly, at the practical level, in order to manage something, one must have a workable idea of what one is trying to manage. Characterisations of national culture, although interesting, are difficult to incorporate into practise.

Therefore, once we accept that culture is pervasive and that global managers will be confronted with cultural diversity, the next question we need to ask, is how it affects the organisation that we work for?

In the next chapter the advantages and disadvantages of cultural diversity in the workplace will be looked at, and the influence that cultural diversity has on management - and ultimately the success of a JV, will be discussed.

Chapter IV

THE IMPACT OF CULTURE ON MANAGEMENT

4.1 Introduction

According to Thomas and Inkson (2004:7), globalisation has been accelerated by the following factors.

- New international trade agreements.
- The growth of international trade.
- The growth of multinational corporations.
- The restructuring and downsizing of organisations.
- The privatisation of state enterprise.
- The ability to locate business, particularly manufacturing, wherever cost is lowest.
- The ability to execute financial transactions instantaneously on a global basis.
- The transitions of command economies to free markets.
- The expansion of international migration.
- The ability of information and communication technology to transcend time and business

According to the authors, the impact that globalisation has on business, means that managers live more global lives than do ordinary people. Globalisation means an increase in the permeability of traditional boundaries, including those around countries, economies, industries and organisations. It also means that companies who whish to penetrate markets in different countries, will inevitably be exposed to different cultures, and as will be discussed hereunder, different management practices. In order to manage cultural diversity effectively, managers need to understand the impact that cultural diversity has on management, before any effective remedial measure can be developed. This implies, that the influence of cultural diversity per the different elements of management theory needs to be mapped and understood. In this chapter, the influence that cultural diversity has on management in the general sense,

together with the possible advantages that may flow when cultural diversity is well managed, will be discussed first. Secondly, using the five cultural dimensions identified by Hofstede, the impact that cultural diversity has on management will, be demonstrated per element of management theory.

4.2 Culture and the International Manager

4.2.1 National Differences in Management

Academics and professionals all over the world give recognition to the fact that culture is an important factor in understanding international organisational behaviour and human resource management. In fact, for years, scholars have argued about the impact that national culture has on management (Adler & Bartholomew, 1992:559). Contrasts in value priorities, which the members of different societies tend to hold, are expected to give rise to consistent differences in their behaviour, as the previous chapter has illustrated. This has led writers on management to explore whether certain management practices have become characteristic of different countries as a result of their cultural differences and, in addition, of their particular political and economic systems. For example, the 4.1 below gives the results of polling: It is important for a manager to have at hand precise answers to most of the questions that his subordinates may raise at work.

Table 4.1: Subordinate expectation

Country	*Agree (%)*	*No. of respondents*
Japan	77	55
France	59	382
Germany	40	161
UK	30	349
USA	13	138

Source: (Laurent, 1986 in Neal, 1998:5).

The results illustrate the differences in perceptions and expectations of management across cultures.

Hofstede (2001:374) argues, that there is no universal solution for organisation and management problems. Management scientists, theorists and writers also grew up in particular societies in particular periods, and their ideas reflect the constraints of the environment they have known. This point is illustrated by observing the differences in management practices of the world's five largest industrial countries.

4.2.1.1 Japanese management practice

The policies and practices particularly associated with Japanese companies, are as follows.

- **Long-term orientation**
  - strategic rather than financial;
  - emphasis on growth;
  - long-term employment commitment;
  - rewards based primarily on seniority and superior's evaluation;
  - internal training and seniority system; substantial investment in training; and
  - collective orientation decision-making and knowledge creation via collective participation and responsibility.
- **Flexible tasks**
  - Low specialisation, synthetically orientation;
  - Emphasis on lean production and continuous improvement.

4.2.1.1 Management practice in the USA

The management policies and practices particularly associated with US companies are:

- short-term financial orientation;
- rewards related to specific performance indicators;
- high rate of job change and inter-company mobility;
- rationalistic approach: emphasis on analysis and planning; and
- delegation down extended hierarchies.

4.2.1.3 German management practice

The main contours of German management policies and practices are the following.

- **Long-term business orientation**
    - Aimed towards production improvement rather than short-term profit distribution, but orientation towards employment is not necessarily long-term;
    - Having strong technical and production emphasis, including a substantial investment in training;
    - Systems in which managers and staff tend to remain within one functional area during their career;
    - Having emphasis on planning, procedures, and rules; and
    - Showing preference for participation and collective action.

4.2.1.4 French management practice

The management policies and practices which have been described of French companies are:

- strategic rather than financial orientation;
- tall organisational hierarchies, with a large proportion of managerial personnel;
- those that have ahigh degree of specialisation;
- set or making use of a widespread use of written media; and
- based on individual rather than collective working and decision-making, though the latter tends to be centralised.

4.2.1.5 British management practice

The management policies and practices particularly associated with British companies have some similarity with those associated with US companies, but with considerably less emphasis on formal systems and records: it includes the following.

- Short-term financial orientation;
- Large general management superstructures;
- Low level of functional specialisation;

- High mobility of managers between functions;
- Use of formal meetings, especially committees;
- Interactive informality - limited formal and paper-based reporting;
- Limited importance attached to systems and standard operating procedures.

Source: Neal (1998:38-48)

Once it is accepted that management practices differ from culture to culture, it begs the question why it is indeed the case?

4.3 Why Management is highly susceptible to cultural Difference

Neal (1998:3) notes, that since the conception of international management studies, there has been a debate about those social factors that influence the nature and effectiveness of management in different countries. Much of this debate has been concerned with the influence of national culture. Early writers played down the cultural factor, claiming that industrialism was leading to a convergence in patterns of organisations, and the elimination of significant national cultural differences. Other writers, however, stress the pervasive and persistent nature of national culture and its influence upon organisational systems, attitudes and activities (See Chapter 3 for a more detailed discussion of the influence of culture on beliefs and attitudes). According to Hofstede (2001:371), cultural patterns at work reflect cultural patterns in the wider society. Trying to study "management culture "without insight into societal culture, is a trivial pursuit. Managers share the cultures of their society and of their organisation with their subordinates – a category to which they often belonged themselves. The writer quotes Pascal (1623-62) who avers that there "...are truths this side of the Pyrenees that are falsehoods on the other". (The Pyrenees being the border mountains between France and Spain). Organisations are symbolic entities: they function according to implicit models in the minds of their members, and these models are culturally determined. According to Hofstede, the crucial dimensions are power distance and uncertainty avoidance; power distance is involved in answering the question of who decides what, and uncertainty avoidance is involved in the question of how one assures that what must be done will be done. Therefore, the

uncertainty avoidance and power distance indices can serve as a map for the way organisations function. Typically, French people will try and solve organisational conflict by referring to the hierarchy, the British through horizontal negotiations and the Germans by creating procedures. The idea of a well-functioning organisation for the French, will therefore be a pyramid; for the British a market, and for the Germans a well oiled machine.

Furthermore, according to Neal (1998:51), research conducted amongst management showed that most managers began their careers in technical roles in their home countries, but a significant proportion of these soon went abroad. It emerged that cultural problems in these early foreign assignments had been slight, and made very little impact on their ability to do their job. However, as time progressed and they took on more managerial responsibilities, the culture factor became increasingly important and problematic. This is so because in a technical role the focus of work is more technology-orientated. Within multinational companies there is often a high degree of commonality in the kind of technology used in different countries. Furthermore, technicians have, to a certain extent, a common technical language. As it is normally assumed that technical formulae transcend national boundaries. A technician can thus sit down and work on a problem in Spain, the United States or Italy with similar degrees of success. Therefore the relative lack of importance and impact of social elements means that technicians are less prone to the more destructive effects of cultural difference. Laroche (2003:12) also argues, that for most technical professionals, it is hard to believe that culture should have an impact on the work. After all, a distillation column or an electronic circuit operates according to the same scientific laws, regardless of where it is used. In addition, technical professionals are trained to focus on data, hard fact sand technical information and to examine these objectively, in a scientific manner. The scientific manner is considered universal, and experiments in one country are expected to be reproducible in other countries. However, as Neal (1998:52) points out, career success usually brings managerial responsibility. As an employee climbs the corporate ladder, the technical side of the job diminishes in importance and the managerial side increases. Instead of carrying out specific technical tasks, the work becomes more concerned with managing people, projects and budgets. Career advancement thus involves a shift from technical activities within a technical environment to organisational concerns within a socio-

economic context. Typically, over 75 per cent of a manager's time is spent interacting with other people. Managerial work involves delegation, decision- making, informing, questioning and motivating – all social activities. The increasing importance of the social aspects of organisational activities means that managers work is increasingly prone to cultural differences. The social dynamics of cultural differences from the interactive level to the related organisational level, can undermine the ability of managers to carry out such tasks successfully. Hofstede et al., (2002) point out, that the work of the manager differs from the work of the technician, therefore, in terms of the need to manipulate the social structure and dynamics of the organisation to attain changeable, and often contradictory, aims and goals. A manager's work is not restricted to decision-making in institutionalised meetings, but involves and requires other activities such as lobbying, pursuing hidden agendas and persuading. The quality of manager's informal social relationship within their organisation, thus influences their ability to manage. Certainly, in the case of decision making, the quality of informal social relationships influences the level of resistance or support encountered, and the accuracy of assessment of particular situations. We can thus appreciate why managerial work is more prone to cultural problems than any other form of work activity. It should also be kept in mind that, like any other unfamiliar experience, intercultural experiences are likely to involve some stress, which is also likely to have an influence on the way that managers behave.

Expanding on this topic, Thomas and Inkson (2004:10-11) identify the following reasons for failure in international intercultural situations.

- Being unaware of the key features and biases of our own culture - not being able to see the forest because we are inside it! Our cultures are just as odd to others as their cultures are to us. For example, few Americans realise how noisy their natural extroversion and manner of conversation seem to those from most other cultures.
- Feeling threatened or uneasy when interacting with people from different cultures. Even though we try not to be prejudiced against people from different cultures, we notice, sometimes with apprehension, the cultural differences between us. Most of us find difference threatening to some extent.

- Being unable to understand or explain the behaviour of those who are culturally different. A *be like me* approach will always fail, because the other parties, behaviour may not be based on the same goals and motives as ours.
- Being unable to transfer or leverage cultural knowledge gained through travelling and other intercultural experiences.
- Inability to recognise the influence of cultural orientation on our behaviour. Much of our behaviour is programmed by culture at a sub-conscience level, of which we are unaware. Behaviour that seems normal to us, may seem strange or even bizarre to other cultures.
- Inability to adjust to living and working in another culture. Anyone who has ever lived in a foreign country, can attest to the difficulty in adjustment. The severity of culture shock may differ, but it affects us all.

4.3.1 Cultural Scripts

Child and Faulkner (1998:233-234) argu,e that cooperative strategies bring together people from different organisations into a working relationship. The organisations from which they come, will each have developed their own distinctive cultures. These cultures embody shared attitudes and norms of behaviour based on national culture. They encourage people to regard their organisation as different from, and often as superior to, other organisations, and therefore, to hold onto their ways of doing things, particularly when confronted with those of a new and unfamiliar partner. If the collaborating organisations originate from different countries, their members will have a sense of belonging to distinct 'national' cultures as well, and the sense of difference between partners' managers and staff will be exaggerated as a result. When different cultures are brought together through a strategic alliance, they can generate barriers to cooperation while at the same time offering the potential for each partner to learn from the positive aspects of the other's ways of thinking and acting. However, the mutual learning cannot take place until the barriers are removed. The writers point to the example of a person's accent or language. Usually, we think of other people as speaking with an accent. Few of us are aware that we speak with any discernible accent until we are put in the situation of being different from the norm. Even then, we silently wonder why they don't speak like us. Thomas and Inkson (2004:42) compare culture to a theatre script. In theatre, a script tells and actor what to say and

provides guidance on how to say it. In cultural rituals such as initiation ceremonies the script is often precise. But other scripts allow for individual interpretation. There are scripts for Americans and script for Chinese, but they have some allowances for individual variation. It may be allowable for an American to be playfully disrespectful to a superior, but not to a Chinese. These norms and scripts tell us what to do. They prescribe patterns of behaviour that feel comfortable for us, because we observe them being practised by members of the in-group to which we belong or aspire to belong. Problems are encountered when cultural scripts collide. In these situations one must not only keep one's own script in tact, but also observe that of others. To do this, we must break from our scripted behaviour and switch off cultural cruise control. It is called cruise control because people let it happen automatically, without thinking about it, but it can be damaging as it causes us to ignore other cultural signals. The authors go on to argue that cultural programming also acts as a mental template against which new information from "out there" - the environment - is interpreted. We are not cameras: we do not take in neutral information from out there and reproduce it exactly on the films of our minds. We perceive information with cultural and other cues embedded in it and interpret it in light of our own preconceived frameworks. In the process differences and distortions occur.

4.3.2 Selective Perception

In a study on how Australian managers are perceived by Asians, Tixier (2000) found, that the perceptions by Asians referred to a different concept of time, opposite approaches to the pursuit of profit, show of respect and gratitude, a more or less hierarchical interpretation of cultural and social environments, a direct or indirect approach in objectives of discussion, the role of networking and trust in business relationships. Examples abound of those differences and a few of them suffice to illustrate them. Australians thought that Asians appreciated their straightforwardness. They now realise that "open and frank" is likely to be read as "impolite and offensive". Thomas and Inkson (2004:42-43) argue, that cultural conditioning teaches us what to perceive and what to ignore. That is, people with different cultures can be presented with exactly the same situation and perceive it differently. If someone is discussing a business deal with someone from a collectivist society, that person will be looking for information regarding their relationship with family or group, if from an individualist society, for evidence of personal attainments. Our culture is one of the

key factors that focus your attention. Aronson (2002:52) argues that culture extends and amplifies this phenomenon. As in the case of our accent or language, the awareness that our normal, habitual, "default" way of doing things, is particular, rather than universal, usually only arises when we are faced with someone who does things differently - or when we, ourselves, become aware that we are different. Unlike language, however, it's not always clear what the difference consists of. Most of what constitutes a culture, is hidden from us by its very ubiquity. It is not just the words that differ, but the assumptions, beliefs, and values that underlie which words get said and in what context. We know that certain words have certain meanings. But we don't know, except by long immersion in the culture, what a Brazilian way of doing business is, what norms of reciprocity, timeliness, formality, trust, hospitality, hierarchy, status, and so on, should govern any given situation. All we can be sure of, is that they probably differ in important respects from our own. Hofstede et al., (2002) argue, that the problem is that we instinctively expect others to behave more or less as we do. We've been taught through our life experience what to expect, what's normal, fair, or reasonable. We rely on those expectations to make sense of the world and to be able to function credibly within it. When those expectations are foiled, we can become frustrated, angry, or withdrawn. By evaluating behaviour from other cultures as good or bad, and make judgments based on our own cultural bias, we see pretty much what we want to see and reject possible interpretations that don't fit with what we expect. Therefore, Child and Faulkner (1998:241) argue, that cultural accommodation in alliances requires the acceptance of what appears to be some inefficiency according to the norms of one partner. Take the case of a Western company in partnership with an East Asian Company, China or Japan. The Western company probably operates according to rather individualistic, universalistic, specific, and short-term performance norms. The East Asian Company probably operates according to relatively collectivistic, particularistic, diffuse, and longer-term performance norms. From the Western perspective, the other partner's decision-making processes will appear to be protracted because of the time taken to achieve prior consensus according to collective norms. The way of organising work preferred by that partner will seem to submerge individual accountability within the group or department as a whole. The Western company will probably regard its partner's approach to personal-performance assessment as insufficiently focused on achievement in the job as measured by standard criteria, and unduly particularistic.

This is because the East Asian partner is likely to take into account considerations such as the employee's commitment and loyalty to the company, as evaluated by the person's supervisor or manager, rather than apparently more objective information. East Asian partners will probably pay considerable attention to particular personal circumstances, which have affected performance. The Western preference would be to evaluate at regular intervals in terms of task-specific criteria, and to link reward directly to such evaluation. In this reasonably representative example, the Western approach emphasises criteria which relate to a limited, defined set of responsibilities over an equally limited time period, whereas the East Asian approach emphasises criteria which are more holistic and more relevant to the longer-term contribution of people to the whole organisation. Managerial effort clearly has to be devoted within the alliance to reconciling, or building upon, these different approaches, which for the other partner, will be seen to suffer from significant limitations.

4.3.3 Cultural Stereotyping

Stereotyping involves trying to fit people into patterns based on our previous experience (Hofstede et al., 2002). Morisini and Steger (2004) argue, that when we see people of different background behaving differently, we often say to ourselves: "Why can't they be like us?" We look at them through the lens of cultural stereotypes, our view of their typical behaviour- in other words, cultural clichés. The writers further argue that stereotyping influences what information is processed in several ways: More favourable information is remembered about in-groups, while the out-groups remember less favourable information. Stereotyping thus creates expectancies from each other which tends to be confirmed in interaction; and stereotyping tends to constrain others patterns of communication, thus encouraging stereotype confirming behaviour.

If we accept that management practices differ from culture to culture, and have an understanding as to the reasons why, we need to ask to what extent do these cultural differences in management approaches - brought about by cultural differences - have an impact on management, and therefore, the performance of a JV?

4.4. Managerial Complications brought about by cultural Diversity in International Joint Ventures

Avery and Thomas (2004:381) suggest, that as the importance of diversity has increased, a number of researchers have investigated its impact on performance. Views on the impact that cultural diversity has on organisations, differ. Gomez-Mejia and Palich, (1997:121) point out, that although some reports have suggested that diversity enhances performance by broadening the group's perspective, thereby generating more creative solutions to problems, others have indicated, that diversity hinders performance by creating more conflict and consequently decreasing cohesiveness. Avery and Thomas (2004:380) report on a recent meta-analysis of 24 studies, which found no relationship between diversity and either cohesion or performance. The study suggests, that diversity's effect on performance is contingent upon a variety of individual and organisational-level factors. However, Neal (1998:36-37) has identified a number of levels on which national cultural differences may impact. They can be classified as follows:

- Cultural problems at the multinational level.
    - Resistance to parent company directives.
    - Problems with the implementation of centralised strategy.
    - Problems with harmonised training schemes.
    - Problems with harmonising technology.
    - Problems with the interflow of personnel.
    - The overall cost of management failure and underperformance.
    - Problems to do with restructuring.

- Cultural problems at the organisational level.
    - Resistance to management initiatives.
    - Mistrust, conflict and communication difficulties between national groups.
    - Managing failure and underperformance.
    - Disinterest.
    - Non-optimisation of time.

- Problems to do with the implementation of decisions.

- Cultural problems at the interpersonal level.
  - Misunderstandings.
  - Irritation.
  - Lack of *rapport*.
  - The extract effort in order to communicate effectively.
  - Mutual suspicion.
  - A conflict of values and interest.
  - Tedium.
  - Perception of inefficiency.

- The culture factor at the experiential level.
  - Stress.
  - Frustration.
  - A perceived inability to operate effectively.
  - Feelings of isolation.
  - Worry about career progression.
  - A perceived inability to secure support for projects or initiatives.

Rijamampianina and Maxwell (2002:2) divide the influence that cultural diversity has on management into the following four groups.

- The motivational process. All employees are impacted by a range of internal and external motivating forces, which together predispose those employees to think and act as they do under various circumstances. Since different employees have different needs, capabilities and perceived opportunities, their motivational patterns will differ from one another. The alignment of the motivating forces acting on employees is, therefore, a management challenge of no small proportion. In a multicultural context, where motivational patterns are likely to differ more radically than they do in a homogeneous context, the challenge is exaggerated.

- The interaction process. Employees arrive at their place of work with assumptions on how the world operates, a set of opinions about the roles of all the stakeholders in the organisation, and a set of values by which they judge all their experiences. All communication received by the employees, are evaluated in accordance with their assumptions and attitudes, and all communications delivered are done from their frame of reference. In a multicultural context, this phenomenon is amplified.
- The visioning process. Effective visioning requires a minimum level of shared understanding about the world in which employees live, and a minimum level of alignment of the motivational forces influencing the employees. Increased diversity will, for obvious reasons complicate the matter.
- The learning process. Learning in this context is the skills the employee requires to perform the task at hand to the satisfaction of his employer. As the learning process is interdependent on motivational and interaction processes, cultural diversity will have an impact on the learning process.

According to Child and Faulkner (1998), national culture impacts on an organisation's ability to cooperate with each other. "Cultural distance", the terminology used to describe the extent and profoundness of cultural distance between two specific countries, impact on the ease with which they can cooperate. This is due to culture giving rise to differences in typical management practices and policy orientations. It is these differences, which have to be accommodated when partners come together to form an alliance. Cultures display themselves at different levels, ranging from rather superficial mannerisms to fundamental values. Misunderstanding can arise from culturally associated differences in language and the interpretation of behaviour. For example, the same words or phrases can convey inconsistent meanings to people from different cultures. The brand name 'Nova' denotes a star in English, but is likely to be understood as 'No va' (i.e. doesn't work, doesn't go) in Spanish. The English idiom 'out of sight, out of mind' will be understood as referring to someone who is blind and incompetent, when translated into Arabic. What is understood as humorous or ironic in one language, may well be taken literally in another. There are also cultural differences in the approved mode of discourse between people, which, if not appreciated, can readily lead to misunderstanding, and antagonism. In Anglo-Saxon culture it is polite to wait until another person has finished speaking before speaking

oneself. In East Asian societies, it is a mark of respect to pause before replying, thus indicating that what the other person has said is deserving of careful thought. In Latin cultures, by contrast, to interrupt another before he or she has finished speaking, is to show acceptable enthusiasm for what they are saying. The same interpersonal behaviour is likely to be interpreted in quite contrasting ways by people from different national cultures. Shouting can convey importance or a lack of credibility. Eye contact can signify respect in one culture but a lack of it in another. Touching may denote warmth or an invasion of personal privacy. These types of linguistic and behavioural cultural differences can have serious consequences for cooperation if they are not addressed with sensitivity. They are, however, relatively superficial and it should not be too difficult for the members of cooperating organisations to cope with them, so long as they are well-briefed and willing to accept the differences in others' behaviour with humour and respect. It is the deeper level of culture, where the socially embedded values held by partners and their employees may clash, that more serious problems concerning the priorities for the alliance and how it is to be run, have to be resolved. One of the barriers to effective cooperation can arise when culture becomes an expression of social identity, symbolising the group with which people identify and which distances itself from other groups. If the bringing together of two or more groups through a cooperative strategy is interpreted as threatening, the interests of any one of them, this sense of distance between them will be heightened. People in groups and organisations often resist changes to structures and practices of the kind that can result from an alliance, because they regard the changes as threatening their real interests. The culture they share, will serve to express and also rationalise their concerns. Finding ways of bridging and reconciling the strong and distinctive organisational and national cultures, which partners may bring to an alliance, is, therefore, a major challenge that they cannot avoid if their cooperation is to succeed. Jackson et al., (2003:133) also argues, that cultural diversity interferes with the development of cohesiveness among members of an organisation. Although this is based almost exclusively on research investigating the cultural diversity associated with demographic differences, diversity in age, gender, race, education, prestige, social class, attitudes, and beliefs, also has an impact on the level of cohesiveness. The positive feelings of bondage with co-workers that are present in a cohesive organisation promote helping behaviour and generosity, cooperation, and a problem-solving orientation. Corporate cohesiveness may also translate into greater motivation

to contribute fully and perform well as a means of gaining approval and recognition. If cultural diversity reduces these positive social behaviours, the performance of individuals, as well as of the organisation as a whole, is likely to suffer. In addition to lowering feelings of attraction and cohesiveness among co-workers, dissimilarity often promotes conflict, which may influence one's decision to maintain membership in a group or organisation. This was illustrated in a study of 199 top management teams in U. S. banks. It was established, that during a four-year period, managers in more diverse teams were more likely to leave the team than were managers in homogeneous teams. This was true regardless of the characteristics of individual managers, and regardless of how similar a manager was to other members of the team. Simply being a member of a diverse management team increased the likelihood that a manager would leave. Presumably, more diverse teams experienced greater conflict and were less cohesive, creating feelings of dissatisfaction and perhaps increasing the perceived desirability of other job offers. The writer further points out, that several other studies have examined the relationship between team diversity and team turnover rates, and most results support the assertion that demographic diversity is associated with higher turnover rates.

Management practices are, therefore, influenced by cultural diversity. In the JV context in particular, cultural diversity may impact on the formation and operation of an IJV's in the following ways.

4.4.1 Basis of Cooperation

According to Hall et al., (2000), a large cultural distance between prospective partners is likely to protract the process of forming an agreement to cooperate. This is supported by Sun (1999:8). Child and Faulkner, (1998) suggest, that while it can be assumed that each partner recognises that there is an advantage to be gained from cooperation with the other, cultural distance between them will add to the difficulties of finding a mutually acceptable basis for that cooperation. Because cultural differences increase the chances of mutual misunderstanding and even personal offence, they have to be transcended before a basis for trust can be established. And without mutual acceptance and trust, the risk of cheating and non-compliance with contacts, is greater. Particularly if the representatives and negotiators on behalf of the prospective partners are not familiar with each other's organisational and national

cultures, the transcending of their cultural differences can come about only through a time-consuming process of recognising the other cultures, demonstrating mutual tolerance, and then finding ways of reconciling the differences as they impinge upon practical aspects of the proposed cooperation. Additionally, the partner who is not familiar with the country context in which the alliance is to operate, has to invest further time and effort in establishing how the cultural norms and institutional practices of the host country are likely to effect its calculations and plans for making the alliance into a profitable operation. This is supported by Hennart & Larimo (1998: 310).

4.4.2 Form of Joint Venture

According to Hennart and Larimo (1998), the degree of distance between the cultures of prospective partner organisations may have an effect on the type of cooperation they are willing to form. Child and Faulkner (1998) suggest, that cultural distance is associated with a preference for modes of market entry offering higher control. Research has shown that the more compatible the national cultures are, the more likely corporations are to invest directly rather than embarking on a licensing arrangement. The presence of greater cultural distance between prospective alliance partners will encourage them to seek managerial, as well as legal safeguards for their crucial interests. The main investor, and/or provider of key resources such as advanced technology, is in cases of high cultural distance, likely to seek to form an equity joint venture in which it has the majority equity share rather than an alternative form which does not offer the right to managerial control.

4.4.3 Joint Venture Strategy and Goals

Research (Hay, 1993; Pitts & Woodside, 1996; Hennart & Larimo, 1998; Quang et al., 1998:7; Li et al, 2002:321) has shown, that cultural distance affects the strategies of international firms. Indeed, ignorance of their significance and potency threatens many cross-national business ventures as they are frequently overlooked in the important early stages of preparing and planning the negotiations. Frayne and Geringer (1992) point out, that the root of this problem is, that differences in the strategies, power bases, cultures and operating practices of the partner companies typically result in substantial differences regarding their respective goals for the JV, as well as the means for achieving these goals. Establishing a shared vision, developing

negotiation, communication and conflict managing styles and HR practices, acculturating managers to work with foreign partners, developing a team work culture and using staffing and career management practices to reduce physic distance and encourage identification with the IJV, have often been cited a s key challenges for human resource management in IJV's.

4.4.4 Unstable Joint Ventures

Whilst infective management of cultural diversity has not been identified as the biggest contributing factor for the sometimes up to 70% failure rate of IJV's, it has a major impact on the two major reasons for IJV failure, namely establishment of mutual goals and building trust (See chapters 1 and 2). Child and Faulkner, (1998:240) suggest, that cultural differences can lead to a good many operational problems. At worst, they can lead to a breakdown in the working relations between partners' managers and staff. If the partners' cultures convey conflicting priorities and norms of behaviour, they will heighten the sense of separateness between staff seconded or recruited by the partners to work together. This sense of being different is bound to be present anyway in the early stages of cooperation. Sharp cultural differences will reinforce and perpetuate this, unless considerable effort is made to overcome them. In a study conducted by Hay (1993) amongst American JV's, more than 50 per cent of the sample reported cultural differences in work, giving rise to tensions, but they also reported that these were often not regarded as important by headquarter's management.

4.4.5 High Expatriate Turnover

Harvey and Novicevic (2001:3) note, that the globalisation of business has accelerated at a pace that has frequently outpaced many organisations' ability to identify and develop an adequate number of qualified expatriate managers. Kaye and Taylor (1997: 497) suggest, that one of the reasons for high expatriate turnover is that the selection criteria emphasise technical or functional aspects of the work and little concern has been given to aspects of cultural adaptability on the part of expatriate managers. However, Hofstede (2001:425-426) together with Thomas and Inkson (2004), notes that some of the most challenging situations in which cultural differences are confronted, are overseas assignments. Working in a foreign country will result in a high stress level until one adjusts. China, for example, has one of the

highest expatriate failure rates; the reasons for this have often be ascribed to the inability of expatriate managers to understand the thought processes and motivation of local employees. Kayne and Taylor (1997:497) further points out,that an unfamiliar cultural environment provides new stimuli for which appropriate responses have not been learned. Differences in expectations, language, foods, ways to eat, the concept of personal space, etc., are often stress producing because they may seem neither understandable nor ethically "correct'. An adaptation to a new overseas setting usually begins with a period of excitement, followed by disillusionment and then a state of culture shock. This shock is a stress reaction when salient physiological and physical rewards are generally uncertain and difficult to control or predict. Thus a sojourner remains anxious, confused and sometimes apathetic or angry until he or she has had time to develop a new set of behavioural assumptions that help in understanding and predicting the social behaviour of local people. It is a well-accepted phenomenon that virtually everyone who is on an overseas assignment experiences some form of culture shock. All sojourners have to deal with psychological strain, a sense of loss, rejection, confusion, surprise, anxiety and feelings of impotence. The culture shock catalogue further includes preoccupation with cleanliness of drinking water, food and surroundings; excessive concern over minor issues; fear of being cheated, robbed or injured; dependence on long-term residents of their own nationality; depression; a feeling of helplessness; anger over delays and other minor frustrations; and a reluctance to learn the host country's language. Furthermore, many people who are handicapped by its presence do not recognise what is bothering them or even that they are behaving dysfunctionally. People on long assignments of several years have reported culture shock phases of a year or more before acculturation sets in. The clash between the values of host country workers and their expatriate managers has caused the latter to be sometimes paranoid. Three responses to culture shock are possible. There can be resistance: the rejection of the new culture and a powerful defence of one's own traditions. There can be assimilation: the complete rejection of one's own values in order to embrace those of the new culture. There can be acculturation: learning to live with the new culture while remaining rooted in the traditions of one's own.

Research investigations (Kaye & Taylor, 1997: 498; Neal, 1998:25; Selmer, 2001; Holt & Wigginton, 2002:449) have shown, that if the culture factor impedes effective

communication, decision-making and the formulation of appropriate strategy, cost is usually involved. Therefore, the inability of expatriate managers to adjust and perform effectively in their new environment, usually has substantial cost implications for management. One of the costs most associated with national cultural differences, is high expatriate management turnover. Figures vary, but most studies reveal that from 16 to 40 per cent of manager's posted abroad, fail and return home prematurely because of their poor performance or their inability to adjust to the foreign environment. Furthermore, as many as 50 per cent of those who do not return early function at a low level of effectiveness. The inability of expatriate managers to adjust to the new environment, is costly in terms of employment expenses, poor management and poor productivity. Neal (1998:24) points out that the cost of employing a manager overseas is 100 per cent more than employing the same manager at home. Exact cost includes pecuniary incentives, along with a package that includes accommodation, schooling for children, travel allowances and language and cultural training. When one considers that expatriate managers tend to be appointed to senior management roles, a three-year tenure can be quite expensive. The average cost per failure to the parent company was estimated to lie between $65,000 and $300,000, depending on various factors. Furthermore, the damage that can be done by an unmotivated, inefficient manager goes beyond bad or inappropriate decision-making. Important aspects of the senior managerial role are to motivate, inspire, lead and to provide vision. If after a short period of time, managers not only under perform, but also give up, this can have an adverse affect on morale and performance within an organisation. Neal (1998:25) further notes, that failure also does little for one's career. Failed managers are likely to be moved sideways or to be demoted upon their return home. Because of this, about 25% of returning managers leave the organisation all together within twelve months of coming home. One of the major indirect costs of the cultural factor comes in the form of high performing professionals under performing, then leaving the company altogether.

Failure by expatriates to observe cultural etiquette can also be costly for organisations. Holt and Wigginton (2002:309) cite an example of a British manager who went to Oman to close a deal, and packed a miniature bottle of gin purchased at the airport in his suitcase. After the negotiations had been successfully concluded, he quietly celebrated with a drink in his hotel room, unaware that even a drink in private was

forbidden under strict Islamic law. After learning about the indiscretion, he was asked to leave the country, and later on his company was expelled from Oman. In another incident and American insurance agent arrived in Germany to take part in claim negotiations. Dressed formally, but with cowboy boots, his dress portrayed a sense of informality that offended European executives. Negotiations failed, and he was later told that this behaviour led to contract cancellations. These incidents may seem humorous, but in reality they can cost company millions.

The culture factor can thus cost multinational companies dear in terms of inefficient strategy, failed overseas initiatives and suppressed profitability. It stretches from everyday emotional difficulties, right up to the level of major costs on international operations. However, culture's impact on cooperative strategy is multidimensional. The previous section has already indicated that culture is important for cooperative strategy. There are, however, a number of more specific ways in which organisational and national cultures can be consequential for the formation and operation of an alliance. These illustrate the two faces of culture for cooperative strategy: as a challenge and as a resource.

4.5 Advantages of cultural Diversity

Trefry and Vaillant, (2002:49) suggest, that the prevalent approach to cultural diversity has had a distinct problem-solving orientation. Indeed, only recently has there been much mention of the potential that multicultural diversity offers for organisational effectiveness. When people work together to accomplish organisational goals, they are likely to approach achievement of those goals quite differently. There will even be differences about how appropriate organisational goals are deemed to be. Organisations therefore, need to move from a problem–solving mindset to recognising the very real opportunities presented by cultural diversity in the organisation. Cultural diversity's strength could also be its emphasis on the business rationale, a motivation the entire company could support. The writers are supported by Child and Faulkner (1998) who argue, that culture does not have to impose an insuperable constraint upon cooperation. A mix of national or organisational cultures is not simply a problematic feature of alliances; it can also bring positive benefits to cooperating organisations. The managerial and organisational practices, which stem from different cultures, represent competencies from which each partner can beneficially learn. Cultural

diversity creates an opportunity to use the intrinsic worth of each partner's culture for the benefit of the alliance. Morosini et al., (1998:137) further supports this notion by arguing that firms that operate on a multinational scale may need to possess a diverse set of routines and repertoires if they are to compete in a diverse world. In an uncertain environment, it is difficult for managers to know *ex ante* what routines and repertoires will provide sustainable competitive advantage and performance over time. Given the difficulty of forecasting valuable future routines and repertoires, it may be in a multinational firm's best interest to access a relatively large and diverse pool of routines and repertoires, thus increasing the probability that it will possess those that prove to be valuable in the future. Cross-border alliances provide a mechanism for accessing valuable routines and repertoires embedded in other national cultures without having to follow the developmental path that leads to them. Child and Faulkner (1998) further suggest, that the marked differences between the management practices of two cultures can, from one perspective, create difficulties for mutual understanding and cooperation. From another perspective, they denote potential complementarities between the strengths of these two cultures. Each partner has something distinctive and valuable to offer. In other words, under the right conditions, a mix of cultures does not just create problems; it can also bring positive benefits to cooperating organisations. Morosini et al., (1998:140) also suggest, that cultural diversity creates an opportunity to use the competences and knowledge contained in each partner's culture for the benefit of the alliance. Cross cultural strategic alliances could, therefore, enhance firm performance by providing access to a valuable pool of critical routines and repertoires previously not available to the organisation. Burhan and Rezayat (2003) take the argument further and suggest that a resource-based view of an organisation focuses on the capabilities and resources that are valuable, rare and difficult to imitate, giving rise to sustainable competitive advantages. The organisation, utilising these unique resources, exploits incomplete and imperfect markets to generate above normal rates of return. Organisational culture may be seen as a factor contributing to the firm's success. A long-term positive relationship between strong company culture and economic performance has been proved. Since organisational culture is heavily influenced by the national culture, societal culture may be considered as part of a firm's resources in generating a competitive advantage. A competitive advantage may be linked to specialised assets and skills as a result of greater employee commitment, which in turn may be based on

cultural values observed in some countries. As an example, advantage in technological assets may be associated with individualistic cultures (such as the USA) while many collectivist cultures may have an advantage in establishing relations between competitors and suppliers and joint venture partners.

The advantages of cultural diversity can be summarised as follows.

4.5.1 Organisational Learning

Trefry and Vaillant (2002:53) argue, that one of the benefits of cultural diversity stems from its potential to stimulate both individual and organisational learning with the resulting expansion of frames of reference used to understand what the organisation does. Exploring what the organisation does and how it does it from multiple perspectives enables a more thorough evaluation of decisions and problems. Insight facilitated by expanded frames of reference can generate new approaches to business issues and practices. However, the mere presence of cultural diversity in an organisation does not guarantee that organisational learning will take place. Conditions to foster the learning must be in place. Organisations that capitalise on differences of perspective inherent in a cultural diverse workforce, can develop a competitive advantage by encouraging diverse employees to learn from each other, by challenging the organisations' own past experience, and by applying the learning to optimise organisational strategies, structures, policies, and processes. Both individuals and organisations can benefit from a virtuous cycle. The more we challenge and expand our frames of reference, the greater ability to do so we develop and the more habitual the challenge and expanding becomes. Indeed it is the development of learning capability rather than the knowledge acquired through organisational learning, which is key to organisational effectiveness.

The writers further argue, that specifically, cultural diversity can assist in organisational learning in the following ways.

- Exposure to differences in perspectives (from whatever influence) can serve as an impetus to on-going examination of our own beliefs, values and perspectives, whether at a personal or at an organisational level;

- Examination of our beliefs, values and perspectives and how they compare with the beliefs, values and perspectives of others often leads to the broadening of our own perspectives. At an organisational level, examination of differences in beliefs, values and perspectives will mean a broadening of the criteria used to understand and explore any given issue.

- Broadening our perspectives can also lead to expansion of our frames of reference, or mental models, that we use to perceive and interpret issues and situations. It is this expansion of our frames of reference that creates the real potential for both individual an organisational learning.

- Expanded frames of reference can spur increase of flexibility and adaptability in individual, as well as in organisational behaviour. Flexibility is enhanced because it becomes easier to see a broader range of possible actions and responses.

- The broadened perspectives and flexibility to respond to unexpected or changing circumstances, described personal benefits by respondents working in multi-cultural teams, can, at an organisational level, offer the potential for increased organisational effectiveness, and competitive advantage, the often-stated goals of organisational learning.

Empirical research conducted by Morisinni et al., (2002) confirms, that executives of firms undertaking cross-border acquisitions, recognise the potential for organisational learning in national cultural distance. The executives of the companies in which the writers conducted interviews, repeatedly echoed the theme, that these acquisitions provided access to valuable organisational routines embedded in other national cultures, and which would have been difficult to develop in the home country despite their value. In order to transfer the benefits stemming from acquisitions in culturally distant countries, the firms rely on specific absorptive mechanisms. Executives of the companies surveyed, explained that valuable organisational routines embedded in the targets' national cultures, are learned and transferred back to the acquirer through

human resource management practices, such as job rotation, communication, incentive mechanisms, internal reporting systems, and through global co-ordination functions involving people from different national cultural backgrounds sharing a strong corporate culture. The executives remarked that the resulting availability and timely deployment of line managers capable of effectively executing company-specific routines for assimilation which have been learned over time and the existence of a strong global corporate culture and global coordinating mechanisms, lowered the cost and increased the likelihood of new routines being absorbed from distant national cultures. Fitzpatrick (1996:179) and Iles and Hayers (1997:102) also support the notion that cultural diversity can be leveraged as a competitive advantage.

The Australian Government Diversity Management Program (2006) has identified the following advantages of cultural diversity that can be leveraged through knowledge gained by expatriates.

- Partner selection. Diversity capabilities are particularly valuable for establishing new IJV's, especially at the initiation stage. Research has demonstrated that 'partner problems' are the greatest source of IJV problems and failures. Such problems emerge as a consequence of poor partner selection. Too often, organisations rely on poorly informed second-hand information available through diplomatic and expatriate communities in their search for a foreign partner. The election of expatriates with a host country background prevents such reliance on inferior information for partner selection. Expatriates with an in-depth knowledge of host environments, including shared mental models with locals, are better placed to make wise partner selection decisions. Organisations can benefit from the cultural, organisational and industry-based knowledge held by such expatriate managers.

- Building personal relations and improving relationships at work. Diversity management enhances the ability of business to build interpersonal overseas networks. While personal connections play an important role in business all over the world, they are ubiquitous in Chinese business, both within and outside China. The establishment of strong interpersonal relationships and

effective communications is critical in maintaining the necessary trust between business partners to facilitate ongoing exchange. Expatriate managers of the same cultural background as host country nationals, have special capabilities for establishing personal overseas networks. Such expatriates share many similar personal characteristics with locals. Consistent and reliable interactions within these networks promote trust within the business relationship. Local language proficiency is crucial for establishing local networks. Personal relations are difficult to establish when individuals do not share a common language. Personal connections can be particularly valuable for securing access to scarce resources, such as government licences, permits, special loans and credit facilities, subsidies, discounted privatisations and contracts. Well-connected expatriates may have access to informal information about potential sources of income that may not be publicly available. Organisations that employ such expatriates, have an advantage over organisations lacking cross-cultural capabilities.

Friday and Friday (2003:870), list the following potential benefits that may be derived from effective cultural diversity management.

- In general, individuals will develop an increased knowledge of and appreciation for other cultures.
- Individuals will learn to value and respect the cultural norms, behaviours, and attitudes of others.
- There is likely to be a greater receptivity to necessary organisational changes.
- There is likely to be a lessening of workplace anxieties.
- A reduction in organisational conflict.
- A more pleasant work environment.
- Increased performance and productivity.

- Communication with host nationals. Expatriates who speak the national language of the host country, have an advantage over those who lack this

capability. The assumption that, as the lingua franca, English proficiency is sufficient for international business is false. Much of a nation's culture is contained within its language. Organisations that wish to excel in foreign linguistic environments, have much to gain from selecting multilingual expatriates, including the following.

  - Access to overseas social networks.
  - Understanding of foreign negotiating styles.
  - Knowledge of how to conduct market research.
  - An ability to quickly contact suppliers, distributors and buyers by telephone/email/ fax in their preferred language.

- Managing in corrupt environments. Diversity capabilities assist organisations in understanding corruption in foreign environments. While corruption exists, to varying degrees, in all societies, the challenge for international business is to understand the different ways corruption manifests itself in foreign environments. Corruption, the abuse of public office for private gain, is often a problem where the development of formal political and economic institutions lags and the state exerts tight control over the economy. Expatriates with a background in the host country will have culturally derived mental models to identify and understand corruption risks to the organisation. Such risks can range from pressure to pay bribes to 'grease the wheels' of state bureaucracy to 'theft by stealth' of the organisation's physical and intellectual property. Once culturally skilled expatriates are aware of how corruption manifests in the business environment, they can implement appropriate strategies to manage corruption risks.

- Managing in transitional Economies. Transitional economies are the latest source of new investment opportunities, but they have unstable and ill-defined formal economic institutions. The majority of organisations have inferior knowledge of host country political, economic and social institutions and organisations. They face costs of learning 'how things are done' that carry implications for their competitiveness. Failure to understand informal norms in transitional economies, can seriously erode returns on assets. Expatriates with

a background in the host country, have valuable capabilities for navigating these transitional economies.

4.5.2 Organisational Flexibility

A number of writers (Cox & Blake, 1991:45; Dafdar & Gustavsson, 1992:88; Trefry & Vaillant, 2002:54) support the notion that perhaps the most important source of competitive advantage stemming from organisational learning lies in developing organisational flexibility, adaptability and ability to change as appropriate in different context. An implication of the multicultural model for managing diversity is, that the system will become less determinant, less standardised, and therefore more fluid. The increased fluidity should create greater flexibility to react to changes. Child and Faulkner (1998) suggest, that for example, the culture of a Western company, which forms a joint venture to enter an emerging economy market will probably emphasise universalism, specificity, achievement, future time orientation, and inner directedness, all values that help to create a well-organised yet dynamic approach to organisational management. At the strategic level, this culture will encourage a focus on key objectives, long-term planning, and a determination to succeed. In operational terms, it should provide a good basis for efficient production, high-quality standards, and attractive products. In many emerging economies, however, the local partner's culture is likely to attach relatively greater value to particularism (applying rules that fit the circumstances rather than a universal rule - similar to Hofstede's uncertainty avoidance dimension), collectivism, and diffuseness (extending business relationships beyond the contract to involve personal relationships as well – similar to Hofstede's Confucian dimension). These values can contribute to the alliance's success in a number of ways. Particularism can inform the alliance management's ways of relating to significant government authorities and members of key business networks, some of which may open up significant market opportunities. Recognition of the value attached to collectivism in the host society, can contribute to a modification of Human Resource Management policies in ways that encourage the commitment and loyalty of local employees, such as orienting assessment to group rather than individual performance. An appreciation of how the norm of diffuseness applies to business relations, can improve the chances of achieving useful transactions in the host society. For example, in a cultural milieu such as China's, it is of great value for the executives

of international companies to recognise that the way into local business and governmental networks lies in understanding and respecting the highly diffuse mode of transacting that prevails in that country.

Trefry and Vaillant (2002:52) further note that apart from the organisational benefits, there are also the personal benefits resulting from working with diversity. Research conducted amongst employees in a cultural diverse organisation, stressed benefits such as adaptability, flexibility and readiness to accept people. The multicultural team member reported a growing ability to cope with the unexpected and thus enhanced self-confidence. In addition, respondents talked about how exposure to different perspectives forced them to re-examine their own perspectives, and resulted in development of broader personal perspectives. Learning involves more than just understanding our current and past experiences and being able to explain them with a mental or model/frame of reference. Learning involves not only recognition but also challenging our current frames of reference, sometimes breaking our existing links between assumptions and conclusions. Furthermore, learning involves expanding our current frames into broader, more sophisticated frames of reference that take additional factors into account and that can reconcile differing and even contradictory perspectives. The key is that exposure to different perspectives stimulates and accelerates the exploration of our own perspectives. Both individuals and organisations can benefit from a virtuous cycle. The more we challenge and expand our frames of reference, the greater ability to do so we develop and the more habitual the challenge and expanding becomes. Indeed, theorists argue, that it is the development of learning capability rather than the knowledge acquired through organisational learning, which is the key to organisational effectiveness.

4.5.3 Resource Acquisition

Writers (Cox & Blake, 1991:49; Dafdar & Gustavsson, 1992:88-89; Gomez-Mejia & Palich, 1997:310; Aronson, 2002:50) note, that companies with the best reputations for promoting diversity will attract the best workers because the best workers will naturally prefer an environment that is culturally sensitive. Or as Ernest Hicks, manager of corporate diversity and college partnerships at Xerox, says, "People don't go to work for companies that have bad reputations for diversity." In support of this argument, Iles and Hayers (1997:97) note, that employees are more likely to be

attracted to an organisation, and more likely to be retained, if they see their cultural background valued rather than ignored or disparaged. Peppas (2002) furthermore suggests, that by embracing cultural diversity, organisations should realise a reduction in employee turnover, improvement in communication, better utilisation of underused resources and greater buy-in to the goals of the organisation.

4.5.4 Costs Saving by optimising Resources

Although, as previously mentioned, there are conflicting outcomes of empirical studies (Gomez-Mejia & Palich (1997:321) regarding running debate, a number of researchers support the contention that well-managed and productive virtual cross-cultural teams will perform better and achieve greater productivity (Cox & Blake, 1991:49; Dafdar & Gustavsson, 1992:89). A firm gains a competitive edge if it is able to hire, retain, and promote top performers, regardless of their cultural background. Overcoming the factors that unduly limit employees' potential, has the effect of liberating talent that may have been hindered or gone under-utilised. The goal is to create an environment where everyone feels an opportunity to be discovered and utilised to his or her capacity (Gomez-Mejia & 1997:321; Aronson, 2002:52).

4.5.5 Development of cross-cultural Skills

Research has shown, that although diverse teams focused more in their initial stages on managing interpersonal differences than heterogeneous teams, they subsequently outperformed them. More recently, an investigation involving managers at the Centre for Creative Leadership indicated, that higher levels of multicultural competence correspond with higher levels of individual job performance, promotion, and leadership ratings. These findings demonstrate the importance of employees' understanding diversity and its potential workplace impact. (Friday & Friday, 2003:868-869; Aronson, 2002; Avery & Thomas, 2004:380). Joynt and Warner, (1996:24) suggest, that a transnational firm should be seen as an inter-organisational network, rather than a hierarchy. Networks are inherently relational, and are built on reciprocal interaction and interdependence. In this new, a more egalitarian form of transnational business relationship, there is no longer one dominant national culture, namely the headquarters' local culture (as in firms with polycentric, 'multinational strategies'). Rather, in firms with transnational strategies, there is a network of 'alliances among equals.' In transnational environments, proactively creating a

transnational organisational culture, becomes more important than reactively assimilating into a dominant partner's national culture. To integrate worldwide employees into a worldwide organisational culture, transnational managers must understand cross-cultural interaction. Well-managed cultural interaction helps transnational firms create a human network capable of leveraging knowledge around the world and thereby enabling them to increase their capacity to develop and diffuse innovations worldwide, and more importantly, to benefit most from research on how people from different nations interact, as well from research on how to use that interaction for the benefit of the firm. In forming alliances among equal foreign partners, transnational firms create structures in which there is no dominance by one partner. This environment, where managers from different cultures interact on a daily basis, provides the perfect opportunity for collaborative learning. After all, who better to learn from on how to best manage employees from a particular culture than from a manager from that culture.

4.5.6 Problem Solving

This claim relies on the common-sense notion that the more perspectives that can be brought to bear on a problem, the more and better solutions one is likely to generate. Heterogeneity in decision and problem-solving groups potentially produces better decisions through a wider range of perspectives and more thorough critical analysis of issues (Cox & Blake, 1991:50). Other research suggests, that exposure to diversity helps individuals develop more complex understandings of the world, leading to more productive and creative problem-solving. In other words, diversity not only spurs work groups to be more creative, but inspires individuals to become more creative as well (Dafdar & Gustavsson, 1992:88-89; Aronson, 2002:50; Adobor, 2004:73).

4.5.7 Marketing

Successful marketing requires a thorough and intimate knowledge of the culture one is marketing to. Multinational organisations need to be culturally sensitive in order to market effectively (Cox & Blake, 1991:49). Diversity consultants invariably cite the example of Ford attempting to sell its Nova cars to Hispanics, seemingly unaware that "no va" means "doesn't go" in Spanish (Aronson, 2002:50). Companies will gain a competitive advantage of being able to market and deliver their products within different cultures. Having inside information on how to communicate and what a

community wants in a product, is a great asset. A multicultural company can penetrate and widen their markets with the knowledge of political, social, legal, economic and cultural environments (Iles & Hayers, 1997:95; Dibble, 2001; Gomez-Mejia & Palich, 1997:311).

4.5.8 Creativity

Diversity of perspectives and less emphasis on conformity to norms of the past, should improve the level of creativity (Cox & Blake, 1991:50; Dafdar & Gustavsson, 1992:88-89). Therefore, a company with a diverse workforce can experience higher creativity and innovation. Different cultures can bring insightful alternatives to the table (Lee, 2000). According to Jackson (2003:132), creativity often arises when new problems are identified or new solutions are developed to address well-known problems. Generating new knowledge and new understanding is the heart of creativity. For teams working on tasks that require developing new and creative solutions to problems, diverse perspectives seem to be beneficial on several counts. During the environmental scanning that occurs in the earliest phase of problem-solving, people with diverse perspectives can provide a more comprehensive view of the possible issues that might be placed on the group's agenda. Subsequently, discussion among members with diverse perspectives can improve the group's ability to consider alternative interpretations and generate creative solutions that integrate their diverse perspectives. As alternative courses of action and solutions are considered, diverse perspectives can increase the group's ability to foresee a wide range of possible costs, benefits, and side-effects. Finally, diversity can enhance the group's credibility with external constituencies, which should improve their ability to implement their creative solutions.

4.5.9 Improved Performance of international multicultural Teams

Iles and Hayers (1997:96) note, that during recent years there has been an increasing focus on the importance of learning in the business environment, especially in international project teams. Some teams may bring together knowledge and skills from various units, transfer technology, and spread innovation, such as IBM's International Airlines Solutions Centre. Some teams may pursue global efficiency, others local responsiveness, others learning, yet others may be expected to contribute to all three strategic imperatives. The writers, together with Adobor (2004:72), further

suggest, that excessive homogeneity in teams can lead to the development of very strong group norms, creating the possibility that the loyalty of the team may become directed inward to the team itself and the group can evolve in directions that can become detrimental to the interests of the parent firms. Second, if homogeneity leads to faster consensus on issues, this may lead to uncritical acceptance of views, which may contribute to an atmosphere where the quality of decisions suffers. Such a situation may arise because the team can suffer from the dysfunctional consequences of closeness, such as "group think". In other cases, group behaviours may simply get programmed through shared norms and similar backgrounds, and in such cases, the quality of decisions made in the group will tend to regress towards the mean. Dafdar and Gustavsson (1992:88), together with Adobor (2004:72), furthermore note, that skill heterogeneity, defined in terms of expertise and skills, affects decision-making in management teams. Greater skill heterogeneity should positively affect the performance of the JVGM team because heterogeneity provides for a variety of contributions and responses in decision-making issues. In turn, this should help the team's ability to come up with innovative ideas to solve problems.

Holt and Wigginton (2002;628-629) warns, that diversity also increases the amount of conflict and misunderstanding, but proper management of diversity can both enrich the group members and benefit the organisation with an enhanced framework of joint decision-making. In support of this, Adler (1991) argues, that multicultural teams may suffer both process losses (mistrust, stereotyping, communication problems, stress), but also enjoy process benefits (more ideas, better ideas, less groupthink) and therefore have the potential to perform extremely badly or extremely well, depending on a variety of factors such as task type and leader behaviour. In addition, some concept of "cultural distance" or "degree of diversity" may need to be invoked: groups composed of Arab nationals will not be as diverse as one also containing Latin Americans, although ways of assessing cultural distance are not yet very precise, despite the obvious "clusters" that research has found.

According to Laroche (2003:108-110), team members from different cultures can learn from each other in the following ways.

- Collectivistic team members can learn from individualistic team members to reduce interactions among various parts of the project, to decrease the amount of information they need about one another in order to get started, and to think more about their contribution to the project.

- Individualistic team members can learn to anticipate action interactions among various parts of the project, to get to know their team-mates better, and to think more of the team as a whole. Individualistic team members can help new team members to define their roles and responsibilities more quickly when they are added to the team.

- Together, they can find the right balance in the team – one that leads to the best solutions of the problems the team encounters. They can move quickly through the initial stages of the team's life while building a significant level of trust among themselves and considering the interactions among their activities without getting bogged down by such discussions.

- Low–uncertainty avoidance team members may learn form high-uncertainty avoidance members that during the phases where resources are committed, and team members implement what they have planned and adjust plans as they progress, the team usually benefits greatly from discussions that aim at balancing the benefits and cost of gathering additional data. Such analysis may reveal that collecting a little additional data at a low cost may significantly increase the probability of team success. Synergy may also occur when team member blend their approaches to solving technical problems. In such a case, they can use both experience and theory in order to determine which variable should be examined first.

- At the individual level, high-uncertainty avoidance team members may learn to take a bit more risk, to try a few things out before jumping on a full-scale mathematics or design experiment approach. Conversely, low-uncertainty avoidance team members may learn to be a bit more systematic in their approach.

- At the individual level, the biggest gain one could make by working with people who are significantly higher or lower on the power distance scale, is to learn a new management style. You may or may not like what it yields, but it may give you a new approach to management.

- High-context people may learn to focus at the task at hand and to emphasise deliverables and schedules. Low-context people may learn to build better relationships and the importance of building report with others.

- People orientated towards the future, may take the past into account and try and learn from it. People with long-term orientation, may learn to focus on quicker gains. Short-term orientated people may learn to focus on longer term strategies.

- People may learn to adjust the intensity of their feedback to the receptiveness of their feedback target and make it stronger or softer, depending on how that feedback is perceived.

- People may learn to modulate their expressiveness (both the amount of emotions displayed and the rate of change in emotions displayed and the rate of change in emotions) to its audience or surrounding people. Expressive people may learn to keep their emotions in check, while neutral people may learn to show and talk about them to a greater extent.

Holt and Wigginton (2002:628-629) suggest, that a company will, therefore more likely benefit from group dynamics of diverse teams than from the cohesiveness of homogeneous teams. The process of reaching agreement on a decision or coordinating a team activity in such diverse groups, may be very difficult, but in the end, the result is a creative solution that has been thoroughly challenged. Ultimately, team structure and the effect of ethnic or cultural diversity on performance are far too complicated to reduce to simple models of team behaviour. Nevertheless, the evidence points to successes by companies when they purposely structure teams on a multicultural basis

with team members who have diversified interests and often substantially different cultural values. This is supported by Trefry and Vaillant (2002:52-53) who argue that ultimately in a team environment, different perspectives represent, in a sense, different views of reality, therefore the more perspectives we understand on the situation in question, the more complete view we have of reality. By trying to understand and reconcile diverse and even contradictory perspectives, we challenge ourselves to think at higher levels of intellectual complexity and to recognise that there are indeed many different ways to achieve goals.

In summary, and as argued by Child and Faulkner (1998:243), the ideal for cultural management in alliances, is to harvest from the diversity of partners' cultures while at the same time building effective bridges between them. It is beneficial to have a diversity of cultures among organisational members, because this offers a stimulus to learning, and sensitivity to local environments, but at the same time there is a need to manage the cultures so that they become forces for integration rather than division. In conclusion, the proactive management of culturally diverse human resources will aid organisations in gaining and sustaining a competitive advantage in today's dynamic global marketplace.

As can be seen from previous discussions in this chapter, national cultural differences have a potential wide-ranging, far-reaching and profound impact on the management of an IJV. As has been previously stated, this influence can be identified and addressed only through management practices, once the effect per management theory element is properly understood. Previous literature has failed to map the influence that national culture has per management theory element. In order to systematically demonstrate the effect that cultural diversity has on management, the universally accepted elements of management, as developed by writers and academics, will be utilised as basis in order to determine and measure the effect that cultural diversity has on each element. By discussing the effects that Hofstede's five cultural dimensions have on these elements of management, the influence of national culture on the management of, and therefore the success of a JV, will be demonstrated.

4.6 The Elements of Management

In the past century, literally thousands of managers, consultants, and management educators have developed and refined the processes, which make up the essence of modern management. Drucker, as reported in (Heller, 2001), who has often been called "the father of the management theory", identifies the following five functions of a manager.

- Setting objectives, which includes setting objectives and communicating them.
- Organising the group, which includes analysing and classifying work, dividing it into manageable job functions, developing the organisational structure and staffing it with people.
- Motivating and communicating, which includes developing teams, developing policies for placement and promotion and constant communication.
- Measuring performance, which includes analysing, appraising and interpretation of performance.
- Developing people.

According to Jones et al., (2000:8-11) the four principal functions of management involve the following activities.

- Planning and budgeting – identifying and selecting appropriate targets or goals for the future, typically for the next month or year; establishing detailed steps for achieving those targets, steps that might include timetables and guidelines; and then allocating resources to accomplish those plans.

- Organising and staffing – structuring working relationships in a manner that allows organisational members to work together to achieve organisational goals; establishing an organisational structure and setting of jobs for accomplishing planned requirements, staffing the jobs with qualified individuals, communicating the plan to those people, delegating responsibility for carrying out the plan, and establishing systems to monitor implementation.

- Directing – leading, energising and enabling organisational members in order that they understand the parts they play in attaining organisational goals.

- Controlling and problem-solving – monitoring actual results versus planned results in some detail, both formally and informally, by means of reports, meetings, etc.; identifying deviations, which are usually called "problems"; and then planning and organising to solve the problems.

A combination of elements of management as identified by these two authorities will be used for the purpose of illustrating the effect of cultural diversity on each element. These are, amongst others, the following.

- Setting objectives and planning.
- Organising and staffing.
- Directing, motivating and communicating.
- Measuring performance and problem-solving.

As previously stated, in order for international managers to effectively manage cultural diversity, the impact that cultural diversity has on management, has to be understood. It follows that the international manager will be better assisted with a set of specific influences that cultural diversity has on the various elements of management theory, rather than a generalised discussion. The next section attempts to map the impact of culture per element of management theory and demonstrates the impact that the five cultural dimensions identified by Hofstede have per element of management theory.

4.6.1 Setting Objectives and Planning

4.6.1.1 Decision-making across Cultures

In order to set appropriate and achievable organisational goals, an international manager needs to weigh up a number of factors and make decisions on which objectives to pursue. In the JV context, this means that he or she will have to make these types of decisions in consultation or together with managers from other cultures.

This task is complicated by the fact that – as will be shown - the motivation for decisions differs from culture to culture.

Western decision-making is influenced by the application of formal logic to business, and the notion that decision-making should operate in a sequence of steps. It is implicit in the thinking behind such management decision-making techniques as linear programming, break-even analysis, feasibility studies, strategic choice, and personnel selection. Decisions in individualistic cultures tend to be driven by achievement and attainment of personal goals, whilst in collectivist cultures the emphasis is on affiliation and relationships (Thomas and Inkson, 2004:88). In an empirical study conducted by Peppas (2002:50), it was found, that Americans felt that the primary concern in any type of decision-making should be achievement, and the criteria for decision-making should be based upon the degree to which results allow the manager to achieve measurable goals valued by society. Morden (1995:19) in turn, points out, that Japanese collectivism is permeated with prevailing concepts of harmony *(wa)* between the goals of the group and the individual expressed in consensus decision-making *(nemawashi).* This type of decision-making might seem strange to Westerners, but in some parts of the world decisions are continually made on the basis that harmonious relationships and consensus are more important than rational decision-making and speed in getting things done. The issue is complicated by the fact that Western societies often employ the rational model of decision-making when making decisions. However, in the intercultural context, applying the rational model can be problematical. Thomas and Inkson (2004:86) notes, that the rational model for decision-making works well, if the following factors are present.

- Managers have clear and unambiguous goals. For example, clear goals regarding short-term versus long-term profit, market share and employee safety exists.

- Managers agreed on rational mental models to understand the human elements that are present in organisations. It is much more difficult to understand systems involving people in rational terms, than to understand financial or mechanical systems in rational terms.

- Managers were able to accurately predict the outcome of all possible solutions.

- Managers were unbiased enough to stick with the rational solutions rather than their personal preference.

- There was sufficient time to seriously consider all the alternatives.

Even where the rational decision-making model is deployed, managers adopt decision-making models that are not purely rational.

Heuristics for example, is based on past experiences and will, therefore, vary across cultures. The problem with the rational model, is the issue of acceptability. A decision that is made, has to be implemented by people, usually by other than the decision-maker. Culture therefore, imposes limits on what is acceptable and therefore, on what decisions can realistically be implemented. In certain cultures the appointment of a woman in a high status position, regardless of merit, is unacceptable, which means that even though she may be highly competent, she would probably fail due to the unwillingness of those around her to work with her. In other countries, the implementation of work practices that conflict with certain religious ideas, will also fail, irrespective of how rational they may be.

Research has shown, that cultural distance affects the strategies and mode of entry into foreign markets of international firms (Hennart & Larimo, 1998:529; Brouthers, 2002:213; Holt & Wigginton, 2002). For example, studies have shown, that corporate financial goals are affected by culture. In a study conducted by Wiemer (1995) as reported by Hofstede (2001:385), it was found, that although everyone stressed making a profit, Germans translated the concept into independence from banks, the Dutch into book value, and the Americans into shareholder value. This reflects not only the institutional differences among countries, but also the prevailing ideologies.

Cultural distance (the extent and profoundness of cultural distance between countries or societies) is also associated with a preference for modes of market entry offering

higher control. The presence of greater cultural distance between prospective alliance partners will encourage them to seek managerial, as well as legal safeguards for their most crucial interests. The main investor, and/or provider of key resources such as advanced technology will most likely – in the face of a large cultural distance - seek to form an equity joint venture in which it has the majority equity share rather than an alternative form which does not offer the right to managerial control (Child & Faulkner, 1998:239). It has been argued, that ignorance of the significance and potency of cultural distance, threatens many cross-national business ventures and the unquestioned presumption of success, as they are frequently overlooked in the important early stages of preparing and planning the negotiations (Hay, 1993).

The specific impact of culture on the *setting objectives and planning* element of management will now be looked at in relation to Hofstede's five cultural dimensions.

4.6.1.2 Individualism

When a manager of a joint venture partner from an individualistic culture plans and sets objectives for the JV, he or she will be influenced by his or her individualistic background and specifically by the method of decision-making and type of goals normally associated with organisations in individualistic cultures. This means, that the strive for personal achievement and recognition will probably take preference over group interests, and that roles and responsibilities will be allocated in a manner where the individual will be held accountable to achieve the desired outcome. In short, goal setting, planning and the decision-making process, will reflect the values and aspirations normally associated with individualistic cultures. Hofstede (2001:391) and Thomas and Inkson (2004: 88) both pointed out, that there are also certain difficulties with utilising the rational model of decision-making across different cultures. The writers furthermore point out, that collectivism in particular calls into question not what the decision is, but how the decision is made and who makes it. It is expected that the collective will, will be properly consulted, informed and involved. Rational logic may work well in a collectivist culture, provided that everyone has the chance to contribute to the logic and ponder and discuss whether it actually works.

4.6.1.3 Power distance

Hofstede (2001:381) argues, that planning represents an attempt to reduce uncertainty and control implies the exercise of power. Moreover, planning and control are complementary. It should be no surprise, then, that planning and control processes in organisations reflect basic cultural assumptions, and that they are related to the power distance and uncertainty avoidance norms of the dominant national culture. To this end he argues as follows.

- Higher PDI supports "political" rather than "strategic" thinking.
- Higher PDI supports personal planning and control rather than impersonal systems. The higher in the hierarchy, the more formal the planning and control.
- Lower PDI control systems place more trust in subordinates; in higher PDI cultures, such trust is lacking.

To demonstrate the point, in a study conducted by Peppas (2002:50) amongst Americans (high individualism, low-power distance country) he found that Americans supported the idea that plans should be based upon and evaluated in terms of projected future benefit with little regard for customs and traditions, and that plans should be made and evaluated in terms of concrete, quantifiable results.

4.6.1.4 Uncertainty avoidance

Differences in uncertainty avoidance lead to differences in how partners perceive and respond to events in the environment of the IJV, which will likely breed disagreement and dispute between the partners, and have a detrimental impact on the IJV's chances of survival (Barkema & Vermeulen, 1997: 847). This implies, that the types of goals and planning to support their achievement, will also be impacted by the extent to which JV partners feel comfortable with risk. It can also determine organisational structures and processes. A great need for uncertainty avoidance leads to more structuring of activities, more written rules, lower labour turnover, less ambitious employees, higher satisfaction scores, and more ritual behaviour. Managers are less willing to making individual and risky decisions and are more involved in details (Hofstede, 2001:381-382). Yavas and Rezayat (2003) found a correlation between

national culture (using power distance and uncertainty avoidance indices) on the level of equity ownership in joint ventures. Makino and Nuepert (2000) investigated the choice between joint ventures and wholly owned subsidiaries as foreign market entry modes, utilising data from Japan and the US. Their results indicate, that firms from a country with high-power distance and uncertainty avoidance (Japan) tend to choose majority ownership when entering a foreign market. Hofstede (2001:382) summarised the key influences as follows.

- Higher UAI makes it less likely that strategic planning activities are practised, because these may put question marks to certainties today.
- Higher UAI supports a need for more detail in planning and more short-term feedback.
- Higher UAI implies leaving planning to specialists.

Table 4.2 sets out the expectations between foreign investors and Chinese partners as summarised by Yavas and Rezayat (2003).

Table 4.2: Connotations of the UAI and PDI for the functioning of organisations

Small-power distance and weak uncertainty avoidance **Countries:** Anglo Scandinavian, Netherlands **Organisation type:** Implicitly structured **Implicit model of organisation:** Market	**Large-power distance and weak uncertainty avoidance** **Countries:** China, India **Organisation type**: personal bureaucracy **Implicit model of organisation:** Family
Small-power distance and strong uncertainty avoidance **Countries:** German-speaking, Finland, Israel **Organisation type:** work-flow bureaucracy **Implicit model of organisation:** well-oiled machine	**Small-power distance and strong uncertainty avoidance** **Countries:** Latin, Mediterranean, Islamic, Japan, some other Asian **Organisation type:** full bureaucracy **Implicit model of organisation:** pyramid

Laroche (2003:84) sums up the influence of uncertainty avoidance on planning, vacations and finances as follows:

Table 4.3: Planning, vacations, finances, and stress as functions of uncertainty avoidance

Task	High-uncertainty avoidance	Low- uncertainty avoidance
Planning	• Plans over a longer horizon. • Includes more contingency plans.	• Plans over a shorter horizon. • Includes less contingency plans.
Vacations	• Plans vacations well in advance.	Prefers spur of the moment vacation plans.

Task	High-uncertainty avoidance	Low-uncertainty avoidance
Finances	• Avoids incurring debt. • Buys more insurance products. • Invests in more secure products, even if the return is low. • Sets aside a higher percentage of income for savings • Venture capital is less developed.	• Debt is not a major issue. • Buys fewer insurance products. • Invests in high return products, even if the return is not guaranteed. • Sets aside a lower percentage of income for savings. • Venture capital is more developed
Stress	• Background stress level is generally higher.	• Background stress level is generally lower.

Source: Laroche (2003:84)

4.6.1.5 Masculinity versus Femininity

As has been demonstrated by Hofstede (2001:313), feminine cultures place a higher emphasis on concern for people and cooperative relationships. This may lead to conflict when, for example, a JV needs to take decisions on growth and development strategies. A strategy that would require the JV to expand its operations in a way that may be detrimental to people or relationships - a strategy may involve the leaving of a substantial environmental footprint, i.e. drilling for oil in conservations, pollution and the level of investment in occupational health - may lead to conflict with a JV partners from a feminine culture. Abdou and Kliche (2004:17) argue, that societal differences in masculinity are also likely to influence the attractiveness of technology alliances. Feminine cultures are accepting co-operation and the potential for mutual gains. Alliances are typically viewed as "win-win" situations and co-operation is emphasised. According to the writers, both partners can be winners and co-exist, whereas partners coming from masculine-oriented societies act only in terms of losers and winners.

4.6.1.6 Long-term verus short-term orientation

Differences in the long-term orientation of the partners may lead to differences in objectives and in perceived opportunities and threats in the environment of the JV (Barkema & Vermeulen, 1997: 848; Shih et al., 2005:165). For instance, one partner may have a sense of urgency and favour quick results, while the other has a long-term view and is more oriented towards investments in financial assets and in building up a relationship with the partner. Such differences will likely breed tensions and reduce the chances of success of the JV (Barkema & Vermeulen, 1997:848). Chow

(2004:630) notes, that long-term orientation implies that firms tend to adopt a longer term, and proactive human resource strategy, such as the provision of training and the identification of managerial talents and competence. A short-term orientated strategy will focus on a short-term reactive strategy of salary cuts and downsising. Masumoto (2004:21) also notes, that in long-term orientated cultures a long-term view may characterise the overall outlook or managerial philosophy of an organisation. Americans (short-term orientated) for example, tend to focus only on immediate profits. As a result, a clash between a profit-oriented organisation and a socially oriented partner may ensue.

Indeed, when organisations heed the required differences in approach, the results can be astonishing. According to Lee (2002), an effective long-term business development strategy" played a key role in the success of Motorola China Incorporated, followed by the factor of "technology appropriateness". From the beginning, Motorola China Incorporated established its long-term strategic objectives, based on a careful research regarding China's market, supply, labour and technology, as well as economic, social, and political development. The company's strategic objectives were thus focused on the long-term market share and the development of positive, trustworthy, and cooperative relationships with the Chinese partners and government agencies. The company's decision of reinvesting all earlier profits into the further expansion and providing the best technical support to the local partners, were made consequentially to support the company's long-term strategic objectives. The drive by Motorola to introduce the most appropriate technology from a developed nation into a developing nation, reinforced the importance for international business establishments to transfer the technology which fits the local partners' need, financial capacity, skill levels of workers, and the development direction when they expand their operations into developing countries.

Table 4.4 demonstrates the differences in expectations between Western and Chinese partners.

Table 4.4: Differences between foreign investors and Chinese partners

Expectations	Foreign investors	Chinese partners
	Open China's market for its products	Adopt advance production technology

Expectations	Foreign investors	Chinese partners
	Overcome trade barriers	Improve R&D capacity
	Take advantage of low cost labour and materials	Open more information Channels
	Expand existing techniques from home facility	Looking for less international competition
	Reduce financial risks	Add new finance source
	Protect copyright for intellectual products	Increasing firm reputation from famous brand
	Recoup capital input in investment	Utilise current and available resources
	Access natural resources	Reduce operational risk

Source: Chow (2004)

International managers do, therefore, need to be aware of the differences in expectations and perceptions of cultures with regards to strategic objectives, who these objectives should benefit, and whether the goals should be for short-term or long-term gain.

4.6.2 Organising and Staffing

In order to conduct a meaningful discussion on the *organising and staffing* element of management, the nature, aspects and functioning of teams and multicultural teams in particular, needs to be looked at. This is so because, as will be seen, teams play an important role in international business, and therefore in IJV's.

4.6.2.1 Multicultural teams

Part of the *organising and staffing* element of management theory involves attracting the right people and applying them in the right areas and right structure in order to effectively coordinate their activities (Jones et al., 2000:9-10). One way of achieving the desired result, is by establishing teams.

4.6.2.2 Team management – a global approach

In addition to the increasing cultural diversity of the workforce, there is another related pressure: an increasing emphasis in the way business is facilitated by teams, as distinct from individual workers. Such teams are becoming more and more multicultural, due to an increase in diversity in the workforce (Thomas & Inkson, 2004:144). Holt and Wigginton (2002:419-420) suggest, that perhaps the foremost problem facing multinational corporations, is effective coordination of widely distributed activities. This activity involves not only integrating value chain activities

but also managing cross-functional specialisation and reconciling alliance interest. This goal requires a mentality of integration through teamwork that provides the connection and liaison relationships needed to bring together regional functional and intercultural company activities. Companies with substantial foreign alliances, joint ventures, or cooperative agreements with other organisations, must rely heavily on teamwork as a crucial aspect of international coordination. Teamwork assumes a collective and cooperative effort by individuals working together in order to achieve common goals in an environment of shared decision-making. In an international organisation, group behaviour that leads to effective teamwork, requires that members become acculturated to one another's values. Because multinational corporations by definition must deal with several different cultural variables, their managers often face daunting tasks in teambuilding and team leadership. Multicultural teams are defined as task-oriented groups consisting of people of different nationalities and cultures (Matveev & Milter, 2004:106). A multinational organisation is dependent on teamwork, and many executives must meet expectations for developing group approaches to global tasks and encouraging international teamwork (Holt and Wigginton, 2002:619). However, transnational teams are a difficult and demanding way to operate (Iles & Hayers, 1997:97).

4.6.2.3 Types of teams

The following types of teams have been identified.

4.6.2.3.1 International teams

In many organisations there is increasing use of multinational task forces - international joint venture teams, global product development teams, strategy teams, global restructuring teams and even top management teams, often resulting from a geocentric, global staffing and career development system (Iles & Hayers, 1997:97). International teams, therefore, form either by design or as deliberate management initiatives or as an evolutionary consequence of global expansion (Holt & Wigginton, 2002:620). International teams may be diversified as follows.

4.6.2.3.2 Virtual teams

A type of work group that is becoming increasingly important, is the virtual team. Virtual teams are teams whose members rarely or never meet face to face and interact

by using various forms of technology such as e-mail, computer networks, telephones, faxes or video conferences. These teams allow for teamwork without its members having to be in the same geographical location (Jones et al., 2000:508, Thomas & Inkson, 2004:149).

4.6.2.3.3 Transnational teams

The transnational team is a work group composed of multinational members whose activities span multiple countries (Holt and Wigginton, 2002:620). Many organisations believe they can increase their flexibility and responsiveness in globally competitive market environments through deployment of transnational project teams, powerful vehicles to develop innovation and change within international companies and increasingly used by organisations, which have chosen to enter global strategic alliances. Multinational project teams can be considered transnational if they have successfully transcended the cultural, geographic and managerial barriers to team effectiveness. Such teams often need to work on complex strategic issues across geographical distances and across cultural barriers (Iles & Hayers, 1997:98).

4.6.2.3.4 Groups and teams

A group may be defined as two or more people who work with each other to accomplish certain goals or meet certain needs. A team is a group whose members work intensely with each other to achieve a specific common goal or objective. As these definitions imply, all teams are groups but not all groups are teams (Jones et al., 2000:499; Thomas & Inkson, 2004:148).

4.6.2.4 Team systems and processes

International teams are more than group-oriented replacements for individual management activities. They are small consortia of people who work together to address broad ranges of issues or make better-informed decisions than the individuals could achieve on their own. A multinational company seeking to establish international teams with multicultural representation, faces the challenge of reconciling how members from different cultures will fit into a team environment. Only after settling this question, can management consider how to approach team activities (Holt & Wigginton, 2002:627). For example, Larcohe (2003) notes that the way responsibilities are split in teams, differs from culture to culture. First of all, it

may not be clear who is responsible for making the decisions. Furthermore, different cultures have different approaches to teams. French team members for example, prefer to learn about the background of the other team members before moving to the task. Americans on the other hand, are much more task-orientated, and prefer to discuss the task at hand straight away.

4.6.2.4.1 Team Stages

Appelbaum et al., (1998:216); Jones et al., (2000:513) and Holt and Wigginton (2002:639) point out, that although every team's development over time is somewhat unique, five stages of team development could be identified that teams pass through. The first stage is *forming*. Members try to get to know each other and reach a common understanding of what the team is trying to accomplish and how team members should behave. During this stage team managers should try and make each team member feel like a valuable part of the team.

In the second stage, *storming,* brainstorming techniques are emphasised as well as open communication, to foster the team cohesion required to tackle more challenging work. Team members carry out self-evaluations, establish their own agendas, and reconcile team-based priorities with individual interests. It can leave multicultural teams vulnerable to hostilities during this stage, because effective communication requires significant adaptation of behaviour. During this stage, team members experience conflict and disagreement, because some members do not wish to submit to the demand of other team members. Disputes may arise over who should lead the team. In this stage team managers need to ensure that the conflict does not get out of hand.

During the third phase, *norming*, close ties between team members start to develop. Team members arrive at an understanding as to what team goals should be and how members should behave toward one another. At this stage substantive goals surface and team members realise that more can be achieved as a team than working as individuals.

In the forth stage, *performing,* the real goals of the team are achieved. This stage is the work cycle of the team and is, therefore, appropriately called performing. The team has evolved to a level where members understand their roles and expectations.

Homogenous teams often advance very rapidly through team development stages. Unlike diverse teams, they have few differences to resolve, and members already share in an ingrained cultural identity on which to build later consensus. In contrast, a multicultural team may take months, perhaps even years, to mature into a smoothly functioning team. Many teams never reach the stage of self-control and effective performance. Subordinate goals often represent one of the most important factors for success. At this stage managers need to take steps in order to ensure that the group is effective (Appelbaum et al., (1998:216); Jones et al., 2000:513; Holt & Wigginton, 2002:639-640).

The last stage, the *adjourning* stage, applies only to teams that are eventually disbanded, such as task forces.

Team leaders have different challenges throughout the different team stages. Holt and Wigginton (2002:630-631) point out, that to be successful, a team must transit through the start-up stage by demonstrating that it can make contributions to corporate objectives. Consequently, team members must resolve their individual differences and learn how to work together. The team then evolves into the second stage. During this phase, individual team members differentiate their roles, refine their responsibilities within the team, and begin to work towards self-defined objectives. The team leader becomes a catalyst for team-based intervention, inspiring joint efforts and coordinating individual member activities. As the team gels, it becomes a mature entity with a strong sense of group commitment and well-understood integrative skills. Team members build consensus and coordinate problem-solving techniques, and become focused on achieving closure on their projects. Once a team reached this unified and mature status, the leader no longer relies heavily on the advocacy skills during the start-up stage or the catalyst skills required in earlier stages to bring team members together. This responsibility requires astute integrative skills. The leader must now manage a complex multicultural team with its constituents (Holt &

Wigginton, 2002:630-631). Expanding on the topic Laroche (2003:92) identified the following stages in multicultural teams.

- Selection. At this stage decisions concerning the composition of the team needs to be made.
- Orientation. During this stage, all the members want to know why they are part of this new team, what the objectives are, and what they need to contribute.
- Trust-building. Team members need to learn about their team-mates and determine their strengths, their limitations and the extent to which they can be trusted.
- Goal and role clarification. As more detailed work starts, team members start working out the roles and responsibilities of everyone.
- Commitment. Resources are committed during this stage.
- Implementation. Team members implement what they have planned and adjust plans as they progress.
- High performance. When the team has reached a high level of cohesion and maturity, it can respond flexibly to new challenges and constraints.
- Renewal. When the team has achieved its objectives, the sense of purpose may be lost. Team members need to revamp the team and redefine objectives, thereby starting the whole cycle again.

The impact of culture on these cycles will be subsequently discussed.

4.6.2.5 The Impact of culture on international teams

A team brings together individual members who are by definition, representatives of different cultures. They bring to the group their own perspectives, biases, language characteristics, and behaviour that both enrich the team activities and distract from the team unity. The impact that cultural diversity has on teams, can be classified as follows.

- Team division along cultural lines. A study conducted by Neal (1998:35) on international managers in foreign owned companies in the United Kingdom,

revealed that over 90% of managers experienced culturally related problems such as conflict between national groups, problems with the implementation of change, lack of communication, an inability to manage British attitudes, and negotiation breakdown, to name but a few. In another example, Salk (1997:52) reported on a meeting between Italian and British managers in which the Italians behaved (according to an objective observer) in a quiet and withdrawn way, but that immediately after this meeting, the British participants described the Italians as "loud and disruptive". Hofstede (2001) suggests that the tendency for inter-group relations to deteriorate has obvious implications for cross-national managerial work. If social categorisation does lead to group polarisation along national lines, then the practicalities of working with managers from other countries, will be different from work in a compatriot organisation. Cross-national managerial work involves communication, networking, teamwork and trust. If national status encourages the formation of in-groups and out-groups along national lines, then this may lead to difficulties through encouraging conflict and lack of communication between the respective groups. Holt and Wiggington (2002:634) note, that individuals from high-status cultures and well-developed economies are stereotyped as being better educated, more technically sophisticated, having better professional experience, and possessing greater management acumen than do individuals from low-status countries and underdeveloped economies. Consequently individuals behave towards each other that create group pecking orders and in-group role behaviour.

- Trust building. Thomas and Inkson (2004:149) argue, that cross-cultural virtual teams may solve some problems associated with cultural diversity, but create others. In virtual teams, many of the normal cues of interpersonal communication are reduced or removed, so cross-cultural differences, including language differences, are less noticeable. Yet, because it is harder to examine group processes and cultural differences, problems relating to cultural variances may be exacerbated. The development of trust is more difficult where people do not interact with each other in a format where they can see or hear directly. These groups also tend to go through their development phases more slowly. Appelbaum et al., (1998:218) also argue, that trust in a multi-

cultural task group is also difficult to develop. Research indicates, that group members tend to relate and adhere to other group members of their own culture rather than to those of other cultures. If there is no communication among members, a trusting relationship is difficult to develop. Moreover, mistrust precipitates a condition for conflict. For example, it was found that Japanese managers working in the US and Arabic countries, were perceived by their host country colleagues as having a tendency to interact among themselves, making decisions with consultation with their head office rather than with local management, are reluctant to respond with definite answers, and frustrate foreign workers. Holt and Wigginton (2002:629-630) suggest, that in any group setting, individuals are drawn towards others with similar backgrounds, and ethnic characteristics. At the same time, people from different ethnic cultures tend to mistrust others, and in many instances they openly dislike individuals from other cultures. Given this limitation, team member scan work together, yet they remain guarded in their behaviour.

- Reaching agreement. Cultural diversity complicates decisions and makes reaching agreement difficult, for the obvious reason that people from different cultural backgrounds have fundamentally different patterns of behaviour. (Hofstede, 2001).

- Communication problems. Holt and Wigginton (2002:634) argue, that the communicative dimension of team-based activities is an extremely important part of international management, because as companies expand, they must manage progressively complicated patterns of information. The information overload encountered by managers, is exacerbated by the ambiguity of a multicultural environment. Different patterns of language, often conflicting cultural values, and a variety of interpersonal relationships contribute to this communicative ambiguity. Researchers have called this equivocally of information. Problems with equivocally of information prevent managers from communicating through standard organisational channels or predetermined reporting systems. Instead, managers rely on progressively intense interaction among smaller groups to communicate. This is supported by Iles and Hayers

(1997:99) who argue, that linguistically diverse teams always encounter fundamental difficulties in translating and interpreting both verbal and non-verbal messages. Discussions can innocently lead to misunderstandings or inaccurate interpretations. If meetings are held in one language, team members brought up with different languages or communication protocols, often struggle to participate effectively. Indeed, a multicultural team may be little more than a group of individuals working in isolation, even though they appear to be collaborating. Matveev and Milter (2004:108) also observed, that American and Russian managers differ in their definitions and perceptions of appropriate and desirable communication behaviour when achieving high levels of team performance. Americans use low-context and task-oriented communication, convey information explicitly and directly, and provide many details. Appelbaum et al., (1998:221) also noted, that cross-cultural communication problems normally occur in the international team environment. Adler (1991) pointed out, that there are three barriers to cross-cultural communication: Firstly, there is cross-cultural misperception, which means that our perceptual patterns are selective, learned, culturally determined, consistent and inaccurate (because we usually perceive what we expect to perceive). Secondly, there is cross-cultural misinterpretation, which means that team members tend to categorise situations from their own country's perspective and apply it to other countries. In addition, we categorise behavioural norms of ethnic and national groups, which is called stereotyping. Thirdly, there is cross-cultural misevaluation, which means that we use our own culture as a standard of measurement or a self reference criteria to judge another culture as good and normal, if it is similar to our culture, and as bad and abnormal, if it is dissimilar.

The concept of teamwork is, therefore, fundamentally different among many world cultures. Concepts such as workplace empowerment, quality management, and productivity improvement through self-directed teams, simply have no place in foreign autocracies or highly-structured societies. Therefore, from an international perspective, teamwork can be very challenging. Prevailing attitudes in some societies may encourage teamwork, while those in other societies make it a very stressful

experience. Teamwork itself takes on different dimensions in various societies, and managers must be able to adapt to different cultural expectations (Holt & Wigginton, 2002:635).

It follows, that in order to execute the *organising and staffing* element of management effectively, international managers should be aware of the dynamics present in multicultural teams. Ignorance of these dynamics and synergies may well lead to dysfunctional and/or ineffective teams that will not be able to reach their objectives. The impact that culture has on the *organising and staffing* management dimension, will now be looked at in the light of Hofstede's five cultural dimensions.

4.6.2.6 Individualism versus collectivism

In terms of organising work, Hofstede (2001:235) argues, that in an individualist culture, employees are expected to act rationally and in according to their own interest, and work should be organised in such a way, that this self-interest and employers' interests coincide. In collectivist cultures, employees will act in accordance with the interest of the in-group, which may not always coincide with his or her individual interest. Self-effacement in the interest of the in-group, is a normal expectation in such a society. Often earnings have to be shared with relatives.

As far as staffing issues are concerned, Hofstede (2001:237) argues that in a collectivist culture, an employer never just hires an individual, but a person who belongs to an in-group. The hiring process in a collectivist society always takes the in-group into account. Usually preference in hiring is given to relatives, first of all to the relatives of the employer, but often also to persons already employed by the company. The belief is, that by hiring persons from a family, one reduces risk. This is confirmed by Laroche (2003:34-35), who points out, that a typical rationale for staffing decisions in collectivist cultures may be centred in the following.

- His father had the job before him - it's a company tradition.
- He comes from a good family and attended an excellent university.
- We all know him well and we know that we can trust him.

- I do not know why we appointed him. It just seemed like the right thing to do. It was intuitive.

According to Laroche (2003), individualism and collectivism can influence staffing policy in the following ways.

- Responsibilities and decision-making. Laroche (2003:71) points out, that differences also exist in the way that responsibilities are split from culture to culture. In individualistic countries, team members are expected to be experts in their own technical area and to take care of their own tasks and responsibilities. Roles are clearly defined, and the boundaries between responsibilities are sharp. Typically one of the first questions to be asked at a kick-off meeting, is: "Who is responsible for what?" Work cannot start without the team member's having precise answers to this question. Therefore, normally the first step in an individualistic team, is breaking down the roles and responsibilities. One of the key differences between individualistic team and collective team members, lies in the way that they deal with non-performance. In collectivist countries the motto is "all for one and one for all". Tasks are not considered the responsibility of an individual, but of a team. Furthermore, many misunderstandings arise in multicultural teams around making decisions. First of all, it may not be clear who is responsible for making the decision. When it comes to decision-making, collectivist team members expect other team members to be consulted, whereas individualistic team members expect team members to be informed of a decision. Holt and Wigginton (2002:636) note, that cultures that embrace individualism, such as Anglo-influenced societies and much of Western Europe, may readily endorse team-based systems, but people generally work to achieve individual recognition, promotions, and monetary awards. Research has shown, that among the *Fortune 100* companies, executives publicly promote teamwork, but in practice, they seldom accept democratic leadership behaviour or develop participative work environments. In fact, U.S managers cite their own inability to share decision-making authority through collective group processes as among the most difficult problems of working abroad in collectivist societies. Business decisions in Japan evolve through systems of

team recommendations that are reviewed and endorsed by managers, and problematic recommendations are referred to the teams for further refinement. In Japanese and Chinese societies, team members establish elaborative protocols for decision-making, but in China unlike as in Japan, the actual decision is made autocratically.

- Information sharing. Larcohe (2003) notes, that members of a collectivist team, therefore, share a lot of information amongst each other, because in order to support one another, they need to stay abreast of developments. As far as individualistic team members are concerned, the information flow between collectivist team members is excessively high. They receive far more information than considered necessary by the individualistic team members. For example, they are copied on numerous e-mail messages that they consider irrelevant for their work. As a result, individualistic team members often consider collectivist team members as being inconsiderate of their time. Conversely, team members of collectivist countries may experience that their individualistic counterparts are not providing enough information, and that they fail to come to the rescue of team members when they experience difficulties. The author furthermore argues, that because collectivist team members see it as their duty to assist other team members in case of difficulties, they will often assist them with an answer. Interference can then occur when one member of a group starts taking over the responsibilities of other people or answer questions in meetings that fall under the jurisdiction of other people. This type of behaviour is normally extremely upsetting for group members from individualistic countries. When these problems persist or become too severe, multicultural teams may break down into sub teams.

- Lateral moves. In many countries, lateral moves are recognised as a way for people in a company to get experience in different departments and operations and in doing so, develop a better understanding of the organisation as a whole. However, lateral moves are handled differently in different parts of the world. In individualistic countries, people who have achieved senior management status in one department, will often start at a lower level in the next

department in order to obtain the necessary grassroots experience. However, people are expected to move quicker through the ranks than employees with similar experience in only that specific department. In France, (high power distance), people that make lateral moves, keep their hierarchical level. The person's managerial experience that he or she obtained in the previous department, are considered relevant in the new department. In Japan, new employees usually go through an extensive training program, sometimes up to two years. Because collectivist people see the company as an interconnected set of departments and teams, they often have a better understanding of these interconnections than do individualistic people. As a result, they may see themselves as ready for lateral moves that individualistic people would consider unthinkable. Harrison et al. (2000) draw on Triandis (1993), in arguing that this issue is further complicated by the fact that in collectivist cultures groups tend to be few in number, stable and inflexible, making movement of an individual from group to group very difficult. In individualistic cultures people belong to many groups for different purposes and therefore, move easily from one to another. It may, therefore, be harder in collectivist cultures to create new teams, because people may be unwilling or unable to shift their allegiance to a team.

- Virtual teams. Due to the sometimes vast time-differences and the complications ensuing from it, vertical teams rely on modern telecommunication methods in order to communicate and function. Laroche (2003:170) furthermore argues, that cultural differences have an impact on the way that these tools are used. Expressive collectivist people prefer using interactive communication tools, as apposed to individualistic cultures, which prefer to use non-interactive tools. An example is voicemail, which will be used extensively by individualistic cultures to leave detailed messages, whereas collectivist cultures will use it only in order to request a conversation at a later stage.

4.6.2.7 Power distance

Power distance will influence the organising element of management as follows.

- Organisational structure. Czaplewski et al., (2002) note, that one of the main implications of the power distance dimension in organisations is organisational structure. Organisations in a high PDI culture, are likely to give rise to greater centralisation and taller organisation pyramids, whereas those in a low-PDI culture, tend to have less centralisation and flatter organisation structures. Laroche (2003:29) also points out, that a society with high-power distance leans towards a tight hierarchical structure in which individuals know their place and the limit of their roles. Hofstede (2001) argues, that because the PDI norm deals with the need for dependence versus interdependence in society, inequality in a low-PDI society, is seen as a necessary evil that should be minimised; in a high-PDI society, inequality is seen as the basis of societal order. Both low-and high-PDI countries have hierarchies, but in low-PDI countries this is an arrangement of convenience. In high-PDI countries the hierarchy is existential: superiors are seen as superior persons. This contrasts sharply with a study by Peppas (2002:51), who found that Americans view organisational structure and controls, as having to emphasise individual freedom and that organisational structures should be altered to meet individual needs. Furthermore, the view was held, that authority and responsibility should be decentralised and that organisational structure should allow for self-reliance and individual accountability for decisions and results. A study by Maurice et al. (1980) reported in Hofstede (2001), demonstrates how differences in PDI scores manifest in practice. In a comparison between France (PDI score of 68), Germany (PDI score of 35) and Great Britain (PDI score of 35), it was found, that despite being similar technologically, each country had variables in respect of the following organisational aspects.

    - The configuration of the organisation. The kind of and size of categories the labour force is broken into, varied from one country to the next.
    - Work structuring and coordination. The joining of individual tasks into work positions and the way in which work is coordinated.
    - The qualification and career system. Schooling, on-the-job training, and the way individual's progress in typical careers.

Power distance will influence the staffing element of management as follows.

- Academic or family background. Loroche (2003) suggests, that in high-power distance countries, people who attended the right universities and come from the best families, are normally given more responsibility. For example, in Japan, many employees from the Ministry of Industry are graduates of the University of Tokyo, and in France, more than half of the executives of the large French corporations are graduates of the Ecole Polytechnique de Paris. Masumoto (2004), reporting on Japanese management culture, found that management practices in Japan (PDI score of 54) is hierarchical, where seniority is rewarded, and where management philosophy is more likely to favour stewardship over innovation. Japan is still known as a society in which age is important as a determinant of one's social status and identity. There is a clear sense of generation gaps, age-peer identity, and life stages in Japan, while the sense of these differences is more ambiguous in the US.

- Cross-cultural teams. In high-power distance cultures, group leaders tend to make all the decisions, and the collective involvement of cohesive groups often function simply to ratify management prerogatives. Effective international teamwork can be extremely elusive in such countries, because subordinates do not expect to contribute to decisions, nor do they want the responsibility that comes with true team participation (Holt & Wigginton, 2002:636-637). Loroche (2003) supports this argument, by pointing out that in highly hierarchical countries, team members are selected and assigned by the managers. This manager usually selects the members, the team's objectives and its leader. Teams also normally consist of members that are on the same level in the organisation, and teams consisting of members of lower ranking in the organisation, are inherently unstable, because the junior members normally have difficulties in expressing their opinions too more high-ranking people. One of the first questions hierarchical team members will ask is "Who is in charge?" From their perspective, no work can be done until this question is answered to their satisfaction. In a mildly-hierarchical country, people have more opportunity to volunteer and select their teams and projects. In

participative countries, team members tend to co-opt one another. Power distance can also play a crucial role in gaol and role clarification, commitment and implementation phases of a team, when team members are making decisions regarding the direction the team will take and the way it will follow to get there. In high-hierarchical countries, decisions are often made at high levels in the organisation. Therefore, less hierarchical team members tend to perceive their hierarchal team members as deferring to management and experts too often. They appear to agree with everything that a more senior team member says. Conversely, hierarchical team members consider that their less hierarchical team members are not showing enough respect for management and authority figures, and perceive them as questioning and making management decisions that are not theirs to make.

4.6.2.8 Uncertainty avoidance

Uncertainty avoidance will influence the staffing element of management as follows.

- Xenophobia. Hofstede (2001) argues, that a high UAI score, is normally associated with xenophobia and a "that what is different, is bad" attitude, which will make suspicion of foreigners as managers more prevalent.

- Job changes. Laroche (2003:191) argues, that the higher the uncertainty avoidance score, the less likely people will be to change jobs easily. In Hong Kong for example, people are known to change jobs frequently, even astonishing the Americans. In Japan, people tend to think of corporations as life-long employers, and job-hopping is considered negatively.

Uncertainty avoidance will influence the team issues as follows.

- Shooting from the hip versus analysis paralysis. Laroche (2003:61) suggests that when a team contains both members from countries with high-and-low uncertainty avoidance scores, tension is likely to rise during the commitment stage, which requires extensive planning for high-UAI team members. In many cases they consider that their risk-tolerant team members are rushing

them to make decisions or commitments before the method and probability of success have been established. Risk tolerant team members feel that their high- uncertainty avoidance team members are constantly putting the breaks on their progress, by continually asking about contingency plans. This may lead to polarisation between team members who want the team to move forward quickly and team members who want to make sure that the team moves in the right direction. Simply put, some team members consider that others are constantly jumping to conclusions, whereas others are prone to 'analysis paralysis. Team members who want to make sure that they are moving in the right direction, experience the other team members as follows.

- They keep "shooting from the hip". That is, they draw conclusions without having weighed up the possibilities or done a proper analysis.
- They confuse activity and progress. They emphasise action and movement, but seem to place little value on thinking about possible obstacles and planning for them.
- They want to solve technical problems by throwing experiments at them. Rather than thinking about what impact a change in a given variable is likely to yield, they would rather run the experiment. They appear to solve problems through trail and error.
- They do not allow for ample testing time for new solutions.
- Understanding what is actually happening in the physical system, is less important to them than getting the result they seek.

Conversely, the higher-UAI members experience their counterparts as follows.

- They keep asking for more data and information.
- They seem to place little value on action.
- They spend lots of their time thinking about problems rather than trying to solve these.
- They put far too much emphasis on theory. They spend too much time trying to understand why the system operates in the way it does, rather than focusing on how they can get it to do what they want it to do.

- When they think they have a solution because of some theoretical argument, they keep trying to make it work, even though it is clearly not working.

4.6.2.9 Masculinity versus femininity

In feminine cultures, relationships, modesty, and caring for the weak, are important values. Work is less central to life. quality of life, time off, and vacations are given greater emphasis by organisations in feminine cultures (Hofstede, 2001). Interestingly though, in a study of Australian (high masculinity) management styles, Tixier (2000:17) found, that concern for service to the public and value to the community were paramount and rated as more important even than organisational growth and stability. These values will have an influence on how staff is selected and how work is organised in an organisation.

4.6.2.10 Long-term v short-term orientation

As far as the impact of long-term orientation on the organisational aspect of management is concerned, Holt and Wigginton (2002:637) note, that Chinese loyalties run to family units, not to organisations, and teamwork does no take the form of collaboration with co-workers or with other organisational members as in Japan. Instead, the Chinese organisation works through many paternalistic processes under control of strong heads who wield autocratic power similar to that of the head of a family. In China team leaders often behave like little emperors imposing unilateral decisions and solving issues on their own, well apart from the work group. International managers often struggle to understand how decisions in different cultures are made. Appelbaum et al., (1998:119) note, that Westerners view teamsmanship as being designed to forge a collaborative, egalitarian work unit, however, many other cultures do not see things that way. Social status, family connections, gender, seniority, and age have a powerful impact in certain cultures. This has an impact on the expectations of team members who have been differently acculturated, for example, some will not report to women. Chow (2004) notes, that in Chinese societies, traditional Chinese family business features like cronyism and nepotism co-exist either overtly or covertly with employment systems. Chinese family businesses are rooted in Chinese values, and have a strong sense of Chinese tradition.

The traditional Chinese view tends to treat employees as family members. Employers expect loyalty from employees, and reward their diligence.

As far as staffing issues are concerned, Child and Faulkner (1998) argue that the differences in selection criteria applied by Chinese and foreign joint venture partners reflect a clash between collectivist versus individualist and long-term versus short-term orientation norms. Most foreign companies adhere to the principle of selecting the best available recruits according to the requirements of the job, regardless of any personal connections they may have with existing managers or staff. Indeed, personal connections may be frowned upon as opening the door to subsequent favouritism, which would distort the procedures for assessment and advancement, and in so doing probably demoralise other employees. By contrast, Chinese companies tend to favour the recruitment of family members. It is a Chinese social norm, that members of an extended family should help each other, and managers also believe that recruitment on the basis of personal connections will encourage the employees concerned to be loyal members of the organisation. The clash here between two cultural norms poses a problem that requires special care and attention on the part of joint-venture management in order to solve. Interestingly Chow (2004:630) reports that in China, HR practices are in transition from a highly centralised allocation process to a more market-driven and merit-oriented system. Staffing practices are becoming more decentralised, and selection criteria have focused more on job-specific information such as technical skills and proven work experience. The emergence of the free labour market creates high labour mobility, particularly among foreign-owned enterprises and joint ventures. The forces of institutional transformation shape changes in HR practices. Joint ventures adopt their HR systems from the headquarters of their parent companies. Stronger emphasis is put on an employee's qualifications by foreign owned enterprises (FIE's). Education and the credentials of job applicants are weighted heavily as selection criteria, particularly for entry-level jobs. The school from which the job applicant received their highest degree, is probably an important factor, and thus graduates from highly prestigious schools tend to be favoured. The writer also notes that family plays a central role in staffing in Chinese societies, and that the appointment of relatives and family members to crucial positions, is common practice. Employee referral is widely used in recruiting lower-level jobs.

4.6.3 Directing Motivating and Communicating

4.6.3.1 Leadership

Leadership has been defined as the ability to influence other people to strive willingly to reach common goals (Thomas & Inkson, 2004:124). Effective leadership, especially within complex situations, achieves forward movement and transformation that produces envisaged results that satisfy the various needs of all relevant stakeholders. This is done through the following three activities described by Kotter (1990).

(i) Establishing direction. Developing a vision of the future, often the distant future, along with strategies for producing the changes needed to achieve that vision.

(ii) Aligning people. Communicating the direction to those whose co-operation may be needed so as to create coalitions that understand the vision and are committed to its achievement.

(iii) Motivating and inspiring. Keeping people moving in the right direction, despite major political, bureaucratic, and resource barriers to change, by appealing to very basic, but often untapped, human needs, values, and emotions.

Management and leadership, as defined above, are in some ways similar. They both involve deciding what needs to be done, creating networks of people and relationships that can accomplish an agenda, and then trying to ensure that those people actually get the job done. They are both, in this sense, complete action systems. neither is simply one aspect of the other.

People who think of management as being only the implementation part of leadership, ignore the fact that leadership has its own implementation processes: aligning people to new directions and then inspiring them to make it happen. Similarly, people who think of leadership as only part of the implementation aspect of management, the motivational part, ignore the direction-setting aspect of leadership (Northouse, 2004).

But despite some similarities, differences exist which make management and leadership very distinct from each other.

The planning and budget processes of management tend to focus on time-frames ranging from a few months to a few years, on details, on eliminating risks, and on instrumental rationality. By contrast, that part of the leadership process which establishes a direction often focuses on longer time-frames, the big picture, visions and grand strategies that take calculated risks, and incorporate a change in the values of people, as well as of that of the organisation (Bennis & Nanus, 2003).

In a similar way, organising and staffing tend to focus on specialisation, getting the right person into or trained for the right job, and compliance. while aligning people, tends to focus on integration, getting the whole group lined up in the right direction, and committed. Controlling and problem-solving usually focus on containment, control, and predictability. while motivating and inspiration focus on empowerment, expansion, and creating that occasional surprise that energises people (Jones et al., 2000:10-11).

4.6.3.1.1 Leadership is culture specific

Littrell (2002:9-10) notes, that most researchers of leadership attempt to find reasons to believe that some generic leadership functions may be universally acceptable and effective, regardless of the dispositions and norms of diverse groups, although enacted with different behaviours, depending on the situation or culture. There are in fact the following general traits of leadership.

- First, there are undoubtedly several problems that are universally associated with the management of large complex organisations and with the management of groups. For example, the two factors of the need to ensure task orientation and the need to develop and maintain cohesiveness and collaboration among organisational members, are likely to be present in all complex organisations and in all organisational sub-units (task orientation and group nurturance).

- Second, effective leadership requires a disposition to be influential (leaders have a desire to lead). This disposition may well result in some universal influence-oriented behaviours.

- Third, many of the strategic contingencies facing organisations may well be universal, or near universal. For example, all organisations that function in competitive environments, must of necessity conduct negotiations and transactions with external constituencies for the attainment of resources and legitimacy.

However, simply possessing these behaviours, traits or characteristics from the social – cognitive perspective, would not make that person a leader unless he or she was perceived as a leader. According to Hofstede (2001), leadership and subordinateship are inseparable, and this can be observed in the political field. It is difficult to imagine that a Hitler would have been a successful leader in Great Britain, a Churchill in France, or a De Gaulle in Germany. Ideas about leadership reflect the dominant culture of a country. Asking people to describe the qualities of a good leader, is in fact another way of asking them to describe their culture. Names of people often mentioned as great leaders, range from Hitler to Ghandi. The following questions therefore, arise.

- What made these people leaders and others not?
- Would these people have been great leaders at another time, at another place, or indeed in another culture?
- Would these leaders have been great leaders with different followers, particularly followers who were culturally different from them?

It is widely accepted that societal culture influences leadership behaviours and effectiveness (Rodríguez, 2005:71; Yan & Hunt, 2005), and therefore, the leadership role itself differs from culture to culture, and people's expectations of leaders also differ between cultures (Holt & Wiggington, 2002:591-593. Littrell, 2002:9-10. Thomas & Inkson, 2004:133. Rodríguez, 2005:72). Fred E. Fiedler was amongst the first leadership researchers to acknowledge that effective leadership is contingent on

or depends on the characteristics of the leader and the situation (Jones et al., 2000:463). People often emerge as group leaders by fitting the shared conceptions of followers. For example, in cultures where a recognition-based process prevails, perceived leadership effectiveness relies more on whether leadership is perceived to fit the implicit leadership prototype in the minds of followers. However, in cultures where an inference-based process prevails, to be perceived as effective, leaders rely on good organisational performance rather than just on fitting leader characteristics in their follower's implicit leadership prototypes. Japanese, for example, show respect to leaders because of their positions, whereas in the United Sates leaders have to earn respect through their actions. In Japan, respect is partly shown by not participating, that is, respecting what the leader says and waiting until he asks you to make a contribution before speaking. Japanese schoolchildren are also much more willing to accept teachers' teachings without questioning it (Thomas & Inkson, 2004:128).

Rodríguez (2005:69) argues, that values such as respect to change, risk, innovation, growth, social responsibility, ownership, participation, competition, power, tradition, religion, family ties, and human relations determine the choice of objectives, strategies, and policies that leaders formulate. As such, leadership and vision are fundamental to the understanding of individuals and organisations. Questions such as, how do we want the organisation to operate, what type of organisation do we want to be, and what is the vision required for creating a successful future, are legitimate concerns for business, firms, and industries. These questions are universal. but the answers are culturally specific. Leaders, therefore, influence their followers in different ways. A leader may capture the loyalty of some followers, whilst being ridiculed and rejected by others. A style that works perfectly well in one situation (such as with construction workers in Dubai) may fall flat in another - such as a software engineer in Silicon valley (Thomas & Inkson, 2004:135).

Bond and Smith (1996:215) note that other cross-cultural studies of leadership (reviewed by Dorfman, 1995) have been influenced by Western contingency theories and have consequently focused more upon specific attributes of effective leadership than the general functions that may underlie variations in leadership style. The findings of the following writers have all been reported in Bond and Smith

(1996:215). Okechuku (1994) found differences in the perceived traits associated with managers' ratings of effective subordinates in Canada, Hong Kong, and China, as did Black and Porter (1991), who compared managers' ratings in the United States and Hong Kong. Gerstner and Day (1994) asked students originally from eight different nations residing in the United States, to rate how well 59 traits typified a business leader. The three country-level dimensions that were identified, correlated highly with Hofstede dimensions of individualism, power distance, and uncertainty avoidance. Ayman and Chemers (1991) found some support for Fiedler and Chemers' (1984) contingency-based leader match theory among Mexican workers. Schmidt and Yeh (1992) compared leader influence in Japan, Taiwan, Australia, and Great Britain. Although a broadly similar range of influence strategies was found, they factored together distinctively within each national sample. Howell et al., (1995), who contrasted business-leader effectiveness in Japan, Korea, Taiwan, Mexico, and the United States, found general effects for leader supportiveness and contingent reward, but cultural specificity for participation in decision-making and contingent punishment. Jago et al., (1993) compared preferences to participate, of managers in the United States and six European countries and found differences were correlated positively with power-distance scores for the seven countries. The Industrial Democracy in Europe International Research Group (IDE) (1993) carried out a longitudinal replication study of participation in ten European countries and found, that differences reported in an earlier study were still apparent, though somewhat attenuated. These studies confirm, that when more specific measures of leader style are employed, cultural differences are more apparent.

Littrell (2002:9-10) supports the view of Bond and Smith and argues, that at the present time, the bulk of leadership literature is based on a self-limiting set of assumptions, mostly reflecting Western industrialised culture. Almost all of the prevailing theories of leadership and almost all of the empirical evidence, are rather distinctly American in character. The theories are characterised by:

- being individualistic rather than collectivist;
- stressing follower responsibilities rather than rights;
- assuming hedonism rather than commitment to duty or altruistic motivation;

- assuming centrality of work and democratic value orientation. and
- emphasising assumptions of rationality rather than asceticism, religion, or superstition.

4.6.3.1.2 Leadership across cultures

Leadership styles have been divided into two styles of leadership behaviour: Concern for tasks (task orientated) and concern for relationships (people orientated). Research indicates fairly conclusively and unsurprisingly, that relationships-orientated leaders tend to have more satisfied subordinates, and this is true across cultures. Researchers have, however, not been able to find the perfect leadership style, that is equally effective across cultures (Littrell, 2002:9-10; Thomas & Inkson, 2004:140). The influence of culture on the expectations of followers and therefore, leadership, based on Hofstede's cultural dimensions, may be summarised as follows.

4.6.3.1.2.1 Individualism versus collectivism

In individualist cultures people are concerned about themselves, prefer activities to be conducted privately, and expect decisions to be made by the individual according to his or her judgment and the anticipated rewards (Thomas & Inkson, 2004:133). This is supported by Peppas (2002:51) who, in a study of American (Individualistic culture) leadership traits, found that Americans believed, that people exercise self-direction and self-control towards achieving objectives to which they are committed. Thomas and Inkson (2004:133) further argue, that in collectivist cultures, people view themselves as members of groups and collectives, prefer group activities, and expect decisions to be made on a consensus or consultative basis, where the affects of the decision on everyone is taken into account. Yan and Hunt (2005) suggest, that because a collectivist culture emphasises the importance of group effort to success, it is not likely to attribute failure to an individual, even though this person is the leader. Failure is often attributed to the lack of effort of the entire group. Because responsibility is carried by an individual, as opposed to the group in collectivist countries, the salaries of top executives will often reflect the difference in approaches and the differences between the salaries of Japanese and American executives are a case in point. Hofstede (2001) further notes, that self-effacement is highly valued in collectivist societies. Leaders tend to maintain a low profile in such societies in the

face of success. It is a very important characteristic that followers use to recognise leadership. Collectivist societies are inclined to value pro-social behaviours that conform to social norms, morals and tradition. This tends to increase the expectation of followers that the leaders' characteristics should fall into the traditional leadership prototypes in their minds. Not conforming to social norms and values, is likely to make followers quickly perceive a leader as incompetent and not deserving that position despite his or her personal achievement. This is why more leaders quit their position due to scandal and corruption in collectivist societies than in individualistic societies. Interestingly, Holt and Wigginton (2002:603) point out that collectivism would suggest a more participative management style, but many collectivist countries score high on PDI and would, therefore, prefer a more authoritarian style of leadership.

It is, therefore, clear that two very different styles of leadership in these two different cultures will be expected. Leaders in Western countries will be held accountable for the performance of the group, and be rewarded accordingly, whereas in collectivist countries, leaders will involve the group, because there will be shared expectations of both the leader and the group members.

4.6.3.1.2.2 Power distance

The practice of autocratic leadership is more likely to be adopted and tolerated in a high-power distance culture, in which large differentials of power between a manager and subordinate are tolerated (Thomas & Inkson, 2004:134). In high-PDI societies, leadership is often perceived as endowed by the hierarchical position the leader occupies, rather than earned because of extraordinary capabilities or good performance. Thus the linkage between leadership and performance is often broken in the perception of subordinates. Centralisation of decision-making and management in the hands of leadership makes it difficult for subordinates to understand how it is achieved. Leaders often assume the role of a parent and consider it an obligation to provide support and protection to those under their care. the subordinate reciprocates this with loyalty deference and compliance. Hence the leadership-subordinate relationship is often loaded with emotions, which makes it difficult to evaluate leaders. Participatory leadership style will not work in such societies, and will be

viewed as a sign of weakness. Leaders often rely on force, manipulation and inheritance as a source of power (Quang et al., 1998; Yan & Hunt, 2005).

In low PDI societies the relationship is seen as equal and the followers tend to be perceived as equal. A higher hierarchical status is often afforded to job performance or ability. They also rely on equality and capabilities, knowledge and respect as a source of power (Yan & Hunt, 2005).

4.6.3.1.2.3 Uncertainty avoidance

In cultures with high uncertainty avoidance, leaders who structure the work of their subordinates, possibly through bureaucracy, and make decisions that enhance stability, will presumably do well (Thomas & Inkson, 2004:134). Because people feel uncomfortable with ambiguity, they prefer explicit policy and statements. Employees expect to work under clear job descriptions, and they are comfortable carrying out specific instructions from management (Holt & Wigginton, 2002:597). To reduce uncertainty, organisations in a society with high UA, often adopt structural formalisation and centralisation, thus reducing the degree of sharing of important information and decision-making with subordinates. New initiatives may hamper trust between the subordinate and leader, due to the uncertainty it brings and the expectation of conforming to the historically accepted (Yan & Hunt, 2005). In low-UA countries, leaders are judged on their performance and given flexibility to achieve an outcome. Change is viewed as something good if it results in improved outcomes to the organisation (Hofstede, 2001:168).

4.6.3.1.2.4 Masculinity versus femininity

The relative emphasis on traditional male goals of ambition and achievement and traditionally female orientations to nurturance and interpersonal harmony, will influence leader perceptions. Leaders who nurture their relationships with group members while neglecting personal opportunities for recognition and promotion may be common in a feminine culture, but may be considered eccentric in masculine cultures (Thomas & Inkson, 2004:134). Holt and Wigginton (2002), together with Yan and Hunt (2005) argue, that cultures with a high masculinity index tend to favour large-scale enterprises, as economic growth is seen as more important than conservation of the environment. Work goals that are predominantly popular among

managers include achievement motivation, assertiveness and admiration for the strong. However, such a focus on "material success" and achievement might make managers less likely to perceive ethical issues in business practices than those of countries with a low level of masculinity. In countries with a low level of masculinity neither male nor female managers tend to be achievement-orientated, nor are more nurturing and relationship-concerned. Leaders are expected to show care for their followers and nurture good relationships with them. Performance in terms of personal achievement is less of a concern for both the follower and the leader. Followers' perception of their leaders is based on interpersonal behaviours and traits. Lere and Portz, (2005:4) also suggest, that a major impact of this dimension on management control systems, is how the rewards used to align the interests of managers with the organisation are defined. Because achievement, heroism, assertiveness, and material success are valued in a masculine culture, workers in these cultures tend to emphasise performance and growth, focus on excelling to be the best, believe work is central to life, and view job recognition as important. Therefore, opportunities for high earnings, recognition, advancement, and rewards based on merit, are apt to be effective motivators in masculine cultures.

4.6.3.1.2.5 Long-term versus short-term orientation

In Chinese culture, a leader's authority is based on loyalty to the patriarch. Similarly, the word of the founder of a Chinese organisation is law, and his authority resembles that of a head of a household more than a head of business. All key people in the organisation are related to the founder, and to each other, by blood or by marriage. This allows Chinese to turn their business into a family business. Mutual trust amongst family members and basing decisions on what is best for the clan, underlines all leader-follower relationships (Thomas & Inkson, 2004:129).

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In cultures where formality is highly valued, a leader will be expected to honour appropriate ceremonies and observances. In cultures where punctuality is important, there will be pressure on leaders to turn up in time. In societies, which focus on the future, a leader will be expected to focus on long-term strategies and to express this focus. Ultimately, the leader may find him or her led more by the specific culture, than leading. Table 4.5 demonstrates the different leadership styles across cultures.

Table 4.5: Leadership styles: A European view

Model of Leadership Behaviour	Location of Emphasis
Leadership by consensus	**Nordic cultures**
Emphasis on participation and team effort	
Open dialogue	
Self-discipline in activities	
Consensual decision-making	
Leadership towards a common goal	**Germanic cultures**
Emphasis on authority in disciplined systems	
Reliance on functional expertise	
Clear roles and responsibilities	
Identity with controls	
Leading from the front	**Latin cultures**
Emphasis on charisma in leaders	
Reliance on managers' ability	
Avoidance of rules and procedure	
Benevolent dominance	
Managing from a distance	**French culture**
Emphasis on rank, authority and status differentials	
Pursuit of personnel agendas	
Little vertical communication	
Ambiguity in relationships and roles	

Source: (Holt & Wigginton, 2002:597)

4.6.3.1.3 Leadership around the world

The following section demonstrates in general terms how leadership among some well–known countries or parts of the world differs.

4.6.3.1.3.1 The Arab world

Leadership in Arab worlds is a fascinating example of how history and culture can influence tradition, practices and expectations of leadership. Islamic tradition and tribal tradition have always had a strong influence, but lately, Western culture has also started exerting an influence. Tribal traditions oblige business leaders to behave like fathers, protecting and nurturing employees as they would their children and taking responsibility of the whole business. Overlaying this system, is the notion of bureaucracy introduced by the Ottoman Empire. The resultant leadership style is a "Sheikocacy". It contains strong elements of personal autocracy and conformity to rules and regulations based on respect for those who make the rules rather for their rationality. Leadership, therefore, favours strong authoritarian practices, and a directive style of management that results in detailed, unquestioned, and inflexible orders. Rules will, therefore, not go against autocratic tribal traditions, even if they

have symbolic importance. Leaders accomplish tasks through strength of position and the perceived power of their connections. They do not always adopt abusive or harsh practices, however. In fact, abuse of power is a serious breach of ethics, while society honours the ability to foster trust and respect. To the Western mind, these characteristics seem paradoxical and result in uneasy international relationships (Holt & Wigginton, 2002:607. Namazie, 2004: 359. Thomas & Inkson, 2004:127).

4.6.3.1.3.2 Japan

U.S scholars have paid attention to Japanese management systems and contrast in leadership styles for several decades. This interest has increased along with the exceptional success of Japanese industry and highly visible advantages gained by those companies in quality production. The Japanese system is widely known for its lifelong employment guarantee, a seniority system that rewards loyalty and commitment to organisational harmony. In fact, Japanese management success have rested on three pillars: developing employee loyalty, improving productivity, and perusing continuous quality improvement. Top managers cemented internal relationships through a form of benevolent dictatorship, creating a society where subordinates enjoyed the benefits of security in their organisations, as long as they remained loyal and worked hard in order to ensure organisational success. Japan's industrial system has, therefore, been based on tightly controlled mass-manufacturing systems, supplemented in today's technocracy by a high regard for authority and conformity within the system. Japanese teams also function within this sphere: Every member of the organization is encouraged to recommend improvements and to participate in cohesive team activities. These teams, such as the well-known quality control circles establish consensus-oriented decision-making environments that cast managers as facilitating leaders. The Japanese approach to leadership also involves expectations, that managers bring expertise to their organisation to assist subordinates to solve problems (Holt and Wigginton, 2002:601-603). *Amae* ,or sometimes freely translated as "indulgent love", the kind that parents have for their children, is one of the key factors that influence leadership in Japan. All relationships in Japan, including manager-subordinate relationships, are affected by *amae.* It is, therefore, not surprising that Japanese managers take a deep interest in their employee's personal lives. The existence of *amae* also gives rise to other cultural norms that influence leadership behaviour. *On* is a debt obligation, and *giri* is the moral obligation to repay

that debt. Leadership behaviour in Japan is embedded in a network of reciprocal obligations (*on* and *giri)* and a leader who neglects these reciprocal obligations, will lose the trust and support of his subordinates. A Japanese leaders' effectiveness, is therefore, based on his ability to understand and attract subordinates (Thomas & Inkson, 2004:128).

4.6.3.1.3.3 France

Leadership in France is heavily influenced by the strong societal emphasis on hierarchy. The style of the top leadership is often paternalistic and charismatic in the style of the great Field marshals of France. In the middle, between the top managers and workers, is a line of middle managers that deals with a plethora of rules and regulations (Thomas & Inkson, 2004:129).

4.6.3.1.3.4 Chinese

Two of Confucius's "Five Cardinal Relations" involved the subordination of the younger brother to the elder, and the wife to the husband. These basic rules permeate Chinese social life, even in modernised societies like Singapore and Hong Kong. The authority of elders is socially ingrained. In collectivist systems, a leader has broad and unquestioned authority. To be effective he must, therefore, be more skilled in the technical and performance aspects of the job than managers in individualist cultures, because no subordinate will compromise the leader by correcting him (Holt and Wigginton, 2002:604-606. Littrell, 2002:16-17) He must, however, be perceived as considerate and kind in order to lessen the fear and avoidance his subordinates will show in the face of his unbridled power. The effective model is the loving father, leading to a leadership style labelled "paternalism". Table 4.6 demonstrates this paternalistic relationship.

Table 4.6: Paternalistic priorities in Chinese leadership

Subordinate dependency	Maintain the natural order of life in which each person has an appropriate station in a family or group.
Personalism	Personal relationship govern behaviour, informal ties govern over rules or procedure.
Moral leadership	Authority demands worthiness of respect, humility, self-effacement, and trust.
Harmony	Leaders ensure harmony to maintain social order.

Paternalistic priorities in Chinese leadership	
Conflict avoidance	Leaders are expected to diffuse conflict and prevent confrontational behaviour.
Social distance	Proprieties of rank and status must be maintained; inequalities are natural expressions of individual roles.
Didactic role	Information is a guarded resource to be sparingly shared. ambiguity is a benefit to be preserved.
Proper dialogue	Leaders should nurture and support subordinates but at a proper distance, they always protect "face".

Source: Holt and Wigginton (2002:605)

4.6.3.1.3.5 Russia

The image of Russian leaders as powerful autocrats is based on the country's long history of centralised authority and responsibility. In medieval Russia, village elders were entrusted to represent the common will of the people, and suggestions and criticisms were never attributable to any one individual. The centralisation of power resulted in a top-heavy bureaucracy that some suggest this was the fatal flaw in the socialist system. When things went wrong, no one would take action without authorisation from a superior. In the new free-market environment, Russian leaders now have to push responsibility down to the hierarchy and to delegate routine tasks. Often Russian middle managers demonstrate difficulty in accepting or trusting their own participation or that of their subordinates in setting goals. However, the Russian people having been carrying a great deal of social and psychological background into the twenty first century. Managers are still expected to take firm stands and leading from positions of authority, yet citizens now expect to voice opinions about decisions related to work and politics. They do not however, look kindly at participative behaviour or even consultative approaches (Holt & Wigginton, 2002:600; Thomas & Inkson, 2004:129-130).

It is interesting that the importance of historical factors, tradition rather than reason, dictates a preferred leadership style, and the acceptance, under the right circumstances, of apparently autocratic leadership. This illustrates the importance of being well-acquainted with the history and customs of a country in order to be sensitive to the local situation. Cultural differences in the expectations of leadership, affect the perception of who is perceived as a leader. Different cultures have different

prototypes of what a leader should be. A leader who is able to meet followers' expectations of a good leader, can expect to develop better trust and relationships with the group. This becomes even more important in the case of transformational leadership. Transformational leadership is leadership that influences people to transcend their own immediate interest and objectives and work to achieve performance beyond their expectations. A culturally intelligent leader will be able to create a vision and motivate and inspire people to achieve this vision, regardless of their cultural background (Holt & Wigginton, 2002:601. Thomas & Inkson, 2004:137).

4.7.3. 2 Motivating

4.7.3.2.1 The challenge of motivating people

Motivation may be defined as the psychological forces that determine the direction of a person's behaviour in an organisation, a person's level of effort, and a person's level of persistence in the face of obstacles (Jones et al., 2000:427). According to Holt and Wiggington (2002:539), in broad terms, motivation is the stimulus that drives behaviour. It consists of all the forces that cause people to behave in certain ways, including forces from within the individual - the capability of generating one's own momentum for working or taking initiative. from other people who can influence behaviour – by means of compensation, promotion, praise, threats, potential ridicule and disciplinary action. and from surroundings. If a manager could identify cause–and- effect relationships between each of these variables and how well individuals work, then motivating people would be a relatively easy task, but casual effects could not be readily determined, particularly as far as stimulation factors are concerned. The work environment, which includes influences from society, influences individual behaviour, close associates, technology that defines what people do and how they work, leadership behaviour, and circumstances that arise in the process of working.

4.7.3.2.2 Motivation in the cross-cultural context

According to Thomas and Inkson (2004:93), award allocation also differs from culture to culture. An equitable allocation of reward, which will distribute them in accordance with and in relation to responsibility, time effort, innovation and so on, is the norm in individualistic cultures, whereas collectivist cultures favour equal awards. Holt and Wigginton (2002:538) point out, that work-related values are not universal

but instead, reflect patterns of behaviour engrained in each culture, and that international managers, therefore, need to adopt when challenged with motivating foreign employees. The authors argue, that people in different societies are motivated by different rewards. They do not have similar expectations for pay, promotion, or personal recognition. Workers in one society may respond well to certain types of incentives that are unacceptable elsewhere. People have different expectations about their jobs and careers, and employees from different cultures expect different rewards for their efforts.

4.7.3.2.3 Performance appraisal and management by objectives

Hofstede (2001:391), supported by Morden (1995:21), argues that, because any organisation in any culture depends on the performance of people. Monitoring the performance of subordinates, is a theme in most management development programs, from the lowest management level upward. Therefore, one would often find a formal performance appraisal program that requires periodic written and/or oral evaluations of subordinates by their superiors. Exporting such a program across national borders, once more calls for adaptation. In the United Sates, performance appraisal was further developed into management by objectives (MBO). MBO may be the single most used management technique. It is based on cybernetic control by feedback philosophy. and is supposed to spread results orientation throughout the organisation. MBO has been considered more successful where they are objectively measured than when they are a matter of subjective interpretation. MBO reflects an American value position, in that it presupposes all the following.

- The subordinate is sufficiently independent to have a meaningful dialogue with the superior (not too high PDI).
- Both superior and subordinate are prepared to accept some ambiguity (low UAI).
- Both superior and subordinate see performance as an important criterion (high MAS).

Hofstede (2001:385-386) further argues, that in countries such as the United States, Great Britain, and their former dominions and colonies, motivation is based on

personal, individual success, in the form of wealth, recognition, and "self - actualisation". In countries such as Japan, German-speaking countries, some Latin countries and Greece, motivation is based on personal, individual security. This can be found in wealth and especially in hard work. In countries such as France, Spain, Portugal, former Yugoslavia, a number of Latin and Asian countries, motivation is based on security and relationships. Individual wealth is less important than mutual solidarity. In Northern European countries, plus the Netherlands, motivation is based on success and relationships. In this quadrant, success will be measured partly by the quality of the human relationships and of the living environment. These four quadrants represent a motivational world map that is a far cry from a universal order of needs. The implication of the different motivation patterns in different countries, is that personnel policies aimed at motivating people will have different effects in different countries. This is perhaps nowhere as clear as in reactions to career opportunities. Careers imply trade-offs between uncertainty and security, between success and family life, and people's career behaviour is therefore, very much reflected in their cultural values. In a study conducted in 1990 by Schuler and Rogovsky (1998), as reported in Hofstede (2001:387), covering 24 countries, three data sets about national compensation practices for the employed population in general were used. They correlated the frequency of occurrence of various practices with the IBM scores. The following was found.

- PDI was related negatively to workplace childcare for managers, professional, and technical staff, and to non-managerial employee, stock options and ownership.
- UAI was positively related to pay based on seniority and skill and negatively related to pay based on performance.
- IDV was positively related to pay for individual performance and stock option and ownership for managers.
- MAS was positively related to payment of commission to non-managerial employees and negatively related to flexible benefits, workplace child care for clerical and manual workers, and maternity leave.

The authors concluded, that in Germany, an above-average UAI country, MBO has

been strongly formalised and converted into "management by joint goal setting." Hofstede (2001:385) found, that the combination of UAI and MAS was the best predictor of "need for achievement" as a country-level motivator. The societal norms for uncertainty avoidance and masculinity, therefore, affect what will motivate people in different cultures. This quadrant includes the entire Anglo cluster, plus some Asian countries: India, Philippines, Hong Kong and Singapore. Interestingly, all these are former U.K or U.S. colonies.

4.7.3.3 Communication

According to Jones et al., (2000:537), communication is the sharing of information between two or more individuals or groups to reach a common understanding. Holt and Wigginton, (2002:334) noted, that the term "communication" is derived from the Latin root *communicare*, which means, "to make common." In that sense, communication fails to occur if the participants do not arrive at a common meaning. All messages are packed with the sender's personal perceptions, and it is easy to assume that what is being said, is also what is being heard.

4.7.3.3.1 The communication process

Communication, the interchange of messages between people, constitutes the fundamental building blocks of social experience. Whether selling, buying, negotiating, leading or working with others, we communicate. Although is seems straightforward, communication failure is a common phenomenon (Thomas & Inkson, 2004:101).

A review of literature (Mead, 1998; Jones et al., 2000:538; Holt & Wigginton, 2002:334-335; Laroche 2003:118; Thomas & Inkson, 2004:103) suggest that in the communication process, the sender originates a message and is responsible for encoding it by using symbols, words, pictures, or gestures. The method of encoding partially depends on the channel of communication. Obviously, e-mail messages cannot include gestures or non-verbal symbols, and are therefore, limited to the lack of behaviour to embellish meanings. Nevertheless, language becomes important for encoding the subsequent translation and personal style of using words, such as slang or modifiers, or embellishing a message. Encoding is important, because it is the process of formulating meanings in a way that is not likely to be easily misconstrued

by a receiver. For that reason, choosing the correct channel, should be a conscious decision with the receiver in mind. Having consciously selected an appropriate channel or medium for communication, the sender begins a transmission. but this act alone does not constitute communication. An effective message requires a receiver who is capable of decoding the transmission. This is the person or audience to whom the message is addressed. Decoding is a perceptual assessment of information by the receiver, who gives meaning to the message by interpreting it. Communication begins as the receiver responds in a way that indicates how a sender's message is being received. From an international manager's perspective, encoding and decoding activities are pivotal. They are the points at which communications often fail. yet they both depend on an effective medium that are suitable not only for encoding by the sender but also for the receiver. Some channels allow only a limited exchange of information, while others are capable of extensive communication that includes non-verbal and subtle meanings. Communication theorists refer to differences in these channels as measures of media richness. Media richness is the capability of a given form of communication to convey information. At the lowest level, media are considered lean, because they convey only limited and impersonal information. They lack information on attitudes, perceptions and emotions of senders that give meanings to messages. The highest level of media richness is face to face, one-on-one communication. This is enhanced when the surroundings are conducive to conversation. The communication field is vast, including written and electronic media, interactive systems, mass media, organisational media, the conversational dimension or oral communication, and the behaviour and gestures that constitute non-verbal communication.

4.7.3.3.2 Intercultural communication

Henderson (1994:153-154), together with Holt and Wigginton (2002:321) suggest, that because people maintain their cultural heritage, they tend to protect their value system by passing on to new generations deeply embedded patterns of language and communication behaviour. This is called intercultural communication, and encompasses the combined behaviour, language, non-verbal gestures, and patterns of interaction through which members of a society bond together. In contrast, intercultural communication occurs between individuals, groups, organisations, or societies with different cultural antecedents. Among the most common problems for

managers of foreign assignments, are misunderstandings that occur through translation or interpretation errors. Lack of foreign language skills strains oral communication, yet just learning a foreign language, is seldom sufficient to avoid misunderstandings. Certainly learning the technical language skills of a foreign society is important, but understanding communication behaviour requires an appreciation for cultural nuances in that language. Nevertheless, language skills are important, even if they are rudimentary, because managers will earn a host country's respect by sincerely attempting to communicate in the native tongue. Thomas and Inkson (2004:109) suggest, that communication also uses a convention, which is agreed upon norms about how, when, and in what context codes will be used. If two different people do not share the same codes and conventions, they will have difficulty communicating with each other. These codes and conventions are determined in large measure by people's cultures. Cultural differences threaten communication because they reduce the availability of codes and conventions shared by both sender and receiver. Buchel (2002) points out, that employees from both parent companies may interpret conversations in different ways and report back what turned out to be different ideas. Mead (1998) argues, that a message is persuasive when the addressor selects information that the addressee perceives as relevant, in terms of his her values. This information must be presented at the appropriate level of explicitness, and important points should be appropriately highlighted as far as possible in terms of expectations in the other culture. Child and Faulkner (1998:252) note, that communication between the partners, between their personnel working in the joint organisation, and between that organisation and the parent's offices, are essentials in establishing joint venture goals and managing the pursuit of those goals. Each of these lines of communication crosses boundaries of organisational and often, national cultures. Laroche (2003:121) and Chaisrakeoa and Speece (2004:271) further note, that there are so many instances of communication in an average business day, that even a small percentage of error may generate several misunderstandings every day. The difficulty in dealing with communication problems, is not so much its complexity as it is their frequency. Over time, if they are not dealt with, they may result in complex misunderstandings.

A number of writers (Mead, 1998; Trefry & Vaillant, 2002:49; Holt & Wigginton, 2002:323) point out, that therefore, from an intercultural point of view, managers in

foreign assignments are exposed to potentially major cultural clashes, and an expatriate manager in a foreign land often encounters well-entrenched, sometimes inflexible patterns of communication behaviour that could be impossible to understand. Furthermore, host country employees are less inclined to accept diverse behaviour or to understand perceived ineptitudes in communication by foreign managers. Communication patterns are often influenced by political, social, economic, educational and family systems, which have an impact on the openness, need for written communication, language protocols and patterns of communication. For example, one cannot take for granted that the norms governing addressor – addressee relationships in a particular culture, applies elsewhere. In a high-power distance country, communications regarding a new process would probably have to be communicated through an intermediary. It is, therefore, clear that patterns of communication are affected by the cultural underpinnings of a society.

Because alliances are communication-intensive and relationship-dependent, they cannot function well if substantial cultural barriers internally divide them. Lack of sufficient communication and shared information means that much time is wasted in coming to a mutual understanding (Buchel, 2002. Bamford et al., 2004:95. Jagersma, 2005:10). In a study conducted amongst 455 CEO's of electronic companies, as reported by Elmuti in Kathawala (2001), relationship building, clearly defined objectives, proper communications between partners and clearly understood roles, all of which have the potential to be heavily influenced by culture, were listed as some of the most important factors influencing JV success. In fact, Jagersma (2005), whilst conducting a study amongst more than 100 chief executive officers of some of the biggest firms in the world, found that poor communication due to cultural incompatibility was one of the main pitfalls of joint ventures, and that the recognition of cultural differences was listed as the most important lessons learned, whilst engaging in joint venture activities. If cultural distance is not reduced, or at least channelled into a form that avoids conflict, it is likely to give rise to serious breakdowns in communication of information and integration within the alliance (Green and Hassen 2003). Thus, in IJV's, the impact of national culture is likely to be most profound, yet is frequently underestimated (Berell et al., 2002:84).

4.7.3.3.3 Other factors influencing cross-cultural communication

4.7.3.3.3.1 High-context versus low-context communication

High-context communication or message is one of which most of the information is either in the physical context or internalised in the person, while very little is in the coded, explicit transmitted part of the message. In high-context cultures, background information is implicitly, and much of the message is carried in how the words relate to that implicit information, therefore high-context cultures will often ask about persons' background, i.e. whether they are married, have children and so on. This information or non-verbal stimuli provides meaning and the frame of reference for communication messages. All of this information is useful to high–context people in order to get a sense of their counterparts and place them in their proper context. These contextual and social cues are expressed through non-verbal language such as voice, posture, gesture, body language, facial expression, and periods of silence in their communication. Other non-verbal variables such as status, values, and associations are also part of the communication context and play a role in how language is interpreted. Furthermore, a focus on relationship building is a common style in a high-context culture, similar to collectivist and/or feminine cultures in some cultural schema. High-context cultures are common throughout the world, including Japan, China, Korea and Thailand (McFarlin & Sweeney, 1998:197; Thomas, 1998; Czaplewski, et al., 2002; Laroche, 2003:133).

Low-context cultures tend to focus on the message to be delivered to the person, and the mass of the message is vested in the explicit code. In low-context cultures, background information must be explicitly expressed because most of the message is carried by the words themselves, not by the context in which the words are expressed. Individuals rely on formal communication, which mainly focuses on verbal expression, and much reliance is placed on explicit by written contracts. Most countries in North America and much of Western Europe, have low-context cultures, e.g. the USA, Canada, Switzerland and Germany (Hofstede, 2001. Holt & Wigginton, 2002:322. Chaisrakeoa & Speece, 2004: 271). Furthermore, according to Laroche (2003:170-171), in low-context cultures, such as the United States, people do not consider many external stimuli, and the emphasis is on communicating as accurately and explicitly as possible. "Say what you mean, mean what you say," is a typical U.S. expression. These differences in the communication context are amplified by

technology. U.S. employees are typically comfortable with the phone, internet, and fax to establish and maintain relationships. Many Asians are uncomfortable with non-face-to-face interactions and thus have difficulty developing relationships via these technology-based media. It is factors such as these that complicate virtual cross-cultural communication.

4.7.3.4 Implications for management

- Low-context versus high context cultures. Kaye and Taylor (1997:497) together with Chaisrakeoa and Speece (2004:271) note, that managerial work is an interactive practice, which relies a great deal on what is taken for granted. However, managers from a low-context culture may find managers form a high-context culture mysterious and ambiguous. Conversely, managers in the high-context culture may be irritated by their colleague's constant demand for additional information and clarity. Chinese culture is characterised by high-context communication in which relatively little information is contained in the coded, explicit part of the message. Much information is in the physical context or internalised in the person. The language barrier is a most obvious factor encountered by Western expatriates. Triandis (2001) suggests, that since cross-cultural management is an applied field, everything on this topic is applied. As we get to know more about cultures theoretically, we can develop applications. Because we now know that people in collectivist cultures sample the context more than the content of a message, we can understand why when the US Secretary of State Baker met the delegation from Iraq in Geneva in 1991 and told them very clearly that "we will attack if you do not move out of Kuwait" they wired back that the "Americans will not attack. They are very calm. They are not angry. They are only talking". It was a failure of communication that can be remedied by training diplomats from individualist cultures to pay attention to the context (level of voice, eye contact, body posture, gestures) and training diplomats from collectivist cultures to focus on the language of the message. Mead (1998) argues, that in high-context cultures, relationships are long-lasting, and individuals feel a long-lasting personal relationship with each other. Because so much is communicated by shared code, communication is economical and fast, and efficient – a routine situation. Agreements also tend to be spoken rather than

written. Insiders and outsiders are also closely distinguished and outsiders include, first, non-members of the family, clan, organisation, etc. and foreigners. Conversely, in low-context cultures, relationships between individuals are much shorter in duration, messages must be made explicit, and the sender can depend less on the receiver inferring the message from the context. Insiders and outsiders are less closely distinguished, and members depend less on using non-verbal communication codes. Agreements tend to be written rather than spoken. To illustrate the point, the author refers to data compiled in 1987 that recorded 279 lawyers per 100 000 people in the United Sates, 114 in the United Kingdom, 77 in West Germany, 29 in France and only 11 in Japan.

- Humour. Humour is a double-edged sword that may release tension, create a friendly atmosphere and help build rapport and trust amongst people. But humour can also be misinterpreted. Some presenters like to include cartoons or jokes at the beginning of their presentation to lighten up the situation. This may backfire in multicultural situations, as audiences may perceive this a belittling to them - using humour means, that the presenter does not take them seriously. In their culture cartoons are reserved for children. Many jokes require that the audience have knowledge of current affairs in the area where the person making the joke lives, in global teams. this may be a tall order. As a result, the caches of jokes falling flat in multicultural teams, are very high (Laroche, 2003:124).

4.7.3.3.4.1 Language and conversational behaviour

Hofstede et al., (2002) suggest, that language is much more than learning new vocabulary and grammar. It includes cultural competence, knowing what to say and how, when, where, and why to say it. Knowing a little bit of a foreign language, will allow you to only make a fluent fool of yourself. Laroche (2003:125-126) points out that in countries where the way people speak, is a reflection of their social class. complex grammatical structures and unusual words are viewed positively. For example, in French the more people use words containing three or more syllables, the better the document and the higher the social class of the writer (this correlation is not absolute, but it is common). A good case in point is the writings of Marcel Proust,

which include sentences that run as long as two printed pages. Contract this approach with the "keep it simple stupid" or KISS approach to communicating in North America, and the index provided by word processing programs to determine whether the text you write is too complicated for its intended audience. The author further states, that language is also used in some countries, such as Germany, to indicate technical expertise. In these countries, the use of the wrong words is normally indicative of a lack of expertise. A Canadian engineer working in Germany, recounts the following situation:

> "I almost lost a contract because of the German requirements for precise language. During the negotiations, I kept using the terms "water purification" and "water treatment" interchangeably – to them, these were very different things. The fact that I kept using one for the other could mean only one thing to them: I did not know what I was talking about. How could I solve their problem?"

- Using different versions of English. McFarlin and Sweeney (1998:185), together with Laroche (2003:127-128), further argue, that difficulties may arise when communicating in English when people have learned and used different versions of English: English as it is spoken in the United States, is not the same as it is in Canada, the UK, Australia, South Africa, India or other Commonwealth countries.

  For example:

  - To "table an issue" means putting the issues up for discussion in the United Sates and delaying discussing the issue in the U.K.
  - To "strike out" means to go after an opportunity in the UK and to fail in the US.
  - To "root" means to be a supporter of a team in the US and to have sexual intercourse in Australia. Australians usually gets a good laugh when someone says "I root for the Yankees" down under.

Similar misunderstandings may result from the different connotations that words have in different cultures. A dragon is viewed positively in China, but negatively in the West. Assertiveness is a positive characteristic in the United States but viewed negatively in the Far East.

- Using language other than English. Differences in language can create unease when people who speak a language other than English, use this other language to communicate in the workplace. People who do not understand, may be offended, especially when the conversation ends in laughter (Laroche, 2003:128). Salk (1997: 62) reports, that in one meeting at which the CEO and his direct reports discussed rumours of union organiser activity at the plant, the two German members present at one point lapsed into a side discussion in German (which none of the Americans could understand). While this was going on, the American team members sat there silently. When one of the two Germans turned to the others and said, "It isn't important," the meeting continued as if that side conversation had never happened. Afterwards, however, several of the American managers said that they had wanted to know what their German colleagues had said, but that they did not feel comfortable enquiring further.

- Silence. Silence is a non-verbal clue that many societies use as a response that implies disapproval or dissent, but others as a sign of respect (Holt & Wigginton, 2002:343). The presence or absence of silence can, therefore, also generate misunderstandings. In certain cultures, pauses are rare during conversations. People demonstrate respect for the speaker by waiting for him or her to finish his or her sentence. Silence is rare in Latin cultures. People often speak before others have finished. This is a sign of interest and attention. A good Latin listener who wants to show that he or she has well understood the point that the speaker is trying to make, does so by finishing his or her sentence. In Far Eastern cultures, silence is common. People do not speak at the same time, and they do not speak back to back. People use silence to process information or think about what's been said (McFarlin & Sweeney, 1998:197. Thomas & Inkson, 2004:112). Laroche (2003:119. 127) argues, that

in meetings between people from different cultures, these differences in communication patterns can cause significant problems. North American participants consider the interruption of Latin speakers rude, while Latin counterparts think that the Americans are not paying enough attention to what they are saying. North American participants consider, that Far Eastern participants are not contributing to the meeting, while they feel that they are not given an opportunity to do so. Pitta et al., (2003:247) notes, that Chinese people value silence, which is considered to be important in daily activities. silence is reserved for reflection and careful thinking. Chinese people are strong believers of the English proverb: Speech is silver, but silence is golden. Masumoto (2004: 28) observes, that the Japanese emphasis on working within harmonious group relations militates against attention to individual achievements. rather, greater value is placed on the process in which many people can make their contribution. To talk in the US, has also been associated with 'doing', so that the absence of talk or the consciousness of silence within a gathering is often experienced as 'dead air', or a void needing to be filled. In contrast, the Japanese concept of *ma* is a meaningful pause, or a space, which may contain deep feelings or a time to reflect on relationships, including power differences. It is a thoughtful pause, a time to process information, and a time to consider tactful responses. Thus silences within a meeting, which for many Americans are awkward moments when 'nothing is happening', are regarded in the context of a Japanese meeting as necessary and valuable. This is also supported by Jones et al., (2000:562-563).

- Gestures and body language. There is also the area of non-verbal communication such as gestures, posture and other ways we show what we feel and think without speaking. Our culture has taught us to communicate through unspoken messages that are so automatic, that we rarely think about them. An interviewer might put his or her own cultural interpretation on your hand gesture, facial expression, posture, clothing, physical closeness or distance, eye contact, or personal appearance, and that attribution may not be what you intended at all (Henderson, 1994: 157-158. Hofstede et al., 2002). Laroche (2003:129) argues, that gestures are another form of communication

effected by cultural differences. Each culture has its own gestures, which are sometimes conflicting, as the following examples illustrates.

  - The gesture that means "OK" in America, means "money" in Japan, "zero" in France and is vulgar in Brazil and Russia. It often happens that an America is asked whether everything "o.k." When dining in a French restaurant, if they respond with this gesture, the French maitre d'hotel is often confused.
  - Showing the soles of your shoes to people in many Muslim countries, is a major insult.

- Eye contact. Henderson (1994:160) and Laroche (2003:130) note that in some cultures making eye contact is a sign of respect; in others, avoiding eye contact, shows respect.

- Smiling. Laroche (2003:130) further notes, that smiling can also lead to misunderstandings. The situation in which people are expected to smile, depends on their culture:

  - In the United States and to a lesser extent in Canada, people smile in order to be friendly to strangers.
  - In Germany and Switzerland, people smile only "when there is something to smile about", meaning that the business relationship is moving in the right direction.
  - In France, people who smile to strangers are either simple-minded or trying to take advantage from them. Therefore most French people react defensively to people who smile at them.
  - In the Far East, people often smile to hide their embarrassment. For example, Filipino's smile when someone brings up a topic that they would rather not discuss - such as death in the family, when Americans brings up this response and evoke such a reaction from a Filipino, it may be confusing or offensive.

- Approaches to time. Attitudes towards time are called chronemics, and researchers broadly classify most societies as either monochronic or polychromic (Holt & Wigginton, 2002:339). Laroche (2003:137-138) argues that in monochronic cultures, people tend to do one thing at a time. They tend to concentrate on the task at hand and try to avoid interruptions. Monochronic people take schedules and deadlines very seriously. Because schedules are important to them, they value promptness. On the other hand, in polychronic cultures people tend to do many things at once. They tend to concentrate on the relationship at hand and welcome interruptions. Polychronic people take people and information seriously, schedules become objectives to be achieved, if possible. Masumoto (2004:20) notes, that a distinction between monochronic and polychromic time implies that one's schedule has priority over other considerations, including relationships with other people who are not part of one's schedule. This value of scheduling and task allows little tolerance for interruptions. Polychronic-time is characteristic of a value system that subordinates the attention to task to that of the fulfillment of interpersonal relations, and where attending to more than one thing at a time, is the norm. Sharing group time and consistently spending time with the same people, form a social tempo or rhythm for the group. Therefore in Japan, being present when people gather, is often valued more than contributing individually at work. The difference in approaches between polychronic and monochromic cultures can be demonstrated as follows.

    - When does the meeting start? In monochronic cultures, the meeting starts at the scheduled time, regardless of who is in the room. In polychromic cultures, the meeting starts when all the required participants are available, regardless whether this takes place on time or 30 minutes later.
    - Let's meet tomorrow, Insh' Allah (God willing). In monochromic cultures, a meeting scheduled at a specific time tomorrow has a high probability of taking place, and it takes a major event to change their schedules at short notice. In polychronic cultures a meeting may be cancelled at the last minute if someone who has close ties with one participant happens to visit him or her.

- Who is responsible for keeping the information private? In monchronic cultures the sense of privacy is strong: people are not supposed to look at documents that are not addressed to them. In polychromic cultures, the sense of privacy is much weaker and information is expected to flow freely between people.
- Time is up. Monochronic people tend to end the meeting or conversation at the scheduled and time. Polychronic people tend to end when the meeting or conversation runs out of steam – they rarely specify a closing time for the meeting.
- What are we discussing now? Monochronic people tend to have an agenda for the meeting and discuss one topic at a time. Polychronic people rarely use agendas for meetings and jump from one topic to the next whenever a connection is made.

Laroche (2003:139) further argues, that in low-context societies, schedule takes precedence over people, whereas in high-context societies, the reverse applies. Therefore high-context people are more likely to show up at someone's office without an appointment. Issues also arise in business and technical discussions when people discuss planning for the future if they consider different time horizons. Because the short-term is generally more predictable than the long term, people who plan for this short-term do not need to take as many events or contingencies into consideration. This approach is often perceived as short sighted by people who plan for the long-term, in their mind; paying attention to certain issues now, would require only limited effort, whilst ignoring it now may require much more time to remedy it.

- Expressiveness. According to Henderson (1994: 159) and Laroche (2003:141), within a given culture, some people are more extrovert than others. At the same time, the range of emotions that can be displayed in an Italian workplace, is wider than the range of emotions that can be displayed in a professional setting in North America, which in itself is a wider range of emotions that can be displayed in a Japanese or Chinese office. Meetings between participants of different cultures may be complicated when expressive participants are perceived as overly emotional by neutral participants. In addition to displaying

a wider or narrower range of emotions, people in expressive or neutral countries have different rates of change in emotions. Very expressive people move quickly from a positive emotion to a negative emotion and back. Less expressive people tend to move more slowly between the two. When a meeting reaches disagreement or a serious discussion, expressive participants may be left thinking the meeting went well, whereas neutral participants may be left thinking that the meeting was unsuccessful. E-mails loaded with emotional comments may be difficult to understand or even of putting for members from less emotional cultures, conversely e-mails sent by members from less emotional cultures may be perceived as bland, cold, and void of the emotions that expressive readers want to see.

- Presentations. Some of the most common cross-cultural issues related to presentations, include the following:

    - Presenter receives far more or fewer questions than anticipated.
    - Audience is visibly confused by presentation.
    - Audience is asking for more details or clarifications in areas not considered important by presenter.
    - Presentation includes humour that is not appreciated by the audience.
    - Presentation may contain sweeping conclusions unsupported by data or plenty of data without substantiation.
    - Presenters use jargon, acronyms, and abbreviations that are unknown to the audience, creating confusion.

- Conversations. Laroche (2003:119) further notes that cultural differences can lead to the following complications in conversations.
    - People speak when others do not expect them to, either when someone else is speaking or after a long silence.
    - People use much stronger language than others expect.
    - People make their points through allusions and indirect comments that are hard to interpret.

- People make their points bluntly, without any regard to the impact it may have on other people.
- People stand or sit too close or too far for comfortable conversations.
- People use analogies that are impossible to decipher.
- Non-English speaking people use incoherent sentences. Many international students' inability to articulate their ideas in English is often misperceived as a lack of intellect.
- People make jokes that are not understood, or offend others.
- People may misinterpret the position and status of others, based on their physical appearance or language ability.

What we have seen thusfar, is the general impact that cultural diversity has on the *directing, motivating and communicating* element of management. In the following section the impact of each of these management elements will be demonstrated from the perspective of Hofstede's five cultural dimensions.

4.7.3.5 Directing, motivating and communicating - specific management implications as per Hofstede's cultural dimensions

4.7.3.4.1 Directing

4.7.3.4.1.1 Individualism versus collectivism

According to Hofstede (2001:212), the level of individualism will affect the level of employees' willingness to comply with organisational requirements. In high-IDV countries, employees are expected to look after their own interests, since lifelong employment is not likely to be offered. Organisational policies that do not harness this dynamic will, therefore, be ineffective. Countries such as the United States, Australia, Great Britain, and Canada are usually classified as high-IDV countries. Importance of the employees' personal life and emotional independence from the company are usually emphasised. Individual initiative is socially encouraged. Individual decisions are considered better than are group decisions. Managers consider having autonomy as more important and aspire to leadership. Countries such as Peru, Pakistan, Colombia, and Venezuela are more collective-oriented. Employees show more emotional dependence on the company. Individual initiative is less socially encouraged. Group decisions are considered better than individual decisions. Managers consider having job security more important and aspire to conformity.

Czaplewski, et al., (2002) also suggest that collectivistic cultures tend to focus more on building relationships as a way to improve performance, whereas individualistic cultures emphasise individual task achievement as the means by which to improve performance. Table 4.7 sets out the key differences in management methods in relation to the IDV score.

Table 4.7: Key differences in management methods in relation to IDV score

In the Applicability of Management Methods	
Low-IDV	**High-IDV**
Management is management of groups.	Management is management of individuals.
Theories based on individualist psychology of limited use.	Some theories based on individualist psychology useful.
Employee has to be seen in family and social context.	Employee can be seen as individual.
Keeping ethnic or other in-groups together supports productivity.	Composition of work groups based on individual criteria. in-groups unwanted.
Incentives to be given to in-group.	Incentives to be given to individuals.
Leadership is inseparable from the context (PM leadership theory).	Leadership is a property of the leader (Various US theories).
Direct appraisal of performance is a threat to harmony.	Direct appraisal of performance improves productivity.
Openly sharing with a person one's feeling about him or her spoils cooperation.	Openly sharing with a person one's feeling about him or her may be productive.
Employees act in the interest of their in-group, not necessarily of themselves.	Employees supposed to act as "economic men."
Hiring and promotion decisions take employees in-group into account.	Hiring and promotion decisions should be based on skills and rules only.
Relatives of employer and employees preferred in hiring.	Family relationships seen as a disadvantage in hiring.
Employer-employee relationships basically moral, like a family link.	Employer-employee relationships are a business deal in a "labour market."
Poor performance reason for other tasks.	Poor performance reason for dismissal.
Employee commitment to organisation low.	Employee commitment to organisation high.
Potential emotional commitment to union.	Relationship with union calculative.
Employees perform best in groups.	Employees perform best as individuals.
Training most effective when focused on group level.	Training most effective when focused on individual level.
Preferred reward allocation based on equality for in-group, equity for out-group.	Preferred reward allocation based on equity for all.
Relationship with colleagues' cooperative for in-group members, hostile for out-group.	Relationship with colleagues does not depend on their group identity.
Treating friends better than others is normal and ethical: particularism.	Treating friends better than others, is nepotism and unethical: universalism.
In business, personal relationships prevail over task and company.	In business, task and company prevail over personal relationships.
Organisational success attributed to sharing information, openly committing oneself, and political alliances.	Organisational success attributed to withholding information, not openly committing oneself, and avoiding alliances.
Belief in collective decisions.	Belief in individual decisions.
Innovation champions in organisations want to involve others.	Innovation champions in organisations want to venture out on their own.
Innovation within existing networks.	Innovation outside existing networks.

In the Applicability of Management Methods	
Low-IDV	**High-IDV**
Fewer inventions patents granted	More inventions patents granted
Entrepreneurs claim contributions of others to their results.	Entrepreneurs claim own results without relying on others.
Employees and managers report team work, personal contact and discrimination at work.	Employees and managers report working individually.
Less control over job and working conditions, fewer hours worked.	More control over job and working conditions, longer hours worked.
Less social mobility across occupations.	Greater social mobility across occupations.

Source: Hofstede (2001:244)

4.6.3.4.1.2 Power distance

Lere and Portz (2005:2) point out, that a large-power distance, tends to be associated with centralisation and less participative decision-making, whereas a small-power distance tends to be associated with decentralisation and greater participative decision-making. Therefore, management control practices consistent with centralisation, tend to be more effective in large power-distance countries. For example, in a centralised organisation, management control is likely to remain at high organisational levels, there is likely to be little if any delegation, and managers may have limited authority to make decisions. Hofstede (2001:103) supports this argument by arguing that in high-PDI countries, middle managers relied less on their own experiences and on subordinates, and more on formal rules when solving everyday problems. The correlation between a preference for a consultative manager and low-power distance demonstrates that a particular power relationship is established through the values of the superiors, as well as the subordinates. Where superiors hold a large-power distance, subordinates tend to polarise into dependence and counter-dependence. On the other hand, where superiors hold a smaller-power distance, subordinates tends to prefer the consultative decision style – essentially an inter dependence between superior and subordinate. Czaplewski et al., (2002:35) and Madzar (2005), support the argument that high-power distance cultures readily accept the unequal distribution of power in organisations and show respect and deference to superiors, and that conversely, employees in low-power distance cultures, such as the United States, tend to view themselves as being relatively equal to or similar to their superiors. Low-power distance cultures tend to value employee empowerment and participation, while high-power distance cultures normally use more top-down

management styles. In a study conducted between German and American management styles in JV's, Abdou and Kliche (2004:16) found a preference for a participative management style amongst Americans. The authors also confirmed, that generally speaking, countries with a low-PDI tend to have wide spans of control, while countries with a high-PDI tend to have a narrow span of control. Table 4.8 demonstrates the differences in participative versus hierarchal management style against the different PDI scores.

In addition to influencing the degree of participative management, power distance will also have an impact on the amount of information provided by employees to their superiors. According to Laroche (2003:98), as power distance increases, employees expect that they will have to provide more information more often to employers. Hierarchical managers expect to know what is going on in the projects in their jurisdiction in more detail than do non-hierarchal managers. As a result, hierarchal employees provide more information to managers and copy them extensively on e-mails, and provide more detail of their work when they meet with them. Hierarchal employees also expect, that managers will tell them what to do to a larger extent, and managers will often give more detailed instructions of what to do than do non-hierarchal managers. The author also argues, that with increased power distance, the relationship will be less trusting and more adversarial in nature. When things do not go according to plan, people in hierarchal countries have a greater tendency to see mistakes and assign blame to people, whereas people in non-hierarchal countries tend to see opportunities and look for solutions. As a result, people coming from hierarchal countries, may develop defence mechanisms that could include the following.

- Copying people on e-mail messages to provide proof that information requested was sent on the time specified.
- Send an abundance of memos and information so that they can prove that they did everything as expected.
- Warning managers of the risk of failure relating to their projects (In their minds, this transfers responsibility of failure to their managers.)

Table 4.8: Degree of participative versus hierarchal management style measured against index score

	Participative	Mildly Hierarchical	Highly Hierarchical
Power Distance Score	**Below 35**	**Between 35 and 50**	**Above 50**
Most common from of organisation	Decentralised self - empowerment teams	Hubs and spokes Matrices, combining project teams and functional departments	Pyramid departments
Manager's role	**Coach** Managers have influence primarily through their ability to influence and convince team members. They usually have little disciplinary leverage over their subordinates	**Manager** Managers give a fair amount of freedom to their subordinates, but keep the right to make the final decision	The boss is the boss is the boss. He or she plays a pivotal role in a subordinates activities
Typical decision-making process	The team usually makes decisions with input from the manager	Managers get input from all their subordinates about the decision they need to make. They make their decision and expect everyone to implement it without any further discussion	Managers make decisions primarily based on their own experience, and then communicate their decisions to their subordinates.
	Managers delegate responsibilities; subordinates also delegate upward	Managers delegate responsibilities	Managers delegate tasks.

Source: Laroche (2003:33)

Table 4.9 presents a summary of the effect that power distance has on the directing, motivating and communicating element of management.

Table 4.9: Power distance in work and organisation

Low-PDI	High-PDI
All should be interdependent	A few should be independent, most should be dependent
Inequality in society should be minimised	There should be an order of inequality in this world in which everyone has his/her rightful place. high and low are protected by this order
Hierarchy means an inequality of roles, established for convenience	Hierarchy means existential inequality
Subordinates are people like me	Superiors consider subordinates as being of a different kind.
The use of power should be legitimate and is subject to the judgment between good and evil	Power is a basic fact of society that antedates good or evil, its legitimacy is irrelevant

Low-PDI	High-PDI
All should have equal rights	Power holders are entitled to privileges
Powerful people should try and look less powerful than they are	Powerful people should try to look as powerful as possible
Stress on reward, legitimate and expert power	Stress on coercive and referent power
The system is to blame	The underdog is to blame
The way to change a social system is by redistributing power	The way to change a social system is by dethroning those in power
Latent harmony between the powerful and powerless	Latent conflict between the powerful and the powerless
Older people neither respected nor feared	Older people respected and feared

Source: Hofstede (2001:107-108)

4.7.3.4.1.3 Uncertainty avoidance

Morden (1995) describes uncertainty avoidance as characterised by an inner anxiety and stress, associated with the primacy of work and the need for personal performance. and a reliance on education, intellect and technology as a means to try to "outsmart" uncertainty. Laroche (2003:85) notes, that uncertainty avoidance has a significant impact on the extent to which organisations rely on clear structures, strong codes of behaviour and standardised management practices. In cultures with a high UA, organisations tolerate less deviation from these structures. For example, French labour law requires that organisational structures be kept up to date. In one instance an American manager erroneously published an outdated chart, and when a French employee saw that his name had been omitted, he assumed that he had been fired and consulted his union who started initiating a strike. This is supported by Lere and Portz (2005:2) who argue, that because strong uncertainty avoidance implies discomfort with unfamiliar situations, individuals in such a culture would want guidance for any situation they might face. To accommodate this, effective management control systems operating in strong uncertainty avoidance cultures will tend to have many formal or informal rules that limit the decision-making of managers. Abdou and Kliche (2004:16) also noted the unwillingness of German (A high-scoring UAI country) managers to make decisions without a great deal of analysis.

Conversely, organisations in societies with low uncertainty avoidance scores encourage their employees to take risks and initiatives. They have the freedom to take initiatives but need to bear the consequences when things go wrong. Hofstede (2001:168) notes, that Germans prefer situations in which there is one correct answer

to a question. They expect to be rewarded for accuracy. Job descriptions and clear-cut procedures are of great importance and can often be found in German companies. German firms obtain a high degree of formalisation, and German managers prefer to work to rules, rather than to improvise. This is supported by a study conducted by Abdou and Kliche (2004:17), who also found, that the degree of closeness of supervision was lower for US companies than it was for German companies. Furthermore, firm loyalty seems to be higher in Germany than in the USA. While the duration of employment in Germany is on average eight years, in America it is only three years. The writers also found, that in German companies, managers often train their own successors, which enhances the continuity of decision-making in a company.

4.7.3.4.1.4 Long-term versus short-term orientation

Selmer (2001:7) argues, that confucianism has permeated Chinese organisational behaviour, resulting in a largely autocratic managerial style. The delegation of power is very limited, with most power held by the managing directors or a small group of top managers and party officials. It is natural for subordinates to defer to their boss and superiors expect to be shown respect and obedience from subordinates. The loyalty of managers to the Communist Party in general and to the top executives in particular, has been crucial for their promotion and well-being. Communication is mostly top-down and managers typically practise an authoritarian decision-making style, with limited individual responsibility. To this extent the confucian dimension embodies similar directing qualities found in high-power distance and collectivism cultures.

4.7.3.4.2 Motivating

4.7.3.4.2.1 Individualism versus collectivism

Laroche (2003:70) argues, that performance in individualistic countries is performance by the individual, and he or she expects to be compensated accordingly. In collectivist countries, the group measures performance, and pay rises are affected according to these criteria. In individualistic societies, people often talk about themselves and their own accomplishments. In collectivistic societies, people tend to

talk about the group and its achievements. Because of the distance between individualists and their organisations, individualists are bound to make negative remarks or criticise the organisation they work for. In collectivist societies this may be seen as an insult to the people working for the organisation, because they are the organisation. Bond and Smith (1996:218) also note, that achievement motivation, at least in East Asian collectivist cultures, is more socially oriented.

4.7.3.4.2.2 Power distance

Hofstede (2001:104-105) notes the differences in influencing and persuading tactics employed by different cultures, indicated against their respective power distance index scores:

Great Britain (PDI 35)

- Bargaining
- Invoke higher authority

Australia (PDI 36)

- Friendly reasoning
- Bargaining

United Sates (PDI 40)

- Bargaining
- Reasoning

Japan (PDI 54)

- Assertive reasoning
- Invoke higher authority

Taiwan (PDI 58)

- Sanctions
- Assertive reasoning

Hofstede further argues, that with increased PDI, the degree of inequality in the influencing tactics increases. Therefore, the American MBO model, in terms of which meetings between superior and subordinate is held periodically and objectives for the subordinate is agreed upon, will not be easily introduced in high-PDI countries, as bargaining is not a feasible technique in high-PDI countries. This is supported by

Czaplewski, et al., (2002:36) who argue, that differences in power distance play an important role in appraisal reviews. Low-power distance participants expect, that subordinates will directly express at least some of their views and are expected to interject ideas in an appraisal review and to explain and defend their points of view. On the other hand, high-power distance participants are compelled by virtue of their culture to show the utmost respect for their superiors, not to directly express potentially contradictory views. Peppas (2002:52) found, that Americans believe that opinions and demands should be presented to one's superior in person and that individuals should be known to hold the views they do and should accept responsibility for these views. These findings accord with a low-power distance country such as the United States.

4.7.3.4.2.3 Long-term v short-term orientation

"Nothing succeeds like success" is a well-known saying, and as the saying indicates, positive results that can be observed, are excellent motivators. However, this type of motivation can become problematical for members of short- term orientated cultures working in a long-term orientated setting. Studying American interns in Japanese companies Masumoto (2004:32) found, that American interns, clearly seeking recognition for their effort, wanted to know if their assignment that they were working on would be used for a particular product. The Japanese supervisor's reaction was that the division is Research and Development, which do various kinds of research and it was unclear which results will be used for products. Some of the research and development are never used for a product, and other research work may be left for a few years and then it might be used to develop a product. Such work, in the Japanese's long-term view, was necessary to cover all kinds of research, often for small results. The American interns, however, with their short-term orientation wanted to know for what purpose they are doing the research and how it will be used. Interestingly, more effort was made by the interns with the research when they knew that they thought that the results would definitely be used, but they were less willing to engage in research that was not likely to lead to products. The speed and effort of the interns' research, depended on whether it was a short-term project with immediate application or if whether it was a long-term project where nobody knew whether the research would be utilised in the future. In the US, the Japanese supervisor's

explanation would be unusual in the US, because of pressures to show a profit each quarter term or at the least, by the end of each year. It follows from the aforesaid, that employees from a long-term culture will, therefore, have to be motivated differently than employees from a short-term culture. Chow (2004:627) notes, that as far as compensation is concerned in Chinese organisations, due to the traditional values of a high-level of collectivism, together with the need to maintain harmonious relations within the organisation, compensation tends to be egalitarian. However, facing competitive pressures from the market, organisations have adopted various policies, including merit pay, or pay for performance. Because Confucian values place an important emphasis on seniority, seniority and group-based pay systems are used to a large extent in China, while pay incentives and cafeteria-type reward systems are not common. Bonuses and commission are used in foreign-invested enterprises, and profit-sharing exists only in relatively new firms. The more egalitarian types of additional monthly pay and guaranteed year-end bonuses are now often used by organisations, however, it is difficult for Chinese people working in egalitarian and collective environments to accept rewards based on individual performance. For benevolent-authoritative employers to show their concern and care about employees, benefits still comprise an important part of the pay package. In contrast, employees in Hong Kong (short-term orientation) companies put salary and individual incentives as top priorities in choosing compensation alternatives. Benefits and organisation-wide incentives are ranked very low in priority. Interesting though, Chow (2004:627) argues, that there is a high tendency to endorse the importance of a performance-based remuneration systems in certain Asian countries, although actual use is not widespread. Even in the relatively individualist Hong Kong society, a flexible remuneration system has been adopted by only 20 percent of the best employers. China is modernising its economy at a relatively fast pace and is catching up with human resource policies in which it was lagging behind. Remuneration systems based on individual performance and individual incentives, will become more common. There is a greater acceptance of wider reward disparities, based on individual performance.

4.7.3.4.3 Communication

4.7.3.4.3.1 Power distance

Accoring to Madzar (2005: 269), power distance will influence the extent to which employees feel comfortable to ask their manager questions. Laroche (2003:27) further argues, that the situation where managers are less hierarchical than employees, can result in miscommunication, missed opportunities, and significant frustration on both sides. For instance, when managers delegate tasks and responsibilities, they usually do not provide enough information, according to the employees' standards, for them to know what they need to do. When employees hear "I do not know – you figure it out" they eventually wonder whether or not the employers actually have the answers to their questions. This eventually leads to employees questioning the capability of their managers. Simultaneously, managers start to wonder whether their employees are competent, seeing that they struggle to understand a simple task. When both sides start to question each other's competence, the relationship between the managers and employees are bound to become unproductive. The employees performance appraisal will include comments like "lacks initiative". In the reverse situation, where managers have less hierarchical employees, they usually provide excessive information when delegating tasks and responsibilities. These types of employees make minor decisions without consulting the manager, thinking that they are not wasting his time. Managers start wondering what their employees are up to and view the updates they get as both insufficient in quantity and frequency. When managers establish that employees have been doing work without their specific approval, they either order rework or in extreme cases, view it as insubordination. In these cases managers view their employees as loose cannons, whose reactions and next steps are difficult to predict. Employees in turn, view their managers as micro-managers, who get involved in minor decisions and expect strict adherence to their decisions. Furthermore, people who have power, are expected to show it, and those who do not have it, are expected to show respect and deference to those who have it. The following are examples of how this respect is shown.

- People use titles, formal greetings, and formal forms of address extensively.

- Presenters usually direct their attention to the highest ranked person in the room.
- The opinion of the highest ranked person in the room carries much weight for hierarchical people.
- Seating arrangements during business meetings and meals reflect the hierarchy.
- People seek the opinions and approval of those who are in high-ranking positions and may often bypass others at lower levels in the organisation.

By contrast, in participative societies, those who have power, are expected not to show this power. In meetings and presentations, all participants are relatively equal, and expected to have an equal opportunity to contribute. Titles are something normally reserved for business cards.

4.7.3.4.3.2 Uncertainty avoidance

According to Laroche (2003:85), in the work place, uncertainty avoidance translates directly into the amount of information needed to ensure that one is making a good decision. People educated in low-uncertainty avoidance cultures, are used to making decisions with less information than people in high-uncertainty avoidance cultures. For example, becoming an approved supplier in Japan, who is a high-scoring uncertainty avoidance country, takes much longer than in North America. By contrast, Hong Kong has even a lower-uncertainty avoidance score than North America, and business people that meet for the first time, will easily enter into multi-million rand contracts. In addition to collecting information on a wider range of topics, people from high-scoring uncertainty avoidance countries tend to insist on higher precision and accuracy on the data they collect. By contrast, people from low-scoring uncertainty-avoidance countries, often work with approximate numbers. Many misunderstandings arise when people from different cultural backgrounds ask for information in an area that is not important in other cultures. Often such a request is dismissed, leaving the other person to feel that he or she is not considered seriously, and that the other team members are not serious about reaching team objectives. In practice, the difference in the amount of information needed from culture, to culture may also result in the following.

- The presentations by members of societies that score high on uncertainty-avoidance, contain a large amount of information. They also tend to focus on what can go wrong and how to avoid it, and they emphasise structure and following the right process.

- The presentations by members of societies that score low on uncertainty avoidance, contain less information focused on the outcome and what can be gained.

Examples are Japanese presentations that contain huge amounts of data, with the outcome not expressly stated but expected to be inferred in line with a high-context culture. North American presentations, by contrast, state their outcome right upfront, with supporting data to follow, although it contains significantly less detail than the Japanese presentation. This normally leads to perceived excessive questioning by members of high-uncertainty avoidance cultures. Such members will also place great importance on the correctness of data. Data presented at presentations that do not add up, can be a critically negative outcome in selling a concept. Recommendations do, therefore, need to be a lot more comprehensive in order to convince such members, than would be the case of members form low-uncertainty avoidance cultures.

4.7.3.4.3.3 Long-term versus short –term orientation

Pitta et al., (1999:247) argue, that the Chinese culture is built on subtlety, and cites the Chinese language as an example, which is not as precisely structured as the English language, but based on an abstraction of ideas. Typically, the Chinese people do not usually want to confront each other, even if there is disagreement. When Chinese people are confronted in a situation where they do not like the outcome, they do not usually explicitly indicate how they feel. Outspokenness is not the norm and direct questioning is viewed as rude. The Chinese people do not easily reveal their true feelings to other people. Thus, outsiders have to be insightful in their listening. The expression, "read the tea leaves" can refer to paying attention to words, body language and the speaker's tone of voice.

4.7.3.5 Measuring performance and problem-solving

4.7.3.5.1 Measuring performance

According to Laroche (2003:45-46. 193-195), measuring performance and giving feedback, is an integral part of any organisation. However, the way that feedback is given, can vary from culture to culture. Chinese for example, often view westerners as brash and loud. The fact is, that different cultures, because of different communication styles, perceive feedback differently. For example, in Germany negative feedback should be straightforward right after the event. In Hong Kong though, the same approach may be viewed very negatively.

4.7.3.5.1.1 Individualism versus collectivism

Hofstede (2001:241) argues, that management techniques and training packages have been developed almost exclusively in individualist countries, and they are based on cultural assumptions that may not hold in collectivist countries. A standard element in the training of first-line managers, is how to conduct "appraisal interviews": periodic discussions in which an individual's performance is reviewed. Theses can form part of management by objectives, but even where management by objectives does not exist, the ability to conduct performance appraisals well and the way to communicate "bad news", are considered key skills for a successful manager. In collectivist countries social harmony is an important ingredient for organisational functioning, even more important than formal performance, and a program that harms the former, eventually damages the latter. In such countries personal criticism may have to be given in an indirect way or through a trusted intermediary, such as an older relative. In a collectivist society, discussing a person's performance openly with him or her is to clash head-on with society's harmony norm and may be felt by subordinates as an unacceptable loss of face. Such societies have more subtle, indirect ways of communicating feedback, such as through the withdrawal of a normal favour or verbally via a mutually trusted intermediary. Studies revealed, that Chinese performed best when told that their performance would be measured for groups of ten and that their names would not be marked on the documents handled. They performed worst when they were measured individually and when their name appeared on their work. Americans, on the other hand, performed dismally when measured as a group target and anonymously. and best when measured individually with their names marked.

4.7.3.5.1.2 Power distance

Due to the fact that individualistic scores are to a large extent correlated with power distance scores (see chapter 3), the impact that power distance will have on measuring performance and problem-solving, will to a large degree be similar to the impact that individualism and collectivism have. The measurement of subordinate's performance will have to be aligned with the degree of participative or hierarchical management employed in accordance with PDI scores. In low-PDI countries, performance measurement without consultation and participation by the employee will be less effectual. Conversely, in a high PDI country, employees will expect the manager to make all the decisions regarding measurement. All the problems highlighted by Hofstede, in the application of the MBO method, will also be present when the actual measurement of the employee's performance has to take place. Lere and Portz (2005:3) argue, that because management control is centralised in high-PDI countries, measures of performance focusing on following plans and procedures laid out by top management, are more likely to be effective in companies in large-power distance countries than are measures focusing on the outcomes of decisions made. Therefore, one would expect little, if any, use of accounting measures, such as profit, variances, return on investment (ROI), and residual income, as indicators of managers' performance in large-power distance countries. This is supported by Quang et al., (1998:8) who found, that Vietnamese managers tend to fall back on control mechanisms and not on results.

4.7.3.5.1.3 Uncertainty avoidance

Individuals in a weak uncertainty avoidance culture, are less uncomfortable with uncertainty and ambiguity. Companies in these countries tend to be less rule-oriented than are companies in strong uncertainty-avoidance countries. These differences are likely to influence the responsibility delegated to managers and the measures used to evaluate and reward performance. In rule-driven companies in strong uncertainty-avoidance countries, the role of a manager might not be to make decisions, but rather to see that the rules or procedures are followed. Accounting measures are less likely to be used to indicate performance, than as targets to be strictly followed, and accounting measures as overall indicators of performance, would be more appropriate in weak uncertainty-avoidance cultures (Lere & Portz, 2005:4). This is illustrated by Morosini and Steger (2004:88), who conducted a case study on the infamous Daimler- Chrysler

merger. Although it is not a joint venture, it is a prime example of how cultural differences can impact on business success. The US GAAP accounting principles are known for their concern with transparency design to protect the interest of investors, while continental Europe accounting standards are more obscure. With this cliché of greater transparency in mind and their tendency for uncertainty avoidance, the German Daimler's executives thought that Chrysler's financial statements showed what they were really getting. Yet the US GAAP exists in the context of the US legal system, which requires management to protect the rights of individual shareholders to the fullest extent possible. In the case of a corporate merger, this means presenting the financial statements in the most favourable light legally possible. In Chrysler's case, this meant positioning the inventory build-up in the books of the distributors. More attention to institutional differences in the financial markets would have avoided the blunder the Daimler-Chrysler financial team made when it delivered the first quarterly earnings announcement. Despite warnings from the Chrysler side about the earnings sensitivity of the analyst and institutional investors who drive the US financial markets, the Daimler staff went ahead with its low-key German style earnings announcement. Daimler-Chrysler surprised the US markets with its flat earnings way below expectations and paid for it with a sharply plunging share price and loss of investor confidence for many months.

4.7.3.5.1.4 Long-term versus short-term orientation

Differences in this dimension are likely to affect the types of measures used to evaluate performance and the types of incentives offered. Profit-based measures, such as profit growth, return on investment, and residual income, tend to focus more on short-term performance and, therefore, are more likely to be used to evaluate performance in short-term oriented cultures. Measures such as sales growth, customer satisfaction, and employee training, tend to reflect a long-term orientation (Lere & Portz 2005:5). Pitta et al., (1999, 2001, 2005) argue, that it is important for the Chinese people to save face for other people, and they are afraid of losing face themselves. Thus, the Chinese do not normally put someone in an uncomfortable position. They do not criticise or ridicule what other people are doing. If someone loses face as a result of other people's action, the situation is serious. Sometimes those who lose face at the hands of another, seek revenge. This has important lessons for

Western managers. Agreements with a Chinese manager must not lead to loss of face and extraordinary efforts to preserve face may be necessary. Others who have examined US-Japanese communication, have also reported lack of feedback. Masumoto's (2004:30) empirical study confirmed the findings of Clarke and Lipp (1998) who stated, that feedback has been one of the most frequently cited areas of frustration for Japanese managers and their American subordinates in Japanese companies in the US. The writers point out four major areas where cultural conflict regularly occurs in the giving of feedback: negative feedback, positive feedback, the timing of feedback, and where the feedback is given. Americans perceive Japanese managers as giving too much critical feedback, not giving enough positive feedback, and being too vague. American managers, on the other hand, are viewed by Japanese as not giving enough critical feedback, not being expected to receive it, and giving as well as expecting too much positive feedback. Timing and location when giving feedback, are also crucial. Japanese tend to delay giving feedback until what they regard as an appropriate time in a more informal setting. On the other hand, Americans expect to have feedback immediately in the workplace, preferably in a private one-to-one setting. The frustrations that the interns described about the lack of feedback, arise in part from conditions specific to the situation of a foreign intern in a Japanese organisation. Japanese supervisors indicated, that because they did not expect the interns to contribute much to the organisation, but rather that the interns should learn for their own benefit, they (the supervisors) saw less need to give the kind of criticism they would to their regular employees. These scenarios confirm the different culture-based views of feedback, and indeed of communication in general. As Kunihiro (1976) in Masumoto (2004:31) remarks, 'In the US words are *the* means of communication; in Japan words are *a* means of communication'. Different cultures also place different emphasis on quality, and therefore, measure of performance. Burhan and Rezayat (2003:216. 230) note, that studies conducted on the perception of quality by Japan, Germany, and the United States, revealed that there seemed to be a consensus among these countries and industries in terms of how quality management was defined. However, respondents from the three countries seemed to differ in terms of the importance of various aspects. While all respondents considered quality standards, technical accuracy, and customer approval aspects of quality, the Germans were most oriented towards product standards, the Japanese valued precision and accuracy higher than the other two groups, and the Americans were more highly

concerned about customer approval. This demonstrates that different cultures will most likely also have different perceptions of what constitutes quality, and therefore, "performance", which will in turn have an influence on how performance feedback needs to be given. Quang et al., (1998:7) find that Vietnamese managers had very different concepts of the "time" and "productivity" aspects of performance than have their Western counterparts.

4.7.3.5.2 Problem-solving

4.7.3.5.2.1 Individualism versus collectivism

According to Hofstede (2001:228), in most collectivist cultures direct confrontation of another person is considered rude and undesirable. The word *no* is seldom used because the word *no* is a confrontation. "You may be right" and "We will think about it" are examples of polite ways of turning down a request. In the same vein the word *yes* should not necessarily be seen as approval. rather, it may be used to maintain the communication line: *Hai* in Japanese does not stand for yes, but for "Yes. I heard you." In individualist cultures, on the other hand, speaking one's mind is a virtue. Telling the truth about how one feels, is seen as a characteristic of a sincere and honest person. In individualistic cultures, confrontation can be salutary - a clash of opinions is believed to lead to a higher truth. Peppas (2002:52) found, that American managers approached problem-solving from a concrete perspective, with emphasis on a cost-benefit analysis of alternative solutions. According to them, the challenge is in formulating alternative solutions and choosing from among the solutions based on future operational consequences. Organisational and interpersonal conflict should be identified and dealt with directly, and causes should be diagnosed and plans made for management or dissolution of the conflict. This confirms the view, that a problem solving-approach in individualistic cultures, tend to be much more pragmatic than in collectivist cultures. Hofstede (2001:237) further argues, that in collectivist cultures, the relationship between employer and employee is seen in moral terms. It resembles a family relationship, with mutual obligations of protection in exchange for loyalty. Poor performance by an employee in this relationship is no reason for dismissal: one does not dismiss one's child. Performance and skill, however, do determine what tasks employees are assigned. This pattern of relationships is best known in Japanese organisations; however, in Japan it applies only to the permanent employees, which may be half of the group. Furthermore, Harrison et al., (2000) draw on Triandis

(1993), in arguing that in collectivist cultures predestination is a strong force and problem-solving may be inhibited. It is assumed, that some issues are out of the domain of mortal human beings, no matter how sophisticated the problem-solving system.

4.7.3.5.2.2 Power distance

Hofstede (2001:107) argues, that practices consistent with a decentralised organisation, will tend to be more effective in small-power distance countries. In a decentralised organisation, managers perform more independently and can develop and apply leadership qualities, problem-solving skills, and decision-making skills. Therefore, measures focusing on the outcome of decisions made, are more likely to be appropriate and effective in small-power distance countries. Conversely, according to Laroche (2003:32), employees in high-power distance countries will rely more on management to come up with solutions and solve problems.

4.7.3.5.2.3 Uncertainty avoidance

According to Laroche (2003:87), managers need to be aware that in high uncertainty-avoidance countries, technical people will tend to focus on the theory behind a solution or an application, whereas members of a risk-tolerant team, will focus on the practical solution rather than in theory. Again, the uncertainty-avoidance team members will see the latter approach as "a walk in the dark" and the approach as "splitting hairs". Hofstede (2001) notes, that labour-management relations in Germany (High UAI) are codified in detail. German managers show a positive attitude towards trade unions. The supreme motivators (other things being equal) in Germany will be security, and for the USA, achievement. He found that "most Germans, for example" favour structured learning situations with precise objectives, detailed assignments, and strict timetables. Laurent (1986), in Neal (1998:5) and Laroche (2003:87), suggests that in high-uncertainty avoidance countries, much emphasis is placed on technical ability, due to the high requirement for theory, and managers, are expected to have all the answers at hand. As a consequence, people with greater technical expertise are promoted much faster than are others. In low-uncertainty avoidance, low power distance countries, more emphasis is placed on people skills, due to the participative nature of this type of management, and hands-on people are highly rated and promoted accordingly.

4.7.3.5.2.4 Long-term versus short-term orientation

Lee (2002) reports, that US managers are trained to make managerial decisions, following considerations in the order of legal, logical, situational, and personal. In contrast, Chinese managers will try to solve problems following an order of personal, situational, logical, and legal considerations. That is, in transferring their original corporation culture into Chinese plants, the manager of the international joint venture should follow a slow, gradual, and step-by-step process – with appropriate adjustment according to its suitability and acceptability to Chinese employees.

Barkema and Vermeulen (1997:854) argue, that differences in the cultural backgrounds of partners cause problems in IJV's, but provided empirical proof that some differences are more disruptive than others. Differences in uncertainty-avoidance and long-term orientation, in particular, cause problems. These differences have a negative impact on IJV survival and decrease the likelihood that firms enter a foreign country through an IJV rather than through a wholly-owned subsidiary. These differences, which translate into differences in how IJV partners perceive and adapt to opportunities and threats in their environment, are more difficult to resolve than differences along the other three dimensions. Perhaps cultural differences regarding power distance, individualism and masculinity are more easily resolved, because they are mainly reflected in different attitudes towards the management of personnel - something firms can make explicit agreements about before entering the partnership.

In conclusion, tables 4.10 and 4.11 summarise the key differences in management methods individualist and collective societies, as found by Hofstede and other comparative studies.

Table 4.10: Key differences between individualist and collective societies: work situation and management methods

Low-IDV	High-IDV
In the work situation	
Employees act in the interest of their in-group, not necessarily of themselves.	Employees supposed to act as "economic men."
Hiring and promotion decisions take employees in-group into account.	Hiring and promotion decisions should be based on skills and rules only.

Low-IDV	High-IDV
In the work situation	
Relatives of employer and employees preferred in hiring.	Family relationships seen as a disadvantage in hiring.
Employer-employee relationships basically moral, like a family link.	Employer-employee relationships are a business deal in a "labour market."
Poor performance reason for other tasks.	Poor performance reason for dismissal.
Employee commitment to organisation low.	Employee commitment to organisation high.
Potential emotional commitment to union.	Relationship with union calculative.
Employees perform best in groups.	Employees perform best as individuals.
Training most effective when focused on group level.	Training most effective when focused on individual level.
Preferred reward allocation based on equality for in-group, equity for out-group.	Preferred reward allocation based on equity for all.
Relationship with colleagues cooperative for in-group members, hostile for out-group.	Relationship with colleagues does not depend on their group identity.
Treating friends better than others is normal and ethical: particularism.	Treating friends better than others is nepotism and unethical: universalism.
In business, personal relationships prevail over task and company.	In business, task and company prevail over personal relationships.
Organisational success attributed to sharing information, openly committing oneself, and political alliances.	Organisational success attributed to withholding information, not openly committing oneself, and avoiding alliances.
Belief in collective decisions.	Belief in individual decisions.
Innovation champions in organisations want to involve others.	Innovation champions in organisations want to venture out on their own.
Innovation within existing networks.	Innovation outside existing networks.
Fewer inventions patents granted	More inventions patents granted
Entrepreneurs claim contributions of other to their results.	Entrepreneurs claim own results without relying on others.
Employees and managers report team work, personal contact and discrimination at work.	Employees and managers report working individually.
Less control over job and working conditions, fewer hours worked.	More control over job and working conditions, longer hours worked.
Less social mobility across occupations.	Greater social mobility across occupations.
In the Applicability of Management Methods	
Management is management of groups.	Management is management of individuals.
Theories based on individualist psychology of limited use.	Some theories based on individualist psychology useful.
Employee has to be seen in family and social context.	Employee can be seen as individual.
Keeping ethnic or other in-groups together supports productivity.	Composition of work groups based on individual criteria. in-groups unwanted.
Incentives to be given to in-group.	Incentives to be given to individuals.
Leadership is inseparable form the context (PM leadership theory).	Leadership is a property of the leader (Various US theories).
Direct appraisal of performance is a threat to harmony.	Direct appraisal of performance improves productivity.
Openly sharing with a person one's feeling about him or her spoils cooperation.	Openly sharing with a person one's feeling about him or her may be productive.

Source: (Hofstede, 2001:244)

Interestingly, the clustering of countries on the Individualism Index suggests a correlation with the Power Distance Index.

Table 4.11: Summary of value connotations of IDV differences found in surveys and other comparative studies

Low-IDV	High-IDV
Importance of provision by companies such as physical provision	Importance of employees personal lives
More importance attached to training and use of skills in jobs	More importance attached to freedom and challenges in jobs
More acquiesce in response to "importance" questions	More differentiation in response to "importance" questions
Qualification for jobs in terms of years of schooling	Qualification for jobs in terms of performance of previous tasks
Staying with one company desirable, old-timers make better managers	Staying with one company not desirable, old-timers do not make better managers
Large, foreign, successful modern company attractive	Smaller local company attractive
Company responsible for employees	Employees responsible for themselves
Moral involvement with company	Calculative involvement with company.
Interesting work as important as earnings	Earnings more important than interesting work
Knowing the right people most important for career.	Ability most important for career
Group decisions are better	Individual decisions are better
Collectivism amongst non-IBM Managers and elite.	Individualism amongst non-IBM Managers and elite.
Collectivism among employees of other multinational companies.	Individualism among employees of other multinational companies.
Managers chose duty, expertness, and prestige as life goals.	Managers chose pleasure, affection and security as life goals.
Interpersonal relations important for student's happiness.	Interpersonal hedonism important for student's happiness.
Friendship predetermined by social network.	Importance of making specific friendships.

Source: (Hofstede, 2001:226)

4.8 Summary

Values derived from national culture, affect organisational leadership goals and strategies, influence management styles, and shape probabilistic thinking. Cultural values also affect decision-making cognitive styles, problem definition, communication, and individual strategies in reducing uncertainty and facilitating choice. Therefore, leadership requirements vary across cultures. Differences in national cultures suggest differences in management practices and leadership prototypes. Traits judged important for top, middle, and lower management levels are dependent on culture and shape followers' perceptions of and responses to leaders. Understanding how individuals in a position of leadership or power in strategic alliances personally experience culture, is essential. Survival of international strategic alliances, is therefore, dependent on managing multiple meanings in the presence of national cultures. Diversity, therefore, is increasingly central to business life, and

managing it, in all its manifestations, are the biggest leadership challenge facing organisations today. The evolution of management towards a pervasive global orientation – based on team efforts and a multicultural organisation that is itself in constant flux – suggests that managers should be equipped and prepared with new human relation skills. These will include the integrative skills and communication abilities to work in a globally diverse environment with international teams. Managers must also be able to accommodate social-cultural values that differ from their own values and beliefs.

Now that we have looked at the critical success factors of JV's, culture and its origins, and the impact of culture on management, leadership and therefore, JV's, finally the suggested methods - derived form literature and case studies - on how to manage these differences in the IJV context, will be studied and discussed.

Chapter V

5. MANAGING CULTURAL DIVERSITY IN INTERNATIONAL JOINT VENTURES

5.1 Introduction

On a practical level, culture translates into perceptions, needs, thought patterns and conduct. As in any management situation, these have to be managed. Applebaum (1998) argues, that many companies are turning to competencies as a way of developing key behavioural skills that will assist managers to deal with the future. According to the authors, a competency is a set of behaviour patterns that the incumbent needs to bring to a position in order to perform its tasks and functions with competence. For managers in global companies dealing with cultural diversity, it is crucial to balance the complexity and paradoxes of management that relate to the more analytical aspects of understanding and running a global business and the "soft" aspects of managing people, and international relationships. Increasingly, managers are asked to balance dual strategies, for example, thinking global and acting local, encouraging both diversity and a common purpose, producing economies of scale and local responsiveness, and focusing on both the long-and the short-terms. Managers, therefore, need to be ever more dexterous at managing conflicting goals.

In this chapter, the ideal way of managing cultural diversity in IJV's, based on the framework provided by Hofstede's five cultural dimensions, and the impact that these have on the elements of management, will be formulated and discussed. The aim of this chapter is to provide a model supported by literature and case studies for the management of cultural diversity in IJV.

5.1.1 What is Cultural Diversity Management?

Cultural diversity management is the process of optimising the contribution of all staff to the goals of the organisation by recognising and accounting for significant differences, reducing obstacles to participation, increasing opportunities for learning and growth and capitalising on the benefits of workforce diversity. It is a natural and important part of all leadership and management functions (Australian Government

Diversity program, 2006). Cultural diversity management is, therefore, a tool for capturing the cultural diversity dividend. Diversity management focuses on managing the difference within an organisation's workforce, capitalising on the benefits of cultural diversity and minimising workplace challenges. Diversity management therefore, have the potential to contribute significantly to the bottom line. The four main ways diversity management produces the diversity dividend, are the following.

- Improving in the efficiency of HRM functions.
- Fostering superior decision-making, problem solving, creativity, and innovation - key factors in the creation of knowledge firms.
- Developing cross-cultural capabilities that facilitate operations in culturally complex environments at home and abroad.
- Implementing new product/service developments and new sales/marketing strategies for diverse customer bases.

There are two distinct but connected channels in diversity management, which will lead to superior firm performance. The first channel focuses on how to tap into the benefits that flow from effectively managing diversity and the second channel focuses on pro-active strategies to address ineffective diversity management, which imposes costs. Effective diversity management leads to improved individual and organisational performance. This emanates from the potential powerful effects that diversity has on problem-solving, decision-making, innovation and creativity. However, having a culturally diverse workforce does not, in itself, translate into bottom line benefits for organisations. Diversity must be managed in order for organisations to reap a diversity dividend.

As in chapter IV, the proposed solution for managing cultural diversity, will be developed around the philosophy that management would be better equipped to manage cultural diversity when the model is structured around accepted elements of management. The model for managing cultural diversity in IJV, would thus be to build around the following four management elements as discussed in chapter 4.

- Setting objectives and planning.

- Organising and staffing.
- Directing, motivating and communicating.
- Measuring performance and problem-solving.

5.2 Developing a strategic cultural Diversity Management Plan

5.2.1 Strategic Goal-setting and Planning

5.2.1.1 Developing a cultural diversity management philosophy

Before a vision for managing cultural diversity can be devised and formulated, the organisation needs to decide on a basic philosophy regarding the management of cultural diversity it intends to pursue. Child and Faulkner (1998:246-248) identify three different approaches to accommodating cultural differences and the practices, which stem from such differences. One option is to adopt one partner's culture as the dominant mode.

5.2.1.1.1. Domination

Domination is a policy that may be considered where it is accepted that one partner has a general superiority in technical and managerial know-how and that both the alliance and the other partner(s) will, therefore, benefit from adopting this approach wholesale, along with its cultural foundations. Indeed, dominance by one partner in areas of its key competence, where it is particularly anxious to safeguard its proprietary knowledge, may be a condition for its entering into an alliance at all. In these circumstances, a policy of domination will be adopted, a policy aiming at integration on the basis of dominance by one partner's culture. Domination can also be a necessary basis for cooperation in those host countries for foreign investment, which insist on a majority equity holding by the local partner, and/or that local practices are followed in the management of an alliance. This limitation on equity share remains the case in China for foreign investment in strategic industries, where the local partner will also normally be a large state-owned enterprise with a strong internal Communist Party organisation concerned to preserve local practices, especially in the area of HRM. Another situation in which a policy of cultural domination by one partner is acceptable, can be found where the other partner prefers to invest only a limited amount of capital, perhaps regarding royalties from technology transfer as a more secure future income stream. It may be quite content for its partner to manage the

alliance according to its cultural norms, subject perhaps to the introduction of certain technical standards. These standards, and the training to support them, do of course introduce elements of the partner's own culture, but these may constitute a limited component within the alliance's management and organisation as a whole. Domination is a policy that gives rise to cultural fit, in the sense that all the partners accept it and are prepared to work within its terms. However, the foundations for this acceptance can prove to be fragile over the longer term. While the weaker partner as a basis on which a desired alliance can proceed and achieve its economic goals, may accept cultural dominance by one partner, it could cause some resentment once those initial conditions have passed. This is particularly likely if the culturally dominated partner perceives that it is thereby placed in a position of subordination. On the surface, while the organisation appears to function effectively, in reality, when members of a subordinate group unilaterally adapt to the dominant culture, with no reciprocal effort on the part of the dominant group to understand and/or accommodate to members of the subordinate group, it can be counterproductive in the long run, generating misunderstanding and feelings of mistrust. Morisini and Steger (2004) recognise this philosophy by some organisations and state that successful global companies do not negate their home country practices. Instead, they understand which part of them is part of their success formula and which are redundant, or over time, counter-productive, as well as which practices from elsewhere should be exploited for growth and grafted into one corporate culture. People in each country who are willing to work in their culture, are then hired and they adapt locally to local cultural preferences that do not clash with their core culture. Neal (1998:57) also points out, that some multinationals respond to the challenges posed by cultural differences through the imposition of an organisation's corporate culture, which are designed to alleviate or minimise national cultural differences. Research suggests however, that such a policy fails in these terms. Firstly the imposition of a strong corporate culture does nothing to diminish differences in national traits and attitudes - on the contrary, this results showed a strengthening of cultural differences under such regimes. Secondly, Hofstede's research was conducted in IBM, a company that prided itself on a strong corporate culture. Therefore, using the corporate culture to transcend national cultures, does not work, and can in the variety of socio-economic environments impede the ability of an organisation to respond swiftly to the development in certain markets.

5.2.1.1.2 Segregation

An organisation may also decide to pursue a policy of segregation. Segregation is a policy aimed at an acceptable balance between the cultural inputs of alliance partners, but which does not attempt any integration or synthesis between them. An example is when, in an international joint venture, one partner introduces its systems for production and quality control, while the other (particularly if it is the host-country partner) continues to manage external transactions in the field of supply, distribution, and government relations according to its customary manner. This form of inter-cultural accommodation does not offend the sensibilities of either partner, but clearly it can be a sub-optimal solution in other respects. Cultural segregation between partners entails a corresponding separation of the tasks, which each partner will manage within the scope of the cooperation, and this approach obviously reduces the opportunities for mutual learning between them to a very low level. It is, moreover, likely to lead to a poorly integrated and inefficient management system for the alliance, with continuing problems due to limited communications, and a sense of rivalry between different functions within the organisation. It is a policy of differentiation without the corresponding integration. Segregation will probably give rise to personal problems for people who are seconded to work in the alliance, especially if they are expatriates. It can create difficulties for an expatriate to acquire the local language or understand the behavioural norms of the country where the alliance operation is located. The expatriate and his or her family will tend to be isolated, possibly in a foreign ghetto, with a high chance of family stress and personal failure in the role. Most cases of cultural segregation within alliances occur in the early days of their operation, especially when one partner can offer expertise but the other needs to handle a difficult and not easily accessible local environment. Some joint ventures established by foreign firms in Russia, have adopted a high level of internal segregation, in a situation where supplies can be problematic and even conditional on achieving understandings with local mafia. If an alliance is to prosper, however, segregation must normally be regarded as an initial rather than a longer-term solution to the challenge of managing inter-cultural diversity.

5.2.1.1.3 Integrative approach

The third approach is for the partners' cultures and practices to integrate and coexist, applied to different spheres of the alliance's operations. This approach is the attempt to integrate partner practices and to derive synergy from this integration. According to the writers, the third approach is the most challenging, but also the one likely to produce most benefit. Synergy aims at achieving the fullest possible fit between cultures. It is the policy best suited to optimising bonding between alliance partners, as well as to promoting learning between them. With synergy, the better elements from each partner's culture are combined to bring about an effective management system and deployment of resources. The writers furthermore note, that synergy may be rejected by one of the partners as an approach, to managing cultural diversity in alliances. Iles and Hayers (1997:98) support this approach by arguing that to compete effectively, a company has to develop global competitiveness, multinational flexibility and worldwide learning capability simultaneously. To do this, requires a new organisational model, the transnational, which is able to utilise the advantages of other organisational forms.

It is submitted, that the integrative approach is the most feasible. The advantages of optimising cultural diversity, have been demonstrated in Chapter 4, and this is the only approach that would harness the synergies to be derived from collaboration with different cultures.

5.2.1.2 Development of a strategic cultural diversity plan

Friday and Friday (2003:866) suggest, that the drive to manage cultural diversity effectively needs to form part of an organisation's strategic plan. An organisation must view strategies for developing and managing its employees as a part of its overarching corporate level strategy if it desires to have highly differentiated and efficient human capital in today's competitive, global environment. Therefore any organisation seeking to realise the maximum benefit from having a diversified workforce, should have a planned change-corporate diversity strategy that is aligned with the organisation's overall strategic positioning. Coleman (1994:15) argues, that the strategic diversity plan needs a clear tactical implementation process that lays out specifically what is to be done, by whom, and when, in order to achieve each increment of result desired. This implementation effort is intentionally long-term in

nature. Child and Faulkner (1998:249-250) propose, that such a plan should also include guidelines for improving cultural fit. These are aimed at assisting personal adjustment to different cultures, promoting better communication between personnel from different cultures, and improving the effectiveness of teams composed of members from different cultures. Neal (1998:60-61) notes, however, that contingency theory warns that there can be no one best way of planning, as the propriety and effectiveness of different modes of operation depend upon particular circumstances of the enterprise. This principle also applies to management of cultural differences in multinational companies, so that the cultural factor must be assessed and managed in terms of the particular circumstances that pertain within particular organisations. Cross-cultural relations are but factors in the performance of multinational corporations, and their influence can differ markedly in different circumstances. The nature of the appropriate policy thus depends upon various factors: the history of the operations; the relationships between parent company and subsidiary; and the integration of subsidiaries into the operations of the multinational as a whole. The cultural factor should, therefore, neither be overlooked nor exaggerated. The following key aspects of such a plan have been identified by literature (Coleman, 1994:15; Child & Faulkner, 1998; Neal, 1998:55-63; Hofstede, 2001:448; Aronson, 2002; Lee, 2002; Rodriguez et al., 2005:66-74; Aghazadeh, 2004; Pooley, 2005:29-30; Australian Government Diversity Program, 2006) for developing a cultural diversity strategic plan.

5.2.1.2.1 Ensure commitment from management

Gooderham and Nordhaug (2003) argue, that the last (and probably most important) lesson diversity initiatives can learn from organisational change theory and practice, involves senior management commitment. Top management needs to support the cultural diversity management drive and provide resources. Performance agreements need to reflect management's commitment to the drive. Although top managements involvement is crucial, it alone is not sufficient. Champions are also needed at lower level management, especially line managers. Task forces and advisory committees need to be formed, but it is crucial that a group-wide manager of cultural diversity be appointed and tasked with overseeing and managing the drive. A cultural diversity effort without the active, visible, sustained involvement and support of senior leadership, will have a short life. Senior managers' awareness of the personal

implications of cultural diversity and the potential consequences of management's backstage and public behaviour are critical. In the current competitive and global environment, each organisation must ask itself a two-part question: What core principles are so fundamental to the integrity and success of the JV that everyone must adhere to them? What are the dimensions that support these principles and that depend on the expression, display, and application of people's differences? Neal (1998:21) argues, that in order to effectively manage cultural problems, management must address the underlining social issues that result in difficulties. Managers must, therefore:

- identify those social processes that make an impact on subsidiary operations, and.
- formulate ways of managing them in a way that reduces their harmful effects.

According to the Australian Government Diversity program (2006), organisations implementing diversity management may require shifts in organisational culture. Diversity management requires a climate in which difference is valued; one in which employees is accustomed to working with people from many different backgrounds. Corporate cultural shifts are difficult to execute and require strong leadership, and a clearly articulated vision from the CEO and the top management team. This vision can then be disseminated throughout the organisation and implemented at functional levels. Without a clearly articulated cultural change vision from senior management, the chances of implementing cohesive diversity management policies and practices are severely restricted. Lack of strategic vision causes fragmentation and confusion over new initiatives. A corporate cultural vision articulated by senior management gives direction to diversity management imperatives.

5.2.1.2.1 Establish management awareness of the 'business case' for cultural diversity management

To convince management to support a cultural diversity management program, management's attention can be drawn to literature and statistics that demonstrate the impact that cultural diversity has on the success of joint ventures and the advantage to be derived from harnessing cultural diversity. Articulating why diversity is "mission

critical" by a brief, cogent analysis of the business case for diversity as it specifically relates to the company, helps a company set its priorities (Hofstede, 2001:448; Aronson, 2002:47). According to the Australian Government Diversity Program (2006), in order to develop a business case for cultural diversity management, the following process is proposed.

- Identify the organisation's strategic goals.
- Establish the potential benefits of diversity management for the organisation in the areas of HR efficiency and productivity; knowledge and learning; international expansion; and improving access to consumer markets.
- Investigate existing costs of poor or non-existent cultural diversity management.
- Investigate areas of cultural diversity management where the organisation presently performs well.
- Investigate the cultural diversity management initiatives of the organisation's competitors.
- Investigate the cultural diversity of the countries with which the organisation are in the process of or intends to from JV's with.
- Investigate the cultural diversity of the organisation's customers.
- Compile diversity management business case research into a cohesive document.

In order to "sell" the cultural diversity management case to management, the following process is proposed.

- Compile the information gathered in order to establish the organisation's business case for cultural diversity management into a formal report for senior managers.
- Ensure that the report is relevant to the strategic goals of the organisation.
- Arrange a formal presentation of the report to the CEO and board or top management team, linking cultural diversity management to the organisation's strategic direction.
- Seek feedback on the presentation and report.

- Once the imperative for diversity management has been accepted, the next step is to engage senior management in ongoing policy formation and initiatives.

5.2.1.2.2 Allocate resources to cultural diversity management initiatives

The Australian Government diversity program (2006) further suggests, that the engagement of senior management is critical for securing resources for diversity initiatives. Diversity audits, training, policy development and implementation, require financial and managerial support. Diversity management initiatives must be allocated a budget and senior managers need to contribute their time so as to ensure success. An under-resourced strategic initiative has little chance of success. In order for the strategy to succeed a "cultural diversity management champion" or "custodian" must take responsibility to drive the initiative. Employees should also be encouraged and rewarded for participating in and driving the initiative and management should make it clear, that it forms an essential part of the strategic goals of the JV. Aronson (2002:55) argues, that cultural diversity management should be institutionalised through the creation (or strengthening) of a diversity-related office at the executive level, with well-defined responsibilities and powers. Chief among these powers should be the ability to investigate, assess, measure, and make recommendations directly to the chief operating officer. A second and equally important function of the office should be, to act as a clearing house for company-wide practices and policies, such as internal marketing, cultural internship, training, or mentoring programs that promote diversity.

5.2.1.2.3 Set cultural diversity management goals for all levels of the firm

Management support for a cultural diversity management strategy, doesn't mean that the CEO must oversee the day-to-day management of the initiative. But it should be clear, that the "top brass" are taking the efforts seriously, and that they expect everyone else in the company to do so as well. Ted Childs of IBM says that employees "...devote their energies to what the management spends its time on, because that's how they know what management truly believes to be important" (Aronson 2002:55). Burhan and Rezayat (2003) support the argument, that employees are more likely to engage in behaviors that are perceived to be supported by

management. Cultural diversity management goals should therefore, involve all levels of employees.

5.2.1.2.4 Link cultural diversity management goals to strategic goals

In order to ensure continued support from management and employees, cultural diversity management goals need to be linked to strategic goals. Reward measurement mechanisms, such as a balanced score-card, should also include the cultural diversity management functional goals as translated from the strategic goals.

5.2.1.2.5 Investigate target JV partner's culture

Child and Faulkner (1998:250) argue, that in deciding how to proceed, and which policy option to take as a guideline, managers have to weigh up two major contingencies. The first concerns the substantive content of the cultures, which are present within the alliance. The second concerns the flexibility that may be available for modifying or developing each culture in relation to the others. The content of cultures within an alliance needs to be assessed with regard to (1) how they differ and (2) to what degree. Therefore, before committing to a cross-border alliance, managers need to be aware of the particular characteristics of the culture or cultures in the JV that they intend to form. This is important because, as demonstrated in Chapter 4, culture will have an impact on the basis of cooperation, the type of alliance a partner is willing to form, the joint venture strategy and goals. Kauser and Shaw (2004:25) provide empirical evidence for the correlation between interdependency of JV partners and JV stability. Although it is still a running debate whether equal shareholding improves or reduces the chances of JV success (See chapter II), it is probably fair to say, that a grossly unequal share distribution would reduce the dominant partner's willingness to accommodate or be sensitive to the cultural differences between the parties. Managers, therefore, need to take cognisance of the share distribution and the possible impact it might have on the managing of cultural diversity in the JV. Rodriguez et al., (2003) supports this argument, by stating that managers need to be vigorous in assessing the many types of cultural diversity that are likely to be present in the organisation created by the cross-border alliance. The writers also note, that cultural audits conducted during the due diligence process, are perhaps most widely used as tools for anticipating cultural differences in the new

organisation. If cultural differences between partners are judged to be too great, given the preferred approach for managing diversity (portfolio, blending, new creation, or absorption), a deal may even be reconsidered.

Table 5.1 demonstrates the differences in expectations between Chinese partners and foreign investors when forming JV's.

Table 5.1: Differences between expectations of foreign investors and Chinese partners

Expectations	Foreign investors	Chinese partners
	Open China's market for its products	Adopt advance production technology
	Overcome trade barriers	Improve R&D capacity
	Take advantage of flow cost labour and materials	Open more information channels
	Expand existing techniques from home facility	Looking for less international competition
	Reduce financial risks	Add new finance source
	Protect copyright for intellectual products	Increasing firm reputation from famous brand
	Recoup capital input in investment	Utilise current and available resources
	Access natural resources	Reduce operational risk

Source: Chow (2004)

5.2.1.2.6 Construct a cultural diversity profile of the JV partner

Child and Faulkner (1998) argue, that each culture has a different impact on people's attitudes and behaviour, and an assessment of the practical consequences of each culture forms the basis for an analysis of the advantages and problems it brings from the standpoint of achieving the alliance's objectives. This provides the groundwork for addressing the challenge of cultural 'selection'; in other words, how to harness the resources offered by each culture selectively, deciding which to retain and integrate or harmonise together. The more the cultures differ, the more difficult it is likely to be to achieve a cultural 'fit' between the elements of each that it is desired to integrate. The greater the difference, the more that inter-cultural reconciliation poses a challenge. If reconciliation proves problematic, the decision may be made either to work with one culture (the domination option) or to permit cultural segregation, at least in the early stages of cooperation. The gap between cultures is one consideration when deciding

on a management policy for a multicultural management alliance. Another consideration is the potential flexibility of each culture in relation to the others. This concerns the extent to which the cultures brought to an alliance, are deeply embedded and therefore, difficult to modify in a process of integrating or reconciling them with the other cultures. What need to be ascertained, is how pervasive the cultural influence on the structures of power and authority, control systems, and routines are. A similar analysis applies to the political structures, institutional bodies and their regulations, the routines and rituals, symbols, historical legends, and so forth, which comprise the surrounding 'web' of a national culture. The point of present relevance is, that the more entrenched the web sustaining a culture, the greater will be the resistance on the part of its members and the groups to which they belong (like shareholders, professional associations, labour unions, and nationalities) to any attempt at changing that culture. The longer the history of a culture and the more it is perceived by those who hold it to serve their personal interests well, the more entrenched it is likely to be. It is therefore, vital to understanding the bases on which the cultures in an alliance are rooted when deciding on the policy to adopt towards them. An assessment of how the cultural webs are made up, will indicate which contextual factors need to be addressed as part of the process of bringing cultures together within the alliance. Clearly, in order to arrive at an assessment of the content of cultures which have to be managed in an alliance, it is incumbent on each partner, and the alliance's own managers, to gain sufficient understanding of the other's national culture. This understanding can be used to develop a tolerance for the other's culture by understanding its historical genesis and the rationales behind it. It will help to identify those aspects of the partners' cultures which provide potential strengths to the cooperation, or which indicate the necessity for one partner to alter its standard practices in the light of the local context. This identification can also point out those aspects of the partners' cultures, which are not consistent with the effective operation of the alliance, thus enabling attention and effort to be concentrated on a focused effort to change them. An example of this might be the culture of recruiting staff primarily on the basis of family connections. Indeed, when organisations heed the required differences in approach, the results can be astonishing. According to Lee (2002), an "effective long-term business development strategy" played a key role in the success of Motorola, China Incorporated, followed by the factor of "technology appropriateness". The writer argues, that this demonstrates that for any business to be

successful in today's competitive marketplace, the firm's strategy must be developed, based on its long-term strategic objectives for a specific market. From the beginning, Motorola China Incorporated established its long-term strategic objectives based on a careful research regarding China's market, supply, labour and technology, as well as economic, social, and political development. The company's strategic objectives were thus focused on the long-term market share and the development of positive, trustworthy, and cooperative relationships with the Chinese partners and government agencies. The company's decision of reinvesting all earlier profits into the further expansion and providing the best technical support to the local partners, were made consequentially to support the company's long-term strategic objectives. The drive by Motorola to introduce the most appropriate technology from a developed nation into a developing nation reinforced the importance for international business establishments to transfer the technology which fits the local partners' needs, financial capacities, skill levels of workers, and the development direction when they expand their operations into developing countries.

5.2.1.2.7 Establish inclusive cultural diversity management taskforce

This strategic plan for diversity should involve a wide range of employees - top executives through front-line employees - in each stage of the process to achieve maximum ownership. This approach lays the foundation for the full awareness, support, and accountability of each individual in the workplace and will result in the desired behavioural and performance goals (Coleman, 1994:15). Aronson (2002:56) argues, that cultural diversity needs to be explained to employees in a way that encourages employees to feel they have a stake in its success. That means making sure that they understand that diversity is the smart thing to do from a business perspective. Whether it's fostering inter-group understanding within the corporation, or improving the company's ability to serve an increasingly diverse market or client base, diversity has increasingly become a business imperative. Employees also need to be consulted in the development of the diversity plan. Getting people on board and encouraging them to participate from the outset, is the most effective way, as employees will have better, more effective ideas about how to proceed than the leadership. By setting goals and assisting a team to achieve those goals, managers can ensure that cultural diversity is not micromanaged.

5.2.1.2.8 Investigate current processes, culture, policies & practices

A comprehensive analysis of the organisational culture and human resource systems such as recruitment, performance appraisal, potential assessment and promotion, and compensation, should be undertaken. The aim of this exercise would be to uncover sources of bias towards other cultures. The results of this audit must be translated into an agenda for specific changes (Cox, 1991). More typically, the soft due diligence process is used to develop a plan for changing current HRM practices or instating new ones. Based on this, HRM practices can be selected to manage the existing distances in culture diversity. An Italian automobile company, Fiat, undertook organisation-wide programs that included the re-evaluation of international positions, as well as organisational culture change. Its approach moved beyond the use of a single HRM intervention - such as new staffing techniques or a training program - to include a systematic, large-scale effort to evaluate and adjust all aspects of how employees were treated (Rodriguez et al., 2005). This is commonly done through a cultural diversity audit. The model that the organisation plans to implement, should be the basis against which the current system's procedure and philosophy for cultural diversity management should be measured (Aronson, 2002:58).

5.2.1.2.9 Develop new, more effective, policies and practices

Aronson (2002:57-58) argues, that the audit should answer the question: "Where are we now as far as the management of cultural diversity is concerned?" The strategic plan follows up by addressing the twin questions: "Where do we want to be?" and "How do we get there?" To put it differently, an audit is the diagnosis; a plan is the proposed course of treatment. A strategic diversity plan typically consists of the following elements.

- Recommendations regarding mechanisms, such as affinity groups, vertical representative committees, or Web-based anonymous suggestion boxes, for involving employees in the cultural diversity initiative and incorporating their concerns and ideas. This enables continuous feedback and response, giving managers the opportunity to adjust and improve on their performance.

- A list of clearly defined goals, based on existing outcome "gaps" discovered through the audit, setting forth the reasons for their adoption and determining what resources and commitments are necessary to accomplish them. It is not enough simply to set goals; the plan must clearly enunciate how these goals are to be achieved. For items that are not clearly gaps or problems, the goal should be continuous monitoring and improvement.

5.2.1.2.10 Encourage and reward good management practices

A cultural diversity management plan should contain accountability metrics. If the management of cultural diversity is a bottom-line issue, then it should be granted bottom-line priority. That means making managers accountable for their success or failure in this area, and rewarding or punishing them accordingly. Superior performance merits promotions, bonuses, awards, and other types of recognition (Aronson, 2002:58).

5.2.1.2.11 Build new cultures

Child and Faulkner (1998) propose, that at the same time, the alliance should benefit if it develops its own corporate culture. So long as it is not undermined by unfulfilled expectations or internal conflict, which in an alliance would most obviously concern the relation between the partners, a corporate culture can be an important resource available to the leaders of organisations. It can promote social cohesion and act as 'cement' that bonds an organisation together. Because a shared culture encourages people to accept a common goal and to identify with each other, it can also facilitate the processes of coordination and control within an organisation. By giving the members of an organisation common reference points and ways of interpreting reality, a shared culture can reduce uncertainty and promote consistency of effort. In providing meaning to their work and to their membership of an organisation, an appropriate and cohesive culture can also be an important source of motivation for employees. For these reasons, an alliance between partner companies should benefit if they permit, and indeed encourage, it to develop its own culture. In seeking to develop a common culture for their alliance, the partners should attempt to analyse the relative strengths of their own organisational and national cultures, and build these into the norms and behaviours adopted by their cooperative venture. The incentive is two-fold: first, the opportunity for the alliance to benefit from its parents' accumulated

cultural capitals, and, secondly, the need for the partners to retain sufficient control over their alliance and to maintain an identity by alliance managers, with their goals. A partner needs to maintain an active link with the venture, which the maintenance of a shared identity, as well as regular reporting procedures, can both symbolise and underwrite the new culture. These links are necessary complements to the development of the alliance's own culture. They enable the strengths of partner cultures to feed into the alliance culture while, at the same time, reducing the risk of the alliance forming an identity and pursuing objectives, which become at odds with those of its parents.

5.2.1.2.12 Measure performance against goals by using available data

According to Aronson (2002:58), the cultural diversity management plan should also contain a clearly defined set of diversity metrics. Measuring progress is essential, and although diversity would appear to be a relatively vague concept and, therefore, difficult to measure, there are in fact many ways to proceed. The audit should have provided baseline numbers regarding hiring, performance evaluations, disciplinary actions, complaint ratios, promotion and attrition or retention figures, workplace satisfaction surveys, company demographics, market shares, and so on. Annual reviews of these figures can help firms identify areas of concern and achievement.

Ultimately, the cultural diversity management plan should provide for a structure and contain an execution strategy in order to ensure the effective management of cultural diversity in JV's. However, to implement such a plan, culturally competent managers are needed. The question is, what qualities are required to be an effective intercultural manager, and how can these be developed?

5.3 International Management

Child and Faulkner (1998) report, that a joint venture between a European and a Chinese partner almost collapsed, because its first general manager, a European with only limited international business experience, insisted on the introduction of practices and procedures from his parent company in an aggressive and culturally insensitive manner. Not only did he fail to consult his Chinese colleagues, but he engaged in brow-beating and shaming behaviour in meetings with them, conduct that is particularly offensive to all Chinese cultural norms. In this case, the Chinese

partners held 60 per cent of the joint-venture equity and were, through their majority on the board, able to insist that a replacement be made before relations broke down completely. The replacement, a Canadian with wide international business experience, was able to mend the relationship through adopting a much softer style which was more acceptable from a cultural point of view to the Chinese. Important aspects of this softer style were regular consultation with the Chinese deputy general manager, especially before all senior management meetings, taking care not to cause public loss of face in those meetings, and a greater involvement of Chinese managers in downward communication of information. It is widely agreed, that the critical factor for companies to success in the global arena is effective development of global managers and executives (Pucik & Saba, 1999:47). Thomas and Inkson (2004:167) point out, that cross-cultural research consistently shows that expatriate managers fail in their assignments, because of cultural problems, and not because they are technically incompetent. Avery and Thomas (2004:380) argue, that cultural diversity has an impact on management and, therefore, the required competence of international manager's in dealing with diversity-related issues is of particular importance. Without this, firms will not be able to capitalise on the prospective benefits and ensure the success of the JV.

5.3.1 Distinguishing between expatriate/ international Managers and global Managers

Pucik and Saba (1999:47) differentiate between expatriate/international managers and global managers on a frame of mind difference. Whereas the global manager normally refers to an individual with cross-border responsibility and has developed an understanding of international business, and the ability to work across cultural and functional boundaries, the expatriate is an individual who is assigned a specific task to perform on an overseas assignment. The said differences are summarised in Table 5.2 below.

Table 5.2: Differences between expatriate and the global managers

Area of expertise	Expatriate manager	Global manager
Global perspective	Focuses on a single foreign country and on managing relationships between headquarters and that country	Understands world-wide business environment from a global perspective
Local Representation	Becomes an expert on one culture	Must learn about many foreign cultures, perspectives, issues , tastes, trends, technologies and approaches to conducting business.
Synergistic learning	Work with and coaches people in each foreign culture separately or sequentially Integrates foreigners into the headquarters national organisational culture	Works with and learns from people from many cultures simultaneously Creates a culturally synergistic organisational environment
Transition and Adaptation	Adapts to living in a foreign culture	Adapts to living in many foreign cultures
Cross-cultural interaction	Uses cross-cultural interaction skills primarily on foreign assignments	Uses cross-cultural skills on a daily basis throughout his or her career
Collaboration	Interacts with colleagues from within clearly defined hierarchies of structural and cultural dominance and subordination.	Interacts with foreign colleagues as equals
Foreign experience	Expatriation or inpatriation primarily to get the job done.	Transpatriation for career and organisation development

Source: Pucik and Saba (1999:50)

According to Friday and Friday (2003:865), managing diversity refers to the planning, organising, leading and motivation of individuals with cultural differences in a particular setting, such that their inputs are used to accomplish the organisation's strategic objectives. Therefore, to manage multicultural groups more effectively, managers need to be aware of cultural differences, how they should communicate and show respect to other cultures, avoid stereotyping, and be empathetic to other cultures. In addition, issues should be defined from the point of view of both cultures. The focus should be on accommodating all unique cultures. Mechanisms that discover the underlying culture differences, can be used to better manage cultural differences. Management should be open and flexible to the stage of collaboration. In order to this, managers need certain competencies. Literature defines them as follows.

5.3.2 Essential Competencies required from the international Manager

Iles and Hayers (1997:101), together with Harris and Kumra (2000:603-604) note, that along with increasing diversity of international assignments, there is a growing recognition of the critical importance of international management competencies. In many organisations there is an increasing use of multinational task forces - international joint venture teams, global product development teams, strategy teams, global restructuring teams and even top management teams, often as an effect of a geocentric, global staffing and career development system. Organisations interested in developing capable global managers and wishing to select, retain and develop employees in many parts of the world, will establish global, geocentric human resource management (HRM) practices, which are HRM practices increasingly from multinational groups. Bartlett and Ghoshal (1989), in Harris and Kumra (2000:603), in their seminal work on the transnational organisation, advocate the development of a cadre of managers with a global mindset as the only way in which organisations working across borders can create a common culture and deal effectively with the complexity inherent in international business. Whilst international assignments have traditionally been used as means of developing such a mindset, other methods such as cross-cultural project teams; "virtual commuting", international meetings, seminars and conferences, as well as specific international management training, are all used for this objective. The authors also note, that the debate about the traits/behaviours necessary for effective international managers has been a key feature of expatriate management literature for many years. There is also a worrying gap between theoretical lists of competencies and the reality of organisational practice, as revealed in selection criteria for international management assignments. The varied list of competencies produced by academics working in this area, may be a result of the fact that there is little definition of the term "expatriate" or "international manager" in such studies. The skills and abilities listed, therefore, are very diffuse as they could apply to roles as diverse as oilrig supervisors, international aid workers and the chief executive officer of major international subsidiaries. The limitations of such an approach are clear when compared with domestic selection practices, and would therefore, have to be adapted in accordance with the specific position.

From interviews with currently operating international managers, Harvey and Novicevic (2001:72) identify a holistic core competence of "being" which underpins

specific behaviour competencies and skills. The overall competence is seen to be composed of three inter-linking parts: cognitive complexity, emotional energy, and psychological maturity. Features of cognitive complexity include cultural empathy, active listening and a sense of humility. Emotional energy includes emotional self-awareness, emotional resilience and risk acceptance; whilst psychological maturity includes curiosity to learn, a "present" orientation to time and personal morality.

5.3.3 Traditional Approach to international Management

Harvey and Novicevic (2001:72) further note, that such requirements would suggest an acknowledgement of the need for excellent relational skills, self-awareness and flexibility for effective international management, 'this is not supported by evidence from research into the criteria used in actual selection decisions within organisations. Visible is a continuing focus on more traditional criteria. This includes a reliance on technical expertise, knowledge of company systems, experience and potential, with relational and other personality traits much further down the list. Reliance on technical expertise may be explained by the high risk factor of international appointments, which leads organisations to focus on ensuring that the job can be done competently. An underlying assumption of the universal nature of management skills may still be relevant in explaining the lack of sophistication apparent in many organisational selection processes. Harris and Kumra (2000:604) note widespread reliance on personal recommendations for expatriate postings, resulting in more or less predetermined selection interviews where the main discussion revolves around negotiating the terms of the offer. Formal testing for expatriates is also limited, with restricted use of personality and psychological tests and a general suspicion of the validity of cultural awareness or adaptability tests. The "best" candidates in practice therefore, are those deemed to have proven their competence through recorded measures of attainment, in ways sanctioned and recognised by themselves and powerful others. However, such an approach, though the basis for a successful managerial "track record" in the West, is increasingly being recognised as inadequate for success as an international manager. Criteria upon which Western managerial competence is based, may be wholly inappropriate in an international setting and may indeed be the determinants of failure rather than the keys to success. Such individuals are likely to be high achievers, aggressive, task-oriented, time-driven, problem-

centred; they are unlikely to indulge in social chit-chat or wish to "waste" time building relationships. This profile is inconsistent with earlier discussions of the qualities sought of an international manager, particularly in developing countries where relationships and tradition are the foundations upon which enduring business relationships are built (Harris & Kumra, 2000:604).

5.3.4 Skills identified by Literature

Literature (Bell & Harrison, 1996; Gregersen et al., 1998:22-27; Tung, 1998:30-33; Kedia & Mukherji 1999:236-240; Pucik & Saba, 1999:53; Hofstede, 2001:428; Littrell, 2002:7; Rijamampianina & Maxwell, 2002: 5-6; Avery & Thomas, 2004:382; Landis et al., 2004:181, 201; Lane et al., 2006) suggests that the key cross-cultural management skills are the following.

- The capacity to communicate and interact effectively – host communication and interaction competence is truly the *sine qua non* of successful adaptation.
- The capacity to be non-judgemental and tolerant.
- The capacity to accept the relativity of one's own knowledge and perceptions.
- The capacity to display openness and empathy – adaptive individuals understand, that giving way to change is not the same as running away from the present or denying the past. They learn that in the most frustrating moments of change, arises a new awareness and growth.
- Tolerance for ambiguity and stress. Cross-cultural collaboration always implies changes on everybody's part. Working side by side, pursuing the same processes, and producing the same product demands, that people create common mental models, which may differ from those they currently have. Research on expatriates has found, that crossing from one's own culture into a foreign one, creates significant uncertainty and that those who have a reasonable high tolerance for ambiguity tend to cope and adjust better. Furthermore, in today's hyper-competitive business environment, waiting for clarity works only if everyone else also waits.

By combining the above with other research (Higgs, 1996:39; Iles & Hayers, 1997; Child & Faulkner, 1998; Hofstede, 2001:428; Batonda & Perry, 2003:1553-1556;

Avery & Thomas, 2004:382; Thomas & Inkson; 2004:78), three key ingredients for becoming a successful intercultural manager are the following.

- Cultural awareness and sensitivity.
- Cultural knowledge.
- Intercultural skills or cultural intelligence.

Cultural awareness and sensitivity will alert the manager to the fact that cultures differ, and that because cultures differ, people need to be approached, lead, and managed differently than employees from his or her home culture. Knowledge of why and how cultures differ, and of how people from different cultures need to be managed, will equip managers with the necessary theory on how to manage. Intercultural skills and intelligence will develop through applying the theory the manager has learned in practice. The three components will now be discussed.

5.3.4.1 Cultural awareness and sensitivity

Pooley (2005:30) argues, that intercultural competence starts with the recognition that one carries a particular mental software because of the way one was brought up, and that others who grew up in other environments carry different mental software for equally good reasons. The awareness phase teaches participants to perceive people in their cultural context and to dig up the unconscious knowledge of their own mental programs. Friday and Friday (2003:865) and Thomas and Inkson (2004:62) also argue, that an important part of resolving cultural adaptation, is to become culturally aware, and develop cultural sensitivity and intelligence. These attributes are developed through a journey of education and experience that should start by one's understanding of one's own culture, and how it is perceived by other cultures. Littrell (2002:11) supports this argument by pointing out, that international business is much more personal and relationship-oriented than domestic business. Managers in the international arena require multiple approaches in order to deal with multiple cultures. Those who are skilled only in mono-cultural management, rarely succeed in a multicultural or bicultural environment. Without a proper understanding of cultural norms, global managers and expatriates can make embarrassing, sometimes debilitating, social mistakes while trying to communicate with their co-workers and

business associates. For a successful expatriate, general multi-cultural awareness and regional or country-specific awareness, are essential. Cultural awareness does not focus on a specific region of the world, but instead requires general sensitivity to other cultures. It is therefore, important to understand how one's own culture influences one's behaviour, in order to understand how a foreign culture influences the behaviours of the people in that culture. Most individuals do not realise that their beliefs, values and behaviours are not universal, particularly if they have limited or no experience with another culture. They take those beliefs for granted and are unable to see them as something that may be unfamiliar to others. Until we come into contact with other cultures, it is unlikely that we will understand what distinguishes our own culture. The less people are aware of their own cultural biases, and the fact that their own behaviour is a potential liability, the less competent they will be in their working relationships with foreign nationals. Inaccurate attributions, then, have a dysfunctional effect on an expatriate's ability to interact. It should be a goal of every expatriate to try to reduce this ethnocentrism. Avery and Thomas (2004:385) argue, that there is a tendency, known as the self-referencing criterion, to perceive others according to one's own values and standards. Those whose values are incongruent or who do not fit these standards, are often evaluated harshly and misunderstood. According Thomas and Inkson (2004:62) cultural sensitivity means to have the empathy to accept cultural differences without allowing one's own values to surface in unproductive or confrontational ways (See also Holt and Wiggington, (2002:291) in this regard). It implies that an individual has become sufficiently aware of differences to function effectively without becoming openly judgemental. Global and expatriate managers do not have to abandon their values to be empathetic, but they must avoid imposing their personal beliefs and cultures on others.

5.3.2.1.1 Stages to develop cross-cultural awareness and sensitivity

Aronson (2002:52-53) argues, that being aware of cultural differences is not to mechanically ascribe everything to those differences, but to become more skilful at making the kind of nuanced judgments that are critical to long-term business success. The key is to become aware of one's emotional reactions to cross-cultural differences as they arise. This is challenging, as most of the time, we simply have emotions, and even though we may seek to control them by tamping them down, or by inhibiting our expression of them, for the most part, we don't think self-critically about our emotions

as we are experiencing them. Becoming aware of what we are feeling, and being able to articulate that feeling with some specificity is, therefore, something of a learned skill. The question is how can we, short of a deep immersion in a culture and without the daily, in-depth experience of encountering differences, develop the cultural awareness and learn to behave in a culturally sensitive manner? It is difficult to know and understand the cultural background of every person we do business with. However, if we strive to learn as much from a particular culture through every intercultural encounter, may be a life-enriching process. But in most cases, it is enough simply to be aware that differences can arise. Monitoring your behaviour, and reflecting on the other person's, can help guide you toward an accommodation. Managers do not need to be cultural experts, but employees will appreciate their sensitivity, provided that managers are seen to be making a good-faith effort to comprehend them.

According to Mead (1998) and Pooley (2005:30), there are four key stages to cross-cultural awareness.

- **Self-awareness**

  You need to know yourself; you need to be aware of what constitutes normal behaviours for you. What are your values, how do you see the world? What kind of behaviours and preconceptions in your social and business settings do you regard as the norm? Of course, what you regard as the norm, is not the objective norm, but only one's perception of it. But you need to understand this before you can move on to the next phase.

- **Understanding others**

  You need to understand what your counterparts in different countries regard as the norm. Particular attention should be paid to the attitude you and your cross-cultural counterpart display towards identified cultural dimensions.

- **Understand how others perceive you and your culture**

  Know how others see you. It is essential to know about the perception other cultures might have about you and your own culture, especially those negative perceptions.

- **Ability to adapt**

  Learn to adapt whilst remaining true to your own culture.

5.3.2.2 Cultural knowledge

Hofstede's research on dimensions of cultural values provides a useful model on this line of inquiry. There is plenty of information available on cultures. Anthropologists have conducted research, and this information has been useful in establishing the normative behaviour of cultural stereotypes of many national cultures. It provides a starting point for anticipating culturally based behaviour. Understanding some of the key differences between different countries in respect of these dimensions and how they manifest in business behaviour, is an important fists step in cultural intelligence (Thomas & Inkson, 2004:38). The table below demonstrates the differences in perceptions that will exist between Americans and Guatemalans, for example.

Table 5.3: Differences in cultural perceptions between Americans and Guatemalans

Hofstede dimension	U.S.A	GUATEMALA
Individualism	91	6
Power distance	40	95
Masculinity	62	37
Uncertainty avoidance	46	101

Source: Thomas and Inkson (2004:38)

These differences manifest in social behaviour and perceptions of that behaviour. The Americans may be irritated by the Guatemalan's emphasis on social activity, the slowness of their consultative decision making, the autocracy of their high-status people and the flattery of their low-status people, their softness, and their discomfort with any sort of ambiguity, or with taking decisive action on their own initiative. For

their part, the Guatemalans might see the Americans as being self-centred, over-familiar, aggressive, and anarchical. For this reason, the first step to cultural intelligence and flexibility, is to understand your own culture, and how it effects your interpretation of the behaviour of others. It would be a good starting point for any expatriate manager to look at all the cultural dimensions identified, and try to understand where his or her culture fits in, and how this may be perceived by other cultures. Neal (1998:64-65) argues, that managers should be alerted to the experience of working with foreigners, the irritation, frustration and tedium. When these aspects of work are characterised accurately, they become more manageable. Managers should also be made aware of the social dynamics of culture – the issues that lead to cost-related and career-threatening problems.

Importantly, Thomas and Inkson (2004:68) argue, that culturally intelligent individuals are able to see past the stereotypes that a superficial understanding of cultural dimensions-such as collectivism, uncertainty avoidance and power distance provide. These dimensions are only a first step of developing cultural intelligence. Culturally intelligent people see the connection between a culture and its context, history and value orientations. They realise that knowledge of a culture of a country or region is valuable only in the context of understanding its religious, philosophical, and historical issues. For example the Kurds, Shiite Muslims and Sunni Muslims in Iraq share many aspects of their cultural background, but an understanding of the history of their interactions over the centuries is necessary for a truly accurate understanding of the values, attitudes, and beliefs that underlie their behaviour towards each other and the outside world.

Therefore, the cultural dimensions identified by Hofstede should be used as a departure basis and point of reference only, and the actual cultural differences, and how these manifest in the workplace, should be explored and learned through continuous interaction.

5.3.2.3 Cultural skills and intelligence

Thomas and Inkson (2004:54) further argue, that cultural intelligence is ultimately expressed in behaviour – you have to be able to perform. Behavioural scientists have long been aware that the concept of skill can be applied to social behaviour. The most

commonly perceived causes of problems in businesses, are not technical or administrative deficiencies, but problems such as communication failures, misunderstandings in negotiations, personality conflicts, poor leadership style, and bad teamwork – in other words, inadequacies in the way that people interact with each other. Many organisations regard social or interpersonal skills as key qualifications for new employees. Upward to 70% of time spent by most managers in most cultures, is interacting with others – superiors, subordinates, peers, clients and others – in face-to-face conversations, meetings, telephone calls, and informal social settings. Skilled interpersonal performance is vital. For example, *Mianzi*, or keeping face, is one of the characteristics, and the motivational force behind a lot of actions in Chinese culture. For someone working with Chinese, it is important not to reprimand a Chinese employee in front of other people. It is also important to focus on what the behaviour of the employee caused. It is better to tell a Chinese employee that his or her behaviour caused the superior to lose face, as this will be understood as a degrading experience. International managers, therefore, need to be aware of these aspects of culture and be able to act accordingly. This is also supported by Mead (1998). Harris and Kumra (2000:604) also support this argument and argue, that from a theoretical perspective, the development of cross-cultural skills centres on the manager's ability to engage in effective cross-cultural interactions to the extent that such interactions are effective and misunderstandings and inappropriate behaviour are minimised, if not eradicated altogether. The task of those wishing to prepare managers for this task, is to determine what skills or competences they will require to enable them to do this effectively. These key competencies require that individuals examine, gain knowledge and, where necessary, alter their attitudes and behaviours accordingly.

Kedia and Mukherji (1999:239-240), together with Thomas and Inkson (2004:54-55) argue, that in order to acquire cultural intelligence you must practise, by living and working in culturally different environments, or at least by working with culturally different people. But in order to live and work in culturally diverse environments, or at least work successfully with culturally diverse people, you first need to acquire cultural intelligence. Cultural intelligence is not just a party trick to be pulled out from time to time as intercultural situations crop up in work. Cultural intelligence means being skilled and flexible about understanding a culture, learning more from it from your ongoing interactions with it, and gradually reshaping your thinking to be more

sympathetic to the culture and your behaviour to be more skilled and appropriate when interacting with people from other cultures. The global manager of today and tomorrow must learn to be flexible enough to adapt with knowledge and sensitivity to each new cultural situation that he or she faces. An international manager's work necessitates the constant exercise of cultural intelligence. This may well require the manager to go and live in a different country for some time. According to the writers, cultural intelligence has the following three parts.

- Culturally intelligent managers acquire knowledge of culture and of the fundamental principles of cross-cultural interaction. This means knowing what culture is, how cultures vary, and how culture affects behaviour.
- The culturally intelligent manager needs to practise mindfulness; the ability to pay attention in a reflective and creative way to cues in the cross-cultural situations encountered.
- Based on knowledge and mindfulness, the culturally intelligent manager develops behaviour skills, and becomes competent across a wide range of situations. These skills involve choosing the appropriate behaviour from a well – developed repertoire of behaviours that are correct for different intercultural situations.

The writers further argue, that the process of becoming culturally intelligent, involves a cycle of repetition in which each new challenge is built upon until cultural intelligence is ultimately achieved. Being culturally intelligent, enables us to recognise cultural differences through knowledge and mindfulness and gives us a propensity and ability to act appropriately across cultures. Mindfulness is a means of observing and understanding cultural meanings and using that understanding as a basis for immediate action and long-term learning. The culturally intelligent manager draws on a wealth of experience and can make fine discriminations among subtle different behaviours that perfectly fit the situation. One manager called this ability "a matrix in the mind of managers". For example, it is customary in China to show respect for a guest by disparaging one's own accomplishments, even the selection of a restaurant.

These components are connected to and built on each other. Because culturally intelligent people have good background understanding, their interpretation is assisted - they know what to look for. But each competency is also based on wider characteristics that we all have to different degrees. Those who find cultural intelligence easiest to acquire, are people that are interested in novel learning and social interaction and already have good communication skills.

5.3.2.3.1 Becoming culturally intelligent and developing intercultural skills

The following activities that support the development of cultural skills/ intelligence steps, have been identified by literature (Gregersen et al., 1998:28-30; Tung, 1998:30-33, Kedia & Mukherji, 1999:236-240; Thomas & Inkson, 2004).

- **Mindfulness**

  Thomas and Inkson (2004:51-52) argue, that mindfulness is the first step in switching of cultural cruise control. It is basically paying attention to context. It does not involve changing yourself, but rather using attention to become aware of differences and to think differently. In cross-cultural interactions, mindfulness means simultaneity.

  - Being aware of our own assumptions, ideas and emotions, as well as the selective perception, attribution, and categorisation that others and we adopt.
  - Noticing what is apparent about the other person and tuning into their assumptions, words, and behaviour.
  - Using all of these senses in perceiving situations, rather than just relying on, for example, hearing the words that the other person speaks.
  - Viewing the situation from several perspectives, that is, with an open mind.
  - Attending to the context to help interpret what is happening.
  - Creating new mental maps of other people's personalities and cultural backgrounds to assist us in responding appropriately to them.
  - Creating new categories and re-categorising others into a more sophisticated category system.
  - Seeking out fresh information to confirm or disconfirm the mental maps.

- Using empathy –the ability to mentally put ourselves in the other persons shoes as a means of understanding the situation and their feelings towards it, from the perspective of their cultural backgrounds rather from than ours.

- **Training**

  Cross-cultural skills development needs to take a life–long dimension, as supposed to a once-off program with area specific focus. This implies, that companies need to invest heavily in training programs.

- **Working for an international company on foreign assignments**

  In a study conducted by Lane et al., (2000:116) it was found, that over 80 % of managers reported that living and working in a foreign country, to be the single most influential experience in their lives. International companies such as Nortel (Northern Telecon) manage each phase of international transfers. They establish candidate pools of international managers, encourages informed self- selection, provides pre-departure training, establishes support mechanisms, plans for repatriation, debriefing of employees and family on return, and utilise repatriates' international skills and knowledge throughout the organisation (See also Bender & Fish, 2000:132).

- **Finding an international business mentor**

  A business mentor with experience in cross-cultural management, will assist and advise an international manager with navigating the troubled waters of cross-cultural management.

- **Multicultural team assignments, including "virtual" teams with members in different countries**

  Virtual teams and multicultural team assignments enable a manager to obtain exposure to different cultures, their working methods and idiosyncrasies, without the added complication of having to adjust to a foreign culture in a foreign country. It is also an opportunity for interaction in familiar surroundings.

- **Studying abroad; international internship; international travel**

  These activities will expose a person to different cultures, foster cultural awareness and promote cross-cultural interactions.

- **Cross-cultural interaction**

  Regardless of the specific context for interaction with other cultures, there are several "rules of engagement" that should be kept in mind when interacting with different culture. These are the following.

  - Become knowledgeable about your own culture and background, its biases and idiosyncrasies, and the way this is unconsciously reflected in your own perceptions and behaviour.
  - Deliberately avoid mindlessness by expecting differences in others. See different behaviour as a novel, and suspend evaluation of it.
  - Switch into a mindfulness mode in which you are attentive to behavioral cues and their possible interpretations and the likely effect of your behaviour on others.
  - Adapt your behaviour in ways that you are comfortable with and you believe are appropriate for the situations.
  - Be mindful to responses to your behavioral adaptation.
  - Experiment with methods of adapting intuitively to new situations, and use these experiments to build your comfort level in acquiring a repertoire of new behaviours.
  - Practise new behaviour that works until their production becomes automatic.

- **Cross-cultural interactions at home**

  Thomas and Inkson (2004:76) argue, that multicultural societies present managers with an opportunity to engage with others who are culturally different. However, interactions that are superficial and lack significant engagement, will not enhance cultural intelligence.

  Some ways to engage in cross-cultural interactions, are the following.

- Attend a religious service or wedding engagement of someone from a different culture. Ask a member to explain the significance of the rituals involved.
- Locate an ethnic organisation in your community and attend a cultural celebration. Ask members to explain the significance of the event and the symbolism of the activities.

5.3.2.3.3 Characteristics supportive of cultural intelligence

Thomas and Inkson (2004:65) have identified the following factors that are supportive of cultural intelligence.

- **Integrity**

  Integrity in this sense, means a well-developed sense of self-understanding how one's own belief system motivates behaviour. Understanding oneself is a fundamental base for cultural intelligence. Individuals with high integrity are not threatened by views or behaviours that are very different from their own.

- **Openness**

  Humility means showing deferential respect and a willingness to learn from others. It is passive openness or open-mindedness. People who are open, acknowledge that their own views are fallible. Another type of openness is active openness or inquisitiveness. This is curiosity - the inclination to investigate and pursue knowledge. In this case, it means inquisitiveness about different cultures and people. Without inquisitiveness, opportunities to develop cultural intelligence through interacting with others, are often declined or wasted.

- **Tenacity**

  Interacting with people from different cultures involves ambiguity, tension and emotion. Developing commitment is valuable as one goes through the repeated interactions required towards becoming culturally intelligent.

5.4 Creating Trust and Understanding

5.4.1 The Importance of Trust in Joint Ventures

Elmuti and Kathawala (2001: 4) suggest, that only people can trust each other, not companies; therefore alliances need to be formed in order to create trust between individuals. This is also supported by Kidd (2001: 107) and Stanek (2004: 6). The importance of trust in a JV is demonstrated by Child and Faulkner (1998), with reference to the "cultural fit" concept. Fit refers to the extent to which different cultures are brought into a workable relationship that permits the alliance to operate without undue misunderstanding and tension between the partners or between the staff they attach to the alliance. Cultures that do not match, in the sense that they are different, may or may not be fitted together, depending on the intentions, goodwill, and skills of the members of the different cultures. As noted previously, the active management of cultural diversity aimed at the achievement of a 'cultural fit' between partners, is essential if their cooperation is to achieve its full potential. "Fit" does not necessarily mean integration of the cultures and their associated practices; there may be other ways in which they can be acceptably accommodated. For an alliance to work well, there has to be trust between the partners and their staffs. Trust and cultural fit are interdependent. A poor cultural fit is likely to breed suspicion and act as a barrier to the building of mutual trust. If actions or events damage trust between the partners, this will rekindle their sense of cultural difference and of having a separate rather than a common identity

Trust is defined as confidence in another's goodwill or confident positive expectation regarding another's conduct. Research indicates, that where relationships are high in trust, people are more willing to engage in social exchanges in general. When individuals learn to trust one another in a social system, they are able to make credible commitments and expect generalised forms of reciprocity (Liu & Shaffer, 2005:240). According to Rijamampianina and Maxwell (2002:6), trust is the mutual confidence that no party to an exchange will exploit the other is vulnerability; this is today widely regarded as a precondition for success. Mutual trust and respect eases collective life. The greater the levels of trust and respect within a community, the greater the likelihood of cooperation.

Bijlsma-Frankema (2001:199) argues, that one of the salient issues identified by empirical research on what management can do to get groups with different cultural backgrounds to co-operate in a process of growing mutual understanding and synergy in solving daily problems in the work environment, is trust. On the one hand, trust can be seen as a cultural potential. Cultures can vary widely in their assumptions about human nature, varying from assumptions that breed tendencies to distrust, to assumptions that induce a general tendency to trust other people. On the other hand, trust is the result of daily practices. Trust is embedded in the regime of an organisation, by the management philosophy underlying it and the practices it tends to produce. There is a general agreement, that in organic regimes trust is one of the basic principles of co-ordination that fosters integration, co-operation and commitment to shared goals. If an integration process between different people or groups trust is kept, people will tend to mould initial differences into widening perceptions of shared thinking and cooperation. In hierarchical relations, trust furthers attribution of positive motives to managers and acceptance of decisions made by them. When people trust each other, other means of governance and control can be minimised to a level that is required by the type of work and the risks involved. Deo Sharma (1998: 513-514) supports this argument and suggests, that as alliance partners carry out activities, the following three types of uncertainty prevail.

- First, goal uncertainty or the uncertainty concerning the similarities and differences in the goals of the alliance partners. Even after protracted negotiations, the partners in an alliance remain far apart in their views on the missions of the alliance.
- Second, resource uncertainty. This is uncertainty arising from the resources possessed by the two parties. When they enter into an alliance, the partners lack knowledge of the resources controlled by the other party, as well as their importance and usefulness for the particular alliance. The problem is multiplied as the decision-makers in the respective alliance partners may lack a comprehensive knowledge of the resources within their firm.
- Finally, process uncertainty, that is, uncertainty concerning the manner in which the resources of alliance partners can be combined to achieve a mission.

This type of uncertainty arises because the resources of the alliance partners are heterogeneous.

Due to these uncertainties, relying solely on the contractual relation is not possible. A document that is drawn up covers the aspects that are certain, known and institutionalised. The former are easy to specify, such as that the alliance partners shall work for their mutual benefit. Enforcing this dictum in practice is, as demonstrated in chapter II, a lot more complicated. A great deal of trust between the potential partners is required in order to mitigate the effects of this uncertainty. This is feasible when alliance partners gain an "understanding" of each other. Partners in a strategic alliance gain understanding of each other's goals, resources and competencies through interaction. Rodriguez et al., (2003:142) also note, that managers need to ensure that trust is built by communicating effectively beforehand. The writer cites an example of a JV with a Canadian company in which cultural differences were mitigated, in the light the intense contact prior to the agreement, which generated strong trust that continued during its development. Liu and Shaffer (2005:240) note, that even though the international work environment is often less trusting because of different cultures and expectations, to date, however, trust has received little attention in the expatriate literature, although trust has been found to have a number of important outcomes for organisations and their members. Although there is no direct empirical evidence that trust affects expatriate adjustment, social capital research has found, that trust enhances a person's willingness to engage in various forms of spontaneous sociability such as sharing useful information. In the expatriate context, successful adaptation and performance depend on developing trusting relationships with JV's. The writers again stressed, that such trust does not come automatically; expatriates have to put effort into developing that trust. Hofstede (2001:238-239) also points out, that trust plays a particularly important role in collectivist societies. Collectivists only tend to trust "one of us". The in-group and out–group concept is universal in individualist societies. Preferential treatment of one customer over another is considered unethical practice. In a collectivist society the norm is particulate. The distinction between "our group" and the "other group" is at the very root of people's consciousness. Treating one group better than the other, is ethical and sound business practice. A consequence of a particularistic society such as

a collectivist society is, that a relationship of trust should be established between parties before they can do any business. A relationship is established with a person rather than with a company. To the collectivist mind, only natural persons are worthy of trust, and via these people, their friends and their colleagues, but not impersonal legal entities like companies. So in the collectivist society the personal relationship prevails over the task and over the company and should be established first; in the individualistic society, in contrast, the task and the company are supposed to prevail over any personal relationships. Naïve Western businesspersons who try to force quick business in a collectivist culture, condemn themselves to negative discrimination as out-group members. Kauser and Shaw (2004:26) provided empirical proof, that trust is positively related to international strategic alliance performance and manager's satisfaction and is thus a good predictor of alliance success. These findings support the notion that a higher level of trust between partners engaged in international strategic alliances is likely to result in better alliance performance. The results suggest that, in order to build trust in an international strategic alliance, managers must try to instil in personnel involved in the relationship the importance of keeping promises, being sincere when making decisions, showing loyalty and offering support to the other party. Managers can help cultivate these trusting behaviours by encouraging partners to have a relationship that is open and informal and has a high degree of harmony. If managers are able to help develop mutual trust, between partners, this should reduce the possibility of both partners attempting to take advantage of each other and the possibility of opportunism. As a result of developing mutual trust the partnership can direct its attention towards achieving its long-term performance goals.

Mead (1998) points out, that when partners trust each other, they find it easier to reach agreement on internal arrangements the following are important.

- Applying the same strategic priorities to planning.
- Management style and system.
- Systems for communication between the parents.
- Factors associated with business interest, gaols, impact of size, timescale.
- Assessment of the JV success or failure, project evaluation, both ongoing and upon termination.

Mead (1998) further points out, that a lack of trust arises when:

- staff join the project ignorant of the needs and interest of their colleagues from the other parent.
- local staff feels threatened by a stronger foreign parent;
- conflict arise from human resource and technology transfer policies (one parent cannot supply the skills to which it is committed);
- cultural differences are exploited.

Perks and Sanderson (2000:276) argue, that trust in an internationally business context depends on the ability to interpret culturally coded signs. If such codes are ignored or misunderstood, trust may be withdrawn. The ability to build and maintain trust with people from different cultural backgrounds, may require challenging one's own basic assumptions. Finally, Parkhe (1991:437) notes, that effective handling of such cultural differences must begin with developing an understanding of the other's modes of thinking and behaving. For example, reflecting on the failed AT&T-Olivetti alliance, AT&T group executive Robert Kavner regretted: "I don't think that we or Olivetti spent enough time understanding behaviour patterns". Avoidance of such preventable mistakes may become increasingly essential, and investments in sophisticated programs to promote intercultural awareness, may become increasingly cost-effective, given the accelerating trend of strategic alliances and the often-enormous losses stemming from failed JV's.

5.4.2 How to build Trust in International Joint Ventures

5.4.2.1 Develop cultural awareness amongst managers and personnel

Appelbaum et al., (1998:224) argue, that managers need to develop an openness to build trust so that needed desired information has a chance to emerge and evolve for conflict resolution. Managers also need to acknowledge the cultural impact on conflict and build on it. In this case, it is necessary that the employee can explain it in a way that the listener can understand. An important element of this, is the ability of the listener to listen effectively. Managers may find it also useful to use those instruments to try to begin to understand the employee's culture and to see how one's own differs from it.

5.4.2.1.2 Promote frequent interaction

According to Deo Sharma (1998: 4-5), interaction in JV's can be described in the following four dimensions.

- Frequency
- Surface area
- Variety
- The medium used.

The more intensive and regular the interaction in an alliance, the better the coordination of the production, transportation and legitimating activities. The medium used, also affects the interaction, as certain media such as face-to-face communication are richer and offer more accurate information. Through face-to-face interaction in JV's, alliance partners talk to each other using a language and symbols that they both understand, and share objective knowledge, meaning, values, symbols and norms. Interaction among people creates trust, as well as an implicit perspective shared by the interaction parties. As a result, alliance partners learn to grasp the incoming signals more easily and to interpret them in an appropriate way. Frequent interaction, using rich interaction media and involving a large number of people from both sides, allows the partners to understand each other's goals and resources, as well as each other's limitations and restrictions. Misunderstandings are avoided and failure to implement decisions, for example, is interpreted as functional failure rather than opportunistic behaviour by the JV partner. It is however, important that the interaction takes place at all levels, from senior management to junior personnel. Rodriguez et al., (2003) support the argument for interaction and argue, that when developing management practices for the formal organisation, their consequences for the informal organisation should be considered and then systematically monitored. Organisational development (OD) and change activities can serve many purposes during the formation and subsequent management of JV's. In this case OD is developed in the informal organisation. Research and anecdotal evidence alike point to the important role of personal friendships in the success of cross-cultural alliances. For example, in explaining the factors that resulted in a successful joint venture between an Italian and a U. S. firm, managers pointed to the strong friendship between the two chairmen of the parent companies. Conversely, the lack of personal friendships between

employees at FESA - a joint venture between Japanese Fujitsu and Spanish Banesto - made it difficult for them to develop the level of trust that was required in order for learning and knowledge transfer to occur. Owing to the many forms of cultural diversity that are often present in IJV's, employees may find it more difficult than usual to develop close personal relationships with their colleagues from other cultural backgrounds. Yet, the positive feelings associated with one close friendship with someone from an "outgroup" culture (e.g., the joint venture partner) are likely to generalise to the entire group. Thus, OD activities that help employees develop even a few friendships, may be quite beneficial to an alliance. As is true for all HRM practices, however, a major challenge is designing activities that have the intended effects across all segments of the organisation. As we have described, OD interventions are most effective when the assumptions that guide the OD activities fit the assumptions of the culture. Within culturally diverse organisations, meeting this condition is particularly challenging. The assumptions underlying an OD effort may be congruent with the cultural background of some employees, but unless there is little cultural diversity, the same assumptions will not be shared by all employees. Neal (1998:41) also suggests, that managerial work cannot be restricted to the formal bureaucratic elements of the job. The writer distinguishes between formal and informal management activities. Formal activities are those activities that were institutionalised, such as regular timetabled meetings. Informal activities are those that are non-institutionalised or impromptu, such as chats in the corridor, the canteen, or indeed outside the organisation. Unlike the formal activities, which managers are usually forced to attend, the informal interaction between different cultures are scarcely attended, as managers preferred to socialise with compatriots. It is easier to strike a rapport with someone who shared the same life experiences and has more in common in terms of education and background. He cites a case study in which a Dutch manager, working in a British subsidiary of an international organisation, who adhered strictly to his personal work ethic of coming to work, work hard during the day, and leave at 5pm. He perceived the British manager's tendency to, first thing in the morning, congregate around the coffee machine as evidence of British sloppy and laziness. He was, however, surprised to discover that he very rapidly became the bud of jokes about the Dutch. This is an example of a manager focusing on the formal part of his job, but neglecting the informal part. The writer cites Mintzberg (1973), who noted, that managerial work also involves and relies upon striking a rapport and trust,

and developing informal networks. To be effective, a manager must be skilful at communication, and gaining knowledge of other's motives and manoeuvres. Such information is gained through the less formalised, less structured aspects of managerial work: popping into another's office; phoning up a colleague on the off-chance; following upon what somebody had said at the coffee machine. Such trivial activities are required for sustained managerial effectiveness. Effective management, and especially effective cultural diversity management, involves both the formal and informal aspects of management.

5.4.2.1.3 Regular dialogue

Deo Sharma (1998: 3) notes, that in the beginning of an alliance, the partners communicate primarily through formal media such as a written legal contract. At this stage, some of the norms that will later govern the alliance, are already being forged. The interaction surface is limited and only people from top management interact. In a study conducted by Bijlsma-Frankema (2001;199-203), the factors that were found to enhance trust, were shared goals, shared knowledge about similarities and differences in norms and expectations, making agreements, monitoring compliance with agreements, active handling of non-compliance, and beforehand agreement on conflict resolution. The enhancement of these factors all depend on regular dialogue. Regular dialogue seems to be a key factor in trust building. In all unsuccessful cases, a regular dialogue between groups that disagreed on solutions for problems experienced between them, was missing. In these cases, differences of opinion grew into aversive diversity, mutual distrust, and avoidance of interactions with the distrusted others. A regular dialogue, in which ways of reasoning are exchanged, can prevent such a vicious cycle developing. Once a vicious cycle has developed, a regular dialogue can redirect such a cycle in a feedback stage of the process, as some cases show. Monitoring compliance with agreements also seems of vital importance to building trust and co-operation between different groups, because if keeping agreements, the first step in building trust, is not realised, distrust will start to destroy the willingness of groups to co-operate. The unsuccessful cases that were examined, deviated from successful ones by a lack of regular dialogue, of monitoring, and, consequently, of handling non-compliant behaviour. Elashmawi (1998:214-215) notes, that activities that will assist JV partners in building trust include staff training to share information, to be good at giving and receiving feedback, listening, developing open

communication systems and generally creating a climate which recognises differences, and sees them as a positive basis for action and not as something dangerous and to be avoided. For multinational firms with managers from different cultures, improved communication could promote quality-enhancing ingredients of different views.

Trust is, therefore, a cultural potential that can grow as a result of daily practices that are embedded in the regime of an organisation. Management of change processes seems to reflect this regime and underlying managerial belief systems. In all successful cases employees understood "why" and "how" things were to change, thereby enhancing the sense of shared goals, knowledge and norms between different groups. They also stressed the value of dialogue, monitoring compliance with agreements and feedback on success or failure, again factors that promote trust, whether it is between groups of equals or between management and employees. Trust in managers and colleagues, in turn, brings about psychological safety, a necessary condition for openness on which dialogues and monitoring are thriving. These factors seem to influence each other in a cycle of growing trust. In several unsuccessful cases, a cycle of growing distrust, lowered psychological safety, ineffective monitoring and avoidance of interaction had developed, but even in these cases systematic feedback proved a powerful means for turning the tables on distrust by dialogue (Bijlsma-Frankema, 2001:199-203).

The aforementioned qualities are, therefore, pivotal for an international or expatriate manager. Ultimately however, managers will have to apply these qualities in practice in order to be effective cross cultural managers.

5.5 Cross-Cultural Management

According to Friday and Friday (2003:864), managing diversity should be considered an active phenomenon, which involves supervising or coordinating and directing the diversity or differences individuals bring to the organisation in order to ensure the organisation's strategic goals are being fully and effectively met. In other words, it refers to successfully arranging the organisational inputs of individuals with diverse backgrounds. Bijlsma-Frankema (2001:197) argues, that three main tasks of

management can be distinguished, based on the three main threats to success, brought together in the following three-level model.

- First, managing the relation with the external environment: designing a clear structure in mutual co-operation that is fit to operate successfully in the environment.
- Second, managing internal integration: furthering cultural integration at the levels of management and employees to a point where synergy prevails and disintegrative tendencies are minimised.
- Third, managing commitment of employees: furthering cultural adaptation to the new structure to a point where employees commit themselves to the new way of doing things, resulting in levels of internal productivity that sustain the success of the new firm.

The management of cultural differences will now be discussed per management element.

5.5.1 Setting Objectives and Planning

5.5.1.1 Planning – profiling potential JV partner

Bijlsma-Frankema (2001:198) argues, that before the decision to enter into a strategic alliance is made, it is important that top-management have a clear sense of its own goals and that they elicit from these goals what they need to know about a possible partner. Research on joint ventures shows, that a thorough partner analysis before the decision to join forces is made, is a major success factor. The effectiveness of partner analysis can be furthered by a profile of an ideal partner, made beforehand. The outcome of the analysis is a clear picture of common goals, strategies and expectations between the two organisations, of cultural fit and differences, and a realistic judgement of the means available at the partner's side. All these factors can reduce the chance that conflicts break out in the course of the process that is hard to solve. Common goals and cultural fit show the areas where the chances of conflicts are low from the beginning: the common ground that can be worked on. Equally important is insight in each other's means to reach the common goals set, since that paves the way for realistic mutual expectations that reduce the chance of conflict too.

An outcome of an effective partner analysis is insight in cultural differences, a necessary condition for management of cultural integration.

5.5.1.2 Decision-making

In order to decide on a specific plan with the JV partner, managers have to understand that decision-making processes differ from culture to culture. Yavas and Rezayat (2003:231) argue, that in order to have a better understanding of decision-making, it would be useful if different cultures knew more about each other's value systems. Thomas and Inkson (2004:89), together with Hofstede (2001:391) argue, that it is very important for Western managers to suspend, in part, their own belief in the rationality as a basis for business decision-making, and be mindful of the specifics affecting decision-making in other cultures. Holt and Wigginton (2002:592) suggest, that the key is to develop a decision-making model that will accommodate the habits of local culture. Consultative management and decision-making for example, may be effective in certain cultures, will produce little effect in many countries.

Ultimately, managers need to be aware of cultural differences when it comes to setting objectives and planning, and have knowledge of the different cultural perceptions on these aspects of management. As discussed in Chapter IV, in high-power distance cultures, an excessive hierarchy will influence planning. High uncertainty - avoidance cultures have preference for modes of market entry offering higher control and a need for more detail in planning and more short-term feedback. Managers might have difficulty with utilising the rationale model of decision-making across different cultures. Feminine cultures place higher emphasis on concern for people and cooperative relationships. This may lead to conflict when, for example, a JV needs take decisions on growth and development strategies. Long-term orientated cultures focus on long-term benefits, market share, and tend to have asocial orientation, whilst short-term profit orientated cultures tend to focus only on immediate profits. Quang (1998) pointed out, that long-term orientated cultures focus on the long-term strategic capability of their JV's by having a long-term commitment and a vision for the joint venture. As a result, a clash between a profit-oriented organisation and a socially oriented partner may ensue. Managers will then have to develop the skills necessary to setting objectives and planning effectively in the

multicultural environment, through exposure, training and interaction and communication with different cultures.

5.5.2 Organising and Staffing

5.5.2.1 Human resource management

As a result of an increase in the number and influence of multinational enterprises since the early 1990's there has been a growing interest in international human resource management (IHRM), reflecting the growing recognition, that the effective management of human resources internationally is a major determinant of success in international business. The shortage of international managers is a significant constraint on the successful implementation of global strategies (McFarlin & Sweeney, 1998:374; Deresky, 2002:389; Shen, 2005:660).

International human resource management involves management planning for foreign operations, tracking the composition of workforces in different cultural settings, recruiting and selecting foreign nationals, setting compensation and benefits for employees in varied economical environments, development, cross-cultural training, and ensuring regulatory requirements under foreign labour laws, and repatriation of employees. Cultural heterogeneity can also affect the nature and effectiveness of operational human resource programs in such functional areas as compensation and rewards, performance appraisal, staffing, and labour relations. Therefore, human resource programs must be attuned to their cultural contexts if these are to be successful. As the diversity of the cultural context increases, human resource programs must become more complex and sophisticated to deal with greater cultural heterogeneity. While empirical research on the appropriate match between specific IHRM practices and cultural elements is difficult to find, the literature suggests that staffing and selection, assessment and compensation, training and development, industrial relations and employee participation and the like, should be congruent with cultural norms and practices. Development of personnel is more pervasive in international management than is domestic management, as it involves global integration of cross-cultural interaction and an infusion of a shared vision into the organisation (Gomez-Mejia & Palich, 2002:312; Pucik & Saba, 1999:55; Holt & Wiggington, 2002:451; Chow, 2004; Liu, 2004). By implication, the need to tailor human resource programs for various business units expands as the cultural milieus in

which the firm operates ,increase in diversity. This poses two potential problems that may have a negative effect on firm performance. The first, and most obvious, is that differentiation of IHR programs involves substantial costs in terms of their development, implementation, coordination, monitoring, and periodic adjustment. A more serious, and perhaps intractable problem, is that reliable information or "hard" data as to which HR practices work better under particular cultural conditions is almost non-existent. Therefore, despite the best intentions, cultural adaptation of HR programs is subject to many (often unknown) pitfalls, and the associated risks are likely to increase as cultural diversification rises (Gomez-Mejia and Palich, 1997:312). Therefore, the aim of IHR management should be to ensure successful and other development experiences to assist managers to enhance their global perspective. This implies evaluating and aligning the key staffing, development and performance management processes, so that they are consistent with what has been identified as critical factors in developing global managers. Human resources should also focus on global integration, coordination and learning, by creating favourable conditions for the diffusion of global knowledge and perspectives throughout the firm, thus creating a favourable environment where global mindsets can flourish (Tung, 1998:28; Pucik & Saba, 1999:55; Bender & Fish 2000:131).

In order to drive this objective, it is necessary to have a thorough understanding of the required competencies (as identified by literature) that an international manager should have (See paragraph 5.3 above).

5.5.2.1.1 Staffing

When staffing a JV, the competencies required from an international manager needs to be kept in mind. Rodriguez et al., (2003) argues, that when making staffing decisions, competencies related to managing diversity should be given at least as much weight as technical competencies. Throughout the lives of IJV's, numerous staffing decisions must be made, including decisions regarding whom to hire, whom to promote, and perhaps whom to let go. In addition to ensuring that an alliance is staffed with people who have the technical proficiencies required, staffing practices can improve the organisation's effectiveness by identifying individuals who are more likely to be effective working amid cultural diversity. Managers need to be aware of cultural differences when it comes to the *organising* element of management, and the

fact that organisational structure differs from culture to culture. They also need to be aware of the impact of culture on staffing decisions, and have knowledge of the different cultural perceptions on staffing policies and impact. As shown in Chapter IV, the hiring process in a collectivist society always takes the in-group into account. Preference in hiring is usually given to relatives, first of all to the relatives of the employer, but often also to persons already employed by the company. Laroche (2003:181) points out, that in most individualist cultures, people accept responsibility for their own careers. However, in collectivist cultures, people leave their careers in the hands of management. Managers need to take cognisance of the compensation and promotion policy of their parent and understand how this relates to the particular culture they are working with. Chapter IV also demonstrates that in high-power distance cultures, staffing is hierarchical, where seniority is rewarded, and where management philosophy is more likely to favour stewardship over innovation. Having acquired the knowledge, managers will then have to develop the skills necessary to manage the staffing function effectively, through exposure, training and interaction and communication with different cultures. Laroche (2003:200) proposes the following methods to enhance these skills.

- Workshops that are delivered by either internal or external resources. These workshops should cover the career management process in the organisation, explain the values of the organisation, and examine behaviour and actions that are required for advancement in the organisation, using specific examples of best communication. Where possible, policies could be adjusted to suite the expectations of a specific cultures.
- Individual coaching systems by career management professionals.
- Mentorship programs.

The following IHRM best practices with regard to the management of cultural diversity, have been identified by literature.

5.5.2.1.1.1 Establish HRM policies and processes to address cultural diversity problems

Organisations may be able to globalise while minimising the negative effects of cultural diversity through careful employee selection. For example, Lotus Development Corporation appointed a team of local executives in their Japanese subsidiary with idiocentric cultural values (i.e., individualists within a collectivist culture) to match the home culture more closely. In short, organisations may use their ingenuity to effectively accommodate cultural diversity over time as they cross increasingly distant cultural zones (Gomez-Mejia and Palich, 1997:322). Liu (2004: 505) reports, that comparability of two organisational cultures can have practice-specific effects on the transfer of practices. Any HRM practice is rooted in cultural value assumptions. When the values implied by particular HRM practices and the values underlying the culture of an organisation are compatible, it will be easier for employees at the subsidiary to understand and accept HRM practice from the parent company. However, it will be difficult for employees of the subsidiary to understand and accept an HRM practice transferred, if the values underlying the practice to the parent company and subsidiary are incompatible. For example, it will be more difficult to transfer a compensation system based on personal performance to a company with a higher team orientation than to one with low team orientation. As such, the transferability of HRM practices from the parent company to the subsidiary will be positively associated with the degree of compatibility of two organisational cultures embedded in the two units. Organisations do therefore, need to adapt their HR policies where necessary. For example, in a study conducted by Pucik and Saba (1999:56), it was found, that multinationals such as Colgate-Palmolive, Dow Chemicals, Whirlpool, 3M and Westinghouse Electric all subscribe to the following broad international staffing policies.

- Consider external recruitment to fill management positions abroad.
- Consider using third country nationals for international assignments.
- Invest in providing international opportunities.
- Recruit women for international assignments.
- Provide short-term assignment to increase on pool of employees with international experience.

- Base the selection of international managers on long-term human resource forecasts.
- Give new international assignees realistic career and job previews.
- Interview and train the spouse of the expatriate as part of the selection process.
- Communicate the value of international assignments to the company's global mission.
- Make international assignment a condition for advancement to senior management.

According to Holt and Wigginton (2002:448), a substantial part of IHRM concerns managing expatriates in foreign assignments. Expatriates are important members of an international system of management. They are the field operatives who link global activities to parent company interest and they are often the vanguard and the adventurers who break new ground for the organisation. Yet, few companies have established effective expatriate training programmes, or responded with well-planned human resource development initiatives.

5.5.2.2 Expatriate selection

5.2.2.1 Introduction

According to Harris and Kumra (2000:603), being posted on an international assignment during 1960 to 1980 usually entailed a stay of two to three years in a foreign subsidiary, predominantly in the Third World, for a headquarters-based employee. For the most part, expatriates were sent for purposes of command and control over local nationals. In such circumstances, adaptation to and understanding of local cultures was not deemed necessary above a minimum level. Interest in expatriate training and preparation was focused on practical living considerations and country briefings, including some aspects of cultural norms and language ability. Academic interest in the nature of preparation for expatriate assignments has been limited, following the cycle of interest in the subject of expatriation, which peaked in the early to mid-1980. By the late 1990's, the picture has changed radically. Rapid globalisation of business has brought with it an increased need for effective international working, but the nature of this is very different from traditional expatriate assignments. Three key factors affect this change. The first is the changing nature of international organisations, with many more joint ventures and alliances and

the emergence of small-to medium-sized organisations as key players in global trade. Changing economic conditions have also forced the more traditional expatriating organisations to look very carefully at the cost-effectiveness of expatriates. The second is a change in host locations, with a decline in the proportion of expatriates going from the developed world to the Third World. At the same time, there has been an increase in assignments between developed countries as a result of extensive European Japanese and US JV actions and cross-border developments in developing countries trading blocs. The third concerns the changing nature of international assignees themselves. The traditional profile of the male, married, career expatriate is rapidly giving way to managers undertaking one or two assignments in the course of their career in order to gain international experience. Women still represent only a small proportion of international assignees, but this number is increasing.

According to Holt and Wigginton (2002:449), the expatriate business case for managing diversity, is simple: effective diversity management enhances expatriate performance and reduces failure. Diversity management improves the organisation's bottom line by enabling international business to leverage the cross-cultural capabilities of their human resources. Expatriates with a background in the host culture, have knowledge of both the host culture and organisational processes. Such expatriates will require less extensive, and less costly, training compared to those who lack such knowledge. Culturally adept expatriate managers are superior international performers with special capabilities in partner selection, communications, building personal relations, and negotiating complex institutional environments in transitional economies. The expatriate process essentially consists of methods by which companies select employees, prepare them for overseas assignments, and eventually bring them back home. These responsibilities suggest that managing the expatriate process, is by itself a distinct concept. Unfortunately, no concise body of theory suggests effective methods for managing expatriates. There is, however, growing consensus amongst leading executive and management theorists that organisations must create comprehensive programs for sending personnel abroad, support their efforts while away, and repatriate them. The expatriate's career cycle provides a framework for developing these organisational programs. It implies three major elements of IHRM, namely pre-assignment, foreign assignment activities and re-entry assignments. The preparation activities will involve recruitment, selection, orientation

and training activities. The adaptation activities will include activities that will assist in acculturation, foreign currencies, housing, social customs, education, medical services and foreign laws. Re-entry assignments include the assistance with adjustment of the expatriate in his new work and living environment, and the leveraging of knowledge gained during his tenure for the benefit of the organisation.

5.5.2.2.2 Steps to effective expatriate selection

Important variables from the internal organisational environment which increase the difficulty of managing as an expatriate, are the problems associated with managing in foreign hybrid organisational environments generally represented by combined ownership (i.e. joint ventures, strategic alliances); the top-management's attitude relative to the strategic importance of the host country operations/market; and history of the organisation's prior experience in the host country market. Literature has identified the following steps for selecting expatriates for overseas assignments.

5.5.2.2.2.1 Determination of assignment task and its environments

Thomas (1998:253), Harvey and Novicevic (2001:76-77); Shih et al., (2005:159) and Shen (2005:659) all argue, that in order to do a proper selection, managers must first determine the type of the assignment task that the expatriate is expected to perform. Different selection and training requirements will apply if the expatriate has been assigned overseas as a short-term engineer to solve particular technical problems than an engineer or a manager stationed in the host country for several years to disseminate technical and management know-how. Where the expatriate job is long-term and managerial in nature, the host country manager is generally more involved in goal-setting, performance appraisal and review feedback. These task characteristics are the representations of the variables from the organisation's external and internal environments, and should form the basis of the expatriate's performance evaluation.

5.5.2.2.2.2 Conduct a cultural diversity assessment of JV partner

Cultural distance is measured as a composite index of Hofstede's (2001) cultural dimensions. The measure for cultural distance was developed by Kogut and Singh (1988), and has been validated in subsequent research (Shenkar, 2001:519). A cultural

diversity assessment of the JV partner allows for the construction of an organisational diversity profile that identifies the JV partner's most prominent cultural characteristics, i.e. respective scores on individualism or collectivism, power distance, uncertainty avoidance, masculinity v. femininity and long-term or short-term orientation. Organisations can harness this knowledge for selecting expatriates with cross-cultural capabilities for overseas assignments. According to Child and Faulkner (1998), the most salient variable in JV's is the cultural distance between the country of the expatriate assignment and the home country of the organisation. Evans and Mavondo (2002:517) provided empirical evidence, that cultural distance has an effect on organisational performance. Harvey and Novicevic (2001:77) suggest, that the cultural distance between the home and host countries needs to be assessed in the expatriate selection process because it affects the nature of the expatriate task. Cultural distance affects an expatriate's understanding of decision-making processes, work values, negotiation patterns, and conflicts in JV's. Furthermore, the degree of cultural distance will influence performance ambiguity and task definition. Therefore, the degree towards which an expatriate can duplicate tasks in foreign assignments and his or her performance be measured, will be related to the cultural distance. It is significantly more difficult for expatriates to contribute to the expertise of foreign operations if the cultures of the two countries are too dissimilar. It is, therefore, important to ensure "cultural fit" between the expatriate and the organisation to which they are assigned. The purpose therefore, is to determine the cultural distance between the organisation and the JV partner's culture and to select the right expatriate candidate given the cultural distance. For example, an expatriate selected for an assignment in Australia, Britain or the US, will have less of a culture shock and would therefore, require fewer intercultural skills than an expatriate manager selected for an assignment in Qatar or China. This will also allow the organisation to effectively cater for that distance by means of training. The decision regarding which managers to expatriate to these extreme environments, therefore becomes critical.

5.5.2.2.2.3 Refine expatriate selection procedures

Harvey and Novicevic (2001:74) argue, that effective expatriation requires a repertoire of individual competencies appropriate for integrating the tacit knowledge of local subsidiary contexts. The knowledge required for these skills are dispersed and creates coordination problems that go beyond the control problems addressed by the

routine practice of expatriation. Learning by the expatriate, should therefore, involve setting up new interpretative frameworks for handling new types of unforeseen problems encountered in global markets. Therefore, for effective organisational choices to be supported by such innovative mental constructs, the development of an innovative expatriate selection process is pivotal. A competency-based expatriate selection process will heighten a global organisation's alertness to neglected opportunities in global markets, and avoid the neglecting of new market opportunities as the globalisation process advances. However, Gooderham and Nordhaug (2003) argue, that given that the function of expatriates is to represent and communicate the values of headquarters and to apply its technical and managerial competence, it is unsurprising that there has been a tendency to select expatriates first and foremost on the basis of their domestic track record and expertise. A further review of literature (Bell & Harrison, 1996:48; Mead, 1998; Thomas, 1998:241; Holt & Wiggington, 2002:458; Rodriguez et al., 2003; Holopainen & Björkman, 2005:38; Shen, 2005:659) confirms, that very often technical expertise is used as the most important consideration. These criteria are somewhat logic as it presents a lower perceived risk of adverse consequences to the selecting manager. Furthermore, firms usually place the most emphasis on criteria that are most easily measured. Lane et al., (2006) further point out, that research published in 1973 showed that expatriates were selected for international assignments based on their proven performance in a similar job, usually domestically, and that the ability to work with foreign employees was at or near the bottom of the list of important qualifications. Unfortunately the situation has not improved over the last 30 years. Although these are important considerations, they alone are not sufficient and should not be given undue weighting relative to a person's ability to adapt to and function in another culture. Selecting the right expatriate for the specific country and task, can be achieved by selecting an expatriate with the required skills and capabilities. It does no good to send the most technically qualified engineers or finance managers to a foreign location, if they cannot function there and have to be brought home prematurely. For a person to be effective, he or she must both adapt personally and with his/her family – to the overseas environment, and interact with the new culture and its people. Ultimately an expatriate policy should take into account needs to work and live in a local culture for the expatriate's and his/her dependants. Expatriates with good diversity capabilities usually adjust quickly and perform effectively in their assignments. According to Holt and Wiggington

(2002:455), the first rule is always to assess whether a local can fill the position. If they can, the benefits are obvious – host country experience, less expensive and no adaptation required. However, if cultural differences are pronounced, it may be difficult to hire locally. The most important limitation on hiring locally, is maintaining control over foreign operations. This will also include risks pertaining to proprietary technology and company information. Ultimately the choice of manager will rest on a selection assessment. A review of literature (Gregersen et al., 1998:22-27; Mead, 1998; Harvey & Novicevic, 2001; Holt & Wiggington, 2002:459; Rodriguez et al., 2005; Landis et al., (2004); Fish, 2005:233-234; Waxin & Panaccio, 2005) suggest the following criteria for expatriate selection.

- **Ability of an expatriate to adjust in a foreign culture**

  The company needs to establish whether the candidate will be responsive to laws, work behaviour, social protocols, ethnic factors, ideological differences and perhaps conflicting religious doctrines. The most successful candidates are geocentric, that is, able to think in world terms and excited by the opportunities offered by cultural differences. The ethnocentric expatriate evaluates all situations in terms of home values and tries to apply home values abroad and perceives only threats in cultural differences. The ideal candidate should, however, not assimilate too rapidly and "go native" too easily, as he or she may divorce himself or herself from the parent company and be overly responsive to local needs. Candidates who experience no culture shock at all, have been found to be incapable of responding to local problems. The ideal balance should, therefore, be sought (Holt & Wiggington, 2002:459). Writers and researchers (McFarlin & Sweeney, 1998:231; Mead 1998; Holt & Wigginton, 2002:458-461; Fish, 2005:233-234; Holopainen & Björkman, 2005:40) have identified the following components necessary for expatriates to adjust in a foreign culture:

  - **Interaction effectiveness**

    An expatriate who has frequent interactions with host country nationals, exhibits appropriate behaviour, and experiences a lower level of conflict in those interactions, will adjust more rapidly to them (Bell & Harrison,

1996:52; McFarlin & Sweeney, 1998:231). Selmer (2001:9) suggests, that interacting with host country nationals in a social setting is one of the ways that expatriate newcomers become aware of appropriate behaviours in the host country, as local people may act as sources of information and help to understand. Successful expatriates are socially well-integrated. Hence, expatriates who frequently interact with locals, will be less surprised and frustrated by differences in non-work circumstances of the host country than expatriates who are socially isolated from the host culture living in virtual "expatriate ghettos".

- **Task-effectiveness**

  Work adjustment refers to expatriates' psychological comfort regarding the work or job tasks assigned (Bell & Harrison, 1996:65).

- **Psychological/general adjustment**

  General adjustment is determined by the expatriate's psychological comfort with non-work factors (Bell & Harrison, 1996:64; McFarlin & Sweeney, 1998:231; Holopainen & Björkman, 2005:40). The ability to adjust to the new cultural environment has been found to be a necessary condition for effective performance (Bell & Harrison, 1996:64). In fact, Child and Faulkner (1998) have identified the problem of personal cultural adjustment as one of the key factors of international management. Selmer (2001:9; 2005:71) argues, that psychological adjustment and socio-cultural adjustment is a distinction that has been proposed in the literature on international adjustment. Although conceptually inter-related, the former deals with subjective well-being or mood states (e.g. depression, anxiety, tension, and fatigue). The latter relates to the ability to "fit in" or to negotiate interactive aspects of the host culture, as measured by the amount of difficulty experienced in the management of everyday situations in the host culture. The concept of psychological adjustment is based on a problem-oriented view, focusing on attitudinal factors of the adjustment process. The socio-cultural notion of adjustment is based on cultural learning theory and highlights social behaviour and practical social skills

underlying attitudinal factors. Kaye and Taylor (1997) suggest, that the process of adaptation can be stimulating or stressful, depending on factors such as age, education, past experience, self-efficacy skills, the individual's preparedness for the stress and whether or not the stress is accepted as a challenge. A review of literature (Kaye & Taylor, 1997; Thomas, 1998:242-243; Pucik & Saba, 1999:51-52; Selmer, 2001:9; 2005:71; Holopainen & Björkman, 2005:43; Waxin & Panaccio, 2005:52) suggest, that the degree of cross-cultural adjustment is a multidimensional concept, rather than a unitary phenomenon as was the dominating view previously, and identify the following three components necessary for international.

- Adjustment to work.
- Adjustment to interacting with host nationals.
- Adjustment to the general non-work environment.

According to Harvey and Novicevic (2001:71), these main factors include the following skills categories necessary for adjustment identified by the Ashridge Management Research Center.

- Strategic awareness and support.
- Adaptability in new/novel environmental situations.
- Sensitivity and openness to other cultures and social mores.
- Language capabilities; interpersonal communication skills.

- **Ability of a candidate's spouse and family members to adapt to a foreign culture**

The overwhelming majority of expatriates are men, and although the wife usually accompanies the expatriate overseas, it is rare for companies to provide pre-departure training. Furthermore, many wives have careers, which they have to uproot, and they do not share in the same benefits as

their husbands. Successful training programs of General Electric, ABB and Eli Lilly, include wives and children in selection, evaluation and orientation and training programs. The inability of the wife to adjust, is a major reason in expatriate failure, and the selection of the right expatriate therefore, means the selection of the right family (Holt & Wigginton, 2002:460).

- **Technical capabilities and competence for a foreign assignment**
  Given that the function of expatriates is to represent and communicate the values of headquarters and to apply its technical and managerial competence, it follows that he or she needs to be technically competent (Harvey & Novicevic, 2001:69; Gooderham & Nordhaug, 2003).

- **Human relations skills (relational characteristics and abilities)**
  Iles and Hayers (1997:101), together with Chaisrakeoa and Speece (2004) argue, that relational skills and specifically the ability to act with members outside the organisation such as government officials and local customers, are important. Of particular note here, is the identification of cognitive factors, relating to how successful international managers perceive and categorise the world. Of note is the emphasis given here to emotional or affective factors: successful international behaviour is not a matter of purely intellectual or cognitive understanding alone. This is supported by Liu and Shaffer (2005:243) who argue, that the need of the expatriate's to gain access to a variety of resources held by employees of the JV partner, is enhanced by interpersonal or inter-organisational relationships. The expatriate's network of social ties provides accessibility to such resources. Previous empirical studies of expatriates have found, that formal or informal networks provide expatriates with opportunities to exchange information and resources, such as task advice, strategic information, or even emotional support from their co-workers or from other expatriates in the same office. Studies of knowledge transferred in multi-national corporations, also provide evidence for the importance of the relational context and good interactions among work group members during the

knowledge transfer process. See also Pucik and Saba, (1999:50) and Harvey and Novicevic (2001:71).

- **Motivation and desire to work in a foreign environment**

  Thomas (1998:241) suggests, that the reasons for seeking an expatriate assignments range from personal development to financial gain. Holt and Wigginton (2002:459) note, that expatriate candidates will often base their expatriate career aspirations on romantic suppositions about exotic places or a misguided apprehension about others. Landis et al., (2004) argue, that the potential expatriate should be aware of the commitment needed in order to effectively adjust. These should include questions on cultural distance or compatibility, familiarity with the language, how their culture is perceived by the host country, their willingness to accept changes, tolerance of uncertainty, and attitude towards the host country culture.

- **Have sufficient emotional maturity and tolerate uncertainty/ambiguity**

  Iles and Hayers (1997:100), together with Chaisrakeoa and Speece (2004) argue, because of the ambiguous nature of cultural diversity, international managers and team members need to have tolerance of ambiguity. Pucik and Saba, (1999:51), together with Harvey and Novicevic (2001:71) suggest, that expatriates that are open to 'difference', make ideal candidates.

- **Extent of relevant overseas experience**

  Previous cultural encounters have shown to enhance manager's cultural skills (Thomas & Inkson 2004:71). Iles and Hayers (1997); Harvey and Novicevic (2001:78); Fish (2005:234) and Holopainen and Björkman (2005:43) all suggest, that where possible, selecting of expatriates with a host country background translates into increased productivity, reduced time adjusting to host country culture and the ability to more quickly focus on business tasks. Mental models provide a new framework for understanding culture that captures complexity and points towards the business advantages of utilising diversity capabilities. Compared with expatriates who have little experience of the host national culture, such

expatriates have a more coherent understanding of the 'rules of the game', allowing them to develop sound strategic 'game plans'.

- **Communication and language skills and literacy applicable in the host country**

  Neal (1998:61-63) argues, that being able to follow a conversation of a foreign national, could also greatly enhance one's ability to learn and better understand the culture and its idiosyncrasies. Expatriates with clear mental models of host country languages, have a distinct advantage over expatriates who lack local language capabilities. This is supported by Bell and Harrison (1996:62); Kaye and Taylor (1997) and Landis et al., (2004:342-243). Iles and Hayers (1997:106) argue, that language diversity is a highly valuable skill for internationalising businesses. Although English has become the lingua franca of international trade, it should not be assumed that English language proficiency is sufficient for top performance in the international business environment. Much of a nation's culture is contained within its language; it contains subtleties and nuances that are lost in translation, causing a reduction in the quality of communication. Expatriate fluency in host country languages provides business with the following distinct capabilities including.

  - An ability to read relevant trade journals.
  - Access to overseas social networks.
  - Understanding of foreign negotiating styles.
  - Knowledge of how to conduct local market research.
  - An ability to quickly contact suppliers, distributors and buyers by telephone/e- mail/fax, in their preferred language.

- **Understanding of the home country culture and society**

  Cultural knowledge will enable the expatriate to develop a better understanding of cultural idiosyncrasies and how to respond to them.

It is debatable whether such attributes can be assessed accurately by psychometric tests or by simulations in assessment centres, or whether cross-cultural training programmes can develop them. However well-developed such "personality" attributes might be, international managers will be effective only if they are deployed in behavioural terms (Iles & Hayers, 1997:101).

5.5.2.2.2.4 Conduct an expatriate audit

Expatriate failure imposes significant costs on business. Consequently organisations need to determine how many of their expatriates fail and why they fail (Black & Gregersen, 1992:61). Mead (1998) suggests, that failure rates are usually measured as a percentage of expatriates prematurely recalled from their overseas assignments. This measure is based on the assumption that parent companies recall poorly performing expatriates; yet it is not without its problems. Premature recall does not necessarily indicate expatriate failure, but may reflect early completion of set tasks, failure of an international venture owing to external political circumstances, deterioration in the health of the expatriate, irreconcilable family problems, or other failures external to the individual performance of the expatriate. In addition, distance complicates performance assessment, and good or bad performance may not be evident until the expatriate has completed her/his assignment. Poor performers may remain in the host country for the full duration of their assignment. Mead (1998) also argues, that selection criteria should take into account by which standard success will be measured. The writer has identified the following reasons for expatriate failure, in descending order of importance.

- Inability of the manager's spouse to adjust to a different physical or cultural environment.
- The manager's inability to adjust to a different physical or cultural environment.
- Other family-related problems.
- The manager's personal or emotional immaturity.
- The manager's inability to cope with the responsibility of international work.
- The manager's slack of technical competence.
- The manager's lack of motivation to work overseas.

The true reason can, however, often be traced to inept company practices and poor preparation for expatriate's themselves or for their accompanying family members. As an alternative to premature recall, expatriate success and failure has been measured according to the self-assessment of individual expatriates. Yet, self-assessment is only as reliable as the ability of individuals to make accurate and objective observations about their own performance. Thomas (1998:242-243), together with Holopainen and Björkman (2005:40-41), identify the following measures for expatriate success.

- Turnover – meaning the premature return of expatriates to their home country.
- The ability to overcome culture shock – meaning the absence of stress, effective intercultural interaction, and the ability to deal with conflict, anxiety, life-style changes, general adjustment, work adjustment and interaction adjustment.
- Task performance.

An expatriate audit allows organisations to review their current expatriate practices, to identify their expatriate failure rates and address the causes of costly expatriate failure. Equally, organisations can determine sources of success for expatriates, and through compiling information about the experiences of current expatriates and repatriates; organisations can create knowledge to improve future expatriate assignments. Mead (1998) warns, that in conducting such a survey, the duration of the posting should be kept in mind. Studies have shown, that on average, a full cycle of culture shock can take between one year and 50 months. The following questions are suggested by the Australian Government Diversity program (2006).

i. Do expatriates return home prematurely?

- Poor performers often return home early. Compare expected assignment length at the pre-departure stage, with the actual length of time spent overseas.

ii. Do expatriates accomplish the main goals (financial or otherwise) of their assignments?

- Set clear pre-departure goals in writing, such as to -
    - obtain a host government permits for relevant business activities;
    - establish relations with a foreign business partner;
    - implement the use of a new technology;
    - expand host county sales by a given value;
    - expand the business into a designated new market;
    - develop expatriate second/other language skills; and
    - improve expatriate cross-cultural skills.

- The individual expatriate and her/his senior manager/s should set goals.
- Goals can be business-oriented or expatriate-oriented personal and professional goals.
- The goals set, will depend on the nature of the business assignment.
- Success/failure is determined via a comparison between pre-departure goals and actual achievements.

iii. Do repatriates consider themselves to have been successful expatriates?

- Ask repatriates to assess their performance both overall and in specific areas specified in pre-departure goals.
- Collect this information in writing and collate with the responses of other repatriates in order to determine any common experiences.
- Ensure that repatriates are comfortable assessing their performance honestly. Firms may use external consultants to procure self-assessments confidentially. Alternatively, repatriates may be assured that a positive or negative self-assessment will have no bearing on the individual's career prospects.

iv. Do host country colleagues consider expatriates to be successful?

- Record feedback from host country colleagues to ameliorate any biases in the self-assessment.
- Identifying host national perceptions of sources of expatriate strengths and weaknesses, will facilitate improvements in expatriate selection and training.

v. Seeking feedback from repatriates and repatriated families

- Ask repatriates and their partners for general feedback about their experiences.
- Determine both positive and negative aspects of experience so that adjustments can be made for future assignments.
- Ask repatriates and their partners what could have made the assignment easier.
- Feedback can be categorised into the following different areas.
    - Pre-departure preparation.
    - Housing
    - Schooling for children
    - On-arrival orientation
    - Language training
    - In-country support social life
    - Work life.

- Collect this information in writing and collate with the responses of other repatriates and partners so as to determine any common experiences.

5.5.2.2.2.5 Identification of potential expatriate pool of candidates

The organisation should use the data collected on the reasons for expatriate failure to influence expatriate selection decisions and training. Having identified the cultural distance between the organisation and the culture of the JV partner, organisations are well-positioned to select the best-suited expatriates. In practice, expatriates most frequently come from within the focal organisation for a number of reasons.

- Candidates are easier to identify and contact.
- The background and developmental progress of the candidates are available.
- Candidates are frequently easier to entice into taking an overseas position.
- The explicit costs are generally less than those for the candidates in the market.
- Internal candidates have social knowledge of the company's culture, and are familiar with the value of international career paths.
- Internal candidates are trusted in the organisation and, therefore, provide a means to extend control to the global operations.

5.5.2.2.2.6 Women as expatriates

Some writers, (Pucik & Saba, 1999:56; Lane et al., 2000:106; Holt & Wiggington, 2002:479) suggest, that women bring social interpersonal skills to their assignments that allow them to work especially effectively in multicultural environments. Women accommodate others more easily than men do, and they establish social networks more effectively, feel less confined by trappings of power relationships and form more conciliatory relationships. These attributes help them to enter into foreign social environments more easily than men, and they are viewed as more cooperative in their behaviour. Women are usually more trustworthy as opposed to men by their male colleagues, and in societies where trust-building is important these relational characteristics are major advantages. Generally, however, companies do not employ women as expatriates, for the following reasons.

- There is a presumption that women do not want to be international managers.
- Women in dual career managers are poor candidates.
- Foreigners are unwilling to accept women in managerial positions.

However, mounting evidence suggests, that in future significantly more women will fill foreign assignments.

5.5.2.2.2.7 Selection of expatriate candidates and assignments

The final step in the selection process, is the matching of the candidates with assignments, or at the least regions to which the candidates could be assigned. This stage underscores the point that expatriate managers are not equally suitable for all expatriation assignments. The type of assignment, the country characteristics, the host organisation culture/climate, and the nature of the task, should all be taken into consideration when aligning the expatriate with the array of potential expatriation assignments (Harvey & Novicevic, 2001:81). Accurate matching may be enhanced by involving experienced foreign managers in the process. A short work assignment in the target country and a meeting with a foreign advisory board designed to evaluate and guide the candidate, may also assist in solving the problem. Companies such as Ford, Xerox, Phillip Morris, BP. ABB, Unilever, Volkswagen and Bayer AG, all operate regional assessment centres staffed by selection committees with plant level representatives who evaluate all international appointments (Mead, 1998; Holt and Wigginton, 2002:465).

5.5.2.2.2.8 Using audit data to select expatriates and incorporate them in training programs

Thomas (1998) and Mead (1998) suggest, that the audit data should be applied as follows.

Firstly, the capabilities required for each overseas assignment, should be considered by answering the following questions.

- What second/other language skills would be an asset?
- What cultural norms should the candidate understand?
- How important are informal personal relations in the host country?
- How important is religious practice in the host country?
- What technical and managerial capabilities are required?
- What capabilities do repatriates from the host country emphasise as important?

Secondly, the host country requirements as revealed in the expatriate audit, need to be matched with the workforce capabilities revealed by the diversity audit.

- Determine which candidates best match the required skill set.
- Firms wanting to extract the diversity dividend, should ensure that all candidates considered are open to difference and value diversity. Such values are reflected in the quality of the individual's human relations skills.
- Where international expansion into a particular overseas region is a long-term priority, plan ahead. Cross-cultural skills are more difficult to acquire than managerial and technical skills. Nurture the talents of staff who hold these valuable capabilities.
- For firms with long-term ambitions in China, develop the technical and managerial capabilities of employees who speak Chinese or have lived or worked in China.
- Inform expatriation candidates of the cross-cultural complexities they are likely to face, so that they know what to expect before deciding to relocate overseas. Share feedback from repatriates from the host country. Better that candidates deem themselves unsuitable before departure, rather than after arrival.

Once the expatriate has been selected, it is important to ensure that the he/she is supported by the organization in order to maximise his or her chances of success.

5.5.2.3 Continuous expatriate support

5.5.2.3.1 Provide in-country support for family of expatriate

A number of writers (Mead, 1998; Thomas, 1998; Pucik & Saba, 1999:56; Holt and Wiggington, 2002:477-478) suggest, that where appropriate, the expatriate family should be assisted in accessing suitable transport; medical care; child-care; domestic services; household provisions; and language training. The organisation should also keep in regular contact with expatriate family and address any concerns that they may have about living abroad. To avoid demoralisation, his or her information should be practical and up to date. Ideally, the expatriate and dependants should be sent on an information trip to the designated country in order to inspect the local organisation

and review the needs for domestic information. Support should take into account the expatriate's individual differences – taking into account his or her:

- individual differences psychology, experience and age;
- family characteristics;
- the stage in the expatriate's career;
- the manager responsibility and status;
- the context of the assignment; and
- cultural distance between manager's home country and the local culture.

5.5.2.3.2 Mentorship

Some organisations support their overseas staff by appointing a headquarter's mentor, who will generally look after the career of the expatriate, protect his/her interest whilst he/ she is away and reintroduce him /her to the home country parent on repatriation. Black and Gregersen (1992:69) argue, that in the same way that General Electric uses their mentors to provide expatriate support, the company should assess the objectives that the expatriate needs to achieve, the function to which he or she is likely to return. The mentor will keep face-to-face contact with the expatriate, evaluate his or her performance during the assignment, help clarify the expatriate career objectives and capabilities before repatriation and provide career advice, and assist in finding a suitable position at headquarters. Some divisions even commit to hiring expatriates into positions before the foreign assignment begins. Importantly, the sponsorship program should be systemised and structured. First, the sponsor should be senior enough relative to the expatriate and be able to provide a broad view of the organisation. Second, the sponsor should receive specific guidelines about the form, content and frequency of contacts with the expatriate. Too often sponsorships are assigned, with no further action. The responsibility for repatriation should rest with the sponsor and the organisation's career system.

5.5.2.3.3 Establish contact between expatriate and host country expatriate communities

Organisations should ensure that expatriates already working for the firm in the host country, contact the new expatriate family before departure. More experienced

expatriates and their partners may be able to provide useful advice to a new family, and even meet the incoming expatriate at the airport. What is sometimes labeled as the stability zone, can be described as an expatriate sport or recreational club that allows expatriates to interact with members of the parent company expatriate community. From this viewpoint, it is also important to provide subsidised regular leave, as it will undoubtedly assist with spouse adjustment (Mead, 1998; Holt & Wiggington, 2002:478).

5.5.2.4 Provide repatriation assistance

A review of literature (McFarlin & Sweeney, 1998:250-251; Mead, 1998; Thomas, 1998:256; Tung, 1998:35; Pucik & Saba, 1999:56; Lane et al., 2000:117; Harvey & Novicevic, 2001:80; Deresky, 2002:417-418; Holt & Wiggington, 2002:469-473; Shih et al., 2005:165; Shen, 2005:661; Lane et al., 2006) suggests, that repatriation assistance is an integral component of any expatriate package. Research demonstrates major discontent with the repatriation experience. Repatriates often return home to find that he/she has to adjust to reduced financial benefits, less power, job alienation, increased cost of living expenses, sometimes poorer housing, etc. Many repatriate managers feel, that the skills that they have gained overseas are not valued in the home country. They often return from senior management in the host country to a position of lesser status back home, and removed from mainstream promotional channels. Where individuals view overseas placement not only as a hardship, but also as a career move that reduces their perceived value on return, they are unlikely to be willing to accept foreign postings. Dissatisfaction with repatriation means, that about half of all repatriates leave their organisation within two years of return to the home country; translating into a loss of valuable skill and experience. Poor repatriation practices may, therefore, reduce the pool of potential expatriates and lead to repatriates being poached by their competitors.

Researchers have determined, that the repatriation process plays a significant role in assisting the expatriate and their family with re-entry adjustment. Repatriation assistance is, therefore, crucial for preventing the turnover of repatriates with valuable cross-cultural and international management skills. The process essentially involves the debriefing of the repatriate and his/her partner, and to work with the repatriate in order to determine her/his new business role. A review of literature (McFarlin &

Sweeney, 1998:250-251; Mead, 1998:409-412; Deresky, 2002:418; Holt & Wigginton, 2002:474) suggest, that repatriation assistance should include the following activities.

- Succession planning before and after assignment to promote career development and transition management. This includes sponsorship to assist with placement and re-entry and plan for repatriation three to six months in advance. Employees are located a suitable position before their return, and allow some "down-time" for employees to put things in place at home.
- Re-entry mentoring/sponsorship in order to ensure that someone meets and greets the expatriate on return and aids in their transition. Relocation assistance to facilitate concerns regarding housing, transportation, customs and duties, children's schooling and necessary temporary accommodations.
- Pre-return orientation to clarify company and home – society changes, as well as job-related information about duties and expectations, arrangements, re-entry job expectations and compensation issues, temporary accommodation, transition expenses per diem, family requirements, and resettlement costs.
- Tax advice or return preparation for both in-country and home obligations.
- Spouse assistance, including redirecting career interests or new reentry positions.
- Family counseling to minimise reentry culture shock and reconciliation in home culture.
- Follow-up acculturation counseling and necessary early training during post-return period.
- Financial assistance, perhaps through bridge loans for housing.
- Pre-return home visits for brief transition review concerning housing.

Repatriation plans for each expatriate candidate should, therefore, be examined and plans established prior to selection. This is necessary for two reasons: to determine the complexity of the re-entry problems (i.e. the length of expatriation assignment, the cultural/economic distance between home and host country, the stage of family life-cycle, the readjustment issues associated with the spouse and family upon repatriation and the like); and to provide the expatriate candidate with vital information

concerning his/her career life-cycle and the preplanning that the organisation is undertaking to ensure a positive re-entry experience for the expatriate and his/her family. The development of the repatriation plan is also helpful in developing a succession plan and timetable concerning the expatriate and the position that they are filling overseas.

The purpose of repatriation assistance is, therefore, fourfold.

- To reap the rewards of the repatriate's international experience and newly acquired knowledge.
- To prevent high rates of repatriate voluntary turnover.
- To prevent poaching of repatriates by competitors.
- To enhance the overall quality of the firm's diversity capabilities.

5.5.2.4.1 Repatriates and knowledge management

According to Bender and Fish (2000:132-133), repatriates are a source of knowledge and learning, which can be disseminated throughout the organisation. The repatriate should, therefore, be informed of the firm's current projects and opportunities in her/his business unit, look for ways that the skills gained on assignment could benefit the organisation and be applied, and to any new members of staff. Therefore, the organisation should:

- consult with the repatriate to determine how he/she can share newly acquired knowledge and skills with the firm;
- ensure that repatriate feels that her/his international experience is valued in the home country;
- determine whether the repatriate is a willing and suitable candidate to mentor junior colleagues with international aspirations; and
- establish a career map, setting goals for the repatriate over the next one to five years.

The idealised goal of becoming a global, learning organisation, will only be realised if the right people are selected for foreign assignments, trained properly, repatriated with

care, valued for their experience and then utilised in a way that takes advantage of their unique background.

Another essential part in ensuring that the selected expatriate managers are able to perform their assigned task successfully in a foreign environment, is proper training.

5.5.2.5 Cross-cultural training and management development

Pucik and Saba (1999:53-55) and Holt and Wiggington (2002:516) argue, that whilst cross-cultural training is concerned with training expatriates for foreign assignments, cross-cultural development involves training and developing a pool of international managers that are capable of working in many different societies. Cross-cultural development therefore, prepares managers for ongoing responsibilities of working within an international framework of multicultural interests. The objective is to create a broad-based appreciation of contrasting societies, beliefs, work-related behaviours, and fundamental values among a corps of international managers. Companies such as IBM, Shell, Proctor and Gamble, and Unilever all have policies that are set working in foreign environments as a prerequisite for senior management.

5.5.2.5.1 Cross-cultural management development

Lane et al., (2000:103; 2006) argue, that even though cross-cultural understanding and experience are essential in today's business environment, there seems to be a shortage of skilled global managers. Successful global players have a full array of mechanisms for building a common institutional base. These include clear global career policies, rotation opportunities and training programs (Morisini & Steger, 2004). Lane et al., (2006) further argue, that experience in a job in another country does not automatically ensure a manager's sensitivity to cultural issues or an ability to transfer whatever has been learned to other managers. Cross-cultural training, even for experienced managers, can add significantly to their understanding of their past experiences and to their skill in future assignments.

5.5.2.5.2 The necessity of cross-cultural training

Empirical studies by Waxin and Panaccio (2005:59), and other literature (Friday & Friday, 2003:868; Shen, 2005:657), confirm a coloration between cross-cultural training and expatriate adjustment and success. Landis et al., (2004:204) stresses, that

effective cross-cultural training improves intercultural skills, job performance, decreased stress, increased self confidence, greater enjoyment to intercultural interactions, better interpersonal relationships in culturally diverse work groups, increased world-mindedness, decreases negative stereotyping, and greater ease in interacting with host nationals. Training and education improve individual and organisational outcomes. Black and Mendenhall (1990:551-558), together with Yun Landis et al., (2004:204), argue that, if conducted correctly, intercultural training has an impact on the following dimensions.

- **Self-dimension**

  Cross-cultural training increases the trainee's confidence in himself/herself and the ability to act effectively in a cross-cultural setting. Adding to this, various writers (Coleman 1994:15; Mead, 1998:429-430; Thomas, 1998:253; Gooderham & Nordhaug, 2003; Fish, 2005; Holopainen & Björkman, 2005:41; Lane et al., 2006) suggest, that intercultural training reduces culture shock and as a result, improves intercultural interactions and management. Culture shock is a natural response to new cultural experiences and involves the stress and behavioural patterns associated with a loss of control and a loss of sense of mastery of the situation. It may be defined as a sense of psychological disorientation that most people suffer when they move into a culture that is different from theirs. Expatraites suffering from culture shock, are unable to interpret cues from a new and uncertain environment, are faced with the seemingly inexplicable behaviour of those around them, which is governed by a culture that they do not understand. Their lack of comprehensive mental models for understanding the local culture, inhibits their awareness of what is appropriate, or inappropriate, behaviour. Expatriates discover that their past behaviours do not work in the new culture, but they have not yet learned more appropriate substitute behaviours. This is a source of immense frustration, which causes high levels of confusion and anxiety. The confusion that they experience is often exacerbated when they do not speak the local language. Culture shock is caused by multiple stresses – intellectual, emotional and physiological. These stresses impair the ability of expatriates to function. Culture shock is alleviated as expatriates become

accustomed to their new surroundings, learning to 'fit in'. There is a period of reduced productivity while expatriates adjust. Expatriates take between four and twelve months to feel comfortable in a new culture. Some expatriates take even longer, while about five percent never adapt to the new culture. Such individuals experience their postings in an ongoing state of culture shock, constantly trying to adjust. Consequently, their productivity is permanently impaired. Cross-cultural training will reduce the effect of culture shock and assist expatriates to adjust to a new culture. Expatriates who are trained prior to arrival in the host country, will experience reduced culture shock, since they are better informed of what to expect. This cost of cross-cultural training amounts to a small insurance premium relative to the much greater costs that firms incur when expatriates fail in their assignments, owing to an inability to overcome culture shock. Cross-cultural training therefore, reduces expatriate and foreign venture failure. Such training is important for all expatriates, but especially important for individuals with little knowledge of the host environment. Although cross-cultural training eases the burden of culture shock and helps expatriates to adjust to their new surroundings, it is still a second best solution because it does not provide expatriates with either a deep understanding of the host environment or the complex mental models needed to navigate foreign formal and informal institutions. In order to learn cross-cultural skills, a much broader and in-depth training program is required.

- **The relationship dimension**

  Cross-cultural training increases the trainee's relational skills, as most training programs provide cognitive maps of individual behaviour in specific cultures and explain appropriate and inappropriate behaviours for interacting with these individuals. Because trainees have cognitive models of certain behaviour, they can recall and imitate these models when confronted with such behaviour.

- **The perception dimension**

  Most training programs provide information on how people from other cultures view the world, as well as their cognitive tendencies. This information

enables the trainee to make cognitive associations between congruent behaviours and the cognitive maps of members of the other culture. Therefore, training will lead to the trainee both perceiving that they have accurate perceptions of the target culture and to trainees actually having a correct perception of the target culture. Simply stated, cross-cultural adjustment involves knowledge of which behaviour to execute or suppress in a given situation and the ability to effectively actualise this understanding. This will ultimately also have positive influences on task performance. Waxin and Panaccio (2005:59) argue, that that training must cater for the cultural distance between the culture of the expatriate and that of the host country. The more different that culture is from that of the country of origin, the more important and necessary is the use of cross-cultural training programs. However, Friday and Friday (2003:868) argue that the major drawbacks to most existing diversity training programs are the following.

- They do not build skills to facilitate individuals' ability to actually manage their interactions with individuals different from themselves.
- They are not rigorous nor time-intensive enough to create a paradigm shift in individuals' treatment toward individuals different from themselves.
- There are no enduring reinforcement mechanisms embedded in the organisation's culture to ensure all individuals' inputs are successfully managed to meet the organisation's strategic goals.

As a result, most (if not all) existing diversity programs have not been successful in creating enduring change in the way individuals interact with individuals different from themselves, nor have they been successful in changing their organisation's culture to one that systemically manages diversity. Holt and Wiggington (2002:461-462) furthermore argue, that despite the obvious need for intercultural training, researchers have found, that nearly 90% of all North American and European multinationals provide little more than orientation sessions for their expatriates. Not surprisingly though, research has shown, that up to 80% of Japanese companies invest in training programs of up to 6 months, and that there expatriate failure rate is no more than 5%. These figures more or less correlates with previous findings reported by Frey-Ridgway (1997: 13).

5.5.2.5.3 Training philosophy

Black and Mendenhall (1990:550-551) argue, that any move towards a theoretical understanding of the effectiveness of cross-cultural training must begin with a basic understanding of cross-cultural interaction. As the training outcome will focus on personal and professional adjustment in a multicultural environment, it can be argued that intercultural training forms part of the social learning theory. Friday and Friday (2003:867) also advance the social learning theory as the theoretical framework for the managing diversity process. It has also been offered as the theoretical framework for developing training programs in cross-cultural and expatriate literature. There are four major doctrines of social learning theory: motivation, attention, retention, and reproduction. In an effort to truly manage diversity, a change in the attitudes and behaviours of individuals, and in organisations' systemic and institutional ways of doing business, are required.

5.5.2.5.4 Training objective

According to Black and Gregersen (1992:69); Gregersen et al., (1998:30); Pucik & Saba, (1999:56) and Mead (1998:429-430), cross-cultural training aims at achieving the following three related outcomes.

- **About the other culture**

  The training teaches:

  - what values are important within the other culture;
  - how the culture is reflected in significant historical, political and economic data; and
  - how cultural values are expressed in behaviour.

- **How to adjust to the other culture**

  The training teaches:

  - non-evaluative attitudes towards the culture;
  - skills in predicting when the culture will be a factor in influencing behaviour;
  - skills in weighing the significance of culture as against other factors of influencing behaviour; and

- skills in generalising beyond the model to new situations.

- **Factors relating to job performance**

  The training teaches:

  - how the culture influences attitudes towards work, i.e. performance standards, participation and control, motivating, responsibility and authority, conflict and its resolution;
  - how the culture influences attitudes towards specific tasks;
  - how the culture influences formal interactions, organisational structures, roles and relationships, and communication systems;
  - how the culture influences strategic priorities, and attitude towards headquarters priorities;
  - how the culture influences relations between the company and it environment.

Mead (1998) suggests, that ultimately, the training goals and objectives should complement the strategic goals of the organisation. Translated into an IHR strategy, it will be to train and develop global leaders to effectively function and give effect to the organisation's global strategies. Translated into expatriate training objectives, the aim of any diversity awareness and training, is to build a common understanding of the cultural differences that a manager or expatriate will encounter and to assist them and their family to adjust properly to the new culture. It therefore, needs to focus on management and personal adjustment, and the framework for intercultural training should be built on this premise. Hofstede (2001:428) and Littrell (2002:12) break the objectives down into the following categories.

The objectives are to -

- raise awareness of cultural differences and how this might impact on work values and behaviours;
- introduce key cross-cultural frameworks as a sensitising device;
- develop managers' "cultural antennae" when working in diverse groups;

- provide process guidelines for cross-cultural communication, negotiation, and teams.

Harris and Kumra (2000:606) argue, that the type of learning intervention planned, therefore falls into the category of executive development as opposed to education. In order to ensure that managers move away from passive receipt of knowledge to an active engagement in the process, a process is followed in terms of which effective learning involves:

- the acquisition of new knowledge (what to do);
- intellectual understanding of the underlying processes of the topic (why it is done);
- alignment with personal values (a commitment to doing things differently); and
- the capability to make it happen (breaking old habits).

According to Rijamampianina and Maxwell (2002:4), intercultural training has to:

- build new diversity interaction skills;
- reinforce existing diversity –interaction skills and;
- strengthen the inventory skill-building methodologies.

Ultimately, in order to develop intercultural management competencies, intercultural training has to provide the theoretical and practical basis for managers to become culturally aware, acquire knowledge about culture and its consequences (cultural intelligence) and develop intercultural skills. Therefore, training has to focus on developing the key competencies identified for becoming a successful intercultural manager, namely - creating cultural awareness and sensitivity, and acquiring cultural knowledge which will enable managers to develop intercultural skills and intelligence.

5.5.2.5.5 Determine training needs

According to Mead (1998) and Landis et al., (2004:40) the needs analyses will have to answer the following questions.

- What roles, skills, areas of knowledge will the manager need to apply working and living in the new context?
- To what standards are these roles, skills to be applied?
- What criteria will be applied to measure the success of the expatriate?
- How much weight is given to the different roles, skills etc.?
- Who else is affected by the application of roles/skills?
- What outcomes are expected from application of roles/skills etc.?

This agenda should then be applied to technical, management, cross-cultural and language training. For dependants, the agenda will ask "What roles, skills, etc., will dependants apply when living in the new culture? The agenda will be determined by the following.

- **Task, duration and extent of interaction**

  A review of literature (Black & Mendenhall, 1990:550; Bell & Harrison, 1996:59; Thomas, 1998:253; McFarlin & Sweeney, 1998:247; Holt & Wiggington; 2002:463-464; Friday & Friday, 2003:867-868; Gooderham & Nordhaug, 2003; Shen, 2005:656; Waxin & Panaccio, 2005:59; Lane et al., 2006) reveal, that the training that a person undergoes before expatriation, should be a function of the degree of cultural exposure to which they will be subjected. These two dimensions are the degree of integration and the duration of the stay. Training requirements should, however, also cater for the specific task at hand. If the position is mainly technical, the levels of interaction and general adjustment will have less impact on the success of the expatriation. The training could therefore, be less elaborate. On the other hand, a position in marketing, for instance, necessarily demands that the expatriate have more contacts with the host country's inhabitants. Shen (2005:659-660) notes, that the more technical the assignment, and the less interaction there will be with people, the smaller the need for training will be. For example, senior managers may benefit from one-or-two day external diversity awareness seminars and workshops, as such training is designed to position them to champion diversity needs throughout the firm. Non-supervisory staff however requires workshops specifically directed at day-to-day needs. Managers going on short assignments, would not warrant rigorous training, but a manager on an

extensive assignment will benefit from immersion training. The integration dimension represents the intensity of the exposure. A person could be sent to a foreign country on the short-term, technical trouble-shooting matter and experience little significant contact with the local culture. Conversely, a person could be in Japan only for a brief visit to negotiate a contract, but the cultural interaction could be very intense and might require a great deal of cultural fluency in order to be successful. Similarly, an expatriate assigned aboard for years, is likely to experience a high degree of interaction with the local culture from simply living there. Thus, for a short stay and a low level of integration "information-giving approach will suffice. For a longer stay and a moderate level of integration the "affective approach" can be followed. For people who would be living abroad for between one to three years, and will have to experience a high degree of integration into the culture, the Immersion approach may be followed. Depending on the circumstances, the following three-tier training approach can be followed.

- Information-giving approach, consisting of area briefings; cultural briefings; firm books and the use of interpreters and survival-level language training.
- Affective approach, consisting of culture assimilator training, role-playing, critical incidents, cases, stress reduction training and moderate language training.
- Immersion approach, consisting of assessment centre, field experiences, simulations, sensitivity training and extensive language training. Effective preparation would also stress the realities and difficulties of working in another culture and the importance to establish good working relationships with the local people. The Canadian International Development Agency (CIDA) has recently developed an approach to training for situations based on the immersion approach. After extensive pre-departure training, expatriates are sent abroad. Shortly after they begin in their new posting, CIDA provides more training for the expatriates with their co-workers, thus facilitating productive integration. During the expatriate's stay abroad, periodic "refreshers" or debriefing sessions are held. Finally, the expatriates are actively involved in repatriation training both prior to and

after their return home. The expatriates' spouses and families are also provided with similar training and resources.

- **Type of task**

  Thomas (1998:243), Harvey and Novicevic (2001:80); Shih et al., (2005:159) and Shen (2005:659) all argue, that in order to do a proper selection of expatriates and training, managers must first determine the type of the assignment task that the expatriate is expected to perform. Different selection and training requirements will apply if the expatriate has been assigned overseas as a short-term engineer to solve particular technical problems than engineers or managers that are stationed in the host country for several years, to disseminate technical and management know-how. Where the expatriate job is long-term and managerial in nature, the host country manager is generally more involved in goal-setting, performance appraisal and review feedback. Marketing and R&D expatriates commonly have creative tasks; production expatriates commonly have coordinative tasks; while finance and accounting commonly have computational tasks. The next step, is to rank the expatriate task in terms of difficulty. An additional relevant attribute of a task, is the difficulty of the task that the expatriate manager is attempting to resolve. In the determination of the relative "difficulty" of the expatriate's assignment, the complexity and ambiguity of the task content can be taken into consideration. The greater the overall complexity of the task, the more skilled and "intelligent" the expatriate manager must be to address the cognitively demanding nature of global assignment tasks.

5.5.2.5.5 Determine cultural distance

The degree of cultural distance as discussed in paragraph 5.5.2.2.2.2 above, will have an influence on the expatriate's ability to adjust and perform his or her task successfully. Therefore, this component needs to be measured and the results catered for in training. Mead (1998:414) suggests, that in order to reduce the effects of culture shock, expatriates should be taught to -

- expect to experience culture shock. It is a natural reaction to novelty among emotional mature people;
- understand why it occurs and learn the symptoms;
- accept the need to learn about living in the new culture. Cultural adjustment is best seen as a person's being involved in a learning process, while the social learning theory provides a theoretical framework within which this adjustment can be made;
- discover the new country, its culture and history. This learning starts before the manager leaves home;
- broaden his/her range of business and social contacts beyond his/her home culture and into local culture;
- break into the local culture by using its members as informants; and
- keep an open mind on the new culture; do not be judgmental or engage in stereotyping;

Establish which communicative forms are appropriate. Who should be addressed by first name, title, and how invitations are made, accepted and refused. What gifts are appropriate, on what occasions, and how should they be presented.

5.5.2.5.6 Training target group

Expatriates need to be prepared for the assignment in a way that will reduce culture shock, both from a personal and family adjustment point of view, and enable him or her to focus on the purpose of the assignment – to effectively manage or perform the assigned task in the JV.

Mead (1998:426) argues, that training should target the following staff categories.

- Headquarter staff responsible for posting and selecting expatriates.
- Headquarter staff posted on short assignments.
- Headquarter staff with professional interest in the JV's foreign interest. i.e. marketing staff.
- Headquarter staff responsible for managing staff from another culture.

- Staff locally employed in the venture (this will enable them to operate at maximum efficiency when dealing with foreign clients, expatriated headquarters staff and staff from another subsidiary).

5.5.2.5.7 Provide training to expatriate's and family

Literature (Gregersen et al., 1998:30; Mead, 1998:401; Thomas, 1998:247; Pucik & Saba, 1999:52; Lane et al., 2000:117; 213; Harvey & Novicevic, 2001:80; Shen, 2005:658; Lane et al., 2006) have identified the spouse's inability to adjust as the single most pervasive reason why expatriates fail. The spouse adjustment is highly correlated to that of her husband, the expatriate manager, and the spouse is more likely to adjust when she feels positive about the overseas assignment. Therefore, in selecting expatriates for global assignments, it is imperative to take the spouse and family into consideration when the selection process is being developed. The problems with expatriate spouse/family are becoming central, not only to expatriate failure rates, but to the increase in refusal to relocate overseas. The level of dual-career professional couples and concerns of the trailing-spouses as to how their careers will be affected by their partners' transfer, accentuates these problems. Hofstede (2001:428), therefore, argues, that the spouse of an expatriate should also attend the training, because an understanding spouse can be a major asset during the cultural shock period. Writers, such as Gregersen et al., (1998:30); Harvey, (1998:24); Pucik & Saba, (1999:56); Lane et al., (2000:117; 213); Holt and Wiggington (2002:477-478); Gooderham and Nordhaug, 2003; Shen (2005:659); Waxin and Panaccio (2005:59) and Lane et al., (2006) all suggest, that spouses of expatriates would value pre-departure training considerably. They often bear the responsibility for deeply integrating into local culture through daily activities such as shopping, dealing with school administrators, paying household bills and living in unfamiliar social systems. While husbands may be able to communicate in their home language at work, wives must often meet these challenges on their own. Consequently, although they face the most stringent requirements for cross-cultural adaptation, their children and they generally have fewer support systems to aid them in their daily activities. Children have to adapt to new schools, education philosophies and new expectations of social behaviour. Educational systems that are either too rigorous or too low may cause children to fall behind or to experience distress. The most important consideration, is to provide opportunities for young people to develop friendships and

peer group activities to prevent them from becoming reclusive and socially isolated. On their return from the assignments, wives and children will have to face a new set of responsibilities, have to get the family settled and the children have to adapt to new schools, while their friends have changed and they may have assimilated foreign behaviour. These problems are more or less pronounced, depending on individual situations and host country environments. Paris would for obviously reasons require less convincing for interrupting a career, than would Bangladesh. Mead (1998:402) identifies the following factors that influence spouse adjustment.

- The size of the expatriate national community.
- The relationship between the local and expatriate community.
- Distance between the economies of the local and expatriate communities.
- Perception of distance between the cultures. Studies have shown, that 18 % of expatriates sent to London will fail, as opposed to 36% in Tokyo and 68% in Saudi Arabia.
- Opportunities for the spouse to work.

In this respect, training should include -

- pre-departure country briefing.
- some basic language training.
- on-arrival coaching (e.g. mentor programs).
- training in cross-cultural understanding; and
- repatriation assistance.

Finally, cross-cultural training must be ongoing in order to ensure the best chance of mitigating the effects of culture shock and its consequences. The value of diversity should be continuously communicated through multiple channels in order to maintain interest and support. Such channels may include formal training sessions, diversity newsletters and regular meetings to discuss diversity issues. Multiple communication

channels ensure, that all staff is made aware of the advantages of effective cultural diversity management.

5.5.2.5.8 Types of training

According to Thomas and Inkson (2004:72), training can include the following methods.

- Factual, consisting of books, lectures and area briefings. This will include knowledge about specific cultures, cultural dimensions, and processes.

- Analytical, consisting of films, culture assimilators, sensitivity training. This will include both culture-general and culture-specific knowledge, as well as the opportunity to practice mindfulness.

- Experiential, consisting of simulations, field trips, and role-playing. This will include opportunities to practise both mindfulness and behavioural skills, and to experience the emotions of cross-cultural interactions.

Harris and Kumra (2000:605) argue, that the classic classification of cross-cultural training approaches is experiential versus didactic, and culture-specific versus culture-general. Pedagogically, the experiential approach rests on a view that people, particularly adults, learn by doing. Action theories arise from experiences, which then undergo a process of continual modification so to as improve their effectiveness. To be effective, the approach requires the learner to see him-or herself as able to implement the procedures and strategies inherent in the theory; they must consider the procedures and strategies as having meaning in their social world. Therefore, positive attitudes towards the theory and its implementation need to be developed and the learner has to believe, that behaving in the new way, will result in positive outcomes for themselves and/or others. The didactic approach, on the other hand, rests on the belief that a cognitive understanding is necessary before people can effectively interact with those from another culture. Such understanding can be secured through traditional approaches to information-giving, such as lectures, videos and group discussions. Landis et al., (2004:39) argue, that any intercultural program should include both didactic and experiential training. A full discussion on the effectiveness,

advantages and disadvantages of different training methods, is beyond the scope of this study. Literature however, has defined a number of intercultural training areas most commonly focused on. They include, among others, the following.

- Cultural awareness training.
- Cultural knowledge training.
- Culture specific business, customs, conventions and etiquette training.

5.5.2.5.8.1 Cultural awareness training

Neal (1998:64-65) suggests, that if managers were alerted to the social dynamics of cultural problems, they would see how they themselves are a contributory factor in this process, and would be better able to take steps to address this. However, alerting managers to the cultural and procedural pitfalls of managing in a multicultural environment, however, is not enough. Training programs must be designed to address the wider social dynamics of cross-national relations. Only when armed with this knowledge, can managers identify the symptoms of such cultural dynamics and introduce measures to address them. Hay (1993:243) suggests, that ultimately the ideal managerial type holds the geo-centric world-minded position of: "my culture's OK, your culture's OK". Here managers possess a wide-ranging set of perceptual frameworks with which to make sense of cultural differences and have sufficient empathic understanding to help them recognise the differences between their own experiences and those of others from different cultures, without losing or submerging their own identity in the process. This ideal type can be used to measure one's own level of cultural awareness and to define the areas of behaviour and attitudes, which need developing. It can be used as a criterion for self-evaluation and assessment by trainers. Classroom lectures, coupled with interactive learning techniques and role-playing, are usually the most successful techniques for creating such awareness. Hofstede (2001:428) supports the idea, that awareness training should reveal the learner's own mental software and how it may differ from that of others. Although much attention is normally given to cultural knowledge training, little time is spent on introspection into the expatriate's own culture. Literature (Cox, 1991; Coleman, 1994:15; Bell & Harrison 1996:51; Pucik & Saba, 1999:56; Holt & Wiggington, 2002:516-518; Friday & Friday, 2003:868; Pooley, 2005:30) suggest, that the

knowledge and skills taught by such training, is not specific to any given country, but can be applied in any given cultural environment. It is important that diversity courses permit and even encourage students to acknowledge and evaluate their own beliefs and enable them to understand how and why their cultures differ. This may include information about differences and similarities due to regional locations, industries, organistions, and membership in various demographic groups. This will ultimately enable them to adjust and accommodate differences elsewhere. Landis et al., (2004:180) suggests, that cultural awareness training should focus on differences and similarities, as this is the first step to intercultural competence. Specifically trainees should be made aware of their orientation towards a willingness to interact and accept others, levels of ethnocentrism etc. Hay (1993:241) proposes the use of an inter-cultural sensitivity scale that could show stages of development, which a trainee experiences in the process of acquiring more ethno-relative attitudes and sensitivity. The value of the scale is twofold. First, it focuses on the subjective experiences of trainees - how they construe events and how they respond to the meaning attached to the events. Second, it provides a baseline against which trainees can assess their own level of inter-cultural sensitivity and identify their own areas of development. Triandis et al., (1994) argue, that perhaps most obviously, cultural awareness and competency training can quickly teach employees about cultural similarities and differences, and perhaps diminish their reliance on inaccurate stereotypes. Although stereotypes can be resistant to change, they can be modified if sufficient disconfirming evidence becomes available. According to Coleman (1994:15), besides imparting knowledge, effective training provides employees with opportunities to practise and hone their interpersonal skills. Awareness training should, therefore, not be viewed as a once-off event. Educational briefings may be helpful initially, but as the alliance evolves, more intensive team-building workshops and joint problem-solving sessions will likely be needed as employees experience the many implications that cultural diversity has for their daily interactions.

Awareness training is, therefore, essential for establishing widespread support for a diversity of initiatives. If cognisance of the required key competencies of intercultural managers is taken, it is clear that a combined cognitive and experiential approach should be followed, as the ultimate stage of development, namely acquiring

intercultural management skills and becoming culturally intelligent, is dependent on cultural knowledge, and the effective application of that knowledge in practice.

5.5.2.5.8.2 Cultural knowledge training

5.5.2.5.8.2.1 Culture general training

Culture general training is about providing individuals with information they can use when finding themselves in any new culture; by guiding the learner through a range of experiences and developing with them a range of skills with which they can face new cultures. Culture general approaches tend to be experiential in nature and seek to provide individuals with experiences that mimic as closely as possible the types of experience they are likely to encounter when coming into contact with those from other cultures. Types of approach used, include simulations and self-assessments. Through the use of such techniques, individuals are able to explore the ways in which their own socialisation influences their perceptions, attitudes, stereotypes, and subsequent behaviour. The power of the approach rests in its ability to place individuals in a position where they can safely experience some of the emotions common to those working outside their own cultural context; emotions such as culture shock, alienation, disorientation and so on. The approach moves participants from being information receivers (e.g. passively listening to a lecture or watching a video) to being active participants in a planned set of behaviours. Culture general approaches gain new significance as we move to a position where even those who never leave their own national borders, come into contact with a variety of people from a range of cultures (Cox, 1991; Bell & Harrison, 1996:59-60; Mead, 1998:429; Harris & Kumra, 2000; Avery & Thomas, 2004:383; Shen, 2005:659).

5.5.2.5.8.2.2 Destination-specific briefing

Destination-specific briefing should provide basic information about the host country's social, business, political, religious, and cultural environment. If the firm lacks expertise in this area, it can employ external consultants. This information should be useful and current. Expatriates should also be provided with written information, including addresses about useful amenities and services in the host environment, such as postal, health, banking, education, news, entertainment, employment opportunities for spouses and transport services. In addition, expatriates should be provided with host country workplace specific training, such as

communicating with superiors, subordinates, suppliers, contractors, and buyers; explaining standard operating procedures; and accessing business information (Mead, 1998:429; Thomas, 1998:253; Friday & Friday, 2003:868).

5.5.2.5.8.2.3 Training regarding business practices

Neal (1998:64-65) argues that management is conducted in terms of particular conceptions of organisational reality. The more accurate these conceptions are, the more reality can be manipulated successfully. Managers thus require accurate models or analyses of the "culture factor" in order to deal with it effectively. Rather than feed managers broad characterisations of culture, trainers would do better to inform managers of the practical difficulties that are encountered in work abroad. Therefore, as a start, the do's and don'ts of business interaction and protocol should be taught and reinforced. In this way staff can learn the pitfalls of working in a foreign country. Japanese managers can learn to accept American bullishness and informality. American managers can learn the basics of saving face, gift-giving and coming to terms with collectivist decision-making. German managers can learn to deal with British sloppiness, over-friendliness and constant recourse to humour. Hofstede (2001:428) suggests, that managers should be briefed about cultural-sustained institutional features of corporate life, for example: the modes of delegation; levels of hierarchy; the *ringi* system in Japan; the impotence of delegates in China; and the decision-making power of delegates in the United States. According to Mead (1998:428), training in this regard will focus on -

- administrative responsibilities of the post;
- company strategy;
- organisational structure of the JV;
- investment and treasury factors, including accounting and auditing procedures, financial sources, investments and protection of assets;
- relationship with headquarters, systems for control, communications;
- relations with other subsidiaries;
- local business environment;
- local risk factors;

- human resources issues, labour markets and recruitment, labour relations and policies, relations with unions, salary and reward structures, training resource and policies; and
- policies regarding ethical issues.

5.5.2.5.8.2.4 Customs and conventions training

Differences in culture results in differences in various aspects of social life, resulting from differences in customs, and expatriate managers unaware of customs in a particular country can find themselves in misunderstandings. As Hofstede (2001:428) and Landis et al., (2004:201-202) point out, certain customs are particularly sensitive to certain types of behaviour, and would frequently interpret such behaviour as insulting. An American manager that repeatedly touches a Chinese colleague, may find that an already fragile rapport disintegrates into embarrassment and confusion. Likewise, and English manager which is overly familiar with a French boss, can find that relations become unexpectedly strained. Those in blissful ignorance of their colleague's customs are thus likely to encounter all sorts of unexpected crises, and even those managers who have been familiarised with local customs, through training and experience, may find difficulty in adapting to these differences, and observing them in their work. Therefore, the etiquette systems for everyday situations should be explained, for example, greeting people, meetings, using the telephone, and dining. Neal (1998:64-65) argues, that at the very least managers should be alerted to is the fact that managing foreigners is procedurally and experientially problematic; and that cross-national relations tend to polarise and deteriorate. Therefore, culture customs, conventions and destination-specific training have been introduced by a number of organisations in order to address these issues. Friday and Friday (2003:868) and Thomas and Inkson (2004:73-75) support the idea, that if managers are to interact with people in particular in other cultures, there are things that need to be known about these cultures, such as their symbols, their heroes, and their rituals: although we may never share their values, we may at least get an intellectual grasp of where their values differ from ours. Literature (Bell & Harrison, 1996:59-60; Harris & Kumra, 2000:605; Hofstede, 2001:428; Thomas & Inkson, 2004:110-111) show that the "laundry list" approach to cross cultural understanding, attempts to provide each manager who is to have intercultural business transactions with a list containing

"everything you need to know" – about the particular country. Such lists attempt to detail the cultural characteristics, regional or organisational variations, expected behaviour in that country, the detailed customs to be followed, the type of speech inflections to use, and expression and actions that may be considered offensive to the maintenance of dignity and status, of touching conventions; customs concerning the initiation of negotiations; the level of formality and informality; the nature of eye – contact; handshaking and bowing conventions. Neal (1998:64) notes, that with the increasing internationalisation of business, huge markets in "solutions" to cultural problems have emerged. There is a tendency to write pop management books or doing presentations or consultancy work to simplify complex matters. However, training on cultural customs and conventions are not enough. This approach is limited as it focuses only on one dimension of intercultural training.

5.5.2.5.8.2.5 Training on cultural values and its roots

Neal (1998:64-65) also argues, that an unfortunate but common response to cultural problems and cost has been the dissemination of models of culture that are useful and persuasive for presentation and training purposes, but unproven in terms of improving international relationships, and actually improving cross-cultural management. Such models concentrate on characterising the values, etiquette and ideologies that prevail in different countries, and as such, some of the more glaring cultural differences are addressed in simplified forms, while the reasons for the destructive effects of cultural differences are commonly overlooked. Because such research has concentrated upon particular features of social interaction, rather than on the general characteristics of transcendent cultural orders, the ideas generated by such work, have been more easily implemented, and have thus been useful in orientation training and management development. Hofstede (2001:428) also suggests, that although training on conventions and customs of certain cultures are interesting and useful, it has its limitations. Whereas the culturalist orthodoxy has been concerned with mapping out cultures and fleshing out those maps, most of the problems encountered by multinational companies, have more to do with cross-national relations than with the prevailing practices in particular cultures. Because of this, much of the culturist work can only be of limited help to multinational managers, as it does little more than expound where differences lie - rather than explain the roots of cultural conflict.

Thomas and Inkson (2004:13-14) support this argument, by arguing that basic knowledge is only the beginning of overcoming cultural differences. Research and training in behavioural differences can provide only a very broad statement about cultural identity. The generalisations about a country, are likely to conceal huge variances within that country and considerable subtlety in the way that cultural differences are made apparent. There are likely to be, for example, religious or tribal or ethnic differences, detailed forms of special protocol, and regional variations. Therefore, the "laundry list" approach may be useful to expatriates, but they are seldom able to list all the possible variances of cultural behaviour, and more significantly, they do not enlighten the reader as to the root cause of cultural differences, how this is manifested into cultural dimensions and ultimately different behaviour. The essence of culture is subtle, and is hard to express in print. Formal and abstract knowledge need to be supplemented by and integrated with experience of the culture. Without such an understanding, an expatriate's method of dealing with cultural differences will always be reactive, rather than pro-active.

5.5.2.5.8.2.6 Management guidelines training

Czaplewski et al., (2002:40) argue, that clear guidelines on management practices, for example performance feedback an appraisal, should be provided for different countries and regions. Such an approach will help the organisation develop a global business culture that reflects the diversity of cultures represented within the organisation.

5.5.2.5.8.3 Cultural skills training

Iles and Hayers (1997:101) questions whether the personal attributes required for successful expatriates, can be assessed accurately by psychometric tests or by simulations in assessment centres, or whether these could be developed through cross-cultural training. However well-developed such "personality" attributes might be, an international manager will be effective only if he/she is deployed in behavioural terms. Friday and Friday (2003:868) suggest, that successful movement through the managing of a diversity process, requires individuals to change. This process is a fluid, continuous process that needs to be systematically reinforced and embedded in the organisation's culture and individual's interactions. This should be accomplished

through systemic, on-going training and daily interactions at the individual level, and through revised policies, procedures, and systems at the organisational level. This kind of cementation is required for these newly acquired attitudes, behaviours, and skills to become totally embedded in the individuals' natural way of interacting with diverse other individuals. The systemic, on-going training needs to be skills-based and experiential in nature in order to promote long-term changes in the way individuals work with individuals different from themselves. Hofstede (2001:428) argues, that skills are based on awareness and knowledge, plus practice, and that managers have to learn to understand the symbols of other cultures, in order to be able to recognise their heroes, practise their rituals, and experience the satisfaction of getting along in a new environment. Tung (1998:32) suggests, that cultural skills training will start with cultural sensitivity training, in which the aim is to raise consciousness/awareness/mindfulness of cross-cultural differences. These attributes will then allow a manager to effectively interact with individuals from different cultures in order to create intercultural skills.

5.5.2.5.8.3.1 Cultural skills training through experiential training

A number of writers (Iles & Hayers, 1997; Jackson, 1999; Muller & Parham, 1998; Waxin & Panaccio, 2005:59) are of the opinion, that managers must be encouraged to apply the material they learn in order to prepare for the diversity they will encounter in the workforce. Merely acknowledging the variance between demographic groups, is insufficient. Rather, students must learn how managers account for and even capitalise on such differences. To this end, experiential learning techniques often prove very effective. Thomas and Inkson (2004:72) suggest, that of all the training methods, experiential learning is the most rigorous and effective. Experiential learning, however, relies on day-to-day interactions between people who are culturally different. These interactions may occur in cross-cultural teams, overseas assignments, and interactions with culturally different individuals at home. Avery and Thomas (2004:386) point out, that experiential learning requires that the students become active participants in the learning process, as opposed, solely having to depend on lectures. Because it facilitates interaction among students, who are often diverse, it allows students to practise and apply the concepts they are learning. An empirical study by Waxin and Panaccio (2005:59) confirmed, that while linguistic

training is necessary, it is insufficient, as the most effective types of training are the experimental ones, especially experimental training focused on the host-country's culture. Landis et al., (2004:39) suggest a blend of both linguistic and experiential training. Shen (2005:659), together with Waxin and Panaccio (2005:59), suggest that host country personnel are the most effective and qualified people to provide the necessary training as they are familiar with the conditions and environment of the host country and hence are in the best position to impart the necessary knowledge and skills to the expatriates. In-house or company personnel are the next most effective trainers. The writers furthermore differentiate low-rigour training approaches, such as lectures, films, area briefings and books, from high-rigour approaches, such as interactive language training, assessment centres and sophisticated simulations. In Waxin and Panaccio's (2005) study, the duration of low-rigour training was four to 20 hours and for high-rigour training it was between 60 and 180 hours. Laroche (2003:212) points out, that in the light of the nature of their profession, and the way that they view, analyse and interpret data, a specific approach should be followed when providing intercultural training to technical people.

5.5.2.5 Intercultural task teams

5.5.2.5.1 The need to understand and manage cultural assumptions

Hay (1993:243) argues, that the best results may be obtained if the participants in JV's consider the implications that cultural diversity has on the alliance at each evolutionary stage of the alliance. While training can assist, it is not easy to uncover values and basic assumptions about each other. But yet, unless some of the key players from each of the companies do learn to read the other's country and company cultural assumptions, then effective and successful joint working will always be under threat and, at the very least, will prove costly in repair and maintenance work. In order to work effectively, multi-cultural project teams require analytical tools for decoding misunderstandings in communication and for harnessing the diverse strength of the members if group synergy is to result. Mead (1998) and Rodriguez et al., (2003) suggest that managers should ensure that participants in the alliance -

- create a shared understanding of the objectives for the alliance;

- recognise that each partner contributes to the success of the alliance, and thus is deserving of equal esteem and respect;
- establish an organisational culture that rewards cooperation between members of different cultural groups, and penalises behaviour that appears to be biased or prejudicial;
- provide opportunities for members of different cultural groups to learn about and from each other;
- provide opportunities for members of different cultural groups to develop personal friendships; and
- support activities that encourage everyone to reflect on their own values and gain insights into how their values influence both their own behaviours and the ways that they interpret the behaviours of others.

As will be seen, this can be achieved only if there is effective and continuous contact, communication, learning and trust building amongst members of different cultures.

5.5.2.5.2 The need for continuous interaction

Mintzberg (1998:52) pointed out, that effective management relies heavily on the quality of social interaction with one's colleagues. Black and Mendenhall (1990:550), together with Gohsn (2002:28) suggest, that in order for recipients of intercultural training to develop their cognitive maps of behaviour of other cultures, they need to be exposed on a regular basis to intercultural situations, and practise this behaviour. Daly (1996:11) and Higgs (1996:40) also argue, that in practice, it is through working on real problems and issues in a multicultural setting, using a structured framework that skills and understanding are developed. It is in this practical setting that the benefits of cultural diversity may be realised. If it is accepted that cross-cultural adjustment involves knowledge of which behaviour to execute or suppress in a given situation and the ability to effectively actualise this understanding, it follows that these skills have to be continuously honed, preferably systematically in a structured environment, where such exposure and skills development can be monitored and guided, as an extension of the training process. Appelbaum et al., (1998:224), together with Kidger (2002), argue that managing cultural differences is handled by defining the issues from the point of view of both cultures. The purpose is to uncover cultural

interpretations of specific issues and then come together with a cultural synergy that works for both groups. The focus should be on building everyone's repertoire of behaviours. This can help newcomers learn to acculturate while assisting established employees to be open, sensitive and non-judgmental. The climate should be such where being genuine, is valued and the maintenance of integrity is the norm, where differences can be discussed in a low-stakes productive way, one step at a time.

5.5.2.5.3 The need for structured, face-to-face interaction

Hofstede (2001:448) points out, that cultural integration takes time, energy, and a lot of money, unforeseen by the financial experts who design JV, and that the integration process should be monitored, based on the views of members of both parties. Athanassiou and Nigh (2000:474) argue, that there is much evidence that the imitative learning needed to achieve a common understanding of tacit elements of knowledge is most effectively achieved through face-to-face interaction. Such face-to-face interaction is necessary for problem-solving tasks, because it is suitable for transmission of "rich" information. Rich, multidimensional, robust relationships can be developed only through face-to-face interaction, because it allows all senses into the process and it is the only way to capture the "entire bandwidth of human interaction". Furthermore, face-to-face interaction is more effective than other communication media in conditions of ambiguity and uncertainty. Avery and Thomas (2004:387) support this notion, by pointing to recent reviews on diversity training that indicate that successful diversity training appears to involve the practising of communicating with individuals from different cultures. This increases the participants' awareness of diversity issues and how they can contribute to a more positive work environment. The authors argue, that the development of dual diversity awareness is a crucial factor in multicultural competence. Dual diversity awareness consists of an individual's universality-diversity orientation and other-group orientation. Whereas the former "reflects an attitude of awareness and acceptance of both the similarities and differences among people", the latter pertains to individuals' attitudes toward and interactions with members of groups other than their own. Therefore, content and contact are apt to increase universality-diversity orientation and other-group orientation simultaneously, which should in turn, facilitate cultural competency development.

5.5.2.5.4 Task teams as a basis for sharing values, managing conflict, learning and building trust

According to Adler and Bartholomew (1992:558) and Holt and Wigginton (2002:518-519), team-based case research add a real-world dimension to cross-cultural training. Well-managed cultural interaction helps transnationals create a human network capable of leveraging knowledge around the world, and use research on how people from different cultures interact for the benefit of the organisation. This is supported by Lane et al., (2000:116) and Laroche (2003:108-110) who argue, that in order to identify that other cultures have different concepts of teamwork, employees and managers need to work with several people from different cultural backgrounds in different situations. Having employees from diverse cultural backgrounds confer in groups about their diversity-related ideas, values, and beliefs, can often result in action science. Thomas and Inkson (2004:73) argue that multicultural teams are a rich opportunity to develop cultural intelligence, even without leaving your home. These teams enable members to observe how various cultures in groups respond to the assignments of group roles, the establishment of a leader, the imposition of deadlines, and all the other activities of working in a group. It will also provide the opportunity to catalogue a wide variety of behaviours by group members of different cultures. It therefore, constitutes an opportunity to develop cultural intelligence by using role models. Iles and Hayes (1997) support this notion and argue, that international project teams are where most of the boundary-spanning work in international enterprise is conducted, making this a key factor in organisational success and an important catalyst for individual and organisational development. In particular, the ability to learn in and through international project teams, is seen as a key developer of a more international outlook. Project teams also help the organisation share information, knowledge and resources across boundaries, transmit and recreate corporate culture, and provide examples of best practice.

Not all employees, however, have the opportunity to participate in multicultural teams through their day-to-day activities, and those that do, very seldom have time to engage in intercultural exercises, due to tasks and deadline pressures. Therefore, management should design and create a framework where all employees working in a multicultural organisation, have access to multicultural interaction in a structured setting, conducive to building cultural skills intelligence. Thomas (2004) reports on how Lou Gertsner,

chief executive of international business at IBM, decided to launch a diversity task-force initiative in order to address the issues surrounding cultural diversity. Each task-force focused on a specific diversity group. The goal of the initiative was to uncover and understand differences among the groups and find ways to appeal to a broader set of employees and customers. Interestingly, Gertsner made diversity management a market-based issue: "It's about understanding our markets, which are diverse and multicultural." The author, who conducted interviews with IBM employees following the establishment of the tasks-force, found that there was a significant philosophical shift from minimising differences to amplify them and to seize on the business opportunities they represent. Gertsner knew that he needed to signal that diversity management was a strategic goal and he new the establishment of such a task force would make a strong impression on employees. Although IBM adopted this model in order to tap into their existing vast culturally diverse workforce, the philosophy of addressing issues in a formal structure with open communication and proper cultural representation, is sound. This model could be adopted to highlight, discuss and solve issues relating to cultural diversity management. Dafdar and Gustavsson (1992:87) confirmed the success of this approach and reported on the difficulties encountered by Swedish firms in working with Arab nationals. Ultimately, the problem was solved by the formation of a diversified project management team, which included different nationalities. This team allowed the team members to be more creative and flexible and to improve appreciation of, and relationships with, their counterparts.

5.5.2.5.5 Objectives of the team

The objectives of the intercultural task team should be the following.

- **Create awareness of cultural differences and perceptions**

  Neal (1998:59) argues, that a core function of these groups should be to alert employees to the potential pitfalls of the cultural factor. Dafdar and Gustavsson (1992:88) suggest, that this can be done by making the members of the group aware of each other's culture in order to avoid cultural conflict. Bijlsma-Frankema (2001:198) argues, that members of the formerly independent organisations must learn to understand each other's cultural assumptions and find ways to bridge the gaps between them, and avoiding clashes that lead to disintegration. An important means to proceed towards a

greater more sharing of norms, is a regular dialogue between two parties, in which the ways of thinking and reasoning are exchanged and norms and expectations are explicitly communicated. Learning about each other's way of reasoning, adds to mutual understanding, and facilitates comparison: is the other one's reasoning really so different or just an alternative pathway taken from a common ground? Do the alternative paths reply to specific circumstances, each with its own success value? Can they be seen as supplementing each other? Can both ways of thinking be combined in a new logic? These considerations, potentially furthering integration, may arise thanks to the quality of a dialogue over the mere exchange of conclusions. Harris and Kumra (2000:606) also suggest a training structure, starting with an awareness-raising exercise that brings out value differences within the group. Students found this surprisingly powerful, particularly when they saw the extent of value differences between apparently similar groups.

- **Identify cultural differences and discuss how these impacts on JV tasks**
  Hay (1993:243) proposes, that participants be assigned to culturally diverse teams during case studies in order to facilitate and encourage cross-cultural discussion and team-building. This enables each member to present insights into his own and national culture, while simultaneously improving mutual understanding and communication. Other writers (Coleman, 1994:15; Neal 1998:59; Ghosn, 2004:2) argue, that the establishment of cross-national groups or integration teams, allows participants to deal with subtle but pervasive socio-cultural dynamics openly, honestly and directly. Literature (Coleman, 1994:15-16; Czaplewski et al., 2002:41; Holt & Wigginton, 2002:518; Avery & Thomas, 2004:386-387) suggests, that in these types of group settings, students should engage in a structured form of practical discourse, discussing social norms and values until they arrive at a consensus or an impasse. Next, the group shares the highlights of its discussion with the rest of the class. Students should discuss the similarities and differences among the group discussions, and subsequently, reflect on all that they have heard. One example of this type of approach, is the critical incident technique. First, the instructor develops a set of relevant critical incidents pertaining to diversity-related issues. Next, these issues are discussed by small groups of students

who focus on their perceptions of the causes and possible solutions to the incident. The instructor serves as moderator, ensuring that an air of respect is maintained and that the discussion remains centred on the issues raised by the critical incidents. This type of exchange has proven useful in helping students to learn from one another and to develop a better understanding of cultural differences.

- **Assist with cross-cultural communication and conflict solving**

  Holt and Wigginton (2002:518) point out, that in this realm, communication relies on a pervasive team-building spirit through personal associations. In other words, people can manage the richness of the information when they can interact. These types of teams are used by General Electric, Compaq, Shell and AT&T. In almost every instance, management focuses on building interpersonal relationships and cross-cultural communications. These team members must be selected carefully; in particular, team leaders must be recruited who can synthesise group activity. A number of writers (Coleman, 1994:15-16; Neal 1998:59; Rijamampianina & Maxwell, 2002:5;) argue, that the context in which repeated formal and informal interactions take place, need to be developed by the organisation, to compensate for a reduced likelihood of those interactions taking place across culture groups in the absence of such intervention. Neal (1998:59) also argues, that a forum for discussing the issues and debating policies for dealing with them, should be one of the ways to reduce cultural conflict. Rodriguez et al., (2003) suggest, that when staffing teams and larger work units are creating situations in which strong cultural fault-lines are likely to create unmanageable conflicts, should be avoided. However, given that most teams have technical solutions as their goal, this would seem unfeasible. A team manager charged with forming a team of engineers to produce a design solution, could hardly be expected to exclude certain candidates with excellent technical abilities, based on the presence of strong cultural fault-lines. The solution, it is submitted, would be to ensure that processes are in place to facilitate and develop improved cross-cultural communication and understanding, conflict management and teamwork. However, when team candidates with similar technical ability are available, this approach may be followed.

- **Share knowledge, develop trust and cultural intelligence**

  Regular dialogue brings about trust, based on shared knowledge, even if the knowledge encompasses notions about differences in norms and expectations between the parties. Furthermore, participation of organisational members in this process, can bring about a process of mutual learning between managers and employees that influences cultural commitment of organisational members to the new structure in a positive way (Bijlsma-Frankema, 2001:204). Iles and Hayers (1997:97) argue, that time spent establishing and developing a working culture or international micro-culture, is seen as vital, requiring regular feedback and communication and attention to what is acceptable and unacceptable for both individuals and the group. This process demands active listening, giving space, integrating contributions and giving attention to issues of trust, disclosure, language and sharing. Geographical dispersion requires constant information flows to retain commitment, given numerous other pressures and loyalties. Although electronic communication may supplement this process, trust often decays over time, unless regular face-to-face contact is maintained.

- **Develop a third culture**

  Elashmawi (1998:214) argues, that ultimately, this process leads to the creation of a new culture among the members - a productivity and growth-oriented culture that will remain as participants return to the office and maintain their groups. This is the dynamic new culture of the joint venture.

5.5.2.5.6 Methodology

5.5.2.5.6.1 Ensure support from management

Lere and Portz (2005) argue, that senior management must set the example of greater openness towards working with cultural differences and adopt a more transparent management style for the self-awareness learned in training to be sustained in the real world of cross-cultural business. Management may find it more effective to emphasise work-unit cohesiveness and provide team-based rewards and training. Thomas (2004:102) points out, that the IBM taskforce had strong representation by management and had a chairman and a co-chairman. Each task team also had an

executive sponsor that reported the findings of the task teams to top management. In addition to this the task force, HR managers were assigned to them. Once the task forces had been set up and launched, Gertsner sent an e-mail informing the employees of the task forces and their mission, thereby underscoring how important the initiative was to the company. He also asked employees to send him suggestions on how to achieve a more inclusive environment. More than 2000 responses were channelled to the task groups, and the task forces focused on the areas highlighted by the employee responses for improvement and evaluation. The following three factors ensured the success of the task groups at IBM.

- Demonstrated leadership support.
- Active involvement by chief diversity officer.
- Active involvement and support by CEO.

5.5.2.5.6.2 Assessing current climate

The Australian Government Diversity Program (2006) starts all its diversity training programs by doing an assessment of the current cultural diversity climate that prevails at a specific time. This allows the facilitators of a task team to identify and concentrate on solving issues causing conflict or otherwise, interfering with effective management. This can be done by a cultural survey. Holt and Wiggington (2002:518) point out, that Proctor and Gamble has introduced a questionnaire with multiple-choice answers, which indicate how a person would respond to a certain situation. This questionnaire is developed around the circumstances that would prevail around a specific culture, and attempts to simulate the conditions that would be experienced in that culture, and test the incumbent's responses.

5.5.2.5.6.3 Select candidates

The purpose of selecting candidates, is to ensure team diversity, to select the ideal mix, to challenge typical team formation and to maximise skill sets and expertise. The following steps should be considered.

- **Considering mix and balance of the group throughout selection process**

  At various stages of the selection process, managers should consider the mix and balance of team membership in order to ensure the requisite skill and competency mix is achieved. Preparing tables identifying the required skills and competencies of potential members, allows managers to pinpoint gaps throughout the team selection process. Important questions to address throughout the process includes the following.

  - Is there representation from across the relevant areas of the organisation?
  - Have members had diversity training?
  - Does the team leader have conflict negotiation skills to assist members without diversity training?
  - Is there obvious under-representation from particular groups in the organisation, measured on various grounds, e.g. gender, tenure, function, and hierarchical position?
  - Is there a high propensity for groupthink?

5.5.2.5.6.4 State goals of the task team

One of the critical factors in team performance, is the clear articulation of required goals and work outcomes. Managers, in conjunction with team leaders, should work together to identify what the work outcomes for the team should be and ensure that these are clearly linked to the organisation's strategic goals. Team effectiveness is measured across a number of indicators, and these should be reflected in the desired work outcomes or goals.

- Performance – the output desired of the task-team e.g. quantity, quality, time-lines etc.
- Member satisfaction – providing task-team members with a positive team experience e.g. job satisfaction, commitment, trust, supportive environment etc.
- Team learning – the task-team's ability to adapt, solve new problems, make new decisions, approach new tasks, change norms and processes as required, etc.

- Outsider satisfaction – meeting the needs of those outside the team such as management, other organisational members or departments, etc.

Setting out desired outcomes and goals across these four indicators, provides a good framework for clarifying what the task team's outcomes should be. It also demonstrates that output is not the only performance indicator that is important to measuring team success.

5.5.2.5.6.5 Inform team members of advantages of cultural diversity

The purpose of this stage, is to encourage an understanding of the desired team dynamics, to harness diverse team dividends and to reduce potential animosity and suspicion. An important first step in gaining employee buy-in on the importance of team diversity, is to inform members of the rationale behind the explicit assembling of diverse teams. Setting out the business case for diversity management, is important so as to generate support for increasing diversity in team membership. It is critical that increasing diversity is not seen as tokenism, but rather that it is valued. Tailoring the business case to the strategic objectives of the organisation, division, and team, is critical to engaging members. A presentation to the team on the value of diversity in teams, should cover -

- the organisation's strategic goals and how the team's goals fit with these goals;
- how team membership and effective management of cultural diversity can help the team to reach these goals;
- a recognition or statement that diversity is an asset for the team to draw on;
- information on how different ways of thinking are valuable for the team, the organisation, and the individuals within the team;
- recognition that diversity presents challenges for the team that they will be assisted to address;
- evidence of how harnessing diversity in teams leads to superior performance and provides valuable learning opportunities for members;
- the value to the individual team members of developing diversity capabilities; and

- the organisation's diversity management strategies, policies and procedures that reflect its commitment to valuing diversity.

Careful examination of the business case for effective diversity management, the evidence of how diversity management enhances performance and the organisation's diversity data, will equip team leaders and managers to competently answer member questions. Addressing team member concerns is important, particularly where teams may traditionally be relatively homogenous. Critical to engendering support, is the recognition that diversity not only offers opportunities for superior performance, but that it also can pose considerable challenges to team processes, particularly interpersonal communication and relationships. Addressing concerns and answering questions honestly, is important also, in building trust between members, validating concerns or issues that members may have, and encouraging an understanding that team dynamics may be different. It is important also to emphasise that the value lies in the diversity of all team members, i.e. in the different perspectives and mental models that everyone brings, rather than just the presence and views of certain individuals from different backgrounds.

5.5.2.5.6.6 Encouraging discussion

The purpose of this process, is to match team capabilities to goals, to identify value in diversity and to harness team capabilities. Team leaders should encourage discussion around the business case and questions raised. This is particularly important in the first meeting to demonstrate that diversity issues are open for discussion, within important guidelines. Discussion on process issues should occupy a regular position on team meeting agendas. It is important, however, to ensure that these discussions are not personalised. Team leaders, accordingly, should be selected because of their existing diversity competencies and conflict negotiation skills, or trained appropriately.

5.5.2.5.6.7 Start with creating cultural awareness

Neal (1998:59) argues, that employees must be well-briefed in the nature of cross-cultural social and corporate dynamics, and be able to disseminate this information throughout the company. A structured knowledge management system, augmented

perhaps by a regular newsletter, could be used. Their briefing in other words, will be to make cultural diversity an explicit issue.

5.5.2.5.6.8 Discuss differences in perceptions

Elashmawi (1998:214) reports on a Multicultural Management Process (MCM) that begins by surveying employees' individual concerns during their daily activities. In companies that suffer from multicultural communication and management problems, most candidates indicate high levels of frustration in conducting meetings and presentations, as well as decision-making and problem-solving. They often trace this frustration to the cultural baggage they and others bring to the joint venture. Elashmawi (1998:214) suggests, that the task-team process can begin by inviting approximately 15 multicultural members from the joint venture to attend one of our two - or three-day training seminars. Activities may include brief lectures, group discussions, role-playing, video presentations, multimedia presentations, and case studies. Participants initially point out the strengths and weaknesses of their joint venture. Following this, members are asked to identify individual core values. The results are compared with values from other cultures. Participants also recognise the characteristics of several subcultures. For example, Mr Budi, the Indonesian engineer, values group harmony, relationships, co-operation, family, and seniority. These values are essential for his success in Indonesia. However, Mike Burgess, the US engineer, values individuality, openness, risk-taking, and freedom. Mr Suzuki, the Japanese project manager, values group harmony, consensus, and achievement. Mike's daily interaction with Budi and Suzuki may be a constant source of friction throughout the business day. Participants are also assigned to culturally diverse teams during case studies in order to facilitate and encourage cross-cultural discussion and team-building. Each member presents insights to his own and national culture, while simultaneously improving mutual understanding and communication. This tends to create a new culture among the members - a productivity and growth-oriented culture that will remain as participants, return to the office and maintain their groups. This is the dynamic new culture of the joint venture. Batonda and Perry (2003:1556) argue, that Hofstede's cultural dimensions may be used as a starting point, but it should however, be used with caution, as empirical studies have shown, that culture is a multifunction and multilevel phenomenon, which does not lend itself to generalisations. Appelbaum et al., (1998:224) argue, that an important part of

managing cultural diversity, is to discuss differences. When the group enters the third stage of development, "Norming", it can meet to discuss differences. Specific but impersonal and general incidents could be brought up. They could then be discussed from different points of view, stemming from cultural differences - which could then become the focus of the discussion. In the fourth stage of group development, specific personal or group level incidents could be discussed with the goal of problem-solving. A beginning point of the more formal method might be an instrument such as the "Norms/Values Worksheet". The value of this is, that it is a more objective instrument that can reveal much information about culture. It can be used as an icebreaker to this topic. Thomas (2004:104) supports this approach and reports on the multicultural task teams created at IBM, noting that members of the task groups engaged in lengthy discussions in order to understand each other's point of view. A facilitator made routine visits so as to ensure that members stayed focused on the issues at hand and to facilitate knowledge-sharing between different groups, as the same issues kept creeping up in each group. From these groups, the top issues were identified and tabled under the heading "Employees' biggest diversity concerns." As a result of the task groups, employee network groups were formed through which employees interact and discuss issues specific to their constituencies. One of the results of the task-groups, was the response to the question posed as to which external factors should be considered in order to respond to IBM's diverse customer base. It became clear, that IBM was neglecting the market's fastest growing entrepreneurial segment – those of women and minorities businesses in the USA. IBM's focus shift resulted in millions of dollars in new revenue.

5.5.2.5.6.9 Focus on similarities

Peppas (2002) argues, that in approaching the issues surrounding diversity, there should be not only a focus on differences, but also an examination of both similarities and differences. Therefore, to be effective in managing diversity, managers must specify the dimensions in question and must focus on both differences and similarities simultaneously. This is supported by Dafdar and Gustavsson (1992:88), who reported on a JV with a Swedish and Arabian company, where an attempt was made to establish the common elements of the composed cultures and their differences. Emphasis was placed upon the common and shared elements, while differences were minimised.

5.5.2.5.6.10 Provide conflict management training

The purpose of conflict management training, is to reduce unproductive conflict, to enhance constructive conflict, to improve team environment and to improve overall team performance.

5.5.2.5.6.11 Discuss conflict

Darling and Fogliasso (1999:385-391) suggest, that an important part of team interaction, and a driver for innovation and superior performance, is productive task-based conflict. Team processes within diverse teams are highly valued, because of the clash of ideas, ways of thinking, education, skills, experience and so on. It is important that conflict is discussable within the team. Critical to managing conflict, is the provision of conflict and negotiation training for the team leader and team members. Conflict training should focus on -

- positive forms of conflict i.e. task-based conflict;
- unproductive forms of conflict i.e. interpersonal conflict;
- debating the differences between unproductive and productive conflict;
- strategies for working together harmoniously through minimising interpersonal conflict, and maximising task based conflict; and
- the establishment of ground rules for team interaction.

5.5.2.5.6.12 Seeking conflict management, not just resolution

Conflict within the team should be managed. Resolution does not always reflect that a positive outcome, or a superior decision or solution has been reached. In some cases, it can reflect the dominance of some members of the team, and their ability to reach resolution through imposing their will on other members. Resolution can also reflect groupthink. Conflict management, rather than resolution, should be the goal. Team leaders or managers should focus on –

- providing the team with tools for channelling productive conflict effectively;
- strategies for managing unproductive conflict;
- methods for ensuring that resolution does not reflect dominance or groupthink;
- timely feedback mechanisms on conflict management strategies.

5.5.2.5.6.13 Investigate culture-based problems

As part of investigating culture-based problems, the following actions should be taken.

- **Discuss incidents and provide case studies**

  Czaplewski et al., (2002:41) propose, that incidents involving employees from different cultures, should be used as a discussion point. Once a shared meaning has been achieved on the underlying sources of the incident, it is essential that learning go beyond this stage to the development of new solutions and ways of doing things. In other words, obtaining insights into the source of the problem is an important step, but it is essential that the organisation find new processes and capabilities for dealing with cross-cultural conflict management. When problems do occur, the organisational learning approach would seek to study the incident and then address it with a comprehensive analysis of the underlying issues and the environment (e.g., such as culture) that caused the problem, and the development of suggestions, such as the guidelines given previously, on how to correct the problems. Establishing cross-cultural teams to examine the underlying cultural factors that have led to problems in a management process, signals to employees in overseas business units, that their values and management approaches are respected by the organisation. Drawing on their ideas, and then encouraging them to share their resultant approaches with other affiliates, affirms their sense of contributing to and belonging to the organisation. Thus, in addition to producing management processes that are responsive to different cultures and countries, and that draw on talent from throughout the organisational system, this process fosters a sense of organisational membership and identity in managers. In short, the benefits can significantly outweigh the costs in the longer-term, and, if approached in the methodical manner suggested, the organisational learning approach can likely result in additional benefits in employee attitudes and ultimately, improved organisational performance. Drawing on a case study conducted by the authors on a JV between a French and a Dutch partner, they propose that the methods of training in the cultural diversity task-teams may include a variety of team and inter-team exercises focusing on working together, trust building, negotiating and communicating.

For each exercise, observers may be selected from the alien culture to note and report their findings to their own national group and to the other. The fishbowl technique may also be used to allow each group to assess its performance in public in front of the other. Through these various methods, a climate of greater openness can be achieved and, when there is less need for keeping the private cultural stereotypes hidden from view, they tend to slowly lose their power. Communication analysis may be developed through the active exploration of cultural stereotypes, the uses and abuses of language, the power of words to define reality and the role of non-verbal behaviour in inter-cultural interactions. Each manager can produce their own learning style assessment profile to identify their strengths and weaknesses as senders and receivers of messages. In order to further the inter-cultural understanding and awareness, mixed country pairs can be formed to work on business-focused projects between the first and second parts. In the second part, the focus shifts towards working on the business aspects of the merger. This provides an opportunity to see how well the cross-cultural training from part one had succeeded in shifting perceptions. The subjective responses were, that communications between the two sets of managers had improved significantly. The reasons for this were, first, that they knew each other better; second, they felt less fearful of language differences; and third, they felt it was in order to joke about the cultural differences and the popular stereotypes each had of the other. From the perspective of the trainers, it was evident that mixed national pairs and teams formed quickly and worked more easily together when given specific company-focused tasks. There was a greater acceptance that the French and the Dutch do things differently, e.g. when negotiating or trying to find consensus in meetings. Perhaps "my culture's OK, yours is not too bad", describes the overall attitude of the two cultural groups by the end of the training.

These groups are therefore, nothing else than formal mechanisms for learning, endorsed by management. A further three "musts" were identified.

- Managing diversity should form part of the core competencies used to assess a managers' performance, and must be included as mandatory training.
- Managers must understand that to manage cultural diversity effectively is an integral part of managing the organisation.
- Diversity must be part of business goals and be a good business practice – not good philanthropy (See also Aghazadeh (2004: 524)) in this regard.
- Managing of cultural diversity had to form part of a manager performance agreement.

- **Research**

  Managers should ensure that they are equipped with the latest literature on cultural diversity. Cox (1991) stressed the importance of continuous research, and the collection of information on diversity-related issues. Data such as analysis of attitudes and perceptions of employees are needed. Research can be helpful for identifying issues to be addressed in the education process. Theory regarding different perceptions and expectations of cultures can be discussed and tested in intercultural training and discussion groups. It also helps in identifying where changes are needed and how to implement them. Hofstede (2001:428) supports this notion and argues, that in an organisational environment, the different cultures of the members have to be formally, structurally and systematically explored, mapped, verified and discussed on a continuous basis in order to be properly understood and managed.

5.5.2.5.6.14 Follow-up and monitoring

As in any other management function, there is a need for accountability and control for managing cultural diversity. It can initially be assigned to the diversity task-force or the diversity manager, but ultimately the responsibility for preserving the changes must be established with every manager (Cox, 1991). This is also supported by Child and Faulkner (1998). Czaplewski et al., (2002:42) argue, that the organisation should develop a plan for how it will measure the effectiveness of the new management practice so that it can evaluate and make improvements as needed in the future. In essence, the organisation should seek to receive constant feedback on its new processes, so that it can continuously improve them and communicate any changes to

other parts of the organisation. PepsiCo International has initiated specific IHR performance goals, such as providing instant feedback, while also enabling local business units to customise the practice to the culture and traditions of the country in which the feedback is being provided. General Electric provides an example of a company that has developed strong systems for analysing and then sharing best practices across its wide range of business units. General Electric has developed not only a strong global business culture that supports the sharing of ideas and practices, but also a number of HR and management systems, including visits by managers to different business units, sharing of information among participants in the company's educational centre in Crotonville, NY, work-out sessions, and employee development and promotion policies. Elashmawi (1998:215) suggests, that once the initiative has been proven a success, the joint venture should ideally modify existing ceremonies, develop or modify mission statements, logos or mottoes, and recognise the organisation's new approach in newsletters and at social events and communicate that intercultural conflict has been overcome through compromise and implementation of corporate goals that satisfy the multicultural business needs of each joint venture partner.

5.5.2.6 Language training

Communication skills are a prerequisite, both for effective collaboration within an alliance and for an individual, to cope with the new local environment. For this reason, proficiency in a relevant language should be developed in anticipatory training, or looked for when selecting suitable candidates (Child & Faulkner, 1998:253). Landis et al., (2004:344) suggest, that only when we are able to communicate effectively, are we capable of forming friendships and are able to appreciate the surrounding landscape of art, music, sport, food, humour and other everyday experiences. Mead (1998:439) argues that the language training needs analyses should focus on the following.

- Productive skills (speaking and writing) and receptive skills (understanding and/or reading).

- Occupational and social needs, i.e. the manager may decide to use an interpreter and focus on social language to create good relationships with managers and negotiation partners.
- Communicative functions e.g. greeting, welcoming, persuading, informing etc.
- Standards of language competency required.

Hay (1993:240) argues, that positive cross-cultural interaction is ensured only when the parties involved communicate effectively. Cross-cultural communications training should provide intellectual perceptual awareness and the appropriate communication skills needed to develop a repertoire of foreign linguistic strategies. In this context, effective language training must provide, beyond lexicon-grammatical knowledge, strategies for the comprehension of discourse that bring into action the knowledge of the cultural parameters of the society in which the foreign language is spoken. No language can be meaningful if it is not realised in a practical situation: by helping a learner to identify the situational components that encode language, to predict events and behaviours by activating prior knowledge of the social context in which language occurs, it is therefore, possible to empower even a learner who has a limited lexicon-grammatical proficiency. No amount of stock phrases and impeccably learned grammatical rules will lead to meaningful communication, unless such learning goes hand-in-hand with the activation of cross-cultural awareness. Tung (1998:31-32) and Selmer (2005:70) suggest, that basic language training should be offered to expatriates and the accompanying families and, where possible, be provided by experienced second/other language teachers. In order to locate information on suitable language courses, organisations may contact local education institutions. Expatriates may need to get paid leave to attend classes. The needs analyses described for the overall expatriate training program, could again be applied for the purposes of defining the language training curricula. Depending on the duration, tasks and level of immerging required, language training may vary from brief survival language instruction to extensive immersion training, aiming for complete spoken and written fluency. Host language ability may serve several purposes. Besides facilitating communication with locals, it may also demonstrate an attitude of attempting to learn about the host culture, enabling one to be polite, and permitting cultural understanding

not otherwise possible. Kedia and Mukherji (1999:239), together with Hofstede (2001:428), support this notion and argue, that one of the best forms of preparation for a specific assignment, is to learn the local language. Many crash courses are offered, but to learn to effectively use a new language, will take at least a year, but less if it's done in a foreign country and the learner is fully immersed in its culture. It is therefore, necessary for employers to plan ahead and allow their expatriates sufficient time to learn the new language. Adler and Bartholomew (1992:558) suggest, that although expatriate managers still experience some difficulties in cross-cultural communication, a much bigger challenge is providing members of various cross-national virtual teams with effective cross-cultural communication capabilities. This is so, because employees on virtual cross-national teams typically do not have extensive international experience and communicates with individuals from other countries on a periodic and virtual basis, rather than on a regular or face-to-face basis.

5.5.2.7 Knowledge management

Knowledge and performance have been closely linked. Knowledge forms the functional basis for a meaningful reduction in the large number of potential task-related behaviours available to our social and technological systems. Knowledge does not just facilitate information input, but also more generally permits a target-related and purposeful adaptation of behavioural potentials to conditions in the environment (Shack, 2004). In the current competitive environment, knowledge-based resources are of the most valuable strategic resources of the firm and also the most difficult to manage (Ordóñez de Pablos, 2004:105). According to Downes and Thomas (1999:39-40), intellectual capital, a firm's ability to extract the best solutions from its people, also defines its ability to learn and continuously expand its base of knowledge. Successful organisations nurture intellectual capital investments by developing and leveraging the abilities of their employees. As individuals share knowledge and experiences with others in the organisation, a synergy is created that cannot be easily duplicated, forming a foundation for enduring competitive advantage. Therefore, the authors conclude that "economies of skill "do exist, and organisations that foster knowledge-sharing through the transfer of skills will emerge smarter and more competitive.

Literature (Kogut & Zander, 1993:636; Lyles & Salk, 1996:879; Inkpen & Beamish, 1997:184,187; Downes & Thomas, 1999:33; Shimin & Russ, 1999; Gupta & Misra, 2000:78-79; Pemberton & Stonehouse, 2000:186; Brusoni et al., 2001:597; Adler & Bartholomew, 1992:558; 2002; Iles & Yolles, 2002:628; Wong et al., 2002:5; Ordóñez de Pablos, 2004:105) suggest, that partners in IJV acquire knowledge and skills through a process of knowledge management and creation that allows it to build a competitive advantage. When JV's are created, organisational boundaries become permeable. This permeability provides partners firms with a window on their partner's broad capabilities. Consequently, knowledge creation and learning should be viewed as potential strategic benefits of joint venturing. By forming a JV, partner firms may gain access to the embedded knowledge of other organisations, and therefore to new organisational skills and capabilities. The translation of new knowledge into organisational action, is the basis for creating new skills that underpin a firm's competitive advantage. Local knowledge such as investment regulations, supplier practices, labour laws, and cultural traditions become essential to effectively manage an IJV, and until the foreign partner has acquired sufficient local knowledge, he will be dependent of the foreign partner for that knowledge.

Child and Yan (2003:288-289) argue, that there are three aspects of learning that are likely to have particular relevance for the specific case of IJV's.

- First, there is learning from experience. This is a transfer to a new IJV of relevant knowledge acquired by parent company personnel from their previous experience of joint ventures and international business. Eriksson et al., (1997:388); Child and Faulkner (1998); Inkpen and Dinur (1998:463) Gupta and Misra (2000:79-80); Czaplewski et al., (2002:32) and Tsang et al., (2004:93) all argue, that the concepts of organisational learning through knowledge management are especially relevant to breaking cycles of cross-cultural conflict within a multinational enterprise and then transferring the knowledge gained in this process throughout the joint venture, to help prevent future critical incidents from entering a cycle of conflict. The common thread in research into knowledge transfer through alliances and joint ventures, is that the ability to re-evaluate and learn, is the key to success.

- Second, there is formation learning. This takes place in the process of seeking and negotiating terms with new partners; the more extensive and thorough the process is, the greater the learning opportunity it provides.

- Third, there is operational learning, which is learning how to work effectively with one or more partners in the subsequent operation of an IJV. The amount of learning required, is likely to be greater when the joint venture partnership crosses national boundaries, especially if the host location is a developing transition economy like China in which the environment is turbulent and many local partners have had little previous experience of working or trading with foreign counterparts. Pemberton and Stonehouse (2000:185-186), together with Harvey and Novicevic (2001:81) also argue, that there may be situations outside the global organisation's network of relationships, which may require tacit local knowledge to explore business relationship options and exploit opportunities in a specific geographic area or culture. By utilising competent expatriates with multiple skills, global organisations are developing a resource competency of such tacit knowledge, that is difficult for global competitors to duplicate. Furthermore, the tacit knowledge gain through having highly qualified expatriate managers in foreign subsidiaries can be brought back and embedded into the domestic firm-specific routines, which in turn, can facilitate organisational learning, ultimately increasing organizational effectiveness in global competitive positioning. This argument is also supported by Osland and Yaprak (1995: 58); Makino and Delios (1996:907-908); Athanassiou and Nigh (2000:474); and Kidger (2002:77).

5.5.2.7.1 Creating communities of practice

While enhancing such worldwide learning capability is a key reason for transnational firms to form joint ventures and strategic alliances, the mere structural formation of such alliances does not, in and of itself, guarantee enhanced organisational learning; whether collaboration leads to competitive surrender or revitalisation depends foremost on what employees believe the purpose of the alliance to be. It is self-evident, to learn; one must want to learn (Kogut, 1988). As the nature of interaction within and between firms shifts from hierarchies of dominance to networks of equals,

the need for knowledge about how people from different cultures collaborate and learn together, is increasing (Adler & Bartholomew, 1992:558; Newell, 1999: 289). For the management model to be developed and, where necessary, adjusted, it will also require continuous feedback of relevant information from the field, especially with regards to the acceptance and effectiveness of the model. This can be achieved only by the structured creating, collecting, sharing and leveraging of the necessary knowledge – in other words knowledge management (Newell, 1999: 288; Tsang et al, 2004:87). Avery and Thomas (2004:383) argue, that from the plethora of available learning models, work-based learning appears well-suited for organising research on diversity instruction. In this model, theory and practice lead to the acquisition of both explicit and tacit forms of knowledge. Explicit knowledge pertains to information that is conveyable through formal language. Tacit knowledge cannot be conveyed in such a manner, but instead, requires active involvement on the part of learners. By crossing these two types of knowledge and two types of learning, matrices of work-based learning at both the individual and collective levels, are created. Action learning, the use of theory to acquire tacit knowledge, applies theory in the workplace to solve actual organisational problems. Communities of practice (knowledge management teams) use practice to acquire tacit knowledge. It involves employees coming together to share information, thereby establishing a shared belief system and an avenue for potential future assistance. Through action science, explicit knowledge is acquired collectively through practice. This helps employees learn to de-contextualise and better evaluate their personal knowledge systems.

5.5.2.7.2 Facilitate organisational learning

Czaplewski et al., (2002:32) and Schack (2004:39) suggest, that after recognising a problem and discovering new ways to deal with it, the next challenge for the organisation is to apply double-loop learning where it examines and challenges its own underlying assumptions on its management practices (e.g., applying the concepts of a host country directly to business units in similar cultural orientations). Once this learning has taken place, the organisation must then seek to transfer the new knowledge and practices throughout the organisation. As with gaining learning from the overseas experiences of expatriates, it is critical for organisations to build infrastructures to institutionalise new knowledge so that it flows back and forth between corporate headquarters and the various subsidiaries.

5.5.2.7.3 Role that expatriates can play

Morosini et al., (1998:139), together with Downes and Thomas (1999:36) argue, that international experience is broadly recognised as a vital asset to top management teams of multinational corporations (MNC's); however, few organisations systematically develop and protect this asset among middle managers. This is where expatriate managers are a source of long-term competitive advantage, because of their tacit (or implied) knowledge gained from exposure to international markets. To leverage this knowledge, MNC's must build infrastructures that facilitate the assimilation and institutionalisation of expatriate learning. Successful expatriate assignments have a dual benefit - in addition to the successful completion of the expatriate assignments, expatriates can transfer country-specific learning to the organisational memory to be leveraged in subsequent assignments. Expatriates, familiar with the culture, language, and customs of headquarters, can facilitate the transfer of corporate culture between headquarters and the subsidiary, enhancing communication and coordination. They can also transfer technical and managerial skills that may not be immediately available at the local level and thus serve as mechanisms for corporate control in vital markets. Harvey and Novicevic (2001:81) argue, that although only a portion of dispersed knowledge about global markets can be fully integrated through the competency-based expatriation, the resulting enhanced organisational planning ability can, however, successfully update top management's knowledge base. Thus, the top management team may become more informed about which kind of specific knowledge is present in the global organisation, which learning processes are evolving in foreign subsidiaries, and which knowledge and practices may successfully be transferred to other parts of the global organisation. The authors further argue, that when expatriate selection is competency-based, expatriates are able to capture those elements of the global market environment that are stable and possess unique features (i.e. are non-repeatable and idiosyncratic). The expatriates selected in the traditional manner, would focus on the typical features and may not identify such specific features. With competent expatriates, as its focuses of tacit and distributed knowledge, a global organisation faces lower coordination costs, which arise in the process of acquiring and coordinating market knowledge in global markets. Kidger (2002:73) also argues, that as individuals undertake trips to overseas subsidiaries, they build up a bank of knowledge about working in different situations with people from

different cultures, and this represents a stock of knowledge that could be developed and used to the benefit of the organisation. International assignments should be seen as learning opportunities, which are crucial to the creation and utilisation of an international stock of expertise. However, the history of expatriate management suggests, that in many instances this does not happen either because the assignment is in some senses a failure, or because no attempt is made to integrate international experience into the firm's planning and development. Global integration is leading to the promotion of international best practice through the sharing of knowledge and experience. This is supported by Czaplewski et al., (2002:32-33) who argue, that the organisational learning approach can lead to double-loop learning as it forces the organisation to examine closely the purpose of its home country management practices. Organisational lethargy often keeps an organisation from questioning the relevance of its existing systems, even as the environment changes and makes them irrelevant, or, worse, destructive to organisational performance. The experiences and learning of expatriate and foreign national managers, particularly upon re-entry, can be a prime source of training focus. Organisations that can effectively share learnings between the home office and local offices, as well as among their various international offices, can incorporate new ideas and develop new practices. Mead (1998:418) argues, that the expatriate manager and his dependants can share knowledge with the organisation on -

- the expatriate post - performance requirements, constraints, opportunities and conditions of service;
- the JV partner – history, goals and scope, resources, internal arrangements and strategy;
- the business environment – market trends, competitive behaviour, opportunities and threats;
- the political and economic environment; and
- the cultural context – constraints and opportunities.

By debriefing the expatriate effectively, his/her accumulated knowledge can be applied at various levels of policy-making and implementation. The following activities are involved.

- Planning strategy.
- Briefing negotiators.
- Analysing the local firms needs and interest.
- Selecting, training and briefing successors (and spouses) to that post, or to other posts.
- Understanding the needs of both their expatriate and local staff.

In summary, many companies possess potentially valuable sources of information in the form of their managers' expatriate experiences, but this information is not always utilised and turned into useful operational and strategic knowledge, as no attempt is made to debrief the repatriate, systematise the output, and leverage the output. The expatriate is more likely to contribute when he or she feels that their experiences are valued.

5.5.2.8 Continuous training and support to facilitate cultural adjustment

Training courses normally focus on how to work in other cultures, rather than how to live in another culture. Some writers (Tsung, 1998; Landis et al., 2004:155; 181) suggest, that the most functional mode of acculturation between members of cultures is integration. "Going native' or assimilating the culture of the host country, has proved to be less effective, and therefore, expatriates should be encouraged to preserve and combine the better elements of both cultures in order to perform effectively in the country of assignment, as well as their home office. Expatriates should also receive training on stress management skills and constructive coping mechanisms, including social support, in the cross-cultural transition process (Landis et al., 2004:201). A number of writers (Mead, 1998:409; Thomas, 1998:255-256; Pucik & Saba, 1999:55; Landis et al., (2004:203) argue, that support should be given before the expatriate arrives at his or her post, when the expatriate is in his/he post, and after his/her return to headquarters. Professional support includes the following.

- Continuous training in the host country.
- Professional and technical support at the subsidiary or venture.

- Professional and technical back-up at headquarters, including easy access to headquarter staff.
- Easy communication with headquarters (communication should include information on day-to-day affairs).

When the expatriate is confident that his/her career interests are protected at home and that the assignment contributes to his/her career, he/she is more committed to the assignment and better motivated. This means being confident of -

- the duration of the post;
- guaranteed career security on repatriation;
- career planning;
- enhanced promotion chances on repatriation;and
- training for return to headquarters.

5.5.2.9 Measurement of training

One of the key elements of providing an effective learning intervention, is the ability to be able to identify whether the participants had altered their behaviours in the manner prescribed in the course objectives. An additional consideration is, whether they are able to transfer these behaviours to their work environment (Harris & Kumra, 2000:606; Ghosn, 2004:4). Coleman (1994:15) suggests, that it may also be useful to measure an expatriate's perceptions regarding the outcomes of diversity training. In particular, to what extent the training has influenced his/her awareness of his/her own stereotypes and assumptions, increased his/her cultural knowledge, and enhanced his/her cultural skills. Cultural diversity training methods include guest speakers, movies, lectures, and giving book presentations. Feedback regarding the effectiveness of different training methods should be obtained. According to Coleman (1994:15), an organisation needs the following.

- Critical benchmarks by which to measure success in meeting diversity and related business goals.
- Strategies for rewarding or correcting performance and behaviours, so that the organisation can stay on course with the strategic diversity plan.

Cox (1991) however stressed, that training should not be regarded as a "quick fix" and that it should be conducted on an on-going basis in order to be effective.

5.5.2.10 Create reward mechanisms for inclusive behaviour

Finally, rewards and recognition programs should be used to encourage employees to develop their cultural competencies. Often organisations provide training but do not mandate full participation, nor do they reward employees who apply the training lessons in their work. According to a study involving several hundred U. S. organisations, the success of domestic diversity interventions was enhanced when supporting sanctions were in place. Requiring everyone to attend cultural awareness and competency training, communicates their importance, as does providing rewards to employees who provide evidence of improvement (Rodríguez et al., 2003).

Training, as part of the human resource management component of management is, therefore, a pivotal element in the management of cultural diversity. Subsequently, the *measuring performance and problem-solving* element of managing cultural diversity, will be discussed.

5.5.3 Leading motivating and communicating

5.5.3.1 Cross-cultural leadership

Change in the organisational culture is the critical condition in successful adjustment to a change in the external environment, requiring the managerial leader to meet the expectation of the members of the organisation. Hence, organisational leaders need to know and understand the desired leader behaviours expected of them by their subordinates, peers, and superiors (Littrell & Valentin, 2005:421). According to McFarlin and Sweeney (1998:133-137) and Thomas and Inkson (2004:133-134), cultural differences in expectations of leadership affect the perception of who is perceived as a leader. Different cultures have different perceptions of what a leader should be. A leader who is able to meet follower's expectations of a good leader, can expect to develop better trust and relationships with the group. Effective leaders should understand the leadership style preferred by their subordinates so that the leaders' authority is respected and that they are able to lead subordinates effectively and achieve organisational goals. The designated leader needs to think, not only about

how he or she might exercise influence, but also about how that influence might interact with influence exercised by others in order to bring about a good result. In order to understand the different leadership expectations of different cultural groups, the key cultural dimensions should be considered. This becomes even more important in the case of transformational leadership. Transformational leadership is leadership that influences people to transcend their own immediate interests and objectives and work to achieve performance beyond their expectations. A culturally intelligent leader will be able to create a vision and motivate and inspire people to achieve this vision, regardless of their cultural background. The writers argue as follows.

- Leadership is largely in the minds of followers. If followers perceive a person as a leader, he or she will gain the power, authority, and respect afforded to a leader.
- Some characteristics that followers look for, in a leader are -
    - a vision for the group or organisation;
    - the ability to clearly communicate this vision to others, and
    - skills in organising followers towards that vision. However, the behaviour that indicates these characteristics, is different in different cultures.
- The leadership dimension of task-orientated and relationships-orientated leadership, exists in every culture. Again, however, the behaviours that indicate a task-orientation rather than a relationship-orientation, are specific to different cultures. Quang (1998) notes, that in his experience in working with joint ventures, the most problematic and least successful joint ventures are those that emphasise their own culture and those that emphasise control or only task-orientation. The examples of successful joint ventures, such as ABB and Unilever, emphasise building relationships, creating a mutual understanding and shared values. In organisational change, they are more adaptive, focused more on teamwork and provide a stronger role for local managers.
- Some followers need more leadership than others, for example, a group of scientists need very little in terms of task-orientation from their leaders - they

already know what to do. Organisational norms and education levels can thus act as substitutes for leadership.

- Mimicking the behaviour of a leader belonging to a specific culture, may gain a leader acceptance in that culture, but overdoing it may be interpreted as insincere or offensive.

Therefore, a culturally intelligent leader will have to develop a repertoire of behaviours to be adapted to each specific situation. Doing so, involves the following.

- Knowledge of the likely expectations of followers in different cultures, based on generalisations from cultural values like individualism and collectivism.

- In order to do so, will also require knowledge of one's own leadership style, in order to adapt. What balance of task and relationship leadership feels normal to you? Ultimately a culturally intelligent leader will find a balance between his or her own preferred style and the requirements of the situation.

- Attention should also be paid to the organisational norms that exist in an organisation. Trying to be a participative leader in a non-participative organisational culture, will also be counter-productive. To illustrate the point, empirical research conducted by Littrell and Valentin (2005:429) suggests, that German employees respect a leadership style where workers, supervisors, and managers are selected on the basis of technical competence, and are left alone to do their work, with considerable planning but little managerial direction or guidance after the plan has been made. The most desirable behaviour of the leader is reconciling conflicting demands and reducing disorder in the system (imposing *Ordnung*); and the leader should not tolerate uncertainty and postponement, but demonstrate concern in these situations and move the system toward certainty and schedule (to impose *Ordnung*). Conversely, for English leaders, the followers seem to prefer a more interventionist approach. The leader should clearly define his or her own role, and let followers know what is expected of them. Leaders should demonstrate strong convictions in what he or she is doing, and use persuasion and

argument effectively in managing and motivating followers; and should actively exercise the leadership role rather than surrendering leadership to others in the group.

- To be a cross-culturally effective leader, leaders need to understand the leadership perceptual orientation of local people and make the necessary adaptations. In order to gauge the perceptions and expectations of followers, leaders need to conduct a survey in order to enable them to lead effectively. To better understand a culture, one needs to know their values, beliefs and norms that people share implicitly. One needs to know their local history, stories, folklore, customs, traditions and the like.

According to Thomas and Inkson (2004), a culturally intelligent leader avoids the following pitfalls.

- Avoid the *be-like-me* approach to management that is often learned as based on Western culture leadership. This requires knowledge of the leader's own cultural background and perception.

- Take time to learn the characteristics of the culture he or she needs to lead in. As illustrated in Chapter IV, it is the importance of historical factors, tradition rather than reason, and the acceptance, under the right circumstances, of apparently autocratic leadership. This illustrates the importance of being well-acquainted with the history and customs of a country, in order to be sensitive to the local situation. This requires knowledge of the other culture's background and perception.

- Spend time observing and talking to his new subordinates for a few weeks after arrival, trying to understand their collective and individual areas of comfort and discomfort before trying to institute change. This requires the leader to be aware and mindful of these aspects.

- Trying to understand from the specific culture's point of view, why they may be acting the way they are. This again requires the leader to be aware and mindful of these aspects.

- Listening to what his staff were saying (and being aware of what they were not saying), rather than being impatient. This requires the leader to be mindful and show adaptive behaviour.

- Introducing a less ambitious form of a particular culture-embedded management philosophy, and giving subordinates the opportunity to move more gradually towards the particular management style or form. This requires the leader to demonstrate adaptive behaviour.

In addition, Thomas and Inkson (2004:138-139) argue, that some cultures value formality, and a leader will be expected to honour appropriate ceremonies and observances. In cultures where punctuality is important, there will be pressure on leaders to turn up in time. The following guidelines may provide a better understanding of the required leadership behaviour per cultural element.

5.5.3.1.1 Leadership style required per specific cultural element

5.5.3.1.1.1 Individualism versus collectivism

Thomas and Inkson (2004:90) argue, that in individualist cultures, people are concerned about themselves, prefer activities to be conducted privately, and expect decisions to be made by the individual according to his or her judgment and the anticipated rewards. Hofstede (2001:225-227) argues, that in high-IDV countries, employees are expected to look after their own interests, since lifelong employment is not likely to be offered. Organisational policies and practices should, therefore, allow for and promote individual initiative, and management should endorse modern management ideas. Thomas and Inkson (2004:90) further argue, that in collectivist cultures, people view themselves as members of groups and collectives, prefer group activities, and expect decisions to be made on a consensus or consultative basis, where the affects of the decision on everyone, are taken into account. Cheah-Liaw et al., (2003:252) note, that the "hard" individualistic concepts such as ambition, success,

aggressiveness, achievement, competitive risk-taking and forcefulness must be related to "soft" collectivist concepts like loyalty, trust, cooperation, compassion, tolerance, spiritual and moral values.

It is therefore, clear that different styles of leadership in different cultures will be expected. Leaders in Western countries will be held accountable for the performance of the group, and be rewarded accordingly, whereas in collectivist countries, leaders will involve the group, because there will be shared expectations of both the leader and the group members.

5.5.3.1.1.2 Power distance

Thomas and Inkson (2004:134) argue that in power distance cultures, the practice of autocratic leadership is more likely to be adopted. Laroche (2003:47) argues, that in any high-power distance country, three questions need to be asked from a leadership perspective:

- Who has the authority? This relationship is primarily dictated by the manager's power distance preference. Hierarchical managers are likely to expect employees to adapt to them more than participative managers will do.
- What is the corporate culture? The corporate culture provides a standard for manager-employee relationships that can be used as a template – a starting point for a conversation between manager and employee.
- What are the personalities involved? Some people are more adaptable or have clearer expectations than others.

Furthermore, leaders who have more hierarchical-orientated employees, should consider the following.

- Provide more information when assigning tasks and projects to them.
- Encourage employees to make decisions progressively on their own by explicitly giving them the responsibility for this decision.
- Encourage them to take more initiative.

- Explain to these employees how their behaviour – when showing excessive deference to managers - is perceived by other employees.
- Ensure that feedback that is provided, focuses on what can be learned, instead of who can be blamed.

Conversely, leaders who have less hierarchical-orientated employees should consider the following:

- Give employees more leeway when assigning tasks and projects, with less directions or directives.
- Delegate projects that are not on the employees' critical path, in order to give them more room to take initiative.
- Explain in more detail how employees fit in with the project – background information on how this project interacts with other projects and other parts of the organisation.

5.5.3.1.1.3 Uncertainty avoidance

Holt and Wigginton (2002:592) suggest, that leaders must expect to maintain status differentials, give clear directions and avoid allowing employees to pursue goals on their own. Leaders must take commanding positions, but carefully avoid abusing their responsibilities as superiors. Thomas and Inkson (2004:134) argue, that in cultures with high uncertainty-avoidance, leaders who structure the work of their subordinates, possibly through bureaucracy, and that make decisions that enhance stability, will presumably do well.

5.5.3.1.1.4 Masculinity versus femininity

Thomas and Inkson (2004:134) argue, that leaders who nurture their relationships with group members while neglecting personal opportunities for recognition and promotion, may be common in a feminine culture, but may be considered eccentric in a masculine culture.

5.5.3.1.1.5 Long-term versus short-term orientation

According to Littrell (2002:16), subordinates in Chinese groups prefer a leadership style in which the leader maintains a harmonious, considerate relationship with the followers and defines clear-cut tasks for each member of the group. Chinese prefer an authoritarian leadership style in which a benevolent and respected leader is not only considerate of his followers, but also able to take skilled and decisive action. As opposed to the current tendency in Western management styles, "Tolerance of Freedom" might not necessarily be regarded as a sign of a good manager in an authoritarian management culture, where subordinates expect the manager to take the initiative, make the decisions and take action. Transferrals of these activities to the subordinates may be interpreted as attempts by the manager not to do his or her job. Western expatriate managers, accustomed to empowerment environments, who are working in China, obviously need to carefully consider whom they "empower" and how they use their "tolerance of freedom." The implication is, that after experiencing "empowerment", Chinese subordinates may desire a return to close, highly directive supervision requiring them to demonstrate little initiative, a comfortable, non-demanding environment consistent with their experience in the socialist/communist work culture. These traits are exemplary of Confucian ideology. In addition, Thomas and Inkson (2004:138-139) argue, that in societies which focus on the future, a leader will be expected to focus on long-term strategy and to express this focus. Ultimately, the leader may find him-or herself led more by the specific culture, than leading. Even without taking cultural differences into account, leaders need to display mindfulness and adaptability skills so as to understand the special features of the situation and vary their leadership approach to cater for the specific amount of power at their disposal, the characteristics of their followers, and the tasks to be accomplished. In settings where different expectations for leadership exist, it is vital for any leader or prospective leader to develop a culturally intelligent approach.

5.5.3.2 Managing multicultural teams

Rodriguez et al., (2005) promote the utilising of multicultural teams in order to achieve IJV objectives, and argue that whenever possible, to rely on teams (not individuals) to conduct the activities involved in planning and implementing IJV's. Throughout all evolutionary stages of IJV's, teams are a basic form of organisation. During pre-combination and formation, teams typically serve and to ensure that the

perspectives of all alliance partners are represented when key decisions are made. During the early stages of evolution, teams may be used to assess cultural similarities and differences between the partners and plan for their integration. As an alliance evolves, teams may continue to be used to facilitate coordination on daily activities and ensure transfer of learning. In the Daimler-Chrysler merger, for example, over 100 integration teams were used to handle coordination between the various functional areas and the different management levels in the organisation. Most of the practices described below, apply to the management of all the various teams and task forces likely to be present in IJV's, as well as to the organisation's workforce as a whole.

Multicultural teams - the meetings between managers and staff in the alliance, called to make decisions and to solve problems, as well as the groups in which some of these personnel work together everyday - account for a great deal of the cooperation between partners. The effective management of multicultural teams has been identified by Child and Faulkner (1998:254) as one of the salient features of intercultural management. The dynamics of such teams is, therefore, of crucial significance for the success of the alliance.

5.5.3.2.1 Distinguishing between groups crews and teams

Thomas and Inkson (2004:148) point out, that groups are not all the same; some groups consist of people working relatively independently under the same manager. These groups may be called "crews". Other groups consist of members sharing and integrating specialist knowledge closely with other members. These groups may be called "teams". A third group is a temporary group expected to solve a specific problem, produce a report or design something. These groups are called "tasks groups".

Each type of group has to be managed differently, because the cultural impact on each group differs.

- In crews, group functions are often predetermined by a set of rules and technology, which override the need for high cultural intelligence. For

example, the actions of a flight deck crew with all its drills and procedure, will seldom be influenced by culture.

- Tasks forces might benefit from higher cultural intelligence, but because they are temporary in nature, the building of long-term relationships is not necessary.
- Teams, on the other hand, tend to have a longer duration, and the impact of cultural differences will therefore, be more profound.

5.5.3.2.2 Key success factors for managing multicultural teams

The factors relating to effective team performance, have been the subject of considerable investigation. Much of the evidence is either case study based or "anecdotal". However, a number of broadly common themes have emerged from literature (Higgs, 1996:38-40; Iles & Hayers, 1997; Distefano & Maznevski, 2000; Laroche, 2003:101-102; Matveev & Milter, 2004; Thomas & Inkson, 2004) that has identified the following factors necessary for effective team performance.

- Team balance.
- Leadership behaviour.
- Inter-team working.
- Overcoming hurdles.
- Autonomy.
- Shared understanding of goals.
- Recognition.
- Reward.
- Full circle feedback.

When managing multicultural teams, the general principles of team management need to be applied and then adapted to suit the multicultural environment. A review of literature (Higgs, 1996:38-40; Iles & Hayers, 1997; Distefano & Maznevski, 2000;

Laroche, 2003:101-102; Matveev & Milter, 2004; Thomas & Inkson, 2004) suggests the following steps in effective multicultural team management.

5.5.3.2.2.1 Selecting the team manager

Iles and Hayers (1997:101) argue, that a "diversity competence" approach should be used to enhance the effectiveness of multicultural teams. Diversity competences need to be seen as part of the tool kit described for the effective management of multicultural project teams. Team managers and team members for specific roles must be selected against the profile of the required diversity competencies. These competences should be enhanced through training and development. Such competences are likely to be useful at many points of the international career cycle and at several points in international team management, such as the selection of the team manager, and for an understanding of the team process. The leadership/facilitation role has often been found to be critical in determining the success of a team. Bearing this in mind, the appointment of the project manager requires clarity of objectives and the assessment of the environment within which the project will operate. Within that setting, a number of processes/tools could be deployed in the crucial task of selecting the team manager. This means that the project manager will ideally also have to have intercultural management skills. The project may call for different types of leadership at different stages of the project, for which matrix models could be used. The team leader will have multiple roles to play, varying across the team's life cycle, such as moving from an advocate role in the early authorisation and resourcing stages, to catalytic roles, integrator roles, focused on mission, commitment and integration with other teams. No one individual may be equally skilful at all three roles, suggesting a contingency approach to leader selection and reselection and the need for continual training and development support. In essence though, the team manager should have knowledge of the competencies and skills necessary in order to manage multicultural teams.

5.5.3.2.2.2 Identifying the nature and implications of national cultural differences within the team

Higgs (1996:38-40) and Matveev and Milter (2004) point out, that in addressing the issues relating to developing effective international management teams, it appears that the following areas should be considered.

- Identifying the nature and implications of national cultural differences within the team.
- Establishing a basis for building understanding and awareness of cultural differences and how they may be managed. This includes maintaining effective communication and coordination, establishing rapport, ensuring transparency and effective team development, which include the building of cultural intelligence amongst team members.
- Formulating a framework for developing a high-performing team, which takes account of cultural differences and leverages the diversity present in an international team. This includes selecting an appropriate conflict management strategy.

5.5.3.2.2.3 Assessing and mapping cultural differences

Higgs (1996:37) and Distefano and Maznevski (2000:248) suggest, that it is useful to identify a clear framework for analysing and understanding national cultural differences, such as the framework developed by Hofstede. While the respective merits and drawbacks of different frameworks are discussed in Chapter II, the results of Hofstede's research are frequently borne out and reinforced by the practical experience of multinationals seeking to implement global HR policies, and the use of the framework is, therefore, helpful to illustrate the major issues which need to be considered. For existing teams, mapping a cultural diversity climate will be valuable in identifying any problems and measuring affective outcomes. Mapping cultural differences, develops an appreciation of how they affect teamwork. The idea is to identify which cultural differences may impact on team performance, and to monitor and record the actual impact during the duration of the team.

5.5.3.2.2.4 Establishing a basis for building understanding and awareness of cultural differences and how they may be managed

Thomas and Inkson (2004:147) suggest, that managers of groups also need to have knowledge of and the ability to perceive and take account of the specifics of the group situation. It is vital for the manager to establish:

- whether the group is a team, a task force or a crew;
- whether the team faces relatively routine or relatively complex tasks;
- the degree of cultural diversity within the group, the specific cultural issues, and whether the group has come to terms with these issues; and
- whether the group has a natural process for surfacing and dealing with cross-cultural issues and for ensuring that all group members contribute, regardless of their cultural origins.

5.5.3.2.2.5 Management support

Any group requires good management support, in the form of material resources, relevant information, and psychological support shown as goodwill and respect. Cross-cultural groups especially, need to work in an organisation where management respects cultural differences and appreciate the potential that diversity creates to improve the organisation's creativity and performance. Without this commitment from management, the manager of the culturally diverse group will fail (Thomas and Inkson, 2004:156).

5.5.3.2.2.6 Re-emphasising the business case

According to the Australian Government Diversity Program (2006), the business case for effective multicultural teams will need to be revisited at particular stages of team development. It may be appropriate to schedule regular slots at team meetings to revisit parts of the business case. Team Leaders or managers should:

- re-emphasise the value of effective multicultural teams when the team starts a new project or task;
- revisit the business case when new members join;

- Emphasise the importance of the business case for cultural diversity when the team successfully completes crucial tasks;
- ensure regular links are made to the team's tasks, organisational strategies and the importance of the functioning of the team to the fulfillment of these aims; and
- encourage team members to familiarise themselves with research in the area.

5.5.3.2.2.7 Celebrating difference

Encouraging the valuing of cultural diversity by team members, is important. Behavioural and attitudinal change often reflects the incentives put in place by the organisation and managers. Celebration of differences and the value it contributes to the team and its success at key times, can facilitate long-term cultural change. Team members should relish the dynamics of their interaction and their tendency to disagree on approaches and collectively arrive at solutions, should be viewed as an important and valuable aspect of their relationships. It is important to recognise that as organisational members move between different teams over time, commitment to celebrating cultural diversity and valuing difference can spread throughout the organisation (Australian Government Diversity Program, 2006).

5.5.3.2.2.8 Highlighting positives

The diversity climate assessment may also provide team leaders and managers with the opportunity to highlight positive feelings regarding the team environment. In particular, team benchmarking against the organisation's results, or against its own results over time, can indicate where improvements have been made, which will reinforce positive behaviours and norms in the team. Reinforcing positives and improvements in team processes, is important in generating support in the team for diversity initiatives, and also in building trust between members (Australian Government Diversity Program, 2006).

5.5.3.2.2.9 Building cultural intelligence amongst team members

Higgs (1996:40) argues, that the building of the team around the need to address hard and specific business issues, provides a clear context for examining the cultural and process elements of performance. Being able to anchor all activities and developments

to hard deliverables, provides focus for developing and applying understanding and helps to provide a clear and unifying goal for the team. Thomas and Inkson (2004:158) also suggest, that the best way to capitalise on cultural diversity in groups, is to develop high-cultural intelligence amongst its group. Matveev and Milter (2004) argue, that given the scope of the challenges facing multicultural teams, the question naturally arises: what kind of person makes an effective team member? An effective member of a multicultural team is able to establish an interpersonal relationship with a foreign national via an effective exchange of both verbal and non-verbal levels of behaviour - exhibit intercultural competence. Team managers therefore, have the responsibility to develop effective team members. This is further supported by Iles and Hayers (1997:101), who reported on a study in which the majority of the managers interviewed, believe that being interculturally competent, is critical when working on a multicultural team. Managers of multinational organisations admit, that the success of their organisations depends on how well their employees are able to deal with cultural complexities and to understand, accept, and respond to the cultural differences of managers who are their team members. This includes the ability to establish and maintain relationships and effectively share information with others, as well as personal traits such as inquisitiveness. Intercultural team competence entails not only knowledge of the culture and language, but also affective and behavioural skills such as empathy, human warmth, charisma, and the ability to manage anxiety and uncertainty. Intercultural team competence requires three components: sufficient cultural knowledge, skilled actions, and suitable motivation or personality orientation of a member of a multicultural team.

- *Cultural knowledge*: includes culture-general information about cultural practices, culture-specific information about a particular culture, and information about one's own cultural system. Team members must acknowledge differences in communication and interaction styles of managers from different cultures, demonstrate flexibility in resolving communication misunderstandings, and feel comfortable when communicating with foreign nationals.
- *Skills*: contains the appropriate and effective behaviours perceived as competent in a variety of cultures. This component includes such critical skills

as the ability of a team member to understand and clearly communicate team goals, roles, and norms to other team members.

- *Personality orientation*: This comprises of team members' interest toward intercultural interaction, their emotional and physiological reactions toward foreign nationals, and the degree of empathy toward people from different cultures. Cultural empathy of an individual is related to the capacity to behave as if one understands the world as others do (Personality of team members' influences how they deal with cultural uncertainty. Are they tolerant of ambiguity and uncertainty, due to cultural differences? Can they work in a flexible manner with other team members?

Thomas and Inkson (2004:150) further argue, that team leaders must also have the skills to explore process issues within the group. Encouraging each member to talk either in formal meetings or in day-to-day conversation about his or her cultural background and its effects, will enhance group effectiveness. The process of understanding the differences and similarities are called 'mapping'. The key element in exploring process issues, is the provision of feedback to group members, both from each other and from observers outside the group. By coming to a good understanding about the dynamics within the group and the causes of its difficulties, group members can develop new productive ways of changing both their scripts for the group and their own behaviour in it. The manager of a culturally diverse group, will need to ensure that there is interpersonal sensitivity between group members and that members work closely together on complex tasks. The manager must be proactive in assisting group members to examine, confront and improve its own processes. Iles and Hayers (1997:101) further note, that the team manager and other team members need to be aware of and sensitive to what factors could impact on team members and team performance. Team learning through mentoring, coaching, supporting and training within the group, needs explicit recognition with a view towards meeting organisation needs for the future, as well as the immediate needs of the specific project. The Australian Government Diversity Program (2006) advocates the identification of diversity competencies as part of the process of appointing team leaders or managers. This can be done in consultation with managers and potential team leaders, and through the performance appraisal system. The competencies of

members should also be identified through appraisal processes. Important questions to ask, may include the following.

- Have members undertaken diversity training?
- Have members worked in diverse environments previously?
- Have members had experience in culturally complex environments?
- Have members had overseas assignments?
- Do members have language skills?
- Have members' diversity competencies and skills been assessed?

The results of these will provide the team managers with guidance on which aspects he or she needs to focus on in order to develop or improve cultural intelligence.

5.5.3.2.2.10 Formulating a framework for developing a-high performing cross cultural team

The following aspects should be addressed as part of ensuring high-performance cross cultural teams.

- **Clarity of team vision and goals**

  Thomas and Inkson (2004:147) argue, that groups become effective when they start working as teams, rather than individual members working in proximity to one another. That happens when subordinate goals transcend individual interests. They energise the entire group in order to achieve collective results greater than the sum of individual efforts could produce. Members of a work team need the same focal reason for contributing their talents and energy to a group endeavour. The primary objective does not have to articulate a dramatic advancement; it can be little more than the way that people think about their organisation. According to Rijamampianina and Maxwell (2002:7), group leaders are, therefore, team facilitators who help individual team members to become a collective decision-making entity that can work towards meaningful objectives. The essence of a team is shared vision. Managers empower when they create a shared vision. However, empowerment will not take place if executives merely create a vision, and then pass it down through successive

levels of the organisation to reinterpret and implement. Empowerment occurs through the mutual creation of a common vision. Mutual creation implies dialogue and modification of the vision up, down and across levels. Visioning is a collective process and empowerment interrupts the status quo. To maximise the effectiveness, the manager and the team leader must help the group to agree on a vision that transcends their individual differences. When people work together toward a common vision, teams inevitably hold themselves responsible, both as individual members of the team and as a whole. This sense of mutual accountability also produces the rewards of mutual achievement shared by all members. Thomas and Inkson (2004) point to the scenario when Colgate entered the eastern bloc countries, where motivations was something unheard of, the company started by patiently soliciting ideas for work improvements from employees, and then formed small groups for operational projects and special tasks, later transforming many of these groups into focused teams. This approach builds group confidence with training, open communication, mentoring for group work, and full access to company information. Employees are well-informed about why they are working and what goals the company is trying to achieve. This is further supported by Holt and Wigginton (2002:641) and Matveev & Milter (2004), who point to a study in which clarity of team goals was listed as one of the key success factors of high-performing multicultural teams.

- **Team/group process**

  According to Horii et al., (2005), when organisations assemble joint venture teams composed of members from different cultures, a project manager should pay attention to four elements: team situation, task complexity, organisation style, and micro-level behaviour. Since task complexity and team experience are given at the start of a project, and micro-level behaviour is fixed in the short term based on national culture and organisation style, the team processes are the only variable a project manager can control. Laroche (2003:108) suggests, that the right balance be found between the need for speed (reaching team objectives) and team members getting to know each other. This includes team demographics, personality and position of team members, and

organisational culture. Higgs (1996:39-40), together with Thomas and Inkson (2004:146) argue, that the difference between task and process is an important function of how groups work. Task activities are directed toward the goals the group is trying to achieve, whereas process activities are directed at examining and improving the way the group goes about achieving that task. Failure to attend to process, is a frequent cause of group dysfunction. The group process may be too autocratic, or personal differences may disrupt the functioning of the group. These problems are further compounded by cultural differences. If the participants of a culturally diverse group each have their own ideas of how the group process should function, focusing on the task alone will be futile. High-cultural intelligence will enable the observing and understanding of different behaviours by group members. Understanding how members see their roles in the group, is likely to improve the quality of its interpersonal interaction. If this awareness is combined with an initial focus on group processes rather than on the task, intercultural groups should achieve more success. Thomas and Inkson (2004:150) further argue, that in both face-to-face and virtual teams, group effectiveness is typically assessed by objective measures of group output, such as production, quality, sales and so forth. However, group morale and cohesiveness are also important, as these tend to ensure that performance is maintained over time. In assessing groups therefore, wise group leaders consider not just immediate performance, but also processes that the group used in order to do the work, as well as the satisfaction and development of group members as a result of the experience. Managers have a big say in controlling this environment. The surrounding organisational strategy and structure and the group's objectives and resources, are all controlled by management. Managers also need to be aware of the negative processes that can develop in a group, such as groupthink and social loafing. Groupthink is an over-emphasis on group consensus and social loafing is the trend where group members reduce their efforts, in the belief that other group members will compensate to get the job done. Different cultures increase the range of viewpoints and approaches available and are, therefore, a potential asset in many group situations. The trick is to create a process that encourages them and capitalises to create this synergy that will lead to maximisation of process gains and minimising of process losses. Iles and

Hayers (1997:99) furthermore argue, that an understanding of group processes such as the phases of forming, storming, norming and performing, can be useful in order to analyse the creation and development of culture and climate within the project team.

- **Establishing ground rules for team operation**

  Given the acknowledged potential for conflict and communication difficulties in diverse groups, the Australian Government Diversity Program (2006) suggests, that strong ground rules are established and upheld. Team leaders or managers should:

  - work with members in order to ensure that ground rules are clear, concise and understood by all;
  - start each project outlining and developing the team's ground rules;
  - remind team members of the rules at appropriate intervals e.g. at the start of a weekly meeting;
  - ensure conflict does not become personal;
  - ensure conflict remains task-focussed; and
  - reinforce at appropriate times, the value of difference to team performance.

  For example, Laroche (2003:98) proposes, that in a team with a high-power distance contingent, the ground rules should cater for:

  - the extent to which employees can express their concerns without being seen as being disrespectful towards management;
  - higher-ranking employees should voice their opinions after that of lower-ranking employees in order to avoid undue influence; and
  - clear rules with regards to the type of decisions that can be made by the team, and those that should be elevated to senior management.

  Laroche (2003:102) further argues, that ideally, an experienced individual who is not a member of the team, should facilitate these discussions. Once an

individual team member has a better understanding of where he or she rates on the cultural dimension scale, the team member will have a better understanding of his/her own behaviour and that of the other team members. As part of the agenda point, team members should discuss and explain their views on certain operating procedure, on how the team objectives should be achieved, the communication protocol to be used, how rewards should be determined and allocated, or any other issues that may affect the success of the team. From there, they can look for common ground. The group may examine how conflict will be resolved when a team member is offended by cultural ignorance. A possible approach is, to ask the person who has been offended which behaviour offended him or her and how this was interpreted. This approach may be effective in low-context societies, as apposed to high context societies where a third person should be involved to handle the conflict. Again, it would be ideal if these discussions could be facilitated.

- **Handling conflict**

  Holt and Wiggington (2002:630-631) and Matveev & Milter (2004) point out, that the selecting of an appropriate conflict management strategy is an important ingredient of successful multicultural teams. The Australian Government Diversity Program (2006) suggests, that team members draw on lessons from the conflict and communication training. Useful ground rules may include the following.

  - A statement that difference and disagreement can be constructive, providing members justify and explain the basis for disagreement in a constructive manner.
  - An understanding that every member has the right to object to the statements of others and all members have the obligation to hear them out before stating their own agreement or disagreement.
  - Every member has the right to speak and have his or her ideas treated with respect.

Appelbaum et al., (1998:223) point out, that as important as guiding principles are, and as helpful as a repertoire of strategies can be, a systematic process for dealing with conflict and disagreement, is vital to producing desirable outcomes. The process consists of the following four steps.

- *Diagnosis*. Monitoring where differences simmer in order to be able to handle the situation before it boils over into overt conflict. Potential sources of conflict are:
  - information is interpreted differently;
  - goals appear to be incompatible;
  - boundaries are violated;
  - old wounds have not healed; and
  - symptoms are confused with underlying causes.

- *Planning*. When developing a strategy and action plan, the following should be considered.
  - choose a strategy, congruent with the situation, along with a backup plan.
  - mutually agree with the other party on a time and place to explore differences and a time-frame in which to do it.
  - Decide how to monitor the process and what the consequences will be of failure to live up to any agreement.

- *Implementation*. Carry out the plan. Inherent in the executing of a plan are:
  - maintaining a tone of mutual respect and goodwill; and
  - considering to put any agreement in writing.

- *Follow-up*. The following actions follow after an agreement has been reached.
    - Monitor results to verify that the agreement is being honoured.
    - If the agreement is not being honoured, learn why and then take corrective action.
    - Reinforce behaviour that supports the agreement.
    - Learn from each experience with conflict and disagreement.

The writers further argue, that what is needed in situations like these, are the following.

- Clear boundaries and expectations. While it is important to be sensitive to different upbringing and norms, there are also situations where it is not possible to bend because it will create team norms that can neither be supported nor reinforced.
- Emphasis on group. This cultural overlap can provide an opportunity to bring the group together, i.e. positioning the team-building process as a chance to foster good relationships and building trust, is one of the best ways to minimise resistance. A successful intercultural marriage takes place when one encourages individual growth and development as something that contributes to the overall team effort. Individual achievement can be channelled toward group accomplishment and rewarded accordingly. In that way, one supports a mainstream value, build self-esteem, encourage the strengthening of the group and cultivate collaboration, rather than competition.

- **Awareness of differences in motivation and award**

Czaplewski et al., (2002:34), together with Thomas and Inkson (2004:157), suggest, that incentives should take into account the cultural composition of the team. Individualists prefer to be awarded on the basis of his or her own contributions. In other words, they believe that rewards should be equitable.

Collectivists prefer to be rewarded on the basis of equal shares for all contributing to the group, that is, they believe rewards should be equal. Kaye and Taylor (1997) point out, that in a collectivist society such as China, emphasis lies in belonging to a group and from this trait, follows the need for equity within the group, the avoidance of personal credit and the importance of communal property. Thus reward systems may take the form of setting group performance standards, giving group rewards and fostering competition between groups. All the team members benefit from outstanding performance by an individual, while the individual gains respect and affection from the group. Czaplewski et al., (2002) suggest, that devising an individualised pay system rewarding each according to preference, is impractical. Possibly the best solution is for the group itself to agree on the best way to share rewards. As Trompenaars (1993) and Morris et al., (1994:75) pointed out, the skill in motivating needed by expatriate managers, lies in finding the optimal balance between personal and group rewards. Holt and Wigginton (2002:641) argue that it is important that rewards happen at a team level in order to encourage greater involvement of team members and avoid the pursuit of sub-optimal goals. The Australian Government Diversity Program (2006) also stresses the importance to emphasise and communicate to team members that team effectiveness and performance will not be measured by simple output goals, but also on effective group functioning. The process involves the following.

- Examining reward practices. It is important to examine current reward practices and consider what types of incentives the existing system provides. Where team-level goals are considered salient and where team functioning is important to the achievement of strategic goals, it is important to consider whether alternative reward practices may be appropriate. Managers should:

    - examine existing reward practices and consider how rewards are distributed;
    - consider the goals of the team; and
    - consider what behaviours they wish to encourage in the team.

- Link rewards to goals. Rewards should be linked to the achievement of goals. Given that the measurement of team effectiveness should cover four factors (performance, member satisfaction, team learning and outsider satisfaction) the achievement of set goals should be linked with appropriate team-based rewards. In some cases, it may be appropriate to reward diverse team differently. For example, short-term rewards may focus on the achievement of process-related goals.

- **Cross-cultural team building**

The following processes have been identified for cross-cultural team building.

- **Develop team identity**

It is important to develop a team identity so that common goals can be established and the tendency toward in-group, and/or out-group behaviour can be reduced (Laroche, 2003:67). This can be achieved by the following.

- **Work-shop team goals**

According to the Australian Government Diversity Program (2006), working together to develop team goals, gives members ownership of those goals. Providing time to workshop competing goals and prioritising these aims as a team, increases the likelihood that commitment to the goals will be high. Team leaders and managers should:

  - set aside time at the start of the project for workshop goals;
  - ensure that all members contribute to the development of goals;
  - include identification of individual goals and team goals;
  - ensure that the four measures of team effectiveness are incorporated in the development of goals – performance, member satisfaction, team learning and outsider satisfaction; and
  - revisit goals at regular intervals of the team's life.

Briefing the team on the benefits of allowing time to improve team processes and functioning, is important. Team-functioning goals should be set in conjunction with the members and clearly articulated to both the team, and important outsiders. Laroche (2003:111-113) proposes, that the expectancies of the team manager, having regard for the cultural differences, should be shared with the team members. This will allow the team members to be well-acquainted with what is expected from them, and to show cultural sensitivity on the manager's side. Team members from different cultures then have the opportunity to discuss these expectations in a cultural context. Therefore, the team-leader or managers should:

- work with the team to set team functioning goals;
- clearly articulate short-term team process goals;
- reinforce process goals regularly to the team;
- ensure that important parties outside the team are aware of goals and time-frames.

- **Encouraging group social activities**

The development of team identity, trust and interdependence can be assisted via encouraging group social activities. Improved performance relies on both collaborative work-time, and positive group social interaction. The formation of friendships can underpin collaborative group processes and lay the foundation for strong collegial bonds, and team identity. These bonds can focus identity at the team level. Therefore, organisations and managers should together -

- allocate funds for team social time;
- provide respite from work-time for social events;
- schedule social events for team members;
- schedule functions that consider members' non-work commitments;
- encourage member's involvement in team member social outings;
- ensure that activities chosen, suit all members;
- avoid activities that may exclude team members; and
- encourage team members to take turns choosing the social activities.

- **Provide sufficient time to team in order to develop**

  A team needs to be given time so that the life cycle of the team may be recognised, to allow appropriate team culture time to develop and to accept potential teething problems (Australian Government Diversity Program, 2006).

- **Setting realistic time-frames and goals**

  According to the Australian Government Diversity Program (2006), diverse teams require additional time to develop trust and member interdependence. Trust and interdependence develop over time and through increased interaction and communication, could contribute to enhanced performance. Over time, however, diverse teams have consistently shown to outperform homogenous teams. Innovation and creativity potential are enhanced, where there is low-level time pressure. Therefore, team-leaders or managers of diverse work teams should:

  - allocate additional time prior to performance measurement;
  - provide flexible short-term deadlines for reaching team process-related goals; and
  - reward teams for their improved functioning in the short-term, rather than by way of longer-term outputs.

- **Reviewing and evaluation**

  Iles and Hayers (1997:100) argue, that evaluation can become a conscious and actively triggered process, allowing both organisations and individuals to learn from mistakes and to articulate, document and clarify what has been learned. Much learning remains at the individual level, however, while transnational teams can be vehicles for diffusing learning throughout the organisation. Such goals are not often operationalised through appraisal and reward systems, however.

- **Knowledge management - learning from other teams**

  According to the Australian Government Diversity Program (2006), across-team learning can provide teams, team leaders and managers with important information and knowledge on critical challenges and benefits associated with diverse teams. Providing opportunities to learn, can assist in the development of established and new teams. For example, organisations may find it useful to bring together team leaders to discuss the lessons, challenges and potential opportunities of diverse teams. Team leaders and managers should, therefore:

  - arrange information-sharing sessions or forums for team leaders and team members;
  - recognise that teams go through well-documented phases that present opportunities and challenges and articulate these to members; and
  - set up important feedback and sharing mechanisms for inter-team learning and improvement.

5.5.3.2.2.11 Managing virtual teams

Kayworth and Leidner (2000:235) point out, that communication and specifically language barriers, are one of the key factors to be managed in virtual teams. Laroche (2003:111) and Thomas and Inkson (2004:149) argue that because members of virtual teams go through their development stages more slowly, and because it is more difficult to build trust where there is no face-to-face interaction, managers of these groups must therefore, be more patient than usual and create opportunities to introduce missing characteristics of normal group functioning to the team. Therefore, the three keys of overcoming the difficulties of geographic dispersion, are the following.

- Developing shared and a clear understanding among group members about goals and group processes, providing continuous feedback and being flexible in their approach to project management, are therefore, essential. These will necessarily entail, that project managers also need to have cross-cultural skills.

- Using information technology, such as team web pages, e-mail to integrate communication member skills and abilities. Research has shown, that the richness of technology is a key factor in effective communication. Relying only on e-mail, has proved to be less successful. This will particularly be true of high-context cultures, where the need for media richness will be pronounced.

- The development of trust among group members. This will involve continuous and effective communication, using communication-rich technology. Video conferencing should be used on a periodic basis.

Ultimately, expatriates and managers should be exposed to virtual teams long before assignment in order to get accustomed to the different methods and problem areas.

If the potential synergies available from cultural diversity are to be realised, then team leaders and members need to be interculturally competent, able not only to understand their differences, but also to continue to communicate effectively across their differences. These diversity competences are likely to involve empathy, negotiation, the ability to create a shared reality through collective participation, the open resolution of conflicts, and the ability to use cultural differences as a resource. This requires knowledge of the team development phases, the role of leadership, an understanding of motivation, power, conflict and negotiation, and networking in international, multicultural contexts, and the importance of dealing with culturally diverse stakeholders, clients, contractors and suppliers. Furthermore, team effectiveness should be measured and the results shared and leveraged for the benefit of the organisation. This in turn, can help organisations build global capability and a competitive advantage.

The *motivating* element of the *leading motivating and communicating* element of management will subsequently be discussed.

5.5.3.2 Motivating

Hofstede (2001:385-386) argues, that the task of motivating employees, leans heavily on situational factors, the environment of work and the employees involved. Therefore, an incentive system must be based upon accurate information of what motivators are really valued for, rather than upon stereotyped motivators. Motivational programs that work well in one culture can be disastrous in other cultures. Assuming that people work for money only, ignores differences between occupations, age, groups and cultures. Well-designed performance management practices can ensure that employees receive the feedback they need in a culturally appropriate way. Mead (1998:195) notes, that research conducted among American employees has shown the following factors to be important motivators.

- Full appreciation of work done.
- Feeling of being "in" on things.
- Sympathetic help with personal problems.
- Job security.
- Good wages.
- Interesting work.
- Promotion and growth in the organisation.
- Personal loyalty to employees.
- Good working conditions.
- Tactful discipline.

Interestingly, the supervisors of the employees used in the survey, were also asked to rank these factors in precedence of importance, and the results varied significantly (good wages and job security took a first and a second place). Table 5.4 demonstrates the difference in perceptions. In response to research questions "What about the nature of your working life? How important to you is it that your work life contains the following?" Respondents in Germany, Japan and the USA ranked the eleven work goals as follows.

Table 5.4: Difference in perceptions in terms of motivational factors

Work goals	*Germany*	*Japan*	*USA*
Interesting work	3	2	1
Good pay	1	5	2
Good interpersonal relations	4	6	7
Good job security	2	4	3
A good match between you and your job	5	1	4
A lot of autonomy	8	3	8
Opportunity to learn	9	7	5
A lot of variety	6=	9	6
Convenient work hours	6=	8	9
Good physical working conditions	11	10	11
Good opportunity for upgrading and promotion	10	11	10

Source: Mead (1998:195)

Literature (McFarlin & Sweeney, 1998:84; Mead, 1998:195-196; Holt & Wiggington, 2002:539-540) suggest, that international managers do therefore, need to determine what incites employees to perform and the values they place by considering a combination of contingencies. The research conducted by Hofstede will be of great value in this regard. Abram Maslow's needs hierarchy and Derick Herzberg's two-factor theory, both offer interesting theoretical perspectives on motivation, although both Maslow's and Herzberg's theories have been criticised. The simple truth is, that all models of needs and of derived motivators have been formulated in Anglo countries, and in particular the United Sates. They therefore, tend to take for granted relatively high masculinity, a Protestant work ethic, high individualism, low-power distance and uncertainty avoidance and a high need for continual streams of explicit information to be communicated from the context. These conditions do not apply everywhere. Therefore, despite extensive research on motivational theory, no study has yet adequately unravelled the mystery of why people behave the way they do. However, the research has shown, that human needs, real or perceived, are crucial elements of understanding human behaviour. Studies have also confirmed, that behaviour is influenced by cultural values, and that Western concepts of motivation are based on individualistic behaviour. Monetary awards are still popular though. It would be difficult for supervisors and employees to agree on a reward system posed

in terms of "good interpersonal relations"; "full appreciation of work done" or "a feeling of being in on things". Monetary incentives do have symbolic value and are easy to administer. Furthermore, research has shown, that alternatives for monetary incentives do exists, by that they must be applied consistently and have credibility. Holt and Wiggington (2002:539-540) point out, that this does not mean that those well-founded concepts of motivation contribute nothing, only that the principle of motivation theories cannot be generalised to all cultures. Managers must find the method that works best within their own environments and with a particular employee. An understanding of differences in human values among the world's societies, is crucial to a further understanding of why people from one nation may eagerly pursue monetary gains, yet people from a different society has little regard for wage incentives. The three characteristics of motivation become much more complicated in an international context.

The following incentives have been identified in literature.

- Group-based incentives: Awards distributed through a group. These incentives work well in team-orientated cultures.

- Egalitarian incentives: Awards and recognitions given to employees without competition or association with specific performance. This type of incentive works well in cultures that value equality in social and human welfare.

- Non-specific performance-based incentives. In some cultures, rewards may take the form of bonuses, individual or group-based awards based on performance compensation systems, public or private recognition, non-institutionalised gestures such as occasional symbolic acts of supervision that show gratitude for excellence, periodic compensation, and company sponsored social events. These techniques will work well in societies that tolerate ambiguity, but not in a country like Germany.

Writers such as Kaye and Taylor (1997:512); McFarlin and Sweeney (1998;114-115); Mead (1998:205) and Holt and Wiggington (2002:545-546) suggest, that the following guidelines per cultural dimension are important.

5.5.3.2.1 Individualism versus collectivism

An individualistic society will place emphasis on individual achievements or personal recognitions. Collectivism suggests a tendency towards group identity and reward.

5.5.3.2.2 Power distance

In a culture with low-power distance, people expect relative equality and rather consensual work environments. Large-power distance supports a tendency towards hierarchical differentiation and a relatively autocratic environment, with expectations for conformity. Managers are supposed to show loyalty towards subordinates and give clear instructions. Low-power distance employees would prefer to work for a more consultative manager.

5.5.3.2.3 Uncertainty avoidance

Societies in high-uncertainty avoidance base rewards on adherence to detailed rules, conformity within well-defined career paths, job security and objectively determined performance; any performance that suggest deviation from the norms draws sanction as a dangerous activity. In contrast, societies in low-uncertainty avoidance are comfortable with ambiguous regulations, flexible career interests and individual mobility. New or unusual activities may be rewarded rather than viewed as deviant behaviour.

5.5.3.2.4 Masculinity versus femininity

Motivation in a high-masculinity culture, should honour toughness, winning through competition and outward symbols of success. In feminine cultures motivation should include appreciation for caring roles and personal relationships. Mead (1998:196) also argues, that achievement in feminine cultures is measured in terms of human contacts rather than of power and property, and motivation is lower. Members of these cultures stress relating to each other, rather than competing. Individual brilliance is suspect and the outsider and anti-hero is regarded sympathetically.

5.5.3.2.5 Long-term versus short-term orientation

Confucian dynanamism, also called long-term orientation, emphasises an orientation towards future objectives. Societies that score high on this dimension, value patience, persistence, thrift, family security, and cultural harmony. Chow (2004) notes, that harmony can be achieved by avoiding extreme behaviour. To some extent, compromise is reached at the expense of efficiency. Situations such as direct confrontation, which could lead to loss of face or the ruin of relationships, should be avoided. Western managerial techniques built heavily on individualistic assumptions may not be effective. Aggressive bargaining is not practised in a collective and high-power distance society. Employees are not supposed to challenge decisions on compensation. Employers will assure workers that they will get what they are promised in exchange for their loyalty and effort. Contingent reward seems to be a very powerful tool to motivate subordinates. Given the importance of "face" in a collective culture, and having an egalitarian pay system, China has a far weaker tradition of evaluating performance. This can partly be explained by their egalitarian collectivist culture, in which it is thought that the payment of incentives will have a negative effect on measuring outcomes. According to Lere and Portz (2005), the real challenge for performance evaluation comes from the Chinese emphasis on harmony, face and non-confrontation. There are inherent difficulties in giving and receiving feedback. Employees feel upset and threatened by negative feedback and weaknesses. Even though employees are not supposed to be confrontational, this still creates the tension of a self-defensive mechanism. As a result, performance appraisal, becomes part of the formalities of saving face on both sides. The perceived difficulties of conducting appraisals should not be underestimated. While financial incentives may be effective in short-term oriented cultures, rewards that convey status, such as titles and promotions, may be more effective in long-term oriented cultures. The truth is, that there is no hard-and-fast rule. Discussing a case study of a French construction materials company - Lafarge - in China, Gooderham and Nordhaug (2003) observed, that Chinese managers ignored the concepts of *gaunxi* (relationships) and *mianzi* (face) and applied traditional Western style performance appraisals. Although there was some resistance at first, employees gradually became used to the idea and eventually embraced the method. The key, however, was to be aware of the differences in perceptions, to conduct an awareness and promotion campaign of the

appraisals system, and to avoid imposing the new system on employees without their appreciating the reason and rationale behind the difference in approach.

These guidelines do not provide concrete recommendations for motivating employees, as any recommendation will vary between too trivial, to too complex to allow practical implementation. However, certain measures may assist international managers to avoid serious blunders. The first point to bear in mind, is that motivation can emerge from individual values or self-directed incentives. Therefore, success requires understanding of how and why each person behaves as he or she does, but this need imposes a perplexing responsibility on international managers. Motivation can also result from external influences, organisational incentives, and leader-member relationships. Because these motives vary with cultural values, locations, ethnic profiles, and many other factors, they are called situational variables. International managers should therefore not assume that theories regarding motivation within their home cultures will be applicable in other cultures. Organisations should reach for a deeper understanding of the expectations and customs that influence local behaviour. For this reason, a motivational theory that favours a contingency approach, are often more effective than rigid theories.

Understanding differences in the concept of work, is also important. The notion of work takes on many different meanings in different countries. Managers must adapt to relationships with co-workers, superiors, and subordinates, and in the end, seek to understand the priorities assigned to rewards received for work-related behaviour in each environment.

McFarlin and Sweeney (1998:114) suggest, that the following process be followed in order to ensure effective intercultural motivation.

- Describe the motivation situation. How do managers view the motivation issues involved? What perspectives do subordinates take on these issues? The purpose of this first step is to discover whether different motivational perspectives exist and whether these differences create conflict.

- Identify cultural assumptions about motivation. The next step will be, to uncover the reasons why different perspectives on motivation exist. The goal is to reserve perspectives and see it from another cultures' point of view.

- Generate culturally synergistic alternatives. Once cultural assumptions have been identified, the next step is to develop motivation strategies that blend elements of the cultures involved or even go beyond them.

- Selecting and implementing a synergistic strategy. The final step involves selecting what appears to be the best motivation strategy. It is critical to get all the parties involved and to observe the strategy from their perspective. The chosen strategy needs to be fine-tuned, based on any feedback received.

5.5.3.3 Communicating

5.5.3.3 Effective cross-cultural communicating

Child and Faulkner (1998:252-253) have identified effective inter-cultural communication as one of the salient features of intercultural management. Milliman et al., (1998) argue, that critical incidents could originate from a variety of managerial processes and that cultural misunderstandings are a normal and expected result of working with members of diverse cultural backgrounds. Therefore the most crucial step in breaking the cycle of cross-cultural conflict, is by responding appropriately to cultural misunderstanding by developing cultural understanding. Czaplewski et al., (2002:36) also note, that proper intercultural communication is essential in order to solve intercultural conflict. As pointed out in Chapter IV, cultures contain many paradoxes and levels of complexities, making deeper cross-cultural understanding and effective communication even more challenging. This is confirmed by Holt and Wiggington (2002:343), who suggest, that the combined effect of intercultural patterns of behaviour, oral communications and non-verbal practices, means that intercultural communication can be extremely complicated. Selmer (2001:12) suggests, that as cell phones and the Internet link the world's most remote locations, the globe seems to shrink. Ironically, business expatriates are realising just how culturally diverse this planet is - and that most of its inhabitants cannot speak English. Unfortunately, language training, which should be a part of cross-cultural training and

preparations for expatriate assignments, is identified in literature both as being essential for successful adjustment, as well as being badly neglected by international business firms. In no place is this more true than in China. To be able to interact with the local population, is essential for expatriate success. Few Western expatriates can master the language well enough for any useful interactional purposes and they often live in virtual expatriate "ghettos", as in hotels or compounds exclusively designated for expatriates. Neal (1998:61-62) and Littrell (2002:12) support this by arguing, that knowledge of the host country's language, may not be essential, but will facilitate adjustment to a foreign culture. Day-to-day issues can create significant problems for the expatriate who does not know the language. According to the writers, it is impossible to function at the highest level without fluency in language. Knowledge of a foreign language may not guarantee competent performance, but it enables the expatriate to develop a better *rapport* with co-workers, customers and members of the local community. One of the first steps in ensuring proper intercultural communication, is to devise and implement a communication plan.

5.5.3.3.1 Communication plan and protocol

According to Mead (1998), a communication plan that defines relations between parties and decide communication responsibilities, should address the following aspects.

- Who has the responsibility for communicating with whom in the environment?
- What messages should be communicated to different parties within the environment?
- How messages should be communicated to the environment.

A communication plan is effective when it -

- builds trusting relationships. Feely and Harzing (2003:50) and Liu and Vince (1999: 673) argue, that effective communication is one of the key mechanisms to building trust.
- is flexible and transmits both routine and complex messages.
- is economical in both direct and indirect costs.

Laroche (2003:154-161) suggests, that in order to facilitate effective intercultural communication, agreement should be reached on the following aspects.

- Dress code, forms of greetings, use of first names and titles.
- Distribution and invitation lists.
- Time horizons - how far do we look back and how long into future do we plan?
- Who should be copied on messages and meeting minutes – in particular, which manager needs to be consultant on a group decision?
- Response times on e-mails and faxes.
- The authority of a groups decision.
- How much information needs to be gathered and communicated to the group?

5.5.3.3.2 Language as a communication tool

A number of writers (Bell & Harrison, 1996:62; Tung, 1998:31-32; Thomas & Inkson; 2004:106-107; Landis et al., 2004:342-343) argue, that language is the most obvious code into which senders encode messages and from which receivers decode them. In language, particular combinations of sound are randomly chosen to represent complex messages. In addition, most languages contain subtleties, and figures of speech. The essence of language is, that sender and receiver should share the code. As noted in chapter 4, the gap between intention of the message and perception of the message stems from the different fields of experience of the sender and the receiver, including the meanings and interpretations assigned to specific words and the encoding and decoding of messages on either side. The problem is, that the process of human evolution has left us with thousands of languages and different dialects. Moreover, psychologists have determined, that the best time to acquire new languages is before the age of ten, after which we become progressively less able to make this adaptation. Language is a wonderful tool for communications but is also fraught with difficulties, and although this can be overcome by way of a translator, it can be time-consuming and expensive. If managers choose to learn a language, they may find benefits beyond the simply overcoming of a language barrier. Most people appreciate the effort that others may have overcome to learn their language. However, managers

also need to be aware of the pitfalls. If someone is struggling to speak a language correctly, he or she might lose sight of other important aspects of the situation. Lack of fluency may also undermine one's credibility with certain speakers. Littrell (2002:12), supported by Hofstede (2001:425) argues, that when business associates share a similar culture, they have a common context for communication. Communication is broader than language; it involves transmitting and understanding ideas. Cross-cultural communication differs from familiar communication because of differences in assumptions made by people from different cultures. To help improve communication between cultures, one must be aware of and understand these different assumptions and their cultural influences on communication. There must be a sincere desire to communicate and to seek understanding. Conducting business in a different culture, requires adaptation to the value systems and norms of that country. Respecting another culture and its customs and etiquette, is not only good manners, but also good business. Culture has everything to do with the ways people give and receive information, and everything to do with the ways they learn. Communicating goes beyond the translation of words from one language to another, and beyond substituting the correct cultural equivalents for gestures, attitudes and customs. In a foreign culture, knowing the language is not enough. If the culture is not sufficiently understood, it may not be possible to appreciate and understand the message behind the words.

5.5.3.3.3 The problem with using English

Selmer (2001:12) argues, that although English is widely spoken in the global business world, the language of business is in fact the language of the customer and that may be something very different from English. Recognising English as the *lingua franca* of business, could be very deceptive as it may obscure cultural differences. Although a business conversation may be conducted in a second language, English, participants certainly think in their own language according to their own cultural norms, which may not be fully comprehended by the native English speaker. Instead of being an efficient vehicle of communication, the "common" language of English becomes an obstacle for true understanding. Chinese communication is situated in and influenced by the premises of its culture. For example, five major speaking practices have been identified in Chinese culture: implicit communication, listening-

centeredness, politeness, a focus on insiders, and face-directed communication strategies. Chinese-speaking practices often lead others to perceive Chinese people as shy, indirect and reserved, or as evasive and deceptive. Such perceptions unavoidably create communication problems between Chinese and others, even if both sides use English (See also Neal, 1998:61-63). Feely and Harzing (2003:43) argue, that widespread though it is, however, reliance on a single language is a strategy that is fatally flawed. It makes no allowance for the growing trend in linguistic nationalism whereby buyers in Asia, South America and the Middle East in particular, are asserting their right to "work in the language of the customer." It also fails to recognise the increasing vitality of languages such as Spanish, Arabic and Chinese that over time are likely to challenge the dominance of English as a lingua franca. Finally, the total reliance on a single language puts the English speaker at risk in negotiations. Contracts, rules and legislation are invariably written in the local language, and a company unable to operate in that language, is vulnerable.

5.5.3.4.4 The value of learning the basics of the local language

- **Improved adjustment**

  Selmer (2001:13) argues, that not being able to interact with the host country nationals in daily life outside work, makes expatriates ignorant about local thinking and mentality, which influences their ability to assess work situations and makes them develop erroneous assumptions about the people they are managing. However, others have suggested, that merely interacting with host nationals, is not enough to bring about adjustment, arguing that adjustment will occur only to the extent that the expatriates have the cultural empathy to be open to the different norms of the host culture. Kaye and Taylor (1997: 501) also argue, that an expatriate's willingness to use the host's language, has a greater influence on successful adjustment than does the actual level of fluency in the language.

- **Improved intercultural management skills**

  Selmer (2001:12) avers, that expatriates departing for another country where English is not the norm has to realise that learning the basics of that country's

language should be viewed as part of the assignment. The importance of language training for expatriates, both from North America and Western Europe, assigned to China, is apparent. It is not necessary to master the foreign language to perfection, as demonstrating even very basic skills (survival language), as well as elementary speaking practices, may signify the message to the locals, that the expatriate really cares to make an effort to understand the host culture. In China, English may be useful in the office, in the workplace and in the expatriate community, but it is not of much use outside those contexts. Kauser and Shaw (2004:26) provided empirical evidence for the role communications play in both international strategic alliance performance and managers' satisfaction. It can be concluded, therefore, that the quality of information exchanged between partners, the sharing of information and the extent of participation in goals-setting and planning activities, can help managers achieve the goals and objectives of international strategic alliances, thus resulting in better performance outcomes for both parties.

5.5.3.3.5 Steps to effective intercultural communication

5.5.3.3.5.1 Appreciating cultural differences

The key to adequate inter-cultural communication, lies in a mutual willingness to understand why colleagues in an alliance may act in unfamiliar ways (Child and Faulkner, 1998:253). This is supported by Gudykunst and Yun Kim (1995) and Holt and Wiggington (2002:321-331) who argue, that communicative predictions are based on data from three levels.

- First is the cultural level. This level involves information about the other's culture, its dominant values and norms. This is often the only level of information available when communicating with a stranger. Even so, a better understanding of the stranger's culture yields better predictions. This will enable a manager to know when to speak to whom (For example, not speaking to Arab women, unless introduced) and be a better listener who is open to nuances in language, customs and behaviour in a host country. Therefore, learning a culture's literature, metaphors and customs, may be of great

assistance to an expatriate. This should include knowledge regarding historical and cultural events.

- The second level of information is socio-cultural. This includes data about the other group's membership, or the groups to which they seek to belong. This type of information is the predominant data used in intra-cultural communication.
- Finally there are psycho-cultural data. This is information about the individual's characteristics, and is the sort of data most relevant to communication with friends.

5.5.3.3.5.2 Avoid quick judgments

Holt and Wiggington (2002:332) argue, that it is important to withhold judgment on a foreign culture's rituals or idiosyncrasies until a better understanding of the culture is developed. For example, Chinese service staff will seldom express gratitude when thanked, and Chinese negotiators will often not make direct eye contact. This suggests an adaptive role to accommodate perceptions and behaviour that may seem different.

5.5.3.3.5.3 Adjusting communication style

According to Holt and Wiggington (2002:333) and Thomas and Inkson (2004:109), Western convention has it, that messages should be explicit and straightforward - we should tell it like it is, or call a spade a spade. This is based on the Western belief that individuals perceive something as the truth and should state it. But in many Asian and Eastern countries, there is no absolute truth, and politeness and desire to avoid embarrassment often take precedence. The convention is, therefore, that communication is implicit, indirect, and ambiguous. In the direct convention of communication, most of the message is placed in the context of the communication. In the indirect convention, the context is more important - for example the physical setting, the previous relationships between the participants, and the non-verbal behaviour of those involved.

Laroche (2003:158-159) suggests, that in higher-context cultures, members of low-context cultures should provide additional background information when introducing themselves (i.e. where you lived and worked). Laroche (2003:154-156), together with Thomas and Inkson (2004:108), further state that when communicating with a non-

native English speaker, the person who is fluent in the language, has the obligation to ensure clear and effective communication by communicating in fairly standard terms. Culturally intelligent business people can use the following guidelines to help communicate with English as a second language speaker.

- Use clear slow speech. Enunciate carefully and avoid idiomatic expressions.
- Repeat important points by using different words to explain the same concept.
- Use active verbs and avoid long, compound sentences.
- Use visual restatements, such as pictures, graphs, tables and slides.
- Hand out written summaries of your verbal presentation.
- Pause more frequently, and do not jump in to fill silences.
- Take frequent breaks and allow more time.
- Be careful not to attribute poor grammar or mispronunciation to lack of intelligence.
- Check for understanding and comprehension by encouraging English as a second language speakers to repeat concepts.
- Avoid humour until you know your audience well.
- Understand the communication pace – do not rush to fill silence in cultures where silences are specifically used.
- Avoid embarrassing English as a second language speakers, but encourage and reinforce their reputation.
- Use synonyms where a word is clearly not understood.

5.5.3.3.6 Communicating in high-power distance cultures

Laroche (2003:162) also suggests, that when dealing with people from high-power distance cultures, managers should use titles, last names and formal greetings until they are invited to switch to first names and informal greetings. The following also are important.

- Focus attention on the highest ranked person in the room during presentations and address reports and documents to this person.
- Seek the opinion or approval from the highest ranked person in the room.

- Pay attention to seating arrangements during meetings and business meals to reflect the hierarchy.
- Use arguments of authority (quotes that support specific points and that come from people who are recognised as experts by their hierarchical counterparts).

Conversely, people from high-power distance cultures can bridge the communication gap by the following actions -

- Use first names and informal greetings.
- Focus the attention equally on everyone. Seek support and approval from everyone, rather than from the highest ranking person.
- Pay less attention to seating arrangements during meetings and business meals.
- Avoid using arguments of authority.

5.5.3.3.7 Communicating in high-uncertainty avoidance cultures

High-uncertainty avoidance people who want to communicate more effectively with low-uncertainty avoidance people, may consider the following steps.

- Provide information with a short summary upfront.
- Provide fewer details about the assumptions, definitions, methodology, sources, logic, data and experiments.
- Focus more attention on the recommendations.
- Refrain from asking detail-orientated questions during presentations.

Conversely, low-uncertainty avoidance people who want to communicate more effectively with high-uncertainty avoidance people may consider the following steps.

- Dot all the I's and cross all the T's before making a presentation or sending a report. Look for inconsistencies. Ensure that units in a formula match and that the control data are the same.
- Provide more information in the body of the report or presentation. Include all detail used in arriving at your conclusion in the report, such as assumptions, definitions, methodology, sources, data and experiments.

- Prepare to answer questions related to your assumptions, methodology, sources, logic, data and experiments.

5.5.3.3.8 Non -verbal communication: codes and conventions

5.5.3.3.8.1 Conventions

Communications conventions consist of ways that language and other codes are used within a particular culture. Once again, cultural norms and values, such as those based on collectivism or individualism, are apparent (Thomas & Inkson, 2004:109).

5.5.3.3.8.2 Verbosity and silence

Cultures differ in their conventions about how much and how loudly one should talk. Silence can be used deliberately and strategically in conversations. Japanese negotiators use silence to control the pace of negotiation. Finns use it to encourage a speaker to speak, and in Malaysia it can be used to show respect. Interpreting silence correctly, is a key element in culturally intelligent communication (Thomas & Inkson, 2004:112).

Non-verbal communication supplements verbal communication extensively. Cross cultural non-verbal communication is valuable, because many non-verbal signals are similar between cultures (Thomas & Inkson, 2004:113). Mead (1998:160-161) points out that these non-verbal conventions include the following.

- Stance; how and where you position yourself in relation to another person. Placing your hand on your hips, could indicate informality in one culture and a sign of bad temper in others.
- Gesture; this will include how you use your hands, head, shoulders etc. Managers need to be aware of the different values attached to these in different cultures.

5.5.3.3.8.3 Distance

A cultural intelligent manager will be mindful of the comfort of those he or she deals with, and will modify his or her social distance accordingly. Acceptable physical distances also vary between cultures. For example, in casual conversation, Greeks and Arabs stand much closer than do Americans, who stand much closer than Norwegians and Britons, and so on (Mead, 1998:161; Laroche, 2003:158; Thomas & Inkson, 2004:113).

5.5.3.3.8.4 Touching

In high-touch cultures such as Latin America, the Middle East, and Southern and Eastern Europe, touching will mean a lot less than in high-touching cultures such as North America, Northern Europe and Asia (Thomas & Inkson, 2004:113).

5.5.3.3.8.5 Body position

A Samoan job applicant who tried to show respect by positioning himself lower than the rest of the participants, sat down before the others. This gesture backfired as this kind of behaviour is considered disrespectful by Americans who will wait for others to sit down before they do. Another example is bowing. Bowing in Japan are best reserved for native Japanese, as how to bow and to who, are very subtle and complex (Thomas & Inkson, 2004:114).

5.5.3.3.8.6 Gestures

Because some gestures are considered positive, humorous, or harmless in some cultures, but may be offensive, hostile or obscene in other cultures, culturally intelligent people avoid explicit gestures in other cultures, until they know exactly what it means (Thomas & Inkson, 2004:115).

5.5.3.3.8.7 Facial expressions

In many cases conventions governing facial expression can mean that facial cues are either absent or misleading. In collectivist cultures for example, the open expression of individual emotion is often suppressed, because it threatens group harmony. This is one reason why Westerners often characterise Chinese and Japanese as being inscrutable (Thomas & Inkson, 2004:115-116).

5.5.3.3.8.8 Eye contact

Making eye contact with others, is another important form of non-verbal communication. In Western countries for example, a moderate level of eye contact during conversation is a way of communicating interest or friendliness, whereas excessive eye contact is considered rude, and a lack of eye contact is hostile. It is also used as a signal: by making eye contact with the other person as you finish a sentence often means, "Now it is your time to speak." Again there are major cultural differences. Arabs, Latinos, Indians and Pakistanis all have conventions of longer eye contact, whereas Africans and East Asians interpret eye contact as conveying anger or insubordination and avoid it. The situation is further complicated by the fact that most cultures have different conventions about eye contact, depending on the gender, status and so on of those involved (Thomas & Inkson, 2004:116).

Language interfaces in multicultural environments, will trigger problems of miscommunication, uncertainty, mistrust and conflict and unless these problems are professionally managed, they will bring detrimental consequences for the business and its relationships. Linguistic fragmentation results in depressed economic performance for whole countries. It would be naïve to think that linguistically fragmented companies would not feel the same impact. The challenge, therefore, facing these businesses, is how to manage their language problems effectively (Australian Government Diversity Program, 2006).

5.5.4 Measuring Performance and Problem-solving

Pucik and Saba (1999:55) argue, that a performance management system should be used as a communication tool that provides guidance and direction for achieving shared goals and objectives. For any organisation, performance management is an important and very complex aspect of human resource management. For JV's, creating a unified performance management system, is perhaps the greatest challenge faced by organisations that seek to blend two disparate cultures. A further major challenge is creating a performance management system that aligns the interests of managers in the venture with those of the parents. In addition to contributing to employees' performance in the technical aspects of their jobs, performance management systems can improve cross-cultural relations by ensuring that employees' efforts are directed toward shared goals, providing them with feedback

that provides insights about how people from other cultures interpret their behaviours, and rewarding them for developing the competencies required to be effective in a culturally diverse organisation. Training programs can inform employees about the shared goals of alliance partners, but performance management systems must convince employees that the rhetoric is also the reality. Ideally, at each evolutionary stage, all employees involved, will understand how their performance is assessed and how performance assessments relate to the goals for the alliance. Rewards and recognition for performance that contributes to achieving the alliance's goals, serve to reinforce the message.

Table 5.5 demonstrates the difference in performance feedback between the United States, Saudi Arabia and Korea.

Table 5.5: Differences in performance evaluation systems across three countries

Appraisal Characteristic	United Sates	Saudi Arabia	Korea
General emphasis	Evaluation	Evaluation and Coaching	Coaching
Amount of feedback	High	High	Low
Delivery method	Individual	Individual	Group
Emphasis of face saving	Low degree	High degree	High degree
Level of employee involvement	Medium to high	High	Low
Type of feedback	Criticism is direct	Criticism is less direct	Criticism is very indirect
Level of formality	Formal, probably written	Informal, not written	Informal, not written
Determinant of positive appraisal	Visible performance criteria	Seniority/connections	Seniority

Source: McFarlin & Sweeney (1998:88)

These differences illustrate the importance of being aware of the underlining cultural assumptions of the employee that receive the feedback, and how to make adjustments in one's feedback style and content in order to maintain effectiveness. A number of guidelines have been developed by literature.

5.5.4.1 Awareness of differences in expectations

5.5.4.1.1 Awareness of communication setting

Czaplewski, A.J. et al., (2002:36) argue, that managers should establish what the most suitable communication setting for a particular culture is. This will create enhanced levels of comfort and promote dialogue and discussion.

5.5.4.1.2 Awareness of communication content

It is also important to consider the content of what is said in the performance feedback. Collectivist employees respond more positively when their superiors or co-workers politely praise them on their achievements and successes (Singh, 2001). In contrast, employees from individualistic, low-power distance cultures, are often encouraged to document and communicate their own achievements to their boss. This self-evaluation concept will not work well in high-power distance or collectivistic cultures, where such self-praise would likely be viewed as arrogant and harmful to group harmony. Supervisors from individualistic, low-power distance cultures, should be instructed to express the accomplishments of their subordinates in performance feedback to high-power distance or collectivistic employees. Therefore they should:

- give polite praise first on the employee's achievements; and
- provide feedback in the context of the employee's work team.

5.5.4.1.3 Awareness of communication style

Another important goal of performance feedback, is to provide motivation, particularly by serving as a basis for determining rewards and career feedback. Czaplewski et al., (2002) suggest the following guidelines.

- Managers need to understand, however, that collectivistic employees view themselves as interdependent selves (e.g., connected to their colleagues) when they communicate work assignments, requirements, and priorities. Accordingly, feedback should be provided that focuses on how the employee relates to the group and the organisation overall.

- In addition, feedback and recognition should be provided that establishes rapport with family, friends, and associates as well as with other important in-groups of collectivistic employees.

- Managers from individualistic cultures should take extra precautions when communicating with elders, those with long tenure in the company, or those with higher social status in high-power distance and collectivistic cultures. It is particularly important to show respect to these people in both written and oral communication. Respect can be shown by a marked emphasis on politeness and etiquette. For example, a written request should ask such senior employees to "consider" doing certain things and to "request" them to do it. Saying "you must" or "you are required" is considered impolite. In addition, it is important to address elders with proper respect and titles.

- It is important to match the verbal and non-verbal communication styles of other cultures in performance appraisals. For instance, a low, pleasant, and friendly tone of voice, is frequently effective in making requests in high communication context cultures. In such cultures loud and direct oral communication is often considered socially unacceptable. Similarly, argumentative voices and exaggerated hand gestures are frowned upon and often lead to miscommunication. Instead of being demanding, it is often useful to ask, "may I ask you a question?" or "may I make a suggestion?" It is also important to be aware of non-verbal cues. For instance, body gestures are also more restrained than is typical in the West, in order to demonstrate one's humility and respect for the other person.

One of the primary goals of performance feedback, is to identify employee strengths and weaknesses. In order to do so in the most effective manner, the input of the employee is essential, as the employee is often most aware of both the strengths and weaknesses of his or her work performance. This can be problematical in high-power distance-oriented employees, where employees need to increase their upward input to their superiors in appraisals and other situations. One key to obtaining more input, is to create a condition or environment of consensus-seeking and cooperation. Some

specific ways to create this type of environment, are to ask open-ended questions that provide opportunities for voluntary answers, and to direct specific questions to an individual's area of expertise. It is important here, specifically to invite the employee to respond with his/her ideas and perspectives so that the harmony and humility of a collectivistic culture are preserved. Performance feedback can serve to develop social and performance norms. This often entails relaying negative, as well as positive feedback. Yet, it is important for managers to recognise that it is difficult to provide critical feedback to a collectivistic subordinate, because such communication can result in the loss of face and run counter to the importance placed on harmonious relationships. In collectivistic cultures, there is a tendency to look at negative, feedback as a personal attack, especially if someone outside of one's work group delivers the feedback. For this reason it is important, that a manager carefully establishes a personal relationship and trust with the subordinate before providing any negative performance feedback (Czaplewski et al., 2002:36).

5.5.4.2 Trust

Another important aspect of feedback, is to build a personal relationship and trust with subordinates, so they will become more comfortable in providing upward communication. Being polite and showing respect are critical to gaining respect and building rapport with collectivist cultures. Another way to build trust, is to have events where managers can have friendly and informal dialogues with subordinates (Czaplewski et al., 2002:37). Establishing a personal relationship with the employee through creating a dialogue at organised events, retreats, and celebrations, may increase employees' comfort level in interacting across different hierarchical levels, and improve the feedback process (Czaplewski, et al, 2002:37). Larcohe (2003) also argues that one of the most effective ways of bridging the gap between culturally different managers and employees, is to have the two of them discussing the best way of working together. Such a discussion can be particularly valuable in the first few weeks of working together, because it enables both parties to build a solid base for future relationships.

Some of the topics to be discussed from the information-sharing exercise, include the following.

- Who will make what kind of decisions?

    - Decisions to be made by the employee without informing the manager.
    - Decisions that employees will make and only then inform the manager.
    - Decisions that the employee and the manager will make together.

- When is a decision final?
- How often should feedback be provided, and in what format?
- What is the best way of communicating decisions and information?
- How often should feedback be provided, and in what form?

5.5.4.3 Who should provide feedback

An individualistic manager should consider using a third party to convey any negative feedback, gain a sense of the underlying issues, and obtain possible responses from the subordinate before personally giving negative feedback. The reason for this, is that it is acceptable for employees in collectivistic cultures to provide constructive feedback to another member of their work group when they have established a close and trusting relationship with each other. A trusted third party can act as a buffer to help minimise conflict, explore hidden fears, and preserve the relationship, face, and self-esteem of the individual and the group. In addition, a respected third party can more easily serve as a mentor or ask more junior workers to contribute their views. In addition to a respected peer from the employee's team, other potential third parties are a senior employee in the company or an employee with expertise in a particular area (Czaplewski et al., 2002:39). Therefore, consider using a respected third party to provide feedback, for example:

- a respected peer from the subordinate's team;
- a senior employee in the company; and/or
- an employee with an expertise in the subordinate's area.

Laroche (2003:199) suggests the following approaches in giving feedback cross-culturally.

- Managers can adapt their feedback strategy to accommodate cultural differences.
- Employees need to make sure that they interpret the feedback of managers as it had been meant, and where necessary, calibrate the feedback in conjunction with the manager.
- Mentors from different culture groups can be appointed to facilitate the feedback and interpretation.

Therefore, to summarise, the following aspects are keys for a effective communication style.

- Exhibit understanding for cultural differences having regard to:
    - setting.
    - expectations of group versus individual.
    - etiquette and seniority.
    - voice tone and physical gestures.
- Establish trust and rapport before giving constructive feedback.
- Give praise first on their achievements.
- Where necessary, provide feedback through a third party.

5.5.5 Negotiating across Cultures

5.5.5.1 Culture and negotiations

According to Holt and Wigginton (2002:361), negotiation is a comprehensive concept that suggests a joint effort between two or more parties in order to find a mutually acceptable solution to a problem, opportunity or conflict. Negotiation is an art form and a communication process that occurs in every aspect of management. Pitta et al., (1999) and Thomas and Inkson (2004:117) argue, that negotiating is a special communication situation, one that is of particular importance in cross-cultural business settings, in which the objective is often for people to overcome conflicting interest and to reach agreement, which is advantageous to both parties. As usual, the existence of cross-cultural differences complicates matters further. Holt and Wiggington (2002:362), supported by Weiss (1994:313) and Distefano and Maznevski (2000:246) argue, that cross-cultural negotiations are complex because

they involve people from societies with different cultural values and ideological perspectives, and also socio-economic differences. Numerous cross-cultural endeavours end in failure as a result of the negotiator's inability to accept and adapt to the underlying beliefs of the other party. Pitta et al., (1999) and Thomas and Inkson (2004:118) note that there are differences in the detail of negotiating, for example, the level at which initial offers are made, and the willingness of the negotiator to make concessions. A Chinese, Arab, or Russian counterpart might put off an American negotiator, because these groups seem to start off with extreme positions. Russians are also reluctant to make concessions, as this is a sign of weakness, whereas other groups such as North Americans and Arabs will make concessions and respond to others concessions. To complicate matters further, negotiators alter their behaviour when negotiating with people from different cultures. Weiss (1994:313-314) and Distefano and Maznevski (2000:246) suggest, that the complexity, uncertainty, and novelty of cross-cultural negotiations almost ensure that the effect negotiators experience during the negotiation process, will influence their information processing, interpretations, and judgments. Moreover, many of the conditions surrounding cross-cultural negotiations, are likely to influence a negotiators' effectiveness in conjunction with his or her own characteristics and dispositions. This, in turn, influences their priorities and what they want to achieve in the process. Consequently, the actual negotiations will be different in each society as parties to negotiations often have different motives and priorities for doing business. As an example, Abdou and Kliche (2004:17) argue, that to predict national differences in the degree of risk-taking, is of considerable importance for cross-cultural negotiations, because such differences could provide solutions that are more beneficial for both sides if the same risk attitude would exist.

5.5.5.2 Keys to intercultural negotiation

A review of literature (Weiss, 1994; McFarlin & Sweeney, 1998; Mead, 1998:242; Holt & Wigginton, 2002:370-376; Chaisrakeoa & Speece, 2004) suggests the following steps towards effective intercultural negotiations.

5.5.5.2.1 Understanding of the negotiation process

Essential issues to clarify prior to negotiations, are the following.

- The primary objective. For example, create a reliable source in China for purchasing feedstock;

- Target outcomes. Secure an initial purchasing contract and profitable procurement terms.
- Subsistence points. This relates to price, quantity, quality, delivery terms, commission payments.
- Zone of potential agreement. Term or once-off agreement.
- Bargaining mix. Partial shipments, split terms, advances, custom designs, and bonuses guarantees.

5.5.5.2.2 Negotiating styles

Holt and Wigginton (2002:363) and Chaisrakeoa and Speece (2004), have identified two main negotiating styles, namely the problem-solving (integrative negotiation) approach and the competitive approach (distributive negotiation). In the latter, the negotiator seeks to persuade the other party to change his or her attitudes or actions, to gain an advantage for the negotiator's own side. The former, in contrast, concentrates on co-operation, exchanging information and achieving a solution that benefits both sides. The problem-solving approach fits more comfortably with relationship marketing. Adler (1991) suggests, that since international business negotiations are more complex than domestic, due largely to this added dimension of cultural diversity, one proposed solution to the limitations of principled negotiating, is the synergistic approach. The culturally collaborative synergistic style of negotiating emphasises, that understanding the other parties, their interests, and their assessment criteria, becomes more difficult due to cultural and communication differences. Synergistic negotiating suggests, that if cross-cultural differences are recognised, clearly communicated, and understood by the negotiator, they can be the basis for constructing mutually beneficial agreements. Adler (1991), together with Thomas and Inkson (2004:117) argue, that one way of understanding cultural differences, is to divide up the typical negotiation into phases and to note that there are intercultural differences in the proportion of time or emphasis on each phase. The phases are:

- building a relationship;
- exchanging information;
- trying to persuade each other ; and
- making concessions and reaching agreement.

The writers note, that generally people in Western cultures take a relatively "transactional" approach to negotiation, focusing mainly on the last two stages. Many other cultures pay more attention to creating a background relationship, which will make agreement more likely that is, emphasising the social side of the situation over the task side. Therefore, culturally intelligent Americans will learn to be more patient and sociable, and culturally intelligent Asians and Latinos learn to get to the point more quickly. Holt and Wigginton (2002:370) argue, that there are two distinct characteristics of negotiations, namely substance and process. Unlike domestic negotiations, in cross-cultural negotiations, process can be one of the most important considerations. This is so as expectations on how negotiations should be conducted, communicated and the conflict handled are based on a set of cultural assumptions.

5.5.5.2.3 Planning

A number of writers (Weiss, 1994; McFarlin & Sweeney, 1998:545-554; Mead, 1998:233-234; Holt & Wiggington, 2002:371) suggest, that when planning for intercultural negotiations, the following circumstances need to be looked at.

- Political and legal system. Who has the power (and who may support or oppose your plan) at national, local and regional levels? Regulatory requirements, operating constraints, foreign ownership requirements, foreign tax policies and intellectual property rights.
- Foreign government intervention. The role that government officials and political ideology will play in the negotiations.
- Financial and economic data. The size of the economy, speed of growth, inflation, economic freedom index, investment policies, subsidies and tax incentives, banking system, financial security, repatriation of earnings, iinternational finance: The role that the stability and convertibility of foreign currency will play.
- Social stability. Analysing of political climate.
- Infrastructure requirements. Identify characteristics of foreign labour markets, technological and infrastructure development (road and rail systems, traffic conditions, and access to telephone. size of population.

- Taxation and legal data. Financial and economic data – the transaction may be taxed in more than one country and the contracts may be subject to two or more legal systems.
- Cultural data. Reflect on your counterpart's negotiating script according to his or her culture and try and create a cultural profile. This will to a certain extent, allow you to predict your counterpart's script- expressed in negotiation concepts, practices and values - and assist the negotiator to deal with the unexpected.

5.5.5.2.4 Negotiation issues

Finding common ground, is one of the most important aspects of negotiations. Ideally, the negotiator should know what both parties must achieve, what the parties hope to achieve, and what the parties would like to achieve. It is, therefore, important to communicate about issues and interests. This will enable the negotiator to have a variety of options available (Mead, 1998:236-237; Holt & Wigginton, 2002:373).

5.5.5.2.5 Participants

Successful negotiators understand the people that they negotiate with. They will try to be aware of the protocols that build appropriate relationships. People from low context cultures such as in the Arab world, China and Japan, place more emphasis on individual relationships, and therefore, when negotiating with these cultures, it will be important to build trust. Certain cultures will also extensively make use of intermediaries as part of their negotiation tactics. Negotiators need to be aware of this ploy and how to deal with it. Holt and Wigginton (2002:374) and Mead (1998:236-237) point out, that negotiators represent constituents whose interest have to be regarded. Therefore, divergent values, expectations and assumptions need to be explored, in order to understand different perspectives.

5.5.5.2.6 Processes

Different dress behaviour is considered proper in different cultures, and certain cultures pay particular attention to issues that may seem trivial to other cultures, yet delegates from these cultures may often view concessions made, as signs of weakness. Furthermore, negotiators also need to be acquainted with where to negotiate and the

different public holidays of each culture that may affect the schedule. Finally, the composition of the negotiating team can also be very important. Most Asian countries will be offended if a negotiation team is comprised only of junior executives. Unlike Americans, Asians are not used to bringing lawyers to negotiations, and a team that includes a lawyer, may be unwelcome. In most of the high-context societies, negotiation teams consist of small close-knit teams of key corporate staff, and they expect the opposing team to be equally well-balanced in order to establish relationships with a reasonable degree of parity (Holt & Wigginton, 2002:376-378).

5.5.5.2.6.1 Trust and relationship building

Building a relationship with the negotiating partner, is one of the salient features of cross-cultural negotiations (McFarlin & Sweeney, 1998:203-204). The high context cultures of Japan, China, the Middle East and Latin America, place great importance on relationship-building and the creation of trust amongst parties. Where trust is high, negotiators are more likely to take a problem-solving approach and to share information, even about their profit schedules. In their minds this would enable the agreement to function and to change with the circumstances without difficulty. To demonstrate the point, a recent agreement between a Western conglomerate and China, that took 14 months to negotiate, and worth $25 billion, consisted of a two-page document that identified the parties and indicated that a highway would be built! The 14-month period consisted mostly of building relationships through informal contact and luncheons where business was not discussed. Meeting before negotiations start in order to start building the relationship can, therefore, be very valuable. Where trust is low, negotiators depend on persuasive arguments, threats and other forms of contentious behaviour. Relationship building therefore consists of common sense and good research. Negotiators should socialise and allow the hard issues to surface without being under pressure. Cultural factors will dictate which negotiating style is the most effective. In low-context cultures for example, the activity of relationship-building is passed over relatively rapidly, and becomes only important once the deal is signed. The opposite will be true in high-context societies. Cultural awareness and skills will enable negotiators to avoid making communication errors and behaviour that may be misconstrued (Mead, 1998:236-238; Holt & Wigginton, 2002:279-280).

5.5.5.2.6.2 Sharing information

Information exchange, which is directly affected by cultural dimension differences, is one of the most influential factors in achieving integrative solutions when attempting to negotiate international agreements (Walton & McKersie 1965). A large degree of conflict can be avoided if two potential joint venture partners start sharing information about local practices, market conditions and economics. This will enable them to discover beneficial similarities, for example, wage rates, skills level and employee expectations for wage premiums. High-wage premiums demand may be addressed through an alternative compensation method such as medical benefits and retirement plan. This will also lead to the development of a special relational bond, which is a very important intrinsic benefit (Holt & Wigginton, 2002:380).

5.5.5.2.6.3 Exchanging task-related information

This stage of the negotiating process presents the parties with the opportunity to either "show their teeth" or gain a proper understanding of the other parties' needs. Through effective information exchange, parties can formulate a "problem statement" which will allow them to negotiate a solution around this concept. Technical, marketing, company background and information about stakeholders, are all examples of the type of information that may be exchanged (McFarlin & Sweeney, 1998:204-206; Holt & Wigginton, 2002:380).

5.5.5.2.6.4 Persuasion

The negotiating style plays a crucial role in persuasion. As mentioned above, Chinese and Japanese negotiators normally ask many questions about small details, and avoid giving direct answers on substantive issues, using periods of silence in order to build tension or reduce pressure on themselves. Negotiators must be considerate of the relationship without losing site of the objectives. Therefore, persuasion is concerned with presenting the relative advantage of the agreement to each party in terms of what they can realistically contribute and subsequently realise in outcomes. Skilful negotiators who understand these points, are better equipped to make reasonable offers or concede reasonable counter-offers. They will look beyond the distraction caused by unfamiliar negotiating behaviour, and thereby prevent tactics and idiosyncrasies of negotiators from different cultures from jeopardising an agreement (McFarlin & Sweeney, 1998:208-210; Holt & Wigginton, 2002:383).

5.5.5.2.6.5 Reaching agreement

Even though it seems straightforward, establishing an actual meeting of the minds, is often complicated. Many JV's fail, due to an inability to reach consensus on certain key issues.

In the final analysis, research has shown, that negotiators who spend more than double the time on planning, not only double their likelihood of success, but also do so in a time-efficient manner. Furthermore, the role that the relationship between the parties and trust play, cannot be overemphasised (McFarlin & Sweeney, 1998:204-206; Holt & Wigginton, 2002:383).

5.5.5.2.7 Negotiations per cultural dimension

- **Individualism versus collectivism**

  Collectivists prefer bargaining, mediation, and creating relationships before getting down to serious negotiating, whereas individualists prefer the competitive situation of preparing arguments and acting as advocates. In cross-cultural negotiation, it may be possible to use combinations of these different methods, but doing so, requires all parties to step outside their normal conventions (Thomas & Inkson, 2004:118).

- **Power distance**

  The arbitration model of negotiation supposes, that whenever there are differences of interest to be negotiated, there should be a higher-level authority figure that can resolve any problems by making a decision that is imposed on all parties. This is often observed in Japan (Thomas & Inkson, 2004:118). Holt and Wigginton (2002:380-381) also note, that there will normally be a fierce protection of information and their personal control over decisions. Mead (1998) points out, that high-power distance countries tend to be suspicious about young aged negotiators. In such cultures it is also important that the ranks of the negotiators be equivalent, and that it needs to be established who has the authority to decide.

- **Uncertainty avoidance**

  In Germany the bureaucratic model, which attempts to reduce the need for negotiation by specifying in advance rules and procedures suitable for solving disagreements, is often observed (Thomas & Inkson, 2004:118).

- **Masculinity versus femininity**

  Feminine cultures place higher emphasis on concern for people and cooperative relationships. This should be borne in mind when for example; a JV needs take decisions on growth and development strategies.

- **Long-term versus short-term orientation**

  Pitta et al., (1999) note, that in China, negotiations and contracts should link the association between people by confirming the strong human bond instead of resorting to legal binding. Traditional Chinese culture advocates that benevolence should be the guiding principle of association among people. This principle, admittedly limited, does influence many Chinese people. Many Americans view negotiation and the signing of a contract as the final stage of association for a business. However, for Chinese managers, it is the first step to a deeper relationship. Continued negotiation is common, because a legal contract does not necessarily give one the upper hand. Mead (1998) points out that many Westerners believe, that Chinese businesspeople use banquets as a means to get a better bargaining position. Banquets are a mechanism for learning a bit more about the other side before the start of formal negotiations. According to the writer, managers can also expect the Chinese to conduct business while all are eating and drinking at the banquet table. Americans in negotiations usually openly discuss advantages, disadvantages, and alternatives. The Chinese would discuss and bargain as well, but the key in the negotiation process is to establish common feelings or bonds between the parties. The strategy is to achieve a win-win goal situation. That is, both sides can win. This contrasts with the one-sided negotiations where the winner takes all. Many Chinese people would consider the win-loss strategy immoral. However, the Chinese may use the feelings of friendship that they have built to their advantage to get some concessions in the negotiation process. Because

the Chinese people in general, do not like to speak too much, it is important in the negotiation process to present objective facts without subjective feelings. There is a common saying in China - facts speak louder than eloquence. This principle of presenting indisputable facts, is important on the negotiation table. The Chinese prefer contracts that do not have too many details and prefer all issues to be subject to further negotiation afterwards, even after the signing of the contracts. However, they are meticulous note-takers and will exploit verbal comments made during negotiation that are not part of the written contract. In contrast, Americans are very legalistic and like to spell out all the details in the contracts, which will be backed fully by the US legal system.

Thomas and Inkson (2004:119-120) suggest, that ultimately the following three factors as part of a broad model for culturally intelligent negotiating, are necessary for negotiating effectively across cultures.

- **Gain the knowledge to anticipate differences**

  Learn what you can of the codes and conventions of groups that you plan to deal with. Be aware of all the various areas of difference in communication, such as verbal versus non-verbal, contextual versus non-contextual different negotiating styles. Learn the prevailing culture of a country, such as individualistic or collectivistic, and think about how these may influence the communication and negotiation process of your contacts.

- **Practice mindfulness**

  Observe and pay attention to the context and the conventions of communication. There is a tendency to focus on the code and content of messages, but attending to how messages are delivered, is a way of acquiring much additional information. It helps us to see new possibilities for the meaning in the behaviour of other cultural groups.

- **Develop adaptive skills**

  The question of to what degree your behaviour should accommodate the codes, conventions, and styles of another culture, is complex. The fact that you and the other party probably have conflicting goals, makes the situation more challenging. Some adaptation may improve the relationship, but if you overdo it will create suspicion and distrust. Finding the optimal point of adaptation, is more an art than a science.

Ultimately, effective negotiations result from participation from well-informed, sincere and experienced negotiators who understand the benefits of collaborative behaviour, as well as the danger of confrontational tactics. These culturally sensitive people display genuine interest in learning about the values and concerns of others. They also bring to the negotiations the communication skills necessary to build relationships and they are alert to the nuances of the negotiating process. Most importantly, effective negotiators expand everyone's opportunities with innovative efforts to seek new opportunities and enhance improved international relations and global growth.

5.6 Conclusion

As businesses globalise, they will continue to use cross-border alliances as a means to expand and grow both their operations and knowledge base. To succeed, such businesses must effectively manage the many forms of cultural diversity inherent in such organisations. Although IJV's represent only one type of cross-border alliances, our discussion here illustrates how cultural diversity can influence and affect alliances of all types. It is also obvious, that the challenge of managing cultural diversity, is distinctly different from the challenging of managing expatriates. IJV's bring additional dimensions of management into play, compared with purely domestic and unitary enterprises. The relationships to be managed, are more complex, because of the hybrid nature of joint ventures per se and the mix of corporate and national cultures in IJV's. Additional managerial competencies are required, including a broader strategic vision to reflect parent company objectives, a capacity to handle cultural and institutional differences, and an ability to transfer hard and soft technologies to the IJV. One concept remains constantly important for global

executives and managers: the vital necessity to master intercultural competence in order to prosper in a culturally diverse marketplace.

In this chapter, a model for managing cultural diversity in IJV's, based on the most recent literature, has been formulated. In order to demonstrate, to what extent the best practises as identified by the model, is followed by a South African organisation with substantive business interest in foreign cultures, the model will be tested against the current cultural diversity management practises in IJV's of Sasol, the South African petro-chemical giant with an operational footprint in more than 20 countries. In the next chapter, the research methodology of this study will be discussed.

Chapter VI

6. RESEARCH DESIGN AND METHODOLOGY

6.1 Introduction

According to Wellman and Kruger (2000:2), research methodology refers to the application of various methods; techniques and principles in order to create scientifically obtained knowledge by means of objective methods and procedures within a particular discipline. Research methodology, therefore, consists of the ways one collects and analyses data. These methods were developed for acquiring knowledge by reliable and valid procedures. Research methodology should therefore, be systematic and purposeful so that procedures are planned to yield data on a particular research problem.

This chapter provides details of the methodology employed in the design of the research. It focuses on the sample and sampling procedure, data collection methods, the research instrument, validity, reliability, data-processing and the procedure for the design and administration of the questionnaire.

6.2 The Research Problem and Objectives of this Study

Cross-border mergers and international joint ventures create the need for a new type of manager, one with intercultural management skills in planning, leadership, setting objectives, delegation of responsibility, judgement and criticism, motivation, problem- solving, conflict resolution, and achieving goals.

Current literature is limited in scope and does not provide a comprehensive theoretical model to be utilised by organisations in managing cultural diversity in international joint ventures.

Sasol's global expansion drive has inevitably brought Sasol into contact with different cultures, and all the threats and opportunities that it represents. In order to navigate these potential troubled waters effectively and optimally, Sasol must ensure that it manages cultural diversity in accordance with a management model that incorporates the latest theories and best practices. It is hypothesised, that there exists an

opportunity to implement a management model within Sasol, based on best practices as derived form literature and case studies to optimise management of cultural diversity. Sakkie Jacobs, international Human Resource manager at Solvents and Olifans & Surfactants, (One of Sasol's business units), is quoted as follows in Sasol News, March 2005.

"Some of our emerging HR challenges include the increased need for multicultural sensitivity, change management, expatriate and repatriation management, as well as the delivery of learning in a global organisation".

The above-mentioned challenges can be met only when cultural diversity is properly understood and managed.

The research has been designed to test the extent to which cultural diversity management practices of Sasol in IJV reflect the best practices identified by literature. The theoretical model developed in Chapter V, which is comprised of recurring themes and trends distilled from a review of literature, was used as the benchmark against which Sasol practices were measured, and the research instrument was designed by using the said criteria as a basis from which deviation from or conformance to the model was tested.

6.3 Sampling Procedure

According to Hair et al., (2000:291-293), in research, two types of validity can be identified: internal and external validity. External validity refers to the extent to which casual relationships found in a study can be expected to be true for the entire target population, whereas internal validity refers to the extent to which the research design accurately identifies casual relationships, in other words, the extent to which the researchers can rule out rival explanations for the observed results and conclusions about the functional relationship. To ensure the internal validity of the study, the six-step procedure of Churchill and Iacobucci (2002:449), have been followed. It is comprised of the following.

- Defining the target population.

- Identifying the sampling frame.
- Selecting the sample procedure.
- Determining the sample size.
- Collecting data.
- Selecting the sampling elements.

6.3.1 Target Population

A population is an identifiable total group or aggregation of elements that are of interest to the researcher and pertinent to the specified information problem. The defined target population consists of the complete group of elements (people or objects) that are specifically identified for investigation, according to the objectives of the research project (Hair et al., 2000:329). A purposive sampling method, in terms of which individuals are selected from a population according to an underlying interest in a particular group, was used in order to obtain an accurate reflection of the current practices employed by Sasol (Brewerton & Millward, 2001). The target audience was selected on the following bases.

- Experience and involvement in IJV and HR management.
- Experience and involvement in expatriate selection, training and support.
- Senior Management experience in International Project Management.
- Level of seniority and decision-making powers of the managers.

Interviews were held with the senior managers of Sasol, which included the International Human Resource Manager of Sasol Limited, The Managing Director of Sasol Technology, and the Human Resource Manager of Sasol Technology. The purpose of the interviews, was to identify the most appropriate respondents for the questionnaire and to ensure that the sample is representative of current Sasol cultural diversity management practices. During the interview, the aim of the study and the content of the questionnaire were discussed.

6.3.2 Sampling Frame

Normally it is difficulty for researchers to gain access to truly accurate, or representative, current sampling frames (Hair et al., 2000:230). However, due to the fact that the model was specifically tested against Sasol management practices, the sampling frame was limited to Sasol senior management having the required exposure and experience. Demographic and background data were, therefore obtained and verified beforehand (Brewerton & Millward, 2001). The design of the study was cross-sectional; data were collected from managers employed in JV, and human resource managers responsible for expatriate selection, training and development. Following the said discussion with senior management, 13 senior managers from 6 different international Sasol companies were identified to participate in the survey. A larger sample would not have contributed to the accuracy to the study, given the limited number of managers in the Sasol group of companies that have any relevant experience, knowledge and exposure in order to accurately reflect current cultural diversity management practices of Sasol.

The following managers of Sasol were approached:

1. Merwe van Pletsen – Human Resource Manager, Sasol Chevron; UK.
2. George Couvaras – Managing Director, Sasol Chevron; UK.
3. Colin Wright – Managing Director, Sasol Merisol; USA.
4. Johan du Preez – Chief Executive Officer, Sasol Merisol UK.
5. Wikus Venter - Human Resource Manager, Sasol Merisol USA
6. Chris Turner - Managing Director, Sasol Oryx; Qatar.
7. Kim Fraser – Managing Director, Sasol Chevron; Nigeria.
8. Sakkie Jacobs - Human Resource Executive, Sasol Germany.
9. Yvonne Web – Expatriate Manager, Sasol Limited.
10. Clive Jones - Engineering Manager SCE: GTL Projects, UK.
11. Martin Jooste - Senior Project Manager, Qatar.
12. Kobus Swanepoel -Manager Gas Conversion Projects, Sasol Oryx GTL Ltd, Qatar.
13. Willem Louw – Managing Director, Sasol Technology (Company responsible for all of Sasol's International Projects.

6.4 Research Instruments

According to Hair et al., (2000:440), one of the great weaknesses of questionnaire design is, that many researchers believe that designing questionnaires is an art, rather than a science, whether art relates to a researcher's creative words in asking the right questions and developing the related scale point, whereas the process should be a scientific one that integrate established rules of logic, objectivity, discriminatory powers and systematic procedures. In particular, researchers should be careful of the following issues.

- Words. Researcher should ensure that the words do not contain ambiguity, abstraction, and connotation.
- Question/Set-ups. Two important issues relating to questions' phrasing that have a direct impact on survey design, are the type of question format (structured or unstructured) and the quality of the question.

The instrument used to collect the sample information was a questionnaire containing various statements. The questionnaire was design by indicating the standards identified in the model by means of the statements, and testing the deviation from the standard by measuring the degree to which respondents agree or disagree with the statements. The Likert Scale scaling technique has proved to be the most effective for this purpose (Alreck & Settle, 1985; Brewerton & Millward, 2001). The Likert Scale asks respondents to indicate the extent to which they either agree or disagree with a series of mental beliefs or behavioural belief statements about a given object. In developing a Likert Scale, the researcher identifies a set of belief statements that are representative of the object, idea, or set of information being investigated. Over the years, the Likert Scale has been so extensively modified from its original five scale descriptors, that its current definition varies from researcher to researcher (Hair et al., 2000:425). In this study, the main elements for managing cultural diversity in IJV's were identified, and translated into positive statements regarding the management practices of Sasol, with which the respondents then had to indicate their degree of agreement or disagreement. Initially, the 6-point Likert scaling technique was used in order to test the responses. These were the following.

- Do not know.

- Strongly disagree.
- Disagree.
- Sometimes/sometimes not.
- Agree.
- Strongly agree.

The questionnaire tested the following management areas.

1. Cultural diversity management plan.
2. Cross-cultural leadership and management.
3. Managing multicultural teams.
4. Human resource management.
5. Expatriate selection.
6. Training and development.
7. Intercultural task teams.
8. Continuous in-country support.
9. Knowledge management.
10. Repatriation.

For each of these sections, a number of statements comprising of the key elements of the model were made in order to ascertain to what extent the practices identified by the model are followed or not followed by Sasol.

The result was a questionnaire which contained statements that encompassed the salient aspects of cultural diversity management as identified by literature. The questionnaire consisted of 137 statements grouped into 10 sections with which respondents were asked to indicate their agreement/disagreement on a six-point Likert Scale.

6.5 Pilot Study

The draft questionnaire was pre-tested by administering the questionnaire to 10 respondents representative of the study's target population. The result was, that the questionnaire was adopted and vague and ambiguous questions were excluded. One of the issues identified during the pilot study, was the confusion created by the standard six-point Likert Scale. A majority of the respondents indicated that they found the inclusion of the "Strongly agree" or "Strongly disagree" scaling indicators confusing, and not relevant to the questions being asked. After having re-evaluated the questionnaire for its scale indicators, it was decided that the five or seven-point Likert Scale normally deployed for this method of scale indication, was not suitable for the purposes of this study. This is because two of the scaling measurements, namely "Strongly agree" and "Strongly disagree" normally utilised to pronounce the extent of agreement or disagreement, would not serve the purpose it was designed for in this particular study. This is so as the questionnaire is designed to test the presence of management methods and whether such methods are being utilised or not. An answer of "Agree" or "Disagree" will indicate that the method is or is not deployed, an answer of "Do not know" would indicate that the respondent is not aware whether such management method are being utilised, and an answer of "Sometimes/Sometimes not" would indicate that such methods are not being used on a regular basis. However, an answer of "Strongly agree" or "Strongly disagree" would, for the purposes of this study, not provide a clearer indication whether the management practice is being utilised by Sasol or not, but merely indicate a greater degree of agreement or disagreement, which may be useful in the measurement of attitudes, but not when attempting to measure whether a specific management method is being used or not (Hair et al., 2000:416). The result was that the scale descriptors reduced to the following four.

- Do not know.
- Disagree.
- Sometimes/Sometimes not.
- Agree.

A copy of the said questionnaire is included in annexure A.

6.6 Data Collection and Measures

The questionnaire was administered (in electronic format) to the managers identified in the sample. The respondents were given a brief background as to the purpose of the study and requested to complete the questionnaire. A copy of the covering letter is included in Annexure B. The sampling selection process resulted in a total of 13 pre-selected respondents being approached for the final sample. Responses were received from 11 respondents, giving a response rate of 85%. A total of two respondents (15%) declined to complete the questionnaire, citing time limitations as the reason for not responding. This level of response was regarded as sufficient to avoid serious risk of sampling bias.

6.7 Limitations

Due to the limited number of Sasol managers working in the target portfolio, only 13 senior managers were interviewed. Single method variance could have affected the findings of the study, since the data were collected only through a questionnaire. However, these were mitigated through the pre-qualification interviews held with senior Sasol management in order to ensure an accurate and high quality response.

6.8 Conclusion

In this chapter, the research methodology applied, sampling procedure, the pilot study, the research instrument and the data collection measures were reviewed. The research design outlines the various steps in developing the questionnaire and to ensure the integrity, accuracy and validity of the data, and the reasons for the adjustment of the standard Likert Scaling technique is explained.

In the next chapter, the data will be analysed, tabled, and interpreted in order to draw conclusions and make the appropriate recommendations.

Chapter VII

DATA ANALYSIS AND INTERPRETATION

7.1 Introduction

The process of converting information from a questionnaire so that a computer can read it, is referred to as data preparation. This process normally follows a five-step approach, beginning with data validation, and then editing and coding of the data. The process is then followed by data entry, error detection, and data tabulation. The purpose of the data preparation process, is to take data in its raw form and convert it into a format that has meaning and creates value for the user (Hair et al., 2000:480). In this chapter, each step of the data preparation process will be discussed, and the results will be interpreted.

7. 2 Data Validation

In order to ensure that the survey was conducted correctly and free of fraud, all the respondents' name, telephone numbers and e-mail addresses were recorded, and responses were controlled against these particulars. As indicated before, the respondents were all screened before the questionnaire was sent out, and the covering letter informed the respondents that the information would at all times be kept confidential and used for research purposes only, which may have contributed to a the level of openness in rating the statements, and therefore improved accuracy.

7.3 Data Editing

The data were edited by verifying the questionnaire for completeness and ensuring that all the questions' statements were rated. During this process, it was established, that one of the respondents failed to complete 2 out of the 10 sections of the questionnaire. The respondent was contacted and indicated that, due to his level of exposure and experience in that particular field, he did not feel that he could provide accurate information pertaining to those sections. The percentage of missing statements (statements not completed) represented 1.8% of the number of sections completed.

7.4 Coding of Data

Coding involves grouping and assigning value to various responses from the survey instrument (Hair et al., 2000:482). In this study the coding was done by assigning a percentage score - based on the numbers represented by each of the Likert Scale descriptors - received per statement.

7.5 Data Entry

Data entry involves those tasks involved with the direct input of the coded data into some specified software package that will ultimately allow the research analyst to manipulate and transform the raw data into useful information (Hair et al., 2000:491). An independent research statistician, Aldine Oosthuizen, from the Information Technology Department of North-West University, using the STATISTICA computer program, captured the various responses from the research questionnaire. The results were crosschecked and verified for accuracy. The data were entered in a format that allowed for error detection by the researcher (See Tables 7.1 and 7.2).

7.6 Data Tabulation

Tabulation is a simple process of counting the numbers of observations that are classified into certain categories. Two common forms of data tabulation are used in research: one-way tabulation and cross-tabulations. One-way tabulation is the categorisation of single variables existing in the study. In most cases, a one-way tabulation shows the number of respondents who gave each possible answer to each statement on the questionnaire. The actual number of one-way tabulations is directly related to the number of variables being measured in the study. Cross-tabulation simultaneously treats two or more variables in the study (Hair et al., 2000:503).

7.6.1 Dependent and Independent Variables

Independent variables are variables whose values are directly manipulated by the researchers, and dependent variables are measures of effect or outcome that occur during the experiment, or measure of change in the conditions that exist after the experiment has been completed (Hair et al., 2000:289). In this study, no independent variables were introduced, and the level of knowledge, exposure, and experience of the respondents of current cultural diversity management practices in Sasol were the

only dependent variables in the data. A careful screening and pre-selection method addressed its possible influence on the results. Prior to the questionnaire being administered, interviews were held with senior management for the initial selection, and thereafter, with the respondents, in order to ensure that the respondent selected, would be able to provide an informed response to all the questions. Variables in this study, were therefore, not of any significance, and since this study is concerned with testing deviations from a model, and doing so by calculating statistics on various questions by allocating percentages, the one-way tabulation technique was judged to be the most appropriate (Hair et al., 2000:504). For the purpose of this study, a response of "Do not know" was interpreted to mean that the management practice proposed by the model is either not being practiced by Sasol, or that if it is, the respondent is not aware that it is being practised in the Sasol group. Having regard to the seniority end levels of experience of the respondents, it is unlikely that such a practice would exist without their being aware of it. Even if such practices do exist in the Sasol organisation, a "do not know" answer would indicate that such practices are not embedded, and do not form part of the day-to-day practices of Sasol, to the extent that it can be clearly or regularly observed by senior management, which would, for the sake of this study, warrant a recommendation to either implement such practices, or to ensure that they have in fact been implemented. The research findings have, therefore, been grouped into three clusters -

- Do not know;
- Disagree and sometimes/ sometimes not;
- Agree.

Responses of "Disagree" and "Sometimes/Sometimes not" were interpreted to mean that the management practice proposed by the model is either not being practised by Sasol, or not practised on a consistent basis. For these areas, it was recommended that the practices identified by the model, be implemented. A response of "Agree" was interpreted to mean that the management practice proposed by the model, is being followed by Sasol, and, save for noting the areas where Sasol conforms to the management practice proposed by the model, did not warrant any further discussion.

The way that the results were analysed, i.e. combining the scores for partial compliance and non-compliance, has therefore resulted in Sasol receiving a lower score for compliance than it would have, had the scores for non-compliance and partial compliance been analysed and interpreted separately.

7.7 Description of Results

Table 7.1 contains the actual scores received per statement, whereas table 7.2 contains the percentages of the four-point Likert Scale (where non-compliance and partial compliance were reported separately) and the three-point Likert Scale (where non-compliance and partial compliance were reported as one result). In these tables, the letters A-J represents the various management sections of the model, with "A" representing section 1, and "J" representing section 10. The numbers next to a specific letter represents the statement number. Therefore "D 54" in the table will represent section 4 and statement 54. The results of the questionnaire were analysed per statement, and the percentages for each statement were reported per each Likert Scaling-indicator. Table 7.2 therefore represents the percentages obtained for each statement. An item level analysis was, therefore, conducted. If the majority of the respondents were of the opinion, that a particular management practice, as proposed by the model, was being applied or not being applied, the result was – depending on the response - noted as compliance or non-compliance to the model. If the response to a statement indicated a minority percentage for "Disagree" but a majority percentage for the combined results of "Disagree" and "Sometimes/Sometimes not", then, and in accordance with the grouping philosophy as noted above ("Sometimes/Sometimes not" and "Disagree" were reported as one result), the result was noted as a non-compliance with the model. If the response to a statement indicated an equal percentage for compliance and non-compliance, the result was noted as inconclusive.

7.8 Cluster Analysis

A cluster analysis is a multivariate interdependence technique whose primary objective is to classify objects into relatively homogeneous groups based on the set of variables considered (Hair et al., 2000:594). In this study, the results of the empirical study are reported per each section of the 10 management practices as listed in the questionnaire. The cluster analysis, therefore, lists the responses of the respondents

per each of the 10 management areas identified for managing cultural diversity in IJV's. The following findings of the result were observed.

Section 1: Cultural Diversity Management Plan

As far as section 1 is concerned, 1 of the 11 elements of the management practices proposed by the model, was applied, with 9 not being applied and 1 being inconclusive. This gives a compliance rate of 9% for Section 1.

Section 2: Cross- cultural Leadership and Management

The results indicate, that 1 of the 28 elements of the management practices proposed by the model, was applied, with 27 not being applied. This gives a compliance rate of 4% for Section 2.

Section 3: Managing Multicultural teams

The results indicate, that 0 of the 11 elements of the management practices proposed by the model, was applied. This gives a compliance rate of 0% for Section 3.

Section 4: Human Resource Management

The results indicate, that 2 of the 12 elements of the management practices proposed by the model were applied, 9 not being applied, and one being inconclusive. This gives a compliance rate of 17% for Section 4.

Section 5: Expatriate Selection.

The results indicate, that 2 of the 5 elements of the management practices proposed by the model were applied. This gives a non-compliance rate of 40% for Section 5.

Section 6: Training and Development

The results indicate, that 2 of the 38 elements of the management practices proposed by the model were applied. This gives a compliance rate of 5% for Section 6.

Section 7: Intercultural Task Teams

The results indicate that 0 of the 18 elements of the management practices proposed by the model was applied. This gives a compliance rate of 0% for Section 7.

Section 8: Continuous In-Country Support

The results indicate that 2 of the 4 elements of the management practices proposed by the model were applied. This gives a compliance rate of 50% for Section 8.

Section 9: Knowledge Management

The results indicate that 0 of the 5 elements of the management practices proposed by the model was applied. This gives a compliance rate of 0% for Section 9.

Section 10: Repatriation

The results indicate that 1 of the 6 elements of the management practices proposed by the model was applied, with 5 not being applied. This gives a compliance rate of 16% for Section 10.

7.9 Summary of Results

The results mean, that Sasol achieves a combined score of 14.1 % compliance with the proposed model for managing cultural diversity in International Joint Ventures. This percentage suggests substantial non-compliance to current best practices, as identified by literature – in respect of cultural diversity management practices - by Sasol.

Therefore, the Ho (Null hypothesis), that management practices of Sasol Limited do not incorporate the latest theory and strategies for managing cultural diversity in international joint ventures, has been proven correct.

7.10 Conclusion

In this chapter, the collected data were analysed tabulated, interpreted and discussed. Furthermore, the research results were applied to the hypotheses and, and it was found that the Ho hypothesis has been proven correct. In the following chapter, the implication that the research findings have for management, will be discussed and recommendations made.

Table 7.1: Results expressed in actual scores per statement

No	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	B12	B13	B14	B15	B16	B17	B18	B19	B20	B21	B22	B23	B24	B25	B26	B27	B28	B29	B30	B31	B32	B33	B34	B35	B36	B37	B38	B39
1	3	2	3	4	2	4	3	2	3	3	2	4	3	4	3	3	4	3	3	2	3	3	3	4	3	3	3	3	4	2	3	2	2	3	3	3	2	2	2
2	1	1	1	4	4	3	3	3	3	4	4	4	4	3	3	3	3	3	2	3	3	2	3	3	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3
3	4	3	2	3	2	2	3	3	3	2	2	4	3	2	3	2	4	3	2	3	3	2	3	2	2	3	4	3	3	3	4	3	2	3	2	3	4	3	2
4	3	2	4	1	2	3	4	3	3	3	4	4	3	1	3	2	3	1	3	3	1	3	1	1	1	3	3	3	3	1	4	1	1	3	3	3	4	4	3
5	4	3	4	4	2	4	4	4	3	2	4	4	4	4	4	4	4	4	3	4	3	2	4	3	3		4	4	4	3	4	4	4	4	3	3	4	4	3
6	1	1	2	2	4	1	4	2	2	2	2	2	2	3	4	3	3	3	3	3	3	2	3	3	2	2	3	3	3	1	3	3	2	2	2	2	2	2	1
7	2	2	2	2	3	2	2	2	2	2	2	4	3	4	4	4	4	3	3	4	3	3	3	3	3	3	3	4	4	3	3	3	4	3	3	3	3	3	3
8	4	2	4	4	2	3	4	4	4	4	4	4	4	4	4	4	4	4	3	4	3	3	4	3	3	3	4	3	4	3	4	3	3	3	4	3	3	3	3
9	3	3	3	2	3	3	4	3	2	2	3	2	3	2	2	3	2	3	2	2	2	3	2	3	3	3	2	2	2	2	2	3	3	3	4	3	3	3	2
10	4	3	2	2	4	3	4	2	2	3	4	3	3	3	3	3	3	2	3	3	3	2	3	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
11												4	3	3	3	3	2	2	3	3	2	2	3	3	3	3	3	1	4	2	4	3	4	4	4	3	3	3	3

No	C40	C41	C42	C43	C44	C45	C46	C47	C48	C49	D50	D51	D52	D53	D54	D55	D56	D57	D58	D59	D60	D61	E62	E63	E64	E65	E66	F67	F68	F69	F70	F71	F72	F73	F74	F75	F76	F77	F78
1	2	2	3	2	2	2	3	4	3	2	4	2	3	3	2	4	4	3	2	2	2	4	3	3	4	4	4	2	2	3	3	3	3	2	3	3	3	2	3
2	3	3	3	3	3	3	3	3	3	3	3	4	3	3	3	3	3	3	3	3	3	3	3	3	4	3	4	3	3	3	1	1	4	4	3	3	3	3	4
3	2	2	3	3	2	2	2	3	2	2	4	2	3	2	3	2	2	2	3	2	2	4	2	3	2	3	3	3	2	2	3	3	2	2	2	2	2	2	2
4	4	3	3	3	3	1	3	1	4	3	4	3	4	4	4	4	4	3	4	4	3	4	4	3	1	4	4	1	1	4	1	1	4	3	3	1	2	2	4
5	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3	4	4	4	4	4	4	4	3	3	3	3	4	2	4	4	3	3	3
6	3	3	3	3	2	2	2	2	3	2	3	1	1	2	2	2	2	2	2	2	2	2	2	2	2	1	1	2	3	2	3	2	2	2	2	2	2	2	3
7	4	3	3	3	3	3	4	4	4	2	2	2	3	2	2	3	3	3	2	3	2	4	2	2	2	4	4	2	2	2	2	2	2	4	3	2	2	2	2
8	4	4	4	4	4	3	4	4	4	3	4	3	4	4	4	3	3	3	4	3	3	4	4	4	4	4	4	1	3	4	4	4	4	3	3	3	3	2	4
9	3	3	3	3	2	2	3	3	2	2	3	3	4	3	3	3	3	3	3	3	3	4	3	2	2	1	4	4	3	4	4	2	2	3	3	4	2	2	4
10	3	3	3	3	3	3	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
11	2	3	4	4	3	3	4	3	3	2	4	3	4	4	3	3	3	3	3	4	4	4	4	4	3	3	3	4	3	4	4	3	4	3	4	4	3	4	4

No	F79	F80	F81	F82	F83	F84	F85	F86	F87	F88	F89	F90	F91	F92	F93	F94	F95	F96	F97	F98	F99	F100	F101	F102	F103	F104	G105	G106	G107	G108	G109	G110	G111	G112	G113	G114	G115	G116	G117
1	3	2	4	4	4	4	3	3	2	2	2	2	2	3	2	4	2	3	3	2	2	3	4	4	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	4	3	3	3	3	3	3	3	3	1	1	1	1	4	3	3	3	1	4	4	1	3	4	4	4	1	2	2	2	2	2	2	2	2	2	2	2	2	2
3	3	3	2	2	3	3	2	2	2	3	3	3	3	3	2	2	2	2	3	2	2	3	2	2	3	1	3	2	2	3	3	2	2	3	2	4	4	4	3
4	4	4	4	4	4	4	3	4	2	4	4	1	1	2	4	2	2	2	1	2	1	2	4	4	2	1	1	4	1	4	4	3	3	1	1	1	1	1	1
5	3	3	2	2	3	4	4	4	3	4	4	3	2	3	3	3	3	2	3	3	2	3	3	4	4	4	3	3	2	4	4	4	4	4	3	3	3	2	2
6	2	2	3	2	3	3	2	2	2	4	4	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
7	2	2	2	2	2	2	2	2	2	3	3	3	2	2	2	2	2	3	2	2	2	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
8	4	4	4	4	4	4	4	4	3	4	4	4	3	3	3	3	3	3	3	3	2	3	4	4	4	2	3	2	2	3	4	3	4	4	3	3	3	2	2
9	4	4	3	4	3	4	3	3	2	3	3	3	2	3	2	2	2	3	3	4	2	2	4	4	2	2	2	2	2	2	2	2	3	2	3	2	2	2	2
10	3	3	3	3	3	3	3	3	3	2	2	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	1	1	1	1	1	1	1	1	1	1	1	1	1
11	4	4	4	4	4	3	3	4	2	3	3	3	2	2	2	3	2	3	3	2	3	3	4	4	4	3													

No	G118	G119	G120	G121	G122	H123	H124	H125	H126	I127	I128	I129	I130	I131	J132	J133	J134	J135	J136	J137
1	2	2	2	2	2	4	4	4	3	3	3	3	3	3	3	3	3	2	2	4
2	2	2	2	2	2	4	3	4	1	3	3	4	2	2	1	1	1	1	1	4
3	3	3	3	2	2	3	2	2	2	2	2	2	2	2	2	2	3	3	2	4
4	1	1	1	1	2	4	4	1	2	2	2	2	1	1	1	2	4	1	1	4
5	2	2	2	2	2	4	4	4	2	1	1	1	3	4	3	2	2	3	3	3
6	2	2	2	2	2	2	2	3	3	2	2	2	2	2	1	1	1	1	1	4
7	2	2	2	2	2	3	3	3	2	2	2	2	2	2	2	2	2	2	2	4
8	2	2	2	2	2	4	4	4	3	3	2	2	3	2	4	3	3	3	2	4
9	2	2	2	2	3	2	3	4	2	2	3	3	3	2	3	3	3	2	2	4
10	1	1	1	1	1	4	3	4	3	1	1	1	1	1	3	3	3	3	3	4
11						4	3	4	4	3	2	3	3	2	4	3	3	3	3	4

4-Likert

No	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	B12	B13	B14	B15	B16	B17	B18	B19	B20	B21	B22	B23	B24	B26	B25	B27
Valid N	10	10	10	10	10	10	10	10	10	10	10	11	11	11	11	11	11	11	11	11	11	11	11	11	11	10	11
Maximum	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3	4	3	3	4	4	4	4	4
Minimum	1	1	1	1	2	1	2	2	2	2	2	2	2	1	2	2	2	1	2	2	1	2	1	1	1	2	2
Missing	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
Frequencies																											
Do not know	2	2	1	1	0	1	0	0	0	0	0	0	0	1	0	0	0	1	0	0	1	0	1	1	1	0	0
Disagree	1	4	4	4	5	2	1	4	4	5	4	2	1	2	1	2	2	2	3	2	2	6	1	2	2	1	1
Sometimes	3	4	2	1	2	5	3	4	5	3	1	1	7	4	6	6	4	6	5	6	6	5	7	7	7	8	7
Agree	4	0	3	4	3	2	6	2	1	2	5	8	3	4	4	3	5	2	0	3	0	0	2	1	1	1	3
Missing	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	18.18	18.18	9.09	9.09	0.00	9.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.09	0.00	0.00	0.00	9.09	0.00	0.00	9.09	0.00	9.09	9.09	9.09	0.00	0.00
Disagree	9.09	36.36	36.36	36.36	45.45	18.18	9.09	36.36	36.36	45.45	36.36	18.18	9.09	18.18	9.09	18.18	18.18	18.18	27.27	18.18	18.18	54.55	9.09	18.18	18.18	9.09	9.09
Sometimes	27.27	36.36	18.18	9.09	18.18	45.45	27.27	36.36	45.45	27.27	9.09	9.09	63.64	36.36	54.55	54.55	36.36	54.55	72.73	54.55	72.73	45.45	63.64	63.64	63.64	72.73	63.64
Agree	36.36	0.00	27.27	36.36	27.27	18.18	54.55	18.18	9.09	18.18	45.45	72.73	27.27	36.36	36.36	27.27	45.45	18.18	0.00	27.27	0.00	0.00	18.18	9.09	9.09	9.09	27.27
Missing	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.09	0.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

3-Likert

No	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	B12	B13	B14	B15	B16	B17	B18	B19	B20	B21	B22	B23	B24	B25	B26	B27
Valid N	10	10	10	10	10	10	10	10	10	10	10	11	11	11	11	11	11	11	11	11	11	11	11	11	11	10	11
Maximum	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3	4	3	3	4	4	4	4	4
Minimum	1	1	1	1	2	1	2	2	2	2	2	2	2	1	2	2	2	1	2	2	1	2	1	1	1	2	2
Missing	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
Frequencies																											
Do not know	2	2	1	1	0	1	0	0	0	0	0	0	0	1	0	0	0	1	0	0	1	0	1	1	1	0	0
Sometimes	4	8	8	5	7	7	4	8	9	8	5	3	8	6	7	8	6	8	11	8	10	11	8	9	9	9	8
Agree	4	0	3	4	3	2	6	2	1	2	5	8	3	4	4	3	5	2	0	3	0	0	2	1	1	1	3
Missing	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	18.18	18.18	9.09	9.09	0.00	9.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.09	0.00	0.00	0.00	9.09	0.00	0.00	9.09	0.00	9.09	9.09	9.09	0.00	0.00
Sometimes	36.36	72.73	54.55	45.45	63.64	63.64	36.36	72.73	81.82	72.73	45.45	27.27	72.73	54.55	63.64	72.73	54.55	72.73	100.00	72.73	90.91	100.00	72.73	81.82	81.82	81.82	72.73
Agree	36.36	0.00	27.27	36.36	27.27	18.18	54.55	18.18	9.09	18.18	45.45	72.73	27.27	36.36	36.36	27.27	45.45	18.18	0.00	27.27	0.00	0.00	18.18	9.09	9.09	9.09	27.27
Missing	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.09	0.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

4-Likert

No	B28	B29	B30	B31	B32	B33	B34	B35	B36	B37	B38	B39	C40	C41	C42	C43	C44	C45	C46	C47	C48	C49	D50	D51	D52	D53
Valid N	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Maximum	4	4	3	4	4	4	4	4	3	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Minimum	1	2	1	2	1	1	2	2	2	2	2	1	2	2	3	2	2	1	2	1	2	2	2	1	1	2
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Frequencies																										
Do not know	1	0	2	0	1	1	0	0	0	0	0	1	0	0	0	0	0	1	0	1	0	0	0	1	1	0
Disagree	1	1	3	1	1	3	1	2	1	2	2	3	3	2	0	1	4	4	2	1	2	6	1	3	0	3
Sometimes	7	5	5	5	8	4	8	6	10	8	7	7	4	7	8	7	5	5	4	5	5	4	4	5	5	4
Agree	2	5	0	5	1	3	2	3	0	3	2	0	4	2	3	3	2	1	5	4	4	1	6	2	5	4
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	9.09	0.00	18.18	0.00	9.09	9.09	0.00	0.00	0.00	0.00	0.00	9.09	0.00	0.00	0.00	0.00	0.00	9.09	0.00	9.09	0.00	0.00	0.00	9.09	9.09	0.00
Disagree	9.09	9.09	27.27	9.09	9.09	27.27	9.09	18.18	9.09	18.18	18.18	27.27	27.27	18.18	0.00	9.09	36.36	36.36	18.18	9.09	18.18	54.55	9.09	27.27	0.00	27.27
Sometimes	63.64	45.45	54.55	45.45	72.73	36.36	72.73	54.55	90.91	54.55	63.64	63.64	36.36	63.64	72.73	63.64	45.45	45.45	36.36	45.45	45.45	36.36	36.36	45.45	45.45	36.36
Agree	18.18	45.45	0.00	45.45	9.09	27.27	18.18	27.27	0.00	27.27	18.18	0.00	36.36	18.18	27.27	27.27	18.18	9.09	45.45	36.36	36.36	9.09	54.55	18.18	45.45	36.36
Missing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

3-Likert

No	B28	B29	B30	B31	B32	B33	B34	B35	B36	B37	B38	B39	C40	C41	C42	C43	C44	C45	C46	C47	C48	C49	D50	D51	D52	D53
Valid N	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Maximum	4	4	3	4	4	4	4	4	3	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Minimum	1	2	1	2	1	1	2	2	2	2	2	1	2	2	3	2	2	1	2	1	2	2	2	1	1	2
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Frequencies																										
Do not know	1	0	2	0	1	1	0	0	0	0	0	1	0	0	0	0	0	1	0	1	0	0	0	1	1	0
Sometimes	8	6	9	6	9	7	9	8	11	8	9	10	7	9	8	8	9	9	6	6	7	10	5	8	5	7
Agree	2	5	0	5	1	3	2	3	0	3	2	0	4	2	3	3	2	1	5	4	4	1	6	2	5	4
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	9.09	0.00	18.18	0.00	9.09	9.09	0.00	0.00	0.00	0.00	0.00	9.09	0.00	0.00	0.00	0.00	0.00	9.09	0.00	9.09	0.00	0.00	0.00	9.09	9.09	0.00
Sometimes	72.73	54.55	81.82	54.55	81.82	63.64	81.82	72.73	100.00	72.73	81.82	90.91	63.64	81.82	72.73	72.73	81.82	81.82	54.55	54.55	63.64	90.91	45.45	72.73	45.45	63.64
Agree	18.18	45.45	0.00	45.45	9.09	27.27	18.18	27.27	0.00	27.27	18.18	0.00	36.36	18.18	27.27	27.27	18.18	9.09	45.45	36.36	36.36	9.09	54.55	18.18	45.45	36.36
Missing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

4-Likert

No	D54	D55	D56	D57	D58	D59	D60	D61	E62	E63	E64	E65	E66	F67	F68	F69	F70	F71	F72	F73	F74	F75	F76	F77	F78	F79	F80	F81
Valid N	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Maximum	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3	4	4	4	4
Minimum	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	2	1	1	2	2	2	1	2	2	2	2	2	2
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Frequencies																												
Do not know	0	0	0	0	0	0	0	0	0	0	2	1	1	2	1	0	2	2	0	0	0	1	0	0	0	0	0	0
Disagree	3	2	2	2	3	3	4	1	4	3	3	0	0	3	3	3	2	3	3	4	2	4	5	7	2	2	3	3
Sometimes	5	6	6	6	5	5	6	3	3	5	2	3	2	4	6	4	5	5	3	5	6	4	5	4	4	4	4	4
Agree	3	3	3	1	3	3	1	7	4	3	4	7	8	2	1	4	2	1	5	2	3	2	1	0	5	5	4	4
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.18	9.09	9.09	18.18	9.09	0.00	18.18	18.18	0.00	0.00	0.00	9.09	0.00	0.00	0.00	0.00	0.00	0.00
Disagree	27.27	18.18	18.18	18.18	27.27	27.27	36.36	9.09	36.36	27.27	27.27	0.00	0.00	27.27	27.27	27.27	18.18	27.27	27.27	36.36	18.18	36.36	45.45	63.64	18.18	18.18	27.27	27.27
Sometimes	45.45	54.55	54.55	72.73	45.45	45.45	54.55	27.27	27.27	45.45	18.18	27.27	18.18	36.36	54.55	36.36	45.45	45.45	27.27	45.45	54.55	36.36	45.45	36.36	36.36	36.36	36.36	36.36
Agree	27.27	27.27	27.27	9.09	27.27	27.27	9.09	63.64	36.36	27.27	36.36	63.64	72.73	18.18	9.09	36.36	18.18	9.09	45.45	18.18	27.27	18.18	9.09	0.00	45.45	45.45	36.36	36.36
Missing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

3-Likert

No	D54	D55	D56	D57	D58	D59	D60	D61	E62	E63	E64	E65	E66	F67	F68	F69	F70	F71	F72	F73	F74	F75	F76	F77	F78	F79	F80	F81
Valid N	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Maximum	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3	4	4	4	4
Minimum	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	2	1	1	2	2	2	1	2	2	2	2	2	2
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Frequencies																												
Do not know	0	0	0	0	0	0	0	0	0	0	2	1	1	2	1	0	2	2	0	0	0	1	0	0	0	0	0	0
Sometimes	8	8	8	10	8	8	10	4	7	8	5	3	2	7	9	7	7	8	6	9	8	8	10	11	6	6	7	7
Agree	3	3	3	1	3	3	1	7	4	3	4	7	8	2	1	4	2	1	5	2	3	2	1	0	5	5	4	4
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.18	9.09	9.09	18.18	9.09	0.00	18.18	18.18	0.00	0.00	0.00	9.09	0.00	0.00	0.00	0.00	0.00	0.00
Sometimes	72.73	72.73	72.73	90.91	72.73	72.73	90.91	36.36	63.64	72.73	45.45	27.27	18.18	63.64	81.82	63.64	63.64	72.73	54.55	81.82	72.73	72.73	90.91	100.00	54.55	54.55	63.64	63.64
Agree	27.27	27.27	27.27	9.09	27.27	27.27	9.09	63.64	36.36	27.27	36.36	63.64	72.73	18.18	9.09	36.36	18.18	9.09	45.45	18.18	27.27	18.18	9.09	0.00	45.45	45.45	36.36	36.36
Missing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

4-Likert

No	F82	F83	F84	F85	F86	F87	F88	F89	F90	F91	F92	F93	F94	F95	F96	F97	F98	F99	F100	F101	F102	F103	F104	G105	G106	G107	G108	G109	G110	G111	G112
Valid N	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	10	10	10	10	10	10	10	10
Maximum	4	4	4	4	4	3	4	4	4	3	4	4	4	3	3	4	4	3	3	4	4	4	4	3	4	2	4	4	4	4	4
Minimum	2	2	2	2	2	2	1	1	1	1	2	2	2	2	1	1	2	1	2	2	2	2	1	1	1	1	1	1	1	1	1
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1
Frequencies																															
Do not know	0	0	0	0	0	0	1	1	2	2	0	0	0	0	1	1	0	2	0	0	0	0	3	2	1	2	1	1	1	1	2
Disagree	4	1	1	3	3	7	2	2	3	7	4	6	5	7	4	2	6	7	3	2	3	4	5	5	7	8	5	5	6	5	5
Sometimes	2	6	5	6	4	4	4	4	5	2	6	4	5	4	6	7	3	2	8	3	1	3	2	3	1	0	2	1	2	2	1
Agree	5	4	5	2	4	0	4	4	1	0	1	1	1	0	0	1	2	0	0	6	7	4	1	0	1	0	2	3	1	2	2
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	0.00	0.00	0.00	0.00	0.00	0.00	9.09	9.09	18.18	18.18	0.00	0.00	0.00	0.00	9.09	9.09	0.00	18.18	0.00	0.00	0.00	0.00	27.27	18.18	9.09	18.18	9.09	9.09	9.09	9.09	18.18
Disagree	36.36	9.09	9.09	27.27	27.27	63.64	18.18	18.18	27.27	63.64	36.36	54.55	45.45	63.64	36.36	18.18	54.55	63.64	27.27	18.18	27.27	36.36	45.45	45.45	63.64	72.73	45.45	45.45	54.55	45.45	45.45
Sometimes	18.18	54.55	45.45	54.55	36.36	36.36	36.36	36.36	45.45	18.18	54.55	36.36	45.45	36.36	54.55	63.64	27.27	18.18	72.73	27.27	9.09	27.27	18.18	27.27	9.09	0.00	18.18	9.09	18.18	18.18	9.09
Agree	45.45	36.36	45.45	18.18	36.36	0.00	36.36	36.36	9.09	0.00	9.09	9.09	9.09	0.00	0.00	9.09	18.18	0.00	0.00	54.55	63.64	36.36	9.09	0.00	9.09	0.00	18.18	27.27	9.09	18.18	18.18
Missing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

3-Likert

No	F82	F83	F84	F85	F86	F87	F88	F89	F90	F91	F92	F93	F94	F95	F96	F97	F98	F99	F100	F101	F102	F103	F104	G105	G106	G107	G108	G109	G110	G111	G112
Valid N	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	10	10	10	10	10	10	10	10
Maximum	4	4	4	4	4	3	4	4	4	3	4	4	4	3	3	4	4	3	3	4	4	4	4	3	4	2	4	4	4	4	4
Minimum	2	2	2	2	2	2	1	1	1	1	2	2	2	2	1	1	2	1	2	2	2	2	1	1	1	1	1	1	1	1	1
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1
Frequencies																															
Do not know	0	0	0	0	0	0	1	1	2	2	0	0	0	0	1	1	0	2	0	0	0	0	3	2	1	2	1	1	1	1	2
Sometimes	6	7	6	9	7	11	6	6	8	9	10	10	10	11	10	9	9	9	11	5	4	7	7	8	8	8	7	6	8	7	6
Agree	5	4	5	2	4	0	4	4	1	0	1	1	1	0	0	1	2	0	0	6	7	4	1	0	1	0	2	3	1	2	2
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	0.00	0.00	0.00	0.00	0.00	0.00	9.09	9.09	18.18	18.18	0.00	0.00	0.00	0.00	9.09	9.09	0.00	18.18	0.00	0.00	0.00	0.00	27.27	18.18	9.09	18.18	9.09	9.09	9.09	9.09	18.18
Sometimes	54.55	63.64	54.55	81.82	63.64	100.00	54.55	54.55	72.73	81.82	90.91	90.91	90.91	100.00	90.91	81.82	81.82	81.82	100.00	45.45	36.36	63.64	63.64	72.73	72.73	72.73	63.64	54.55	72.73	63.64	54.55
Agree	45.45	36.36	45.45	18.18	36.36	0.00	36.36	36.36	9.09	0.00	9.09	9.09	9.09	0.00	0.00	9.09	18.18	0.00	0.00	54.55	63.64	36.36	9.09	0.00	9.09	0.00	18.18	27.27	9.09	18.18	18.18
Missing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

4-Likert

No	G113	G114	G115	G116	G117	A1	A2	A3	A4	A8	A6	A7	A8	A9	A10	A11	B12	B13	B14	J132	J133	J134	J135	J136	J137
Valid N	10	10	10	10	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maximum	3	4	4	4	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Missing	1	1	1	1	1	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Frequencies																									
Do not know	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disagree	5	5	5	7	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sometimes	3	2	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agree	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Missing	1	1	1	1	1	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	18.18	18.18	18.18	18.18	18.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disagree	45.45	45.45	45.45	63.64	63.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sometimes	27.27	18.18	18.18	0.00	9.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Agree	0.00	9.09	9.09	9.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Missing	9.09	9.09	9.09	9.09	9.09	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

3-Likert

No	G113	G114	G115	G116	G117	G118	G119	G120	G121	G122	H123	H124	H125	H126	I127	I128	I129	I130	I131	J132	J133	J134	J135	J136	J137
Valid N	10	10	10	10	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maximum	3	4	4	4	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Missing	1	1	1	1	1	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Frequencies																									
Do not know	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sometimes	8	7	7	7	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agree	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Missing	1	1	1	1	1	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
Total	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Percentages

Do not know	18.18	18.18	18.18	18.18	18.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sometimes	72.73	63.64	63.64	63.64	72.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Agree	0.00	9.09	9.09	9.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Missing	9.09	9.09	9.09	9.09	9.09	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Chapter VIII

CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

The purpose of this study was to develop a model for managing cultural diversity in IJV's, and to test the current diversity management approach and practices of Sasol, a multinational Petro-chemical company with operations in six continents against this model. The way that the results were analysed, i.e. combining the scores for partial compliance and non-compliance, has resulted in Sasol receiving a lower score for compliance than it would have, had the scores for non compliance and partial compliance been analysed and interpreted separately. However, as discussed in chapter 7, partial compliance cannot be construed as an ingrained management practice, and it was felt, that Sasol can only benefit from a true reflection of its current embedded day-to-day management practices as far as cultural diversity in IJV's is concerned, in that it provides the company with a clear indication on which corrective actions to take. The results confirmed that current management practices, as far as cultural diversity in IJV's is concerned, deviates substantially from the proposed model. Therefore, in order to achieve a greater degree of compliance with the proposed model, it is recommended, that Sasol consider implementing the following management practises. The recommendations are made per section, and are based on the 10 management sections listed by the questionnaire.

8.2 Recommendations

8.2.1 Section 1: Cultural Diversity Management Plan

Sasol achieved a score of 9% for section 1, with the active engagement to develop trust between the JV partners, being the only management element, as identified by the model, with which Sasol complies. It is, therefore, recommended that Sasol considers the following management practices.

8.2.1.1 Awareness of the cultural distance between itself and the JV partner of Sasol

The content of cultures within an alliance needs to be assessed with regard to how they differ, and to what degree, as this will have an impact on the basis of cooperation, the type of alliance a partner is willing to form, the joint venture strategy and goals. A cultural diversity assessment of the JV partner allows for the construction of an organisational diversity profile that identifies the JV partner's most prominent cultural characteristics, in terms of its respective scores on individualism or collectivism, power distance, uncertainty avoidance, masculinity versus femininity and long-term or short-term orientation. Each culture has a different impact on people's attitudes and behaviour, and an assessment of the practical consequences of each culture forms the basis for an analysis of the advantages and problems it brings from the standpoint of achieving the alliance's objectives. What needs to be ascertained, is how pervasive the cultural influence on the structures of power and authority, control systems, and routines are. A similar analysis applies to the political structures, institutional bodies and their regulations, the routines and rituals, symbols, historical legends, and so forth, which comprise the surrounding 'web' of a national culture. The point is, that the more entrenched the web-sustaining culture is, the greater will be the resistance on the part of its members and the groups to which they belong (like shareholders, professional associations, labour unions, and nationalities) to any attempt at changing that culture. It is, therefore, vital to understanding the bases on which the cultures in an alliance are rooted when deciding on the policy to adopt towards them. An assessment of how the cultural webs are made up, will indicate which contextual factors need to be addressed as part of the process of bringing cultures together within the alliance. This should include a comprehensive analysis of the organisational culture and human resource systems such as recruitment, performance appraisal, potential assessment and promotion, and compensation should be undertaken. This knowledge will also assist Sasol to develop a better understanding on how its approach to managing cultural diversity is perceived by the JV partner.

8.2.1.2 Follow an integrative approach as far as the different national cultures of the JV partners are concerned

This approach is the attempt to integrate partner practices and to derive synergy from this integration. According to literature, this approach is the most challenging, but also the one likely to produce most benefit. Synergy aims at achieving the fullest possible fit between cultures. It is the policy that is best suited to optimising bonding between alliance partners, as well as promoting learning between them. With synergy, the better elements from each partner's culture are combined to bring about an effective management system and deployment of resources.

8.2.1.3 Ensure support of senior management

Without a clearly articulated cultural change vision from senior management, the chances of implementing cohesive diversity management policies and practices, are severely restricted. Lack of strategic vision causes fragmentation and confusion over new initiatives. Corporate cultural vision articulated by senior management gives direction to diversity management imperatives. Performance agreements need to reflect management's commitment to the drive. Although top management's involvement is crucial it alone is not sufficient. Champions are also needed at lower level management, especially line managers. Task forces and advisory committees need to be formed, but it is crucial that a group-wide manager of cultural diversity be appointed and tasked with overseeing and managing the drive.

8.2.1.4 Build a "third culture" in its JV's - a unique culture separate from each of the national cultures of JV partners

A corporate culture can be an important resource available to the leaders of organisations. It can promote social cohesion and act as "cement" that bonds an organisation together. Because a shared culture encourages people to accept a common goal and to identify with each other, it can also facilitate the processes of coordination and control within an organisation. By giving the members of an organisation common reference points and ways of interpreting reality, a shared culture can reduce uncertainty and promote consistency of effort.

8.2.1.5 Develop a framework, which promotes frequent interaction between the different cultures of the JV

One of the salient issues identified by empirical research, on what management can do to get groups with different cultural backgrounds to co-operate - in a process of growing mutual understanding and synergy in solving daily problems in the work environment - is trust. Trust, however, is the result of daily interaction and practices. Trust is embedded in the regime of an organisation, by the management philosophy underlying it and the practices it tends to produce. There is a general agreement that in organic regimes, trust is one of the basic principles of co-ordination that fosters integration, co-operation and commitment to shared goals. If an integration process between different people or groups is initiated, people will tend to mould initial differences into widening perceptions of shared thinking and cooperation. In the expatriate context, successful adaptation and performance depend on developing trusting relationships with the JV partner. Managers can help cultivate these trusting behaviours by encouraging partners to have regular dialogue and interaction on an open and informal basis. Effective management, and especially effective cultural diversity management, involves both the formal and informal aspects of management. The enhancement of these factors all depends on regular dialogue, which can prevent a cycle of misunderstanding and mistrust from developing.

8.2.1.6 Share the overall diversity management strategy with employees of the JV

Behavioural and attitudinal change often reflects the vision and strategy of the organisation and its managers. Awareness of the strategic drive, celebration of differences, the value it contributes to the JV, and its success at key times, can facilitate long-term cultural change. Employees of the JV, should be aware of the strategic cultural diversity management plan, and understand what behavioural changes are expected from them. This, in turn, could be perceived by employees of the JV partner, as an attempt to understand their culture and engage them and have a positive influence on the dynamics of the JV. Furthermore, employees should be made aware of the dynamics of their interaction and the benefit of disagreeing on approaches and to then collectively arrive at solutions, along with the other advantages of cultural diversity, such as marketing.

8.2.2 Section 2: Cross Cultural Leadership and Management

Sasol achieved a score of 4% for section 2, with the only management element, identified by the model, that Sasol complies with, being that Sasol views the management of cultural diversity as an integrate part of managing in the JV. It is, therefore, recommended that Sasol considers the following management practices.

8.2.2.1 Awareness of one's own cultural-based values and perceptions

Intercultural competence starts with the recognition that one carries particular mental software, because of the way one was brought up, and that others who grew up in environments, carry different mental software for equally good reasons. Awareness of one's own perceptions teaches one to perceive people in their cultural context and to unravel the unconscious knowledge of their own mental programs. Cultural awareness does not focus on a specific region of the world, but instead, requires general sensitivity to other cultures. Most individuals do not realise that their beliefs, values and behaviours are not universal, particularly if they have limited or no experience with another culture. The less people are aware of their own cultural biases, and the fact that their own behaviour is a potential liability, the less competent they will be in their working relationships with foreign nationals. Global and expatriate managers do not have to abandon their values to be empathetic, but they must avoid imposing their personal beliefs and cultures on others. Managers do not need to be cultural experts, but employees will appreciate their sensitivity, provided that managers are seen to be making a good-faith effort to comprehend them. It is also essential to know about the perception other cultures might have about you and your own culture, especially negative perceptions.

8.2.2.2 Apply awareness in practical situations

- **Making decisions**

  Managers have to understand, that decision-making processes differ from culture to culture and it would, therefore, be useful if different cultures knew more about each other's value systems. The key is to develop a decision-making model that will accommodate the habits of local culture.

- **Leadership**

  Managers need to understand that followers from different cultures have different expectations from their leaders. Cultural differences in expectations of leadership affect the perception of who is perceived as a leader. Different cultures have different perceptions of what a leader should be. A leader who is able to meet followers' expectations of a good leader can expect to develop better trust and relationships with the group. Effective leaders should understand the leadership style preferred by their subordinates, and where necessary, adapt his or her leadership style so that the leader's authority is respected and that they are able to lead subordinates effectively and achieve organisational goals. Consultative management for example, may be effective in certain cultures, could produce little effect in many countries. These adaptations should cater for management aspects such as motivation and award, as employees in different societies are motivated by different rewards, and they do not have similar expectations for pay, promotion, or personal recognition. Therefore, performance appraisals also need to be culture specific.

- **Language and communication**

  Ideally, managers should have a basic understanding of the JV partners' language. Host communication and interaction competence is truly the *sine qua non* of successful adaptation. Among the most common problems for managers on foreign assignments, are misunderstandings that occur through translation or interpretation errors. Lack of foreign language skills strains oral communication; however, the mere learning a foreign language is seldom sufficient to avoid misunderstandings. Certainly learning the technical language skills of a foreign society is important, but understanding communication behaviour requires an appreciation for cultural nuances in that language. If the culture is not sufficiently understood, it may not be possible to appreciate and understand the message behind the words. Language skills are therefore, important, even if they are rudimentary, because managers will earn a host country's respect by sincerely attempting to communicate in the native tongue. Communication also uses conventions, which are agreed-upon

norms about how, when, and in what context codes will be used. If two different people do not share the same codes and conventions, they will have difficulty communicating with each other. These codes and conventions are determined in large measure by people's cultures. Therefore, codes and conventions such as silence, high and low context culture communication, body language and humour need to be observed. Knowledge of a foreign language may not guarantee competent performance, but it enables the expatriate to develop better *rapport* with co-workers, customers and members of the local community. Depending on the duration, tasks and levels of immerging required, language training may vary from brief survival language instruction to extensive, immersion training, aiming for complete spoken and written fluency. Many crash courses are offered, but to learn to effectively use a new language, will take at least a year, but less if its done in a foreign country and the learner is fully immersed in its culture. It is therefore, necessary for employers to plan ahead and to allow their expatriates sufficient time to learn the new language.

- **Negotiations**

  Cross-cultural negotiations are complex, because they involve people from societies with different cultural values and ideological perspectives, and also socio-economic differences. Negotiators represent constituents whose interests have to be regarded. Therefore divergent values, expectations and assumptions need to be explored, in order to understand different perspectives. Numerous cross-cultural endeavours end in failure as a result of the negotiator's inability to accept and adapt to the underlying beliefs of the other party. This may have an influence on, for example, the level at which initial offers are made, and the willingness of the negotiator to make concessions. Therefore, successful negotiators understand the people that they negotiate with. They will try to be aware of the protocols that build appropriate relationships. Cultures from the Arab world, China and Japan, place more emphasis on individual relationships, and therefore, when negotiating with these cultures, it will be important to build trust. It is, therefore, important to spend time on building trust between the parties before negotiating. Where trust is high, negotiators are more likely to take a problem-solving approach and to share information,

even about their profit schedules. Where trust is low, negotiators depend on persuasive arguments, threats and other forms of contentious behaviour. It is, however, not only important to understand the people that one negotiate with, but also to understand the negotiation phases, such as building a relationship; exchanging information; persuasion, making concessions and reaching agreement, and the influence that culture has on each of these phases. Generally, people in Western cultures take a relatively "transactional" approach to negotiation, focusing mainly on the last two stages. Good negotiators will, therefore, try to be aware of the protocols that build appropriate relationships. Ultimately, effective negotiations result from participation from well-informed negotiators that display sincere interest in learning about the values and protocols of others. Finally, to ensure management commitment to cultural diversity management, cultural diversity management should be a key performance area in the performance contract of managers. Managing diversity should be part of the core competencies used to assess a manager's performance, and should be included as part of manager's training and development programs.

8.2.3 Section 3: Managing multicultural teams

Sasol achieved a score of 0% for section 3. It is therefore, recommended that Sasol considers the following management practices.

8.2.3.1 Ensure that cultural differences are understood and that a team vision is created to transcend cultural boundaries

Groups become effective when they start working as teams rather than individual members working in proximity to one another. That happens when subordinate goals transcend individual interests. Managers empower team members when they create a shared vision. However, empowerment will not take place if executives create merely a vision, and then pass it down through successive levels of the organisation to reinterpret and implement. In order to maximise effectiveness, the manager and the team leader must help the group to agree on a vision that transcends their individual and cultural differences. Furthermore, team leaders need to be aware of the cultural perceptions that team members have about how the team should function. A culturally diverse group, who each has its own idea of how the group process should function,

may influence the group process. In such circumstances, focusing on the task alone will be futile. The team manager must be proactive in assisting group members to examine, confront and improve its own processes. It is, therefore, important to identifying the nature and implications of national cultural differences within the team, and to establish a basis for building understanding and awareness of cultural differences, as they can be managed only once they have been identified. A framework such as the one developed by Hofstede, may be used in order to analyse and understand national cultural differences, as the use of the framework has proven to be helpful to illustrate the major issues which need to be considered. For existing teams, mapping cultural diversity climate will be valuable in identifying any problems and measuring affective outcomes. Team leaders must have the skills in order to ensure that a culturally diverse group display interpersonal sensitivity between group members and that members work closely together on complex tasks. Finally, given the acknowledged potential for conflict and communication difficulties in diverse groups, strong ground rules, pertaining to team goals, conflict management, punctuality and other issues, should be established and upheld.

8.2.3.2 Encourage team social activities

The development of team identity, trust and interdependence can be assisted via encouraging group social activities. Improved performance relies on both collaborative work-time, and positive group social interaction. The formation of friendships can underpin collaborative group processes and lay the foundation for strong collegial bonds and team identity.

8.2.3.3 Drive team performance through motivation and award

As indicated above, the task of motivating employees leans heavily on situational factors, the environment of work and the employees involved. Therefore, an incentive system must be based upon accurate information of what motivators are really valued, rather than upon stereotyped motivators. Motivational programs that work well in one culture, can be disastrous in other cultures. Assuming that people work only for money, ignores differences between occupations, age, groups and cultures. Well-designed performance management practices can ensure that employees receive the feedback they need in a culturally appropriate way. In order to promote behaviour that is conducive to teambuilding, it is important to emphasise and communicate to the

team members, that team effectiveness and performance will not be measured by simple output goals, but also on effective group functioning.

8.2.3.4 Have a conflict management strategy that deals with cultural differences

Selecting of an appropriate conflict management strategy is an important ingredient of successful multicultural teams. Useful ground-rules may include the following.

- A statement that differences and disagreement can be constructive, providing members justify and explain the basis for disagreement in a constructive manner.
- An understanding that every member has the right to object to the statements of others and all members have the obligation to hear them out before stating their own agreement or disagreement.
- Every member has the right to speak and have his or her ideas treated with respect.

8.2.4 Section 4: Human Resource Management

Sasol achieved a score of 9% for section 4, with the recognition that human resource management practices differ from culture to culture, and the requirement that global managers work in foreign environments being the management element, identified by the model, that Sasol complies with. It is, therefore recommended that Sasol considers the following management practices.

8.2.4.1 Recognise that any HRM practice differs from culture to culture

Cultural heterogeneity can also affect the nature and effectiveness of operational human resource programs in such functional areas as compensation and rewards, performance appraisal, staffing, and labour relations. Any HRM practice is rooted in cultural value assumptions, therefore human resource programs must be attuned to their cultural contexts if these are to be successful. As the diversity of the cultural context increases, human resource programs must become more complex and sophisticated to deal with greater cultural heterogeneity. While empirical research on the appropriate match between specific HRM practices and cultural elements is difficult to find, literature suggests, that staffing and selection, assessment and compensation, training and development, industrial relations and employee

participation and the like, should be congruent with cultural norms and practices. When the values implied by particular HRM practices and the values underlying the culture of an organisation are compatible, it will be easier for employees at the subsidiary to understand and accept HRM practice from the parent company. Organisations should have knowledge of the different cultural perceptions on staffing policies and impact.

8.2.4.2 Develop global managers by creating a broad-based appreciation of contrasting beliefs in cultures

If managers were to be alerted to the social dynamics of cultural problems, they would see how they themselves are contributory factors in this process, and would be better able to take steps to address this. However, alerting managers to the cultural and procedural pitfalls of managing in a multicultural environment is not enough. Training programs must be designed in order to address the wider social dynamics of cross-national relations, and develop the capacity of global managers to be non-judgmental and tolerant of other cultures, meaning that one has to appreciate the relativity of one's own knowledge and perceptions. Only when armed with this knowledge can managers identify the symptoms of such cultural dynamics and introduce measures to address them. Ideally, managers should possess a wide-ranging set of perceptual frameworks with which to make sense of cultural differences and have sufficient empathic understanding to help them recognise the differences between their own experiences and those of others from different cultures without losing or submerging their own identity in the process. This framework can be used to measure one's own level of cultural awareness and to define the areas of behaviour and attitudes, which need developing. It can be used as a criterion for self-evaluation and assessment by trainers. Whilst international assignments have traditionally been used as means of developing such a mindset, other methods such as cross-cultural project teams; "virtual commuting", international meetings, seminars and conferences, as well as specific international management training, are all used for this objective.

8.2.4.3 Global managers should develop tolerance for ambiguity and stress

Research on expatriates has found, that crossing from one's own culture into a foreign one, creates significant uncertainty. Culture shock is a natural response to new cultural experiences and involves the stress and behavioral patterns associated with a

loss of control and a loss of sense of mastery of the situation. It may be defined as a sense of psychological disorientation that most people suffer when they move into a culture that is different from theirs. Expatriates that suffer from culture shock, are unable to interpret cues from a new and uncertain environment, are faced with the seemingly inexplicable behaviour of those around them, which is governed by a culture that they do not understand. Their lack of comprehensive mental models for understanding the local culture inhibits their awareness of what is appropriate, or inappropriate, behaviour. They also discover, that their past behaviours do not work in the new culture, but they have not yet learned more appropriate substitute behaviours. Managers that have a reasonably high tolerance for ambiguity, tend to cope and adjust better in these situations.

8.2.5 Section 5: Expatriate selection

Sasol achieved a score of 20% for section 5, with the only management element, as identified by the model that Sasol complies with, being the evaluation of the expatriate and the expatriates' spouses' ability to adjust in a foreign culture. It is, therefore, recommended that Sasol considers the following management practices.

8.2.5.1 Understanding why, in general, expatriates, and in particular, Sasol's expatriates, fail to complete their assignment successfully

Often, technical expertise is used as the most important consideration for expatriate selection. These criteria are somewhat logic as it presents a lower perceived risk of adverse consequences to the selecting manager. Furthermore, firms usually place most emphasis on criteria that are most easily measured. Expatriates are furthermore selected for international assignments based on their proven performance in a similar job, usually domestically, and that the ability to work with foreign employees was at or near the bottom of the list of important qualifications. Although these are important considerations, they alone are not sufficient, and should therefore, not be given undue weighting relative to a person's ability to adapt to and function in another culture. It does no good to send the most technically qualified engineer or finance manager to a foreign location, if he or she cannot function there and have to be brought home prematurely. For a person to be effective, he or she must both adapt personally and with his/her family – to the overseas environment, and interact with the new culture and it people. A number of reasons for expatriate failure have been identified by

literature, however, the true reason can, however, often be traced to inept company practices and poor preparation for expatriate themselves or for their accompanying family members. In order to ascertain why Sasol's expatriates fail to successfully complete their assignments, reasons for failure should be obtained from both the expatriate and the expatriate's host country colleagues, and from repatriated families. Furthermore, the lessons learned on expatriate failure should be utilized to improve its expatriate selection processes. Sasol should use the data collected on the reasons for expatriate failure, to influence expatriate selection decisions and training.

8.2.5.2 Align selection with specific task

The type of assignment, the country characteristics, the host organisation culture/climate, and the nature of the task, should all be taken into consideration when aligning the expatriate with the array of potential expatriation assignments. Involving experienced foreign managers in the process, may enhance accurate matching. A short work assignment in the target country and a meeting with a foreign advisory board designed to evaluate and guide the candidate, may also assist in solving the problem. Companies such as Ford, Xerox, Phillip Morris, BP, ABB, Unilever, Volkswagen and Bayer AG, all operate regional assessment centres staffed by selection committees with plant-level representatives who evaluate all international appointments.

8.2.6 Section 6: Training and development

Sasol achieved a score of 5% for section 6, with the mandatory training of expatriates being the management element in terms of the model that Sasol complies with. It is, therefore, recommended that Sasol considers the following management practices.

8.2.6.1 Determine the extent of the cultural differences between the expatriate and the JV partner culture is determined

Cultural distance between the home and host countries, affects the nature of the expatriate task. This is because it affects an expatriate's understanding of decision-making processes, work values, negotiation patterns, and conflicts in JV's. Furthermore, the degree of cultural distance will influence performance ambiguity and task definition. Therefore, the degree towards which an expatriate's can duplicate tasks in foreign assignments and his or her performance, be measured will be related to the cultural distance. It is significantly more difficult for expatriates to contribute to

the expertise of foreign operations if the cultures of the two countries are too dissimilar. The purpose therefore, is to determine the cultural distance between the organisation and the JV partner's culture and to select the right expatriate candidate, given the cultural distance. For example, and expatriate selected for an assignment in Australia, Britain or the US, will have less of a culture shock and would, therefore require fewer intercultural skills than an expatriate manage selected for an assignment in Qatar or China. This will also allow the organisation to effectively cater for that distance by means of training. The decision regarding which managers to expatriate to these extreme environments, therefore, becomes critical.

8.2.6.2 Conduct cross-culture training

In order to prepare expatriates for cultural shock, and reduce the effects of culture shock, expatriates should be taught the following.

- Expect to experience culture shock. It is a natural reaction to novelty among emotionally mature people.
- Understand why it occurs and learn the symptoms.
- Accept the need to learn about living in the new culture. Cultural adjustment is best seen as one's being involved in a learning process, and social learning theory provides a theoretical framework within which this adjustment can be made.
- Discover the new country, its culture and history. This learning starts before the manager leaves home.
- Broaden his/her range of business and social contacts beyond his/her home culture and into local culture.
- Break into the local culture by using its members as informants.
- Keep an open mind on the new culture; do not be judgmental or engage in stereotyping.

Cross-cultural training will also assist to reduce the effect of culture shock, and assist expatriates to adjust to a new culture, provided that the training caters for the degree of cultural distance between the JV partners. Expatriates who are trained prior to their arrival in the host country, will experience reduced culture shock, since they are better

informed of what to expect. Any intercultural program should include both didactic and experiential training, and specifically address the reasons why expatriates in general, and in particular, the expatriates of Sasol, fail to successfully complete their assignments. This means that training should also focus on spouse and family adjustment, as an understanding spouse can be a major asset during the initial cultural-shock period. They often bear the responsibility for deeply integrating into local culture through daily activities such as shopping, dealing with school administrators, paying household bills and living in unfamiliar social systems. While husbands may be able to communicate in their home language at work, wives must often meet these challenges on their own. Consequently although they face the most stringent requirements for cross-cultural adaptation, the spouses and children of the expatriate generally have fewer support systems to aid them in their daily activities. Children have to adapt to new schools, education philosophies and new expectations of social behaviour.

Training should also train expatriates in order to function in the specific cultural environment of Sasol's JV partner. This means, that Sasol needs to have an understanding of the roles, skills, and areas of knowledge required by the manager to work and live in the new context; the standards to which they need to be applied, and the outcomes expected from the expatriate. Furthermore, because it takes time to properly absorb the knowledge and hone these skills, sufficient time should be allowed before expatriates before they embark on their assignment.

Different selection and training requirements should apply, depending on the type of the assignment task that the expatriate is expected to perform. If the expatriate has been assigned overseas, as a short-term engineer to solve particular technical problems, his or her training requirements should be different than that of an engineers' or managers' that are stationed in the host country for several years, so as to disseminate technical and management know-how. Where the expatriate job is long-term and managerial in nature, the host country manager is generally more involved in goal-setting, performance appraisal and review feedback, and training requirements should be adjusted accordingly. Furthermore, training should be adjusted to cater for the level of interaction with other cultures required by the assignment. The training that a person undergoes before expatriation, should be a

function of the degree of cultural exposure to which they will be subjected. These two dimensions are the degree of integration and the duration of the stay. An expatriate assigned aboard for years, is likely to experience a high degree of interaction with the local culture from simply living there. Depending on the circumstances, a three-tier training approach can be followed.

- Information giving approach, consisting of area briefings; cultural briefings; firm books and the use of interpreters and survival-level language training.
- Affective approach, consisting of culture assimilator training, role-playing, critical incidents, cases, stress reduction training and moderate language training.
- Immersion approach, consisting of assessment centre, field experiences, simulations, sensitivity training and extensive language training. Effective preparation would also stress the realities and difficulties of working in another culture and the importance to establish good working relationships with the local people.

8.2.6.3 Ensure that training courses provide expatriates with insight into their own culture-specific beliefs

The above will enable expatriates to understand how and why their cultures differ. As a basis, Hofstede's dimensions may be used, but ideally the analyses should be more detailed and caters for the specific culture that the expatriate will be exposed to. This "cultural awareness" training should focus on differences and similarities, as this is the first step to intercultural competence. Specifically, trainees should be made aware of their orientation towards a willingness to interact and accept others, levels of ethnocentrism etc. Certain customs are particularly sensitive to certain types of behaviour, and would frequently interpret certain types of behaviour as insulting. Therefore, at the very least, managers should be alerted to the fact that managing foreigners is procedurally and experientially problematic; and that cross-national relations have the potential to cause polarisation. Therefore, culture customs, conventions and destination specific training have been introduced by a number of organisations in order to address these issues. The "laundry list" approach to cross-

cultural understanding attempts to provide each manager who is to have intercultural business transactions, with a list containing "everything you need to know" – about the particular country. Such lists attempt to detail the cultural characteristics, regional or organisational variations, expected behaviour in that country, the detailed customs to be followed, the type of speech inflections to use, and expression and actions that may be considered offensive. Furthermore, it will usually also contain information on the maintenance of dignity and status, of touching conventions; customs concerning the initiation of negotiations; the level of formality and informality; the nature of eye-contact; handshaking and bowing conventions. However, expatriates should also be provided with information of the cultural roots of the JV partner. Cultural training models that concentrate on characterising the values, etiquette and ideologies that prevail in different countries, mean that some of the more glaring cultural differences are addressed in simplified forms, while the reasons for the destructive effects of cultural differences are commonly overlooked. Because such research has concentrated upon particular features of social interaction rather than the general characteristics of transcendent cultural orders, the ideas generated by such work have been more easily implemented, and have thus been useful in orientation training and management development. However, basic knowledge is only the beginning of overcoming cultural differences. Research and training in behavioural differences can provide only a very broad statement about cultural identity. The generalisations about a country are likely to conceal huge variances within that country and considerable subtlety in the way that cultural differences are made apparent. There are likely to be, for example, religious or tribal or ethnic differences, detailed forms of special protocol, and regional variations. Therefore, the "laundry list" approach may be useful to expatriates, but they are seldom able to list all the possible variances of cultural behaviour, and more significantly, they do not enlighten the reader as to the root cause of cultural differences, how this manifested into cultural dimensions and ultimately different behaviour. The essence of culture is subtle, and is hard to express in print. Formal and abstract knowledge need to be supplemented by and integrated with experience of the culture. Without such an understanding, an expatriate's method of dealing with cultural differences will always be reactive, rather than proactive. These types of training should furthermore assist the expatriate to adjust socially in his or her new cultural environment, which will have a positive effect on the expatriate's overall adjustment and ability to perform in the work environment.

8.2.6.4 Provide cultural-specific information (Information on social, business, political, religious, and cultural environment) of the JV partner

In order to facilitate the adjustment of the expatriate, he or she should also be provided with written information, including addresses about useful amenities and services in the host environment, such as postal, health, banking, education, news, entertainment, employment opportunities for spouses and transport services. In addition, expatriates should be provided with host country workplace specific training, such as communicating with superiors, subordinates, suppliers, contractors, and buyers; explaining standard operating procedures; and accessing business information. This is important, as management is conducted in terms of particular conceptions of organisational reality. The more accurate these conceptions are, the more reality can be manipulated successfully. Managers thus require accurate models or analyses of the "culture factor" in order to deal with it effectively. Rather than feed managers broad characterisations of culture, trainers would do better to inform managers of the practical difficulties that are encountered in work abroad. Therefore, as a start, the do's and don'ts of business interaction and protocol should be taught and reinforced. In this way staff can learn the pitfalls of working in a foreign country

8.2.6.5 Provide training on the practical applications of cultural knowledge

Clear guidelines on management practices, for example performance feedback an appraisal, should be provided for different countries and regions. This should be accomplished through systemic, on-going training and daily interactions at the individual level, and through revised policies, procedures, and systems at the organisational level. This kind of cementation is required for these newly acquired attitudes, behaviours, and skills to become totally embedded in the individuals' natural way of interacting with diverse individuals. The systemic, on-going training needs are to be skills-based and experiential in nature in order to promote long-term changes in the way individuals work with individuals different from themselves.

8.2.6.6 Provide language training

Cross-cultural interaction is ensured only when the parties involved communicate effectively. As discussed in section 2 above, no amount of stock phrases and impeccably learned grammatical rules will lead to meaningful communication unless such learning goes hand-in-hand with the activation of cross-cultural awareness.

Furthermore, as the expatriate's adjustment is correlated to that of his accompanying family, basic language training should also be offered to the accompanying family of the expatriate, and sufficient time be allowed before the assignment for the basics of the language are to be learned. It will also be helpful to provide for facilitation of training by personnel from the JV partner. The environment where managers from different cultures interact on a daily basis, provides the perfect opportunity for collaborative learning. After all, who better to learn from on how to best manage employees form a particular culture than a manager from that culture?

8.2.6.7 Provide for structured interaction between expatriate and personnel of the JV partner

While personal connections play an important role in business all over the world, they are ubiquitous in Chinese business culture. The establishment of strong interpersonal relationships and effective communications are critical to maintain the necessary trust between business partners in order to facilitate ongoing exchange. Expatriate managers of the same cultural background as host country nationals have special capabilities for establishing personal overseas networks. These expatriates share many similar personal characteristics with locals. Consistent and reliable interactions within these networks promote trust within the business relationship. The development of trust between the expatriate and the host country nationals can, therefore be assisted via encouraging group social activities. The formation of friendships can underpin collaborative group processes and lay the foundation for strong collegial bonds and team identity. Sasol should, therefore, engage in the following activities.

- Allocate funds for team social time.
- Provide respite from work time for social events.
- Schedule social events for team members.
- Schedule functions that consider members' non-work commitments.
- Encourage members' involvement in social outings.
- Ensure that activities chosen, suit all members.
- Avoid activities that may exclude team members.
- Encourage team members to take turns choosing the social activities.

8.2.6.8 Use experiences and learning of expatriates as a prime source of training focus

Successful expatriate assignments have a dual benefit - in addition to the successful completion of the expatriate assignments, expatriates can transfer country-specific learning to the organisational memory to be leveraged in subsequent assignments. Expatriates, familiar with the culture, language, and customs of headquarters, can facilitate the transfer of a corporate culture between headquarters and the subsidiary, enhancing communication and coordination. They can also transfer technical and managerial skills, which may not be immediately available at the local level, and thus serve as mechanisms for corporate control in vital markets, these may include the following.

- The expatriate post - performance requirements, constraints, opportunities and conditions of service.
- The JV partner – history, goals and scope, resources internal arrangements and strategy.
- The business environment – market trends, competitive behaviour, opportunities and threats.
- The political and economic environment.
- The cultural context – constraints and opportunities.

8.2.6.9 Provide training aimed at cultural adjustment on a continuous basis

Training should not be regarded as a "quick fix" and it should be conducted on an on –going basis in order for it to be effective. Educational briefings may be helpful initially, but as the alliance evolves, more intensive team-building workshops and joint problem-solving sessions will likely be needed as, employees experience the impact that cultural diversity has on their daily interactions.

8.2.6.10 Utilise rewards and recognition programs to encourage expatriates to develop their cultural competencies

Rewards and recognition programs should be used to encourage employees to develop their cultural competencies. Often organisations provide training, but do not mandate full participation, nor do they reward employees who apply the training lessons in

their work. According to a study involving several hundred U. S. organisations, the success of domestic diversity interventions was enhanced when supporting sanctions were in place. Requiring everyone to attend cultural awareness and competency training communicates their importance, as does providing rewards to employees who provide evidence of improvement. Furthermore, training should not be restricted to Sasol personnel, but also to the staff of the JV partner, as increased cultural competence on their part will also improve relations and ultimately the performance of the JV.

8.2.6.11 Obtain feedback regarding the effectiveness of different training methods from trainees, and measure training effectiveness against objectives

One of the key elements of providing an effective learning intervention, is the ability to be able to identify whether the participants had altered their behaviours in the manner prescribed in the course objectives. An additional consideration is, whether they are able to transfer these behaviours to their work environment. Therefore, expatriates' perceptions regarding the outcomes of diversity training should be measured, in particular, to what extent the training has influenced their awareness of their own stereotypes and assumptions, increased their cultural knowledge, and enhanced their cultural skills.

8.2.7 Section 7: Intercultural tasks teams

Sasol achieved a score of 0% for section 7. It is therefore, recommended that Sasol consider the following management practices.

8.2.7.1 The formation of task teams, which facilitates discussion on differences in cultural perceptions

Cross-cultural interaction increases participants' awareness of diversity issues, and how these issues – due to the fact that they provide opportunities for members of different cultural groups to learn about and from each other - can contribute to a more positive work environment. Furthermore, cross-cultural interaction can provide opportunities for members of different cultural groups to develop personal friendships, and support activities that encourage everyone to reflect on their own values, gain insights into how their values influence both their own behaviours, and the ways that they interpret the behaviours of others. In particular, cross-cultural

interaction provides the opportunity to explore and discuss cultural stereotypes. In a climate of greater openness when there is less need for keeping the private cultural stereotypes hidden from view, these stereotypes tend to slowly lose their power. Cross-cultural interaction also provides an opportunity to observe how well the cross-cultural training initiatives of the organisation had succeeded in shifting perceptions. In practice, it is through working on real problems and issues, in a multicultural setting, using a structured framework, that skills and understanding are developed. It is in this practical setting that the benefits of cultural diversity may be realised. These types of teams are used by General Electric, Compaq, Shell and AT&T. In almost every instance, management focuses on building interpersonal relationships and cross-cultural communications. As has been mentioned above, effective communication is one of the key mechanisms to building trust. If it is accepted that cross-cultural adjustment involves knowledge of which behaviour to execute or suppress in a given situation, and the ability to effectively actualise this understanding, it follows that these skills have to be continuously honed, preferably systematically in a structured environment, where such exposure and skills development can be monitored and guided, as an extension of the training process. Furthermore, team-based case research adds a real-world dimension to cross cultural training. These allow members of the task team to formally, structurally and systematically explore, map, verify and discuss cultural issues and theory, on a continuous basis in order to properly understand and manage it.

It is also important that senior management is seen to support the cultural task teams, as senior management should set the example of greater openness towards working with cultural differences, and adopt a more transparent management style for the self-awareness learned in training, and to be sustained in cross-cultural management. Management may consider emphasising work-unit cohesiveness and provide team-based rewards and training. Ideally this should involve assessment of the task team processes and allow for the facilitators of a task team to identify and concentrate on solving issues causing conflict, or otherwise interfering with effective management. Task team members should also be asked to make suggestions, on cultural issues to be addressed by the task teams, which will encourage an understanding of the desired team dynamic, harness diverse team-dividend and to reduce potential animosity and suspicion. An important first step in gaining employee buy-in on the importance of

task teams, is to inform members of the task team of the rationale behind the explicit assembling of task teams. Setting out the business case for diversity management is important to generate support for increasing diversity in team membership. Furthermore, task team participation should be broadened to include the suggestions of employees of the JV partner, on cultural issues to be addressed by the task teams. Not only will this buy goodwill but it will also allow the task team to address cultural issues experienced by the broader organisation. Typically, cross-cultural incidents should be used as a discussion point. Once a shared meaning has been achieved on the underlying sources of the incident, it is essential that learning go beyond this stage to the development of new solutions and ways of doing things. In other words, obtaining insights into the source of the problem is an important step, but it is essential that the organisation find new processes and capabilities for dealing with cross-cultural conflict management. This process can also be enhanced by the discussion of case studies on cross-cultural interactions.

Managed well, team processes within diverse teams can be valuable, as generated by the clash of ideas, ways of thinking, education, skills, experience, and the resulting synergy derived from these processes. It is therefore important that conflict is discussable within the team. Critical to managing conflict, is the provision of conflict and negotiation training for the team leader and team members. Finally, as in any other management function, there is a need for accountability and control for managing cultural diversity. It can initially be assigned to the diversity task force or the diversity manager, but ultimately, the responsibility for preserving the changes must be established with every manager. The organisation should, therefore, seek to receive constant feedback on its new processes so that it can continuously improve them and communicate any changes to other parts of the organisation.

8.2.8 Section 8: Continuous in-country support

Sasol achieved a score of 50% for section 8, with the family of the expatriate being given support, and specifically given support by the expatriates of Sasol living in the country, being the management elements in terms of the model that Sasol complies with. It is, therefore recommended that Sasol considers the following management practices.

8.2.8.1 Assigning a mentor to an expatriate to provide support and career guidance

Some organisations support their overseas staff by appointing a headquarter's mentor, who will generally look after the career of the expatriate, protect his or her interest whilst he/ she is away, and reintroduce him /her to the home country parent on repatriation. The mentor will keep face-to-face contact with the expatriate, evaluate his or her performance during the assignment, help clarify the expatriate career objectives and capabilities before repatriation, provide career advice, and assist in finding a suitable position at headquarters. Importantly, the sponsorship program should be systemised and structured. First the sponsor should be senior enough, relative to the expatriate and be able to provide a broad view of the organisation. Second, the sponsor should receive specific guidelines about the form, content and frequency of contacts with the expatriate. Too often sponsorships are assigned with no further action. Furthermore, the expatriate's role in the parent company - once the expatriate has returned – should be determined before departure, as repatriates often return home to find that he/she has to adjust to reduced financial benefits, less power, job alienation, increase cost of living expenses, sometimes poorer housing, etc. Many repatriate managers feel, that the skills that they have gained overseas, are not valued in the home country. Depending on the perceived success of the assignment, some expatriates return from senior management in the host country, to a position of lesser status back home, and removed from mainstream promotional channels. Where individuals view overseas placement not only as a hardship, but also as a career move that reduces their perceived value on return, they are unlikely to be willing to accept foreign postings. When the expatriate is confident that his/her career interests are protected at home and that the assignment contributes to his/her career, he/she is more committed to the assignment and better motivated. This may also prevent high rates of repatriate turnover.

8.2.9 Section 9: Knowledge management

Sasol achieved a score of 0% for section 9. It is therefore, recommended, that Sasol considers the following management practices.

8.2.9.1 Sasol should ensure global integration of intercultural management best practices through the sharing of knowledge and experience

Partners in IJV's acquire knowledge and skills through a process of knowledge management and creation that allows it to build a competitive advantage. Once problems with managing cultural diversity have been identified and ways to deal with it have been discovered, the organisation must then seek to transfer the new knowledge and practices throughout the organisation. As with gaining learning from the overseas experiences of expatriates, it is critical for organisations to build infrastructures to institutionalise new knowledge, so that it flows back and forth between corporate headquarters and the various subsidiaries. The concepts of organisational learning through knowledge management are especially relevant to breaking cycles of cross-cultural conflict within a multinational enterprise, and then transferring the knowledge gained in this process throughout the joint venture, to help prevent future critical incidents from entering a cycle of conflict. The common thread in research into knowledge transfer through alliances and JV's, is that the ability to re-evaluate and learn is key to success. By harnessing the experiences of expatriates, global organisations are developing a resource competency of tacit knowledge that is difficult for global competitors to duplicate. Furthermore, the tacit knowledge gained through having highly qualified expatriate managers in foreign subsidiaries, can be brought back and embedded into the domestic firm-specific routines, which in turn can facilitate organisational learning, ultimately increasing organisational effectiveness in global competitive positioning. However, to leverage this knowledge, organisations must build infrastructures that facilitate the assimilation and institutionalisation of expatriate learning. Communities of practice (knowledge management teams) use practice to acquire tacit knowledge. It involves employees' coming together to share information, thereby establishing a shared belief system and an avenue for potential future assistance.

8.2.10 Section 10: Repatriation

Sasol achieved a score of 16% for section 10, with relocation assistance provided to employees being the only management element in terms of the model that Sasol complies with. It is, therefore, recommended that Sasol considers the following management practices.

8.2.10.1 Ensure that the repatriate is acclimatised to changes in his or her home country

Before the repatriate's return to his or her parent company, pre-return orientation sessions to clarify company and home and society changes, as well as job-related information about duties and expectations, should be held. This will include arrangements regarding re-entry job expectations and compensation issues, temporary accommodation, transition expenses, family requirements, and resettlement costs. Ideally, succession planning should be done before and after an assignment to promote career development, and transition management. This is necessary for two reasons: to determine the complexity of the re-entry problems (i.e. the length of expatriation assignment, the cultural/economic distance between home and host country, the stage of family life-cycle, the re-adjustment issues associated with the spouse and family upon repatriation and the like); and to provide the expatriate candidate with vital information concerning his/her career life-cycle, and the pre-planning that the organisation is undertaking to ensure a positive re-entry experience for the expatriate and their family. This should include sponsorship to assist with placement and re-entry and plan for repatriation three to six months in advance. In certain organisations employees are located a suitable position prior to their return, and allow some "downtime" for employees to put things in place at home. Finally, the skills that the repatriate has gained need to be leveraged to the benefit of the organisation, which may include utilising repatriates as mentors for new expatriates.

8.3 Contribution and implications

This study offers four main contributions to the literature. First it proposes a model for managing cultural diversity in international joint ventures that have been developed from the latest academic literature, case studies and research findings. Secondly, the findings of the empirical part of this study contributes to literature by providing what seems to be one of the very few attempts at conducting an analysis on the way in which the third largest corporation in South Africa, and the 2nd largest multinational, approaches the management of cultural diversity in international joint ventures, and the extent to which it employs best practices identified by literature in managing cultural diversity in the international joint ventures that it embarks on. Thirdly, in view of the fact that Sasol's current failure rate for expatriates are in line with industry norms - around 40% - the deviation from the model can be construed as the reasons

for expatriate failure, and provide validation for the theoretical model. Fourthly, to the extent that the practices of a blue-chip multinational either comply with or deviate from best practices, with the resulting success and failure rates of its expatriates; the study provides validation for international business theory as applied to the management of cultural diversity in international joint ventures

8.4 Limitation of study

In spite of the methodological strengths of this study – the rigorous pre-selection based on experience, exposure and seniority, and the high response rate, this research also suffers from some limitations. The study was conducted in only one multinational company and the sample size was relatively small. While small sample qualitative research is usually the best way to explore concepts (Chaisrakeo & Speece, 2004:10), additional research on a greater number of respondents and a greater number of multinationals is needed to confirm results and thoroughly test the proposed model in practice, not just the deviation from the model based on a literature review. Furthermore, the deviations of current Sasol practices, are deviations from a theoretical model, and as such, have limitations. Although a substantive portion of the literature review consist of empirical studies conducted on multinationals, and their operations in the international business environment, the model does contain a element of theory, that has not been tested in practice, and therefore, as far as those aspects are concerned, the deviation from the model does not necessarily indicate a deviation from proven best practices.

8.5 Further research

As mentioned above, the practical value of the model has not been tested in its entirety, only the deviations from the model. Future research may focus of testing theories based on academic literature, case studies and research in practice, by studying the effectiveness of management practices of a number of multinationals based on these theories. The findings of this type of research will provide empirical evidence on the effectiveness of the model in its totality in practice, and provide empirical support for international business theory.

8.6 Summary

The globalisation of business, with the resulting intercultural encounters, calls for a comprehensive and practical method by which the impact of culture on multinationals can be managed. This study explores culture, the effect it has on management, and makes an ambitious attempt to consolidate findings from various literatures, and to construct a model by which cultural diversity in International Joint Ventures can be managed. The model was tested against the practices of a blue-chip multinational, with operations in 6 different continents, and the findings, suggest, that multinationals could only benefit from investing time and effort in the continuous development and refinement of cultural diversity management practices. This could form the basis for further research.

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ANNEXURE A

RESEARCH QEUSTIONAIRRE

UESTIONAIRRE

NSTRUCTIONS

lease indicate the extent to which you agree or disagree with the following statements with a cross i the space provided.

ECTION 1: CULTURAL DIVERSITY MANAGEMENT PLAN

lease indicate the planning associated with the management of cultural diversity conducted by asol when forming a Joint Venture.

No.	The following issues are addressed as part of Sasol's plan for managing cultural diversity in International Joint Ventures (IJV)	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
1.	The national culture of the JV partner is studied and profiled				
2	Sasol understands how its approach to management of cultural diversity is perceived by the JV partner				
3.	Sasol follows a policy which strives to integrate the national cultures of Sasol and the JV partner				
4.	Commitment from senior management for the cultural diversity management plan is ensured				
5.	Sasol strives to build a "third culture" in the JV (A unique culture separate from each of the national cultures of JV partners)				
6.	When strategic decisions are made, the impact of these decisions on the value system of the culture of the JV partner is considered				
7.	Sasol actively engage in actions to develop trust between the JV partners				
8.	A framework that promotes frequent interaction between the different cultures of the JV is developed				
9.	A framework that promotes regular dialogue between the different cultures of the JV is developed				
10	The overall diversity management strategy is shared with employees of the JV				
11.	Awareness of the advantages of effective management of cultural diversity is raised amongst employees of the JV				

ECTION 2: CROSS CULTURAL LEADERSHIP AND MANAGEMENT

lease indicate which cross cultural management and leadership practices are engaged in by Sasol.

No.	Sasol's global managers and expatriates approach cross cultural management as follows:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
12.	View the management of cultural diversity as an essential part of managing in the JV				
13.	View the management of cultural diversity as part of Sasol's business goals and not just good philanthropy				
14.	Are aware of their own cultural based values and perceptions				
15.	Are aware of how their cultural values and perceptions differ from the cultural values and perceptions of the JV partner				
16.	Understand how their decisions are perceived by the culture of the JV partner				
17.	Know that followers from different cultures have different expectations from their leaders				
18.	Are aware of the preferred leadership styles of the culture of the JV partner				
19.	Adapt their leadership style to suit a particular culture				
20.	Are aware how the organisational values of Sasol differs from the JV's organisational values				
21.	Adapt their motivational style to suit a particular culture				
22.	Have a basic understanding of the JV partner's language				
23.	Are aware of cultural codes and conventions (Silence, distance, eye contact etc.) when communicating with different cultures				
24.	Adapt their communication to suit a particular culture				
25.	Where possible, study a culture's literature in order to improve communication with that culture				
26.	Study a culture's customs in order to improve communication with that culture				
27.	When giving performance feedback, exhibit understanding for cultural differences by having regard to etiquette and seniority				
28.	When giving performance feedback, exhibit understanding for cultural differences by having regard to voice tone and physical gestures				

No.	Sasol's global managers and expatriates approach cross cultural management as follows:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
29.	Establish trust and rapport before giving performance feedback				
30.	Where necessary, provide performance feedback through a third party				
31.	Understand that culture has an influence on the expectations of parties with regards to negotiation outcomes				
32.	Cater for expectations - as influenced by culture - in the negotiation process				
33.	Spend time on building trust between the parties before negotiating				
34.	Observe the relevant cultural protocols that build business relationships				
35.	Are aware of and understand the different phases of negotiation				
36.	Cater for cultural differences as it pertains to each negotiation phase				
37.	When conducting cross cultural negotiations, take time to try and understand the motives - as influenced by their culture - of the other party				
38.	When conducting cross cultural negotiations, take time to try and understand the interests - as influenced by their culture - of the other party				
39.	Have cultural diversity management as one of their key performance areas in their performance contract				

ECTION 3: MANAGING MULTICULTURAL TEAMS

lease indicate the management methods employed by Sasol's managers when managing nulticultural teams.

No.	When managing cross cultural teams, Sasol's team managers managing multicultural teams:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
40.	Create a team vision to transcend cultural boundaries				
41.	Are aware of the cultural perceptions that team members have about how the team should function				
42.	Are aware of the cultural distance that exists between team members				
43.	Are aware of how cultural factors could impact on team management and processes				

No.	When managing cross cultural teams, Sasol's team managers managing multicultural teams:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
44.	Know how to develop inter cultural skills of the team members				
45.	Apply strong ground rules when dealing with culturally diverse team members				
46.	Encourage team social activities				
47.	Drive team performance through motivation and award				
48.	Appreciate the impact of cultural differences in cross cultural team motivation and award				
49.	Have a conflict management strategy that deals with cultural differences				

ECTION 4: HUMAN RESOURCE MANAGEMENT

lease indicate the International Human Resource (IHR) practices followed by Sasol in their nternational Joint Ventures.

No.	Sasol's IHR programs cater for the following:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
50.	Recognise that any HRM practice differ from culture to culture				
51.	When a JV is formed the cultural distance between Sasol and the JV partner is determined				
52.	Where necessary international HR practices are adjusted to cater for the cultural diversity of Sasol's JV partners				
53.	Development of global managers by creating a broad based appreciation of contrasting beliefs in cultures				
54.	Development of global managers by creating a broad based appreciation of different work related behaviours in cultures				
55.	Development of global managers by exposing them to international assignments				
56.	Development of global managers by exposing them to multicultural teams				
57.	Development of global managers to communicate and interact effectively with other cultures				

No.	Sasol's IHR programs cater for the following:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
58.	Development of global managers to be non-judgemental toward other cultures				
59.	Develop global managers to have tolerance for ambiguity				
60.	Due to the uncertainty and ambiguity brought about by the management of different cultures, develop global managers to be stress tolerant				
61.	Require global managers to work in foreign environments				

ECTION 5: EXPATRIATE SELECTION

lease indicate the expatriate selection policy followed by Sasol.

No.	Sasol engages in the following practice when selecting expatriates for international assignments:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
62.	Understanding why, in general, expatriates fail to complete their assignment successfully				
63.	Understanding why certain of Sasol's expatriates fail to complete their assignment successfully				
64.	Utilising the lessons learned on expatriate failure to improve its expatriate selection processes				
65.	Evaluating the expatriates ability to adjust in a foreign culture				
66.	Evaluating the ability of the expatriates spouse to adjust in a foreign culture				

ECTION 6: TRAINING AND DEVELOPMENT

lease indicate the training and development programs offered by Sasol to its expatriate's and lobal managers.

No.	Sasol's training and development programs adopt the following approach:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
67.	The extent of the cultural differences between the expatriate and the JV partner culture is determined				

No.	Sasol's training and development programs adopt the following approach:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
68.	Address these cultural differences as part of the training program				
69.	Combine theoretical and experiential training methods				
70.	Training programs address the reasons why expatriates in general fail to successfully complete their assignments				
71.	Address the reasons why certain of Sasol's expatriates fail to successfully complete their assignments				
72.	Train expatriates in order to function in the specific cultural environment of Sasol's JV partner				
73.	Allow sufficient time to train and hone intercultural skills of expatriates before they embark on their assignment				
74.	Address the effects that culture shock has on the expatriates ability to perform effectively in its work environment				
75.	Training is adjusted to cater for the type of task the expatriate is expected to perform				
76.	Training is adjusted to cater for the level of interaction with other cultures required by the assignment				
77.	Training is adjusted to cater for the specific duration of the assignment				
78.	Provide expatriates with insight on their own culture-specific beliefs				
79.	Provide expatriates with information of the cultural roots of the JV partner				
80.	Provide training on why and how these roots result in different beliefs and behaviour				
81.	Enhancing the ability of expatriates to adjust socially in new culture				
82.	Providing information on factors that will influence the expatriate's ability to perform his task in that particular culture				
83.	Providing information on cultural customs and etiquette of the JV partner				

No.	Sasol's training and development programs adopt the following approach:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
34.	Providing cultural specific information (Information on social, business, political, religious, and cultural environment) of the JV partner				
35.	Providing training on the practical applications of cultural knowledge				
36.	Providing practical process guidelines on how to manage other cultures				
87.	Providing the expatriate with workplace specific training (communicating with superiors, subordinates, suppliers, contractors, and buyers) of the JV partner				
88.	Providing basic language training to expatriates				
89.	Providing basic language training to the expatriate's spouse				
90.	Providing basic language training to the expatriate's school going children				
91.	Sasol allows sufficient time before departure for the expatriate and his/her family members to learn the basics of the new language				
92.	Teaches trainees how the culture of the JV partner influence its communication practices				
93.	Provides for structured interaction between expatriate and personnel of the JV partner				
94.	Focuses on trust building through these structured interactions between the expatriate and the JV partner personnel				
95.	Ensures that these structured interactions between expatriate and personnel of the JV partner take place on a continuous basis				
96.	Provides for facilitation of training by personnel from the JV partner				
97.	Uses experiences and learning of expatriates as a prime source of training focus				
98.	Training aimed at cultural adjustment is provided on a continuous basis				

No.	Sasol's training and development programs adopt the following approach:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
99.	Utilises rewards and recognition programs to encourage expatriates to develop their cultural competencies				
100.	Provides training not only to its expatriates, but also to the staff of the JV partner				
101.	Provides adjustment training for the expatriate's spouse				
102.	Makes training mandatory for all expatriates				
103.	Obtains feedback regarding the effectiveness of different training methods from trainees				
104.	Measures training effectiveness against objectives				

SECTION 7: INTERCULTURAL TASK TEAMS

Please indicate the extent to which task teams are utilised to facilitate cultural diversity management.

No.	In order to facilitate structured interaction between expatriates and employees of the JV partner, *Sasol engages in the* following activities:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
105.	Task teams, which facilitates discussion on differences in cultural perceptions are created				
106.	Task teams serve as a platform to alert employees of the JV to their cultural differences and similarities				
107.	Task teams serve as a platform to conduct team based case research on cultural diversity issues				
108.	Task teams create platform from which cultural misunderstandings are discussed and reconciled				
109.	Task teams serve as a platform from which interpersonal relationships with different cultures are improved				
110.	Task teams create platform from which cross-cultural communication is improved				

No.	In order to facilitate structured interaction between expatriates and employees of the JV partner, Sasol engages in the following activities:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
111.	Task teams create platform from which trust between members of different cultures is built				
112.	Senior management is seen to support the cultural task teams				
113.	The results of cultural surveys are tabled and discussed in the task team meetings				
114.	Task team members make suggestions on cultural issues to be addressed by the task teams				
115.	Employees of the JV partner make suggestions on cultural issues to be addressed by the task teams				
116.	As part of the task team agenda, cross cultural incidents are discussed				
117.	As part of the task team agenda case studies are provided and discussed				
118.	As part of the task team agenda, cultural stereotypes are actively explored				
119.	As part of the task team agenda, the use of non-verbal behaviour, as it relates to different cultures, are actively explored				
120.	As part of the task team agenda, theory regarding different cultural perceptions and expectations are tested and discussed				
121.	Conflict management training is provided to members of task teams				
122.	Sasol seeks constant feedback on its task teams processes in order to continuously improve them				

SECTION 8: CONTINIOUS IN-COUNTRY SUPPORT

Please indicate how Sasol provides in-country support to its expatriates.

No.	As part of Sasol's continuous in country support program:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
123.	The family of the expatriate's is given in-country support once they arrive in the host country				

No.	As part of Sasol's continuous in country support program:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
124.	A mentor is assigned to an expatriate to provide support and career guidance				
125.	Expatriates already working for Sasol in the host country provide support to the new expatriate family				
126.	The expatriate's role in the parent company - once the expatriate has returned - is determined before departure				

SECTION 9: KNOWLEDGE MANAGEMENT

Please indicate how knowledge management is utilised to enhance cultural diversity management:

No.	Sasol's knowledge management strategy for management of cultural diversity caters for the following:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
127.	Global integration of intercultural management best practices through the sharing of knowledge and experience				
128.	Breaking cycles of cross-cultural conflict through transfer of knowledge				
129.	Prevention of future critical incidents through the implementation of lessons learned sessions				
130.	Sharing of best practices gained by expatriate managers to improve management of cultural diversity				
131.	Utilisation of communities of practice to create and global stock of intercultural management expertise				

SECTION 10: REPATRIATION

Please indicate what repatriation assistance is offered to Sasol's repatriates.

No.	As part of Sasol's repatriation program, the following practices are adopted:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
		1	2	3	4
132	The repatriate is acclimatised to changes in his or her home country				
133.	The repatriate is acclimatised to changes in the parent company				

No.	As part of Sasol's repatriation program, the following practices are adopted:	I do not know	Disagree	Sometimes/ Sometimes not	Agree
134.	The new business role and career opportunities of the repatriate in the parent company is determined				
135.	The skills that the repatriate has gained during his or her assignment is applied to the benefit of Sasol				
136.	Repatriates are used as mentors for new expatriates				
137.	Relocation assistance is provided to repatriates				

ANNEXURE B

COVERING LETTER FOR RESEARCH QEUSTIONAIRRE

Dear Sir/Madam

I am currently developing a theoretical model for managing cultural diversity in International Joint Ventures as part of my doctoral thesis. The empirical portion of the study consists of the testing of a theoretical model against the current Sasol management practices as it pertains to cultural diversity in International Joint Ventures. This will be done by measuring the degree to which the current Sasol practices conforms with/deviates from the theoretical model. The questionnaire consists of 137 statements that measure 10 elements of cultural diversity management.

The answers that you will give will be used for research purposes only and will at all times remain completely confidential.

It will be appreciated if you could complete the questionnaire and return it to me electronically by the 20th of September 2006.

Please feel free to contact me via the following means:

E-mail address: jan.reyneke@sasol.com

Cell Phone number: 082902 3458

Work number: 017 610 5304

Thanking you in anticipation.

Regards

Jan Reyneke
Legal Adviser
Sasol Synfuels Secunda