Corporate Culture and Europe 1992

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1992 brings a »United States of Europe» — convergences and uniformity on the visible level. But It is the invisible — the national cultures of Europe and the companies within Europe — that concerns the author. Do they develop a common Euro-culture? How does this development affect the corporate cultures of companies? In answering these questions, this paper exposes the myths that lead to errors in the management of corporate culture and explains that companies must make use of national culture. Dealing with cultural differences is more complicated than believing in the myths surrounding cultural integration, but it is more promising and worthwhile contends the author. Companies must learn the incompatibilities and the overlapping areas of the cultures involved. A homogeneous culture within a country or within Europe is not desirable, it provides no competitive advantage.

1 "UNITED STATES OF EUROPE"? A QUESTION OF CULTURE!

The vision of the "United States of Europe" is turning into reality: It starts with the term "Common Market", which suggests a perception of uniformity. And it is followed by many symbols, ranging from license plates on cars all the way to passports. The controls at the borders become an exception, complicated procedures of import and export disappear. And of course, we have al the administrative statutes and principles which Brussels and Strasbourg are always trying to provide us with.

To a certain degree, we even have a united and coordinated approach towards other countries: Examples are conflictmanagement in the Iraq-Kuwait-crisis, the integration of Eastern Europe, the competition with the economic powers of Japan and the US. The GATT-discussion of December 1990, again, demonstrated the existence of the "United States of Europe".

We even begin to dream of a standardized "Euro-Manager", whose capabilities fit in the same way to all states in Europe.

But let us interrupt this glorifying argumentation — even though it is tempting to continue this pursue of unification (especially from the viewpoint of Germany). What we really should be talking about is organizational culture: the organizational culture of Europe as a whole, of the still existing nations, and of the companies within Europe.

Therefore, we are now entering a discussion concerning the culture of nations which might reach a new facet on the European level.

2 APPLYING THE FRAMEWORKS OF SCHEIN AND HOFSTEDE

When dealing with organizational culture it is useful to refer to the well established framework of Schein (1985). According to him we have to distinguish between three levels of culture:

— The first level of culture consists of its *artifacts and creations.* This level is visible or audible, but often not decipherable. Examples for elements of this level are behaviour patterns such as rituals and speech, as well as visible objects such as art, technology and buildings.

— The second level of culture is labeled *"values"* and has a lower level of awareness than the artifacts and creations. But these values have much more impact on the behaviour of the group. Those values, resulting from a cognitive transformation, undergo a permanent process of social validation. They even may change during time.

— The third level of culture is hardly to be changed. These *basic* underlying *assump-*

tions are taken for granted. Even though they are invisible, they have an extreme impact on all decisions and actions. Especially, these unconscious assumptions, sometimes, lead to standardized patterns of behaviour, since they give us answers to questions, such as, "the nature of reality, time, space, and human nature".

Generally, interactions exist between these three levels: There is a long-run-effect from the artifacts back to the basic assumptions, and vice-versa. This means that the basic assumptions are a steering device for values and for artifacts. And, at the same time, they are influenced by them.

The framework of Schein holds true for all types of organizations. We, therefore, are able to apply it to parts of a company, to companies, as well as to countries and to Europe as a whole.

And, at this moment, it is worthwhile to refer to the findings of Hofstede (1980): He dealt with level three from Schein and demonstrated the existence of specific national cultures along the dimensions

— power distance,
— uncertainty avoidance,
— individualism/collectivism and
— masculinity/femininity.

It is obvious that Japan and Norway have different national cultures. But it is important to remember that, according to Hofstede, even the European countries themselves have very different cultures: Austria with the low power distance and high masculinity, Sweden with the high feminity, Greek with the high uncertainty avoidance. Or, compare the individualistic British people with the collectivistic Portuguese.

These differences, of course, explain the different value systems within Europe. We, therefore, get different value systems (level two) in the countries. These different values are one of the reasons for problems within the United States of Europe.

3 THE QUESTIONS

Our opening discussion of the "United States of Europe" dealt only with Schein's level one. Here, we observed a trend towards convergence. Hofstede, on the contrary, deals with level three, where we noted differences.

The visible level is going to be integrated more and more. But what happens to the invisible levels? Would a new Hofstede-study, in the year 2000, still show differences, such as the old one?

This is not only an academic question for research. Too, many open questions arise as soon as companies enter the Common Market: How should a European Human Resource Management look like? What whould be the appropriate marketing strategy? Which strategic alliances should be formed across (the old) borders?

All this relates back to the basic questions: Do the national cultures in Europe become integrated to the same degree as visible systems do? Do they develop to a common Euro-Culture? And how and to what extent does this development affect the corporate culture of companies?

Many internationally orientated companies do not find adequate answers to these questions. They stick to a wide range of myths which lead to fundamental errors in the management of (corporate) culture.

But before we discuss these myths there are to be shown some examples which characterize the myths we are confronted with.

4 THE EXAMPLES

(a) During the presentation of a new European MBA-program at the University of Saarbruecken the Director of the Institute focused on the subject of cultural management by companies within the European Community. He pointed out that there is a strong need for (cultural) management in all functional areas of a company with respect to the special situation of the different countries. But then an interesting question was raised in the audience: Why, by the way, would it be necessary to offer such a program? It might have made sense 15 years ago. But now? Cultural differences in Europe are fading away. Why should marketing, personnel management and strategic management still take into account imaginary differences in national (business) culture?

(b) Marketing managers of a German car producer presented a brand-new TV-spot at the festival in Cannes: But instead of discussing social techniques or emotional messages, the audience pointed out the (perceived) arrongance of "the Germans" as a result of their 20th century's history. The messages of the spot had a very special (and almost racistic) meaning for the spectators which nobody of its creators had ever expected.

(c) Two big electronic companies merged, although they had complete different corporate cultures. One was intensively influenced by the founder, who created values like flexibility, quick market-response and fast decision-making; the other was characterized by efficient production, big R & D-expenditure and a strong controlling-department. The hope (or better: illusion?) was to add up the positive aspects of both cultures and to forget about the negative ones.

5 THE ERRORS

(a) The myth of real systems

There is a tendency to believe that integration on the (visible) structural level is always followed by integration on the (invisible) levels of shared values and basic assumptions.

This myth is derived from the fact that organizational culture is a dualistic phenomenon: Organizational culture must be understood as the implicit consciousness of an organization which, during time, develops out of its members' behaviour, and which influences their behaviour (Scholz 1987; 1989).

It is important to note that this dualism does not refer to the interaction between the *visible* levels in terms of structural or legal systems and the *invisible* level of values and guiding beliefs. This is a complete different dimension, even though, we have to some degree a both-way-interaction:

— The invisible levels influence actions on the visible level, and
— the visible level influences the invisible levels.

But, there are no evidences for a true duality in the sense of automatism!

Imposing a new slogan "on" a company does not change the culture, neither does a beautiful strategy for corporate design. Only if the slogan or the CD-strategy fits to the corporate culture, it is able to reinforce it. If it conflicts with it, it is worthless and will be abandoned rather soon.

The same holds true for Europe: Passports, licence plates, European laws and vanishing borders do not mean that guiding beliefs are converging! It becomes even more difficult to decipher the cultural differences between the nations.

(b) The myth of cultural invariance

There is a tendency to believe that "real business" is invariant to different cultures. Since "all humans are equal", one might take an incentive system from Germany and (try to!) use it in Italy. Or use a Swedish work place organization in Portugal.

In order to demythologize this myth we must analyse the new situation we have to cope with in the European Community: There are countries with different historical roots, different languages and different self-esteem. And, as we have seen from Hofstede, there are strictly different guiding beliefs in these countries.

Therefore, we have to taylor management systems in a specific way to the respective countries: Human resource management, organizational structure, strategy formulation, and marketing are different and must be different!

Managerial field	...and coping with different cultural dimensions
Human resource management	e.g. different degree of *individualism:* — different incentive systems — different career planning
Organization structure	e.g. different *power distances:* — different information flows — different group structures
Strategy formulation	e.g. different degree of *uncertainty avoidance:* — different process of strategy formulation — "Invent the future" or "don't rock the boat"
Marketing	e.g. different degree of *masculinity:* — content and style of advertisement — "playing (or not playing) by the rules of the game"

(c) The myth of cultural synergy

There is a tendency to believe in synergy as soon as two cultures are combined: The "melting pot of cultures" is always believed to lead to positive effects in the sense that the useful dimensions of the cultures add up to a positive "supraculture".

Add the innovation-orientation from company A to the professionalism of company B, will the resulting AB-company really have a culture which is as innovative *and* professional?

There are different cultures which might complement each other: Masculinity and femininity, for example, might work this way. But there are also cultures which are inconsistent: Cultures with different power distances or different tendencies towards uncertainty avoidance. In these cases we get a cultural shock, combined with a process of cultural fading.

In the worst case, the result will be a multiplication of the weaknesses instead of a summation of the strengths.

6 ANOTHER FACT: CULTURE MEANS DIFFERENTIATION

Let return and ask for the reason why a specific corporate culture is successful (*Scholz/Hofbauer* 1990): A corporate culture leads to success if it provides the people in the company with orientations concerning their behaviour in specific situations ("guiding beliefs").

Identification, coordination, and motivation are the consequences. The workers and managers know why they are working exactly for "their" particular company. And they know what, in their eyes, makes their company really special. All this leads to a competitive advantage in the market.

But what happens, if we get a homogeneous culture within a country or within Europe? Such a culture is not only a "wishful thinking", since it is hard to accomplish. Even more: Such culture is not desirable, it is not worth being labeled "culture" anymore, since it looses its potential for identification. And it constitutes no longer a competitive advantage for anybody.

7 THE CONSEQUENCES

(a) Be aware of cultural diversity!

In contrary to the "myth of real systems", the diversity of all cultures will increase. This concerns national culture as well as the companies' culture. Examples for the increasing diversity on the national level are Russia and Jugoslavia.

Within the national cultures a certain "euro-culture-corridor" exists which is the common denominator of the corporate cultures. Companies have to learn about the incompatibilities and the overlapping areas of national cultures to understand themselves as being in the intersection of cultures.

One way of giving members of the companies a deeper understanding, concernig these facts, is to offer them training on international issues to help on the various levels of interaction. In particular, the Human Resource Management should feel challenged.

Many companies still stick to the old "culture-free" strategy, which is based on strong companywide-shared values. This strategy causes conflicts in the regional units, due to different national cultures: A corporate culture can hardly ever overrule the national culture. The "culture-bound" strategy, on the contrary, is based on the local culture. This strategy, too, is wrong, since it takes the risks of divergent subcultures and of low overall-involvement.

Being aware of cultural diversity means a combination of both strategies: Such a "culture-corridor"-strategy uses *some* guiding belief as a common basis for identification across the countries, and, combines it with country-specific elements. This leads to a broad range of possible cultural profiles in different units.

(b) Search for competitive advantage in corporate cultures!

In contrary to the myth of cultural invariance, companies have to deal with national culture. Even more: They must make use of national competitive advantages which are well-known almost worldwide. Some of these advantages can be explained by looking at the four dimensions of Hofstede mentioned above, others by special traits of national resources (Porter 1990) or national characters. These are, for example, the design-orientation in Italy and the technology-orientation in Germany.

Related to these national competitive advantages the company has to deal with its competitors on the market to find a way of defining this individualistic culture strategy. Therefore, every company must know which corridors give cultural restrictions to which extent. It must find a niche within this range which separates from the competitors.

This is not an easy task: If all companies act within one narrow corridor, the chances of defining a unique culture might be small. But still it is possible!

(c) Go for smaller and more independent units!

In contrary to the myth of synergy, it is not always possible to combine the strengths of cultures. And it is even more complicated across borders. Therefore, the independence of the regional units must be increased: In the extreme case, the parent company only acts as a financial holding.

All this creates the flexibility which is necessary to adapt to the specific (cultural) situation the single unit is confronted with. And, it helps to use the competitive advantages of the national culture and of the local unit.

8 CONCLUSION

World-wide, products and services become more and more similar. Product-life-cycles as well as technological life-cycles are speeding up. Corporate culture might be an additional competitive advantage. By no means, it should be lost on the way to the "United States of Europe": Believing in the myths of real systems, cultural invariance and cultural synergy could be the most dangerous traps of this decade. Dealing with cultural differences is more complicated. But it is more promising and (definitely) more fun!

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