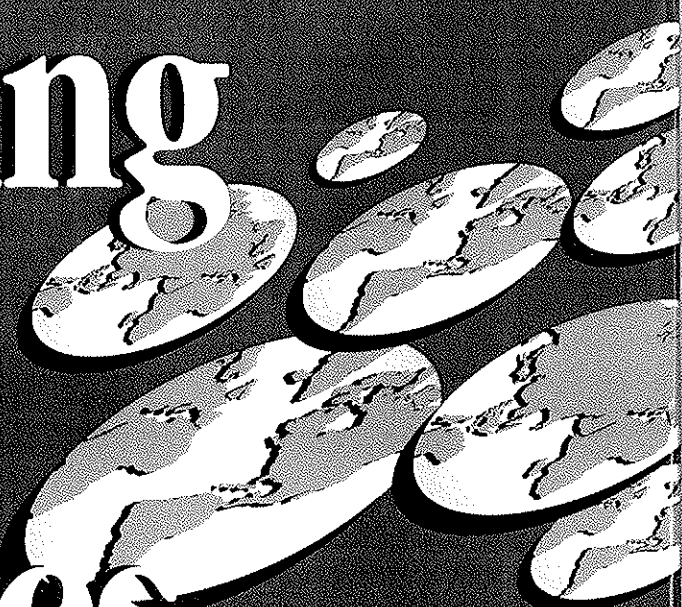


“... a masterpiece.” —Tom Peters

Riding the Waves of Culture



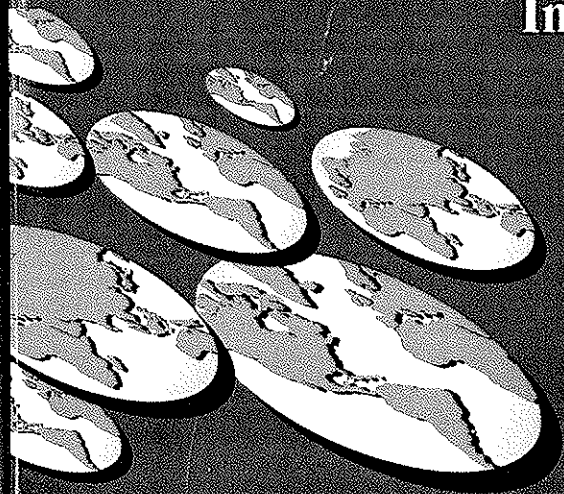
*Understanding Diversity
in Global Business*

Second Edition

*Fons Trompenaars
Charles Hampden-Turner*

Business

Read the Book That Is Revolutionizing International Business!



With over 50,000 copies sold in its first edition, *Riding the Waves of Culture* dispelled the idea that there is only one way to manage, and was the first book to show professional managers how to build the cross-cultural skills, sensitivity, and awareness required in today's global business environment. In this second edition, Fons Trompenaars and co-author Charles Hampden-Turner reveal the seven key dimensions of business behavior, and ways in which they combine to form four basic types of corporate culture: the Family (Japan, Belgium); the Eiffel Tower (France, Germany); the Guided Missile (US, UK); and the Incubator (Silicon Valley).

Revisions and completely new sections include:

- An in-depth examination of one of the world's most multicultural nations—South Africa—and how recent events make it an ongoing laboratory of intercultural reconciliations
- A detailed analysis of how gender differences within the United States affect workplace and problem-solving behavior
- Current research findings on how ethnic differences within a society can be more troublesome than international differences—and how some managers are keeping the peace
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rewards withheld will hurt more deeply than the rewards bestowed will motivate. He tries to explain the situation to the American HR chief and the British representative, who both look sceptical and talk about excuses. He accedes to their demands.

His colleagues from France, Italy, Spain and the Middle East, who all know the situation, stare in disbelief. They would have backed him on the issue. His family later say they feel let down. This was not what they joined the company for.

This episode from our ongoing MCC case shows that universalist and particularist points of view are not always easy to reconcile. The culture you come from, your personality, religion and the bonds with those concerned lead you to favor one approach more than another.

Universalist versus particularist orientations in different countries

Much of the research into this cultural dimension has come from the USA, and is influenced by American cultural preferences. The emerging consensus among these researchers, though, is that universalism is a feature of modernization per se, of more complex and developed societies. Particularism, they argue, is a feature of smaller, largely rural communities in which everyone knows everyone personally. The implication is that universalism and sophisticated business practice go together and all nations might be better off for more nearly resembling the USA.

We do not accept this conclusion. Instead, we believe that cultural dilemmas need to be reconciled in a process of understanding the advantages of each cultural preference. The creation of wealth and the development of industry should be an evolving process of discovering more and better universals covering and sustaining more particular cases and circumstances.

The story below, created by Americans Stouffer and Toby,¹ is another exercise used in our workshops. It takes the form of a dilemma which measures universal and particularist responses.

You are riding in a car driven by a close friend. He hits a pedestrian. You know he was going at least 35 miles per hour in an area of the city where the maximum allowed speed is 20 miles per hour. There are no witnesses. His lawyer says that if you testify under oath that he was only driving 20 miles per hour it may save him from serious consequences.

RELATIONSHIPS AND RULES

What right has your friend to expect you to protect him?

- 1a** My friend has a definite right as a friend to expect me to testify to the lower figure.
- 1b** He has some right as a friend to expect me to testify to the lower figure.
- 1c** He has no right as a friend to expect me to testify to the lower figure.

What do you think you would do in view of the obligations of a sworn witness and the obligation to your friend?

- 1d** Testify that he was going 20 miles an hour.
- 1e** Not testify that he was going 20 miles an hour.

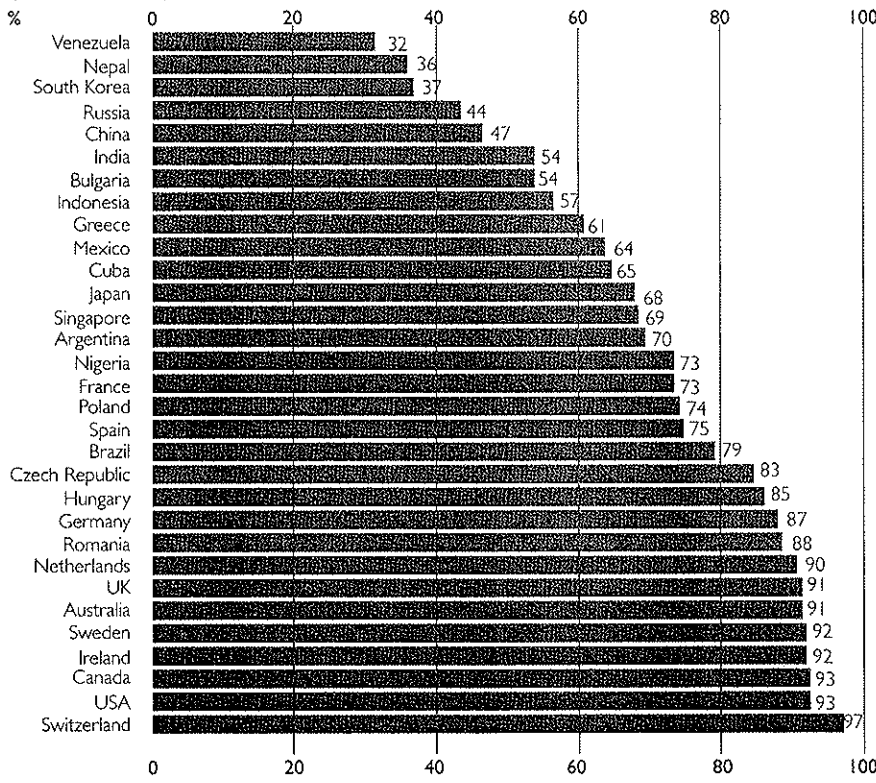
Figure 4.1 shows the result of putting these questions to a variety of nationalities. The percentage represents those who answered that the friend had no right or some right and would then not testify (c or b+e). North Americans and most north Europeans emerge as almost totally universalist in their approach to the problem. The proportion falls to under 75% for the French and Japanese, while in Venezuela two-thirds of respondents would lie to the police to protect their friend.

Time and again in our workshops, the universalists' response is that, as the seriousness of the accident increases, the obligation to help their friend decreases. They seem to be saying to themselves, "the law was broken and the serious condition of the pedestrian underlines the importance of upholding the law." This suggests that universalism is rarely used to the exclusion of particularism, rather that it forms the first principle in the process of moral reasoning. Particular consequences remind us of the need for universal laws.

Particularist cultures, however, are rather more likely to support their friend as the pedestrian's injuries increase. They seem to reason, "my friend needs my help more than ever now that he is in serious trouble with the law." Universalists would regard such an attitude as corrupt. What if we all started to lie on behalf of those close to us? Society would fall apart. There is indeed something to this argument. But particularism, which is based on a logic of the heart and human friendship, may also be the chief reason that citizens would not break laws in the first place. Do you love your children or present them with a copy of the civil code? And what if the law becomes a weapon in the hands of a corrupt elite? You can choose what you call corruption.

Figure 4.1 **The car and the pedestrian**

Percentage of respondents opting for a universalist system rather than a particular social group (answers c or b+e)



In a workshop we were giving some time ago we presented this dilemma. There was one British woman, Fiona, among the group of French participants. Fiona started the discussion of the dilemma by asking about the condition of the pedestrian. Without that information, she said, it would be impossible to answer the question. When the group asked her why this information was so indispensable, Dominique, an employee of a French airline, interjected: "Naturally it is because if the pedestrian is very seriously injured or even dead, then my friend has the absolute right to expect my support. Otherwise, I would not be so sure." Fiona, slightly irritated but still laughing, said: "That's amazing. For me it is absolutely the other way around."

This illustration shows that we "anchor" our response in one of the two principles. All nations might agree that universals and particulars

should ideally be resolved, that is, that all exceptional cases be judged by more humane rules. What differs are their starting points.

As Figure 4.1 shows, universalists are more common in Protestant cultures, where the congregation relates to God by obedience to His written laws. There are no human intermediaries between God and His adherents, no one with the discretion to hear particular confessions, forgive sins or make special allowances. Predominantly Catholic cultures retained these features of religion, which are more relational and particularist. People can break commandments and still find compassion for their unique circumstances. God for the Catholics is like them, moreover; He will probably understand that you were lying for your friend, particularly one who had the bad luck to have the stupid pedestrian crossing in front of his or her car.

Countries with strongly universalist cultures try to use the courts to mediate conflicts. A recently released American book on automobile insurance is called *Hit Me I Need the Money*. Indeed the USA, credited with being the most litigious society on earth, has considerably more lawyers per head of population than relatively particularist Japan. The more universal the country, the greater the need for an institution to protect the truth. (Incidentally, there is a strong correlation between universalism and expenditure per head on pet food. This is not the same as pet ownership; particularist France has more dogs than universalist Germany, but French dogs are integrated into the family and eat leftovers.)

However, countries may be more or less universalist depending on what the rules are about. French and Italian managers, who were particularist on the traffic accident, believe that when writing on a subject as important as food you have a universal obligation to truth. Consider the following scenario, described by Stouffer and Toby.

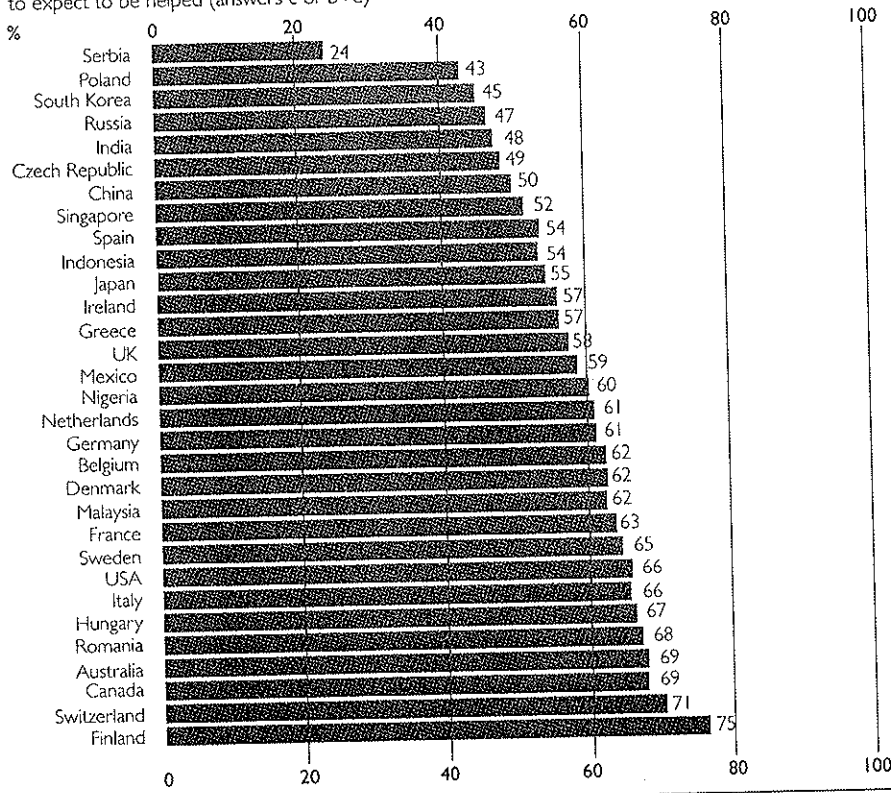
You are a newspaper journalist who writes a weekly review of new restaurants. A close friend of yours has sunk all her savings in a new restaurant. You have eaten there and you really think the restaurant is no good.

What right does your friend have to expect you to go easy on her restaurant in your review?

- 1a** She has a definite right as a friend to expect me to go easy on her restaurant in my review.
- 1b** She has some right as a friend to expect me to do this for her.
- 1c** She has no right as a friend to expect me to do this for her.

Figure 4.2 **The bad restaurant**

Percentage of respondents who would not write a false review or give no right to the friend to expect to be helped (answers c or b+e)



Would you go easy on her restaurant in your review given your obligations to your readers and your obligation to your friend?

1d Yes.

1e No.

In this second example, a universalist's view is that as a journalist you are writing for everyone, the universe of readers, not for your friend. Your obligation is to be "truthful and unbiased." In some cultures, then, it seems more important to universalize good taste than legal procedure. For them it is easier to leave the pedestrian in trouble than to judge the quality of food wrongly. (See Figure 4.2.)

A third dilemma we use to explore this dimension has to do with the rule of confidentiality concerning the secret deliberations of a business.

RELATIONSHIPS AND RULES

You are a doctor for an insurance company. You examine a close friend who needs more insurance. You find he is in pretty good shape, but you are doubtful on one or two minor points which are difficult to diagnose.

What right does your friend have to expect you to tone down your doubts in his favor?

- 1a** My friend has a definite right as a friend to expect me to tone down my doubts in his favour.
- 1b** He has some right as a friend to expect me tone down my doubts in his favour.
- 1c** He has no right as a friend to expect me to tone down my doubts in his favour.

Would you help your friend in view of the obligations you feel towards your insurance company and your friend?

- 1d** Yes.
- 1e** No.

There are some interesting differences here between the scores on this dilemma and the previous two. The Japanese and Indonesians, especially, jump from the situational ethics they showed previously to a strongly universalistic stance on corporate confidentiality. Quite possibly this occurs because the situation is broader than a particular friend; at stake here is loyalty to a group or corporation versus loyalty to an individual outside that group.

This dilemma may also be presenting issues of communitarianism versus individualism, to be considered in Chapter 5. As these dimensions are related as well as relational, we must be careful in interpreting the meaning different national groups give them.

Universalism versus particularism in international business

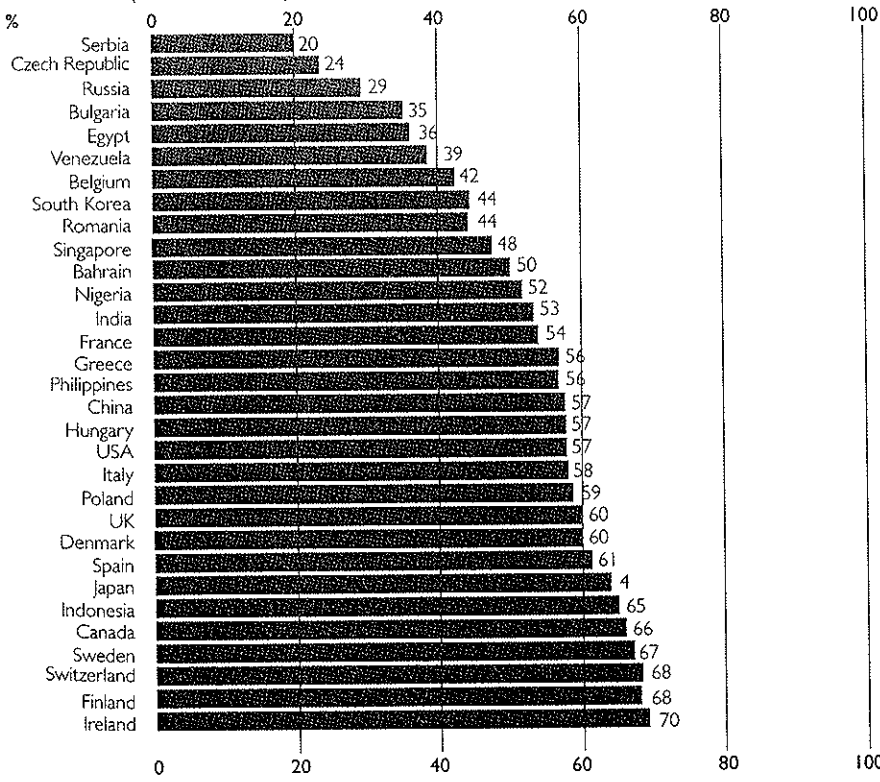
When companies go global there is an almost inevitable move towards universalist ways of thinking. After all, products and services are being offered to a wider and wider universe of people. Their willingness to buy is "proof" of a universal appeal. It follows that the ways of producing the product, managing those who make it and distributing it to customers should also be universalized. Let us consider the following examples of some of the areas where the universalist versus particularist dilemma shows up:

- the contract
- timing a business trip
- the role of head office
- job evaluations and rewards

The contract

Weighty contracts are a way of life in universalist cultures. A contract serves to record an agreement on principle and codifies what the respective parties have promised to do. It also implies consent to the agreement and provides recourse if the parties do not keep to their side of the deal. Introducing lawyers into the process of negotiation puts the parties on notice that any breach could be costly and that promises made initially must be kept, even if these prove inconvenient.

Figure 4.3 The doctor and the insurance company
 Percentage of respondents who would not tone down their doubts in favour of their friend (answers c or b+e)



How might a legal contract be perceived by a more particularist business partner? There is another reason why people tend to keep their promises. They have a personal relationship with their colleague, whom they hold in particular regard. If you introduce contracts with strict requirements and penalty clauses, the implied message is that one party would cheat the other if not legally restrained from doing so. Those who feel they are not trusted may accordingly behave in untrustworthy ways. Alternatively they may terminate their relationship with a universalist business partner because that partner's precautions offend them and the contract terms are too rigid to allow a good working relationship to evolve.

One serious pitfall for universalist cultures in doing business with more particularist ones is that the importance of the relationship is often ignored. The contract will be seen as definitive by the universalist, but only as a rough guideline or approximation by the particularist. The latter will want to make the contract as vague as possible and may object to clauses that tie them down. This is not necessarily a sign of impending subterfuge, but a preference for mutual accommodation. Given the rise of Japanese economic power, the automatic superiority of the universalist position can no longer be assumed. Good customer relationships and good employee relationships may involve doing **more** than the contract requires. Moreover, relationships have a flexibility and durability which contracts often lack. Asian, Arab and Latin business people may expect contracts to be qualified where circumstances have changed.

In a ten-year contract between a Canadian ball-bearing producer and an Arabic machine manufacturer, a minimum annual quantity of ball-bearings was agreed upon. After about six years the orders from the Middle East stopped coming in. The Canadians' first reaction was: "This is illegal."

A visit to the customer only increased their confusion. The contract had apparently been cancelled unilaterally by the Arabs because the Canadian contract-signer had left the company. The so-called universally applicable law was not considered relevant any more in the eyes of the Arabs. What could the Canadians say against this logic, especially when they discovered that the ball-bearings were never even used? It turned out that the product was purchased solely out of the particular loyalty to the Canadian contract-signer, not because of a felt legal obligation.

Timing a business trip

A universalist business person—a North American, British, Dutch, German or Scandinavian—is wise to take much longer than usual when

visiting a particularist culture. Particularists get suspicious when hurried. At least twice the time normally necessary to establish a contractual agreement is necessary to forge what has to be a closer relationship. It is important to create a sound relational and trustworthy basis that equates the quality of the product with the quality of the personal relationship. Rolls-Royce recently gave Toyota a deadline to make an acquisition offer and Toyota promptly withdrew. Something similar happened in negotiations between Samsung and Fokker, when after a Dutch deadline Samsung pulled out. This process takes a considerable amount of time, but for particularists, the time taken to grow close to your partner is saved in the avoidance of trouble in the future. If you are not willing to take time now, the relationship is unlikely to survive vicissitudes.

The role of the head office

In those Western countries which are high in universalism, the head office tends to hold the keys to global marketing, global production and global human-resource management. Our own experience, though, is that, within more particularist national cultures, the writ of the head office fails to shape local ways of operating. Different groups develop their own local standards which become the basis of their solidarity and resistance to centralized edicts. Stratified boundaries are created by the national subsidiary between itself and the head office and differentiation is deliberately sought.

Particularist groups seek gratification through relationships, especially relationships to the leader. Generally, the more particularist, the greater the commitment between employer and employee. The employer in these cultures strives to provide a broad array of satisfactions to employees: security, money, social standing, goodwill and socio-emotional support. Relationships are typically close and long-lasting. Job turnover is low and commitments to the labor force long-term. The local chief wishes all this to redound to his or her own credit, not that of the foreign owner. Research done in an American bank with branches in Mexico found Mexican staff to be far more particularist, with a tendency to distance themselves as far as possible from the head office in the USA in order to minimize universalist pressures.²

What frequently occurs is that foreign-based subsidiaries will pretend to comply with head office directives, which leads to a kind of ritualistic "corporate rain dance." They will go through the motions so long as they are under scrutiny, but they do not believe that rain will result. As soon as the attention of the head office is diverted to other matters, normal life proceeds.

Job evaluations and rewards

Head office policies in the human-resource area often lay down systems that all expatriate managers are required to apply locally. The logic of this universal system—that all jobs should be described, all candidates should have their qualifications compared with these descriptions and all job occupants should have their performance evaluated against what their contracts specified they would do—is surely “beyond culture.” It seems a demonstrably fair and universal way of managing. This general system sprang up in the post-war years when companies, especially American multinationals, saw very rapid growth. Thousands of employees within the USA needed fair methods of appraisal and promotion and before long this spread to the rest of the developed world. Labor unions often gave their support to these methods, seeing them as protection from arbitrary discipline or anti-union activity. A worker could be fired only for demonstrable failure to do a defined piece of work. In such regulations there was, indeed, protection for many employees. Managers had to behave consistently. They could not take harsh steps in one instance and be lenient in another.

A system designed by Colonel Hay of the American army, called the HAY job evaluation system, is now widely used in businesses to evaluate what base salaries should be for the performance of various functions. Each function and job within it is scored with the help of the employee, his or her direct superior and a panel which includes people doing similar jobs elsewhere. This helps to maintain internal consistency and facilitates transfers between different subsidiaries throughout a company's network without changes in salary or training. Minor concessions are usually made to local conditions by way of a cost-of-living allowance, but otherwise uniformity is maintained. All this sounds highly plausible. All such procedures may appear to be working with the paperwork duly completed. But what in fact happens in more particularist societies?

The following incident occurred in a multinational oil company. During a presentation to a group of Venezuelan managers, representatives from the head office were explaining new developments in the HAY function assessment system for R&D functions. They explained that the function would be less clearly separated from the function-holder, and that there would now be “benchmarks” determining the level of the function. The Venezuelans showed the pro forma response by concluding the presentation with a loud round of applause.

After a good lunch and a third glass of wine, a few of the Venezuelan managers became quite talkative. They asked whether the visiting group would be interested in hearing about the Venezuelan way of assessing

functions in the laboratory. "Would you like to hear what we say we do or what we really do?" they asked. Already aware of what their "party line" was, the head office representatives asked for what really went on.

Reality turned out to be much simpler than the complex system. Each year, they explained, the six-person management team got together after the assessment round. In the meeting this group decided on the most appropriate candidates for promotion. The employees selected were then rushed to the HR department in order to set up the function-description required by the head office. HR had already been informed of what the score was to be for the particular functions.

This is an interesting example of reverse causality. Instead of the job description and evaluation "choosing" the person that best filled it, the person was first informally and intuitively chosen and then wrote his or her own description and evaluation.

This begs the question of whether a process in which universals guide particulars is necessarily better than a process in which particular people guide and choose their universals. As the local Venezuelan boss put it: "Who decides on the promotion of **my** subordinates, Colonel Hay or me?" The same kind of question and circularity will arise when we consider performance and achievement in Chapter 8.

Reconciling universalism and particularism

In all the seven cultural dichotomies we have identified, of which universalism versus particularism is the first, the two extremes can always in a sense be found in the same person. The two horns of the dilemma are very close to each other, as it is easy to realize if, as a universalist, you substitute your father or daughter for the friend who is driving the car. In fruitful cross-cultural encounters both sides avoid pathological excesses. Figure 4.4, whose methodology is explained in Chapter 13, illustrates this.

This figure shows the beginnings of a **vicious** circle. If you follow the logic of the flow, you see that the universalist approach at best helps us to avoid the pathologies of particularism taken too far; the particularist position needs to be taken to avoid the pathologies of universalism taken too far. In fact, the universalist position is encouraging opposition from the particularist position.

When the two are working effectively together we talk about a **virtuous** circle. Here cross-cultural encounters can synergise and come out on a level much higher than any of the cultures could achieve on their own.