Getting the measure of culture: from values to business performance

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In this article, the authors reveal for the first time how they are successfully extending their work to being able to link cultural values to bottom line business performance

During the last twenty years, the fact that national and organisation culture both need to be considered in modern business management has been increasingly recognised. Some authors and practitioners have responded by seeking to add 'culture' as yet another factor like quality to be taken in to account when planning, marketing and doing business and managing. We have argued consistently that culture is not simply another variable to be 'bolted on', but that it provides the whole contextual environment defining much of the essence of the relationship between an organization and the environment in which it operates. If we agree that culture is a system of shared meaning, then we begin to understand why every organization is a cultural construct.

Many of the conceptual frameworks for explicating culture are based around describing how different cultures give different meanings to relationships with other people, the meaning they give to their interaction with the environment and to time and by other similar cultural dimensions. Trainers and consultants have been keen to ply their own respective models across the practitioner and academic press, conferences and workshops ~ and are still doing so. We often hear that the world of business and management does not need to further the proof that people are different. Many authors, trainers and consultants are still stuck in this anthropological time warp.

Much attention has been given to the <u>recognition</u> and <u>respect</u> for cultural differences. However, if we stop at only these first two stages, we run the risk of supporting only stereotypical views on cultures. In our extensive cross-cultural database, we have found enough variation in any one country to know it is very risky to speak of a national, corporate or even functional culture in terms of simple stereotypes. Our response was to progress from basic cross-cultural awareness training and consulting to developing global minds and beyond.

Once you are aware of and respect cultural differences the way is open for this next step which is based on this concept of reconciliation. The new question was therefore to ask what we can do with the differences to make business more effective once we cross cultural or diversity boundaries.

Our solution that we have been using since the late '90's was based on this reconciliation of cultural differences. This helped to identify and define behaviors and actions that vary across the world and across companies but which all integrate differences to a higher level ~ much more significantly than compromise solutions. The approach informs managers how to guide the people side of reconciling any kind of values. It has a logic that integrates differences. It is a series of behaviors that enables effective interaction with those of contrasting value systems. It reveals a propensity to share understanding of other's position in the expectation of reciprocity. We found from our re-

....Trompenaars and Woolliams continued.

search that successful leaders have this propensity to reconcile dilemmas to a higher level and that it is this underlying construct that defines cross-cultural competence.

Why do leaders face such dilemmas and why are they important? All organizations need stability and growth, long term and short term decisions, tradition and innovation, planning and laissez-faire, order and freedom. The challenge for leaders is to fuse these opposites, not to select one extreme at the expenses of the other. As a leader you have to inspire as well as listen. You have to make decisions yourself but also delegate and you need to centralize your organization around local responsibilities. You have to be hands-on and yet hands-off. As a professional, you need to master your materials and at the

same time you need to be passionately at one with the mission of the whole organization. You need to apply your brilliant analytic skills in order to place these contributions in a larger context. You are supposed to have priorities and put them in a meticulous sequence, while parallel processing is in vogue. You have to develop a brilliant strategy and at the same time have all the answers to questions in case your strategy misses its goals.
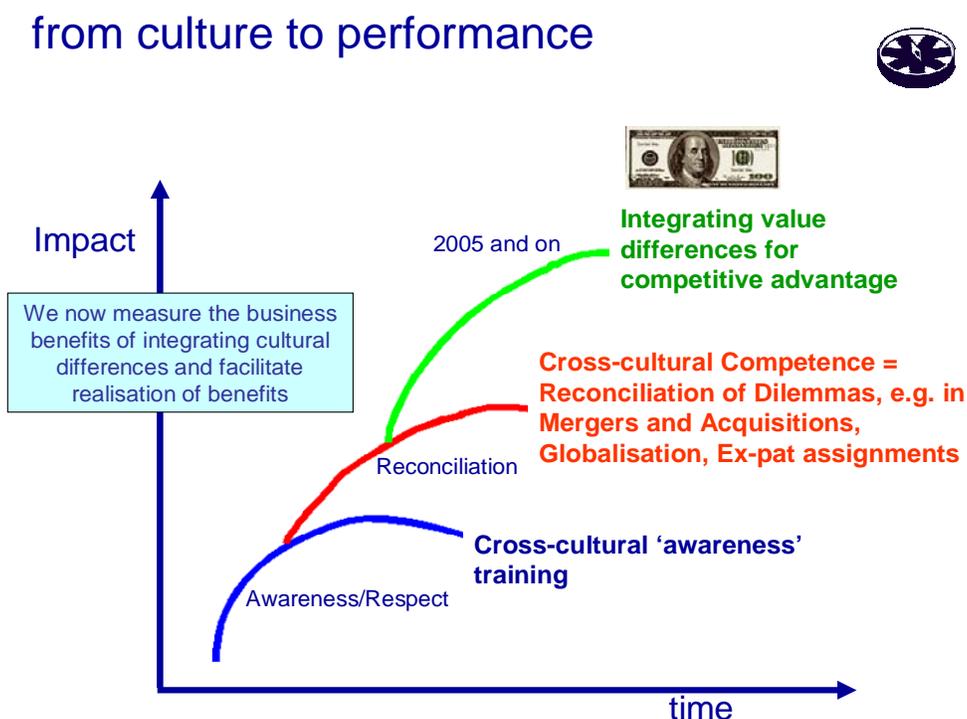
Thus we know for example that U.S., UK or Australian managers tend to be more individualistic and Japanese more teamwork oriented, so as long American managers remain in the U.S. managing all Americans and the Japanese stay in Japan, then presumably there is no problem. However, in today's multi-

cultural world, an American manager could be running a team overseas with Korean, Japanese and French members. So does the manager focus on leading the individual or the team? In our findings, all cultures and corporations share similar dilemmas but their approach to them is culturally determined. The success of a company will depend, among other things, on both the autonomy of its people and on how well the information arising from this autonomy has been centralized and co-coordinated. If you fail to exploit fully centralized information, you're scattered but highly self-motivated personnel might as well remain totally independent. If various teams are not free to act on local information, then centralized directives are subtracting, not adding, value. In this example, reconciliation

Figure One..

from culture to performance

Impact

We now measure the business benefits of integrating cultural differences and facilitate realisation of benefits

2005 and on

Integrating value differences for competitive advantage

Cross-cultural Competence = Reconciliation of Dilemmas, e.g. in Mergers and Acquisitions, Globalisation, Ex-pat assignments

Reconciliation

Cross-cultural 'awareness' training

Awareness/Respect

time

….Trompenaars and Woolliams continued.

is where the team is led so that it serves the individual and how well individuals contribute to the team.

We have found that this competence in reconciling dilemmas is the most discriminating feature that differentiates successful from less successful leaders and thereby the performance of their organizations. These dilemmas which derive from value (i.e. cultural) differences also mean, increasingly, that the culture leads the organization. The leader defines what an organization views as excellent and develops an appropriate environment in which the (ideographic) culture of the workforce is reconciled with the (nomothetic) needs of the organization. As a result, the organization and its workforce cannot do anything other than excel.

As own work progressed to be focused on the development of cross-cultural competence, we refocused our interventions for our client organizations to address the need to consider what behaviours were effective in being not only able to recognise cultural differences, but to respect these differences and moreover to be able to reconcile these differences.

But not unexpectedly, the perennial question reappeared! Is this competence innate or acquired? Can it be developed? Or more fundamentally, are leaders made or born? Furthermore, can the organization itself be developed that is, its systems and processes morphed and refined such that it is continually eliciting and reconciling these dilemmas so it becomes the 'reconciling organization'.

We have recently responded to these questions by moving to a third phase in our approach in which we now focus on prioritizing and realizing the business benefits of reconciling cultural differences for competitive advantage.

Readers of our more recent books and other publications will know that we make extensive use of the Internet for collecting primary data from participants from our client organizations. In addition to the main Trompenaars' cross-cultural database, we have also collected and indexed some 6500 dilemmas faced by our client respondents in their respective organizations across the world gathered over the last four years. Coding and subsequent analysis of these dilemmas using clustering and data mining algorithms

reveals a frequently reoccurring series of 'Golden Dilemmas' that provide a basis for a structured approach to diagnosing organisational challenges that owe their origin to cultural differences.

The really exciting part of this third wave based on our new dilemma database, is that we have been able more recently to converge on a number of key diagnostic measures that reveal how these meta-level dilemmas manifest at the operational level and how these link to bottom-line business performance. We first help participants make such 'Golden Dilemmas' explicit and therefore tangible through our structured 'Dilemma Reconciliation Process'. We then assess the current status of the dilemma against an ideal espoused state that would result when the business benefits had been realised. These vectors are then used to evaluate varying reconciliation strategies.

We are now in a position to now evaluate business benefits against the costs, time scales to realise benefits and the degree to which the dilemma solution in located in one profit center or involves co-operation across a number of business units.

"….we have been able more recently to converge on a number of key diagnostic measures that reveal how these meta-level dilemmas manifest at the operational level and how these link to bottom-line business performance."

An example 'Golden Dilemma' faced by organizations that their leaders must address:

On the one hand	On the other hand
We strive for standard global products and services to benefit from a common universal identity and branding (as well as cost savings through economies of scale)	We try to develop and offer unique products and services adapted to the needs and tastes of local markets

....Trompenaars and Woolliams continued.

The example summarises the top level descriptions of the Golden Dilemmas faced by the key account managers of a major US organisation and how they were subsequently placed on the dilemma relationship portfolio matrix using our new measurement techniques.

This type of analysis provides an objective evaluation of where the highest return on investment can be achieved and thus secures the best benefits to the business. In this particular case, the most important cultural dilemma that needed to be addressed was the need for technology push (what the company can make from its own intellectual capital) versus what the different markets want (what the organisation could sell).

As the world market place becomes ever more oligopolistic and more competitive, leaders need such frameworks and their associated tools to provide a decision mak-

ing framework that prioritises actions.

Is this the 'holy grail'? Not yet, we are now researching a fourth phase in which we can quantify the dilemmas between the organization and its societal responsibilities. These will become increasingly important to organizations in the future as G8 world leaders wrestle with their own needs with those of unhealthy and hungry third world, declining (finite) raw materials, global warming and poverty ~ let alone the threat from terrorism.

Our own satisfaction derives from having reconciled our own intrinsic interest in researching the subject of culture with providing real operational support to our clients that we now know makes their organizations more sustainable.

If only we had these insights 10 years ago.....

Figure 2.

We strive for standard global products and services to benefit from a common universal identity and branding (as well as cost savings through economies of scale)
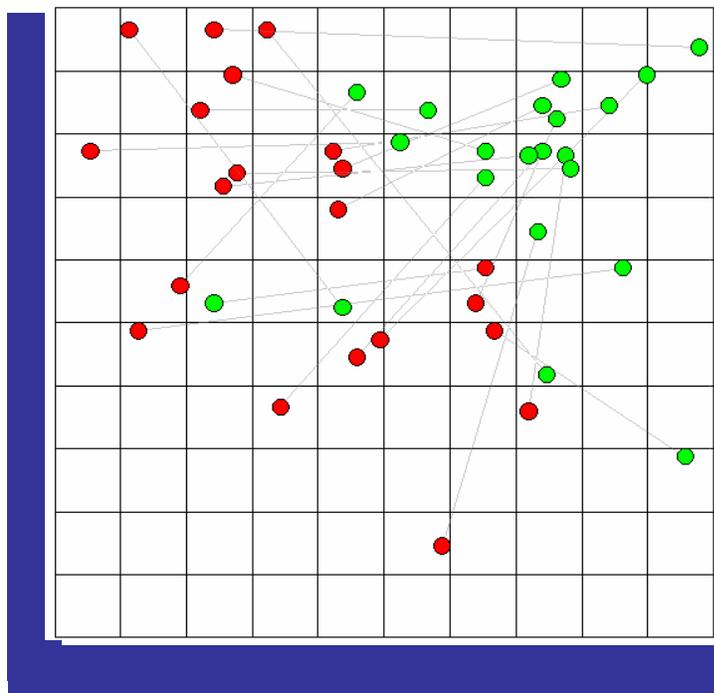
We try to develop and offer unique products and services adapted to the needs and tastes of local markets

Measuring Current versus Ideal status of Golden Dilemmas

….Trompenaars and Woolliams continued.

This article is indicative of the content that will appear in the new book 'The Twelve Golden Dilemmas for Organizational Sustainability' that the authors are currently writing and which is scheduled for publication in 2006.

References:
1 See www.businessacrosscultures.com
2 F Trompenaars and P Woolliams, Business Across Cultures, Capstone Wiley, 2004, London.
3 Fons Trompenaars and Charles Hampden-Turner, 21 Leaders for the 21st Century, Capstone, 2001

Figure 3.

Dilemma Portfolio analysis