



## HOW OTHERS DO BUSINESS

AS GLOBALIZATION ADVANCES, CULTURAL DIFFERENCES ARE AS  
BIG AS EVER

By IMD Professor Martha Maznevski – May 2014

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If you walk into a business class lounge at any airport in Europe, North America or Asia, you will see men in dark suits talking into a wire extending from their ear. Laptops on their knees, they are studying PowerPoint presentations on their screens. The few women among them, dressed in pantsuits and light-colored blouses, are doing much the same.

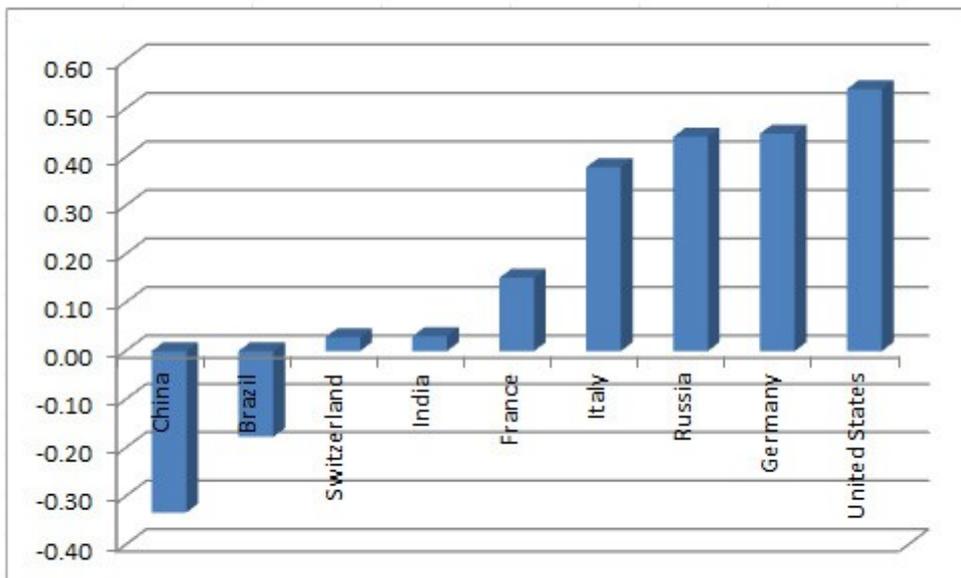
Is this the wonderful new global business world that we've heard so much about? Where every manager uses the same electronic tools and the same English acronyms? Where everyone thinks alike and wears the same clothing brands?

Far from it. Cultural differences are as large as they ever were, and as the world becomes increasingly "flat," their importance is growing. With globalization leading to more interactions among cultures, it is crucial to be familiar with the preferences and behavioral patterns of your boss, your colleagues and your subordinates – particularly when those individuals come from a different continent.

To take a scientific look at local differences, my colleagues and I at IMD drew up a "cultural perspectives questionnaire" that we put to thousands of businesspeople from all over the world. Their responses provide an insight into differences in how people work together, focusing on four dimensions. We have summarized the results from nine different countries: Switzerland and three of its neighbors; the BRIC countries (Brazil, Russia, India, China), which represent the emerging market economies; and the United States, the world's largest economy. We analyzed the responses of at least 400 individuals from each country.

**1. Harmony vs. Control**

Americans emphasize control and mastery, while the Chinese are most concerned with maintaining balance and making sure that the overall system is in harmony. Meetings are a good illustration. In the US, meetings are for making decisions. There's a problem to solve, all relevant arguments are put on the table, and a decision is made. If you don't speak up, you're not helping, and as a result you will tend to be viewed negatively. On the other hand, if you disagree with the boss – and if you're right – that shows courage and helps to reach a decision. Meetings are different in Asia. In many cases, participants are already familiar with the subject and the decisions that have been made; no discussion takes place. Disagreeing with an older person is considered inappropriate – the most important thing is for the group to be in harmony. Meetings are intended to help achieve that goal.

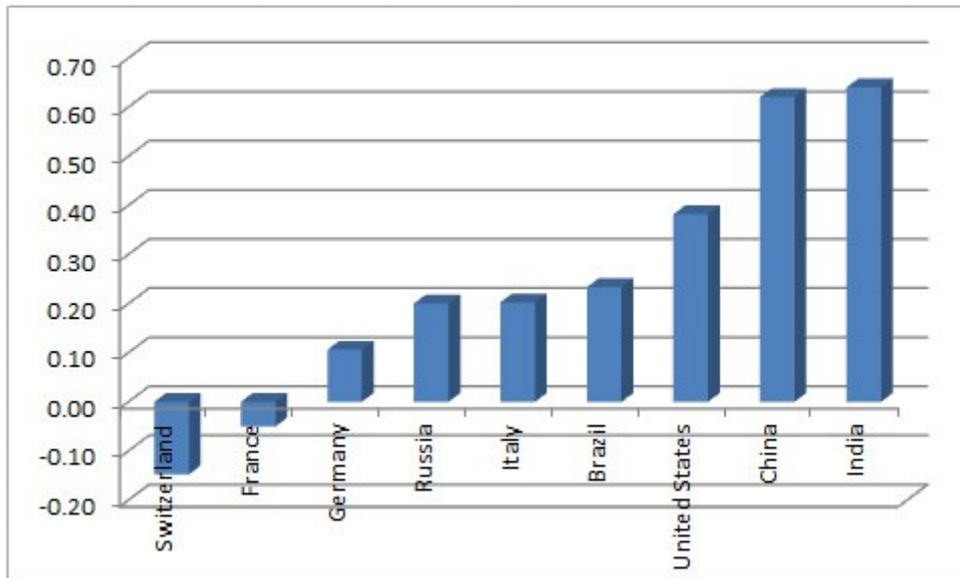


1. Extent to which businesspeople prefer Mastery over Balance.



## 2. Individuality vs. Collective

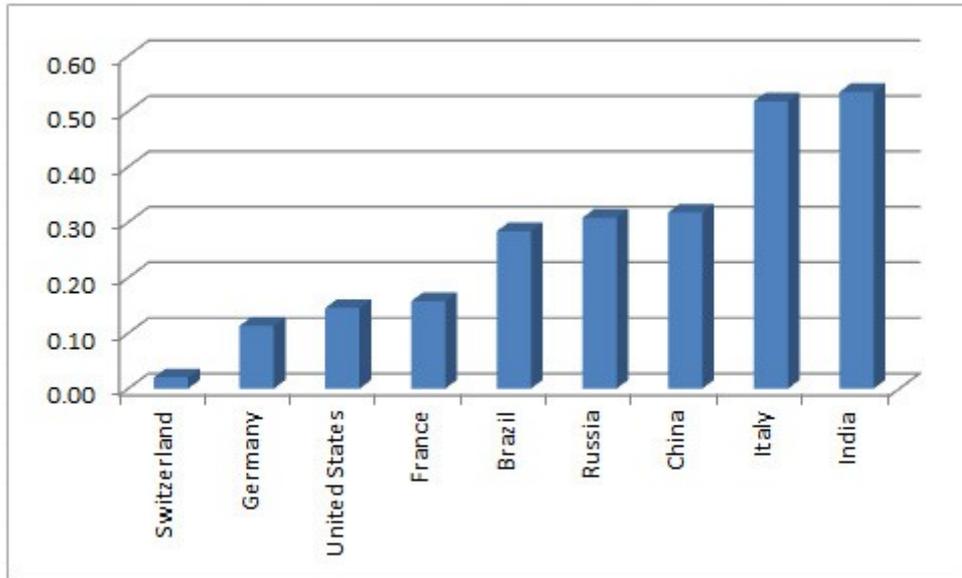
While all cultures work in teams, the meaning of the team can be very different. In a highly collective culture like India or China, team roles are shared and fluid, with people pitching in wherever needed. Team members prefer rewards to be equally distributed, and are very uncomfortable if individuals are singled out for specific contributions. In mixed cultures, such as Germany, Russia, Italy or Brazil, the preference is for clearly defined roles and identifiable contributions. So-called 360° feedback (by superiors, colleagues and subordinates) is most consistent with mixed cultures – they combine commitment to helping each other perform with the assumption that individual contributions can be described. It is also possible to implement 360° feedback in a highly collective culture, but the results tend to be much the same for every team member, and the focus is more on the debriefing discussions held afterwards to help individuals develop.



2. Extent to which businesspeople prefer Collectivism over Individualism.

### 3. Hierarchy

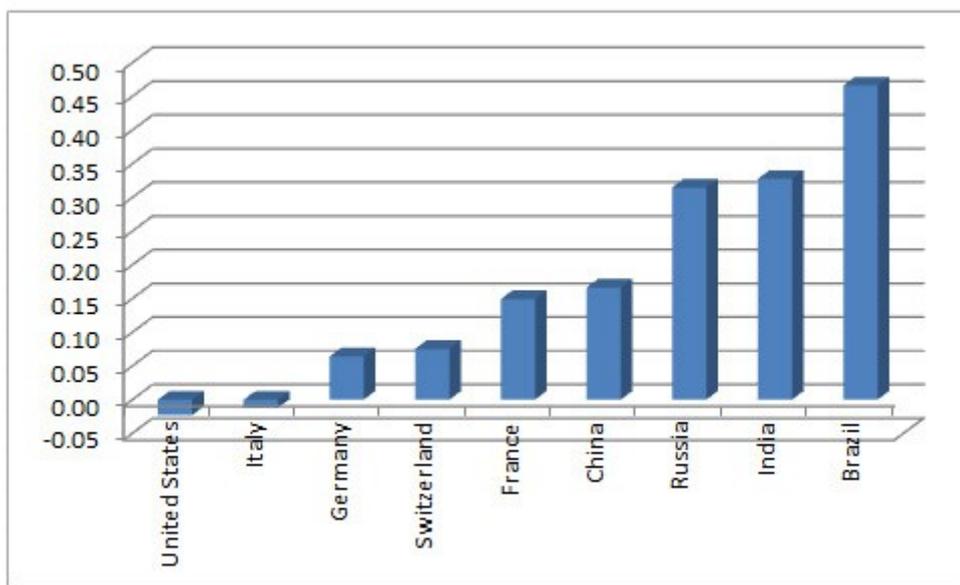
Germany and Italy view hierarchy in radically different ways. Many non-Germans experience Germany as very hierarchical, with an emphasis on titles and formality. However, titles in Germany are a sign of expertise, something that is highly valued. Often, expertise coincides with position, and it appears to outsiders as if the power is coming from the position. Managers from other countries working with Germans have often made this mistake, and have found that their authority is not recognized because they have not proved their expertise. In Italy, on the other hand, authority automatically comes with formal power.



3. Extent to which businesspeople prefer Hierarchy

#### 4. Analysis vs. Action

Of course, all managers analyze and take action, but the emphasis differs from country to country. Look at budgets, for example. Managers of global companies are often frustrated when Russian, Indian or Brazilian business units are late in submitting their projections, and then fail to comply fully with the parameters that have been set. Americans and Western Europeans tend to view this as laziness, or at least as a lack of conscientiousness. But for CFOs in these places, drawing up a budget serves a different purpose – it's a chance to take a closer look at the current business situation. They're less interested in the deadline and keeping within the budget. For Americans, Italians and Germans, on the other hand, the approved budget defines the company's obligations for the coming year.



4. Extent to which businesspeople prefer Analysis over Action

#### Switzerland – the Ideal Cultural Mix?

A look at the graphs shows that Switzerland is mostly close to zero. In other words, Swiss managers, significantly more than managers from any other country in the world, have a balanced perspective on all of the important cultural questions. Many people see this as a result of Switzerland's cultural diversity. But our research has shown that attitudes on these issues are quite similar throughout Switzerland. Swiss businesspeople value balance. They ask a lot of questions about the situation and context before formulating their response.

Not only is Switzerland politically neutral, one could also say that it is culturally neutral (but not without culture!). Perhaps this is why the Swiss are the world's bankers, and why – beyond attractive tax regulations – so many international companies have decided to locate here. However, Swiss businesspeople who work in other countries find it difficult to accept that other places have less neutral – and no doubt equally appropriate – cultural configurations.

#### Conclusion: Variety Gives Strength!

A final example to illustrate this point: A global chemical company requested my help. A project team had been assembled to solve an urgent quality-control problem. The team consisted of three people, one each from the US, China and Switzerland – and their efforts were a dismal failure. The American wanted to tackle the problem head on, the Chinese man wanted to start by analyzing the entire system, and the Swiss team member wanted to find a balance between the two approaches. Worst of all, each of the three was convinced that his solution was the only correct one. The end result was no progress in solving the problem.

Our cultural perspectives questionnaire is intended to show, in a nonjudgmental way, the differences in how people work. If we are aware of those differences, we will be able to take advantage of each culture's strengths. Efficiency, for example, requires a high degree of hierarchy, while flat hierarchies are important for innovation. If every culture had the same set of values, we would inevitably lose variety, and it is variety that gives us the strength to adapt to new situations and to find entirely new solutions.

*Martha Maznevski is Professor of Organizational Behavior and International Management at IMD. She will be teaching on IMD's Orchestrating Winning Performance program in Lausanne, which runs from June 15-20.*

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