



Culture Clashes

 by Tim Hindle

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EXECUTIVE SUMMARY

Companies' different cultures are coming into conflict more and more these days:

- Mergers and acquisitions continue to increase, and they almost inevitably involve one company adopting the culture of another in the process of integration.
- More and more mergers and acquisitions are taking place across national boundaries, as part of the process of globalisation. This increases the chances that cultures will clash.
- Companies are involved in a growing number of joint ventures, loose alliances and outsourcing contracts that force them to work in close contact with different cultures.
- Companies themselves are seeking to build a more diverse workforce, recruiting more women and minority groups. This too is increasing the chances of culture clashes within corporations.

To change a company's culture is a very long, slow, and difficult process. But there are some steps that can be taken to reduce clashes if they threaten the wellbeing of a company.

INTRODUCTION

'When a conqueror acquires states in a province that is different from his own in language, customs, and institutions, great difficulties arise, and excellent fortune and great skill are needed to retain them'. Niccolò Machiavelli, writing in 1527, was not the first to realise that mixing cultures is not easy. Today's cross-border conquerors are more likely to be large corporations than helmeted armies, but they also discover that different cultures, albeit of the firms that they come into contact with, give rise to 'great difficulties'. It requires careful management to prevent different cultures from clashing, for corporate managers as for Machiavelli's prince.

WHAT IS CULTURE?

Corporate culture has been defined in many ways. Geert Hofstede, a Dutch academic who studied the subject intensively, defines it as 'the collective programming of the mind which distinguishes the members of one organisation from another'. Edgar Schein, a professor at MIT's Sloan School of Management, says it is what a corporation 'has learned as a total social unit over the course of its history'. Many managers, more prosaically, say it is 'the way we do things around here'. Others prefer to call it the set of values that the firm holds most dear.

Having a strong culture is a mixed blessing. It can drive a company forward with single-minded ambition, but it can also blind a whole firm to its own faults. In the 1960s and 1970s, employees at IBM not only looked alike—in their blue suits, dark ties and white shirts—they also thought alike. At

first their narrow focus on selling computer mainframes drove IBM to the pinnacle of success. For a while it was by far the most valuable company in the world. But the form of 'groupthink' that arises in organisations that become too blinkered by their culture was enough to bring IBM to its knees in the late 1980s. It failed to realise that the personal computer was about to make the mainframe redundant.

Today companies want to develop a strong culture because they believe it is the glue that holds their employees together. As responsibility is more and more devolved down the line, the culture, the way things are done in any one particular organisation, is what steers employees in their decision-making. Some 40% of IBM's employees today are 'mobile'—that is, they do not report daily to an IBM site. Whilst on the road, these mobile employees have to make decisions all the time, guided mostly by their perception of their company's culture.

Where cultures clash:

A) Externally

There are many more opportunities for cultures to clash today than there were a decade or two ago. Not only are there many more mergers and acquisitions, the classic source of culture clashes, but there are also many more ways in which companies interact with each other, and these too give rise to clashes. For example:

- The number of joint ventures in which different companies take stakes in a new enterprise in order to undertake research together, or to develop jointly new products and services, has increased

dramatically. This reduces the cost of R&D and the risk of failure for each company in the venture, but it increases the chances of culture clashes slowing down the company's progress

- Many companies have handed over the manufacturing of their products to others. Nike, for example, does not itself make any of its shoes. It relies on other manufacturers to produce them to its specifications. These manufacturers are mostly located in poorer developing countries where national and corporate cultures are very different. Nowadays more and more companies are handing over to others the services that they used to provide—outsourcing them, again often to poorer countries abroad. Call centres in India, for example, provide many of the customer services for Western manufacturers and financial institutions. Conversations between customers and these call-centre staff are notorious sources of cultural misunderstanding.

B) Internally

As the opportunities for culture clashes between different companies are growing, so too are the chances of clashes occurring within companies. On the one hand firms are seeking to increase diversity in their recruitment policy. More and more women are joining the lower management ranks and, especially in the United States, minority groups are also increasingly represented. This is bringing female and Hispanic influences, for example, to bear on cultures that have traditionally been framed solely by ageing white men.

In addition, as firms become more global, they are embracing more cultural diversity within themselves. Multinationals are behaving less and less like imperialists. Gone are the days when they sent expatriates from the country of their headquarters to run anything and everything that they did abroad. That has become too expensive. Young employees are more reluctant to uproot themselves. Those who want to see the world take a Thomas Cook's tour. Hence multinational companies are finding more and more of their managers in the regions in which they operate.

Some of these recruits are rising to the top. A Brazilian, Carlos Ghosn, ran the Japanese car company Honda before he moved to the helm of the French car company Renault. A Welshman, Lindsay Owen-Jones,

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headed the quintessentially French company L'Oréal, while Jacques Nasser, a former boss of the Ford Motor Company, was raised in Australia. Even Coca-Cola (briefly) had an Australian boss. Many more such instances can be expected to occur in the future.

The opportunities for cultural clashes to occur are increasing, and it is becoming more and more important that companies learn how to defuse such clashes whilst at the same time reaping the benefits that the interplay of cultures can bring.

C) After mergers and acquisitions

Historically, the time when culture clashes were most likely to occur within corporations was after a merger or an acquisition. The acquiring company would inevitably wish to impose its way on the acquired, which (with almost equal inevitability) would try to resist. In some cases the clashes were so severe as to eradicate any hope that the merger had of creating value. Cross-border mergers and acquisitions were particularly susceptible to such clashes, especially when the merging companies spoke different languages. At least one Anglo-French merger was completely scuppered by such hostility. When the Walt Disney Company brought its theme-park formula to Europe it took many years of acclimatisation before the Disney culture was honed to European tastes.

The likelihood of such clashes occurring depends to some extent on how the company defines its culture. If the definition welcomes diversity then the injection of an alien culture will also to some extent be welcomed. General Electric's legendary leader Jack Welch said that 'what sets GE apart is a culture that uses diversity as a limitless source of learning opportunities . . . At the heart of this culture is an understanding that an organisation's ability

to learn (and translate that learning rapidly into action) is the ultimate business advantage' That perhaps helps explain how Mr Welch was able to make GE so successful through a long series of mergers and acquisitions. His GE was continually re-inventing itself through the purchase and sale of different companies. Only a culture that expressly welcomed such activity could thrive as GE did.

CONCLUSION

Changing cultures

It is not easy to change a company's culture. And there is no single wonder drug that can be taken for a cure. Any programme of change takes time and has to contain a number of different elements:

- Culture is created largely at the top of an organisation. If the CEO decides that exclusive parking spaces for senior managers are to be abolished, that sends out a clear signal that the organisation intends to be more democratic. If the boss wears an open-neck shirt to meetings, others tend to follow.
- The type of people that a company recruits sends out strong signals about its culture. If it hires masses of over-confident MBAs straight out of business school and puts them on fast-track careers then it is likely to cause offence to other less favoured employees. In practice, of course, companies' recruiters tend to recruit people like themselves (because, after all, what's wrong with them?). Hence there is a continual tendency to reinforce the existing culture.
- Some businesses have a distinctive culture that others try to change at their peril. California's Silicon Valley has set the style for the computer industry, for example, where hierarchy is kept to a minimum and the dress code is casual. The movie industry, by contrast, is populated by

moguls and stars, with a strict caste system and more formal dress. When AOL, a software firm, and Time Warner, a publishing and film-production business, came together in the late 1990s, the contrast between their two distinctive cultures almost brought the merged business to its knees. Some industries' cultures have been changed by new arrivals with a distinctive approach. The traditional national airlines, for example, have become much less stuffy since the appearance of Virgin and the low-cost airlines, and online retailers have thoroughly shaken up industries from newspapers to auction houses.

- Changing the external environment can change a culture. Remove a US manufacturing plant south of the border into Mexico and watch the change. But the move need not be so far. Most new US car-manufacturing plants today are being built in the southern states of the United States where the culture (and particularly the attitude of the trade unions) is very different from that of Detroit in the north, the nation's traditional home of car-manufacturing.

THE BEST SOURCES OF HELP

Books:

Deal, Terrence, and Allan Kennedy, *Corporate Cultures*. Boston, Massachusetts: Perseus Books, 2000.
Kotter, John, *Corporate Culture and Performance*. New York: Free Press, 1992.
Schein, Edgar, *The Corporate Culture Survival Guide*. San Francisco, California: Jossey-Bass, 1999.

See also:

- ☆ [China's Five Surprises](#) (pp. 53–56)
- 📖 [Corporate Culture](#) (pp. 1755–1757)

'The new theory of organisation relates to a corporation as though it has characteristics of its own, such as intelligence, ability to learn, and a culture.'

Michael McMaster