Cross-Cultural Management
1 Course Objectives

The premise for discussion in this course, Cross-Cultural Management – and for our discussion of the textbook (Mead and Andrews, 2009) on which the course is based – is that a systematic and critical understanding of ‘culture’ is important for international managers. By studying this course you should enhance your current performance as a student and/or as a practitioner of international management. In addition, you should enhance your career prospects as a manager working in contexts where an understanding of cross-cultural issues is an important ingredient for success.

As a broad concept, ‘culture’ is highly complex. However, in its simplest form, culture is about the distinctive ways in which people behave in certain situations or contexts, and about how they expect other people to behave in these or similar contexts. In this sense, we all know how significant an understanding of ‘culture’ can be when we enter a new job and our newfound colleagues attempt to explain to us ‘the way things are done around here’. In order to survive and do well in this initially unfamiliar context, we feel the need – and have the opportunity – to ‘learn’ more about the culture distinctive to this particular management context and about people and cultures generally.

Against this background, your entry to this course of study represents an opportunity to enter into, contribute to, and learn about a new culture: an opportunity to learn new ways of thinking about the management of people and processes in organisations; about working with and through people across a range of national and international business and management contexts.

2 The Course Author

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3 Course Content

The focus for discussion and analysis in this course is on processes of strategic decision-making across a range of international and cross-cultural management contexts. Connecting directly with chapters from the course textbook (Mead and Andrews, 2009), the eight units of text in this course explore the significance of culture in strategic decisions related to processes
of human resource management (HRM) and marketing communications, encompassing elements of risk management, ethics, and the management of diversity, using case studies drawn from a range of international management contexts across Asia, Europe, Africa and the Americas.

## 4 The Course Structure

### Unit 1 International Management and Culture
1.1 The Significance of Culture for International Management
1.2 Factors That Influence Management Decision-Making
1.3 Strategic Decision-Making – the PESTEL Framework
1.4 The Significance of Culture in Strategic Decision-Making
1.5 Comparing Cross-Cultural and International Management
1.6 Implications for International Management Practice
1.7 Unit Summary and Review

### Unit 2 Comparing Cultures
2.1 The Group as a Basic Unit for Comparative Cultural Analysis
2.2 Identifying and Responding to Differences in Culture
2.3 Identifying Differences in Culture-Specific Perception – the Kluckhohn-Strodtbeck Model
2.4 Hall's Model of High and Low Context Cultures
2.5 Comparing Attitudes towards Managers
2.6 Comparing National Cultures: the Hofstede Model
2.7 The Strengths and Weaknesses of Hofstede's Model
2.8 Comparing Researcher and Practitioner Views
2.9 Conclusion

### Unit 3 Movement in the Culture
3.1 Culture as a Factor in People's Response to Change
3.2 Recognising the Significance of Movement in Culture
3.3 How Economic Factors Influence Movement in National Cultures
3.4 How Foreign Intervention Causes Shifts in Local Cultures
3.5 Summary Exercise

### Unit 4 Organisational Culture
4.1 Culture and Organisations
4.2 Defining and Comparing Organisational Cultures
4.3 Controlling Organisational Cultures
4.4 The Influence of National Cultures on Organisational Cultures
4.5 A Case Study from Singapore
4.6 Summary Exercises
Unit 5  Culture and Management Communication
5.1 Introduction
5.2 Successful Communication across Cultures
5.3 What is ‘Appropriate’ Communication Within and Across Cultures?
5.4 Interpreting Contexts for Management Communications Within and Across Cultures
5.5 The Cross-Cultural Significance of Non-Verbal Communication (NVC)
5.6 Cross-Cultural Management Communications: Practical Implications
5.7 Managing Culture-Specific Perceptions – Responding to Demographic Change
5.8 Summary Exercises
5.9 Specimen Answers

Unit 6  Needs and Incentives – An International Management Perspective
6.1 Comparing Perceptions of the Value of Work
6.2 Understanding and Managing People’s Motivation to Work
6.3 Connecting with People’s Changing Needs and Wants
6.4 Designing and Managing Incentive Systems
6.5 How Ethics Motivates – Corporate Social Responsibility
6.6 Work as a Motivator – Case Studies from the NPO Sector
6.7 Applying Theories of Motivation – Herzberg
6.8 Motivation, Innovation and National Culture
6.9 Summary Exercises

Unit 7  Dispute Resolution and Negotiation
7.1 Examples of Disputes in Work-Related Contexts
7.2 How and Why Disputes Arise
7.3 Culture and Dispute
7.4 Language – Cause and Resolution of Conflicts and Disputes
7.5 Resolving Disputes and Conflicts – a German-American Case Study
7.6 Disputes Arising in IJVs – Balancing Trust and Control
7.7 Balancing Trust and Control – Sino-Foreign IJVs
7.8 Summary Exercises

Unit 8  Global Staffing – Cross-Cultural Dimensions
8.1 Staffing to Control – Exploring the Gaps Between Theory and Practice
8.2 Managing for Control – an International HRM Perspective
8.3 Global Staffing Choices – Expatriates or Local Managers?
8.4 Retaining the Loyalty of Local Managers – a Gender Perspective
8.5 Staffing IJVs – Balancing Trust and Control
8.6 Staffing Implications – a Case Scenario from the Gulf
8.7 Summary Exercises
5 Learning Outcomes

When you have completed your study of this course you will be able to

- identify some of the factors that influence how decisions are made in cross-cultural management contexts
- identify, describe and explain key models used for comparing cultures, critically assessing the practical value of these in the context of cross-cultural management decision-making
- critically assess some of the ethical issues inherent in cross-cultural and international management decision-making against a background of ‘globalisation’ and ‘culture shift’
- identify, describe and explain significant aspects of overlap between national and organisational cultures, critically assessing the impact of culture-specific expectations defining these on international HRM decision-making
- identify and analyse the role of effective communication in contexts for international and cross-cultural management generally, and specifically in the field of international marketing
- critically discuss the role that managers play in response to stakeholder perceptions of wants and needs and in the design and administration of systems for managing incentives and rewards
- identify and analyse how disputes and conflicts arise, and how they might be resolved in cross-cultural management contexts
- demonstrate skills relevant to analysing and managing staffing decisions in headquarters and subsidiaries of international organisations, taking into account issues of diversity, such as gender.

6 Study Materials

This Study Guide is your central learning resource as it structures your learning unit by unit. Each unit should be studied within a week. It is designed in the expectation that studying the unit and the associated core readings will require 15 to 20 hours during the week, but this will vary according to your background knowledge and experience of studying.

Textbook

In addition to the Study Guide you must read the assigned chapters in the course textbook, which is provided for you:


This textbook has been the mainstay of the on-campus version of this course and its author, Richard Mead, has been a key consultant in the design of this distance-learning version of the course.

Richard Mead convenes international management programmes at the School of Oriental and African Studies, University of London. Before this he taught at the Sasin Graduate Institute of Business Administration, Thailand, and was a visitor at the Kellogg Graduate School of Management, USA. He has 35 years’ experience of teaching and researching in communications.
management. Tim Andrews is Senior Lecturer in Management at the University of Strathclyde, UK.

Course Reader

The Course Reader provides you with a selection of academic articles and extracts from books, which you are expected to read as part of your study of this course. You will note from reading them that the topics covered in these articles develop themes highlighted in both the textbook and in the Study Guide. Working through the Course Reader articles should encourage you both to develop your critical understanding of course concepts at a level appropriate to a Masters-level degree and to apply your understanding of these concepts to your own working environment and experience.

Optional Reading

You are provided with all the reading essential for this course, and we do not expect you to undertake extra reading on your own, partly because not all students have ready access to well-stocked libraries or bookshops. The reference section of each unit lists academic articles, book chapters or web-based sources that you can choose to read if you wish to investigate a particular topic further. These readings can be accessed on the internet, but it is important to note that they will not be assessed in examination or assignments.

Although not mandatory, we think that you will enrich your study of this course by looking at such articles. Indeed, you are encouraged to choose your own additional reading on topics related to contemporary issues in international and cross-cultural management. You can do this through searching the internet and by making use of the online academic journals through the Library resources on the CeFiMS Online Study Centre (OSC).

At stages in each unit, you are invited to reflect critically on your own experience as a student and practitioner of international and cross-cultural management. You are also encouraged to share these reflections with your study colleagues via the discussion forums of the OSC.

7 Assessment

Your performance on each course is assessed through two written assignments and one examination. The assignments are written after week four and eight of the course session and the examination is written at a local examination centre in October.

The assignment questions contain fairly detailed guidance about what is required. All assignment answers are limited to 2,500 words and are marked using marking guidelines. When you receive your grade it is accompanied by comments on your paper, including advice about how you might improve, and any clarifications about matters you may not have understood. These comments are designed to help you master the subject and to improve your skills as you progress through your programme.
The written examinations are ‘unseen’ (you will only see the paper in the exam centre) and written by hand, over a three hour period. We advise that you practice writing exams in these conditions as part of you examination preparation, as it is not something you would normally do.

You are not allowed to take in books or notes to the exam room. This means that you need to revise thoroughly in preparation for each exam. This is especially important if you have completed the course in the early part of the year, or in a previous year.

Preparing for Assignments and Exams

There is good advice on preparing for assignments and exams and writing them in Sections 8.2 and 8.3 of Studying at a Distance by Talbot. We recommend that you follow this advice.

The examinations you will sit are designed to evaluate your knowledge and skills in the subjects you have studied: they are not designed to trick you. If you have studied the course thoroughly, you will pass the exam.

Understanding assessment questions

Examination and assignment questions are set to test different knowledge and skills. Sometimes a question will contain more than one part, each part testing a different aspect of your skills and knowledge. You need to spot the key words to know what is being asked of you. Here we categorise the types of things that are asked for in assignments and exams, and the words used. All the examples are from CeFiMS examination papers and assignment questions.

Definitions

Some questions mainly require you to show that you have learned some concepts, by setting out their precise meaning. Such questions are likely to be preliminary and be supplemented by more analytical questions. Generally ‘Pass marks’ are awarded if the answer only contains definitions. They will contain words such as:

- Describe
- Define
- Examine
- Distinguish between
- Compare
- Contrast
- Write notes on
- Outline
- What is meant by
- List

Reasoning

Other questions are designed to test your reasoning, by explaining cause and effect. Convincing explanations generally carry additional marks to basic definitions. They will include words such as:

- Interpret
- Explain
- What conditions influence
- What are the consequences of
- What are the implications of

**Judgment**
Others ask you to make a judgment, perhaps of a policy or of a course of action. They will include words like:
- Evaluate
- Critically examine
- Assess
- Do you agree that
- To what extent does

**Calculation**
Sometimes, you are asked to make a calculation, using a specified technique, where the question begins:
- Use indifference curve analysis to
- Using any economic model you know
- Calculate the standard deviation
- Test whether

It is most likely that questions that ask you to make a calculation will also ask for an application of the result, or an interpretation.

**Advice**
Other questions ask you to provide advice in a particular situation. This applies to law questions and to policy papers where advice is asked in relation to a policy problem. Your advice should be based on relevant law, principles, evidence of what actions are likely to be effective.
- Advise
- Provide advice on
- Explain how you would advise

**Critique**
In many cases the question will include the word ‘critically’. This means that you are expected to look at the question from at least two points of view, offering a critique of each view and your judgment. You are expected to be critical of what you have read.

The questions may begin
- Critically analyse
- Critically consider
- Critically assess
- Critically discuss the argument that

**Examine by argument**
Questions that begin with ‘discuss’ are similar – they ask you to examine by argument, to debate and give reasons for and against a variety of options, for example
- Discuss the advantages and disadvantages of
- Discuss this statement
- Discuss the view that
- Discuss the arguments and debates concerning
The grading scheme

Details of the general definitions of what is expected in order to obtain a particular grade are shown below. Remember: examiners will take account of the fact that examination conditions are less conducive to polished work than the conditions in which you write your assignments. These criteria are used in grading all assignments and examinations. Note that as the criteria of each grade rises, it accumulates the elements of the grade below. Assignments awarded better marks will therefore have become comprehensive in both their depth of core skills and advanced skills.

70% and above: Distinction As for the (60-69%) below plus:
- shows clear evidence of wide and relevant reading and an engagement with the conceptual issues
- develops a sophisticated and intelligent argument
- shows a rigorous use and a sophisticated understanding of relevant source materials, balancing appropriately between factual detail and key theoretical issues. Materials are evaluated directly and their assumptions and arguments challenged and/or appraised
- shows original thinking and a willingness to take risks

60-69%: Merit As for the (50-59%) below plus:
- shows strong evidence of critical insight and critical thinking
- shows a detailed understanding of the major factual and/or theoretical issues and directly engages with the relevant literature on the topic
- develops a focussed and clear argument and articulates clearly and convincingly a sustained train of logical thought
- shows clear evidence of planning and appropriate choice of sources and methodology

50-59%: Pass below Merit (50% = pass mark)
- shows a reasonable understanding of the major factual and/or theoretical issues involved
- shows evidence of planning and selection from appropriate sources,
- demonstrates some knowledge of the literature
- the text shows, in places, examples of a clear train of thought or argument
- the text is introduced and concludes appropriately

45-49%: Marginal Failure
- shows some awareness and understanding of the factual or theoretical issues, but with little development
- misunderstandings are evident
- shows some evidence of planning, although irrelevant/unrelated material or arguments are included

0-44%: Clear Failure
- fails to answer the question or to develop an argument that relates to the question set
- does not engage with the relevant literature or demonstrate a knowledge of the key issues
- contains clear conceptual or factual errors or misunderstandings

[approved by Faculty Learning and Teaching Committee November 2006]
Specimen exam papers

Your final examination will be very similar to the Specimen Exam Paper that you received in your course materials. It will have the same structure and style and the range of question will be comparable.

CeFiMS does not provide past papers or model answers to papers. Our courses are continuously updated and past papers will not be a reliable guide to current and future examinations. The specimen exam paper is designed to be relevant to reflect the exam that will be set on the current edition of the course.

Further information

The OSC will have documentation and information on each year’s examination registration and administration process. If you still have questions, both academics and administrators are available to answer queries.

The Regulations are also available at www.cefims.ac.uk/regulations.shtml, setting out the rules by which exams are governed.
UNIVERSITY OF LONDON

Centre for Financial and Management Studies

MSc Examination
Postgraduate Diploma Examination
for External Students

INTERNATIONAL MANAGEMENT (CHINA)

Cross-Cultural Management

Specimen Examination

The examination must be completed in THREE hours.

Answer THREE questions, selecting at least ONE question from EACH section. The examiners give equal weight to each question; therefore, you are advised to distribute your time approximately equally between three questions.

Do not remove this Paper from the Examination Room.
It must be attached to your answer book at the end of the examination.
Answer THREE questions, at least ONE from EACH section.  
In answering these questions, give practical examples in support of your view.

Section A  
(Answer at least ONE question from this section)

1. How should we interpret the title of the course textbook: *International Management: Culture and Beyond*?

2. To what extent is ‘culture’ a significant factor in defining the various roles of managers in international organisations?

3. To what extent is ‘cultural shift’ a significant factor in international management decision-making?

4. To what extent do notions of ‘organisational culture’ and ‘organisational structure’ overlap?

Section B  
(Answer at least ONE question from this section)

5. What do you understand by term ‘internal marketing’?

6. Is ‘motivation to work’ a culture-specific construct?

7. Is it possible - or even desirable - to ‘balance’ trust and control in the context of managing in international joint ventures (IJVs)?

8. Are there advantages in recruiting local rather than non-local managers to strategic positions in multi-national corporations (MNCs)?

[End of Examination]
Cross-Cultural Management

Unit 1  International Management and Culture

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Unit Content

This first unit deals with themes raised in Chapter 1 of the course textbook (Mead and Andrews, 2009). It guides you towards working critically with the textbook and with other readings and sources of information that are relevant to this course and your work as an international manager. It introduces some of the analytical tools applied elsewhere in this course. It starts from the premise that organisations – regardless of size or tradition, business sector or nationality – increasingly need managers who understand the evolving global environment for strategic decision-making and international managers who understand that culture is a significant element in shaping the business environment.

Unit 1 focuses on the following:

- culture and its significance for international management decision-making
- perspectives on the nature of the decision-making process
- the role of stakeholders in influencing decision-making in the international organisation
- the value of cross-cultural awareness to international managers.

Each stage in our discussion leads you to consider how far culture and other factors influence the type of decisions that you and other managers make, and how other people respond to these decisions.

Learning Outcomes

When you have completed your study of this unit and its readings, you will be able to

- identify some of the factors that influence how decisions are made in cross-cultural management contexts
- apply your experience prior to this course to reading the course textbook (Mead and Andrews, 2009)
- compare your experiences and expectations of international management decision-making with those of other people, in particular with your study colleagues and tutor.

Reading for Unit 1

Textbook


Course Reader

Rochelle Kopp (2001) ‘Why is it so difficult to tell what a Japanese person is thinking?’
1.1 **The Significance of Culture for International Management**

In the opening his discussion in Section 1 of Chapter 1 of the textbook, Richard Mead and Tim Andrews (2009: 3) ask:

‘When is national culture important, and when not?’

From your own perspective as a management practitioner and / or as a student of international management, what is your initial response to this question? *When is national culture important, and when not?*

An initial response might be: ‘It depends on the context of the question’. This means deciding:

- who is asking the question, why, and why here and now?
- what is meant by culture?
- what is the appropriate answer to this question? Who decides this, how, and why?

My own view is that ‘important’ is a subjective and value-laden term. In the context of a course in which critical analysis is valued, we might move the discussion towards considering what is ‘significant’ – a term that gives more emphasis to what students and practitioners of international management might perceive as being useful and appropriate in a defined context – for example, in the context of working towards a Masters degree in International Management.

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**Reading**

You should now read Section 1.1 in the textbook (Mead and Andrews, pp.3–4).

As you read, try to account for the author’s switch in use of terminology from ‘important’ to ‘significant’. To what extent do you believe that this apparent shift in emphasis is explained

i) in the textbook itself and / or

ii) in the explanation suggested above in this unit?

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1.1.1 **Reflections on international management practice**

At each stage of our discussion in this course, try to connect what the textbook and other course readings relate in theory with reflections on what we or other people have experienced in the context of international management practice. In order to learn from such experiences, and communicate what you have learned to other people, try to reflect critically on them – for instance, by asking questions about ‘who?’, ‘what?’, ‘when?’ and ‘why?’ as suggested already in this unit.

One effective and efficient way of prompting us to reflect in this way is to compare our own experiences and expectations with those of other people as described in case studies. These ‘frozen’ slices of life show people’s
behaviours in certain contexts and invite you to analyse them. So far as you can, generalise from your analysis in order to inform your own future behaviour as a manager.

**Reading**

You should now read the ‘Slicing the Meat’ case study, which you can find in the textbook at the end of Part One (Mead and Andrews: 20–21).

Make very brief notes in answer to the three questions as you work through the case study text.

- Now reflect on your initial responses to the ‘Decision’ section at the end of the case study. Why do you think you respond as you do? Is ‘culture’ a factor in your response?

We can now attempt to generalise on the issues raised in the case study. Look again at the ‘the questions facing the international manager’, noted in Section 1.1 of the textbook (page 4).

### 1.2 Factors That Influence Management Decision-Making

Before discussing how far culture and other context-specific factors might influence management decision-making, we need to think more about what the terms ‘management’ and ‘decision-making’ mean in practice.

#### 1.2.1 Defining ‘management’ – some historical context

The word ‘management’ is derived from an old Italian word *maneggiare* meaning to ‘control’, ‘handle’, or ‘train’ horses. The etymological connection to ‘hand’ (as in handle) might suggest what could be termed a ‘hands on’ management style. This derivation from Italian culture is not coincidental. Medieval Italy also produced the following:

- The foundations of an international banking industry: the *Banco di Siena*, founded in the fourteenth century in the city of Siena. This industry became ‘global’ as quantities of gold and silver were shipped from South America to Europe.
- A global currency: for example, the *florin* from the city of Florence, which become internationally valid and indeed was the origin of the Dutch guilder (abbreviated to *Fl* for florin).
- The techniques of financial accounting, derived from the double-entry bookkeeping system devised by a Christian monk (Father Pacioli).

#### 1.2.2 Defining ‘management’ – current perspectives

The host of books and websites specialising in studies of business demonstrate that there are many possible definitions of management. Most of these books and websites – and hence the definitions they offer – are targeted at English-speaking audiences. This dominance persists, as evinced in languages such as German where use of the terms ‘Manager’ and
‘Management’ (not native German terms) are common among both scholars and practitioners in international business and management discourse.

In order to establish a common starting point of reference for this course, the following definition is proposed. Management is understood to be

...the process through which the efforts of members of [an] organisation are co-ordinated, directed and guided towards the achievement of organisational goals.

(Mullins, 2005: 34/1058)

This definition emphasises management as a process. This means that it can be represented as a series of decisions that aim to serve the aims of the organisation. In this context we can talk of management ‘interventions’, meaning a sequence of decisions which impact on the flow of how people work within the organisation. The outcomes of these management interventions should be justifiable in terms of policies deemed to be strategically necessary or desirable in pursuit of achieving the strategic objectives set out for the organisation.

In this unit we focus our attention on the strategic dimensions of international management decision-making and explore the extent to which systematic reference to culture is a significant factor in managing this process.

**Review Questions**

- Drawing on your own experience, how would you define ‘management’? To what extent does your definition coincide with that suggested by Mullins (2005)? To what extent does it not, and why not?
- How far is your definition of management influenced by your experience as the one managing or the one being managed?

**1.2.3 Defining ‘managers’**

Management involves people, and where there are people, issues of culture arise. Managers are people, and hence there can be talk of diverse ‘management cultures’ (cf. Handy, 1993). These management cultures may appear to vary in response to the different conditions under which the managers that populate these cultures choose – or are compelled – to work.

So, by drawing on both Mullins (2005) and Handy (1993), managers can be identified as those people who have the resources of power and authority with which to ‘co-ordinate’, ‘guide’ and ‘direct’ the ‘efforts’ of members of an organisation. Their purpose is to guide the organisation and its members towards achieving its strategic objectives. In order to achieve this, managers make decisions. We now turn to the decision-making process.

**1.2.4 Defining decision-making – a rational approach**

Although the textbook refers to ‘decision-making’ (Mead and Andrews, 2009: Section 1.2), it does not detail any one form or type of decision-making. This is significant; what managers regard as normal processes of decision-
making are likely to differ according to context. And culture is one factor that determines differences in context.

A scan of the Anglo management literature suggests that the ‘normal’ or default approach to decision-making among managers is one based on logic and reason. This is the ‘rational approach’. Notions of reason have travelled an interesting route through history – from ancient Greece via the universities and libraries of North Africa (for example, in Alexandria, Egypt) and so on via the so-called ‘European Enlightenment’ – to inform the culture of what is now very generally termed ‘the West’.

The rational approach to decision-making emphasises efficiency and effectiveness:

- **efficiency** in that the resources invested in the decision-making process (such as time, effort, information and knowledge) should be used sparingly
- **effectiveness** in that the focus of the decision-making process should unerringly target and maximise the achievement of pre-determined outcomes.

One problem with this approach is that it often assumes that the decision-makers can assimilate sufficient information to plan the process and its outcomes reliably; in other words, that they can control the decision-making environment from the planning stage through to the realisation of the planned-for outcomes, and have sufficient resources in reserve to control – and, if necessary, correct – the process as the context shifts in time.

This means that the rational model is problematic on at least two counts. First, the decision-makers are themselves limited by what information they can process and, in addition, by their ability to identify and assimilate information of vital significance to the decisions they are making. Second, the context for managing the decision-making process is volatile and is beyond the control of the manager. This volatility is not reflected in a ‘frozen’ case study

In either case, the concept of cultural context plays a key role in understanding the basis for, and the limitations of, the rational approach to decision-making. On the one hand, the managers are themselves products not only of national culture but also industrial and organisational ‘cultures’ (which will be discussed in more detail in subsequent units). On the other hand, ‘culture’ itself forms part of the context for decision-making in that it influences how people assimilate information and respond to management decisions. This context is constantly changing, often beyond the control of individual managers and their organisations.

In sum, reference to culture is inevitable in trying to understand and explain the decision-making process, and in managing the process effectively.

**Reading**

Now read Section 1.2 in the textbook (Mead and Andrews, pp.4–6).
Adopting a management perspective, decide which of the internal and external factors listed you and other managers in your organisation can control. Why? Or why not?

1.2.5 Defining ‘organisations’

Figures 1.1 and 1.2 in the textbook (Mead and Andrews, 2009: 5–6) model the organisation as an entity within which managers try to take decisions while taking account of and responding to factors that emanate both from inside and outside the organisation. Does this imply that an organisation is like a box with finite limits? How far does this view of an organisation correspond to your experience?

In answering this question, take a look at the definition given by Mullins (2005: 1059), who defines an ‘organisation’ like this:

A consciously co-ordinated social unit created by groups [of people] in society to achieve specific purposes, common aims and objectives by means of planned and co-ordinated activities.

This emphasises that the organisation is ‘created’ by people and then ‘consciously co-ordinated’ towards particular purposes. It is a ‘social unit’, and an artefact that, like language, is both socially specific and demonstrates culture-specific features – for example, in the way members of the organisation behave.

Managers hope that all members of the organisation share a commitment to their attempts to arrive at and follow through on their decisions, and that these decisions are perceived as helping to guide the organisation and its members towards achieving these common aims and objectives. In practice, or course, this may not always be the case.

Review Question

Mead and Andrews (2009: 6) write that organisations and their managers are having continually to ‘reinterpret’ their position in the global business environment – a process parallel perhaps to Mullins’ notion of the social ‘creation’ and ‘recreation’ of organisations. The organisation thus ‘functions as a system for making interpretations’ (Ibid.). For example, managers have to make sense of changes unfolding in their strategic business environment, and then revise their earlier interpretations as the environment changes again. These interpretations are reflected in the decisions they make.

These authors also suggest that managers are continually having to recognise that the boundaries of their organisation – are becoming increasingly ‘porous’ (p.5).

- How far do you think increased internationalisation influences this process? In terms of your own organisation, are factors such as hiring more international staff and dealing with more international customers or clients influencing the porosity of the boundaries? Try to think of specific examples.
1.3 Strategic Decision-Making – the PESTEL Framework

Since 1989, a text by Johnson and Scholes (Exploring Corporate Strategy: Text and Cases) has established itself as one of the main sources of reference for examining strategic decision-making in the study and practice of management. To paraphrase from this text, strategic decisions are those which:

- engage the scope of the organisation’s activities
- systematically match the activities of the organisation to the environment in which it operates
- systematically take account of the existing resource capability of the organisation and have a view towards enhancing this resource capability as a future outcome of the decisions.

Engaging the scope of the organisation’s activities

Strategic decision-making involves the work of members at different levels and in different functions within the organisation. For example, strategic decisions made by HR managers have an impact on the capabilities of those of their colleagues who have financial and operational responsibilities.

Systematically matching the organisation’s activities of its environment

For example, managers across the organisation recognise that their decisions are likely to have an impact on the activities of other stakeholders in their organisation’s business environment.

Stakeholders are defined as people who have an interest or stake in the success or failure of an organisation and thus in the decisions that the managers in that organisation make. External stakeholders include customers, suppliers, distributors and other business partners; competitors; governments and society generally. Internal stakeholders include employees, and other people whose interests are concentrated within the boundaries of the organisation.

Systematically taking account of the organisation’s resource capability

This insight reminds us that strategic decisions carry resource implications for the organisation, both in its current state and for its future performance capability. Strategic resources include money (capital); land and equipment (e.g. machinery); and people. Resources such as time, information, space, knowledge, and management confidence (and so on) are also vital – and relatively scarce. Managers try to reach decisions that make the most economic, efficient and effective use of available resources and to ensure that the organisation accrues sufficient resources for future use.

1.3.1 Strategic management decision-making in practice

Under the heading of ‘strategic management in practice’, Johnson and Scholes (1993: 58) list four generic stages in the decision-making process:

1. **Issue awareness**: that is, the realisation that ‘something is amiss’ and can be improved and/or that an opportunity can be exploited.
2. **Issue formulation**: gathering information about the issue and its circumstances and putting into words what the organisation can or should do about it.
3 The development of solutions: formulating, consulting on and suggesting a range of possible courses of action.
4 The selection of a solution: making a decision on a course of action for people individually and/or collectively within the organisation.

This model is rational in that it describes different stages or steps in the decision-making process; it suggests moving systematically from one to others through time. However, it is also incremental in that it allows managers to retrace their steps should one or more key factors in the context for the decision-making process change significantly and beyond the control of the decision-makers involved.

Review Questions
- Think of a strategic decision that you have made recently. Reflect on how you managed this decision, referring to the four-step model outlined above.
- In retrospect, to what extent was your decision a linear and rational process? To what extent was it incremental or cyclical? That is, did you choose to retrace any of your steps in response to new information before arriving at the ‘selection of a solution’ stage?

1.3.2 Questioning the validity of management models

Throughout this course, we encourage you to subject management models and theories to critical analysis before accepting or rejecting them: this is an integral feature of ‘academic culture’.

For example, test the general validity of the Johnson and Scholes model of decision-making by applying it to culture-specific decision-making contexts. To what extent are problems and opportunities likely to be perceived in similar ways by members of different cultures? What one person considers inappropriate might not be perceived in the same way by other people at the same time and place – as we all know from our own working environment.

How is awareness and issue formulation communicated, given that language is an essential element of culture? Does the Amsterdam headquarters of a Dutch MNC decide to communicate with their Indonesian subsidiary in English or Dutch? Do they communicate it by email, fax, video conference, or via a face-to-face meeting? Who is involved in developing solutions – how, when, and why? Who is involved in selecting a solution? Who is expected to be accountable if the proposed solution proves to be mistaken? And how do members of the company feel about these decisions made?

1.3.3 Critical questioning – the Wh-H technique

In general, decision-making will vary according to what type of decision is being made and to the specific context for the decision – as determined, for example, by WHO makes the decision, WHO implements it, HOW they implement it, using WHAT resources, and WHY the decision is being made. This simple model is here termed the Wh-H technique.

The Wh-H questions are:
- What?
• Who?
• Where?
• When?
• How?
• How much, many, frequently, etc.?
• Why?
• Why not?
• What if…?

As an illustration, in analysing the context for a strategic decision, we could ask questions such as:

• What is the decision about?
• Who is involved in the decision?
• Who is likely or intended to be affected by the decision?
• When is the decision to be made, and where (i.e. under what circumstances)?
• How is the decision to be communicated to other interested parties (i.e. stakeholders)?
• How are the outcomes of the decision to be monitored or assessed?
• Why is the decision being considered (i.e. what strategic purpose does it serve)?
• What if the decision proves to be wrong and / or some of the factors describing the context for the decision change significantly?

The ‘Wh-H’ hierarchy

Note that the sequence of questions above suggests a hierarchy of analysis, from the more superficial description of the ‘what’ ‘who’, ‘where’ and ‘when’ questions to the deeper and more probing ‘why’ and ‘why not’ questions.

1.3.4 Analysing the context for strategic decision-making – the PESTEL framework

The Wh-H questions help managers discern the extent to which the context of national culture and other factors influence their preferences and choices when they make strategic decisions on behalf of their organisations and members.

In Section 1.2 of their textbook (pp.4–6), Mead and Andrews suggest that these factors can be very superficially divided into the ‘internal’ and the ‘external’. However, this distinction does not take into account the interactions between them, across the ‘porous’ boundaries of the organisation.

The PESTEL framework helps managers describe and predict the complex dynamic of the strategic decision-making environment. Many general management textbooks have restricted this to a PEST or STEP framework – the additional ‘L’ and ‘E’ elements reflect a greater appreciation of the global business environment.

The six P-E-S-T-E-L elements of the framework are as follows:
\[ P = \text{Political factors (e.g. national or local government action and interests)} \]

\[ E = \text{Economic factors (e.g. exchange rate fluctuations and local tax regimes)} \]

\[ S = \text{Social-cultural (or ‘socio-cultural’) factors – the main focus for our discussion in this unit and course} \]

\[ T = \text{technological factors (e.g. developments in information and communications technology – ICT).} \]

\[ E(n) = \text{Environmental factors (e.g. as in reference to the natural environment, such as geography, topography, and to the synthetic or ‘man-made’ environment, as evidenced in transport infrastructure, industrial pollution, and so on).} \]

\[ L = \text{Legal factors (e.g. laws governing international trade and business such as WTO regulations, tariffs, and protection of intellectual property rights – IPR).} \]

The PESTEL framework helps managers gather information and identify significant trends and conditions in respect of each of the elements in isolation and between each of the elements in combination. For example, managers can use the PESTEL framework to identify significant points of crossover between political, legal and economic factors.

**The internal PESTEL**

Although the PESTEL framework is designed primarily to describe the external environment, it can also be applied to describe the internal environment of the organisation

- where ‘internal’ politics become a factor influencing management decision-making in combination with reference to local or national governmental action or interests
- where internal employment regulations might be reflected in national or international employment legislation.

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**Review Question**

Reflect on your decision to join this course. What confluence of PESTEL factors influenced your decision in the time and place that you did?

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**1.4 The Significance of Culture in Strategic Decision-Making**

The following quote makes the significance of the ‘S’ factor in the PESTEL framework clear:

The strategy of an organisation will be affected not only by environmental forces and resource availability, but also by the values and expectations of those who have power in and around the organisation. In some respects, strategy can be thought of as a reflection of the attitudes and beliefs of those who have the most influence on the organisation…– the stakeholders of the organisation.

(Johnson and Scholes, 1993: 9 – adapted; emphasis as in original)
The references to ‘values’, ‘expectations’, ‘attitudes’ and ‘beliefs’ highlight some key elements of culture (cf. Mead and Andrews, 2009: 11–15). In this sense, the internal culture of the organisation interacts with external cultures of the organisation’s strategic environment – a theme that will be developed in Unit 4 (cf. Mead and Andrews, 2009: Chapter 3). References to ‘power’ and ‘influence’ remind us of the type of sociological factors that influence management decision-making – the ‘P’ of the PESTEL framework and the influence of organisational stakeholders. Furthermore, the reference to stakeholders in this quote reminds us that the manager has to depend on members in order to implement the decisions made.

Reading

Now read Section 1.3 in the textbook (Mead and Andrews, pp.6–15).

The information presented in this section provides a foundation for much of the analysis developed subsequently in the textbook. Work through it carefully.

As you read this section of the textbook, consider the following questions.

Subsections 1.3.1–1.3.2 (pp.6–8)

- Under what circumstances should the manager be more concerned about the responses of groups of members and under what circumstances the responses of the individual member? Think of specific examples from your own experience.

Subsection 1.3.3 (p.8)

- The definition of culture, as presented here, is standard in many cross-cultural management texts. However, some Japanese academics challenge it on the basis that it is rooted in its historical context (that is, the computer technology boom of the 1980s) and in the national cultural contexts of Europe and US America. What is your view?

Subsection 1.3.4 (pp.8–9)

- This subsection emphasises the relevance of culture to the group. The notion of a group suggests boundaries between one group and the next, and the definition of organisation used here emphasises the boundaries of a ‘social unit created by groups of people’ (Mullins, 2005: 1059). In reality, we can interpret our own organisation as a social group within which different sub-groups operate, and thereby sustain the overall organisation. This notion is developed in Unit 4.

Subsection 1.3.5 (p.10)

- How people choose and use language gives clues as to their preferred cultural identity. Within the organisation, different sub-groups use jargon that reflects their specialism. For example, software engineers, accountants, lawyers, finance directors may each use a jargon among themselves, which can be distinguished from the language used generally across the organisation. Sub-group members learn their jargon when training and after entering the organisation; for instance, during their organisational induction during which they are taught how to interact with colleagues, and ‘how things are done’ in this particular unit – or sub-culture. In learning the type of language that our colleagues expect from us, we learn what type of behaviour aids our acceptance among this particular group of colleagues. Perhaps you have experienced this yourself when starting a new job?
Subsections 1.3.6–1.3.13 (pp.10–16)

- These sections reflect a layered model of culture. For example, Hofstede (1991/2001) and other scholars describe a three-layered model. This distinguishes a surface or visible layer of people’s ‘norms’ of behaviour and the artefacts they create; a second layer comprising the values that appear to undermine these norms of behaviour and the creation of distinctive artefacts; and, at a third, deeper and likely subconscious level, the beliefs and assumptions that underpin people’s value systems and preferred norms of behaviour – beliefs and assumptions learnt and nurtured so tacitly and implicitly that group insiders might struggle to make them explicit: for instance, in response to a group outsider’s question.
- Are these distinctions realistic? Do they reflect your own experience?

Reading

Now read the article entitled ‘Why is it so difficult to tell what a Japanese person is thinking?’.

Applying the Wh-H technique discussed in Section 1.2 above, review this article. Consider these, and any further questions that you have of it.

- What do the think are the writer’s interests in writing this article?
- To what audience is it directed?
- What audience might find it most useful?
- What drawbacks can you find in using information and ideas presented?
- What are its strengths and its weaknesses? How can they be explained?

Try to apply such ‘Wh-H’ questions systematically to all the reading texts you encounter in this course.

1.4.1 Managers and groups

According to Handy (1993), managers routinely spend up to half of their working day interacting with and within groups; indeed, senior managers may spend up to 80 per cent of their time working collectively with members of various groups. These groups may be formally organised – that is, coming together in the context of management committees, governing or supervisory boards, or annual general meetings (AGMs). These groups may comprise large or relatively small numbers of members. They may meet on a regular basis; or on an ad hoc basis – for example, in order to agree on a response to a business crisis or to celebrate some organisational or individual achievement.

By extension, groups may define themselves spatially and temporally in the context of social gatherings during lunch breaks or after work. Routinely, in organisations, informal groups are defined by people coming together to exchange information about work and / or about themselves in the context of what in US American organisations has become known as ‘water cooler conversations’ – that is, the information or gossip that people exchange at work around the office water dispenser. In other national and organisational contexts, this spatial point of focused gathering might be a coffee machine or a smoking room.
In all national and organisational contexts, managers at various levels in the organisational hierarchy can ask themselves questions about the various types of groups that form within and around the organisation. These questions inform the way in which these managers perceive they can – or should – make decisions effectively; and the response they can expect – in terms of stakeholder cooperation or resistance, for example.

1.4.2 Why emphasise ‘national culture’?

But as noted above, this course deals centrally with the concept of ‘national culture’ – defined in greater detail in Chapter 2 of the textbook, and contrasted with ‘organisational culture’ in Chapter 5.

The concept aims to reduce the risk of business failure by giving managers a controlled sense of how and why they make the decisions they do. It helps explain how and why people of other national cultural backgrounds might interpret their decisions, and evaluate them. Furthermore, understanding the cultural context – the S factor in the PESTEL model – can help explain the importance of national-level politics, economics and law – the P, E, and L factors – as influences on decision-making in the organisation.

1.5 Comparing Cross-Cultural and International Management

We can now take stock of how far we have come since the beginning of this unit.

Look again at the title of the course textbook (Mead and Andrews, 2009):

*International Management: Culture and Beyond*

How should we now interpret this title?

The definition of management applied in this course can be re-iterated: as ‘the process through which the efforts of members of [an] organisation are co-ordinated, directed and guided towards the achievement of organisational goals’ (Mullins, 2005: 34/1058). The unit argues that the management process can be described and analysed in terms of the decisions that managers make as they intervene in the flows of work occurring within the organisation. The strategic nature of these interventions is emphasised in the direct and explicit connection made in this definition of management to ‘the achievement of organisational goals’.

1.5.1 Defining ‘international management’

Mead and Andrews (2009: 16) draw on a number of scholars in order to define ‘international management’ as ‘the generation and transfer of knowledge across initial settings, organizations, and countries’. This emphasises that international organisations such as MNCs straddle national boundaries. Hence, the textbook emphasises the responsibilities that managers have in making decisions that are designed to have an impact in different cultures.
Of course, the definition of international management as developed here – and in similar textbooks – is not the only one possible, and you may think that it suffers theoretical weaknesses. For example, how far is it value-laden, in that it reflects relationships only between Western and non-Western organisations, and assumes a transfer of knowledge, skills and so on, from the first to the second?

A range of textbooks, articles, internet sites and your own experience can help you derive your own definition, which is theoretically more sensitive, and better suited to your own situation.

1.5.2 Defining ‘cross-cultural management’

Unsurprisingly, there is no one clear or definitive answer to the question of what defines cross-cultural management. The answer depends on which perspectives on ‘management’ and the relation of this process to ‘culture(s)’ we choose to emphasise.

Mead and Andrews define cross-cultural management as the ‘development and application of knowledge about cultures in the practice of international management, when the people involved have different cultural identities’ (Mead and Andrews, 2009: 16).

This can be compared with the definition given by Laurie Jackson in his book *International HRM: A Cross-Cultural Approach* (2002). He emphasises the importance of ‘examining the contributions of different cultures in interaction’. This emphasis on the complexities of ‘interaction’ or ‘communication’ between ‘cultures’ (i.e. groups of people or stakeholders) is one shared by Mead and Andrews, and it is developed throughout this course, where we discuss several case studies from the field of human resource management (HRM) and international human resource management or IHRM (cf. Briscoe and Schuler, 2004; Harris, et al., 2003).

The text *Cross-cultural Marketing*, edited by Rugimbana and Nwankwo (2003, from which you’ll be reading in Unit 5) highlights the importance of communicating one’s cultural identity in international and cross-cultural management. The book eschews the traditional practice of asking how far marketing ideas that work in one context may be applied elsewhere. It focuses instead on the realities of marketing to different cultures both externally, from outside its borders, and internally – marketing to different cultural communities at home.

🔗 Review Question

- How do you respond to these different definitions of ‘cross-cultural management’ in the context given by the definitions of ‘management’ and of ‘international management’ we have already discussed? Make your own definition, taking into account your particular situation.
**Reading**

You should now read Section 1.4 in the textbook (Mead and Andrews: pp.16–17).

The points below are developed elsewhere in the textbook and this course, and should be kept in mind. Make sure your notes cover them adequately.

- Note the emphasis given to ‘different (manager) roles’. Section 4.2.4 of the textbook discusses a number of manager roles – for example, the manager as expert (Mead and Andrews, 2009: 66). Units 2 and 4 of this course highlight a potential role as a change agent.
- The emphasis on skills (as opposed to knowledge) reminds us that one outcome of working through a course such as this is that the participants become more skilled as managers in international contexts. Cross-cultural skills are covered in detail in various chapters of the textbook and in this course.

Note that the authors are not centrally concerned with cultural groups here. In the context of analysing management and organisational behaviour, Mullins (2005: 1055) defines a group as:

> Any number of people who interact with one another, are psychologically aware of one another and who perceive themselves as being in a group.

This definition indicates that

- this status of membership derives from a process of identification with the group, and of perceiving other people in respect of their claims to membership of the group
- group members ‘interact with one another’. That is, they exchange information with each other in particular ways and for particular purposes; perhaps in order to reinforce their perceptions of their own and other people’s membership of the group; and perhaps in order to exclude other people from this status of membership. In other words, groups define and sustain themselves by differentiating their styles of communication.
- Many of the examples and case studies developed in this course relate directly to the management of human resources in international contexts; that is, to HRM, or international HRM.
- The issue of managing cultural diversity is now recognised as a key in current studies of HRM and of management generally. For example, refer to websites such as [www.cipd.org.uk](http://www.cipd.org.uk) – the portal for the Chartered Institute for Personnel and Development (the leading body for validating HRM professionals in the UK) and other HRM-related websites supported worldwide.
- As with managing diversity in the field of HRM, managing creativity in the context of group and team work has become a key field of studies in strategic management. Diversity and creativity are regarded as essential in making innovative and strategic changes to the organisation (cf. Henry, 2001).
- Why is it important for international managers to develop cross-cultural sensitivity? Look at Mead and Andrews’ argument in Subsection 1.4.1. How far do you agree?

### 1.6 Implications for International Management Practice

In the introduction to Section 1.5 of your textbook, you will notice that the authors direct you towards applying the concepts and issues raised in Section 1.4 to the context of your own organisation and / or current context for study on this course – that is, your ‘business school’.
Reading

Now read Section 1.5 in the textbook (Mead and Andrews: 17).

Reflect on how you would answer the questions listed here for your own situation.

- How far do they explain your decision to study this course?
- How far have cultural factors influenced this decision?

Online Study Centre (OSC)

Be prepared to share your thoughts in response to the above questions – and your reflections on this unit as a whole – with your tutor and study colleagues via the online discussion forum set up in support of your studies on this course.

1.7 Unit Summary and Review

Look at the Summary section of Chapter 1 in the textbook (Mead and Andrews, 2009: 18). Highlight the terms / concepts written in CAPITAL letters.

Write a short text – or map a diagram – defining and connecting these terms / concepts. Apply the following structure to each of your definitions:

- the term / concept (including a translation, if your language of work is not English)
- a generic (i.e. non-specific) definition
- a practical example from a field of international management decision-making relevant to your own work experience.

Unit Review Questions

A Look at the questions listed in Section 1.7 of the textbook (Mead and Andrews, 2009: 18–19). Answer them from your own perspective – that is, on the basis of your own experience and expectations.

B Consider the following scenario:

Imagine you have been given the responsibility to suggest changes in your current work situation. These changes should aim to manage diversity more effectively.

- What decisions do you need to make in order to resolve this issue? Apply the models for decision-making outlined in this unit.
- What PESTEL factors indicate most clearly the type of resources you will need to implement change, and why?

C Look at the following terms. Each represents a type of organisation relevant to your studies on this course.

- Keiretsu
- Chaebol
- Chinese State Owned Enterprise (SOE)

Read the notes below on the first two (Keiretsu and Chaebol). Use your own research to develop these definitions. What further evidence can you find of how each responds to change in its internal and external environments?

In the case of the third (SOEs), follow the instructions below.
Keiretsu

This Japanese term refers to an industrial network or grouping ‘joined together, as links in a chain’ (Flath, in Bird, 2002: 190). Different organisations responsible for different stages in the production or value chain may be organised around the shared facility of a central bank. In this way, keiretsu managers reduce financial risk and transaction costs to a minimum. Thus, a culture of shared strategic and shared managerial responsibility and accountability develops. Because many managers devote their lives to a single organisation within their particular keiretsu, this may be sustained in a stable condition over years.

The senior managers and presidents of the top ranking keiretsu in Japan frequently confer in so-called ‘president clubs’, thus smoothing some of the destructive aspects of fierce domestic competition, and colluding to exclude non-member (e.g. non-Japanese) organisations from Japanese markets. Top ranking keiretsu networks or groupings include Mitsubishi, Bridgestone, Toshiba, Sony, Toyota and other global Japanese brands.

A major handicap of the type of cultural conformity that keiretsu membership develops is that senior strategic decision-makers can become so unused to risk that they fail to comprehend the opportunities and threats inherent in fast-paced changes in an increasingly globalised business world.

Chaebol

This term refers to a large industrial conglomerate typical for South Korea. Chaebol usually consist of a core company (e.g. Hyundai Motor) and a network of other companies dependent upon the core. Hyundai cars are made from steel and other raw materials supplied and shipped by Hyundai-owned companies; other Hyundai-owned companies will then distribute the assembled cars. In this sense, there are structural, social and cultural parallels with organisations that make up the Japanese keiretsu – parallels that can perhaps be traced back to Confucian tradition (cf. Chen, 2004).

In the wake of the 1997 Asian economic crisis, the IMF reforms imposed on South Korea forced the surviving chaebol to reduce their dependence on easy debt, to sell off non-performing assets, and to become more transparent and accountable to public shareholders. There was also significant restructuring, as large conglomerates became broken down into smaller, more flexible and competitively entrepreneurial units. These reforms have been fostered by national governments since the crisis and a growing spirit of entrepreneurialism among Korean managers. These developments, together with a rigorous national banking reform and a focus on technological innovation, mean that former chaebol such as Samsung can today claim to be global organisations (cf. Jackson, 2003).

🔍 Chinese State Owned Enterprise (SOE)

Now research and write this definition for yourself.

Exploit print and on-line media: for example, try a web search for the term ‘SOE China’.

Formulate your definition in similar terms to those outlined above for ‘keiretsu’ and ‘chaebol’, highlighting the traditional boundaries of this type of organisation, and noting any current and general changes that Chinese SOEs are undergoing – for example, in redrawing their boundaries and recasting their relationships to stakeholders.
References and Websites


Chartered Institute for Personnel and Development, website: www.cipd.org.uk


