

Managing in the Multicultural World of Oil

By Carol Dahl and Zauresh Atakhanova*

Managing in global industries such as oil and other energy products requires a wide skill set. A good manager must plan, organize and control by maintaining financial control, building enthusiasm, developing innovative marketing, training personnel, measuring personnel performance, and controlling product quality. Enhancing corporate performance requires closing or modifying failing operations and evolving into new more promising ones.

Often these more promising areas involve an international component as privatization and deregulation of oil markets have caused major flows of international capital. This process is matched by the increasing activity of state oil companies outside their national borders in starting either their own operations or setting up joint ventures with foreign partners. To illustrate the extent of multinational operations from some of the large multinational and national oil companies see Table 1

Increased globalization, as well as increasing attention to ethical & social responsibility, changing demographic and skill requirements, and consideration of employee needs are an important element in management. The manager must not only manage work, organization, production and operations, and technology, but the human dimension including employees and customers. It is this later dimension that requires cultural and social skills when managing across national cultures.

A culture is often defined as the shared values, attitudes, and behaviors of a group. It is more or less their customary ways of perceiving and of doing things. The group may be a nation in which case their culture includes – Language, Ethics, Religion, and Customs. It may be a profession such as Engineering, Geology, and Economics. It may be a particular organization or piece of an organization such as a Foreign Division; a World Headquarters; a Refinery, or an R&D Division. It may be a corporation where cultural types include bureaucratic, centralized, and entrepreneurial. In this paper, space constraints require that we focus on national culture reserving corporate culture to later work.

Culture is learned and national culture is currently accepted in more tolerant circles to be relative, rather than right or wrong compared to some global absolute. However, various dominating cultures across history have felt that their cultures were superior. (e.g., the Ancient Romans, 19th century British, and 20th century American) Within national cultures there is a wide variation in individual values and behavior. For example, suppose the culture trait is how much individualism is valued. Let this trait be measured by an index that goes from 1 to 20 with higher values indicating a greater preference for individualism. Suppose in Figure 1 the left hand probability distribution with a mean of 7 represents Japan and the right hand distribution with a mean of 15 represents the United States. In this figure, on average the U.S. values individualism more than the more group oriented Japan. Knowledge of such differences in cultural norms can

* Carol Dahl is Professor in the Division of Economics and Business at the Colorado School of Mines. She is also Director, CSM/IFP Joint International Degree Program. Zauresh Atakhanova is a Ph.D. student at the Colorado School of Mines.

be useful when trying to decide how to motivate personnel in various cultures and how to organize work assignment across individuals and teams.

Table 1: Large Integrated Oil Companies International Operations

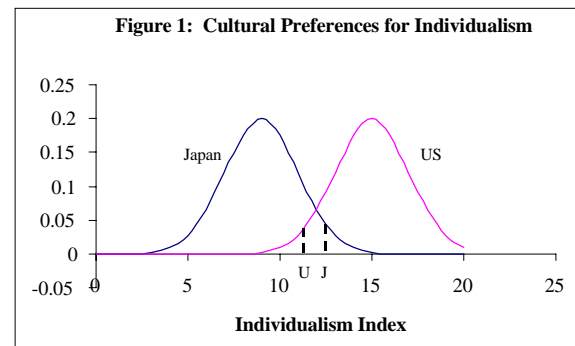
<u>Multinational Company</u>	<u>Number of countries it operates in</u>
Exxon Mobil	>200
BP Amoco	>100
Texaco	>150
Chevron	>100
Conoco	>40
Shell Oil	135
Phillips Petroleum	>20
Occidental Petroleum	9
TotalFinaElf	40
<u>National Company</u>	
Saudi Arabian Oil	6
Petroleos de Venezuela	3

Table Note: > indicates more than

Understanding such differences allows managers to avoid misunderstanding and to use differences to their competitive advantage. Nevertheless care must also be taken to not stereotype individuals since wide differences exist within cultures as well as across cultures. For example in Figure 1, the Japanese individual represented by J values individualism more than the American U.

The two most often cited authors that classify cultural differences particularly relating them to the corporate world are Hofstede (1984,1991) and Trompenaer (1993). Hofstede notes four cultural elements in work related activities: Power Distance, Uncertainty Avoidance, Individualism/Collectivism, and Masculinity/Femininity. He conducted a huge survey of IBM employees in 50 countries and ranked their cultures based on these criteria.

Power distance represents the degree of equality in a



group. Cultures vary by how authority is distributed within groups. The more hierarchical and centralized the management of the group, the larger the power distance. Power distance is higher if the boss's decision is accepted right or wrong. In high power distance contexts the manager is viewed as an expert, in a low power distance context the manager is viewed as a problem solver in conjunction with the group. Egalitarian managers in high power difference contexts may be viewed as weak and incompetent or employ-

ees may interpret managers help as a signal that the employees are doing poorly, whereas authoritarian managers in a low power distance context may be viewed as dictatorial. Thus, managers with a more egalitarian approach may not work as well in Latin America, Arab countries, and Indonesia, which tend to maintain more power distance, than in the more egalitarian N. Europe, United States and Canada. Even within Europe we see differences. In a BP Finance Office, the Germans tended to be more hierarchical, the Dutch, Scandinavians and British were more likely to challenge authority, while the French accepted management authority more or less as their right and obligation. (Hoecklin 1995)

Uncertainty avoidance represents attitudes towards risk. Countries with high uncertainty avoidance, such as Japan, Catholic Europe and South American are more uncomfortable with ambiguity, dislike conflict in organizations and prefer formal rules. Those with low uncertainty avoidance, such as Singapore, Scandinavia, Canada, the United States and the UK deal better with ambiguity and change and are more likely to take risks for commensurate rewards. Long-term job security tends to be important in high uncertainty avoidance cultures; managers are more likely to be chosen by seniority, and rules should not be broken even for good reasons. Whereas in low uncertainty avoidance cultures job mobility is higher, managers are more likely chosen by merit, and there is more flexibility and judgement in interpreting and breaking rules.

Questions such as “who am I?” and “How do I relate to others?” have to do with the concept of individualism and collectivism. In the most individualistic cultures in Hofstede’s survey - the United States, Australia, and the UK - the interests of the individual are central. Individual initiative and leadership are valued. People are permitted and expected to have their own opinion and a private life. Promotion is more likely based on merit and individual accomplishment. In collective societies, which are in the majority, the group is more highly valued and the individual receives value from being a member of the group. Private life and private thought are more likely determined by the group. In return the group is responsible for taking care of its individual members. Promotion is from within the group and tends to be based on seniority. Socialist countries in the past were, of course, very group oriented as are many East Asian and Latin American countries in Hofstede’s sample. Thus a brash individualistic American management style may fall flat in Asia or tribal Africa where the group defines the individual and consensus is important.

Adler (1997) suggests that each orientation has its advantages. Groups tend to be better at establishing objectives and evaluating and choosing alternatives to meet those objectives whereas the individual tends to be better at coming up with objectives. Also each orientation tends to work better depending upon the individuals cultural background. For example, Earley (1989) found that Chinese working anonymously in a group performed administrative tasks better, whereas Americans performed the same administrative tasks better when working separately with personal attribution of the tasks.

Masculinity/femininity considers how important masculine values such as assertiveness and success are relative to feminine values towards relationships and nurturing and how important gender is in the business world. More masculine

societies tend to have tighter specifications of gender specific activities, more industrial conflict, and higher stress levels. A business women in the mostly masculine dominated OPEC countries faces special sets of problems not as prevalent in the more feminine cultures of Scandinavia.

Grays’s book *Men are From Mars and Women are from Venus* categorize’s some of these stereotypical gender traits and suggests ways to deal with the differences in a personal relationship context. Hines (1992) in a somewhat similar vein uses a Yin/Yang framework. Yin values are sharing, relatedness and kinship while Yang values are quantification, objectivity, efficiency, productivity, reason and logic.

In addition to the above list of cultural indicators, Hofstede and Bond (1988) adds an indicator called Confucian Dynamism. It is particularly important in understanding and functioning in Asian cultures and relates to a culture’s orientation across time. Confucian values place a high importance on a long run orientation and the Confucian work ethic favors thrift and persistence in putting off current gratification for longer term gain. A longer term focus also suggests that the individual may be more likely to submit to the group and its hierarchy and have a sense of shame. Shame in this context is outer based and relates to group approval. In more individualistic cultures guilt or self approval may be more important.

Trompenaar suggests a second way that cultures view time. Events may be considered sequential (monochromatic) or synchronous (polychromatic). In sequential cultures things are done one at a time in sequence; appointments and plans are closely adhered to. In synchronous cultures many things may be done at once, appointments and plans change, relationships are important. A sequential person from the U.K. may be a bit disoriented by all the interruptions in a meeting with a synchronous Arab who will stop the meeting with many interruptions.

We also add to the above list four out of five of Trompenaar’s concepts dealing with relationships with people. Universalism/particularism, neutrality/affectation, diffusion/specificity, and achievement/ascription. Universalists believe that there are norms, values, and behavior patterns that are valid everywhere, whereas particularists believe that circumstances and relationships determine ideas and practices. In universal cultures such as the United States, UK, Australia and Germany there is more focus on rules and formal procedures such as detailed contracts. In more particularist cultures such as China, Indonesia, the CIS (countries of the Former Soviet Union) and Venezuela, relationships are more important with contracts and relationships being modified over time. For a particularist culture, small talk and socializing are part of the ‘getting to know you’ and trust building process. For a ‘lets get down to business’ universalist culture, such activities might be considered a waste of time. Contracts can obviate the need for trust to a universalist, whereas the detailed contracts of a universalist might signal a lack of trust to a particularist.

Along somewhat similar lines Barber (1996) looks at McWorld versus Jihad. From the McWorld point of view, the world is one large market connected by high information networks moving towards automation and homogenization. Transnational and multinational capitalist companies, that

(continued on page 8)

Managing in the Multicultural World of Oil (*continued from page 7*)

use large amounts of natural resources, serve a global market. McWorld is associated with occidental, particularly American culture. Jihad is the point of view that fights against modern capitalism and clings to religious beliefs, ethnic traditions, local and national communities. Jihad elements in a culture increase the risk for capitalists doing business in them. Twenty four percent of the world's oil reserves are in risky areas where Jihad beliefs are prevalent. McWorld values and promotes economic well being but not necessarily social and political well being, while Jihad promotes community but is often intolerant. Barber suggests that the optimum is to take the best from McWorld while still maintaining a cultural identity and sense of community from Jihad. He believes that Japan and China have been reasonably successful at doing just that. Alternately McWorld managers in Jihad cultures need to pay special attentions to indigenous groups and cultures.

The neutral/affective trait considers how emotions are expressed. In neutral cultures such as Japan, the UK, Singapore, and Indonesia expressing emotions, particularly intense emotions, is viewed with disfavor and is considered unprofessional. More affective cultures such as Mexico, the Netherlands, China and the CIS are much more comfortable with the expression of emotions in public and may consider those from neutral cultures as cold or deceitful.

Specific/diffuse relates to how a culture views private and public relationships. An individual has a public space presented to everyone and a private space or part of their personality which they share with selected individuals. In a specific culture such as Australia, the UK, the United States, an individual has a small private space, which is compartmentalized from the public space. The public space is easily entered. In a diffuse culture such as China the private space is larger and less compartmentalized. Thus, it is harder to enter someone's public space in a diffuse culture because it allows easier entrance into their private space. Diffuse cultures may seem cold to those from a warmer specific culture.

Earlier in Hofstede's equality category, he explored how power and authority vary across a group. In Trompenaar's category, Achievement/ascription, he explores how power and status are attributed to members of the group. In an achievement culture such as Australia, the United States, Switzerland and the UK one's status is determined by how well one performs desirable functions for the group. The emphasis is on task. Status and power in an ascriptive culture is more "who" you are than "what" you are. Status and power is conferred by things often ascribed at birth – gender, family, and social connections. More ascriptive cultures include Venezuela, Indonesia, China, and the CIS, where the emphasis is more on relationships than achievements. However, since these same cultures emphasize relationships, this power base may be perfectly legitimate since their ascriptive status and power may enable them to get things done just as achievements do in an achievement culture.

Humans' relationship to their environment may vary by the degree of control they feel they have over their destinies. Trompenaar designates cultures whose members feel that they are in control of their fates as "inner directed," while those that feel they are merely pawns in the game controlled

by fate are "outer directed." North Americans and Europeans tend to be more inner directed, where the Arab's "Inshallah" or "God willing" after statements of coming events suggests a more outer directed view of the world. Native Americans would also fall more in the category of believing in fate.

Hall and Hall (1984) note that personal space and territory vary across cultures. Japanese stand further apart than North American's, who in turn stand further apart than Middle Easterners and Latin Americans. Latin Americans touch more frequently than either North Americans or Japanese. Greetings vary, as well, as noted in the title of the book *Kiss, Bow or ShakeHands*. Learning and respecting personal space and greetings can pay cultural dividends in business dealings. A reference that gives information on greetings, introductions, how to make contact, how to set appointments, negotiating, views on time and other useful tidbits can be found at:

<http://businessmajors.about.com/education/businessmajors/gi/dynamic/offsite.htm?site=http://www.getcustoms.com/omnibus/dba.html> A reference that makes suggestions for culturally appropriate gifts is:

<http://businessmajors.about.com/education/businessmajors/gi/dynamic/offsite.htm?site=http://www.getcustoms.com/omnibus/dba.html>

The extent of ritual varies across cultures as well. Asia tends to have high ritual cultures where behavior tends to be more structured and to follow set rules. For example, in Japan rules govern gift giving including the gift, the manner of presentation, the manner of acceptance, and how the gift receiver reciprocates. Another example is giving out of business cards in Asia. The card is presented with ceremony and is not to be shoved in the pocket after a glance by a low ritual savage from the West, who has more ambiguous rules of social behavior and a wider range of acceptable behavior.

Adler (1997) notes various cultural conceptions of human nature. Cultures that view people as basically good tend to trust people until they are proven untrustworthy. While cultures that view people as basically evil tend to use safeguards to protect themselves from people until they are proven trustworthy. Christians tend more towards the first view and Buddhists more towards the later. Other cultures may be neutral or believe that each individual varies in his or her moral character. Such character is believed to be changeable by some and fixed by other cultures. If humans are changeable as the Chinese believe, they will spend more time and effort on training and encouraging personal improvement. If personalities and qualities are more immutable (You can't teach an old dog new tricks) more resources will be spent on selection and screening as is done in the United States.

Cultures vary in how they see the world and nature. They may feel they dominate, are in harmony with or are subjugated by nature. Some cultures may view the world as stable and predictable and others view it as random and turbulent. Western cultures are more likely to feel that they dominate nature whereas Eastern cultures may want to be in harmony with nature. For example, the Chinese practice of Feng Shui believes that by knowing natural laws and cycles you can harness energy that flows through all things to be in harmony with nature. Form, shape, and, particularly, spatial alignment are used to bring the environment into alignment with

natural energy flows. Thus, in a Far-Eastern environment office furniture alignment and location are important considerations for a smoothly flowing office and should not be left to chance.

Another aspect of a human relationship to nature according to Kluckhohn and Strodtbeck (1961) is their orientation towards activity or the purpose of work. Their three points of view are doing, being, or becoming. Doing cultures, such as the United States, focus on outward accomplishments for tangible rewards. Being cultures, such as the Latin Americans, enjoy the here and now, and tend to be more spontaneous. They are more likely to accept circumstances and try to make the best of them, rather than changing circumstances. Becoming cultures focus more on the inner rewards of personal growth and self actualization often associated with meditation and spiritual growth featured in Buddhism and Hinduism.

Understanding a culture's relationship to nature and work often helps in motivating employees. Two management theories are associated with these concepts. Theory X suggests that people dislike work but are motivated by basic needs of safety and security. In this doing context, a manager directs, controls, and coerces employees to get the job done. Theory Y maintains that people are motivated by achievement and self actualization. In this becoming context, employees will work towards things to which they have a commitment. Managers should seek to motivate and then step back allowing the employees to grow and develop as they move towards their goals. Adler (1997) notes some of the advantages and disadvantages of the more decentralized Theory Y. Decentralization encourages decision making and problem solving skills, improves creativity and job satisfaction. It can, however, require more expensive training, higher quality employees, increased information flows and a need to develop accountability measures.

Communication is another area where misunderstandings and problems can arise across cultures. There are a number of aspects to communication. At the verbal level there are three components – “What you say?” “What you mean?” and “What the listener understands?” What you say may be interpreted differently in two cultures because of differences in meanings of two words across cultures. For example, an Irish person who is pissed is drunk, whereas as a North American is angry.

Cultures have their own icons in the form of symbols, heroes, and rituals that represent underlying values. Idioms, similes and metaphors that represent these icons may convey meanings and emotions that do not translate across boundaries. Cowboy images may not be meaningful to a Japanese person. Samurai images may not translate from east to west. One of my Egyptian students looked at me quizzically when I said “Don't throw the baby out with the bath water.” Throwing babies around did not seem to be an appropriate ritual to him.

Words may have different meanings in different contexts. For example the statement “Bill Clinton was born in Hope and grew up in Hot Springs” translated into Italian and back by Altavista's machine translation service reads “The invoice Clinton has been taken in the hope and it has been developed in warm motivating forces.” A Chevy Nova did not sell well in Mexico since *no va* in Spanish means doesn't go. Nor does one expect that the Iranian laundry soap *Barf*

would sell well in the United States. Also the same word may reflect different values. When in Nepal I was told they were cremating an important person on a funeral pyre along the river. When I referred to this person as rich, I was immediately corrected. The person was holy or blessed not rich.

Hall and Hall (1990) refer to low context and high context situations and cultures. In a low context situation both parties know little about the context and nothing can be taken for granted. Everything must be spelled out. For example, the following sentence would not make sense in a low context situation. “This book describes step-by-step procedures for setting up a DHCP server, securing your intranet with a firewall, running on an alpha system, and configuring your kernel.” However, an advanced Linux operator would know exactly what is meant. In a high context situation the two parties already have the context and very little needs to be spelled out. Cultures which are more homogenous and well connected such as the Japanese, Arabs, and Mediterraneans are typically high context cultures. Cultures that are more individualistic and have more compartmentalized lives such as the North Americans and other northern Europeans are typically lower context. Explaining too much in a high culture context may be taken as condescension, explaining too little in a low context culture may lead to lack of understanding.

Adler (1997) suggests that words communicate 7% of meaning, tone of voice 39%, and the rest is conveyed through nonverbal means such as gesture, posture, and facial expression. The nonverbal portion may re-enforce, contradict, or help clarify the verbal portion. If the nonverbal actions contradict the verbal, the nonverbal is more likely to be the true signal. That is, if the nonverbal signals mean the same thing in the two cultures. In some cases nonverbal signals may be the same across cultures – often a smile is a greeting, a frown a signal of displeasure. At other times they are not. Nodding ones head up and down means *no* to a Bulgarian, *yes* to an American and *I'm listening* to a Japanese. A North American may feel that someone who will not look you in the eye is shifty but may find the length of eye contact by an Arab aggressive. A Chinese or Japanese, however, feels that direct eye contact is rude. (For a dictionary of non-verbal communication in the United States see <http://members.aol.com/nonverbal2/entries.htm#Entries>)

Paying attention to these verbal and non verbal nuances, and shared cultural traits can be especially important to a successful advertising campaign. Observing advertising from another culture can also provide useful information on that culture's values.

A last dimension of culture that will be briefly mentioned is political culture. Democratic market based industrial economies typically function under rules of law with the generally accepted notion that if everyone acted within the law, the society would perform reasonably well. Centrally planned command economies were faced with the complex task of trying to produce and allocate goods and services to millions of people. Strict central planning and adherence to the plan became the accepted norm. Economic incentives were not built into the system leading to weak motivation for work, shoddy products, shortages and queues. The task

(continued on page 10)

Managing in the Multicultural World of Oil *(continued from page 9)*

became harder and harder as the products became more complex and consumers more sophisticated. In such settings, those who side stepped the legal channels helped make an impossible system possible. Thus getting around the system rather than working within the system became an accepted activity. Theft at factories was rampant. After all, it wasn't really theft since it belonged to everyone.

With the fall of the USSR, western economists naively thought that privatization, liberalized prices and markets would fix the problems of the planned economies in short order. Instead, powerful elites took control of the government and economic resources and the mafia and corruption became pervasive in the economy. Western laws were transplanted without the institutions or political will to enforce them. In the absence of the checks and balances developed over centuries in the West, crony, rather than liberal capitalism evolved much like the age of the Robber Barons in the United States. Interpersonal relationships and connections become especially important in dealing with these and other corrupt cultures.

Conclusions

The above cultural differences have implications on corporate behavior in various cultures. Adler (1997) indicates that they help determine the following:

- Who makes decisions?
- How fast or slow are decisions made?
- How much risk should be taken?
- How problems are to be viewed and solved? A westerner is likely to view life as a series of problems to be solved using scientific and analytical thought. An American might be more likely to use induction and trial and error, a French person may be more likely to use deduction and a linear conceptual approach. An easterner might be more likely to view life as a series of situations to be accepted and synthesized rather than analyzed, and multiple truths are accepted.
- How decisions are made? An Oriental from Japan or China would be more likely to take a more holistic approach that considers all the alternatives. An Occidental from the United States or Germany would be more likely to take a sequential approach and make incremental decisions.
- How decisions are implemented? An important implication of how decisions are implemented depends on the ethical, institutional and legal framework in the operating country. Environmental standards vary across countries. A gift may be a bribe in the United States a normal part of business in Korea. Labor unions may negotiate national contracts in some countries, but not in others. Cartels may be illegal in some places but encouraged in others.

Cultural differences also impact upon negotiations. The style may vary with the underlying values and assumptions of the culture and might be based on fact and logic, emotion, or ideals. Ritual may influence the opening offer, the amount of conflict, the size and timing of concessions, and the response to concessions. The autonomy and number of the negotiators is often related to the power structure and

individualist tendencies of the culture.

Cross cultural joint ventures, mergers and teams must learn to move forward together. Some ingredients in the recipe for success are as follows: Clearly identify the end goal. Contrast and compare the way each culture or company would approach the goal. Assume differences until similarity is proved. Look at what is said and done rather than interpreting it. Choose the best approach or some better amalgam of the various approaches. Monitor feedback and continue to adapt.

Companies as well as nations have cultures. These cultures have many of the same dimensions as discussed in this paper at the nationally level. With recent mergers, privatizations, and a number of national oil companies going international, many companies are finding the need for disparate corporate cultures to adapt to each other. Space constraints require, however, that we leave the discussion of corporate cultures to another time and place.

Bibliography

- Gray, John. *Men are from Mars, Women are from Venus: A Practical Guide for Improving Communication and Getting What You Want in Your Relationships*. Harper Collins, 1992.
- Kluckhohn, Florence and Strodtbeck, Fred. *Variations in Value Orientations*. Evanston, Illinois: Row. Peterson & Co, 1961
- Adler, N. J. *International Dimensions of Organizational Behavior*. Cincinnati, OH: South-Western, 1997.
- Hall, Edward T. and Mildred Reed Hall. *Understanding Cultural Differences*. Yarmouth, Maine: Intercultural Press, 1990.
- Hofstede, Geert. *Cultures and Organizations: Software of the Mind*. New York: McGraw-Hill Book Company, 1991.
- Hofstede, G., & Bond, M. H. (1988). *Confucius & Economic Growth: New trends in Culture's Consequences*. *Organizational Dynamics*, 16 (4), 4-21.
- Trompenaars, Fons. *Riding the Waves of Culture: Understanding Cultural Diversity in Business*. London: Nichols-Brealey, 1993.
- <http://www.shinnova.com/part/99-japa/abj17-e.htm>
- Barber, Benjamin R. *Jihad vs. Mc World*. Ballantine Books New-York.
- Choi, Chong Ju & Kelemen, Mihaela. *Cultural Competences: Managing Co-Operatively Across Cultures*. Dartmouth Pub Co, 1995.
- Hoecklin, Lisa. *Managing Cultural Differences: Strategies for Competitive Advantage*, New-York: Addison Wesley, 1998.
- <http://businessmajors.about.com/education/businessmajors/gi/dynamic/offsite.htm?site=http://www.grovewell.com/pub%2Dcultural%2Dinfluence.html>
- <http://www.c-com.net/~aquarian/fengshui.htm>
- Morrison, Terri, Conaway, Wayne A., Borden, George A., Koehler, Hans. *Kiss, Bow, or Shake Hands: How to Do Business in 60 Countries*. Adams Media Corporation, 1995.
- http://sbm-nt-1.tees.ac.uk/pcm/ccd_block3.htm
- Hines, R.D. *The Sociopolitical Paradigm in Financial Accounting Research*, *Accounting Auditing & Accountability*, Vol.2, No.1, pp.52-76.
- McGregor, Douglas. *THE PROFESSIONAL MANAGER*. Edited by Caroline McGregor and Warren G. Bennis. New York: McGraw-Hill, 1967.
- <http://lama.kcc.hawaii.edu/asdp/econ/asian/BARRETT3.html>
- http://www.russiajournal.com/start/business/article_43_2047.htm