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**Leadership, Culture and Management
in an International Context**

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Introduction

One of the most important developments in the study of cross-cultural leadership in the past several years has been the recognition that some leadership styles may be universally accepted and considered effective, regardless of the specific cultural values of societies. Leaders' behaviours that reflect integrity, charisma, inspirational and visionary attributes have been found to positively impact leadership performance in all societies. However, leadership attributes reflecting irritability, non-cooperativeness, egocentrism, ruthlessness and dictatorship produce ineffective leaders (Robie *et al.*, 2001). Despite these universally accepted leadership behavioural attributes, studies have also shown that country and company cultures combine with corporate strategies to impact on individual leaders' behaviours in different countries and contexts (Dorfman, 2003). The contextuality of effective leadership behaviour implies that an understanding of how leaders' behaviours, styles, and traits vary in systematic ways across cultures is at least as equally important as an understanding of universally positive leadership behaviours. This awareness has provided legitimacy to intercultural management studies in international business literature during the past three decades.

One strand of this cross-cultural research has focused on investigating expatriate managers' intercultural competence development process with notable contributions from Brislin (1981), Mendenhall and Oddou (1986), Early (1987), Berger (1987), Black and Mendenhall (1990), Black *et al.*, (1991), Janssens (1995). Some of these studies have reported high incidence of abortive expatriate assignments in situations where intercultural training has not been given a high priority by international organisations. They have also highlighted the importance of expatriates' personality traits (Brislin, 2002), and cultural literacy (Wang, 2002) to their intercultural adjustment.

Parallel to this body of research, a number of scholars have studied processes of cross-border interfirm management knowledge transfer. Contributions to this track of research draw on theoretical traditions such as organisational learning (Argyris and Schön, 1978, 1996; Senge, 1990; Huber, 1996), the resource-based perspective on firms (Barney 1991, 2001), competence-based perspectives (Prahalad and Hamel, 1990) and knowledge-based perspective (Nelson and Winter, 1982; Grant, 1991). The literature suggests that collaboration provides access to the embedded knowledge of co-partners and/or facilitates new knowledge generation (Inkpen and Crossan, 1995). But access to knowledge does not always translate smoothly into usage within the collaborating firms. Receiving firms may find it difficult to comprehend the knowledge due to its inherent characteristics or its cultural peculiarities. Thus, knowledge usage has been found to depend on the capacity of firms to internalise the accessed knowledge or to "graft" it effectively on existing organisational knowledge (Huber 1996).

This paper seeks to make two contributions to the existing literature. First it brings together some of the central arguments found in cross-cultural leadership studies as well as studies in cross-cultural management knowledge transfer. By doing so the paper highlights the commonalities in their perspectives and underlying assumptions about human, social and organisational development through learning. Second, it suggests an integrated model that can guide future research and strategies in cross-border interfirm management knowledge generation and transfer processes.

The main thrust of the arguments presented here is that intercultural competence is a prerequisite for successful knowledge transfer in cross-cultural inter-firm collaborative relationships. It complements the positive and universally accepted leadership styles and enhances an expatriate capacity to lead in unfamiliar cultural contexts. Stated in different words, when individuals are sent

to other countries to learn or to facilitate learning processes of others, they require knowledge of the host culture (national and organisational) as well as a capacity to adjust to *relevant aspects* of the host culture in order to fulfil their learning and knowledge transfer objectives. Furthermore, decisions about the management skills to be transferred and the appropriate approaches to use to transfer the knowledge would depend on the interactants' inter-cultural competences (including communication skills).

The rest of the paper is structured as follows. This introduction is immediately followed by discussions of central themes in the contemporary cross-cultural leadership studies as well as intercultural management literature. This is succeeded by a similar discussion of the organisational learning and knowledge management literature. The highlights of the two streams of literature are then pulled together in the third section to build an integrated model of cross-cultural learning as well as management knowledge transfer. The usefulness of the model is illustrated by examples drawn from selected Danish companies. The last section discusses implications of the model to management and human resource development processes in foreign subsidiaries and joint-ventures.

Leadership and Intercultural Competence in Management Studies

Leadership Theories

A wide variety of leadership theories have surfaced in the management literature over the last century. One of the influential leadership theories of the 1920's and 1930's, was the *trait theory* which posit that successful leaders possess such key traits as drive, desire to lead, integrity, self-confidence, charisma, and intelligence. Some proponents of this theory believed that people were born with these leadership attributes while some did not make a judgment as to whether these traits can be developed through training and education or they are inherited. The traits theory came into quick competition with a wide range of other leadership theories during the mid 1950s.

One of the competing theories was the situational (or contingency) leadership theory, propounded by scholars such as Fiedler (1967), Hersey and Blanchard (1977), which focused attention on the amount of direction (*task behaviour*) and amount of socio-emotional support (*relationship behaviour*) that a leader demonstrate in his behaviour. Task behaviour reflects the extent to which the leader engages in spelling out the duties and responsibilities to individual employees or groups. This behaviour includes telling people what to do, how to do it, when to do it, where to do it, and who is to do what. Thus, task behaviour the leader engages in one-way communication. In relationship behaviour the leader engages in two-way communication by providing socio-emotional support that motivates individuals to assume responsibilities and take appropriate actions in specific situations. The two dimensions could be regarded as opposite ends of a continuum and the extent to which a leader is task-centred or employee (relationship) centred in his behaviour would depend on the nature of the task, the degree of urgency with which the task was to be completed and the level of maturity of the employees carrying out the task. Maturity is the willingness and ability of a person to take responsibility for directing his or her own behaviour. People tend to have varying degrees of maturity, depending on the specific task, function, or objectives that are to be fulfilled. Other researchers conceptualized these two dimensions as effectiveness and efficiency (Barnard, 1938), goal achievement and group maintenance (Cartwright and Zander, 1960), and system- or person-oriented behaviours (Stogdill, 1963).

The increasing internationalization of companies during the last half a century has encouraged the introduction of cultural dimensions into the leadership literature, drawing attention to the cultural consequences of leadership behaviours and practices. But in spite of the vast volume of publications on the subject there are wide divergences in scholars' perspectives on the impact of culture on leadership behaviour in different societies. There are currently two dominant and competing perspectives – the divergence and convergence perspectives. The divergence perspective maintains that management concepts and practices are products of specific cultures – i.e. they are culture-bound. That is, as long as nations maintain their cultural identities the development of their organisations and management practices would vary. It is further argued that the greater the cultural distance, the bigger are the differences in the organizational and administrative practices found in them. Employees' expectations and their interpretation of their organizational environment will correspondingly be different. Consequently, many of the difficulties associated with cross-border business operations may be traced to differences in culture (Schein, 1994), or what Zaheer (1995) refer to a *liability of foreignness*. Major contributors to this perspective include Hofstede (1980, 2004; Trompenaars and Hampden-Turner, 1997).

During the 1980s a number of scholars argued forcefully that global interdependence is producing a convergence of cultures within and across borders. The revolution in information technology, the use of English as an international language, and the decreasing power of national states have been presented as distinctive examples of this convergence (Neghandi, 1978). Thus, even if differences in organisational characteristics and leadership practices do exist at present in some societies, this would rapidly decline (if not disappear completely) in the near future.

Other scholars suggest that convergence and divergence of cultures and management practices and are occurring simultaneously between national and regional cultures throughout the world and must therefore not be as alternative routes to effective management in international business. Leaders must instead pay due attention to the duality of these processes, noting areas in which management practices converge and areas in which they diverge and tailor their behaviours accordingly. The next section of the paper draws attention to the central perspectives in the intercultural management debate and relates them to the transfer of management practices across borders.

Perspectives on Macro or National Culture

One of the dominant strands of cultural research subscribe to the view that culture represents the shared values and norms that bind members of a society or organization together as a homogenous entity (Roberts, 1970). Culture therefore sustains and reproduces social relations. It is also instrumental in the transformation of these relations through history. That is, people living within a particular culture have their conduct regulated through a collection of consensual aspirations (i.e. central values) and universal orientations (i.e. patterns of behaviour). This permits social actors to live their lives with a sense of uniformity and singularity. Social structures that develop through the processes of regulated behaviour are perceived to be orderly, patterned and enduring. Viewed from this perspective, the cultural contexts of individuals' behaviour can be construed to be external to the individual members of a society.

Another strand of cultural studies rejects the homogenizing perspectives of culture. It has been noted that culture can also differentiate one group of people from another (Martin, 1992). The fact that the members of a given group share a common frame of understanding and interpretation (i.e. culturally prescribed mental models) means that they perceive themselves as different from other

groups of people. The sense of belongingness generated by the commonalities of behaviour and perception is jealously guarded and can be a source of conflict during inter-group interactions (Martin 1992; Sackmann, 1992). This perception may be labelled the *differentiating perspective* on culture (Martin, 1992).

This understanding derives from *theories of social identity*, based on studies of inter-group relations in social psychology. The core concept in the social identity theory is ethnocentrism, which embraces both positive feelings towards one's own group (the in-group) and negative feelings towards outsiders (the out-group). The foundational argument here is that cultural groups normally engage in mutual stereotyping, reflecting real, noticed but simplistic observations of each other's behaviour or hear-says from others. It is this high self-esteem and mutual respect for in-group members that underlie the perceived distinctiveness of each group or society. In-group members jealously guard this distinctiveness since it provides them with a sense of belongingness (Tajfel and Billig, 1974).

A third perspective challenges both the homogenizing and differentiating notions of culture. Scholars endorsing this perspective argue that cultures are complex, pluralistic, diverse, fragmentary, and some times paradoxical (Sackmann, 1997; Kuada and Gullestrup, 1999, 2000; Gullestrup, 2006). For one thing, societies change their configurations unceasingly and can therefore hardly be viewed as anything but stable. Furthermore, there are multiplicities of social, occupational and professional groups to which people are attracted (Kuada and Gullestrup, 1999). It is therefore erroneous to assume that a given individual's behaviour is influenced by a set of stable cultural properties such as shared norms and values. Individuals are better seen as having fragmented, fluctuating self-concepts derived from multiplex of cultures. They are therefore caught up in complex and sometimes conflicting set of roles. Viewed from this perspective culture may be considered a metaphor that makes sense of this complexity. The literature labels these arguments as constituting *fragmentation* perspective on culture.

This perspective has encouraged Kuada and Gullestrup (2000) to argue that enculturation processes introduce individuals to a wide variety of cultures. As such, individuals do not consistently identify themselves with any one dominant culture. Each given situation activates a set of cultural properties that fit the situation. Since individuals have different role identities in the various situations, their behaviours are accordingly fluid and context specific. This perspective forms the foundation of the *sphere theory of culture* (Gullestrup, 2006).

The *culture sphere* conceptualization subscribes to the centrality of symbolism in the interpretation of culture. That is, people act on the basis of their sensitivity to the meanings that they gain from their lived contexts. The philosophical roots of this perspective are anchored in subjectivist approaches to the social sciences especially in phenomenology (Morgan and Smirchich, 1980). The main claim of the proponents of this perspective is that there is not a single independent reality that can be ascertained in any conclusively valid way. Social reality is continually (re) constructed by human beings. Thus, although culture, as a social reality, may be presented to its makers as given at any point in time, the very existence of that reality depends on actors' understandings and subjectivities (Svane, 2004).

Perspectives on Organisational Culture

The understandings of cultures presented above have also guided studies in organisational culture and management. In management, the concept of culture is generally used as a metaphor for understanding how organizations differ and how their members cohere and interact. One of the most cited definitions of organizational culture is that offered by Schein (1984:3) which posits that "organization culture is the pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration,

which have 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”.

One school of researchers thus views organisations as sub-cultures of the surrounding society’s macro-cultures. Based on this perception organisational cultures contain elements of work, hierarchy, class, race, ethnic, and sex-based identifications which can produce a high degree of diversity in and among the individual organisations (Meyerson and Martin, 1987). However, organisations are not exclusively dependent on the surrounding macro-culture when establishing their ‘own’ cultural values. On the contrary, there are other – perhaps even random – factors, both inside and outside the organisations contributing to the formation of their cultures, and which render to the individual organisations their very unique values, ideologies and other special characteristics. In other words, organisations create boundaries, which in part delineate them from the surrounding macro-culture. This prevents them from losing their own more specific characteristics.

Building on the symbolic perspective on culture presented above, one can argue that an organisational culture exists within the symbolic frameworks and cognitive maps of organisational members. Through interactions employees assign “meanings” to the world around them and act in accordance with these meanings. Thus, it is the reflexivity of employees as individuals over their daily interactions with others that shapes and gives meaning to the cultures of their organisations. This perspective, therefore, acknowledges the existence of “multiple realities” that emerge through employees’ action and therefore allows for multiple learning and innovative processes within organisations. Thus social arrangements in organisations are only examples of temporary situations accepted by groups of people at a given point in time out of many possibilities.

The dynamism of organisational culture is reflected in the process of knowledge creation (learning processes) of organisational members. The tempo at which new knowledge is created and shared and old perspectives on organisational actions are displaced determines the degree of dynamism registered in an organisational culture. Stated differently, organisational cultures do not exist “out there” with a separate existence of their own (Bate, 1984). But since the shared meanings of organisational members assume “truth” status – an objectified reality – in the minds of the members, they tend to influence their behaviour as if they were natural laws.

Based on this understanding, students of organisational culture can conveniently (and with ample theoretical justification) study organisations’ rules of accepted behaviour that constitute the organisational mindset or culture. The rules invariably shape the patterns of inclusion and exclusion in the organisations in the sense that those who play according to the rules remain within the organisation and those who elect to disobey the rules opt out voluntarily or are required to exit. The operational comfort that organisational members gain from the organisational mindset (or culturally defined routines) may pose some limitations to organisation’s response to changing needs within the external environment or prevent learning and intra-organisational innovation processes to develop. Thus, evolutionary theory of organisations (Cyert and March, 1963; Nelson and Winter, 1982) posits that firms often undertake actions without comprehensive analysis and judgments, but rather as ‘routines.’ Reliance on routinized behaviour produces what learning scholars refer to as *competency traps* (Levitt and March, 1988) or *defensive routines* (Argyris and Schön, 1978). That is, managers and employees tend to over-exploit what has proved to be successful operational recipes at certain points in their organisations’ operational history although such approaches have proved invalid in new operational situations.

The Ethnocentric-Polycentric Dispositions of Organisations

The literature has different typologies for organisational mindset. One of these typologies is presented as ethnocentric-polycentric continuum of organizational dispositions by Heenan and Perlmutter (1979). *Ethnocentrism* reflects the understanding conveyed in social identity theory. It is a belief in the inherent superiority of one's own group and culture accompanied by a feeling of contempt of other groups and cultures. *Polycentrism* is the opposite. It describes a group or an individual's belief in the inherent values and wisdom in other peoples' accepted ways of behaviour and perception. The two concepts have been applied in management and strategy literature to describe how international companies relate to business partners and affiliates.

To the extent that organisations are seen as products of their society's culture, and are rooted in its deeper patterns, ethnocentric organizations tend to endorse the superiority of the macro cultures of their establishment and emphasize the superiority of their cultures in their interactions with members from other organisations. The great advantage of ethnocentrism is that it cuts down on the need to communicate. It speeds up group action and creates powerful cohesion. The great disadvantage is that the assumptions that govern the behaviour of the organizational members are very rarely questioned. They therefore inevitably block new learning and cut down on the variety of perspectives brought to bear on management issues – a situation captured in the organizational literature by the concept of “core rigidities” (Leonard – Barton, 1992). Firms adopting this disposition experience serious difficulties in relating to other firms and organizations outside their cultures since they fail to appreciate and accept the different patterns of behaviour that are exhibited in the other cultures.

Polycentric-oriented organisations assume that host-country cultures and organisations have mindsets that are very different from theirs but equally valid in their unique contexts. A polycentric company is, therefore, primarily concerned with legitimacy in every country in which it operates and gives its subsidiaries wider degree of latitude to respond to changes in their environments. Consequently, strategic decisions are tailored to suit the cultures of the various countries. This disposition encourages mutual respect of the opinions emanating from employees at the Headquarters just as those from employees in the various subsidiaries. In relations with other organisations, polycentrism encourages cross-fertilization of new ideas and joint knowledge generation. Furthermore, managers trained in polycentric-oriented organisations would be more willing to adapt to the cultures of their co-partners or host organisations and would be supported by the management of their home organisations to do so. They are also empowered to question norms, values and rules of behaviour in their own organisations.

In-between the ethnocentric-polycentric continuum are wide variations of organisational mindsets. Since organisations are composed of a dynamic and multiplex set of cultures, one should expect certain groups in the organisation to have more or less ethnocentric dispositions and at various points in time in the organisation's history. It is also conceivable that the dominant dispositions of organisations (and groups within them) would be context-specific, - i.e. changing in terms of the degrees of similarity of the cultures in which they operate to their own cultures. The farther away they are from the home culture the more or less ethnocentric they may behave.

Personality and Intercultural Behaviour

Although the concept of culture provides a useful cue in the analysis of human behaviour in groups, it is important to bear in mind that human beings are not blank sheets of paper on which culture writes its scripts. Due to their cognitive endowments, individuals process their life experiences in their own unique manner and establish their own value sets and interior rules of behaviour in addition to the cultural rules (Kuada, 1994). Different individuals will therefore perceive and react to a given situation in different ways as a result of differences in their cognitive styles and emotional flexibility. Based on this understanding, the personality trait theorists argue that individuals' cultural adaptation potentials are best assessed in terms of their personality dispositions.

As Silverman (1970) explains it, managers are not captives of the roles, official purposes and formalized procedures of their organisations. They have the chance to (and very often try to) reach beyond the limits imposed by existing frameworks and explore new possibilities and approaches to attaining organisational objectives. Depending on their positions within the organisational structure and decision systems, they can bring their personal convictions to bear on decisions in which they are involved and are actively engaged in implementing. It is this individual free-will that drives change and innovation in most organisations. Where these individuals are in positions of decision-making away from their immediate superiors (e.g. by being posted abroad), the impact of their personality on their management styles appears more distinctly.

Organisational studies support the role of managers' personality in shaping organisational sense making and accepted rules of behaviour. Miller and Toulouse (1986: 1390), argue that managers who have high levels of flexibility as their personality trait are usually "informal, adventurous, confident, humorous, rebellious, idealistic, assertive and egoistic". This compares with less flexible managers who are described as "deliberate, cautious, worrying, industrious, guarded, mannerly, methodical and rigid... [They are also] pedantic in thought, overly deferential to authority, customs and traditions". Expatriates with such personality traits are most likely to be inflexible and unadaptable to the local circumstances in other organisations. Other personality traits that have featured in the literature include individuals' stress tolerance capacity (Jansens, 1995), relational skills (Brislin, 1981) eloquence, and self-control.

These perspectives find support in the works of social psychologists who argue that individuals' personal intentions towards each other and their perceptions of each other influence the intensity of their relationships. People tend to make relationship-specific investments such as emotional commitments to relationships that mean much to them personally or to their career and social mobility. Studies of inter-firm collaborations have therefore stressed the importance of personality traits and personal "chemistry" in influencing the outcome of these relationships. It has been shown that when individuals within firms understand and appreciate each other's viewpoints, they are able to arrive at a working consensus and manage the relationship between their firms more effectively. Thus the concept of *personal and social bonding* (Williams *et al.*, 1998) has been introduced into the literature to characterize the individual's role in inter-firm relations. This is in contrast to structural bonding that characterizes relationships seen exclusively in terms of contractual and role specific linkages. Personal bonding defines the personal and social relationships that individuals in one firm have with their counterparts in another firm. These bonds contribute immensely to the stability and predictability of the relationships.

Various typologies have appeared in the literature over the past four decades to describe the adaptation potentials of individual managers abroad. While some people are described as predominantly conservative, others are seen as flexible and therefore more capable of intercultural adaptation. Again, leaning on Miller and Toulouse (1986), it can be argued that a person with flexible personality has a wide variety of coping repertoires and exhibits emotional shifts that make him comfortable in bridging cultures. He also displays an element of tact in minimising conflict in social relations and therefore relatively free of conflict-induced anxiety. Based on this reasoning, Mendenhall and Oddou (1986) have classified managers in foreign countries in terms of the following three personality orientations.

1. *Self-Orientation* (SO), referring to the degree to which an individual expresses an adaptive concern for self-preservation, self-enjoyment and mental hygiene.
2. *Others-Orientation* (OO), referring to the degree to which an individual is concerned about other peoples' well being and desires to affiliate with them.
3. *Perceptual-Orientation* (PO), reflecting an individual's ability to gain rich understanding of other cultures, or to show empathy in general.

The moot question is how these personality traits influence knowledge management and the learning capacities of firms in different cultural contexts. Following Mendenhall and Oddou (1986) the best results are achieved by the well-adjusted expatriate managers who score high on all the three dimensions - Self-Orientation, Others-Orientation, and Perceptual-Orientation.

In sum, the macro cultures within which organisations are embedded greatly influence the organisations' mindset. At the same time the personalities of key decision makers contribute significantly to the definition of accepted rules of behaviour of the organisations. But since individuals belong to multiple set of groups – professional, functional, project-based etc. – in modern organisations, no single culture could be said to dominate their behaviours. It is the dynamic interactions of individuals in given situations that determine which repertoires of cultural rules they accept as useful guides for their actions.

Inter-firm Transfer of Knowledge and Management Practices

Few scholars have explored the extent to which culture impacts inter-firm learning processes. But before we discuss the link between culture and learning in cross-border inter-firm situations, it is purposeful to provide some insight into the learning literature.

Knowledge and Learning

Two separate streams of research can be identified in the existing learning literature: one is based on *structure* view of knowledge generation and transfer, while the other adopts the *process* view of knowledge generation and transfer. The structure view is predicated on the assumption that knowledge can be seen as commodity, in the sense that there is some universal and absolute truth existing outside the knower. Thus knowledge can be stocked and accessed by individual knowledge seekers (Spender, 1994). Scholars subscribing to this view lean on metaphors such as drilling, mining, and harvesting to describe how knowledge is managed. The literature further relies on a distinction between codified or explicit knowledge and tacit (implicit) knowledge to explain the difficulties of knowledge transfer. This classification draws on Polanyi's (1966) perspectives on knowledge that sees tacit knowledge as a backdrop against which all human actions are understood. That is, all articulated knowledge is based on an unarticulated and tacitly accepted background of

social practices. But subsequent usage of the term, particularly by scholars such as Nonaka and Takeuchi (1995), tends to see tacit knowledge as knowledge that is difficult to articulate and therefore difficult to transfer. This, Nonaka argues, is because such knowledge is deeply rooted in action and in an individual's involvement within a specific context and therefore highly personal (Nonaka, 1994). Codified knowledge, on the other hand, is more easily articulated, captured and able to be transferred (Kogut and Zander, 1992).

This body of literature also endorses the view that firms may acquire knowledge either experientially (i.e. experiential learning) or deliberately/ formally (i.e. vicarious learning). As the term implies, experiential learning refers to the case where organizations and individuals acquire their knowledge through direct experience. This process may not be intentional. For example, the day-to-day adaptation of an organization to changes in the internal and external environments is a consequence of a gradual, but largely unintentional, learning process. On the other hand, learning about the best practices of competitive organization or through inter-firm collaborations is usually carried out in a conscious manner. This is vicarious learning.

In contrast to the structural perspective on knowledge and learning, the process view builds on the social constructivist perspective in social science which argues that reality (and successful management practices) should be understood as socially constructed. According to this tradition, it is impossible to define knowledge universally; it can only be defined in practice, - i.e. in the activities of and interactions between individuals. Thus, our ability to perceive, interpret and evaluate phenomena depends on the sustained and intensive interactions that we have with other people in a given community or context. This is reminiscent of the phenomenological view of culture discussed above.

The social constructivist perspective on learning and knowledge transfer has been popularised in the organisational learning literature by scholars who have studied learning within "*communities of practice*" (Brown and Duguid 1991, 1996). In general terms, these scholars argue against the implicit distinction between learning and working found in mainstream organisational learning literature. They see working and learning as rather compatible – both being part of the normal flow of organisational life. Building on both Orr (1987) and Lave and Wenger's (1991) research, Brown and Duguid (1991) argue that to understand working and learning, it is necessary to focus on the formation and change of the communities in which work takes place. The argument that knowledge and learning are contextually embedded led these scholars to coin the term "*communities-of-practice*" to describe the locus of knowledge stock and learning processes. Community in this regard may refer to members of an organisation or a group that interact on a continuous basis in the execution of an assigned task. Practitioners are immersed in dynamic practices, which are socially, culturally and politically located. Interacting within close-knit communities of practice produce shared metaphors and language or "*shared mental models*" (Senge, 1990). Through this common frame of understanding, people communicate their feelings, emotions and experience with each other and create enabling conditions for inter-organisational learning (Mariotti and Delbridge, 2001). Effective communication is therefore a key requirement for learning and knowledge transfer.

Management Knowledge Transfer and Learning Capabilities

The learning literature suggests two preconditions for successful knowledge transfer: (1) *learning capability* of knowledge receivers, and (2) *transfer capability* of knowledge providers. Learning capability refers to the ability to absorb knowledge and integrate it into the mindset of firms. Transfer capability is determined by a combination of the *teaching capability* of the knowledge

providers, (i.e. ability to appropriately communicate the required knowledge, and (2) the *motivation* and *commitment* to the transfer process, i.e. ability to commit resources and time to the transfer. These two dimensions are presented in figure 1 for a quick overview.

Figure 1: Learning and Transfer Capability Matrix

Learning Capability of Receiver		Transfer Capability of Knowledge Provider	
		High	Low
	High	Effective transfer and utilization	Slow transfer process and frustrations experienced by receiver
	Low	Slow transfer process and frustrations experienced by knowledge provider	Limited or no learning

The most ideal learning situation is present when the knowledge providers have high transfer capability and knowledge receivers equally have high learning capability. In most situations, however, both knowledge providers and receivers experience deficiencies in their capacities for a variety of reasons. With regard to the learning capabilities of knowledge receivers, research has identified three conditions that must be present if organisational members must be able to absorb and utilize the acquired knowledge: (1) the ability to interpret the new knowledge in the light of current and future organisational requirements, (2) mechanisms (structural and processual) to disseminate the knowledge to the relevant organisational members, and (3) the ability to use the knowledge as a component of the innovative process of the organisation. Kumar and Nti (2004) argue that a firm’s ability to absorb the knowledge transferred to it depends on the quality of its employees, its knowledge base prior to the transfer, and the resources at its disposal. They argue further that the absorptive capacity of a firm is a characteristic that is acquired and shaped over many years in an incremental fashion. This, by implication, means that younger firms have a lower knowledge absorptive capacity than older ones. The capability would be even lower if their technological and resource bases are weak, presumably as a result of their small size.

Integrating Intercultural Management and Knowledge Transfer Theories

The discussions above suggest similarities and complementarities in the intercultural management studies and organisational learning and cross-border interfirm knowledge transfer studies. This section of the paper pulls together the arguments in order to highlight the commonalities and potential synergies in the literature.

From a learning perspective cultural knowledge is the foundation for all other forms of knowledge. This view is consistent with Polanyi's definition of tacit knowledge in the sense that individuals acquire their unarticulated background (i.e. tacit) knowledge by being socialised into a community and partaking in practices of that community. Thus socio-cognitive scholars argue that knowledge is a 'situated action'. This implies that learning and interpretations, although they entail cognitive process, cannot be isolated from the context within which they take place. In other words, individuals' ability to perceive, interpret and evaluate phenomena depends on the sustained and intensive interactions that they have with other people in a given community or context. The situational setting provides constellation of meanings that both inform and constrain socially acceptable behaviours, including socially constructed identities and forms of participation. This allows people to internalise an understanding of the social realities in a manner that is not only cognitive but also embodied.

Certain cultural orientations have an important psychological impact on managers' and subordinates' perception of their role in organisations and therefore their learning capabilities. It has been further argued that organizational cultures that support learning enjoin their managers to adopt leadership styles that allow the generated knowledge to be shared by all the members of the organization outside the limits of space, time and hierarchy (Huber, 1996). For example, an organization whose culture transmits to its members, a priori, the sense of powerlessness, will hardly enhance the absorptive capacity of its members. This will be true even if subordinates might not have actually experienced powerlessness in their work-related situations. In cultures with high power distance (Hofstede, 1980) and autocratic leadership, subordinates are likely to be dependent on top management as centres of excellence and hold their own capacity to learn and take initiatives in check. Most of them would define their role as simply following, responding and carrying out instructions from their superiors. As such, they would fail to reflect on work-related problems that they face, let alone consider the possible solutions to them. This pathological state of inaction may be labelled as *socialised helplessness* (Bate 1984). As long as this behaviour reduces overall anxiety among subordinates, it would persist until top management changes its leadership style and empowers subordinates to question existing rules of behaviour without fear of punishment.

Culture, Learning and Comfort Zones of Individuals

The preferred methods of learning of knowledge seekers and their absorptive capacity are all determined by their *comfort zones*. The dictionary defines comfort zone as a type of mental conditioning that allows individuals to enjoy a sense of security in their lives and interactions with their environment. The sense of security the individual perceives could be attributed to the mental conditioning formed through an acceptance of a set of rigid attitudes and beliefs. But it may also be culturally induced by ones belongingness to an in-group where relationships are guided by commonly accepted rules of behaviour. Any disturbance of an individual's comfort zone may generate cognitive dissonance in the individual – a state of uncertainty and confusion that fills individuals with discomfort because their experienced reality is at variance with what they are used to. The cognitive strains produced by the discomfort may either discourage individuals to venture

into the unknown state or encourage them to reorganize their worldviews in fundamental ways. It is this change in individuals' world views that opens up new windows for creativity in their thinking and actions and thereby extends their comfort zones. A knowledge provider that shows awareness of the comfort zones of their learners and the anxieties that the transition process generates should take deliberate steps to guide them manage the transition with minimum anxiety. To do this the knowledge provider must have substantial knowledge of the learning culture within which his knowledge receivers are located and combine this with substantial intercultural communication skills and a set of psychological tool-kit. This understanding builds on the expatriation literature discussed above.

Some knowledge management scholars have registered their awareness of the anxieties that learners may experience in learning new things. To them, *unlearning* current knowledge is the first step in a learning process. As Hedberg (1981) argues, unlearning is a process through which learners discard obsolete and misleading knowledge, replacing them with new knowledge. Unlearning, however, is not an act of forgetting; it rather means acceptance of the failure of existing ways of doing things.

Unlearning can create cognitive dissonance and can therefore disturb the comfort zone of the individual learner. Learning therefore entails challenging individuals to extend or transcend their current comfort zone. In that sense the motivation for individual learning comes from the detection of a mismatch between the individual's current behaviour and his expected outcomes. This is in line with the theory of cognitive dissonance which states that contradicting cognitions serve as a driving force that compels the mind to acquire or invent new thoughts or beliefs, or to modify existing beliefs, so as to reduce the amount of dissonance (conflict) between cognitions.

Appropriateness of Knowledge

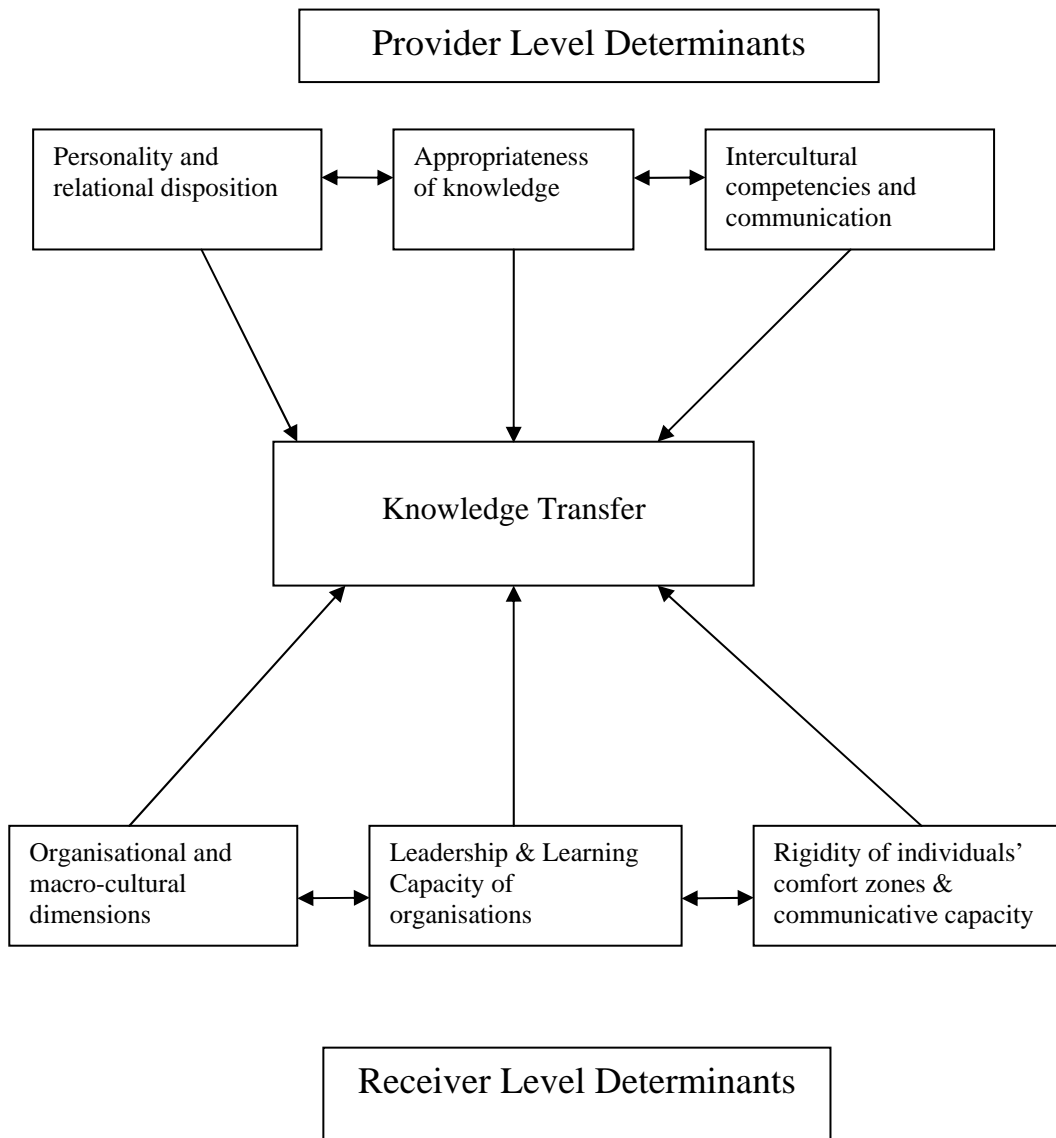
The adoption or rejection of externally transmitted ideas depends, to a considerable extent, on their cultural appropriateness. The term 'cultural appropriateness' is used in this paper to mean the stock of knowledge that the provider transfers is consistent with the prevailing cultural norms, values and meaning systems of the knowledge receivers. Where key decision makers perceive significant discrepancies between the proposed knowledge and the dominant mental models within a given organisation and/or society the likelihood of adoption of the ideas would be low. This argument is consistent with insights provided by cognitive science scholars who argue that people acquire and use new knowledge quickly if it is within a small reach of what they already know. Cognitive dissonance theory holds that individuals are more willing to expose themselves to information that is consistent with their beliefs or decisions than they are to information that conflict with their beliefs or previous decisions. Furthermore, these perspectives are in line with Granovetter's (1985) argument that when people live in closely knit groups they tend to reject information that conflicts with prevailing thoughts and values within the group. Individuals that experience a collision between their personal values and that of the group are compelled to adjust their values in order to avoid cognitive dissonance.

Communicating Knowledge across Cultures

Research in intercultural communication suggests that meanings are not context-free. They depend on the culturally prescribed interpretations that communicants attach to them. Thus, when people from different cultures interact, the differences among them become salient and sometimes exaggerated (Gudykunst and Kim, 1992; Kumar and Nti, 2004). Communicants give and receive messages through a multiplicity of channels simultaneously. For example, varying degrees of loudness, pauses, intonations and inflections in oral-aural communications do add meanings to the denotations and connotations of words spoken and heard. Where the communicants do not have common frames for interpreting these variations in speech, they are likely to hear them differently and impute different meanings to them. Just as these variations in speech produce inferences that may reinforce or distort the messages conveyed, signals received through other sensory organs (sight, scent, touch etc.) can alter the literal meaning of any utterance as well as lend significance to the unspoken (Haworth *et al.*, 1989).

This, by implication, means that the understanding and absorption of knowledge communicated to learners would partly depend on the interpretations they give to explicit messages conveyed by knowledge providers. Where the knowledge provider and learners lack shared grounds of understanding the learning process may be characterized by confusion and errors in interpretation. In such situations, communicators would require a greater number and details in their messages in order to establish shared interpretive frameworks. Thus the intercultural communication competencies of both knowledge providers and receivers would greatly influence the knowledge transfer process. It has therefore been suggested that in intercultural knowledge transfer processes, knowledge providers may continuously reassess their mode of communication. Figure 2 provides a schematic illustration of the determinants of knowledge transfer in inter-firm collaborative processes.

Figure 2: Conceptual Model of Inter-firm Knowledge Transfer



Three Danish Illustrative Cases

How do firms transfer knowledge and management practices to their subsidiaries and to their joint-venture and alliance partners in other countries? How do these transfer processes help build global corporate cultures? How useful is the above model to understanding this process of cross-border competence building? To answer these questions in a practical manner, we draw on the experiences of three Danish companies to illustrate the cross-cultural joint learning process. The companies are (1) LEGO an internationally reputed Danish toy company that expanded into new business areas through a number of international acquisitions in recent years; (2) Novo Nordisk another well-known Danish pharmaceutical company with production and sales subsidiaries in many countries¹; and (3) Nordisk Wavin, a less known Danish international company producing pipe for the transportation of liquid and gas and with production facilities in the Central and Eastern European countries. All the three companies have been engaged in knowledge transfer processes with the aim of building corporate cultures and management practices that ensure the preservation and renewal of their core competencies in their dynamic business environments.

LEGO Company

The LEGO Company traces its origins to a Danish carpenter by name Ole Kirk Christiansen, who opened a small workshop for making wooden toys in Billund, Denmark in 1932. Legends have it that Christiansen had a great respect for children and believed that playing should not just be for fun but should also offer children an opportunity to create their own world and indulge in self-expression. He therefore made it his fundamental ambition to create playthings of good quality to stimulate the creativity and overall development of the children.

Since its establishment, LEGO has pursued a consistent strategy in maintaining its foundational principles and corporate identity and has therefore been successful in binding the company's business units into an integrated whole. These core principles were explicitly formulated and presented in various company publications. For example it appeared in the corporate brand book in 1999 (LEGO Company, 1999) as follows: "the LEGO name shall become a universal concept associated with three notions: ideas; exuberance, and values". LEGO *ideas* are to be captured in concepts such as creativity, imagination, unlimited, discovery. The notion of *exuberance* is also to be captured by concepts such as enthusiasm, spontaneity, and self-expression. The *values* come from concepts such as quality, caring, development, innovation and consistency. In other words, LEGO's brand identity has been based on abstract concepts although its original product – the brick toys - is tangible. The consistency between the brand image, the abstract concepts and the tangible product is seen in the design of the products - the flexibility that the bricks offer in construction stimulates children's imagination to combine the bricks in a wide variety of novel ways.

Since the early 1990s LEGO has ventured into three new and strategically important business areas: the LEGOLAND parks, lifestyle products and media products for children. In many cases these developments have entailed LEGO setting up a presence in countries outside Denmark. For example, in spring 2000, LEGO acquired a high-technology toy firm, Zowie Entertainment, in Mateo – about 30 kilometres from San Francisco. The US company

¹ I have relied on a recent study by Holden (2002) in the description of the knowledge transfer process in Novo Nordisk and LEGO.

specialized in innovative smart toys and with the acquisition LEGO made a big jump into the computer-driven toy sector.

In order to integrate the new company into the LEGO family, the Danish headquarters encouraged the American company to develop and market its products in a way that is consistent with LEGO's underlying values. This was done through the formation of a number of task forces that aimed at providing employees from the headquarters and the new company with a mental space in which they could work together on joint projects. The Headquarters' employees acted as carriers of the core values of the LEGO culture to the new environment. But together with the local employees they were encouraged to engage in new interpretations of these values within the local environment in order to achieve compatibility without sacrificing the underlying core principle of top quality, good service and creativity. Through these interactions employees from the headquarters and the acquired company were able to gradually challenge each others' comfort zones and at the same time avoid the destructive conflicts that personality clashes could produce. Initially, the task forces comprised mainly of software designers and engineers and numbered 60. But this number swelled to 200 within a short time and included psychologists and sociologists as well. Interactions were both face-to-face and virtual – i.e. frequent video –conferencing and intensive emailing.

Another important integration approach adopted by LEGO in recent years was the introduction of the concept of “Millennium meetings” aimed at strengthening the relational bonds between executives located in different parts of the world. The meetings took place periodically and involved executive board members from Denmark and senior managers working for LEGO in regions such as Europe and the Americas. In 2000, some 90 members of the LEGO Americas management team participated in the first “Americas' Millennium Meeting” which was held by the LEGO Executive Team and involved the CEO.

So far, these arrangements have worked fairly well for LEGO and its diversifications into the software entertainment market have not produced significant cultural clashes. Subsidiaries dealing with computer branch of the business have been able to translate the abstract values of LEGO into their own work process and thereby give a new meaning to these values.

Novo Nordisk

Novo Nordisk was established in 1989 as the result of a merger of two Danish pharmaceutical companies, Nordisk Gentofte and Novo Industri. The post-merger integration process resulted in standardization of management procedures and routines to the extent that individual employees and managers had little scope for independent action. In the early 1990s top management of Novo Nordisk noted that the company began to suffer from a creeping paralysis due to the consequences of the integrations process and an over-centralised administration. There were several incidents of miscommunication between the company's headquarters in Denmark and the local companies throughout the world. In order to regain the dynamism and coherence that has characterised the company in the past, top management commissioned a group of consultants to codify Novo Nordisk's corporate values and design a strategy to communicate and transfer these values to all companies within the Novo Group. The result was the formulation of Novo's vision 21 and the Novo Group Charter which described the core values, commitments and management principles that companies within

the Novo Group should live up to - or the 'Novo Way of Management' as it was dubbed. Highlights of the charter are presented in the box below:

The Novo Way of Management

Guiding Principles of the Novo Group

- The Novo name is always associated with respect and synonymous with high quality in all matters
 - The image and general reputation of the Novo Group is maintained at a high level
 - The companies in the Novo Group are companies for whom (and together with whom) competent people want to work
 - It is attractive to be a member of the Novo Group
 - It is attractive to be a shareholder in the Novo Group companies
 - It is prestigious to obtain grants from the Novo Nordisk Foundation
- The companies in the Novo Group work with groundbreaking technologies and are among the leaders of development within biotechnology

Values of the Novo Group

Accountable: Each of us shall be accountable - to the company, ourselves and society - for the quality of our efforts, for contributing to our goals and for developing our culture and shared values.

Ambitious: We shall set the highest standard in everything we do and reach challenging goals.

Responsible: We shall conduct our business in a socially and environmentally responsible way and contribute to the enrichment of the communities in which we operate.

Engaged with stakeholders: We shall seek an active dialogue with our stakeholders to help us develop and strengthen our businesses.

Open and honest: Our business practices shall be open and honest to protect the integrity of the Novo Group companies and of each employee.

Ready for change: We must foresee change and use it to our advantage. Innovation is key to our business and therefore we will encourage a learning culture for the continuous development and improved employability of our people.

The transfer of these guidelines and values to the subsidiaries worldwide became the responsibility of a taskforce of 14 senior managers that were called “facilitators”. Their job was to promote a strong corporate identity within and outside the group. As one top executive put it “Novo should be experienced by its stakeholders as communicating with one voice as a company and with one vision and shared values”. Thus the success of the jobs of the facilitators was to be measured in the extent to which the “Novo Way of Management” was accepted and complied with in the local companies.

The 14 member taskforce was formed in September 1996 and was composed of 6 Danes, 2 British, 2 Americans (US), 1 Malaysian, 1 Spanish, 1 Japanese, 1 South African. Three of the team members were women (2 from Denmark and 1 from the US). Each of the 14 persons spoke one or several languages in addition to their native one but used English as their principal professional language. Their work procedures were as follows. First they interviewed the local managers in the respective countries in which Novo was located in order to obtain sufficient background knowledge about the local company and its practices. Second, on the basis of their assessment, they provided on-site facilitation of new practices in the departments, factories etc. of the local company. They worked in teams of two on each assignment in a local company, and made sure that one of the members of the team came from the region within which the company was located. This was to ensure a better insight into the cultures of the local environment in their interactions with the local managers and their staff. Furthermore, deliberate efforts were made to identify “best local practices” that were consistent with the overall values contained in the charter - “Novo Way of Management”. Local best practices were preserved where found consistent and those found to be at variance with the corporate values were modified or changed altogether.

The facilitators tried as much as they could to project themselves as internal consultants that were positively minded, helpful and willing to discuss rather than impose the headquarters’ ways of doing things within the local companies. An assessment of the performance of the facilitators one year after the project was launched showed that they were able to encourage the local companies to accept those aspects of Novo Way of Management that were least understood and least complied with prior to their intervention. They were also able to unearth valuable local knowledge and business practices unknown to other parts of the Novo Group and therefore facilitated reverse knowledge sharing within the Group.

Nordisk Wavin

Nordisk Wavin is the Nordisk affiliate of a global pipe producing company established in the Netherlands in the 1950s. It has the responsibility of developing the Scandinavian, the Baltic as well as the Eastern and Central European markets. It has recently established subsidiaries in Poland, the Czech Republic and Lithuania. The description here covers its management knowledge transfer processes in the Lithuanian subsidiary - Wavin Baltic.

Wavin Baltic was established on April 5, 1996 as a joint-venture between five partners: (1) Nordisk Wavin (Denmark), (2) Wavin B.V, (3) the Danish Investment Fund (IØ), (4) the Vilnius Polymer Goods Factory – a Lithuanian State enterprise, and (5) the factory employees. The Danish Investment Fund (IØ) and the Lithuanian state as well as the employees sold their shares to the Wavin Group in 2002, thereby making Wavin Baltic UAB

a wholly owned subsidiary of Nordisk Wavin. The company produces plastic pipes for the transportation of liquid and gases.

From the very beginning Danish managers had a plan that Wavin Baltic would be run by Lithuanians, just as their subsidiary in Poland was entirely managed by the Polish. But the initial challenge faced by the Danish headquarters was to build the new joint venture up to the level of other companies within the Wavin family. This entailed the transfer of new technologies, knowledge, skills and capabilities; instilling Wavin values, work ethics, and other rules of accepted behaviour. When the joint venture started operating the Danish parent company decided to take full control over the core processes and operations. To do so effectively and quickly, a number of Danish managers were sent to Lithuania to facilitate the organizational and management development process.

A Lithuanian was made the first Director of Wavin Baltic and a senior executive from the Danish headquarters was sent in as his deputy director. Before coming to Lithuania the deputy director had already managed two other Wavin subsidiaries in the Central and Eastern Europe. His motto was that to succeed in managing a foreign subsidiary, an expatriate must be flexible and learn through interactions with the local people. “You cannot learn flexibility from training courses”, he observed, and continued, “I know exactly how to behave when I am in Moscow, and I know exactly how to behave when I am in Bombay..... Knowledge is transferred in a social interaction; it is a part of the daily life and a part of the daily management”.

Three other Danish expatriates were also sent to Wavin Baltic at various points in time to manage specific departments and to train the Lithuanian employees. The other Danish expatriates had similar international experiences from the Polish and Czech joint ventures.

The first decision of the new management was to reduce the size of the employees from 400 to 150. Before the end of the first year, the number was further reduced to 40 – some went on retirement while others were fired for poor attitude to work. Local senior managers were encouraged to show initiative and acquire a flair for long-term planning. The Danish expatriate team also introduced changes in the accounting and financial reporting systems within Baltic Wavin to make them correspond with Danish standards and the Danish Accounting procedures.

These changes were made rather rapidly and faced tremendous amount of resistance from the local staff. But over time, the Danish expatriates became more diplomatic in introducing management change. The Lithuanian managers did not dispute the professional capabilities of the Danish managers but they did not consider them to possess sufficient interpersonal skills to work in a foreign country.

One of the Lithuanian managers remembered the change process in this way:

“Initially the Danish expatriates were visible. They virtually took control over every aspect of the management. But later on, they became less visible. They allowed us to make proposals. We would suggest and they would assess our proposals. In this way we would come to the solution we both deemed correct and agreed upon. They no longer blindly ordered us to work only their way, because they noted there were differences. You can’t compare Danish and

Eastern European markets. Customers' mentality, traditions and characters are different. Now, year by year, we grow in resemblance; however, we did not have such a situation before"

The current Managing Director also had this to say about his own training process:

"...when I started working I was given a chance to go to Denmark and see how business is done over there. I was not given any precise instructions on how I should develop business in Lithuania; I was just showed how Danes do business in Denmark. Then, having the same purpose, I went to Poland. Wavin in Poland is the same; however, Poles have different market and different client basis. I came back to Lithuania and had to decide how I should do business..."

On reflection the Danish expatriate who served as a deputy Managing Director of Wavin Baltic during the initial stages of the change process remarked as follows:

"It has been a lot easier to transfer technical skills to the Lithuanian employees than to develop their management capabilities. The Lithuanian managers had difficulties "unlearning" the management systems they used during the Soviet era although they (themselves) acknowledge the weaknesses of those systems in a market economy."

In 2006 the last Danish expatriate left Wavin Baltic, thereby leaving the management entirely in the hands of Lithuanians.

Discussions and Conclusion

The brief presentation of the three Danish cases above shows that their headquarters had clear goals with respect to how they should work with their affiliates. The overall goal in all three cases has been to ensure strong and uniform corporate culture and practices. But the companies differed in the approaches they have adopted to achieve this goal. LEGO opted for a symbiotic relationship at the initial stages of their relationships with acquired foreign companies. This means the Danish headquarters has acknowledged the importance of the values and capabilities inherent in the acquired firms and has been cautious in its interference of the prevailing internal structures and modes of operation. At the same time it created a space of interaction with headquarters staff to enable the employees of the acquired firms to gradually understand and appreciate the core values on which LEGO's operations have been based. Tacit knowledge and cultural values have therefore been transferred through the various interactive opportunities that were created by the headquarters. LEGO therefore saw the management of these relationships not as a cultural project but as an integral part of their overall goal of building a platform for continuous learning and renewal of the company.

Novo Nordisk opted for a quicker integration approach using facilitation. The mission of the facilitators was very clearly defined – i.e. to facilitate the adoption of the Novo Way of Management in all the subsidiaries. But the headquarters has been careful in communicating this message in order to reduce potentially disruptive resistances from local managers. The facilitators were therefore encouraged to adopt a communication process that helped the local managers to reflect on their own work process, learn more about themselves and their roles in the organisation

and to take the necessary corrective actions on the basis of their reflections and realisation. The facilitators therefore acted as catalysts in the process. The facilitative approach therefore created safe environment for them to exchange ideas, opinions and reactions between headquarters and the local organisations. It also allowed for reverse learning – an added advantage in developing a global learning organisation.

Like the other two companies, Nordisk Wavin also had a clear goal of making their subsidiary in Lithuania a fully integrated entity of the Nordisk Wavin group of firms. The Danish headquarters initiated the process by using what may be called a “cultural missionary” approach – a version of ethnocentrism. They expected the Lithuanian company to quickly adopt the management practices that existed at the headquarters. The Danish deputy director of the company appeared a bit impatient at the beginning to achieve his goals. But as they have worked with local managers over some years they realised the need to adopt strategies that communicate mutual respect and cooperation.

Despite the slight variations in the approaches adopted by the headquarters of the three companies two factors seem to underlie their interaction processes. The first is the contribution of Danish business culture and management practices to the strategies adopted. Danes are reputed for showing low preference for formalization and deference to authority. They are more comfortable with elaborate consultation and consensus in decision-making situations - bringing all voices to bear on important decisions so that responsibilities for tasks can be collectively shared. Pragmatism and professionalism are also presented as dominant characteristics of Danish management style. These management orientations seem to be reflected in LEGO and Novo Nordisk’s relationships with their affiliates in other countries. One would therefore assume that the dominant management style in a home country will strongly impact the relational approaches that firms adopt with their partners in other countries.

The second common factor is the management styles of the individuals involved in the relationships. Novo Nordisk has been very careful in deciding on the composition of the facilitator teams. The teams were multi-culturally composed and each assignment had at least two persons in charge – one of the two coming from the part of the world in which the local firm is located. The objective is to reduce the cultural distance between the local managers and the facilitators and to ensure a smoother communication flow and to reduce the incidence of avoidable misunderstandings. This capability enabled the facilitators to challenge the comfort zones of the local managers in a more gentle and acceptable manner and create avenues for positive dialogue. LEGO has also been careful in its choice of headquarters employees that worked on projects with the foreign firms and took steps to reduce personality clashes. The deputy director of Wavin Baltic appeared to have started his relationship with a relatively authoritarian disposition, but changed few years along the line becoming more accommodating to local opinions and allowing the local employees to learn from their own mistakes.

The illustrative cases have also shown that cultural distance impacts choice of appropriate relational strategy. This observation is consistent with findings from previous studies on the subject. Peltokorpi (2006) argued that firms located in societies with strict status hierarchies are likely to experience low frequency of vertical interaction, since interactions between superiors and subordinates would tend to disturb the prevailing social equilibrium within the organisations. Local employees would therefore perceive expatriate managers being unapproachable. But even in such societies young employees tend to be inquisitive and open-minded, and therefore willing to

challenge the prevailing codes against hierarchical cross-cutting and share views with expatriates that provide them with the opportunity to do so. Expatriates must therefore act proactively in order to elicit contextual knowledge embedded in local employees rather than merely engage in a one-way knowledge flow process in which the local employees are at a perpetual receiving end.

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