

**TITLE:       INTERCULTURAL TRAINING IMPROVES GLOBAL  
ORGANIZATIONAL CAPABILITIES.**

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## **1. Introduction.-**

The world economy is moving ever faster toward a highly interrelated state in which no nation will be immune from forces of the global market. Increased interdependency, however, does not mean market uniformity or universality of management practices.

Managing a business, whether domestic or international, requires an understanding of this diversity.

This paper emphasizes the importance of cultural differences and the difficulties of working

with people from diverse cultural backgrounds. It provides the readers with the understanding that international management is not just conducting international business transactions abroad, but working with people who may not share our basic values and assumptions.

The changes taking place in the competitive environment, in the strategies which firms adopt, and in the attitudes and expectations of people towards their jobs and towards their lives have profound implications for the ways in which business enterprises are organized and managed. The skills needed today for effective teamwork are likely to include sensitivity to others, listening, flexibility, and the ability to form meaningful and productive interpersonal relationships with a wide range of different people. (Grant, 1991)

### *Outline of the Paper*

In this paper, firstly, I consider the sources of competitive advantage in a global environment and, therefore, I review briefly the resource-based literature making special reference to the knowledge flow among subsidiaries. Secondly, I discuss the role of managerial leadership leading cross-cultural workteams. And, finally, I address the relevant issue of improving managerial ability through intercultural training.

## **2.- Sources of Competitive Advantage in a global environment.-**

As we know, in a competitive world, an organization can achieve success only by having a competitive advantage. There are a number of sources of competitive advantage, some that are under the control of an organization and some that are not. (Porter, 1985). Sources of competitive advantage also differ in how sustainable they are, how difficult they are to obtain, and how available they are.

We are increasingly headed toward a global marketplace. Many large global companies will not ever be predominantly located in a particular country ; their operations span the world.

A high-quality work force, available capital, and access to markets and technology still are likely to be significant sources of competitive advantage (Porter, 1985). But, because of the increased globalization of business, none of these sources will be capable of providing a sustainable competitive advantage. National boundaries are even no obstacle to acquiring the human resources that are needed to be competitive.

The management approach proves to be a more sustainable competitive advantage. The challenge for all organizations is to find a **management style** that helps them attract and do work together with the best and brightest employees and that fits national cultural values of the country or countries they operate (Lawler III, 1992) The involvement-oriented approach has evolve and gained acceptance much more slowly than the control-oriented approach.

As we see, questions of how to manage the development of new capabilities are becoming increasingly relevant to strategy research as knowledge and capabilities are recognized as potential sources of competitive advantage (Selznick, 1957 ; Penrose, 1959 ; Wernerfelt , 1984 ; Barney, 1991 ; Rumelt, 1991, Collis and Montgomery, 1995) . Resource analysis takes place at two levels of aggregation. The basic units of analysis are the individual resources of the firm : financial, physical, human, technological resources and reputation. But to examine how the firm can create competitive advantage we must look at how groups of resources work together to create capabilities.

Organizational capabilities are bundless of resources -capital assets, human, know-how and routines- combined in path-dependent ways that make them difficult to unbundle or decipher. A key ingredient in those relationships is **management's ability** to achieve the cooperation and coordination between resources. Equally important are the implications for human resource management.

As firm-specific resources receive more emphasis, questions of how they can be acquired and developed become increasingly relevant, which is the domain of learning. Thus, the resources perspectives views firms as **learning organizations** (Moingeon, 1996) that improve their capabilities. Much of the focus of Organizational Development has been on inspiring commitment and participation by people throughout the organization.

Much of the writing on participative management highlights the importance of senior managers modeling the kind of behavior that they expect to see throughout the organization (Likert, 1961 ; Argyres, 1962). Modeling correct behavior helps provide people at all levels of the organization with an example and helps establish a climate in which this behavior is seen as acceptable and even demanded (Bennis, 1989). We need to go one step further and talk about some of the kinds of participative behavior that are appropriate at the senior levels of management. One of the most visible things that senior managers do is hold meetings and convene groups. How these meetings and groups are run can be an important symbol of the type of information exchange and decision-making processes that exist at the senior management level. (Nadler, 1989). One of the most important kinds of decisions that seniors managers need to make is which type of decision-making style to use in a particular situation (Vroom and Yetton, 1973). The ability of the firm to motivate and socialize its members lies in its culture, leadership, systems of control, reward, and above all, its communication system. (Grant, 1991)

High-involvement organizations need a highly trained and skilled work force to be successful. Employees throughout these organizations must have extensive technical, business, and organizational knowledge. In addition, if the organization is built around work teams, they need the ability to be effective team members and leaders.

An environment must be created in which learning can be transferred and accepted without the “not invented here” resistance that is so common in large organizations. Again, senior managers can play an important role in helping to create a learning environment by not pushing failure and by rewarding successful sharing of information.

Managerial concepts such as motivation, superior-subordinate relationships, authority, leadership, and control are rooted in cultural values and norms. The roles and expectations of managers and subordinates are different across cultures. Motivation calls for the use of positive and negative incentives, or positive reinforcement and punishment, and scheduling them in a way to achieve desired results. In this sense, motivation and learning become closely related. B. F. Skinner and other learning theorists assert that behavior is a function of its consequences. Like motivation, the two major concerns in learning are finding the right incentives and the correct way to administer them. The values and attraction of rewards vary across cultures.

Furthermore, resource flow (specially knowledge flows) patterns between headquarters and the subsidiaries raise special learning issues. In this respect, Gupta and Govindarajan (1991) classify MNC subsidiaries in accordance with the magnitude (quantity and importance) and direction (inflow or outflow) of knowledge in which they are involved. Thus they distinguish four categories : implementors, local innovators, global innovators and integrated players (Fig.1)

Figure 1 : MNC Intrafirm Resource Flow

		Low	High
Knowledge Outflow from subsidiary to the	High	Global Innovator	Integrated Player
	Low		

rest of MNC                      Low                      Local Innovator                      Implementor

Knowledge inflow from the  
rest of MNC to subsidiary

Source : Gupta and Govindarajan (1991)

On the other hand, this body of knowledge that is transferred between subsidiaries has a series of characteristics : tacit or codified component, generic or specific, “time-compression diseconomies” (i.e. minimum amount of time is required to generate and assimilate new knowledge), and its raw material is information possessed by individuals and groups both in the organization and outside. Thus information and people are two essential elements of intangible assets in general and of knowledge in particular.

The success of an MNCs global expansion therefore depends on its ability to adopt practical aspects of host countries’ norms, while maintaining core aspects of the corporate culture that are the basis of its competitiveness. (Fatehi, 1996). Therefore, a realistic expectation is to achieve a certain degree of compatibility, or constructive neutrality with the host country cultures. Achieving constructive neutrality is easier if MNCs adopt a multicultural composition and orientation. Multicultural organizations value their cultural diversity and understand the potential contributions of cultural diversity to organizational performance. Multicultural organizations adopt a synergistic approach to management.

### **3.- Managerial leadership in an international context.-**

Providing direction and purpose for a culturally diverse workforce in a multinational company is a very challenging task. What constitutes a good leader in one culture may not constitute

a good leader in other cultures. The requirements for managerial leadership in international context extend well beyond functional management practices to encompass a sensitivity to, and empathy with cultural diversity.

No global organization with continuous pressure for change can survive without clearly spelled-out standards of behavior. Managers must create a system that established minimum standards of values and behaviors for the global organization, but they must hold themselves higher personal standards of excellence. Excellence relates to substantive knowledge of the business, commitment to performance and accountability, concern for due process, interpersonal and intercultural sensitivity, and the development of others.

Operating in multiple locations requires learning new concepts, tools and technologies, and accomplishing this may involve a wide variety of collaborative arrangements, so sharing and learning from others must coexist with protecting one's core skills. "The critical work of managers will be to focus on resource accumulation to address emerging opportunities, rather than resource allocation ." (Prahalad, 1997)

The ability to conserve and redeploy resources rapidly is a critical capacity for the future. This means learning fast, forgetting even faster, becoming boundaryless and focusing on winning in the marketplace. The knowledge explosion, coupled with discontinuities and globalization, suggests that managers must continuously be exposed to new ideas, technologies, business practices and cultures.

At the same time, managers have to develop a global capability. This means that the organization can think and act globally or locally and have access to customers, suppliers, and talent worldwide. Indeed, the real-life model for the twenty-first century leadership will be a culture of continuous learning for all its associates. (G.R Jones, 1997)

### **Major Leadership Theories.-**

The task of leading under demanding conditions requires an understanding of leadership concepts and the ability to apply them to different cultural circumstances.

Modern theories of leadership depart from the traditional trait theories, which propose that certain people are “born leaders” and they are endowed with certain characteristics -physiological, psychological and intellectual. Researches have found that the leader’s behavior, rather than his or her traits, is most important in determining leader effectiveness.

The initial ideas were highlighted at the Ohio University and the University of Michigan during the latter part of the 1940s. Since concern for people and concern for production are two separate dimensions, it appears that leaders can employ a combination of both. Such a combination is actually proposed under the title of “managerial grid” (Blake & Mouton, 1978)

R. Likert proposed that there are four management systems according to degrees of trust and confidence that each manager exhibits toward the subordinate. These systems are : exploitative, authoritative, benevolent authoritative, consultative and participative. (Likert, 1961)

Researchers discovered that no one particular style was effective under all situations. They concluded that the effectiveness of leader behavior is a function of the situation at hand. Situational factors such as the followers, the work, organizational culture, leader’s philosophy regarding human nature, and other environmental factors (time pressure, the nature of the problem...) influence the leader’s effectiveness. (Hersey and Blanchard, 1972)

Among the theories of leadership, situational theories have the best potential for application in cross-cultural settings. While these theories do not specifically consider national culture as a situational variable, the underlying theoretical framework allows for such inclusion. The situational leadership theories accept that various leadership styles can be effective in different cultures.



While all cultural values influence the behavior of leaders, acceptance of authority and dealing with uncertainty are of particular importance. (Hofstede, 1984)

### **Cross-cultural Groups at Work.-**

Multinational teams are often formed in hopes of producing cross-cultural collaboration. These teams face a special challenge as they work to become functional groups for, unlike groups composed of individuals from one nationality, the members of a multinational team cannot assume that they share the same beliefs about work group dynamics.

This is a radical departure from familiar practices and it requires all group members to enter a learning situation every time a multinational work group is being formed. Long before a multinational group will be able to function effectively its members must learn how to learn from each other, discovering members' unique cultural contribution and exploring group polarities. It serves two purposes. First, it encourages members to consider their main group asset to be their differences. Second, it suggests that effective group life is based on the group's capacity to learn collectivity as well as on their ability to undertake shared action. (Smith, Berg, 1997)

### **Conclusion :**

To be able to manage the MNC in the future in an effective manner would seem to rest with the selection and training procedures operated by MNC and the way that managers inter-link across subsidiaries. There are a number of issues and problems that this evolving role for the MNC manager creates :

- 1) What is required of the line manager at subsidiary level is the capability and capacity to think strategically, measuring potential opportunities. It needs to pursue world-wide advantage based

upon global strengths and local opportunities. The network approach across frontiers and between managerial peers would appear to offer such an approach.

- 2) They have to get used to thinking from other perspectives. This stresses the need to be a multi-functional, corporate and subsidiary thinker at one and the same time. When MNCs set out to train managers in strategic thinking they do so in *ad hoc* teams where the manager is asked to sit with a diverse set of fellow managers, adopt open-mindedness, give and take, and be tolerant of other's opinion. This is a difficult task for any individual (McCalman, 1996)

Formalized processes of management training should be constructed to assist the development of strategic awareness in managers. Exposure to different jobs and nationalities within the MNC is likely to aid this wider perspective.

#### **4.- International and Intercultural Training.-**

To overcome cultural biases and achieve a truly global perspective, international managers should receive international and intercultural management training. International management education may also help managers develop "global" perspectives, and be more receptive to and have empathy toward the cultures and customs of other nations. They also learn not to blindly accept their own cultural norms as universal standards. They could also learn how to adapt their management styles to fit the many cultural situations they may encounter.

Through documentary programs, participation in business games, and role-playing scenarios, managers can develop a better understanding of culturally based differences in managing.

Besides, if managers are expected to have extensive contact opportunities with people of other cultures, they should receive some form of in-depth intercultural training. Most intercultural training programs hope to develop the following attributes and skills :

- Self-awareness : The recognition of personal assumptions, value needs in different cultural settings.
- Culture reading : The ability to discover the inherent logic in cultural norms.
- Multiple perspectives : The ability to suspend judgement about other cultures and appreciate other's perspectives.
- Intercultural communications : To send verbal and nonverbal messages in different cultures. Skills in building interpersonal relationships.
- Cultural resilience : The skill to handle cultura shock.

To develop an in-depth sensitiviyy to a culture's behavioral patterns, managers need specialized training that goes beyond a review of reports and instructions in foreign languages (Tung, 1981). Impression management theory seems to be subsumed within the international adjusment process (Figure 2). Many patterns of impression management are habitual and unconscious. In a international environment, individuals must learn a new set of behaviors . It would seem to be a fruitful venture to apply impression management concepts into cross.cultural training programs.

Training that attempts to assist the trainee in learning how foreigner engage in impression management behavior among themselves would seem to have rich potential as a way of learning not only appropriate normative behavior but how to strategically use that normative behavior to build

relationships with persons belonging to a another culture. (Mendenhall, Wiley, 1994) . In addition, training in impression management allows people to use their IM (Impression management) techniques without sacrificing or losing touch with their own heritage and culture.IM skills are activated, but the behaviors are not internalized.

Clearer communication and understanding provides results for both parties, creating a healthy environment for further collaboration.

### **3. Conclusion.-**

Multiculturalism bestows upon firms certain benefits, and improves the firm's organizational capabilities.

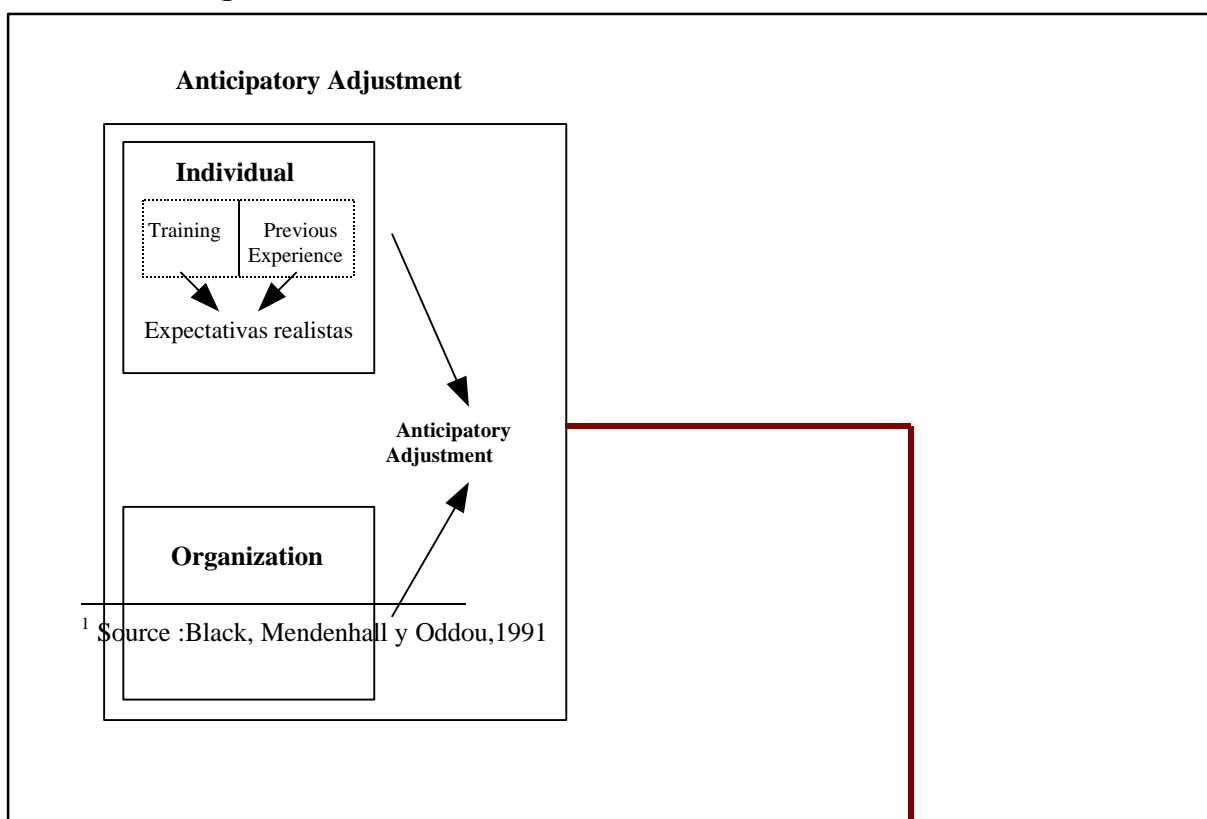
The challenge is for international managers working with multicultural employees to recognize these differences and adapt their relationships accordingly.

The knowledge explosion, coupled with discontinuities and globalization, suggest that managers must continuously be exposed to new ideas, technologies, business practices and cultures. This means learning fast new concepts, sharing information and learning from others.

In addition to having technical expertise, international managers must possess the ability to organize and lead a workforce of diverse cultures, and to achieve cross-cultural collaboration in spite of multicultural difficulties. Without a consideration of cultural differences, the application of all leadership theories will be limited to their original home culture.

Therefore, managers that are expected to have extensive contact opportunities with people of other cultures should receive some form of in-depth intercultural training.

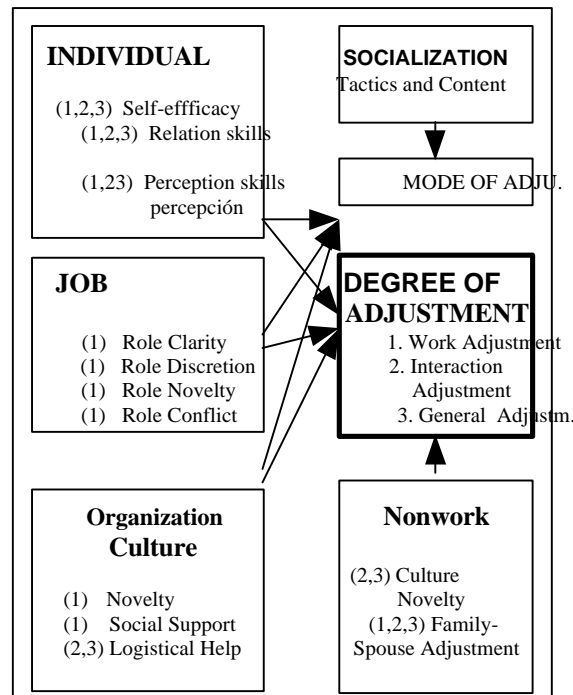
**Figure 2: FRAMEWORK OF INTERNATIONAL ADJUSTMENT<sup>1</sup>**



<sup>1</sup> Source :Black, Mendenhall y Oddou,1991

Selection  
Mechanismus  
and Criteria

### In-country Adjustment



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