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How Does an International Company Ensure That its Culture Remains Intact While Also be Flexible Enough to Cater to Local Behaviors?

Abstract
Question: As an organization becomes truly global, how does it ensure that its culture remains intact in its international offices while also being flexible enough to cater to local customs/behaviors? Additionally, what concrete actions can expat leaders take to cultivate the organizational culture abroad?

Keywords
human resources, international company, globalization, culture, retaining culture in international company

Comments

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Executive Summary

Question: *As an organization becomes truly global, how does it ensure that its culture remains intact in its international offices while also being flexible enough to cater to local customs/behaviors? Additionally, what concrete actions can expat leaders take to cultivate the organizational culture abroad?*

Introduction: Corporate culture is not just a set of beliefs; it is comprised of a set of values, patterns of behavior, artifacts like the physical layout of an organization, and accounts and narratives that reinforce those values. As companies have expanded across the globe, the idea of culture has become more complex as diverse ethnic backgrounds, languages, and geographies have entered the equation[1]. Cross-cultural core competence is at the crux of today's sustainable competitive advantage. A CEO from a cross-cultural advisory firm said that, "companies that are not only doing business internationally, but that are developing the strategic skill set to master doing business across cultures are likely to succeed in a long run"[1]. This is especially true for a retail company, because according to a fundamental concept in strategic marketing, successful brands create wealth by attracting and retaining customers and the brand loyalty is largely influenced by the cultural values of internal and external stakeholders[1]. Therefore, it is essential for culture not only to be defined, but also to be expressed through business operations, management communication, and employee recognition. For a multinational corporation that is expanding its business globally, it is imperative that it incorporate a cross-cultural framework that improves cross-cultural understanding and interactions and trains its expatriate leaders to develop the mindset of a globalist by mastering cross-cultural core competency[1].

Strategies for Acculturation while Maintaining Corporate Culture:

- Socialization is a powerful mechanism of promoting corporate culture. It can be embedded in training programs. In-house company programs and intense interaction during off-site training creates an "esprit de corps", a shared experience, an interpersonal or informal network, a company language or jargon, as well as developing technical competencies. Through songs, picnics and fun sporting events, employees can feel a sense of togetherness. Personal or national local culture can be stripped and identification with the company can be strengthened. Also, a MNC newly launching business in a country should screen candidates that will "fit in" to the existing corporate culture. By carefully assessing for candidates' behavioral styles, beliefs and values, the selection process can be the cornerstone to retaining a corporate culture[1].

Tips for Expatriate Leaders + for Female Expat Leaders:

- Studies have found that up to 40% of all expatriate managers end their assignments early due to their inability to adjust to the foreign environment[1]. Differences in expectations, language, and even the concept of personal space can be stress factors because they may seem neither understandable nor ethically "correct"[1]. Successful adjustment doesn't really depend on age or education, but a research finding tells us that a statistically significant positive correlation exists between culture shock and language ability[1]. It is because cultural values influence linguistic styles in communication[1]. Therefore, as obvious as it may sound, host-country language lessons should be part of pre-departure training, especially for those sent to mono-lingual countries with low general foreign-language proficiency. Sensitivity training with regard to host-country cultural practices would complement language training and will help build capacity for efficient intercultural communication[1].

- Masculinity is also a traditional trait firmly rooted in most societies in Asia that can hinder acculturation[1]. Such a trait can jeopardize the leadership of a woman expatriate leader since she can feel disrespected or ignored. However, in a society where masculinity is considered important, there is a high probability that rank within an organization is also respected. In this regard, an executive should be willing to stress the importance of her title and educational credentials to business partners and co-workers[1].

- Lastly, various studies show that cultural barriers in intercultural communication are created by differences in status sensitivity[1], the amount of empathy expected, face-saving behavior[1], the usage of silence, body language and conflict avoidance[1]. Therefore, MNCs sending corporate leaders to local subsidiaries should be aware of the key competencies of a global manager and use appropriate tactics for staffing and selection; an awareness of

both one's own culture and of other cultures, a nonjudgmental personality, negotiation skills, and a sense of humor[1].

Suggested Approaches and Key Takeaways:

1. Success of acculturation is contingent on the expat leader's flexibility and willingness to understand and adapt to the foreign culture

- Multinational companies are often interested in promoting corporate culture to improve control, coordination, and integration of their foreign subsidiaries[1]. However, the biggest mistake would be to adopt a strident or aggressive tone that focuses purely on corporate goals and ignores local values[1]. The shared values of a strong corporate culture can also be more costly than encouraging employees to internalize a set of values to guide their behaviors[1]. In addition, it has been argued that the deployment of too many expatriates is dysfunctional to the multinational corporation as a whole, and inhibits the development of the local national managers[1]. Therefore, instead of replicating the U.S. environment, a long-term investment should be put in place to train a local leader. This will prevent possible threats of disengagement, regrettable departures or even value destruction of the subsidiary company[1]. Furthermore, it will cultivate subsidiary's entrepreneurial culture including global vision, entrepreneurial orientation and entrepreneurial network management[1].

2. Consider alternate approaches to the expatriate model, especially the benefits of local talent

- While the decision to select business managers with proven results from company headquarters to lead international expansion benefits the company in that it can maintain strategic control and ensure standards are met, The Company might be underestimating the risks and costs associated with doing so. For example, executives from Citibank, Turner Broadcasting, and General Motors who all have subsidiaries in Asia revealed that their strategy is to focus on local leadership development due to high expatriate assignment costs, local employee knowledge of culture, language, and business environment, long-term succession planning, and a more cost-effective labor force. The four approaches these companies utilized to develop their leadership development programs are as follows:
    1) Identifying and codifying leadership talent
    2) Enhance high potentials' visibility
    3) Develop pervasive mentoring relationships
    4) Reinforce a company culture of leadership development[1]
- A closer look at the current climate in China reveals that MNC's are competing for talent with local and state-owned businesses. Companies like PepsiCo, who is "almost fully localized", and Microsoft recognize the need for local talent who understand not only the language and culture, but also the rapid shifts in the Chinese market and difference in regulatory procedures. In fact, in an effort to compete for and aid retention of local employees, Microsoft has a "reverse expat program" whereby Chinese Managers are sent to US Headquarters. Moreover, The Company's application of an expatriate model may deter local workers who are frustrated by having to 'translate for foreign managers', who perceive a 'glass ceiling' in a company that tends to hire expatriates for leadership roles, in the context of a competitive market where local talent is receiving competitive offers from local Chinese businesses[1].

☐

3. Changes in the regulatory environment might render The Company's expatriate model vulnerable

- For example, in the United Kingdom, where The Company has operations, the U.K. Govt. has imposed restrictions on visas and intends to reduce the number of workers migrating to the U.K. by 2015, in an effort to reduce U.K. unemployment rates. While we are unable to predict the future of the regulatory environment in each country where The Company conducts business, The Company's reliance on expatriate leaders might make the organization vulnerable in the future, especially when other MNC's as described above are already competing for local talent[1].

☐

4. Whether at the company HQ or a global office, culture impacts performance and should be expressed by leadership, linked to business strategy, supported by performance and work systems, and measured repeatedly

- Because compensation is so sensitive, many companies fail to link performance and rewards with the embodiment of culture values, despite the fact that well managed cultures out-perform other companies[1].
- Culture must be measured often to capture changes in human behavior, as well as misperceptions by management. A recent study suggests that while a successful culture can motivate employees, there is a disparity in how employees and executives perceive the role culture plays in their organization. For example there is a 16% differential in the perception of how senior leadership communicates the company's core values and beliefs. Moreover, the recent trend of utilizing social media to promote corporate culture is thought to be less effective by employees than by executives[1].

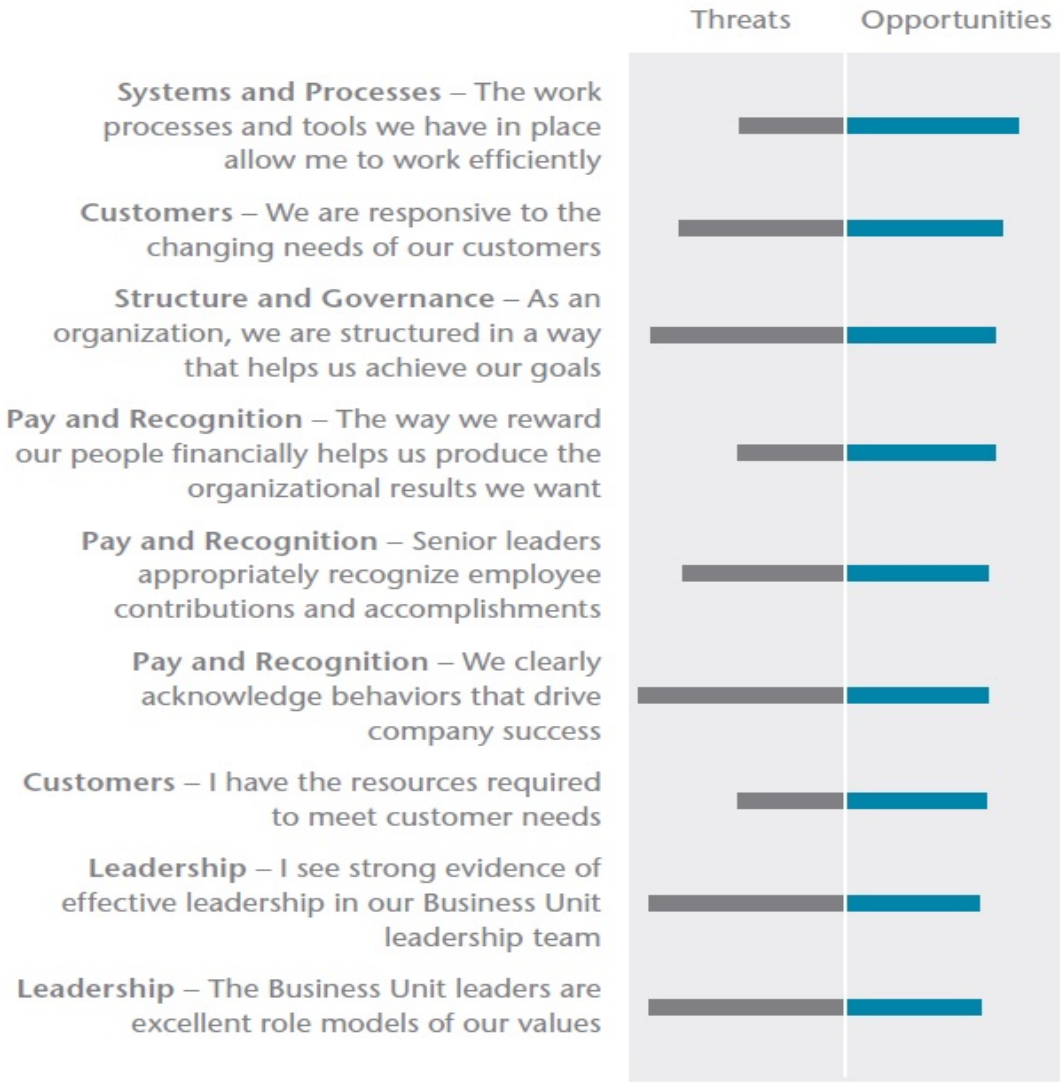
Additional Suggested Readings: Appendix A

Spend Less Time Assessing and More Time Proactively Managing Culture - Overachievers spend more time managing culture and less time assessing culture as compared to Underachievers. 89% of Underachievers said they focused on assessing current state cultures, defining future state cultures, and identifying The Company between current and future states while over 90% of Overachievers focused on making changes to organizational structure, redesign of HR programs/practices, and team building sessions. By focusing more on managing culture, Overachieving firms direct their efforts on actually addressing the challenging culture-related issues that may arise during integration.

Focus not only on the "what" but the "how" of culture - Often we see organizations focus on the comparison of

cultural traits (what the culture is) and ignore cultural drivers underneath those traits (how culture works). By analyzing the drivers of culture, organizations will have concrete data on cultural opportunities and obstacles and will be able to develop an action plan to drive cultural integration. The chart below shows a sample framework for analyzing the drivers of culture and illustrates how specific drivers of culture work by identifying the level of threat or opportunity to the organization posed by each driver. This type of analysis helps identify where culture integration efforts should be directed and helps take the conversation around culture from theory to practice.

Example analysis of threats and opportunities in culture integration



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