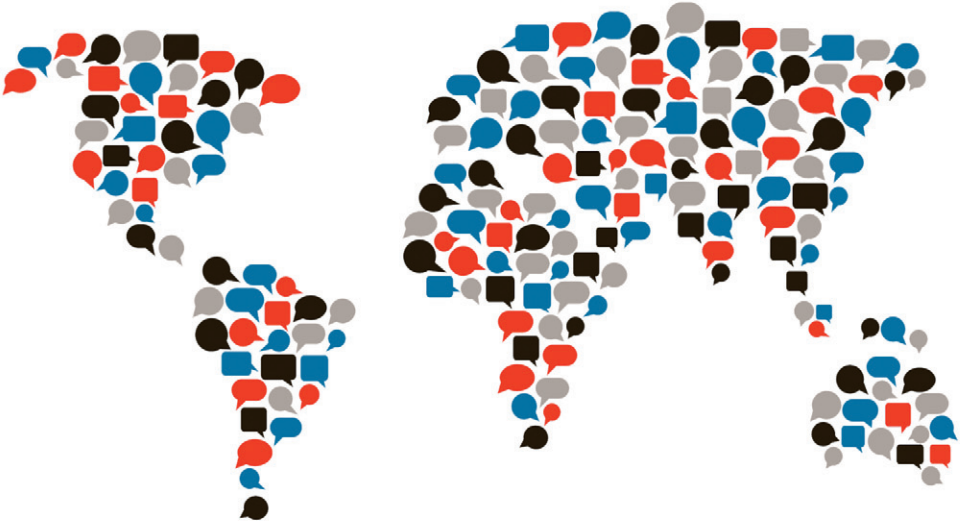
INTERCULTURAL MANAGEMENT IN PRACTICE



LEARNING TO LEAD DIVERSE GLOBAL ORGANIZATIONS

MEENA CHAVAN
LUCY TAKSA

Intercultural Management in Practice

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Intercultural Management in Practice: Learning to Lead Diverse Global Organizations

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INVESTOR IN PEOPLE

This book is dedicated to my mother, a compassionate, lively, and resilient woman who taught me to be accepting and respectful of all cultures (Meena Chavan). The book is dedicated to my parents and grandparents, who experienced multiple forms of exclusion and discrimination throughout their lives in Eastern Europe, particularly during World War Two, and subsequently as refugees and migrants. Their resilience and struggles for inclusion have contributed to my life and my research. I particularly acknowledge my mother's wisdom, acceptance of all people regardless of background and identity, and her efforts to provide me with educational opportunities in pursuit of equitable outcomes (Lucy Taksa).

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Chapter 1

Cross-cultural Interaction: What We Know and What We Need to Know*

Nancy J. Adler and Zeynep Aycan

Abstract

Pervasive forms of worldwide communication now connect us instantly and constantly, and yet we all too often fail to understand each other. Rather than benefiting from our globally interconnected reality, the world continues to fall back on divisiveness, a widening schism exacerbated by some of the most pronounced divisions in history along lines of wealth, culture, religion, ideology, class, gender, and race. Cross-cultural dynamics are rife within multinational organizations and among people who regularly work with people from other cultures. This chapter reviews what we know from our scholarship on cross-cultural interaction among expatriates, negotiators, and teams that work in international contexts. Perhaps more important, this chapter outlines what we need to learn – and to unlearn – to be able to see diversity as an asset in helping individuals, organizations, and society to succeed rather than continuing to understand it primarily as a source of problems.

Keywords: Conceptualization of culture; cross-cultural; expatriate; management; multicultural teams; negotiation

Introduction

There has never been a time in recorded history when people have yearned more powerfully for ways to come together as a global community. Multiple forms of communication now connect us instantly, constantly, and worldwide, and yet we

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all too frequently fail to understand each other. We fail to appreciate, let alone leverage, each other's unique strengths. Rather than benefiting from the diversity within our globally interconnected reality, the world continually falls back on divisiveness, with schisms accentuated by some of the most pronounced divisions in history along lines of wealth, culture, religion, ideology, class, gender, and race (for example, see Piketty & Saez, 2014). Moreover, these dynamics are exacerbated by levels of transparency heretofore unheard of: We are aware of what is going on everywhere, yet we often feel incapable of responding effectively. Now, as the potential benefits from globalization seemingly become more elusive, and in part as a reaction against our failure to create either global community or successful worldwide interaction, strong pressures for deglobalization (for a discussion of current pressures for and against globalization, see, among others, Mansfield & Mutz, 2009; Meyer, 2017; Rodrik, 2018) have begun to emerge.

It is within this global context that twenty-first–century multinational corporations and organizations operate and individual managers seek success. At this critical moment in history, we need to step back and reflect on the role that cross-cultural management scholarship has played, and could play, in increasing our multicultural understanding and efficacy. As early as the 1980s, the domain of cross-cultural scholarship was broadly defined as describing

> …organizational behavior within countries and cultures; compar[ing] organizational behavior across countries and cultures; and, most important, seek[ing] to understand and improve the interaction of coworkers, managers, executives, clients, suppliers, and alliance partners from countries and cultures around the world. (Adler, 1986b, p. 11)

This review chapter presents the current state of research in the field, focusing primarily on a particularly critical aspect: how to manage cross-cultural interaction within the contexts of expatriation, negotiation, and multicultural teams (MCTs). Previous reviews (e.g., Gelfand, Aycan, Erez, & Leung, 2017; Gelfand, Erez, & Aycan, 2007; Taras, Steel, & Kirkman, 2016; Tung & Verbeke, 2010) present an excellent overview of research on cross-cultural differences in work behavior. As such, they answered the call for cross-cultural management scholarship to "describe organizational behavior within countries and cultures" and to "compare organizational behavior across countries and cultures" (Adler, 1986b, p. 11). Building on this foundational research documenting cross-cultural differences and culture's impact on work behavior, the field is now advancing to address the critical question of how best to manage these differences, especially in a world distinguished less by a mosaic of separate and distinct cultures and more by rising levels of cross-cultural interaction (see Jackson, 2011).

Our review is organized into four sections. The first section presents new theoretical approaches to the conceptualization of culture and their implications for cross-cultural interaction. The second section reviews research on cross-cultural interaction among expatriates and host country nationals (HCNs). The third section focuses on cross-cultural negotiation, and the final section on MCTs.

The chapter concludes with an overview of emerging trends and future directions for cross-cultural management research and practice.

New Conceptualizations of Culture: Implications for Cross-cultural Interaction

Although a plethora of conceptualizations of culture and cross-cultural interaction have existed for years, most have been criticized and few fit well with the dynamics defining the current century. Values-based theories of cross-cultural differences, including those of Hofstede (1980), Schwartz (1994), and the GLOBE project (House, Hanges, Javidan, Dorfman, & Gupta, 2004), have been found wanting (e.g., Jackson, 2011; Javidan, House, Dorfman, Hanges, & De Luque, 2006; Taras & Gonzalez-Perez, 2010). The main criticism is their limited scope, as they (1) rely solely or primarily on values dimensions to compare cultures; (2) conceptualize culture at the national level; (3) present a static, rather than a dynamic, view of culture; and (4) assume that culture at the national level is homogenous (see Boyacigiller, Kleinberg, Phillips, & Sackmann 1996, among others). The theoretical advancements reviewed here have attempted to broaden the field and reduce the shortcomings of these earlier theories. That said, the field of cross-cultural management still needs to take a broader perspective by incorporating more indigenous concepts (e.g., *guanxi*, *wasta*, etc.; see Smith, 2008) and by addressing more directly the impact of the socioeconomic level, and in particular the widening income and wealth gaps both within cultures and across countries worldwide (see Piketty, 2014).

Culture at the National Level: Beyond Values

In addressing these limitations, a first set of theoretical advancements expanded the scope of the dimensions used to compare cultures at the national level to include beliefs, norms, and behavioral guidance. The Social Axioms Project conducted by Leung et al. (2002) was designed to capture beliefs:

> Social axioms are generalized beliefs about oneself, the social and physical environment, or the spiritual world, and are in the form of an assertion about the relationship between two entities or concepts. (p. 289)

These beliefs are akin to axioms in mathematics, as they are basic and generalized premises. However, unlike mathematical axioms, social axioms vary across cultural groups. The Social Axioms Project compared cultures across five dimensions: cynicism (belief that humans and institutions cannot be trusted), social complexity (belief that multiplicity and complexity in events and humans exist for desired outcomes), reward for application (belief that knowledge and planning are necessary to achieve outcomes), religiosity (belief that a supreme being exists and religious practice is associated with positive outcomes), and fate

control (belief that there are ways to influence fated outcomes). These five orthogonal dimensions are measured by a 60-item survey (including statements such as "Knowledge is necessary for success" and "Power and status make people arrogant"), with cross-cultural differences reported for more than 40 countries (Bond et al., 2004; Leung & Bond, 2004).

The Cultural Tightness–Looseness (CTL) Project by Gelfand, Nishii, and Raver (2006) focused on documenting norms. CTL is conceptualized as having two components: "the strength of social norms, or how clear and pervasive norms are within societies, and the strength of sanctioning, or how much tolerance there is for deviance from norms within societies" (Gelfand et al., 2006, p. 1226). The standardized CTL scale comprises six statements (e.g., "In this country, there are very clear expectations for how people should act in most situations"). Gelfand et al. (2011) report tightness scores for 33 countries. They theorize and empirically find that CTL is associated with a number of ecological and human-made threatening conditions. For example, nations that experienced a dearth of natural resources (e.g., farmland, food, safe water), faced more environmental disasters (e.g., floods, tropical cyclones, and droughts), and received more territorial threats from their neighbors were tighter than nations that had not experienced such threats. In addition, tight nations are more likely to be ruled by autocratic leaders, to have more police per capita, and to enjoy fewer liberties. In tight nations, religiosity is higher, and situational constraints are more likely to be imposed on everyday behaviors such as laughing, crying, singing, kissing, and talking. Higher levels of situational constraints are correlated with cautiousness, dutifulness, self-regulation, and self-monitoring (Gelfand et al., 2011). CTL is hypothesized to be one of the key factors influencing the ease of expatriates' cross-cultural adjustment, with tighter cultures generally making it more difficult for outsiders to adapt.

Smith and Peterson's (1988) Event Management Project captures behavioral guidance. This project aimed at mapping cross-cultural differences in the types of guidance managers rely on for handling work events. Work events include such occasions as appointing a subordinate to a vacant position, managing a subordinate's poor performance, replacing a piece of work equipment, and managing differing opinions within a work unit. Managers described the extent to which they used varying sources of guidance to handle work events, such as formal rules and procedures, unwritten rules, specialists from outside the work unit, subordinates, colleagues at the same level, superiors, one's own experience and training, and prevalent beliefs and norms in one's country. Sources of guidance are more contextualized than managers' values: As such, they were more accurate predictors of actual behavior. Smith, Peterson, and Schwartz (2002) report scores for 47 countries on the sources of behavioral guidance used to manage work events. Hierarchical and conservative cultures rely more heavily on vertical sources (e.g., superiors) and on widespread beliefs in society. In cultures where utilitarianism and pragmatism prevail, heavier reliance is placed on specialists as a source of guidance.

The GLOBE project (House et al., 2004) also captured cross-cultural differences in practices based on the same dimensions used to capture values. Cross-cultural

behaviors were compared across 62 nations, and each of the GLOBE's nine dimensions was assessed as a practice by asking respondents how things "are" rather than how they "should be" (i.e., values) in their society.

Subcultures: A Heterogeneity Perspective

The underlying frameworks of the earlier theories assume that culture at the national level is relatively homogenous. However, national boundaries, many of which are arbitrary and represent mere artifacts of political history, often fail to provide an appropriate unit of analysis for the study of culture (see, for example, Fischer, 2009). Going beyond political boundaries, recent research has documented cultural differences across socioeconomic classes, professions, religions, ethnic groups, age cohorts, and regions of the world (e.g., Markus & Conner, 2013; Luiz, 2015; Ronen & Shenkar, 2013; Taras & Gonzalez-Perez, 2010). Each of these newer theoretical frameworks reviewed here explicitly uses complex, heterogeneous operationalizations of culture rather than relying on the borders of nation-states as proxies for homogeneous cultural units.

Building on the fields of economics, political science, and ethnography, Luiz (2015) proposed the Ethno-Linguistic Fractionalization (ELF) framework to capture intranational diversity and cultural distance. Luiz developed an index of fractionalization comprised of three dimensions of diversity: ethnicity, religion, and linguistic group. The index, which assesses the probability that two randomly selected individuals in the population will belong to different groups, ranges from 0 to 1, with 0 representing a perfectly homogenous population. Some countries have extensive ethnic diversity (e.g., 0.93 for Uganda), whereas others exemplify near-perfect homogeneity (e.g., 0.002 for South Korea). Each of the three dimensions of diversity is distinct and may vary independently within a country. For example, Turkey's level of ethnic and linguistic diversity is higher than its level of religious diversity (0.32, 0.22, and 0.005, respectively). The implication of this theoretical perspective for cross-cultural management is that more fragmented societies may be harder for multinational corporations and expatriates to succeed in, as such societies are believed to experience more volatility and conflict over resources (Luiz, 2015). Nonetheless, it is equally possible that such diversity (i.e., variety in consumer profiles) may increase business opportunities.

Drawing on topology and matrix algebra, Venaik and Midgley (2015) developed the Culture Archetypes framework, which produces perfect theoretical representations of the configurations of values shared by a particular group (rather than by an entire nation). Whereas the ELF framework explores heterogeneity through exogenous criteria (ethnicity, religion, and linguistic group), the Culture Archetypes framework captures heterogeneity through values. Venaik and Midgley identified five archetypes. Archetype B, for example, designates groups that place high value on universalism, benevolence, tradition, conformity, and security. Individuals in Archetype B demonstrate a high social consciousness (service orientation) with high ethical values. Using the results from Inglehart's World Values Survey, Venaik and Midgley (2015) found that

this particular archetype accurately portrays 5.9% of Indian, 14.8% of Japanese, and 20% of American respondents. This newer methodology not only recognizes diversity within cultures, but it also offers a novel way of reconciling tensions among etic and emic approaches. The transnational archetypes identified by Venaik and Midgley cut across countries and thus represent the etic aspect of culture, whereas the subnational archetypes (i.e., unique configurations of values within a nation) represent the emic aspect. This approach also resolves what Osland and Bird (2000) labeled as cultural paradoxes, that is, observations proving contrary to the values-based characterization of particular cultures (e.g., an individual acting selfishly in a highly collectivistic culture). Venaik and Midgley's (2015) empirical analyses suggests that "assuming one's employees in country X conform to the national culture of country X is clearly misleading as less than 50% of individuals conform to these values" (p. 1073). The most important implication for cross-cultural management is that MNCs "can use common strategies for all individuals within an archetype irrespective of their country or origin, thus reducing complexity and enhancing efficiency and performance" (p. 1074).

The third new framework incorporating cultural heterogeneity is the Cultural Mosaic (Chao & Moon, 2005). Unlike the first two frameworks, which investigate heterogeneity at the group level (e.g., ethnicity, religious group, archetypes), the Cultural Mosaic framework captures heterogeneity at the individual level. Cultural Mosaic is a metaphor referring to the multiple cultural characteristics needed to describe an individual. An individual's Cultural Mosaic is composed of so-called tiles in three categories: demographic (age, gender, ethnicity, and race), geographic (climate, coastal/inland, urban/rural, regional/country), and associative characteristics (family, religion, profession, politics, and avocations). This framework assumes that an individual's cultural characteristics derive from the intersectionality of the tiles. Depending on the situational context, different tiles are activated and rise or decline as either figure or ground (i.e., as either the focal characteristic or the background context). The most important contributions of the Cultural Mosaic for cross-cultural management include (1) its dynamic nature (e.g., salience of tiles changing depending on context) and (2) its emphasis on the presence of shared cultural identities based on similar tiles that facilitate cross-cultural collaboration.

Dynamism in Cultures: Constructivist Perspectives

The application of cognitive science to cross-cultural research has produced a shift from static to dynamic understandings of culture. Rather than as a static, exogenous phenomenon, culture is now viewed as a loose network of multiple and sometimes conflicting knowledge and values structures that can be activated (or suppressed) depending on the demands of the situation (Hong, Morris, Chiu, & Benet-Martinez, 2000; Markus & Conner, 2013). Culturally intelligent individuals switch between cultural frameworks or systems in response to environmental demands (Thomas et al., 2015).

The Cultural Frame Shifting paradigm (e.g., Benet-Martínez, Leu, Lee, & Morris, 2002; Hong et al., 2000; Shore, 1996), for example, asserts that individuals can dynamically integrate or dissociate from elements of their culture. This framework states that people have access to multiple meaning systems and, depending on the context, can shift between culturally appropriate behaviors by changing their interpretive lens. Indeed, research has demonstrated that cultural frame shifting occurs when individuals are primed to activate and to access different values structures (e.g., Akkermans, Harzing, & Van Witteloostuijn, 2010; Gardner, Gabriel, & Lee, 1999). Bicultural individuals have been found to engage in cultural frame shifting more easily than monocultural individuals, especially when their dual cultural identities are compatible with one another (Benet-Martínez et al., 2002; Brannen & Thomas, 2010).

Leung and Morris's (2015) Situated Dynamics (SD) framework expands the values-based view of culture to include schemas and norms that are situation sensitive. The SD framework postulates that values play a stronger role in situations involving moral and/or ethical decisions, whereas behavioral schemas or norms play a greater role in situations involving interpretive or behavioral tasks. The SD framework reconciles primary tensions between alternative perspectives by (1) supporting both cultural stability and change, and (2) treating culturally inconsistent behavior as an outlier rather than as part of the cultural fabric. The framework posits that some aspects of culture (e.g., values) are relatively consistent over time, whereas others (e.g., schemas and norms) are constantly in flux based on situational demands. This explanation succeeds in accounting for cultural paradoxes (e.g., an individualistic American acting in collectivistic ways in situations of fundraising) (see Osland & Bird, 2000).

Zellmer-Bruhn and Gibson's (2014) Intercultural Interaction Space (IIS) framework also highlights the role of situational context. The IIS denotes the physical, cognitive, and affective characteristics of the situations in which cross-cultural interaction takes place. The authors delineate how cultural differences are either attenuated or augmented depending on features of the IIS. For example, the need to recognize the role of culture in the interaction and to consciously provide culturally appropriate behaviors becomes higher when the situational features of the interaction involve extreme conditions, be they physical (e.g., little opportunity for personal contact), cognitive (e.g., ambiguity or uncertainty), or affective (e.g., risk or undesirability).

The rate and intensity of cross-cultural interaction in the world is rising exponentially, thanks in large part to the explosive growth in Internet-based connectivity as well as to the ease and increasing frequency of international travel (Zellmer-Bruhn & Gibson, 2014). Therefore, all interaction in today's world has become cross-cultural and can no longer be understood as defined primarily by national boundaries. Indeed, no definition of culture, including the most cited one by Kroeber and Kluckhohn (1952), limits the concept of culture to a particular unit of analysis, such as a nation or ethnic group. The conceptualizations allude to "human groups" without specification of the type of group (for a wide range of definitions of culture, see Berry, Poortinga, Segall, & Dasen, 1992, pp. 165–168). The field now recognizes cross-cultural differences in values, norms,

beliefs, and behaviors across age, gender, religion, profession, socioeconomic class, and linguistic group. Every person is a mosaic of multiple cultural characteristics, with the specific cultural archetype being activated or deactivated according to the situational context.

The scope and depth of cross-cultural differences across and within national boundaries makes it impossible to offer a definitive framework of salient cultural characteristics for managing any particular interaction. Cross-cultural interactions therefore need to be guided more by continually asking the right questions than by resorting to a supposedly definitive description of "the other" or of the ways in which a specific relationship with "the other" should be managed. Critical questions to ask in any cross-cultural interaction include (but are not limited to) the following:

(1) Prior to engagement: How do I remain open-minded, including maintaining a willingness to modify my stereotypes about culturally different "others"?
(2) When either stereotypical or counter-stereotypical behavior occurs during an interaction: Does mutual learning happen in a way that both supports the relationship and fosters a successful outcome?
(3) After the interaction: How can the insights and knowledge gained from this interaction be appropriately generalized to other cross-cultural situations, both now and in the future?
(4) When stepping back and considering my overall goal: How can my new insights appropriately become a permanent part of my cognitive and behavioral repertoire so as to foster sustainability and prosperity in my current project(s), my current organization, and in the broader, globally connected society?

It is by asking such questions, and not by attempting to more definitively describe and categorize individual cultures and the dynamics of cross-cultural interaction, that the field is most likely to advance.

Effective Cross-cultural Interaction: Expatriates and Host Country Nationals

All forms of global contact continue to increase, including the rate of expatriation, thus disproving previously predicted decreases in global mobility (e.g., Brookfield Global Relocation Services, 2016). Whereas expatriate transition and adjustment issues have been extensively studied and reviewed (e.g., Bhaskar-Shrinivas, Harrison, Shaffer, & Luk, 2005; Gelfand et al., 2007; Hechanova, Beehr, & Christiansen, 2003; Takeuchi, 2010), the raison d'être of expatriation – organizational effectiveness once abroad – remains underresearched. Of utmost importance, the influence of host country nationals (HCNs) on expatriate and overall organizational effectiveness is only now beginning to be studied. Indeed, the expatriate adjustment literature has accurately labeled local partners as "neglected stakeholders" (Arman & Aycan, 2013, p. 2928). Given the nascent nature of