



# Corporate Cultures in Global Interaction

## A Management Guide

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# Greeting



Internationalized product and labour markets have given rise to the joint ventures, mergers and subsidiaries in every corner of the world associated with increasing globalization. As a result, the heads of multinational companies face the challenge of ensuring that their employees remain motivated and creative, as well as ready to perform and adapt to a variety of cultural contexts. Executives in global companies are continually reminded in their work that the success of a company is increasingly dependent on success in integrating the values and behaviour from a variety of cultural areas into an all-inclusive corporate culture.

Long neglected, corporate culture is coming to be recognized as one of the most important competitive factors as the process of globalization continues; it is, indeed, the leadership focus of the future. Opening up new markets, whether through mergers, acquisitions or the establishment of new companies, presents corporate leaders with a challenge that goes beyond operational issues. Entrepreneurial success and economic continuity are also a function of success in defining the core values of the corporate culture, establishing links among a company's international locations, and achieving transparency and acceptance for those values. While intercultural problems often become apparent in the course of day-to-day business and communications, they tend to be given too little weight in reaching important decisions, as "hard" economic arguments take precedence, despite the fact that studies show that some 70 percent of all corporate mergers fail to reach their objectives.

This problem stems not least from the often underestimated factor of incompatibility among the corporate and/or national cultures that are involved in transnational business. The compatibility issue inevitably raises the question of how global players, not only large corporations, but increasingly, medium-sized companies as well, can realize their potential for growth and secure their

survival in the face of growing international competition. How can we balance the competing demands of continuity and the need to develop a corporate culture in the context of global interaction? How can we, as international companies, map out a common vision and common goals with which our employees can identify? In other words, how can we successfully pursue strategies of economic and intercultural cooperation, while taking into account the social responsibilities of global companies?

Under the guiding principle of the project "Corporate Cultures in Global Interaction," our aim has been to help achieve corporate economic and social policy goals by ensuring a dialogue in partnership among the relevant players, based on respect for differences among nations, cultures and religions. Our objective has been to examine the issue of cultural diversity, and how problems and possible solutions might be approached by the leadership of global companies in the context of the relationships between headquarters and foreign subsidiaries. We have sought to initiate an exchange of views and a learning process among the companies concerned. Our focus has been on the question of how executives working in an international environment, as standard bearers of the company culture, view the success of initiatives to translate global core values into practice, and how they view the effectiveness of the support measures put in place by company leadership.

The present guide summarizes the most important results of a survey of more than 200 executives from three continents. These results show that the magnitude and speed of global developments in both business and society require adjustments on the part of company management and corporate culture. Executives are not only experiencing a global shift in economic centres of gravity, but are also becoming increasingly aware of the key role played by motivated and creative employees in the international world of work. These principles are and remain central to entrepreneurial success in global markets:

cultures must not be uprooted, and respect for people and their differing mentalities is of critical importance. These factors must be kept in mind in the context of the social responsibility borne by companies, above and beyond the goal of promoting increased performance and profits.

My thanks go to the participating researchers and companies for their support in this endeavour.



Liz Mohn  
Vice Chairwoman of the Executive Board and Vice Chairwoman of the Board of Trustees of the Bertelsmann Stiftung, Gütersloh

# Foreword

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Over the past few years, "globalization" has become a catchword. It reflects a widening horizon, particularly in the business world. Transactions are taking on international dimensions, the networks of relationships in business, politics and society are growing ever more complex. The problem that emerges is this: heterogeneity leads to complexity, and complexity leads to heterogeneity.

In addition to the well-known challenges of globalization as reflected in export statistics, changes in location and cost factors, international companies are faced with other issues of critical importance to their success. These include increasingly international executive personnel and employees, competition between local and foreign employers to attract talented staff, growing international competition for progress in research and development, and efforts to establish global brands. Determination, concrete action and results are crucial in this context.

Companies are opening up new global sales markets, while at the same time facing more and more competition. Only those that are able to think ahead, act quickly and flexibly, and innovate will be able to survive in the market of the future.

The process of globalization that has been set in motion by the political opening of countries, economic transformation and technological progress is irreversible. German companies must step up to the plate and compete; they can and will be successful, if "made in Germany" maintains or regains its status as a seal of quality. Furthermore, German industry can establish a strategic position by specializing and concentrating on areas of expertise.

Against this backdrop, cooperation is becoming more and more vital, particularly when partners take advantage of comparative cultural advantages. When German punctuality combines with Spanish flexibility, for example, it is easier to achieve both rapid response capabilities and adaptability. While it may seem paradoxical, cooperation can be profitable even for direct competitors. Automobile manufacturers who pool their resources to develop and build new subcompact car models are only one example of many.

The nature and intensity of a company's corporate culture are major factors in the success or failure of such projects. A corporate culture is based on essential values and helps guide both management and employees in dealing with an increasingly complicated network of economic relationships. It offers the "grease" necessary for a company's complex "machinery." Without the cohesion offered by the values of the corporate culture, the processes of work and production, communication and decision making will falter or even, in the worst-case scenario, cease altogether. If this is allowed to happen, it will be enormously difficult, not to mention expensive, to reestablish a smooth system of operations and, even more important, regain the necessary climate of trust.



Martin Spilker



Simone Lippisch

The project “Corporate Cultures in Global Interaction” is developing models for dealing with cultural diversity within international companies. In so doing, it is encouraging intercultural cooperation and preparing the way for increased economic and social productivity and efficiency in the global corporate sector. This short guide is based on the experiences of global companies in dealing with cultural diversity within their organizations and in the environments in which they do business. Best practices provide specific recommendations for achieving successful intercultural management in a global world.

All of these things demonstrate that cultural diversity need not pose a threat, but can be a real chance to open up new markets and achieve further growth. Diversity does not limit globalization; on the contrary, it is an essential requirement for entrepreneurial success in the future.

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# A word of thanks

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On behalf of everyone involved, the authors of this guide would like to express their sincere appreciation to the Bertelsmann Stiftung for its constructive efforts in planning and organizing the project "Corporate Cultures in Global Interaction." The personal commitment shown by Ms. Liz Mohn, Vice Chairwoman of the Executive Board and Vice Chairwoman of the Board of Trustees of the Bertelsmann Stiftung, in promoting respect for different cultures and their integration into global companies was instrumental in making this project possible. Our thanks go to her for her enthusiasm and support.

We are also grateful to all of the executives in Japan, the United States, Germany and Switzerland, from company headquarters as well as international subsidiaries, who devoted a great deal of their time to this study. We received support from the following: Mr. Dietmar Kokott, Senior Vice President, Human Resources, Executive Management and Development, BASF AG, Ludwigshafen; Dr. Detlef Hunsdiek, former Executive Vice President, Human Resources, Bertelsmann AG, Gütersloh; Ms. Christiane Frühe, General Manager, HR Management, Alliances & Investments, Lufthansa German Airlines, Frankfurt am Main; Mr. Joachim Kayser, Executive Vice President, Corporate Executives, Deutsche Post AG, Bonn; Mr. Goetz Adam Gageik, Director, Human Resources Adhesives, Henkel KGaA, Düsseldorf; Prof. Dr. Werner J. Bauer, General Director, Nestlé AG, Vevey/Switzerland; Mr. Gerhard Tschentscher, Vice President, Human Resources, Pfizer Deutschland GmbH, Karlsruhe; Dr. Dietrich Hartmann, General Manager, Public Relations & Press Department, Toyota Deutschland GmbH, Cologne and Dr. Ekkehardt Wesner, former Corporate



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Executive Director Personnel and Member of the Supervisory Board, Volkswagen AG, Wolfsburg. In addition to allowing us access to respondents in their respective companies, they participated in extensive discussions which produced invaluable guidance for our study and analysis of problems relating to corporate culture.

On the academic side, the authors would like to express their appreciation particularly to Prof. Günter Dlugos, who provided critical advice and thought-provoking ideas throughout the course of the project. This guide would not have been possible without the cooperation and commitment of all project personnel, particularly during the lengthy process of data collection and analysis. Any remaining errors are entirely the responsibility of the authors.

Susanne Blazejewski,  
Wolfgang Dorow

# Overview:

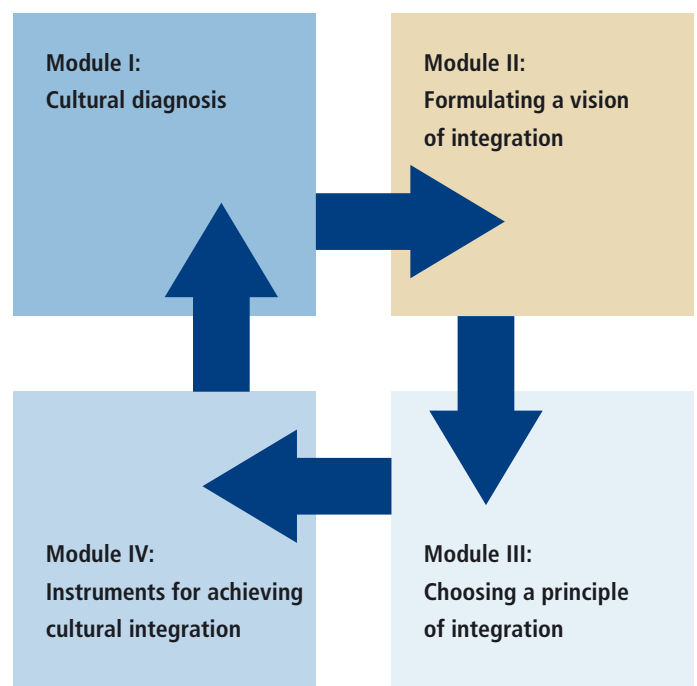
## Pitfalls and challenges in the development of a global corporate culture

- Many companies lack a clear concept of cultural development (cultural vision), which makes it impossible to approach cultural integration in a systematic way. According to the executives we interviewed, these companies suffer from a lack of a cultural orientation and a degree of arbitrariness in their actions.
- Culture-shaping measures often lack adequate coordination and fail to address the need for integration. Sometimes there is a tendency to underestimate their, perhaps unintended, cultural effects. Contradictions between objectives (such as trust versus centralized decision making) can easily cause employees to become frustrated and cynical about corporate leadership and culture.
- Stated common values are not always reflected in the behaviour of executives, particularly at the highest levels of management; yet they need to be both seen and felt if they are not to lose all credibility.
- The "global" corporate culture is perceived as being predominantly that of the headquarter's home country. This inevitably reduces willingness on the part of the international subsidiaries to accept that culture.
- The core values as formulated may be incompatible with local norms, resulting in unexpected conflicts that require a local solution or lead to a dual structure in which management finds itself walking a tightrope between global values and local customs.
- Dialogue on the compatibility of global values and local practices is inadequate or nonexistent. In many companies, opportunities for such dialogue, i.e. specifically culture-related communication platforms, are lacking, as are the necessary language skills. Although a common company language, generally English, may be in place, employees can easily feel excluded from dialogue on common values and how they should be defined because relevant forums, like the intranet, exist only in German, or because workshops held at company headquarters are dominated by German executives.
- Violations of core values rarely result in obvious sanctions. Nor is behaviour that conforms to those values always rewarded, for example through promotions. Only one company in our study had a well thought-out sys-

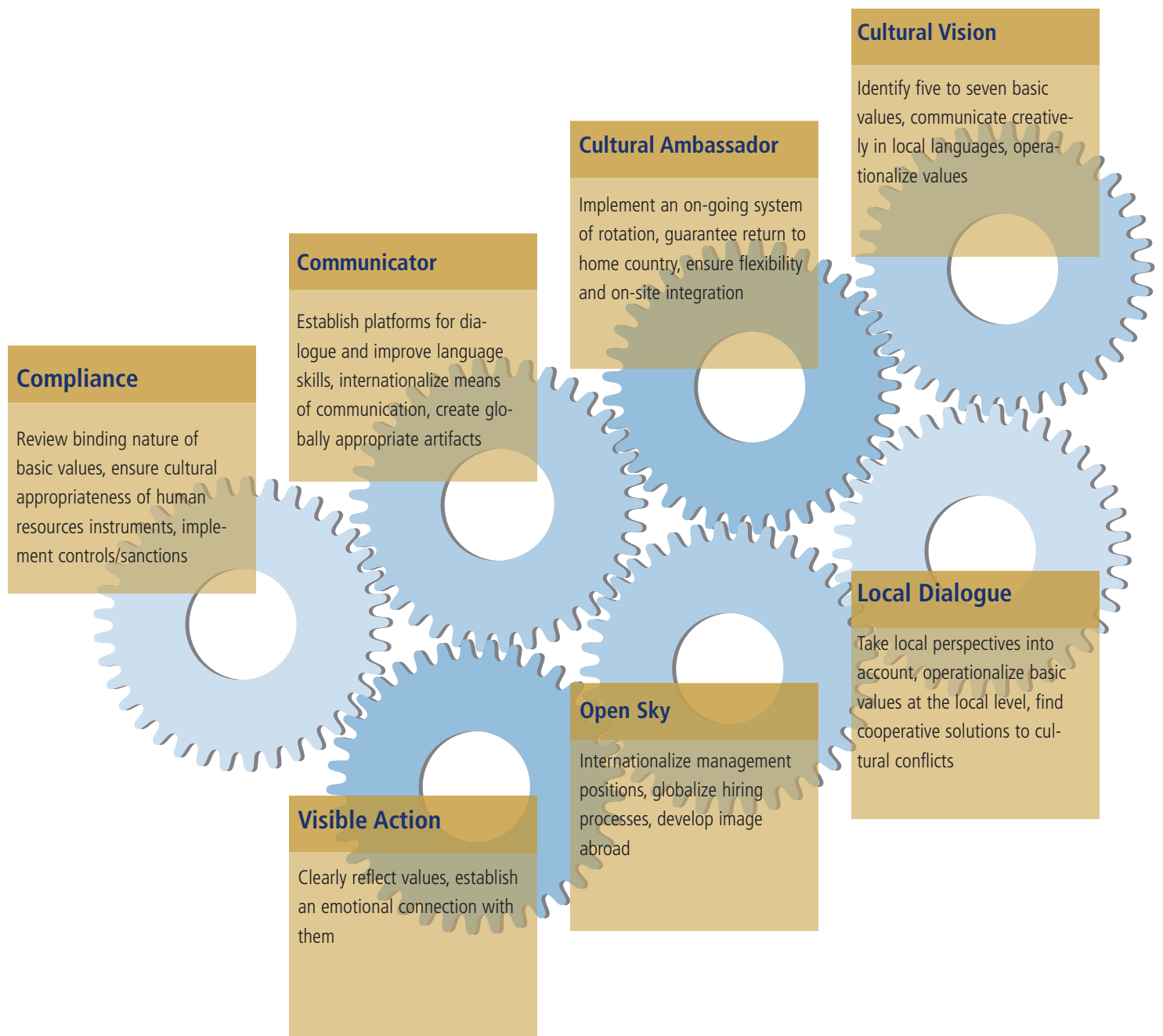
tem in place to monitor compliance with corporate values in the organization as a whole.

- (Personnel) structures are not set up to reflect the company's cultural orientation. When diversity, internationality and interculturality are explicitly identified as fundamental values, employees expect to see these principles manifested in such things as the selection of members to serve on the board of management; many of our respondents attached a great deal of symbolic importance to such decisions, a factor that is frequently underestimated.

### Modules for systematic cultural development



## Seven instruments for achieving cultural integration



# 1. Introduction

## Preliminary remarks

This guide represents a summary of the key results of the empirical study "Corporate Cultures in Global Interaction," which was carried out by the Bertelsmann Stiftung in cooperation with an international team of experts and nine participating companies. While their goals differ dramatically, all of these companies are known for their proactive efforts to meet the challenges of cultural diversity within their respective multinational organizations and to deal with the opportunities and limits that the global integration of corporate culture entails. They agreed to open up their organizations to the in-depth interviews required for our study and, in an atmosphere of trust, to permit sometimes critical assessments of the successes and problems experienced in their cultural integration programs. These interviews provided a basis for the specific recommendations contained in this guide for dealing effectively with the cultural heterogeneity of international subsidiaries, on the one hand, and pressure to achieve global integration, on the other. The following companies agreed to take part in our project



The study sought to assess the respective corporate cultures of the participating companies and determine how they went about shaping those cultures, with the goal of identifying different ways of achieving a practical balance between the need to accept cultural diversity and the desire to achieve cultural homogeneity, for example by establishing an all-inclusive global culture. The companies use different tools to strike a cultural balance, such as formulating global corporate values or establishing unifying symbols. We examined these tools to determine their actual effects. Do they really produce a common corporate culture, particularly in the international subsidiaries? Just recently, unsuccessful efforts at cultural integration at companies like Boeing and Wal-Mart have been in the headlines. We looked at how certain multinational companies, most of them based in Germany, deal with the challenges of developing a global corporate culture, and in particular at whether and how they manage to gain the support of their international employees for common values. As our results show, many of these tools have not achieved their objectives but have instead proved counterproductive, especially in the international subsidiaries. What is more, German executives have often remained unaware of the difficulties involved and the increasing cynicism of local employees toward the idea of a "common" corporate culture.

The project focused exclusively on the personal assessments and experiences of international executives themselves. They are the ones who are directly confronted each day with both the challenges of intercultural diversity and the need to coordinate efforts to make their companies as efficient as possible in the global context. They are the ones who, in their position at the interface

between the parent company and its subsidiaries, regularly find themselves up against the limits of what are meant to be shared values, on the one hand, and the need for intercultural understanding, on the other. In many companies the cultural experiences international executives bring with them remain untapped; bearing this in mind, we have endeavoured here, and in particular in considering how to promote better cultural integration, to take those experiences appropriately into account.

For practical reasons, the data required for this project were gathered from the world's three leading economic regions: the United States, Japan and Europe (Germany/Switzerland). The composition of the research team made it possible for us to conduct the interviews in the respective local languages, and we were able to capture the widest possible range of social and cultural differences within the subsidiaries.

The results of the project are organized as follows: After an introductory discussion in which we take a systematic look at the challenges of global cultural integration within international companies and consider what measures might be taken to further such integration, we outline our study's objectives and methods in Section 2.

In Section 3 we present a central finding of the study, namely the four models we have identified for developing a global corporate culture. Using selected case studies, we go on to describe the usefulness of these models in achieving the cultural balance specific to each company and identify the problems they entail. Sections 4 and 5 contain specific guidelines for developing effective pro-

grams for cultural integration within the company, based on the recommendations given in the interviews by executives with intercultural experience. Finally, Section 6 addresses the question of a general “best practice” for developing a corporate culture within a global enterprise.

### **Why are we (again, still) addressing the topic of corporate culture?**

During the 1980s and 1990s, the subject of corporate culture was generally approached from the perspective of organizational research, which was often theoretical and focused mainly on developing conceptual models of organizational culture and cultural change [1]. At that time the topic met with only moderate interest in the practical corporate world, because the concept was too vague. Moreover, there were few substantive empirical studies that considered specific models of corporate culture; most studies that were done were based on nothing more than a superficial questionnaire [2]. The combination of intensive theoretical and conceptual research, on the one hand, and a lack of connection to practical management experience, on the other, is even more problematic when the subject is the cultures that are part of multinational companies. While a number of scholars have written theoretical papers on this topic, particularly since the late 1990s [3], in-depth empirical studies are almost completely absent [4].

In the academic world, interest in studying corporate culture is declining. Research is increasingly focusing instead on related aspects such as corporate identity, trust and the question of whether management practices are transferable, although these topics can only shed light on certain individual aspects of a complex phenomenon. A

contrasting tendency can be observed within the corporate world: More and more companies with a global presence are recognizing the need to think seriously about their cultural profile and the development of their corporate culture, and are investing in measures to make the most of their inherent cultural diversity or to formulate global values [5]. This project therefore focuses on the concerns and circumstances of practical corporate life, while at the same time using findings from the field of organizational culture to analyze the cultural state of multinational companies.

There are various reasons for revisiting the topic of culture within multinational companies:

- The lack of flexibility inherent in formal and bureaucratic control mechanisms, particularly in multinational companies, limits the usefulness of such tools. Coordinated action based on a shared cultural orientation can be an effective alternative, or at least relieve existing control systems to some degree [6].
- Anticipated synergies of global strategies for growth, particularly those involving international mergers and acquisitions, often fail to materialize. These are precisely the situations in which friction at cultural interfaces is detrimental to the global organization.
- In view of the increasingly dynamic and uncertain environment in which global companies find themselves, a common transnational culture can create a balance between the need for stability (corporate culture’s role in providing an orientation and reducing complexity) and the need for adaptability.
- Against the backdrop of mounting scandals [7], global corporate values can offer binding guidelines for

all employees and management personnel and establish a basis for disciplinary action and liability claims.

- As production is increasingly shifted abroad (with a corresponding effect on employee numbers), it is more and more important to consider the relationship between one's own culture and others, particularly within the German parent companies.
- In the view of the study participants, the corporate culture plays a central role in attracting and keeping highly qualified junior executives. In non-European countries in particular, German multinationals have often been regarded as less attractive employers than other companies.

### Is it even possible to shape corporate culture?

The results of organizational research clearly show that corporate cultures undergo a long-term, uncontrolled, evolutionary process of change as they gradually adjust to internal and external conditions [8]. There is less agreement, however, as to whether individual actors, such as executives, can use certain tools to have a targeted effect on a company's cultural profile. While numerous popular management handbooks tout a broad range of instruments as capable of changing a culture, generally without any empirical basis and, more importantly, without analyzing their practical effects [9], other writers warn against exaggerated hopes, particularly of achieving a unified corporate culture in the global context. We present here three of the most important counterarguments to a widespread "can-do" mentality.

**Counterargument 1:** According to many who study international management, the heterogeneity and stability of national cultures and institutions represent a significant obstacle to establishing a unified, transnational set of corporate values [10]. In this view, the fundamental assumptions and views of employees in the subsidiaries are overwhelmingly determined by their immediate social environments. A global convergence of values and norms within the various company units is not apparent.

**Counterargument 2:** From the perspective of organizational psychology [11], it is not at all certain that corporate cultures can be intentionally shaped, even in the national context. Basic cultural assumptions, which ultimately determine behaviour, are largely the result of primary socialization, i.e. childhood influences, and the degree to which they can be changed in the corporate context is very limited. Change is only possible over an extremely long period and is largely unaffected by targeted measures.

**Counterargument 3:** Diversity research [12] argues that the very goal of harmonizing global corporate culture is not a desirable one, since continuing cultural diversity within a company offers important avenues for creativity and learning, and enables the company to gear its efforts to the respective local market.

The first two arguments in particular have substantial support from empirical studies, which tend to contradict the idea that global corporate cultures are malleable. While such factors as national culture affect an individual's system of values, however they do not determine the essence of that person; they simply impose certain

limits on his world view and actions. Within those areas of perception and action that are subject to conscious thought, there is considerable potential for variation and change, and that potential can be affected by the corporate environment. Assuming that cultural values and behaviours within a company are predetermined by external factors would amount to denying that an individual has the ability to think and change, and it would mean giving up on the idea that management efforts might make any difference at all.

The counterarguments presented here also show that the degree to which changes can be made in the corporate culture depends on how one defines culture and which targets (values, norms, behaviours, symbols) are being addressed. While those who define culture in terms of ingrained, preconscious values tend to reject the idea that corporate culture can be deliberately influenced, those who view culture as largely behaviour-oriented consider a wider range of changes to be possible. In the latter case, successfully altering communication and behavioural routines or gaining acceptance for new company-wide symbols can be defined as cultural change. Other criteria for assessing the degree to which culture can be influenced include employees' willingness to accept the corporate culture, a willingness that may be greater in situations of perceived crisis, as well as the extent and intensity of action taken by company management and the associated resources, temporal and material, that are devoted to shaping a common culture.

In any case, the success of efforts to achieve an integrated corporate culture is uncertain, even if such attempts are carefully planned. Particularly in an international setting, in which cultural conditions may vary enormously, it is impossible to predict with any certainty what effect measures to influence the corporate culture will have. That effect ultimately depends on the subjective views and assessments of each individual, whose personal circumstances may cause him to respond positively or negatively to proposed changes in norms or behaviours. But while the outcome is impossible to predict, processes of cultural integration within multinational companies are by no means arbitrary. With the help of empirical observations and in-depth interviews with executives on the front lines, we have outlined a rational process of shaping corporate culture by effective use of instruments of cultural integration (Section 4 and 5).





# 2. Corporate cultures in global interaction

## The focus of the project

This project addresses three main questions:

1. What **cultural profile** do these companies currently present in the global context of the parent company and its international subsidiaries?
2. What **target cultural profile**, i.e. what vision of cultural integration, do the companies hope to achieve? Do their executives believe that further integration of the respective company's cultural values and behavioural norms is needed? Or are they more concerned with tolerance and accepting cultural differences?
3. What **methods and tools are being used to achieve a company's vision of integration**, and are they proving successful? Again, the definition of success is based on the personal assessments of experienced executives within the participating companies.

In order to focus on these questions, we specifically exclude other important issues. We leave for example unaddressed the popular question of whether there is a "correct" corporate culture, one that would maximize economic success in global competition. In order to answer this, we would need to conduct extensive surveys on other complex variables such as each company's context, sector, competitive situation in local and global markets, strategy, structure, and so on, and the surveys would have to be longitudinal in nature, in order to study the long-term effect of corporate culture on a company's success [13].

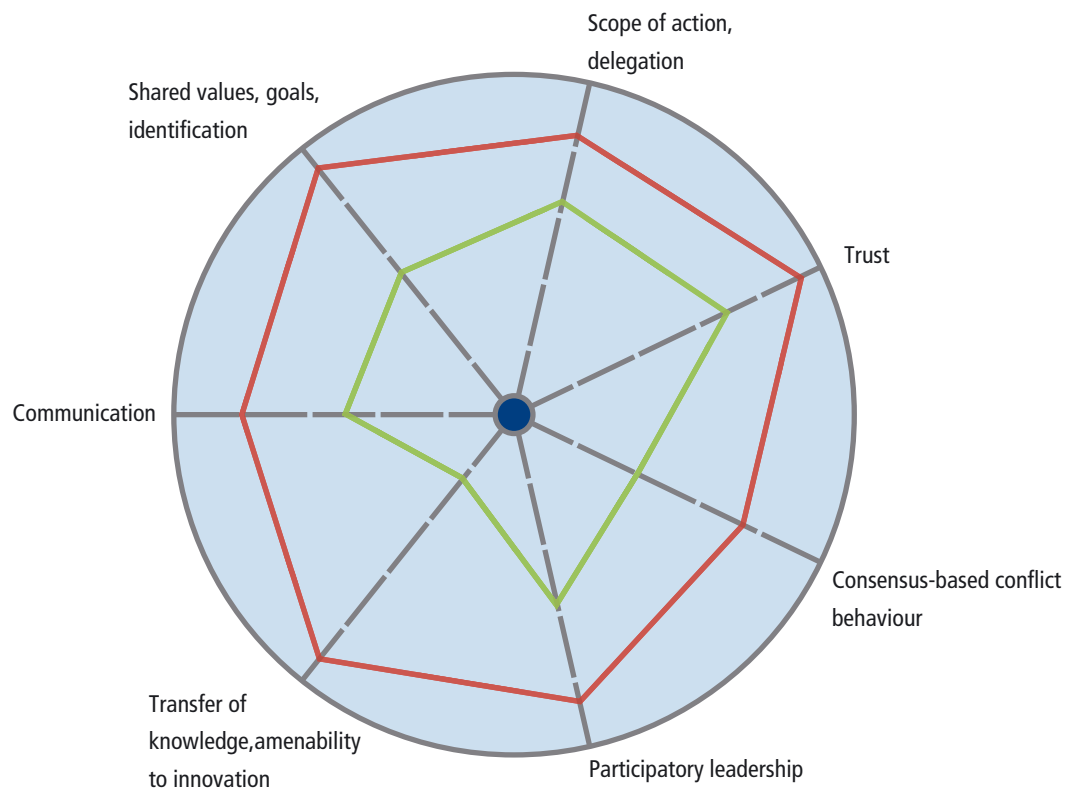
### Concept of culture

This project takes as its starting point a behaviour-based concept of culture [14] that lends itself to a systematic identification of cultural characteristics and differences within the participating companies, and at the same time allows us to define corporate culture as the goal of certain measures taken by management (cf. Section 1). Decisions on substance and action are a function of the decision maker's value system perspective. It is therefore useful to view corporate culture as a system of behaviour guided by certain values, with the respective behaviour perceived as typical or recurrent. The culture of a com-

pany is reflected in the situation-specific behaviour of its members; cultural differences manifest themselves in divergent responses to situations that require action. Particularly at the intercultural interfaces of global companies, the perceived legitimacy of one's own behaviour and its compatibility with the actions of another are crucial for successful communication and cooperation [15].

In order to diagnose the respective culture, we held intensive discussions with executives of selected companies to identify the kinds of interactions that define a company's profile, in their experience, and that reveal cultural similarities and differences within the global corporate structure. We then identified seven project-specific dimensions of corporate culture that are relevant to behaviour, which are summarized in Figure 1.

## Interaction-based dimensions of corporate culture



■ Example of goal    ■ Example of assessment of current situation

Figure 1

## Methods of survey and analysis

Corporate culture lends itself primarily to qualitative research; it is only partially accessible to quantitative methods, which were limited in this context to a secondary, heuristic role. We chose a process of triangulation which helps to ensure intersubjective validation of our analysis and conclusions. We used not only several different data sources (data triangulation), but also multilingual interviewer groups (researcher triangulation) and a variety of methods (method triangulation).

The study included the following components:

- (1) Semi-structured interviews**
- (2) Online questionnaires, including a set of case studies on leadership**
- (3) Document analysis**

Between October 2003 and September 2004, a total of 200 international executives were interviewed in the three focus regions: Germany/Switzerland (88 interviews), Japan (39) and the United States (73). In semi-structured, in-depth interviews, they were asked about their perceptions of the possibilities and limits of a transnational corporate culture, as well as the potential effectiveness of culture-shaping instruments. The survey specifically concentrated on the pool of international executives (first through third levels) who have been identified by organizational research as playing a decisive role in shaping and developing corporate culture [16]. They also act as a link between the international subcultures and corporate units of multinational companies. The interviews were held in German, Japanese or English, as requested by each respondent. They generally lasted for 90 minutes. With the respondents' consent, they were recorded on tape and subsequently transcribed.

In addition to the interviews, we used an online questionnaire in English, German and Japanese, which included a validated case-study instrument for assessing leadership style. Of the 440 questions sent out electronically, a total of 286 useable responses were submitted by the nine companies, for an overall response rate of 65 percent. We also analyzed business reports, personnel department documents, internal notes and presentations, along with regular employee surveys, to the extent that they were made available by the respective companies.

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Companies were selected based on available access and their willingness to participate. Since the project was exploratory in nature, it seemed appropriate to take a cross-industry approach. While the study was originally limited to companies based in Germany (BASF, Henkel, Deutsche Post World Net, Volkswagen, Bertelsmann, Lufthansa, including Passenger Business, Technik, LSG Sky Chefs, Cargo), we subsequently added companies based in the United States (Pfizer), Japan (Toyota) and Switzerland (Nestlé) in order to broaden our basis for comparison. All of these companies are becoming increasingly aware of the complexity of cultural experience within a global company and of the need for cultural integration, whatever form it might take, beyond national and organizational boundaries.

Note that the methods used in this project are geared toward identifying ways of dealing with the various cultures that exist within an international company, and that our focus is limited to upper management. The study concentrates on our respondents' subjective perceptions and opinions, seeking to learn from the often ignored cultural experiences of these companies' international executives. This actor-focused, case-based approach enables us to identify and systematize the practical problems that companies have encountered and the range of solutions they have tried, and to offer such solutions as avenues that might be considered by executives charged with shaping corporate culture.

# 3. How global corporate cultures develop in practice

## Types of cultural development

**Each of the companies in our study had its own approach to developing a corporate culture within its global system, depending on its environment (in terms of institutional factors, social characteristics, industry), its history and its unique structures, strategies and leaders, as well as the shared experiences of its employees.**

Certain companies are strongly influenced by the character, charisma and personal goals of one or more dominant leaders or owners, even beyond their active time in the company. In all three regions, the executives of such companies repeatedly referred to the “principal” as a role model whose values and leadership style put their stamp on the entire company. The strength of the **principal model** clearly lies in the authority of the entrepreneur/executive to determine the company’s culture, while its weakness is its dependence on that central figure. It should also be noted that the charismatic influence of the principal in companies of this type is often limited to company headquarters.

The **clan model** [17] is based on the principle of the community: Intensive socialization, lifelong tenure in the company and internal recruiting produce a largely homogeneous group of executives who share the same values, communication styles and routines, whatever their national origin. In all three regions, this type of culture is characterized by a high degree of identification with the global company, a well-developed relationship of mutual trust, and open dialogue within the executive elite. Its strength lies in the recognized authenticity of the leadership culture and its high level of integration across regional borders, which facilitates communication when decisions are required. However, many of our respondents felt that the high level of integration also limited the company’s flexibility. In certain regions there is also danger of losing touch with local circumstances, as a homogeneous transnational leadership culture tends to distance itself from the local subcultures of the subsidiaries.

In the **market model**, the subcultures within the international subsidiaries are in competition with one another. Company headquarters establish no binding set of cultural values (as in the bureaucracy model), nor do they specifically promote a unified executive community (as in the clan model). Each part of the company is expected to develop to its full potential within its immediate institutional and socio-cultural environment, and to achieve the best possible “fit” with the dominant values of its market and local stakeholders. These companies are often organized as nationally or regionally independent profit centres. Global coordination is reduced to a minimum.

More and more, however, these types of companies as well find themselves subjected to global pressure for synergy, which leads to a need for more transnational coordination. Coexistence among subcultures may then turn into competition; representatives of the most successful and hence dominant profit centres are more likely to take over when it comes to decision making, communication and the selection of company management. The cultures of the various company units may be increasingly influenced or even supplanted by the culture of a particularly successful subsidiary [18]. In one case, the culture of an American subsidiary temporarily gained disproportionate influence relative to its German parent company, as company leaders thought it was better suited to meeting global challenges. Carried to an extreme, this kind of situation can mean moving company headquarters to the cultural region deemed more attractive. Over the long term, the culture in which management interests can best be realized will prevail.

## Companies with a clear focus in developing a corporate culture

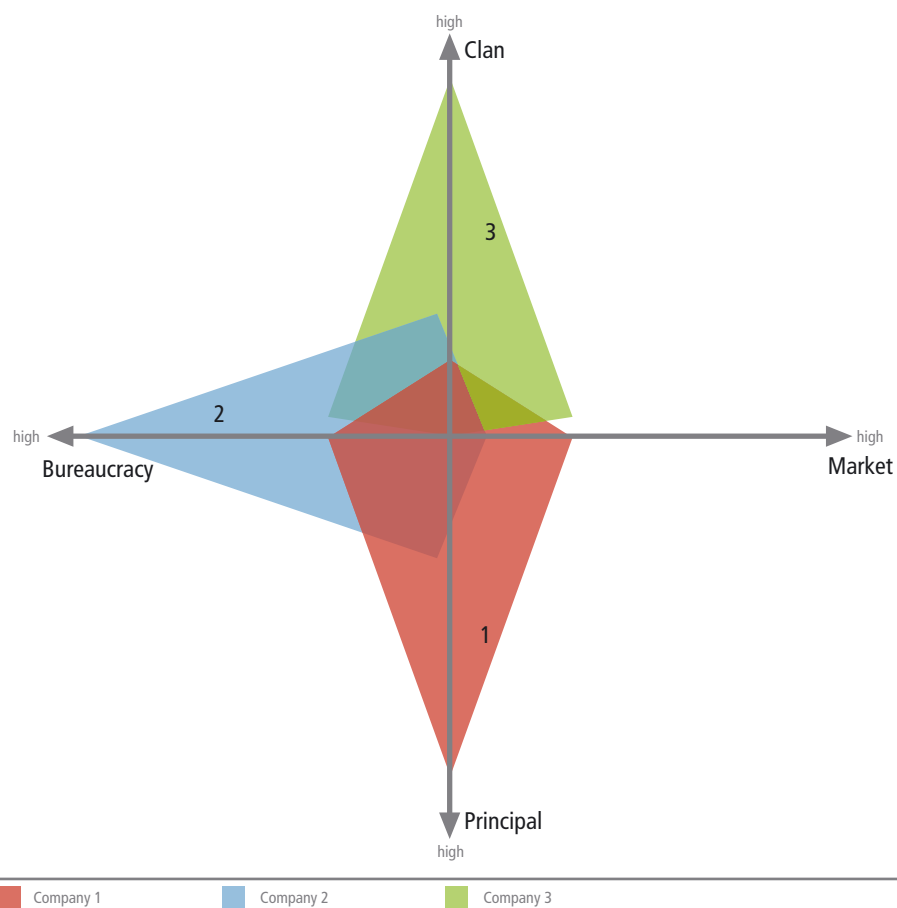


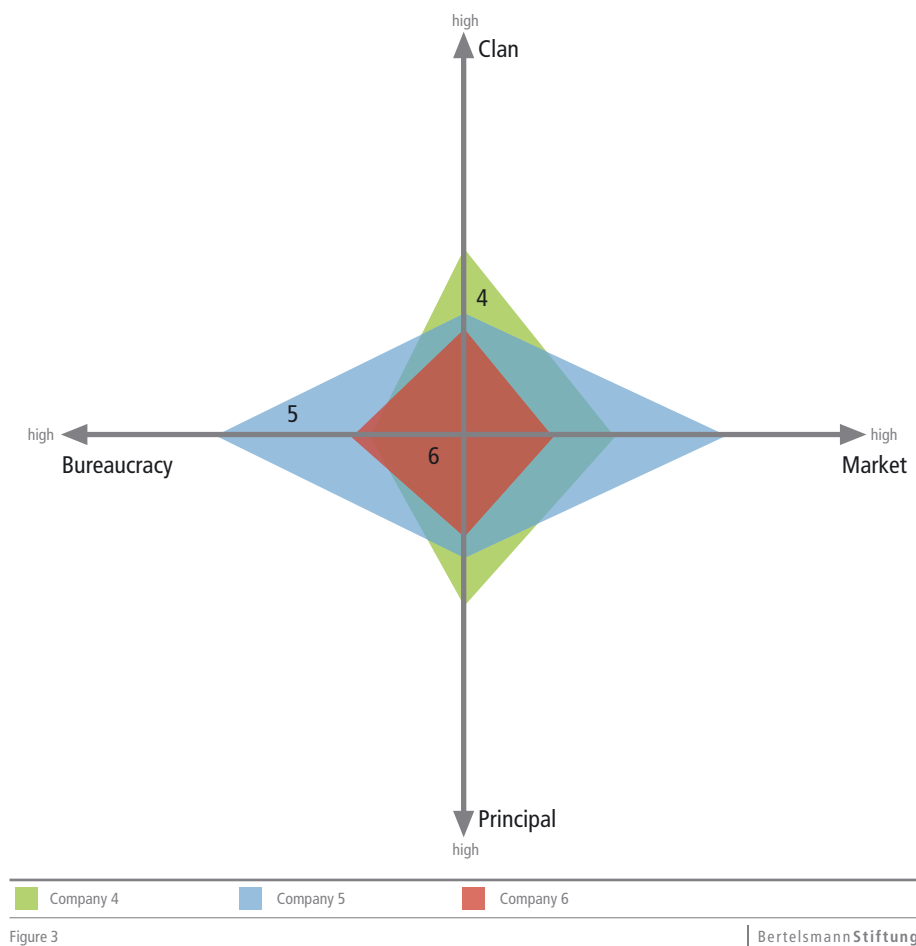
Figure 2

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In the **bureaucracy model**, corporate culture is primarily shaped by formal, written rules. Norms, values and behaviours are codified, and their definition is frequently binding for all corporate employees. Violations of core corporate values may be subject to sanctions. The strength of these companies lies in a step-by-step, planned and consistent process of developing a common and binding cultural orientation. However, the time-consuming processes of

negotiation and adjustment necessary to formulate shared values are a drawback, not to mention the lack of flexibility inherent in strictly and exhaustively defined behavioural norms. Furthermore, it can be very costly to put in place the necessary control systems and provide for sanctions when "cultural rules" are violated.

## “In-between” companies, without a distinct corporate culture

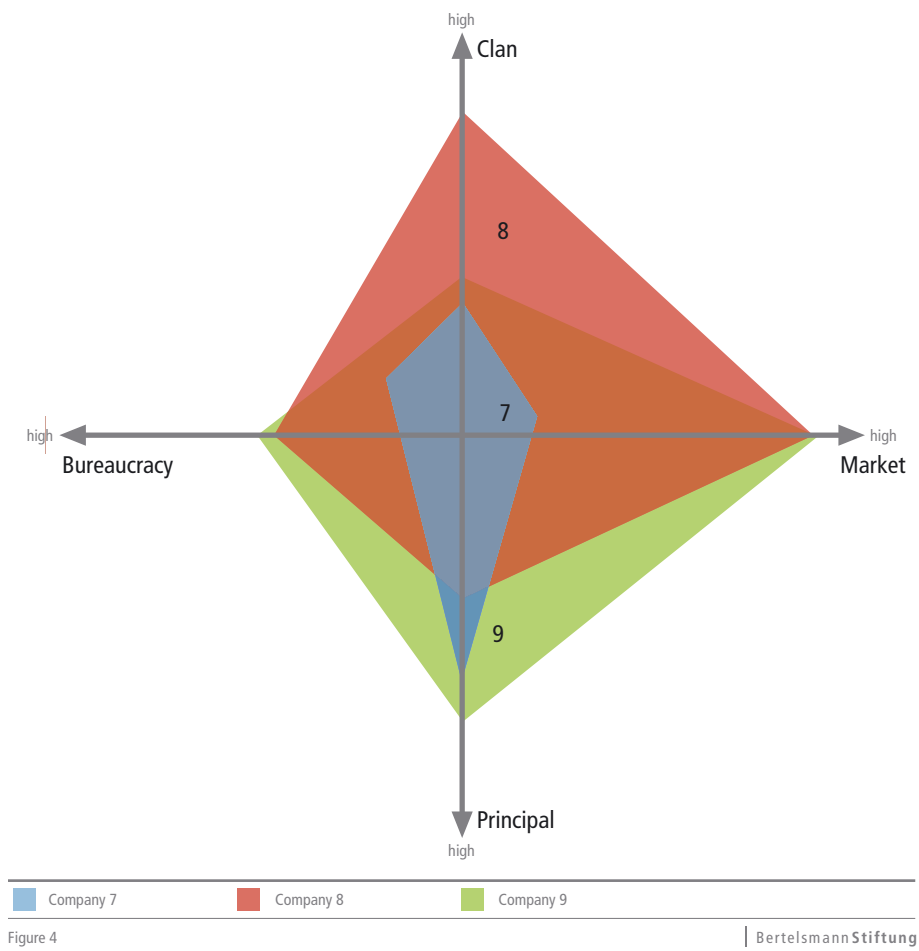


None of these companies embodied the types described in their purest form, but three of the nine companies exhibited certain distinct focus areas (Figure 2). The remaining six companies have not yet chosen a clear method of developing their corporate culture, and find themselves in an “in-between” situation.

Characteristic of these companies are ambivalence and a lack of cohesiveness in their cultural assumptions and goals. Their executives complained of a lack of potential for achieving global integration, which they saw as a long-term obstacle to the development of a corporate culture.



## “In-between” companies with certain marked characteristics



Figures 2, 3 and 4 provide an overview of the participating companies in terms of the type of method chosen to develop their corporate culture [19].

# Four case studies

## Company 1

**Company 1:** The executives of this company are strongly influenced by the values and behavioural norms of their chairman, a personally charismatic individual whose leadership of the company is widely recognized as highly competent (Figure 2, Company 1). The company's focus on a principal developed over a long period of time; its third board chairman since the early 1980s was only recently elected. The influence of the current chairman and his two predecessors, whose cultural mark is still palpable, is rooted in their professional competence and their personalities, and that influence has grown through successful handling of upheaval and crisis. This history has contributed to an extraordinary degree of loyalty toward the company, which is by no means common in the industry. Company executives in Germany and abroad agree that the principal's role in modeling the company's fundamental values has been a significant factor in its success.

Such a strong identification with the board chairman on the part of executives and other employees has made it easier to establish the company's cultural profile throughout the world. Since the company's core values are communicated throughout the global organization through the chairman's efforts, which include presentations at regular meetings with other board chairpersons, town hall meetings in the United States, ongoing visits and talks with employees at the company's foreign locations, so far it has been possible to keep investments in other culture-shaping tools at a fairly low level. For example, one will not find on display any of the notices, brochures or other materials that are regularly used by other companies to communicate their core values. As one executive pointed out,

*“We don't need to set down our corporate culture in writing, or to use other means of establishing our culture. We have our board chairman, who has led us through every crisis and sets the tone for all of us.”*

*“Certain things are simply understood. Take Mr. (...) [former board chairman], for example. He was a role model for me in the company. I often saw how he presented himself in the United States. He was always just what I imagined a [typical member of the company] should be. He did everything he expected of us. For me, that was always how the values of our company should be embodied. The highest level of technical performance, self-confidence, customer focus, acting as a role model. I think that is more important than what is written down. If principles are not consistently followed, then they are counterproductive.”*

It is considerably less important in this company for expatriates to communicate cultural norms than it is in the bureaucratic model, for example, since company values are visibly and credibly demonstrated at the leadership level by the principal. However, it is also clear that the dominant role of the principal can reduce the effectiveness of cultural development, or even be ultimately counterproductive. This may happen if, as in this company, the principal's values are closely tied to the national culture. His values are perceived to be specifically German ones that are associated with company headquarters, and they are not always accepted or internalized by foreign executives or employees in newly acquired parts of the company. The lack of the instruments and experiences necessary to integrate foreign executives effectively into the principal-driven corporate culture gives rise to problems. Looking to the future, the question is whether ethnocentric values as communicated by the principal at the helm of an international company can ultimately be effective in shaping the global corporate culture. As one executive noted,

*“The challenge facing us is that we need more cultural contact; we need to develop a greater awareness of cultural differences, without losing our own cultural identity. Cultural diversity and different values lead to interesting results.”*

However, today's reality is altogether different:

*“We are a German company with extremely centralized leadership. The result is that from the local perspective some things are too German.”*

It is not surprising that this company has had difficulty integrating executives from other countries. Another question is whether it will remain possible over the long term to find board chairmen with the cultural charisma to which the company has grown accustomed. If there is a break in the sequence of charismatic leaders, it will be extremely difficult to solve the problem of integration using other methods and tools, especially as the company is currently making budget cuts in institutions like the education and training centre and leadership meetings, which are so important for long-term cultural development.

# Four case studies

## Company 2

**Company 2:** A characteristic feature of this company is the formal and bureaucratic nature of its global values initiative (in the sense of Max Weber) (Figure 2, Company 2). A written catalogue of core values, which has been translated into several languages, has been in place since the year 2000. These values are binding for all employees worldwide, and executives in the global network are required to sign a statement each year expressing their commitment to them. They make up a common, binding framework within which each subsidiary is expected to develop its own code of conduct in keeping with local cultural and institutional conditions. These behavioural guidelines, operationalized at the local level, are passed on to headquarters in Germany for review of their consistency with the company's global values. A sophisticated, formal compliance system, including independent regional supervisory offices to which complaints of violations can be submitted anonymously, ensures that the norms are implemented worldwide and followed by disciplinary action if appropriate.

The advantages of this system are obvious. Since a company's core values usually leave a great deal of room for interpretation, putting them into operational terms establishes a clear and binding framework of action for each subsidiary and its employees. In addition, the dual structure, which takes into account both the company's global values and local standards, means that that adequate weight is given to the local culture and its institutions, without sacrificing a common orientation. Moreover, this structure requires and encourages local subsidiaries to give serious thought to the core values as defined by company headquarters, thereby helping to make these values an integral part of employees' daily work. Acceptance of the core values, as expressed in local codes of conduct, is high in all three regions studied.

Coordination and a continual process of feedback between the common global values and local interpretations are carried out in this company through two important channels: First, an unusually high number of regular personal meetings at the international and regional levels (leadership conferences, project team meetings, training sessions, committee meetings) provide a variety of opportunities for discussion and study of the core values through intercultural dialogue. Second, the expatriates in the international subsidiaries, who are mostly German, have been socialized at company headquarters and manifest an exceptionally high degree of identification with the company. Since they serve as effective cultural models and communicators of the core values, they help to bring together the local and global cultural arenas on a personal level.

According to our respondents in all three regions, however, the pitfalls and challenges inherent in this system are impossible to ignore. The first issue is this: when the company's values are translated into action in the international subsidiaries, any conflicts between the company culture and the culture of the respective national environment inevitably become the responsibility of the subsidiaries. If, as in Japan, the company's global values (e.g. integrity) are not compatible with local practices (e.g. a traditional exchange of gifts with corporate partners), these conflicts need to be resolved locally in expensive and lengthy procedures. In this instance, the Japanese subsidiary found it necessary to carry out laborious training sessions and discussions with its employees for more than a year in order to raise their awareness of the potential for conflict and then arrive at an acceptable solution, which particularly affected the sales personnel who dealt with this issue on a daily basis. The company decided to set up a pool of gifts at the local level, which made it possible to retain local business customs while at the same time preventing inappropriate

*“Here in Asia, we have looked closely at the guidelines, and that is very important. In my department in Japan, for instance, we have held regular meetings with employees: How should we interpret this, and how can we apply that to our day-to-day work? And this is the result [local code of conduct], this is our list of values, and this expresses how we interpret the global core values every day.”*

ate personal gain, in keeping with the fundamental meaning of the company's stated value of "integrity." It was also decided that a small plastic card bearing the relevant corporate value should be given to business partners at the beginning of any business relationship, explaining in impersonal terms that it is company policy not to accept gifts and thus allowing both parties to save face. Local structures were also adapted to allow for the anonymous consultation of an independent law firm to advise employees as necessary on their options and potential sanctions. The costs of these measures as well as responsibility for the entire conflict-resolution procedure are borne by the local subsidiary.

The value-related initiatives undertaken by Company 2 encountered a second problem: While the company clearly stated its commitment to the principle of support for intercultural and international values, this was undermined by an executive structure that was obviously dominated by German personnel, making such pronouncements ring hollow in American and Japanese ears. It remains clear that the company is dominated by Germans, despite the fact that English is now the official company language, the large number of German management personnel means that German is frequently spoken even at international executive meetings, with the result that foreign employees feel excluded. The problem is even worse at the company's German headquarters. Accordingly, rising junior executives from other countries are reluctant to spend time at headquarters, although the company's close ties to its home base make it imperative that they do so if they are to advance in their careers.

*"The problem is, yes, we could bring in [to headquarters] more employees from other countries. But the thing is that this location is too unattractive for most of them. Not to mention the language barrier. That is the worst thing that you can suggest to up-and-coming Asian executives, spending two or three years here. The idea makes them shiver."*

The result is that 70 percent of upper management consists of German executives, although well over 50 percent of employees and sales are based abroad and the company's growth regions are mainly in Asia. As they have been largely formulated by these top executives, the company's core values are perceived in other countries as dominantly "German" and ethnocentric. Nearly all of the interviews with non-German company employees included references to the "German style" of corporate culture or the cultural dominance of company headquarters, with its imposition of its values on the subsidiaries described as a "one-way street." This perception continues even when those values do in fact allow for interpretation in accordance with local cultural norms. Symbolic of German dominance within the company is the staffing of the board of management and the other leadership bodies:

*"The Germans clearly still dominate within the company... It is all well and good to say, 'You have the same opportunities,' but you never actually see someone else getting a real chance."*

From the perspective of the regions, this seriously damages the credibility of the core values as a whole. Our respondents felt that the "cultural rules" of Company 2 should apply clearly and without exception to all employees if they are to be fully effective, even if that means making real changes in the company's current power structure.

# Four case studies

## Company 3

**Company 3:** Instead of relying on formal rules to disseminate and develop its transnational corporate culture, this company depends almost exclusively on the personal abilities of carefully selected executives, who have been socialized within the company over a long period of time, to embody corporate culture and act as cultural ambassadors within the global network (Figure 2, Company 3). According to our respondents, the company's efforts to keep values in mind when recruiting personnel, grooming junior personnel for advancement and offering ongoing values training to leadership personnel worldwide have helped to achieve a high level of cross-regional acceptance of the core corporate values, first formulated in 1997, as well as to encourage executives to identify with them. A regular international rotation of executive personnel is also a key element in achieving a common value orientation among international executives. The company does not explicitly seek to translate its global values into concrete measures at the local level. Instead, the respective management team is in charge of the interpretation and application of those values in daily business activities and within the local cultural environment of the subsidiaries. The high percentage of expatriates in the field creates a link between global values and their application in the local setting. The central role of expatriates in establishing the desired cultural framework is reinforced by the fact that they are generally well thought of personally. Our respondents had great respect for them in their capacity as cultural ambassadors, as they show consistency in word (core values) and deed and take seriously their roles as cultural mediators between headquarters and the respective subsidiary.

*“The key to an integrative culture is an international rotation system... Shared values cannot be learned in training sessions. I think the young people here see that these principles are actually being applied and modeled.”*

Moreover, since the company's entire leadership team is truly international, including the board of management, which has a great deal of symbolic importance, the core values formulated by headquarters are not perceived as ethnocentric or specific to the company's home country. The transnational values on which the company is based have been overwhelmingly accepted and internalized worldwide, and they have become an important factor in its image. This in turn is crucial in making it possible to hire outside job candidates and to select internal candidates for promotion in accordance with personal values that are compatible with the corporate culture.

*“I would say that the kind of person hired by this company is different from someone hired elsewhere. And the kind of person you hire, that has an effect throughout the company... The most important way of putting principles into practice is to hire people who believe in them and base their leadership on them. To select young people who identify with them and really stand behind them. These employees need to be carefully chosen and cultivated. We do that in our promotion system, where we identify people who have a lot of potential. Our values need to be a central factor in that context. How do these individuals integrate certain values into their work, how successful are they in their jobs? Are they successful because of or in spite of applying these values?”*

Although the executives we interviewed took a largely positive view of this approach to cultural integration through hiring and rotation systems, it also brings with it certain dangers and problems. The first issue is this: When a company defines certain relatively abstract global values but does not establish binding (and thus also sanctionable) behavioural norms at the local level, management personnel in the regions have a great deal of room to interpret company values and take action as they see fit.

*“This is not the kind of thing that you can take with you and put to practical use. It is more like a general formulation of our core values. Respect, trust, that kind of very basic value. But a list of norms that I can take with me and really act on, no, that’s not what it is.”*

Accordingly, the implementation of the company’s core values in the subsidiaries is largely determined by the personal views and ideas of individual executives. Unlike Company 2, for example, here there are no uniform, objective guidelines that are binding even for executive staff. Despite the existence of common values, this results in a great deal of variability, in practice, from one subsidiary to another, with specific action largely determined by local circumstances. This prevents the sort of improved coordination within the corporate network that is often the goal of global value initiatives. Conscious of this challenge, the company has recently made efforts based on best-practice pilot projects to enhance its coordination and harmonization of behavioural norms worldwide; this has led to massive resistance from the subsidiaries, who have witnessed a sudden reduction in their autonomy and freedom to interpret company values as they deem appropriate.

This brings us to the second issue: The necessary coordination between global values and sometimes very different local practices is under the purview of executives in the subsidiaries. They bear final responsibility for putting the core values into practice as intended by the global company, and need to deal with any conflicts that may arise at the local level. Particularly in the case of the Japanese subsidiary, our interviews showed that the company is increasingly split between globally-oriented, internationally rotating executives, who have largely internalized corporate values in the course of the company’s hiring and socialization processes, and locally-oriented employees, who are strictly focused on the immediate national cultural environment with its specific tra-

ditions and business practices. At this local level, adherence to core corporate values is not particularly encouraged, nor are violations punished. Moreover, according to the Japanese respondents, international executives frequently lack the necessary language skills to assess the actual situation at the operational level. It is in this context that Company 3’s concentration of values programs on the pool of international executives, admittedly a large group, is most problematic. While hiring and rotation practices may lead to cultural integration and the establishment of global corporate values at the executive level, local employees remain largely removed from the cultural process.

# Four case studies

## Company 4

**Company 4:** Company 4 (Figure 3) is a prime example of a company whose attempts at cultural integration have had a dysfunctional effect on relationships among its international subsidiaries. While the company draws up catchy lists of global values and, at least on paper, identifies measures to promote them (e.g. internal and external communication), in the final analysis these efforts are no more than a façade, and fail to make those values an integral part of the larger company. It is particularly problematic that employee expectations are raised when core values such as “openness” and “trust” are proclaimed with great fanfare. If the company’s management fails to follow up, those expectations are dashed.

The problem often begins when values campaigns are initiated, as the regional subsidiaries are not included in the process of identifying “shared” core values. Many of the international employees then respond by rejecting the entire initiative, which they see as ethnocentric, too “German” and focused only on company headquarters.

*“No one asked for our input in formulating the cultural vision. That’s why it isn’t implemented here.”*

According to the American executives we interviewed, the wording of company values makes it evident that the regions were not consulted. They pointed out that the language used is often incorrect, and fails to reflect the experiences of employees at foreign sites.

*“Here [at an American subsidiary] the focus is really on brands and technology. But our vision is somehow all about “beauty.” For me, that doesn’t fit with our technological orientation. Not to mention that these slogans aren’t really in correct English. All of this doesn’t really have much to do with us.”*

Adding to the regions’ negative response was the manner in which the core values were communicated to employees. Corporate management in Germany, apparently choosing what they considered to be an efficient method, simply sent out an e-mail listing the company’s core values. Furthermore, important elements in the communication campaign, such as a video on the value of “trust,” are available only in German, despite the fact that nearly 80 percent of company employees work for the foreign subsidiaries.

*“The list of core values was sent out into the world by e-mail. E-mail! To whoever opened and read it. If you ask me, if you need something like a list of values, then you really have to go out and make your case. Like a prophet to his disciples. You have to send out your missionaries to communicate these things personally. You have to make sure that everyone really understands these values. Not just send out an e-mail. These values have to come from the very top, and they need to be personally disseminated by the people who believe in them.”*

To sum up, it did not appear to the Japanese and American executives that the highest levels of German management truly had the will to implement and establish these core values. On the contrary, the measures that were announced as part of the core-values program were carried out only hesitantly and halfheartedly by staff at headquarters. A planned workshop was held only sporadically, and only in German. The role of expatriates from headquarters as bearers of the culture remained undefined, while the length of time spent by up-and-coming executives at international subsidiaries was reduced to two years. The regional executives felt that this was too short a period to allow them to be effective as ambassadors and mediators of corporate culture between the local and global levels. The credibility of this entire program of cultural integration is gradually eroding. Particularly at the American subsidiary there is increasing cynicism, exacerbated by blatant violations by Ger-



# Pitfalls and challenges in shaping a culture

man company leadership of their own core values. Just as trust is being touted as a central value throughout the world, decision-making authority in numerous contexts is being taken away from the American subsidiaries and handed over to German headquarters, in the view of American executives a drastic sign of a lack of trust between the parent company and its subsidiaries. It is clear that the actions of headquarters are frequently perceived within the international subsidiaries as contradicting expressed values; company employees fail to recognize a clear focus on shared values and objectives.

Based on the case studies described above, along with other project findings, we can list the main problems facing global value initiatives as identified by the executives involved:

- Many companies lack a clear sense of direction (cultural vision), making it impossible for them to systematically develop measures to promote cultural integration. In the view of the executives we interviewed, such companies tend to lack a cultural orientation and to be arbitrary in their actions.
- There is frequently failure to consistently coordinate measures affecting culture or to gear them to the stated vision of integration. Sometimes their possible and perhaps unintended effects on culture may be underestimated. Contradictions between individual values (e.g. trust versus centralized decision making) quickly lead to frustration and cause employees to become cynical about the company's leadership and culture.
- Stated values are not always modelled by executives, particularly at the highest levels; it is important that these values be seen and felt by employees if they are not to lose all credibility.
- The "global" corporate culture is perceived to be mainly German. This inevitably reduces the willingness of the international subsidiaries to accept it.
- Stated core values may be incompatible with local practices and trigger unexpected conflicts, which then need to be resolved at the local level (Company 2), or result in a dual structure (Company 3) that requires executives to perform a balancing act between global values and local behavioural norms.
- There is little or no dialogue regarding the compatibility of global values and local norms. In many companies there are no platforms for explicitly culture-related communication and even the necessary language skills are lacking. In spite of a common company language, generally English, many employees feel excluded from dialogue on shared core values and their definition, since the appropriate forums for communication, such as the intranet, are available only in the language spoken at headquarters and the relevant workshops are dominated by executives who speak that language.
- Violations of company values are rarely punished in any visible way, nor is there any explicit reward for upholding these values, such as preferential treatment in promotion decisions. Only one of the companies in our study had a well thought-out system in place to monitor the implementation of core values within the company.
- (Personnel) structures are not being adapted to conform to the company's cultural orientation. When diversity, internationality and interculturality are explicitly identified as core values, as is the case in six of the nine companies surveyed, the employees expect to see this principle put into practice, for example in the selection of board members, which has a symbolic importance for many of our respondents that is frequently underestimated.

# 4. Modules for systematic cultural development

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After analyzing our interview data and the issues identified in Section 3, it is clear that a systematic, formal procedure is needed to promote the (further) development of a global corporate culture. Accordingly, in cooperation with our corporate partners we have drawn up a simple set of instruments to assist in carrying out methodical cultural diagnosis and development. This section presents the four modules that are part of this set of tools (Figure 5). Specific suggestions for improving methods of shaping corporate culture, drawn directly from the experiences of the international executives who participated in our study, are discussed in detail in Section 5.

## Modules for systematic cultural development

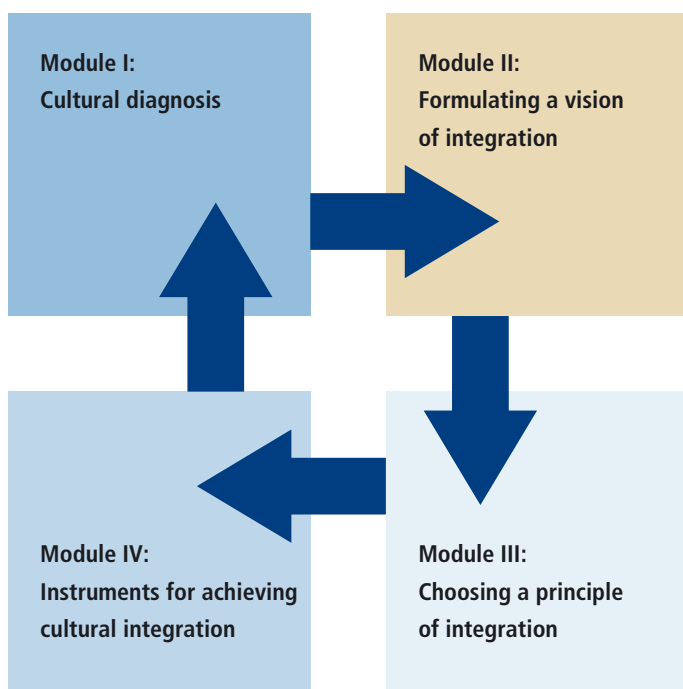


Figure 5

### Module I: Cultural diagnosis

Careful cultural diagnosis is the first step in developing and fostering a corporate culture. Not only does it help to identify the cultural knowledge available within the company and the degree to which individual subcultures, e.g. the international subsidiaries, are integrated, but it should also be seen as a time for cultural reflection by the company's employees. Those directly involved felt that workshops and interviews were particularly appropriate venues for identifying important areas of cultural conflict and developing specific approaches to promoting integration and communication where different cultures come together.

Various methods of cultural diagnosis (cultural audit, cultural assessment) are discussed extensively in the literature [20]. In the present project, it became clear that in-depth interviews, structured along certain dimensions of cultural interaction, were a particularly appropriate means of data collection to address the concept of culture used here (see Section 2). This type of interview makes it possible to identify experience-based cultural knowledge and to differentiate between statements of fact and value judgments by asking critical follow-up questions. In our experience, an open, trusting interview atmosphere requires neutral moderators and a guarantee of absolute anonymity when the data are recorded and analyzed. If possible, these in-depth interviews should be enhanced by the use of other suitable methods, using a triangulation procedure (cf. p. 18). Furthermore, in studying multinational companies it is important that the research team be made up of individuals from different cultures, first to ensure that data collection can be carried out in the respective local language, and second, so that cultural patterns can be identified when the data are analyzed.

## Module II: Formulating a vision of integration

This project has shown that the participating companies have widely differing, and sometimes extremely vague, ideas of what kind of culture they want to achieve (objectives and vision of integration). These ideas range from accepting cultural diversity within the global corporate network (integration through intercultural acceptance) to achieving cultural homogeneity (integration by establishing a common culture). It is important that company leadership takes a clear position in this regard, and, above all, that it clearly delineates the levels (upper management or all employees) and company areas (region, function, business divisions) to be included in integration efforts. Is it sufficient for international executives to achieve a minimum level of understanding within the global network by consciously encouraging each side to get to know the other and promoting acceptance for different cultural norms and decision-making methods? Or is it necessary to agree on a shared set of values, uniform methods of communication, and a common procedure for dealing with conflicts and decisions, separate from local traditions and national culture?

The objective of integration efforts should be defined systematically, using such criteria as the following:

- Expected costs of achieving acceptance of cultural diversity or putting in place a transnational culture
  - A willingness for change and integration on the part of internal stakeholders (which depends on such things as the degree to which existing behavioural norms and values are entrenched)
  - Expected potential for conflict in relationships with external stakeholders (e.g. customers, the local public, partner companies) resulting from integration efforts
  - Willingness for innovation and potential for innovation and creativity may be lost as a result of harmonizing cognitive patterns and methods of action
- Effects on the potential for identification and trust in global relationships
  - Expected effects on transaction costs with respect to communication, coordination and control
  - Effects on the interdependent relationship that encompasses corporate culture, strategy and structure

### **Module III: Choosing a principle of integration**

Four principles of integration were identified during the course of the project: a community-based principle, in the clan model; a principle based on rules, in the bureaucracy model; the principle of cultural competition, in the market model; and the personality principle, in the principal model (cf. Section 3). The choice of an integration vision and an integration principle ultimately determines the type of instruments chosen to help shape the corporate culture and the extent to which they will be used. Principles of integration are not mutually exclusive, but can be combined in practice, depending on the situation; for example, the culture-shaping role of an internationally recognized corporate leader may be enhanced by codifying the company's common values. Our results showed that companies find success in shaping culture when they articulate a clear vision of integration and focus on a single dominant principle of integration.

### **Module IV: Instruments for achieving cultural integration (KIT7)**

The instruments for shaping culture identified by the participating executives as having an integrative effect are discussed in some detail in Section 5. Building on the concept of strategic "value drivers," seven of the areas of action which our respondents identified as fundamental were described as "cultural integration drivers" (or KIT7). The resulting list should not be regarded as exhaustive; other tools may be useful as well. We present here only the instruments that experienced executives considered to be particularly effective or worth improving. It should also be pointed out that the effect of certain measures may not be limited to the arena of cultural integration, although our discussion deals only with that aspect. Note, for example, that employees who rotate from one location to another are likely to have professional duties that are not considered here, in addition to their function as cultural ambassadors, which is highlighted in Section 5.

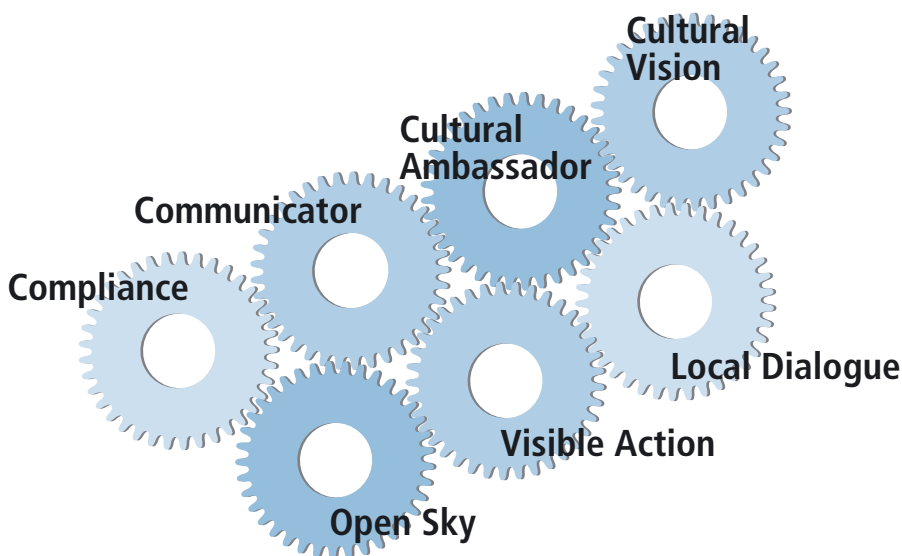
# 5. KIT7: Seven instruments for achieving cultural integration

KIT7 is a system developed in cooperation with executives from the companies participating in this project to aid in bringing about more effective cultural development in multinational companies. While some of these instruments are already in general use, they are often poorly coordinated. Our results show that the greatest potential for promoting cultural integration, whatever the specific goal, lies in synchronizing all available tools. Some of these tools may need to be re-designed and priorities may have to shift depending on the specific integration principles and visions involved. Each of the seven KIT7 elements (Figure 6) used to reinforce a corporate culture is enhanced by the other elements, while at the same time, the absence of certain instruments, for example those

aimed at improving basic language skills and creating appropriate forums for cultural dialogue (KIT7 Effective Communication), can quickly result in the serious consequences described above (Section 3).

We present the individual elements of KIT7 with a brief description of each instrument followed by relevant quotations from the study interviews, identified as such in the text. The quotations illustrate important areas in which the instrument may be used, or underscore practices within the companies that could stand improvement. Finally, a check list summarizes the main points regarding optimum design of the instrument and offers practical suggestions for using it.

## KIT<sup>7</sup> Cultural integration driver



# Cultural Vision

## Cultural Vision

Cultural Vision refers to an explicit statement of company-specific core values and how they are to be communicated. Criteria for evaluating effectiveness include the way in which the stated values are formulated, their availability in the local languages of the subsidiaries, the use of idiomatic language (Quote 1), appropriateness of communication channels (Quote 2), the length of the written document (Quote 3), the precision and clarity of the stated core values, and the feasibility of putting them into operation. In written form, they offer a framework for implementing the company's cultural vision and facilitate its communication to new members of management (Quote 4). Documents presenting the cultural vision may be used in workshops to stimulate reflection about an individual's action orientation or discussion about the compatibility of the company's values with certain decisions or with local circumstances.

As with all KIT7 instruments, formulating a cultural vision has only a limited effect on cultural development. Only when this tool is combined with others, particularly Visible Action, which translates core values into practice, can it be truly effective in promoting cultural integration.



*Quote 1: "These slogans, they're not even correct English. This really doesn't have anything to do with us."*

*Quote 2: "The list of core values was sent out into the world by e-mail. E-mail! To whoever opened and read it. If you ask me, if you need something like a list of values, then you really have to go out and preach it. Like a prophet to his disciples. You have to send out your missionaries to communicate it personally. You have to make sure that everyone really understands these values. Not just send out an e-mail. These values have to come from the very top, and they need to be personally disseminated by the people who believe in them."*

*Quote 3: "Values, principles, mission, vision, ad nauseam, until you are totally confused. Too much information, too many details and rules, and on the other hand not enough leadership, not enough demonstration of what is really important, what the common global theme is and what we are really supposed to do."*

*Quote 4: "The values are extremely important, when I go into a meeting with my people, when I see these young people, I ask them, "Have you looked at this? What are the most important things about it?" My boss does that too, at his meetings. We go to our people and ask them, "What are the main points?" Otherwise you never succeed in defining common values. That's why we insist on these things at our training centre."*



### Check list: Cultural Vision

- **Written definition of core corporate values:** This makes it easier to communicate values to new employees, after mergers or acquisitions, for example, and provides a binding, common framework for everyone.
- **Clear, creative communication of core values:** Values are often overlooked if they are sent out by e-mail or posted on the intranet. They should be brought to the attention of employees in their immediate work environments. It is important to encourage thinking about cultural issues as part of the everyday routine, for example by scheduling this regularly.
- **Five to seven core values are sufficient.** People cannot really absorb or comprehend more than that, let alone apply them in day-to-day decision making.
- **Translation into local languages:** When a list of values has been drawn up only in English, the result is frequent misunderstandings and uncertainty about how to interpret and apply them in practice. In addition, discussion about how these values should be translated and interpreted offers an excellent opportunity for dialogue within the subsidiaries on the company's culture.
- **Operationalize the core values:** These often quite abstract values must be put into concrete terms, through examples or descriptions of appropriate behaviour. The concept of "integrity" can only be understood by giving examples, for instance by pointing out that employees are not allowed to exchange gifts with customers or suppliers.

Important related drivers: Visible Action and Local Dialogue

### Local Dialogue

Our surveys show that Local Dialogue is one of the most important links between company headquarters and subsidiaries. It should be structured multilaterally, so that the cultural vision can be communicated to the global company as quickly and as broadly as possible. This means, first, involving employees from the company's international units in the process of identifying and formulating shared values, and second, taking into account local influences on how these values are interpreted and applied.

Open and critical dialogue on values, conducted on an equal footing between the parent company and its subsidiaries, is crucial to developing a corporate culture. Only when the local perspective is systematically reflected in the selection, formulation and interpretation of core values will those values truly be accepted and incorporated into the practical life of the international units (Quote 1). A failure to do so (Quote 2), as in the recent attempt to introduce an American-style code of behaviour at Wal-Mart in Germany [21], is likely to result in massive resistance from local workers.

When core values are being formulated, it is important to stress the common culture of all of the units, while at the same time identifying different regional or national interpretations of values. These different interpretations must be taken quite seriously (Quote 3). They do not present a problem as long as they remain within the framework of common values (Quotes 4, 5). Should they fall outside of this framework causing conflict between local traditions or behavioural norms and global cultural principles, resolution of the conflict must involve everyone. Assigning the responsibility and the cost to the foreign subsidiary alone relegates such intercultural conflict to the local level, ignores an opportunity to promote integration using active discussion between the respective subcultures, and may even lead to the cultural isolation of individual subsidiaries.

We feel that cultural dialogue in multinational companies should be an ongoing, institutionalized process. We encourage annual forums, rotating to different international locations, specifically devoted to the development of corporate culture. Most of the companies we studied did not provide this kind of opportunity for dialogue; at best, the topic of corporate culture came up as an



afterthought at international executive meetings. Seldom was there a genuine exchange of views between company units on how the company's global core values should be interpreted and applied.



*Quote 1: "No one asked for our input in formulating the cultural vision. That's why it isn't put into practice here."*

*Quote 2: "All of this came from the top, from headquarters in Germany to the subsidiary [in Japan]. Top to bottom."*

*Quote 3: "I think a shared system of values is an excellent goal, but there needs to be room for localizing any kind of shared system of values. A consistent, common cultural system is only helpful if it doesn't tie the hands of local executives."*

*Quote 4: "How we interpret these values is up to us. They make it clear that we need to draw up a code of conduct based on the company's shared values, but we don't need to copy the German code. Of course we have looked at it, but we have our own legal system here, for one thing, and that's why we are responsible for developing an appropriate code for Japan."*

*Quote 5: "We need to have a common cultural orientation within the global system, but it doesn't need to be identical. The values allow enough room for the specific cultural features of the regions. But the common values offer us a shared, clear orientation."*

### Check list: Local Dialogue

- **Systematically take the local perspective into account:** It is not enough to only involve the top management echelon, which tends to focus on headquarters. It is important from the very beginning to include employees of the subsidiaries in developing global core values. This is crucial to ensure that the core values are accepted early on and reinforced throughout the company.
- **Local application:** Subsidiaries should be encouraged to give serious thought to interpreting core values from a local perspective at dedicated forums and workshops. Regional interpretations of company values and local codes of conduct should be put in writing so that erroneous or confusing interpretations can be identified early on and discussed.
- **Solve conflicts through cooperation:** Facilitate dialogue between the parent company and subsidiaries to resolve differences between the global core values and local interpretations or traditional business practices. If subsidiaries are left to resolve these conflicts on their own, local employees may react with cynicism or even reject the global value initiative altogether.

Important related drivers: Communicator and Cultural Ambassador



## Visible Action

Every company stressed the importance of top executives as role models, whatever the chosen method of integration. Visible Action means that the core values of the corporate culture need to connect to concrete, readily apparent behaviours if they are to be accepted by the international organization at every level and in every region. Applauding the cultural vision in speeches was criticized as largely useless (Quote 1) if it was not reflected in practice (Quotes 2, 3). Top-level executives in particular need to make it very clear that their decisions and actions reflect the core values, and leaders at the highest levels must demonstrate that they are emotionally committed to a shared cultural orientation (Quote 4). Our respondents unanimously felt that value-oriented behaviour cannot be imparted through training sessions. It needs to be communicated by role models. It is the actions of the management team in the parent company and its subsidiaries that ultimately provide the real measure of cultural integration initiatives and credibility.

The more a company's leadership recognizes the economic relevance of corporate culture, the more willing it will be to demonstrate the company's values by its actions, leadership style and communications. In practical terms, however, it should be kept in mind that subsidiaries with various national cultures will have different expectations of how these values should be modeled. This problem is difficult to resolve. In principal-oriented companies, for example, it is rare to find a leader who is universally accepted as a role model, and who is capable of bringing the entire global system together. Trying to replace a dynamic leader with written communication about company values meets with skepticism. The power of Visible Action to promote integration should motivate global companies to recruit leaders from a variety of cultures in order to collectively provide role models for the entire company.



*Quote 1: "It would be better not to formulate any core values at all than to have ones that no one pays attention to."*

*Quote 2: "I have always been impressed by the fact that when they [the executives] say something, they stick to it. That holds true for management values, too."*

*Quote 3: "This kind of 'walk the talk' is absolutely central to our method of disseminating corporate culture."*

*Quote 4: "There were genuinely open meetings between the chairman of the board and employees, where he encouraged them to voice their criticisms and made it clear that there would be no negative consequences. This has helped to shape culture and led to a great deal of direct communication. He was always willing to make himself available to employees, even in the smallest departments, wherever he was... That creates ties to the company, the fact that the board chairman is available. When I talk to colleagues who work for major banks, many employees have never seen their board chairman, even after five or six years."*



### Check list: Visible Action

- **Living one's values:** Among leadership personnel in particular, consistency between words and deeds needs to be apparent and communicated at all times. The concept of a global corporate culture loses all credibility if those at the highest levels fail to take the company's values seriously.
- **Emotional commitment to core values:** It is not enough for the global values to be expressed as one more formal regulation within the organization. If values are to be credible, leadership personnel, serving as cultural role models, must demonstrate personal, emotional commitment and be able to enthusiastically communicate global values. Superficial, noncommittal lip service by superiors as an afterthought at management meetings, under the heading of "miscellaneous," results in cynicism and rejection on the part of employees.

Important related drivers: Compliance (particularly in hiring and evaluation) and Communicator

### Communicator

Any cultural dialogue depends on the ability and willingness to communicate. Global channels and opportunities for communication provide the foundation for the culture-integrating effect of the other instruments. The following important aspects should be considered when seeking to enhance the Communication tool: the frequency and intensity of communication; the scope, availability and acceptance of international platforms for communication, such as the intranet, conferences or committee meetings; the establishment of means of communication that will promote integration; overcoming heterogeneous communication styles within the company's divisions; and most important, fluency in foreign languages. Company programs aimed at promoting cultural integration frequently fail for the simple reason that the "shared" core values are not understood by many employees, owing to a lack of foreign language skills (Quotes 1, 2, 3). In addition, employees without foreign language skills are not able to participate fully in the critical process of dialogue (Local Dialogue) when global values and behaviour norms are interpreted and put into practice. A common language provides an essential basis for communication and, in turn, for global cultural integration within the company as a whole.

Moreover, our surveys have repeatedly shown that of all of the methods of approaching integration, personal communication across cultural boundaries is perceived as the most effective (Quote 4). It is vital that company leadership provide adequate opportunities for communication about the global corporate culture, ranging from training sessions to intranet forums and management meetings (Quote 5). The most important consideration in this context is to set aside sufficient opportunity for discussion of core values, and not at the end of a leadership conference after the final "difficult" topic has been dealt with and half of the participants have already left.



*Quote 1: "It is very difficult for us to rotate people abroad or send them to training sessions because they just don't speak English well enough and lack the necessary confidence. We are putting a lot of resources into eliminating these language barriers. It is also important to choose the right people."*

*Quote 2: "When we started trying to translate this English version or the German one into Japanese, it was extremely difficult to find a Japanese equivalent for the word 'integrity.' In Japanese we thought of 'seigō·sei,' but that isn't really the right word for 'integrity.' So there were lots of discussions: What does 'integrity' really mean? ...That was our first step toward putting the concept of 'integrity' into practice in Japan."*

*Quote 3: "We can't avoid or replace English. There are still a large number of Japanese executives who have never lived outside Japan. Most of them. And that holds true for the Germans, the French, the Italians. It is absolutely critical that we improve fluency in the common language."*

*Quote 4: "The most important thing is to bring people together in person. The best way to overcome cultural differences is for people of different backgrounds to interact with each other directly. For them to meet and spend time together."*

*Quote 5: "The most important driver is to bring people together, a face-to-face meeting with other cultures. Is that only possible through expatriates? Not necessarily. There are other ways as well, training courses for example, or international projects. Is that a substitute for spending time at [headquarters]? No. But it is a big help."*

### Check list: Communicator

- **Institutionalize platforms for dialogue:** Make sure there is adequate room for cultural dialogue at both the regional and global level. This includes specific, formal opportunities for communication such as culture-focused workshops and discussion groups, as well as support for an informal cultural exchange. Set aside time for the latter during training sessions or at international project meetings. Personal communication between employees of different cultural backgrounds was consistently identified as the most important means of achieving cultural integration.
- **Promote fluency:** Even today many employees, including executives, lack the necessary language skills to participate meaningfully in a cultural dialogue. Inadequate language skills prevent them from contributing their own interpretations of core values to the discussion and from establishing intercultural communication networks. In addition to language problems, in some regions there are also cultural barriers to communication that prevent participation in open dialogue. When this is the case, executives must make a special effort to elicit opinions from employees in cultures where people are more reticent, thus enhancing the employees' ability and willingness to take part in dialogue over the long term.
- **Internationalize means of communication in a consistent way:** In-house intranet pages are still often available only in the language of the headquarters; no more than excerpts are provided in English, if that. This means that foreign employees are often simply unaware of information made available through that medium.
- **Globally appropriate artifacts:** Symbols, slogans, logos and other artifacts (architecture, room furnishings, work clothing) that are intended to enhance the integration of the company need to be internationally acceptable and associated with positive connotations. Poorly worded English slogans meant to encourage group cohesion end up being ridiculous and imperil the success of the entire initiative.

Important related drivers: Cultural Ambassador and Open Sky



# Cultural Ambassador

## Cultural Ambassador

It was emphasized by representatives of all of the participating companies that cultural values must be communicated personally if the vision of integration is to be realized. In companies that have already achieved some success at cultural integration, a fairly high number of impatriates or expatriates, usually middle or senior managers, act as ambassadors in imparting the global company's core values, in addition to carrying out their regular professional duties (Quotes 1, 2, 3). Cultural Ambassadorship shapes culture in a variety of ways. Since they have frequently undergone a long-term process of socialization within the global company, expatriates are not only able to help overcome tensions between the local and the global culture by engaging in dialogue, they also participate in developing and reinforcing the corporate culture (Quote 4). At a very personal level, they interact with local employees and seek opportunities for direct dialogue on the corporate culture, and in so doing ensure that differences between local and/or centralized values are reconciled on an ongoing basis (Quote 5). Moving from one country to another also offers these international executives an opportunity to review their own behaviours and values in the context of different local cultures, which helps them to internalize their values and maintain flexibility in their personal cultural orientation. The expatriate fulfils an important role as a model and mirror for employees in the respective subsidiary. It is therefore especially important that the actions of expatriates are always in harmony with the company's core values. Only if they measure up in this respect will they ultimately be qualified to take on further leadership positions.



*Quote 1: "We reduced the number of expatriates. That meant sacrificing our international atmosphere; we need to regain a balance. So we will be increasing the number of expatriates, not only Germans, but also people from other regions."*

*Quote 2: "We need people like that. Not only to communicate between different cultures, but to integrate them more fully, to establish shared values."*

*Quote 3: "The key to an integrative culture is international rotation. International executives are always very highly regarded here... Overall, this rotation system has helped a great deal."*

*Quote 4: "We have always had rotation programs... And that has to do with the culture. And how you make sure that a common culture is maintained within the overall organization, that's possible in our company only with the help of expatriate programs."*

*Quote 5: "Personal contact occurs largely through expatriates. That has been extremely helpful in communicating with Germany."*



### Check list: Cultural Ambassador

- **Ongoing rotation programs:** To save money, many companies have recently cut back on their expatriate programs. This can slow down or even prevent cultural integration within the larger company. Even though e-mail and telephone calls are options as well, personal contact with colleagues from other cultural regions is the main method of integration. It is important not only to assign employees from headquarters to other locations, but to increase the number of rotations from or among the regions.
- **Allow for flexibility:** Because of the different working and living conditions in many countries, rotation programs should be kept flexible in terms of such factors as length of stay, host country, responsibilities and career stage. Rotating younger employees at the beginnings of their careers can give them a global perspective, increase their intercultural competence and lay the groundwork for an international network of contacts. This puts in place important factors needed for intercultural understanding and cultural integration within the company.
- **Guarantee a return to the home office:** In many regions, foreign assignments fail to materialize for the simple reason that employees would rather forgo the international experience than risk that their return will be poorly organized. Guaranteeing that an attractive option for returning will be available would open up new possibilities for gaining foreign experience, also for American executives, who are often reluctant to be sent abroad.
- **Ensure on-site involvement:** In spite of the lip service paid to the idea of globalization, employees still frequently feel abandoned before, during and after a foreign assignment. Systematic intercultural mentoring programs in the respective home and host countries can help to facilitate cultural integration and enhance the benefit of cultural experiences for the entire company.

Important related drivers: Communicator and Open Sky

### Open Sky

The personnel policy tool we call Open Sky signals to executives in the subsidiaries that the goal of integrating cultures also means pursuing a truly international career policy. Open Sky means that the path to the top of the company is open, and that the objective is to achieve an international mix within the core leadership team at the head of the global company. This includes support measures such as a uniform evaluation system for executives, a rotation system and intensive training programs that enable employees to take advantage of international opportunities for advancement. In some of the companies we studied, it was clear that significant disincentives for foreign executives resulted from the fact that their career paths ended at a more or less invisible “glass ceiling” at the top level of the local subsidiary (Quote 1). Companies that have already succeeded in putting an international team in place at the top have found that employees at the foreign subsidiaries identify with the larger company to a significantly greater degree (Quote 2).

Companies that have expressly identified interculturality or internationality as a core value should not underestimate the symbolic importance of their policies for choosing top-level executives (Quote 3). Shared global values need to be visible, particularly in personnel decisions. It must be made clear to up-and-coming international executives, whatever their countries of origin, that the pathway into the company’s management is open to them, given a proven track record of support for the company’s values, and that top positions are not in fact reserved for personnel from the company’s home country, as has often been the case in the past, despite a voiced commitment to internationality (Quote 4). Inadequate representation of other cultures at headquarters was identified as a fundamental problem for company development, with serious consequences for the acceptance of the company’s leadership and the “shared” corporate culture within the local environment. Unless this problem is solved, global companies will continue to have a difficult time attracting and keeping high-quality junior executives.



*Quote 1: "Most of the top-level executives come from [German headquarters]. International executives have a hard time making their mark."*

*Quote 2: "Nationality is not a topic of discussion at the top level. It is not a consideration. Your native language isn't either, or religion, or anything like that."*

*Quote 3: "A global company can't have a monocultural board."*

*Quote 4: "For the Americans, we are a German company, not an international one. The management board in the United States is German. The financial counsel is German. Many of the group vice-presidents are German."*

### Check list: Open Sky

- **Internationalize leadership positions:** Every career path in the company, including the highly symbolic management board, must also be open to foreign employees in the subsidiaries.
- **Put global hiring procedures into effect:** Many of the companies already have global procedures for choosing international executives, but foreign employees still have the impression that only those from the home country are actually hired into leadership positions. A lack of transparency quickly leads to the suspicion that headquarters is only paying lip service to the core values of internationality, interculturality and diversity.
- **Remedy image problems abroad:** A lack of international top executives is often defended by contending that the executives in the subsidiaries are "second-rate." It is still uncommon to see systematic efforts to deal with the problems of recruiting first-class employees in foreign countries, particularly those who share the company's basic values (through local sponsoring efforts, links with outstanding local universities).

Important related drivers: Cultural Ambassador, Communicator and Compliance



## Compliance

The Compliance tool includes all of the systems of control, sanctions, hiring, evaluation and rewards that are specifically designed to establish and reinforce a common corporate culture within the global company. Employees will only take a cultural program seriously if misconduct is actually punished and upholding core values are seen to have a positive effect on an individual's advancement, not only at headquarters, but also in the international subsidiaries. Systematically including a discussion of values in annual reviews between an employee and his superior, and consistent disciplinary action when values are ignored, send an important signal to employees all over the world.

Formal compliance systems backed up by a set of positive and negative sanctions, including such components as compensation incentives and culture-related management evaluations are helpful (Quote 1), particularly when cultural values need to be communicated quickly and effectively. However, they also require a monitoring system to ensure that norms are followed (e.g. a compliance officer, anonymous hotlines, cf. Quote 3), which may involve substantial expense and can endanger the basis of trust within the company. Accordingly, the decision as to whether or not to institute a compliance system is a complicated and difficult one. It raises questions such as these: What are the consequences if a shared global corporate culture is more or less forced onto employees? Does the benefit achieved justify the bureaucratic investment, for example the need to monitor global compliance? What obligation is the company leadership willing to assume? Especially in these sensitive areas, insufficient clarity, inconsistency and contradictions (between individual measures and regarding the substance of corporate culture) can quickly destroy the credibility of the entire cultural integration program.



*Quote 1: "The company's values are also part of an executive's formal evaluation, of course. For example attributes such as being trustworthy, responsible, reliable; all of these things are included in our leadership principles."*

*Quote 2: "One example: the system of incentives. We introduced "pay for performance," since that fits in with the principles of [the corporate core values]... It says here that we should compensate individual employees for their performance. So it was very important to us to change the incentive system."*

*Quote 3: "Every complaint is taken seriously and dealt with individually by an independent group... If we have ten similar cases, then we know: Yes, this is really a significant problem. So this is a really well-structured process for dealing thoroughly with complaints involving the core values."*



## Check list: Compliance

- **Binding core values:** When seeking to achieve global integration by developing core values jointly, it is helpful for a company to ensure that employees and executives worldwide share a binding commitment to those values, in order to reflect the importance of the corporate culture in central corporate policy.
- **Review compatibility with corporate core values:** In many companies the hiring, evaluation and incentive systems are not consistently geared to global corporate values. This can lead to contradictions and a loss of credibility of cultural integration initiatives.
- **Control and sanctions:** Cultural development needs to be monitored and ensured on a continual basis, through ongoing review processes (employee surveys, regular cultural diagnosis, opportunities to provide feedback, for example through anonymous hotlines). When individuals grossly violate company values, there must be a consistent response and visible consequences; only then will it be possible to ensure the credibility of the cultural initiative.

Important related drivers: Open Sky and Visible Action

# 6. Conclusion: Options for the effective management of global corporate cultures

## **Congruent objectives, methods and measures for achieving cultural integration**

Our study has clearly shown that the effectiveness of a vision of integration depends on the transparency of the methods used to achieve it and the synchronized application of the cultural integration drivers. Accordingly, these cultural integration drivers need to be used so that each enhances the other and they do not work at cross purposes, as has occurred in some of the companies we studied. Contradictory or even destructive effects on cultural development can easily result from a failure to employ cultural integration drivers in a synchronized way, as, for example, when efforts are made to reinforce the global core values, as prescribed under Cultural Vision, while at the same time financial constraints lead to cuts in Cultural Ambassadorship or Local Dialogue initiatives.

It is also important to target measures to each company's vision of integration (cf. Section 4). Although we believe that all seven cultural drivers should be part of a company's strategy, whatever the specific objective, they need to be adapted to suit the given circumstances. A company whose goal is acceptance of cultural diversity within the global organization, for example, has to formulate a cultural vision that emphasizes intercultural tolerance and mutual understanding among heterogeneous local subcultures. At the same time, it should use compliance tools, such as management evaluation systems, with the specific purpose of enhancing intercultural competence, adaptability and foreign language skills. Failure to respect cultural diversity must result in sanctions. Rotation programs and communication forums should be geared toward facilitating an exchange between culturally diverse executives from the various company units, helping them get to know and respect one another, without making the formulation of corporate values the focus of their intercultural dialogue.

For a company whose goal is to achieve a transnational culture, however, it is precisely the development of a shared cultural orientation that should be the focus of executive meetings, training sessions and expatriate programs. Here career paths need to reflect the importance of long-term socialization within the common corporate culture, i.e. the principle that junior executives should be recruited exclusively from within the organization. Management hiring and evaluation should clearly reflect shared global values and behavioural norms. In these companies, sanctions should be imposed on those who violate cultural norms and core values; specifically behavioural routines that might lead to conflicts or misunderstandings in intercultural interaction must be proactively minimized.

Accordingly, methods and tools for furthering cultural development need to be continually reassessed and adapted to meet the needs of a given situation in light of the company's vision of cultural integration. The system of KIT7 integration drivers, like the modules we have developed for cultural development, offers a framework for choosing a systematic procedure and deciding how best to employ culture-shaping measures.

## Is there a “best practice” for shaping a culture in a global company?

The answer is clear: Yes and no. As a rule, a “best practice” recommendation is only valid for companies of similar size, age, geographical range, strategy, structure and market conditions. In corporate reality, conditions vary so much that best practices are necessarily subject to certain reservations. Cultural integration means something very different for a financial conglomerate that is focused on financial holding and preventing resources from becoming interdependent (to ensure that company components can more easily be bought and sold) than it does for a company whose goal is interconnectedness, in the interest of global synergies, securing a uniform market presence.

The “best practice” approach, which this study tends to support, should be viewed strictly in terms of structure; it can be helpful in determining how to analyze and organize a corporate culture, but cannot answer the question of what type of culture a company should achieve. The formal idea of “best practices” as presented in this paper, using modules of cultural integration (Section 4) and the KIT7 cultural drivers (Section 5), can help management identify deficits, contradictions or a lack of clarity in the context of the interdependent aspects of the vision of integration, the principle of integration and the use of specific instruments. The first step is to analyze the current state of the corporate culture and identify what in general is to be achieved through

integration measures. The next step is to systematically review and refine existing measures to shape corporate culture, using the KIT7 checklists. These tools offer the management of multinational companies the opportunity to review their decisions and actions in the light of the company’s vision of cultural integration. This “best practice” method can help to identify the strengths and weaknesses of a specific corporate culture, and to determine what needs to be done to enhance cultural development.

Clearly, however, there is a “worst practice,” and this is a matter not only of thinking in contradictory ways about how a company’s culture should be shaped, but also a matter of practical reality. When a company fails to look critically at its cultural profile and remains oblivious to how vague its integration goals really are, it is impossible to make effective use of the available instruments. The cultural development of this kind of company is largely a matter of chance, depending on such things as who happens to be its board chairman or the influence of other stakeholders. Some companies continue along this path as long as their products or services remain sufficiently competitive to ensure continued profitability in the international arena. They fail to take advantage of opportunities to increase profits, however, as cultural friction leads to high transaction costs. When this kind of company finds itself faced with serious competition, it lacks the cohesive corporate culture necessary to develop strategic advantages in international competition with a minimum of transaction costs.



# Notes

- [1] See the theoretical and conceptual discussions in Scholz (1988), Dierkes (1990), Heinen and Frank (1997) and Sackmann (2002).
- [2] For criticism of the primarily functionalistic and positivistic empirical studies conducted in the 1980s and 1990s, see Martin (2002).
- [3] Theoretical treatments of the corporate culture of multinational companies are found in Schreyögg (1993, 2000), Fischbach (2002) and Schmid (1996).
- [4] Exceptions include works by Van Maanen and Laurent (1993) and Brannen (1992), but these confine themselves largely to describing the persistence of value systems shaped by the respective national culture in American-Japanese companies, and do not deal systematically with management options for affecting patterns of cultural interaction. A recent study by Moore (2005) describes in detail the cultural development of the British subsidiary of a major German bank, but its limitation to one subsidiary, unlike the present study, precludes comparisons or the identification of certain types.
- [5] Between 1997 and 2004, 72 percent of DAX 30 companies formulated global cultural values, generally defined as a framework for action that is binding for all employees worldwide.
- [6] On the issue of corporate culture as an alternative or supplementary control mechanism in multinational companies, cf. Jaeger (1983), Bartlett and Ghoshal (1998), Nohria and Ghoshal (1994) and the extensive empirical study conducted by Harzing (1999).
- [7] Examples include the cases of Enron (fraud), BASF-USA (the vitamin price fixing scandal) and Volkswagen (corruption), in which misconduct by individual executives caused substantial damage to the respective companies.
- [8] Schein (1992: 12) defines the culture of a group or company as follows: "A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems."
- [9] As in Sackmann (2002), Dierkes (1990) and Morosini (1998).
- [10] The nonconvergence and stability of national cultures are discussed and empirically reviewed in Hofstede (2002), Schneider and Barsoux (1997), Adler (2000), Trompenaars (1993) and Reber (1997).
- [11] On the stability of basic cultural assumptions from the perspective of organizational psychology, see e.g. Schein (1992).
- [12] One exponent of this theory, which is empirically disputed, is Cox (1993).
- [13] Denison (1990) and Kotter and Heskett (1992) in particular have studied the links between corporate culture and success. Their work also shows how difficult it is to isolate the variable of corporate culture from interdependent variables like corporate strategy and environmental influences.
- [14] On the differentiation between action-oriented and value-oriented approaches to culture, cf. Szabo et al. (2001).
- [15] This concept also takes into account the existence of subcultures (regional, functional, religious, professional, etc.) within a company. Crucial for successful integration in a global company, in our opinion, is not the elimination of these subcultures, but success in improving language skills and a willingness

for acceptance and cooperation at their points of contact so that efficient coordination is possible across different regions and departments.

- [16] On the role of leadership personnel in shaping culture, cf. Schein (1992).
- [17] Use of the concepts of clan, market and hierarchy to describe (corporate) cultures originated with the work of Ouchi (1981); however, in contrast to their use here, he generally applied them to national culture types. On the principle of socialization within the community, see also Tönnies (1981).
- [18] Kristensen and Zeitlin (2005) describe the case of a company of British origin in which a Danish subsidiary gained more and more influence on the culture of the company through skillful placement of executives and economic success.
- [19] An article on this project appeared in Harvard Businessmanager (Blazejewski and Dorow, 2006) and presented a different view of cultural types from the perspective of the executives involved, distinguishing among the "blinded," the "law-abiding" and the "chosen." The article appeared on December 20, 2005 in the 1/2006 issue of Harvard Businessmanager.
- [20] Various diagnostic instruments are discussed by Sackmann (2002), Osterloh (1988) and Krause (1998), among others.
- [21] Regarding the Wal-Mart case, see Reinhold (2005) and Polke-Majewski (2005). The German works council succeeded in obtaining a court order to block the introduction of a code of conduct drawn up by the American parent company, which was publicly denounced by employees as reflecting "cultural imperialism."

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# List of publications

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The following publications have appeared as part of the project "Corporate Cultures in Global Interaction":

In the series "Liz Mohn – A Cultural Forum":

Promoting Cultural Identity in the Age of Globalization – A German-Egyptian Experience, Gütersloh, 2002

The Impact of Globalization on Cultural Identity in Business, Gütersloh, 2002

Corporate Cultures in Global Interaction, Gütersloh, 2003

Corporate Cultures in Global Interaction – Experiences in Business, Gütersloh, 2004

Sackmann, Sonja A. Toyota Motor Corporation – Eine Fallstudie aus unternehmenskultureller Perspektive. Gütersloh, 2005

These publications may be obtained free of charge by contacting Simone Lippisch at the Bertelsmann Stiftung ([simone.lippisch@bertelsmann.de](mailto:simone.lippisch@bertelsmann.de))

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