



# A VISION ON

# #6

# CULTURAL DIVERSITY

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Cultural diversity is an asset that international companies share, and their ability to manage it gives them a real competitive edge. Differences



are not something to be overcome; they should be put to good use. In keeping an open mind, curiosity and the ability to listen are



essential. This fosters the emergence of a new "international culture", blending boldness and modesty.



Nigel Holden, former professor of cross-cultural management at the Lancashire Business School (UK)

**"Culture should be seen as a knowledge management resource"**



Catherine Mabileau, former HR Director with the Council of Europe and now the HR Manager of ADP Employer Services International

**"Be comfortable with not understanding it all!"**



Mehdi Majidi, Director of the Master of Arts in Cross-Cultural Management of the American University of Paris

**"Invest in diversity as a competitive advantage"**

Nigel Holden

## "Culture should be seen as a knowledge management resource"

Nigel Holden disregards the traditional approach to cross-cultural management, which he believes is too preoccupied with cultural differences. He advocates the case for cross-cultural expertise as a knowledge management resource that facilitates collaborative learning within organisations.

### **Why do you strongly disagree with the way cross-cultural management is usually taught in business schools?**

Business schools have been teaching culture on the basis of differences in value systems for some 30 years. The nation state is always the big variable and is given a special place in a scheme of cultural dimensions. But the ways of the global knowledge economy simply do not fit in with static dimension-based classifications built around national cultures.

### **Can you give us an example of the pitfalls of such dimensional approaches?**

The dimensional approach tends to polarise people: we do it this way, you do it that way; it does not readily encourage people and firms to cultivate the common cognitive ground between them and their foreign business partners. So culture becomes an obstacle, and

then you get the tensions that the traditional approach claims to be able to eliminate! It is, for example, well documented how in the now defunct Daimler-Chrysler merger clashes of the German and American management styles led to antagonisms with both sides insulting each other with stereotypes, not to mention a mass walk-out of US designers who felt devalued by the German managers. The dimensional approach is exceedingly bad at anticipating things like this. Amazingly, Daimler had established a task force to study 100 major international mergers so that its grand venture would not underperform in the way of most mergers. Yet it failed too in the end.

### **What alternative approach do you suggest?**

Intellectually, three steps are required. First, realise that cross-cultural management is not about the management of cultural differences; it is about managing of cross-cultural relationships and creating synergies from them. Second, these relationships are part of the very fabric of the global knowledge economy, which means that we should try to understand culture as an influence on the workings of the economy at the organisational as well as personal levels of interaction. Third, we have to be prepared to break away from the values-based notions of culture associated with nation states. My position is that one should view culture as an object of knowledge management. Thus accepted, culture becomes more of an organisational resource than an inconvenient obstacle – something managers can work with and not fight against.

**Pr. Nigel Holden recently retired from academic life after having held professorships in cross-cultural management in the UK, Denmark and Germany. He was notably co-director of the Institute of International Business of the Lancashire Business School (University of Central Lancashire) until 2010. He holds a PhD from the Manchester Business School. Nigel Holden was an advisor to the United Nations Industrial Development Organisation (UNIDO) in 2008 and 2009 and a consultant to the International Atomic Energy Agency (IAEA) in 2009 on cultural impact on knowledge management. He has formed a consultancy firm ([www.glisbyholden.com](http://www.glisbyholden.com)) providing companies with insights into knowledge-based cross-cultural collaborative learning.**



*To break away from the values-based notions of culture associated with nation states”*

**Nigel Holden** is former professor of cross-cultural management at the Lancashire Business School (UK).

#### **Why is knowledge becoming so important?**

Knowledge is the paramount resource in today's world. The way in which a corporation handles its knowledge – creates it, shares it – is a major facet of competitive advantage. By internalising key company-specific knowledge about its products, their design and manufacture, the organisation of activities from marketing to HR and from company branding to talent management, a company can make itself uncopiable by its competitors.

#### **How do you then link cross-cultural know-how with knowledge creation?**

Knowledge management specialists identify two modes of knowledge. The first is explicit or “hard knowledge” – hard facts, documentary sources, statistics and so forth. The other mode is tacit knowledge, which is slightly misleadingly referred to as “soft knowledge”. This kind of knowledge is associated with what we derive from experience, observation and even intuition. Tacit knowledge is a key catalyst for knowledge creation. And culture is plainly permeated by tacit knowledge, which

relates a lot to how people deal with each other and – this is very important – are also influenced by contexts. When business people engage cross-culturally, they invariably co-create knowledge.

#### **How can companies manage this type of knowledge?**

This is the big question. If this kind of all important cross-cultural knowledge is not to die, it must be harnessed with explicit knowledge within the organisation and used against a concrete objective. One way is to run and design debriefings that focus not just on results but also on what has been learned and how it might be reapplied.

The Danish healthcare concern, Novo Nordisk, has developed a very sophisticated system of knowledge capture from its world-wide affiliates. In essence it has created a system of constructive cultural intervention whereby local staff – in the USA, India, Japan, France and so forth – articulate their understanding of the company management system and the underlying values. Out of this the company acquires, processes and refines its worldwide knowledge, whilst making examples of good practice globally available. For example, it picked up something useful about marketing in India and applied it in Russia; it also saved itself millions of dollars by discovering how in certain poor countries its products were entering the black market.

Another approach is simply to reduce the risk of wasting cross-cultural knowledge. There is now research suggesting that many expatriate managers return home and find that no one is interested in their very special knowledge, leading them to leave the company within months. Assiduously gathered cross-cultural know-how of this kind that cannot easily be put into words and evaporates. Firms literally do not notice this kind of loss. Consider too international mergers, which are huge fusions of cross-cultural knowledge but never seen in that way. The knowledge losses are simply alarming. Ask anyone who has been in one!

**Nigel Holden has authored or co-authored numerous books, including:**

*Creating knowledge advantage – The tacit dimensions of international competition and cooperation* – Copenhagen Business School Press (2010), co-authored with Martin Gibbsy.

*Cross-cultural management – A knowledge management perspective* – Prentice Hall (2002).

Nigel Holden is the co-founder and associate editor of the *European Journal of International Management*, launched in 2007.

Imagine playing a game of cards with other players from Japan, Germany, Argentina, etc. You don't speak their languages? No worries: the game is played smoothly without words; gestures are sufficient.

This exercise, proposed by Aventis Pharma team trainers in 1999, remains embedded in Catherine Mabileau's memory, together with a wealth of other recollections from an international career that started in 1990: "I lost that game, like most of us," she remembers, "but I learned a lot." Perhaps it should be mentioned that, before the game, the trainers gave each player a different set of rules! This method has given hundreds of executives insights into cross-cultural situations: "The mechanisms governing our understanding of the world and our behaviour are not the same..."

### The end of universal beliefs

Even if the aim is the same, the codes are different. "A Frenchman wanders through concepts; an American proposes solutions, decides faster, adapts to field conditions. A German only commits himself once everything has been checked, whereas a Frenchman will occasionally consider a good concept to be sufficient for a commitment: this is where he can gain time over his German counterpart. But he may subsequently lose what he has gained because a decision does not have the same consensus value depending on which side of the Rhine you live on..."

This calls into question some universal beliefs: that of the French, for whom Cartesian logic is without doubt "of all things among men, the most equally distributed," and that of the Americans, who strongly capitalize on their empiricism to achieve success.

The success or failure of a multinational organisation relies to a great extent on people's capacity to work together in a multicode environment. "Naturally, it is eminently desirable to have a good command of English," stresses the HR Manager of ADP Employer

## Catherine Mabileau

# "Be comfortable with not understanding it all!"

To speak a second language, or even a third, is something that would seem to be highly desirable to keep on top of cross-cultural management. However, as explained by Catherine Mabileau, who speaks five, the codes used by our colleagues will always include shadows. Be comfortable with not understanding everything she advises, and rely above all on your curiosity, open-mindedness and listening ability...



*Success relies on people's capacity to work together in a multicode environment'*

**Catherine Mabileau**, former HR Director with the Council of Europe and now HR Manager of ADP Employer Services International.

Services International. But openness to behaviour that may be disconcerting is even more important. "A Japanese or German person may show a more argumentative attitude in the discussion but will give 100% support to the final decision. A Frenchman may perhaps be more dialectic but may not necessarily support the decision if he remains unconvinced."

The most important behaviour is that which instils confidence. An American or a German determines his attitude towards a person in relation to that person's role and function and will stick to it. Conversely, someone from a Latin country will often try to establish a relationship before tackling the essentials, or even get on friendly terms, upon which he/she will build a willingness to collaborate.

The British behaviour can in a strange way disconcert certain continental Europeans. Even if he's proficient in the language of Shakespeare, a Frenchman will come across as rather disagreeable in the eyes of a British counterpart with whom his boss requires him to work if he answers the telephone by saying: "No, Mr X is not here," instead of: "I'm afraid he's not in the office at the moment." This example was quoted by Christine Geoffroy, whose 2003 book entitled "La mésentente cordiale" is recommended by Catherine Mabileau as a key to Franco-British dialogue. And this quotation from the linguist Antoine Culioli is a suitable epigraph: "La compréhension est un cas particulier du malentendu" (comprehension is a particular case of misunderstanding).

### Curiosity always fully aroused

So, if being fluent in English is not sufficient to gain access to the highest levels of international management, what's to be done? "Accept that you will not understand everything; know how to be at ease with ambiguity and uncertainty," recommends Catherine Mabileau serenely. "In any situation keep an open mind, be prepared to listen to everyone, put out empathetic vibrations and ask yourself, with fully aroused curiosity: what's their code, and what are the stakes? Keep your antenna raised, be a chameleon." This ease with multicultural ambiguity could be the mark of international culture. "After the Rhône-Poulenc – Hoechst merger," recalls Catherine Mabileau, "certain employees could only see in terms of them and us. They used

to say: 'the Germans, the French, the Hoechst people, the Rhône-Poulenc people'. A different type of behaviour quickly took shape following the merger of companies that gave rise to the birth of Aventis Pharma because the teams had already acquired a truly international culture, especially through previous mergers."

So this brings us back to our initial question: how do you train to become an international manager? Languages are not enough, nor card games, nor anthropological stereotypes for future expatriates. Of course, it is useful to know what the Chinese guanxi or the British understatement is. "But, above all, you must keep the right state of mind, the ability to listen, and curiosity," recommends Catherine Mabileau, adding in passing that expertise, maturity, with the assurance they engender – and even the habit of great visionaries of always being right – can become handicaps to cross culturalism. A lesson in modesty, therefore, but also an invitation to call yourself into question, to taste the pleasures of discovery, and for the youngsters... to international careers.

### 20 YEARS OF INTERNATIONAL HR MANAGEMENT

HR Director with the Council of Europe from 2005 to 2009, Catherine Mabileau was in charge of 3,000 people from 47 member states. Her international experience began in 1990 with the Rhône-Poulenc group, where she lived through the merger with German chemical giant Hoechst in 1999 and the creation of Aventis Pharma. She was then asked to carry out numerous HR management assignments in Germany, France and the USA, prior to being appointed HR vice-president of Aventis Pasteur – 10,000 employees and €2.5 billion turnover. Catherine Mabileau speaks English, French, German, Spanish and Portuguese fluently. She joined ADP in 2010 as the HR Manager of ADP Employer Services International.

**Mehdi Majidi**

# "Invest in diversity as a competitive advantage"

Mehdi Majidi stresses the importance of cultural diversity as a factor that stimulates innovation. As all multinationals are multicultural in essence, the way they manage diversity is a real distinguishing feature.

## **How much importance should multinational companies give to cultural diversity?**

Today, virtually all multinationals have access to the same resources. They can quite easily recruit an Italian designer, open a plant in China, set up an IT team in India... The essential difference will lie in their capacity to orchestrate everything to ensure all the players are in tune. This diversity, with its multiple cultural aspects, remains one of the last possible distinguishing features and a factor determining the competitiveness of multinationals. Therefore, their capacity to "manage" this diversity as a competitive advantage and to "orchestrate cultural differences" to achieve higher performance is crucial.

## **How can wise management of diversity make the difference?**

In mergers and acquisitions abroad, for example, the cultural perspective helps in choosing the right option. I found this out through a study

conducted in Brazil on operations of this type. The chances of the operation succeeding are enhanced if the business plan pays just as much attention to cultural factors as it does to financial and economic aspects. For a multinational, the integration of a corporate entity acquired abroad may prove to be hazardous in the event of major cultural differences. After analysis, it may decide that the best option is to leave its new subsidiary with the autonomy needed to develop its markets while providing it with the necessary resources to do so. This does not in any way prevent the pooling of certain functions.

## **Hasn't globalisation made things easier by reducing cultural differences?**

Quite the contrary! Globalisation is not at all conducive to cultural convergence. In the "global village" – a rather vague concept in my opinion – people need to know where they come from. As a result, cultural identity has tended to be strengthened. Let's take a simple example: despite creating a few waves, France and Germany established themselves as the economic driving forces behind the European Union for the past fifty years. Have their cultures converged in any way? Do their inhabitants resemble each other more than before? Not in the least! They have just learned to know each other and work together.

## **Does this mean that cultural diversity can give rise to major projects?**

Yes indeed, and it also stimulates creativity and innovation. It enables multinationals to foster a spirit of intra-entrepreneurship that boosts innovation. A team with an excessively uniform cultural background will have difficulty in

**Dr. Mehdi Majidi is a university professor and international consultant. His key expertise areas include** international business strategy, cross-cultural management, and sustainable business management – active participation of the private sector in socioeconomic development. He holds an executive MBA and a PhD from George Washington University.

Dr. Majidi is Associate Professor of International Business Administration and Director of the Master of Arts in Cross-Cultural and Sustainable Business Management of the American University of Paris. He has notably consulted for the U.S. Department of Defense (DoD), U.S. Department of Education (ED), U.S. Agency for International Development (USAID), and the World Bank. Dr. Majidi has won the French Entrepreneurs National Award.



*Globalization is not at all conducive to cultural convergence”*

**Mehdi Majidi**, Director of the Master of Arts in Cross-Cultural and Sustainable Business Management of the American University of Paris

adopting new points of view, whereas cultural mixing helps sweep away certain fixed ideas. Here again, diversity becomes a factor of competitiveness.

#### **So should companies be investing in diversity?**

Yes, but companies also consider the economic cycles they are experiencing. During periods of sustained growth, multinationals must invest in order to develop a culture of diversity that will stimulate creative ideas and increase their innovation and investment potential. During periods of recession, when every penny counts and the byword is rationalisation, more pragmatic options prevail.

#### **How can this culture of diversity be developed?**

Companies must include the cultural perspective in their management system, in all decisions taken, both big and small, whether they concern a merger-acquisition or simply coordinating the work of a team of engineers. In particular, managers must be trained in multicultural management. So it's up to HR, or the people recruiting and setting up the organisations, to assess individuals' capacities in this respect. For instance, when a manager has time to make a

decision, he will be able to make allowance for multicultural factors. But in an emergency when the situation is critical, he is likely to rely on his gut feeling and decide according to his own particular culture. HR managers must be fully aware of this fact, for example when appointing a person to head a foreign subsidiary.

#### **What skills should a multicultural manager possess?**

Above all he/she must be understood by all. This is the minimum requirement for a manager. In a multicultural team, any message delivered must have one unambiguous meaning leaving no possibility of other interpretations. Let's take a simple example: we often stress the level of urgency of a job by saying "it was for yesterday". While this may have a clear meaning in Western society, in the Middle East, that task would simply be considered irrelevant.

#### **Isn't multicultural management a matter of mindset?**

Of course, but this comes from experience, especially through working in different countries. It is all too easy to have preconceived ideas, even stereotypes, about other people's cultures. It is less obvious to see how our own culture is perceived by others. This capacity to take an unbiased objective view, to put oneself in another person's shoes, is one of the key skills of a successful multicultural manager. I distinctly remember one expatriate, appointed to manage a foreign subsidiary, who realised that her compatriots enjoyed a reputation for moral standards and reliability in the host country. She exploited this perception as a competitive advantage and positioned her company as the most ethical one, delivering on its promises in a market where bribery and non-respect for contract conditions were unfortunately widespread. This policy was costly at the outset but paid high dividends in the long term. Being aware of preconceived ideas – positive and negative – that may affect the image of our country of origin is definitely a key strength.

Mehdi Majidi has authored numerous articles, including:

"Mergers and Acquisitions"; *Management through Collaboration: Teaming in a Networked World Book*, Routledge Publishing (2010).

"Cultural Factors in International Mergers and Acquisitions: When and Where Culture Matters", *the International Journal of Knowledge, Culture and Change Management*, Vol. 6 (2006).

"The Strategic Value of Cross-cultural Expertise", Working papers, the Faculty Research Forum of the Washington Consortium of Business Schools (2004).



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