Week 4: Managing Effectively Across Cultures

National Context

- Contexts of countries: A critical issue for multinational management is the understanding of the national and institutional contexts of countries
- National context: The respective national cultures and social institutions of a given society → i.e. the norms, values and beliefs in any given society
    - Visible in a number of different areas such as different eating etiquettes across the globe

Social institutions

- Any structure or mechanism of social order that governs the behaviour of a set of individuals within a given community
- Provide people with behavioural guides when facing different social situations
- Represent a 'rule system' in a society
- Dimensions of social institutions:
    - Regulative dimension: Constrains and regularizes behaviours through its capacity to establish rules and reinforce behaviours
        - E.g. Governments make labour laws that protect labour rights and specifies labour benefits
    - Normative dimension: Socially accepted operating procedures and business practices/models
        - E.g. Widely accepted business models and practices
    - Cognitive dimension: Cultural embedded values and norms (similar to cultural dimensions)
        - E.g. Specific attitudes towards time, leader-subordinate relationships, relationship with others etc.
- Elements of social institutions:
    - Economic systems: The interrelated network or system of beliefs, organisations and relationships that provide the goods and services consumed by the members of a society
        - E.g. Free market vs command/socialist vs mixed economies
    - Industrialisation: Cultural and economic changes that occur because of how production is organised and distributed in society
        - E.g. Pre-industrial, industrial and post-industrial
    - Religion: A shared set of beliefs, activities and institutions based on faith in supernatural forces
        - E.g. Christianity, Islam, Hinduism, Buddhism, Judaism
    - Education: Organised networks of socialisation experiences that prepare individuals to act in society
        - E.g. Differences in type of education, how important it is, who can access it and how it is delivered
    - Workplace practices
        - Recruitment and selection
        - Participatory management → empowerment
        - Organisational structure
        - Team work
        - Performance appraisal systems

- - - Contracts → enforcement
      - Decision-making → delegation of authority
      - Innovation
- Social institutions help define what are legitimate and correct organisational management and political practices in a particular society
- The pressure from social institutions for organisations to follow similar paths in management practices is called organisational **isomorphism** – pressures for similarity
- 3 types of organisational isomorphism:
  - Coercive isomorphism: Social institutions coerce or force organisations to adopt certain practices, often due to regulative social institutions
  - Mimetic isomorphism: Organisations purposefully copy the strategies of the most successful organisations, often as a result of the normative social institutions
  - Normative isomorphism: Organisations indirectly copy the designs, cultures and strategies of other organisations by conforming to professional and technical norms → occurs largely without conscious effort

Convergence/Divergence
- In international enterprises, managers need to know:
  - How far are the workings of organisations in once country different from one another?
  - How can knowledge of their home country style of organising and its functioning help them deal with organisations in other places in the world?
  - Are the structures and functioning of organisations in different cultures coming sufficiently close together to permit the development of universally applicable approaches with the expectation of obtaining consistent outcomes?
- Convergence:
  - Increased similarity of management practices through the application of coercive, mimetic and normative isomorphic pressures
  - Not only do these pressures work within countries but also alongside the impact of globalisation
  - E.g. McDonald's
- Globalisation:
  - Global customers and products
  - Growing levels of industrialisation and economic development
  - Global competition and global trade
  - Cross-bored mergers, acquisitions and alliances
  - Cross-national mobility of managers
  - Internationalisation of business education
- Globalisation imperative: A belief that one worldwide approach to doing business is the key to both efficiency and effectiveness
  - The challenge for MNCs is to recognise and effectively manage the similarities and differences from a contingency approach
  - No 'one best way' to manage internationally