

# THE INTERNATIONAL DIMENSION



## THE OBJECTIVES OF THIS CHAPTER ARE TO:

- 1 DEFINE INTERNATIONAL HRM
- 2 PRESENT AN ANALYSIS OF CULTURAL DIFFERENCES IN MANAGEMENT
- 3 REVIEW ASPECTS OF INTERNATIONAL COMMUNICATION AND COORDINATION

A frequent axiom about any form of international management is ‘global thinking; local action’. This is not just a neat form of words, it sums up precisely the spread of understanding that international management activity requires. It is particularly apposite for human resource management and derives from a sentence in one of the seminal works on international management:

Successful international managers, whether mobile or non-mobile, must be prepared to act locally, but to plan and think strategically and globally. (Barham and Rassam 1989, p. 149)

Global thinking in an international business is concerned with all the things that are different in doing business in more than one country at the strategic level, and how (on earth) the activities can be coordinated effectively. For HR managers these are issues such as how the cultural differences between countries can be accommodated and how effective communication can be maintained across long distances, different time zones, different managerial assumptions, varying national norms and different languages. There are also the differences in legislation, training methods, education systems, social security arrangements and pension provision. This is HRM at its most intellectually demanding because of the deep understanding that is needed of so many complex issues.

Local action is informed by global thinking, but carried out quite separately as all action is local and has to be decided by reference to aspects of employment in one locality only. Human resource management deals with people who are employed within only one set of legal, cultural, demographic and physical conditions. A debug technician may be employed in Italy to do exactly the same job on exactly the same range of products as another employee of the same company in Iowa or Indonesia, but the terms and conditions of employment, social conventions and accepted management practices will be totally different.

The range of this topic is therefore vast, as dealing adequately with local action would require a library full of books. In other chapters there have already been references to certain aspects of local action in different contexts. Here we shall introduce the general topic and then deal with just two aspects of global thinking that are particularly important to international HRM.

## **INTERNATIONAL HUMAN RESOURCE MANAGEMENT**

Systems which in most countries have evolved incrementally over the course of many decades – even centuries – have each acquired a distinctive coloration, adapted to the idiosyncrasies of national socio-economic structure, national political regimes, and perhaps also national temperaments. (Ferner and Hyman 1992, p. xvii)

The above comment was written specifically about Europe, but it applies even more when the comparison is extended beyond a single continent. Europeans share a common heritage, no matter how bloodstained it may be, through fighting against each other in various combinations for a thousand years, throughout which time the

Christian religion has been shared by all nationalities. North Americans stopped fighting each other on any big scale 150 years ago and share a common religious tradition with the Europeans, as well as sharing one of the European languages. Europe and North America also share the concept and practices of ‘Westernisation’, but there is still ample scope for misunderstanding between the two continents. Contrasts become even starker when one moves to Arab countries, to India, to China or to South East Asia. This is just an illustration of the diversity that international HRM has to encompass.

Towards the end of the twentieth century there grew a concern about the ever-increasing significance of the multinational company as the means whereby individual economies are integrated into a global economy, with a small number of very large companies accounting for a disproportionately large number of the people in employment.

There are 53,000 MNCs that control 450,000 subsidiaries, and these MNCs account for approximately one quarter of output in the developed economies . . . As companies and organisations expand their cross-border activities there has been a concomitant increase in business activity together with an increase in the cross-border integration of their production and services. This in turn has created an increasing in the processes by which management co-ordination and control can be exercised. (Beardwell *et al.* 2004, p. 585)

Globalisation has become a dirty word, sparking demonstrations and being blamed for many of the ills in the developing world, yet HRM in any business has to contend with the human resource implications of globalisation. There is always an HRM dimension to any strategic initiative, and international moves perhaps present the strongest case for the HRM specialist to be involved at the beginning in formulating the overall approach, simply because the HRM implications and opportunities are not immediately obvious.

International HRM is a particular type of decentralisation and expansion of the HR role. As an organisation increases its international activities, it inevitably steps up the degree of decentralisation, but internationalisation is not simply a form of decentralisation. It is the most complex form of decentralising operations and involves types of difference – language, culture, economic and political systems, legislative frameworks, management styles and conventions – that are not found in organisational growth and diversification that stay within national boundaries.

In these circumstances HRM logically follows, as well as helping to shape, the strategic direction set by the financial, marketing and operational decisions. In practice there may be a different pattern, as HR often remains one of the last centralising forces because of the importance of such features of management as equity, order, consistency and control. Although the personnel function will relinquish these aspects of HRM reluctantly, they are likely to have other contributions to make in operating the corporate internal labour market:

The loss of some central tasks through decentralisation – especially the orchestration of central bargaining, and the management of pay structures and job evaluation – and gaining new ones . . . represent a significant shift in the corporate personnel role. (Hendry 1990, p. 102)

Decentralisation is needed to empower the subsidiaries, so that they become autonomous units within a corporate family instead of being overseas subsidiaries of a parent company. Some features, such as recruitment and industrial relations negotiations, are almost entirely decentralised, so that there is little need for a coordinated, centrally driven policy.

### ACTIVITY 30.1

Review the HR activities within your own organisation or one with which you are familiar and decide which you feel should be coordinated on an international basis and which should be decentralised.



Integration is expansion of the HR role to achieve the necessary coordination so that the business remains whole. New features are added, such as advanced schemes of remuneration for expatriate employees, new forms of communication to ensure the necessary ‘corporate glue’. Although nearly all recruitment and selection is decentralised, a new activity will develop in the recruitment, selection and training for an elite corps of international managers.

## CULTURAL DIFFERENCES IN MANAGEMENT

The history of the European Union in attempting to establish a supranational institution is one of constant, but reluctant recognition of the stubbornness of national differences and the accentuation of regional differences among, for instance, the Basques, the Flemish and the Scots. The cultural diversity and intensity of feeling on national issues in a close-knit and economically developed region like Western Europe indicates the significance of cultural difference on a global scale. Nationality is important in HRM because of its effect on human behaviour and the consequent constraints on management action.

Some things that initially appear specific to a particular national culture turn out to be understood and welcomed in almost all cultures. Italian pizza has been adopted in most countries of the world, and the expansion has been largely brought about by Pizza Hut, which is owned by Pepsi-Cola, an American company known for a drink that has also gone to every corner of the globe. Who would have expected that Muscovites would daily queue up outside the largest McDonald’s in the world until it was overtaken by the branch in Beijing? Few brands are more obviously global than Microsoft.

Newspapers and magazines in social democracies and socialist republics frequently devote more space in 12 months to the British Royal Family than to any other topic, despite the fact that the institution is utterly British and theoretically alien to their political system. Countless millions every day follow the fortunes of some very ordinary people in the fictional Australian setting of Ramsey Street, Erinsborough, and even more watch association football. The wide international acceptability of these things could suggest that we are all members of the global

village with converging tastes and values. Yet certain facets of national culture remain deeply rooted and have a way of undermining that argument.

It is difficult to prove that any given language determines management behaviour in specific ways. Nevertheless, it seems incontestable that the French have developed their language as a precision tool for analysis and conceptualisation; that the Japanese use their language as an emollient for creating an atmosphere conducive to harmonious interaction; and that the Americans use their version of English as a store of snappy neologisms to excite, distract and motivate. (Holden 1992)

Managers in organisations with an international dimension, and HR professionals in particular, have a job that is forcing them to be more internationally minded almost daily, yet seldom are they aware of the impacts of different national cultures on management practices.

Cultural diversity in management practice is so extensive that anyone's brain hurts when trying to comprehend it and then trying to remember the details. For example, to the European, Israel is in the Middle East and has a government. To the Malaysian, Israel is in West Asia and has a regime. The cultural range is so great that there is a danger of international managers operating simply at the level of caricature, folklore and trivia, such as learning how to present one's business card to a Japanese, or what it means when a German takes his jacket off. Is there any framework for fitting together the maze of cultural diversity? One classic study by Geert Hofstede was published in 1980 and then re-visited in 1984, 1988 and 1991. As with any original piece of work it has been criticised, but it remains the most convincing analysis. One of his critics acknowledges:

The importance and value of Hofstede's work cannot be overstated . . . the criticisms levelled against him are dwarfed by the strengths of [his] work in comparing cultures and applying cultural analysis to practical management problems . . . The four dimensions tap into deep cultural values and allow significant comparisons to be made across national cultures. To ignore his findings would be inexcusable. (Tayeb 2003, p. 71)

## Differences in national cultures

Hofstede (1980) analysed 116,000 questionnaires administered to employees of IBM in seventy different countries and concluded that national cultures could be explained by four key factors:

**1 Individualism.** This is the extent to which people expect to look after themselves and their family only. The opposite is collectivism which has a tight social framework and in which people expect to have a wider social responsibility to discharge because others in the group will support them. Those of a collectivist persuasion believe they owe absolute loyalty to their group.

**2 Power distance.** This factor measures the extent to which the less powerful members of the society accept the unequal distribution of power. In organisations

Criterion	High	Low
Power distance	Mexico Philippines Venezuela Yugoslavia	Austria Denmark Israel New Zealand
Uncertainty avoidance	Belgium Greece Japan Portugal	Denmark Hong Kong Singapore Sweden
Individualism	Australia Canada Great Britain United States	Colombia Pakistan Peru Venezuela
Masculinity	Austria Italy Japan Venezuela	Denmark Norway Sweden Yugoslavia

**Table 30.1**  
Cultural differences between nations

Source: Based on material in G. Hofstede (1991) *Cultures and Organizations: Software of the Mind*. London: McGraw Hill.

this is the degree of centralisation of authority and the exercise of autocratic leadership.

**3 Uncertainty avoidance.** The future is always unknown, but some societies socialise their members to accept this and take risks, while members of other societies have been socialised to be made anxious about this and seek to compensate through the security of law, religion or technology.

**4 Masculinity.** The division of roles between the sexes varies from one society to another. Where men are assertive and have dominant roles these values permeate the whole of society and the organisations that make them up, so there is an emphasis on showing off, performing, making money and achieving something visible. Where there is a larger role for women, who are more service oriented with caring roles, the values move towards concern for the environment and the quality of life, putting the quality of relationships before the making of money.

Hofstede found some clear cultural differences between nationalities. A sample of scores on the four criteria are in Table 30.1.

**Clusters of national cultures and organisational principles**

Hofstede’s findings were then compared with the large-scale British study of organisations carried out in the 1970s (Pugh and Hickson 1976) and some unpublished analysis of MBA students’ work at INSEAD, which suggested that there were clusters of national cultures that coincided with different organisational principles, when Hofstede’s results were plotted against two of his dimensions: uncertainty avoidance and power distance. Hofstede argues (1991, pp. 140–6) that countries emphasising large power distance and strong uncertainty avoidance were likely to produce forms of organisation that relied heavily on hierarchy and clear orders from superiors: **a pyramid of people.**

Pyramid of people	Well-oiled machine	Village market	Family
Arab-speaking	Austria	Australia	East Africa
Argentina	Costa Rica	Britain	Hong Kong
Belgium	Finland	Canada	Indonesia
Brazil	Germany	Denmark	India
Chile	Israel	Ireland	Jamaica
Colombia	Switzerland	Netherlands	Malaysia
Ecuador		New Zealand	Philippines
El Salvador		Norway	Singapore
France		South Africa	West Africa
Greece		Sweden	
Guatemala		United States	
Iran			
Italy			
Japan			
Korea			
Mexico			
Pakistan			
Panama			
Peru			
Portugal			
Spain			
Taiwan			
Thailand			
Turkey			
Uruguay			
Venezuela			
Yugoslavia			

**Table 30.2**  
Clusters of  
national  
cultures

Source: Based on material in G. Hofstede (1991) *Cultures and Organizations: Software of the Mind*. London: McGraw Hill.

In countries where there is small power distance and strong uncertainty avoidance there would be an implicit form of organisation that relied on rules, procedures and clear structure: **a well-oiled machine**.

The implicit model of organisation in countries with small power distance and weak uncertainty avoidance was a reliance on ad hoc solutions to problems as they arose, as many of the problems could be boiled down to human relations difficulties: **a village market**.

The picture is completed by the fourth group of countries where there is large power distance and weak uncertainty avoidance, where problems are resolved by constantly referring to the boss who is like a father to an extended family, so there is concentration of authority without structuring of activities. The implicit model of organisation here is: **the family**. Table 30.2 shows which countries fit the different organisation models.

So now we have a classification of cultural diversity that helps us. Table 30.2 tells us that the implicit form of organisation for Britain is a village market, for France it is a pyramid of people, for Germany it is a well-oiled machine and for Hong Kong it is a family. If we can get to grips with the organisational realities and detail in those four countries, then this can provide clues about how to cope in Denmark, Ecuador, Austria or Indonesia because they each share the implicit organisational form and implicit organisational culture of one of the original four.

It is not quite as easy as that, because the clusters show only relative similarities and, inevitably, other studies do not entirely agree with Hofstede (for example,

Ronen and Shenkar 1985), but there is sufficient agreement for us to regard the four-way classification as useful, if not completely reliable, although all the research material was gathered in the 1970s: there may have been radical changes since then.

### Time orientation

Hofstede's second book (1991) produces a refinement of the uncertainty avoidance dimension: 'Confucian dynamism', or long-term versus short-term orientation. Later he used the term 'time orientation' instead. Management researchers are typically from Western Europe or the United States, with all the cultural bias that such an orientation involves. Working with the Canadian Michael Bond, Hofstede used a Chinese value survey technique in a fresh study and uncovered a cultural variable that none of the original, Western, questions had reached. This was long-term orientation, and the highest scores on this dimension were from China, Hong Kong, Taiwan, Japan and South Korea. Singapore was placed ninth. Leaving out the special case of China, we see that the other five are those known as the 'Five Dragons' because of their dramatic rate of economic growth in the 1980s.

Hofstede argues that countries in the West have derived their culture largely from the three religions of Judaism, Christianity or Islam, all of which are centred on assertion of truth that is accessible to true believers, whereas none of the religions of the East are based on the assertion that there is a truth that a human community can embrace:

They offer various ways in which a person can improve him/herself, however these do not consist in believing but in ritual, meditation, or ways of living . . . What one does is important. (ibid., p. 171)

The 'Confucian' values found attached to this long-term orientation included perseverance, clearly maintained status differentials, thrift and having a sense of shame. In many ways these values are valuable for business growth, as they put social value on entrepreneurial initiative, support the entrepreneur by the willing compliance of others seeking a place in the system, encourage saving and investment, and put pressure on those who do not meet obligations.

This suggests that international companies should consider the location of some of their strategic activities in the East. This idea was reflected in a comment from an expert on international human resource issues:

Philips is establishing centres of competence . . . their centre for long-range technology development was recently moved from the United States to the Far East, where the time orientation was seen as more conducive to innovation than the 'quick fix' mentality of North America. (Evans *et al.* 1989, p. 116)

Considering the fact that Eastern cultures might have features that Western investigators could not initially see is a relatively recent development for management

researchers, if not for anthropologists. It indicates the persistence of the Western assumption, well justified until very recently, that Europe and the United States dominated the world's commerce: therefore they also were the centre for understanding universal aspects of management and business.

Hofstede's work ignores Russia and most of the countries of Eastern Europe, as well as the People's Republic of China. The globalisation of management is now more real than at any time previously, but our understanding of how different cultures alter the HRM process is still slight.

### **Strategic implications of cultural diversity**

From a strategic perspective cultural diversity has many implications for HRM. Hodgetts and Luthans (1991, p. 36) have selected some of these where the culture of a society can directly affect management approaches.

**1 The centralisation of decision making.** In some societies (especially the pyramid of people type) all important decisions are taken by a small number of managers in senior positions. In other societies (like the village markets) decision making is more decentralised. In a joint venture between two dissimilar societies, not only will these differences of approach need to be recognised, but management systems will have to be devised to enable members of the two cultures to understand each other and work together.

**2 Rewards and competition.** The level of financial rewards between countries can be a problem, when those in country A appear to receive much more money than those in country B for doing the same job, but a more subtle difference is the way in which rewards are disbursed. In some instances there is a culture favouring individual recognition, while elsewhere there is a convention of group rewards. Similarly some societies encourage competition rather than cooperation, and in others the reverse applies.

**3 Risk.** As Hofstede demonstrated in his first study, attitudes towards taking risks are a clear discriminator between cultures, with marked variations of uncertainty avoidance.

**4 Formality.** The well-oiled machine cultures place great emphasis on clear procedures and strict rules, while pyramid of people cultures emphasise clear hierarchies and observance of rank. This contrasts strongly with the village market type societies where relationships are more informal and ad hoc action more likely.

**5 Organisational loyalty.** In Japan there tends to be a strong sense of loyalty to one's employer, while in Britain and the United States there is a growing sense of identification with one's occupational group, rather than with a particular employer. The long-standing importance of professional bodies and the declining long-term reliability of corporations as wagons to which to hitch one's career star have increased this sense of loyalty to one's occupation rather than to one's employer.

**6 Short or long-term orientation.** Hofstede's identification of an Eastern predilection for the long term is beginning to influence strategic decisions on where to locate those organisational activities for which long-term thinking is particularly appropriate.

Table 30.2 gives us a rough guide to similarities between national cultures and the classification gives us some route markings through the cultural maze. We also have the long-term orientation of Confucian dynamism, which can guide thinking on a number of strategic issues in international management.

## INTERNATIONAL COMMUNICATION AND COORDINATION

Communicating across geographical, ethnic and national boundaries is a major challenge for HR people. Not only ‘What did he say?’ but also ‘What did he mean?’ Remembering Hofstede’s analysis of cultural variations, we realise, for instance, that people from cultures with a wide power distance are not likely to provide feedback which is other than straightforward assent. They are inhibited by the feeling that their questions will indicate criticism.

### WINDOW ON PRACTICE

Mead (1990, p. 47) gives the example of hotel managers in South East Asia, who will say ‘Yes’ to a question such as ‘Can the refrigerator in my room be repaired today?’ even if it cannot:

His cultural priorities tell him to give a pleasing answer and to satisfy immediate needs; the long-term problem can be resolved at a later date or may disappear. The guest may decide that he doesn’t need to use the refrigerator; or will change his travel plans and move out that day; or can be accommodated in another room.

Brandt and Hulbert (1976) studied organisational feedback in a number of multinational companies that had their headquarters in Europe, Japan and the United States. They found that the American organisations had many more feedback reports and meetings between headquarters and subsidiaries than their European or Japanese counterparts. In contrast, Pascale (1978) found that Japanese managers in Japan used face-to-face contacts more than American managers as well as more upwards and lateral communication. Japanese managers in America used communication in the same way as Americans.

### ACTIVITY 30.2

In your place of work or in your college, what differences in behaviour do you notice among people with a different cultural background from your own? How do these differences affect your working relationship with them?



## SOME BARRIERS TO EFFECTIVE INTERNATIONAL COMMUNICATION

There are various ways in which expectation determines communication content and all can impair the accuracy of message transmission. Several of these – the frame of reference, stereotyping and cognitive dissonance – were explained in the Part I Focus on skills. Such problems are compounded by geographical distance, cultural differences and subtleties of language.

### Frame of reference

Few of us change our opinions alone. We are influenced by the opinions developed within the group with which we identify: our reference group, which provides our *frame of reference*, was referred to in our opening chapter. The clearest example of contrasted frames of reference is when international expansion is by the route of acquisition. Employees in the acquired company will feel a greater sense of community with each other than with those who have acquired them. They will see corporate affairs from their own standpoint and will tend to be cautious in their behaviour and suspicious in their interpretation of what they hear from their new owners. Every acquisition has this problem, but international acquisition is beset by particular problems.

Despite all attempts to forge a common identity, companies in different countries will take pride in their own accomplishments and informally disparage the accomplishments of other nationality groups. As long as this stimulates healthy competition, rivalry can benefit the business, but it can quickly become destructive, like the situation of the car assembly plant in Britain which constantly rejected and returned gear boxes made by the same company in Germany. National boundaries produce distorted ideas about the ‘other’ people, whose achievements are underestimated and undervalued in comparison with the achievements of your own group, which may be overestimated.

### Stereotypes

It is quite common for the British and some Americans to hold a stereotypical expectation of certain types of behaviour and intention from the Irish (‘Never stop talking and always ready for a fight’). Other crude stereotypes are that Germans are thorough and unimaginative, the French are romantic and obsessed with status, the Chinese all look the same, Americans are loud and brash, the English are reserved and aloof, Arabs are fatalists, Spaniards are haughty, and so on.

Our review of culture was partly an account of national stereotypes and exemplifies the problem: we need to understand general differences in behaviour and attitude that are rooted in cultural diversity, otherwise we will be misunderstood in what we say and will misinterpret what we hear, but we must avoid the trap of assuming that all nationals conform precisely to a single model. Not all the Irish are loquacious and not all the Scots are mean.

In dealing with foreigners, some well-informed stereotyping can avoid initial offence and misunderstanding, but it must give way to more sensitive behaviour as the other person is evaluated and better understood.

## Cognitive dissonance

Cognitive dissonance does more than lead to misunderstanding; it can also distort or inhibit action. Not only do recipients of information find it difficult to understand, remember and take action, they will also grapple with the dissonance that the problematical new information presents. One of the ways in which they do this is to distort the message so that what they actually hear is what they expect to hear and can easily understand rather than the difficult, challenging information that is being put to them.

### WINDOW ON PRACTICE

A Portuguese manager of a small company in Bombay received an instruction from his head office about closing one of his plants, so he called in the manager of the plant and showed him the letter. He was baffled when the plant manager begged him to destroy the letter. The Portuguese saw this as a pointless symbolic act; the Indian saw it as a way of making the instruction void.

A young Swiss woman in London was equally baffled when, paying for an item in a store by using a cheque, she was told to cross the cheque. Having tried folding it in half, she required great persuasion to draw two straight lines across the face of it. Not only did this seem strange to her, but it was also directly counter to her previous experience and beliefs.

## Language

There are frequent problems with language. In Shell International there is a term to describe the purpose of certain types of meeting as ‘flocking’, which is a wonderfully precise term to express the nature and purpose of those particular gatherings that take place, yet French and German people have great difficulty in understanding the nuances of the term, because neither language has an equivalent that distinguishes between, for example, flocking and herding.

We can also fall into the trap of misunderstanding a word which is not what it sounds as if it should be. An example which causes problems for English speakers in Italian hotels is the word ‘caldo’, which means ‘hot’, on bathroom taps.

Even the most scrupulous translation can be tricky. The following English translation of a government edict in Prague seems to have lost something in translation:

Because Christmas Eve falls on a Thursday, the day has been designated a Saturday for work purposes. Factories will close all day, with stores open a half day only. Friday, December 25 has been designated a Sunday, with both factories and stores open all day. Monday, December 28, will be a Wednesday for work purposes. Wednesday, December 30, will be a business Friday. Saturday, January 2, will be a Sunday, and Sunday, January 3, will be a Monday.

## Jargon

The problem of jargon is where a word or a phrase has a specialised meaning that is immediately understandable by the cognoscenti, but meaningless or misleading to those who do not share the specialised knowledge. The Maslovian hierarchy of human needs is by now quite well known in management circles. On one occasion a lecturer was describing the ideas that were implicit in this notion and was surprised some months later in an examination script to see that one of the students had heard not 'hierarchy' but 'high Iraqi'. The unfamiliarity of the word 'hierarchy' had been completely misinterpreted by that particular receiver, who had imposed her own meaning on what she heard because of the need to make sense of what it was that she received. Professor Eugene McKinna relates how he was lecturing on the same subject of motivation, describing job enlargement and job enrichment. After the lecture a puzzled student asked him, 'what exactly was the job in Richmond?'

The value of jargon in international management is that the jargon quickly becomes universally understood by the experts, no matter what their nationality. Botany, Medicine and Chemistry are fields where a specialist can probably understand a technical paper no matter what the language may be. Sheet music is covered in Italian words that have no neat translation and no need for translation as they are universally understood by musicians. Management is moving in that direction, with JIT, QWL, TQM and the rest.

## Corporate culture

A quite different aspect of communication for the HR people in the international company is disseminating information and other messages within the organisation to help develop corporate culture, a sense of collaboration across national boundaries in order to integrate the business, with members of the different units in the business understanding, for instance, why a company has been acquired in South America, even though it seems to threaten the livelihood of some parts of the parent organisation. Comprehensive communication can raise awareness of the wider market and the opportunities that are waiting to be grasped. Foulds and Mallet (1989, p. 78) suggest the following as purposes of international communication:

- to reinforce group culture so as to improve the speed and effectiveness of decision taking;
- to encourage information exchange in internationally related activities and prevent the 'reinvention of the wheel';
- to form the background to the succession planning activity – certain cultures demand certain types of people;
- to establish in peoples' minds what is expected of them by the parent company;
- to facilitate change in a way acceptable to the parent company;
- to undermine the 'not invented here' attitudes and thereby encourage changes;
- to improve the attractiveness of the company in the recruitment field – particularly where the subsidiary is small and far from base;
- to encourage small activities, which may be tomorrow's 'cream', and give such activities a perspective within the international activities.

There is a need for constant communication throughout the business to disseminate information and to sustain changing values. The organisation must operate holistically. It is not the sum of its parts: the whole exists in every part, like the human body. If you are ill a doctor can obtain information about your illness from any part of you. A sample of your blood or the taking of your temperature is just as good wherever it comes from. If you are to be protected against cholera, which attacks the intestines, you have an injection in your arm. If you are about to be shot in the chest, your entire body will shiver in fear.

When a company is operating internationally the work-flow pattern may be very clear and provide the logical main channel for communication. If a washing machine is produced by manufacturing electronic components in California, subassemblies and wiring harnesses in Korea and final assembly in Scotland, there is an easy sequence to follow. Job instructions, guidance notes, queries, telephone calls, specifications, requisitions, authorisations, order forms are some of the many ways in which groups of people communicate with those before and after in the work flow, or critically adjacent to the process, such as the HR people. Among the most effective international communicators are airlines, as their entire business is moving not only customers but also staff constantly across national boundaries to different organisational outposts of the business: the business activity creates the communications. All international businesses require centralised, coordinated communications to create common purpose and to share ideas and benefits, but those that do not have a natural work-flow link across national boundaries will have this need more highly developed.

### Individual behaviour

As in any organisation, the communications management challenge for international human resource management is at two extremes. At one extreme is the personal behaviour and skill of individual organisation members in making themselves understood, persuading others to do things, negotiating agreements with people from different cultural backgrounds, overcoming language barriers, appreciating different frames of reference and developing heightened sensitivity to varying behavioural norms and conventions. Communication is an individual activity, reflecting personal style, and the HRM requirement is for cultural awareness and perhaps language training. In this type of communication the manager is a skilled solo performer.

### Communication channels

The other extreme is impersonal and systemic, more concerned with channels of communication than with individual behaviour, and more concerned with systematic distribution of carefully chosen information and the organisation of communications opportunities. In this type of communication the manager both writes the score and conducts the orchestra.

Although the forms of communication are so different, they are also linked. Organisational communication is only as good as the quality of interpersonal communication that is taking place.

consistent patterns of interaction begin to develop when a group of individuals, in response to certain characteristics and needs of the environment, create a system of patterned activities for the accomplishment of a specific task. The process by which these relationships are formed and maintained is interpersonal communication. (Baskin and Aronoff 1980, p. 7)

It is not practicable for employees to develop confidence in a communications system; they can only acquire confidence in what the system produces and in those other members of the organisation with whom they interact. That confidence is built by the substance of what people say and do, but also by a climate in which people feel encouraged to express ideas, make suggestions and question the validity of decisions they cannot understand. Communications and behaviour are so closely inter-linked that everything which influences behaviour also influences communication.

## COORDINATION

Managers working internationally give themselves major problems of coordination by adopting measures that they see as necessary for business success. On the one hand they have to encourage diversity of local action, so that what is done fits local circumstances. On the other hand their global thinking requires careful coordination as the way to synergy, so that the global business does more and better together than it could possibly achieve as a number of independent units.

Bartlett and Goshal (1989) described three conventional approaches to coordination that were used, stemming from the nationality of the parent company, the Japanese, the American and the European.

### Japanese centralisation

The typical Japanese approach is where a strong headquarters group retain for themselves all major decisions and frequently intervene in the affairs of overseas subsidiaries. This appears to stem from their difficulty in dealing with foreigners:

a major strategic challenge for Japanese firms is to accept that non-Japanese must somehow be given more direct responsibility and opportunity for promotion within the company at local level . . . there has to be letting-go from the centre. But this is no easy thing. For companies must overcome severe impediments associated with wariness, distrust and lack of knowledge about the world beyond Japan. (Holden 1994 p. 127)

### American formalisation

The American approach is described as formalisation. Power is vested not in headquarters or in the managers of local companies, but in formal systems, policies and standards, so that it is the systems that drive the business. Many American businesses went international at the time that the use of control systems was being rapidly

developed to cope with the large size of the businesses. The idea of delegation and holding others accountable by means of extensive computerised information systems seemed eminently suitable for operating the increasing number of overseas units, especially when one remembers the apparent unpopularity of overseas postings among American managers (*see e.g.*, Tung and Miller 1990).

### European socialisation

In European companies the approach to coordination is described as socialisation. There has been a reliance on key, highly skilled and trusted individuals. These people were carefully selected and developed a detailed understanding of the company's objectives and methods. Their personal development included the establishment of close working relationships and mutual understanding with colleagues. Once groomed these key decision makers were despatched to manage the subsidiaries, so that the headquarters and the subsidiaries were both strengthened.

... because it relies on shared values and objectives, it represents a more robust and flexible means of co-ordination. Decisions reached by negotiations between knowledgeable groups with common objectives should be much better than those made by superior authority or by standard policy. (Bartlett and Ghoshal 1989, p. 163)

These three different approaches or emphases worked best for companies which had their headquarters in those three regions of the globe. As the world becomes smaller and companies become more diverse with subsidiaries that are fully mature, more sophisticated methods are needed: companies are not international, but global.

## INCREASING THE RANGE OF COORDINATION METHODS

The strength of the three approaches described above should not be underestimated, but any management will benefit from considering additional methods of coordination. Some will fit well with their current practice, adding to their strength; others will not seem suitable yet, others will not seem suitable at all.

### Evangelisation

The first suggestion is summed up, with some hesitation, by using the word *evangelisation*, to describe the process of winning the acceptance throughout the business of a common mission and a shared purpose. The idea of needing to win hearts and minds has been a common thread in management thinking for many years, but it takes on particular significance in the international or global business because of the number of barriers to be surmounted in coordination, especially the barriers of language, culture, national boundaries and parochial self-interest. It is indeed a remarkable management team who will be able to commit themselves with enthusiasm to closing down their local operation on the grounds that the business as a whole will benefit if an operation in another country is developed instead.

Evangelisation is used hesitantly to describe this process because it is the language of religion. Using it in relation to business will be heretical to some and irrelevant to others, but the processes of evangelisation contain many of the methods that are needed in coordination and evangelists confront the same barriers as those dealing in the world of global business. One of the most successful of all the great international companies has been Matsushita, the founder of which established in 1932 a development plan that was set out to cover a 250-year period. All employees undertake a programme of cultural and spiritual training and all worldwide units of the company have a daily assembly ritual. The very thought of a 250-year plan is inconceivable to most managers, but the fact of over sixty years of business success makes their mouths water. The American electronics giant IBM has moved on from its previous practices, but throughout its early years of market leadership, the company had some evangelistic features, including the IBM hymn, which caused one team of French analysts to describe it as 'la nouvelle eglise' (Pages *et al.* 1979).

### ACTIVITY 30.3

Within any organisation with which you are familiar, what examples can you think of where the methods of evangelisation described here have been effective in communication and coordination?



### Shared belief

Coordination through evangelisation works through **shared belief**. The beliefs may be interpreted in different ways and may produce varied behaviours, but there is the attempt to promulgate relatively simple doctrines to which members of the organisation subscribe and through which they are energised. Some readers of this book will have learned their catechism as children, or will know the Gettysburg Address by heart. Although this may seem inappropriate to the business world, the Matsushita case provides at least one example of its current application in commercial circles. In the 1970s a British company, Vitafoam, was established by a man who required his senior executives to copy out his annual policy statement by hand, three times, before handing it back to him. It is now commonplace for companies to have mission statements, which come close to being unifying articles of faith.

At the top is the mission statement, a broad goal based on the organization's planning premises, basic assumptions about the organization's purpose, its values, its distinctive competencies, and its place in the world. A mission statement is a relatively permanent part of an organization's identity and can do much to unify and motivate its members. (Stoner and Freeman 1992, p. 188)

### Parables

Evangelisation also works through **parables**. We all love a good story, and religion flourishes as tales of the founder and of current heroes are recounted and we learn

from the message that the parable conveys. Ed Schein (1985, pp. 237–42) identified ‘stories and legends’ as one of the key mechanisms for articulating and reinforcing the organisation’s culture. In pursuing the religious analogy, it is interesting that almost every Western-based multinational company will have one or more voluminous documents, colloquially known as ‘the Company Bible’, yet it is invariably a set of rules and procedures, rather than stories, legends or articles of faith.

The company house magazine partially serves the purpose of circulating the good news about heroic deeds in all parts of the company network. Better are the word of mouth exchanges and accounts of personal experience. Those who visit another country have to be fully exploited when they return. Returning expatriates have stories to tell to all members of the company to which they are coming back, not just to the senior managers conducting the debriefing. There are many problems in repatriation, but one of the best ways of getting re-established is to share one’s overseas experience widely, with as many people as possible, and fully, covering the entire gamut of their experiences. Occasional visitors to other branches of the business also need to be encouraged to tell their stories. They return with important technical understandings that need to be shared, but they also return with all sorts of other awareness of the visited company which can contribute to the bonding between units. On a tedious flight between Istanbul and Singapore, an Australian businesswoman spent over an hour sorting through a large number of holiday snaps, explaining that she regarded them as the most important present she could bring back. Her male colleagues brought back photographs of machine parts, warehouse layout, operational equipment and production processes. These were used at important debriefing sessions with fellow managers. She took back pictures of people and places, of food and mealtimes, of cluttered offices and what was put up on the office walls. These were handed round and explained in casual encounters over coffee, on the way to and from meetings and at dinner parties.

### Apostles

Evangelisation can use **apostles**, ambassadors sent out to preach the faith. These are those management role holders who are constantly on the move. Because of their frequent movement they know the worldwide organisation well and can describe one component to another, explaining company policy, justifying particular decisions and countering parochial thinking. They can also move ideas around (‘In Seoul they are wondering about . . . what do think?’) and help in the development of individual networks (‘Try getting in touch with Oscar Jennings in Pittsburgh . . . he had similar problems a few weeks ago’).

At times of crisis, apostles are likely to be especially busy, countering rumour and strengthening resolve. In mature companies apostles will have home bases in different regions, just as expatriates will move in various directions and not simply from the centre out, but before the business reaches maturity it will probably be important that most of the apostles come from headquarters and have personally met, and can tell stories about, the founder.

### Standards and norms

Coordination can be improved by the development and promulgation of *standards and norms*. Many British companies have sought the accreditation of BS 5750, the

British Standard for quality; others claim to be equal opportunity employers. Global companies will wish to set standards for many aspects of their operation. Cynthia Haddock (1994) describes how Shell develops and maintains standards relating to alcohol and drug abuse. If standards are adopted throughout a global company, they become a form of coordination. Furthermore, it is not necessary for all of them to be developed at the centre. Decentralised standard formulation can enable different parts of the global business to take a lead as a preliminary to universal adoption of the standard they have formulated: an excellent method of integration.

Few businesses will be able to develop universally applicable standards in all aspects of human resource management. Many manufacturing developments in Asia have taken place explicitly to enjoy the benefits of low labour costs. It is most unlikely that the American, European or Japanese parent company would develop a company-wide standard on the level of pay rates in manufacturing. In contrast a company-wide standard set of terms and conditions for expatriate assignment would be much more feasible. The CIPD library in London has just such a document from IBM in the form of a sample letter of 24 pages!

### **Systems**

There is obvious scope for coordination through *systems*. Many global businesses are dominated by a single system, which reaches every part of the business. Any international airline has a ticketing and booking system which links thousands of computer terminals in order to operate the airline. The system is only useful if it provides the global link, and provided the systems link constantly reinforces with all personnel the interrelationship of the activities in all countries where the airline operates. Although that is a specialised example, all businesses have systems and they can be developed to avoid duplication and overlap, so that in one country a team develops a spare part retrieval system that is quickly adopted for use throughout the business, while in another country they concentrate on an aspect of accounting procedures or systematic advice on training opportunities.

### **Concentration of capability**

A similar approach is to consider the concentration of *capability* by seeking to encourage the development of particular expertise in different locations, but for group-wide application and exploitation. Bartlett and Ghoshal (1989, p. 106) offer the intriguing example of how Teletext was developed by Philips. Because of an interest from the BBC, the British Philips subsidiary began work on the possibility of transmitting text and simple diagrams through a domestic television set. Within Philips generally it was regarded as ‘a typical British toy – quite fancy but not very useful’. Despite little encouragement and sales that were initially disappointing, the British persisted. Ten years after starting work, there were 3 million Teletext receivers in use in Britain and Philips had established a world lead in a product for which there was initially only a British market.

## SUMMARY PROPOSITIONS

- 30.1** International HRM is a subject that still lacks an accepted definition and content.
- 30.2** Much international management activity is through multinational companies and their policies of globalisation.
- 30.3** Understanding cultural diversity is crucial. Work by Hofstede has identified four distinguishing factors of national culture: individualism, power distance, uncertainty avoidance and masculinity. He later added a fifth, Confucian dynamism or time orientation.
- 30.4** Hofstede also concluded that organisations within certain cultures had one of four dominant value systems, so that they would resemble a pyramid of people, a well-oiled machine, a village market or a family.
- 30.5** Hodgetts and Luthans then suggested that these findings influenced the following aspects of management: centrality of decision making, rewards and competition, risk, formality, organisational loyalty, short- or long-term orientation.
- 30.6** Problems of communication in any international business are exacerbated by different frames of reference, stereotyping, cognitive dissonance and language.
- 30.7** Traditional forms of coordination can be roughly stereotyped as Japanese centralisation, American formalisation or European socialisation.
- 30.8** More particular forms of coordination include evangelisation, standards and norms, systems and locating capability.

## GENERAL DISCUSSION TOPICS

- 1** Multinational companies tend to be unpopular with activists, who mount demonstrations against their apparent greed and serious impact on some of the societies in which they operate. What are the arguments for and against this point of view?
- 2** Can an HRM manager from one culture carry out a line management role working in a different culture?
- 3** Have you come across examples of American formalisation, Japanese centralisation and European socialisation? How do they conflict? What is the practical implication of these variations?

## FURTHER READING

Dowling, P.J., Welch, D.E. and Schuler, R.S. (1999) *International Dimensions of Human Resource Management*. Cincinnati, Ohio: South Western College Publishing  
Texts on international HRM are very varied and usually eclectic in concentrating on one or two aspects at the expense of others (like this chapter). Dowling *et al.* is one exception. There is a very well-informed chapter in Tayeb (*see below*) by P.S. Budhwar.

Mead, R. (1990) *Cross-Cultural Management Communication*. Chichester: Wiley  
This book is useful on communication.

Tayeb, M. (2003) *International Management: Theories and Practices*. Harlow: Prentice Hall  
This book provides a recent general treatment of international management. It has five chapters on culture, two on communication and three on managing employees in different cultures.

Trompenaars, F. and Hampden-Turner, C. (1998) *Riding the Waves of Culture: Understanding Cultural Diversity in Business*, 2nd edn. New York: McGraw-Hill  
This book is a major work on culture that complements those referred to in the chapter. It sets out the authors' extensive research findings, but also includes much practical advice.

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An extensive range of additional materials, including multiple choice questions, answers to questions and links to useful websites can be found on the Human Resource Management Companion Website at [www.pearsoned.co.uk/torrington](http://www.pearsoned.co.uk/torrington).

