

MANAGEMENT FOCUS

Overview: Understanding Values and Expectations of Foreign Employees Creates a Better Company

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This study finds that nationality and cultural group are good determinants of many common managerial problems related to human resource management, especially in situations of cross-border mergers, acquisitions, joint-ventures and alliances. This conclusion is based on the results of the first phase of a large European study on managerial decision-making. Nearly 300 managers participated in this phase, which surveyed 25 firms from the financial sectors of France, German, Italy, Spain, and the United Kingdom. The author develops the hypothesis that two different decision logics, economic rationality and group rationality, co-exist and are used independently to create and justify organisational policies. He suggests that some cultures are better able to balance the competing logics by compartmentalising them in such a way that they are used for different types of common problems.
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Introduction

We began the European Managerial Decision-Making Project (EMDM) in 1994 because we saw the future

of Europe as an integrated economy that would be held back by strong internal differences in values concerning the interaction of customers, shareholders, and employees.¹ Customers always want the best deal even if it costs the firm or its employees too much. Business executives are always ready to conspire against customers for the betterment of themselves and shareholders. Employees want high job security and salaries without sufferance. Shareholders and customers come distinctly second. These conflicts are not unique to Europe. But in Europe we need to find some common values upon which to base our business organisations in a jungle of languages often hiding noticeable different cultural values.

We are not the first team of researchers to look at this problem. Others have come before or are currently working on the same issues. But we are one of the first large-scale international teams, using some of the latest thinking in development of questionnaire design that has looked specifically for employee values concerning common corporate integration problems. The problems we examine are those which are among the most sensitive to cultural factors and the most intractable for companies involved in cross-border mergers, acquisitions, joint-ventures, and alliances. These problems are what Atsushi Funakawa, among others, calls the soft issues revolving around organising people in the firm.² We examined the problems of recruiting foreigners, promotion of team players and fast trackers, paying people for performance, and whom to fire when a workforce must

shrink. In every case we were looking for differences in values that could be attributed to the nationality of the study participants. In the end we found more than we expected.

Employee Versus Employer Expectations

Rather than identifying a checklist of do's and don'ts for this or that culture we rediscovered an underlying debate about how companies and employees should interact and negotiate mutual expectations. At the heart of this interaction are two usually overlapping sets of expectations. The first are employee expectations. These are the sum of what an employee reasonably — after working within a company, industry, or country for a while — expects will occur when confronted with any normal employment problem. For example when Disneyland, Paris was opened, its young French employees were shocked at what they considered the invasiveness of Disney's employee grooming policies which detailed the length of earrings and colours of mascara. A Japanese employee would not have given these requirements a second thought as many are required to wear uniforms to work. German job seekers are very likely to send a CV that includes certified copies of every educational degree, including copies of their theses directors' comments. The packet can easily contain fifty or more pages. In contrast a one page CV is the norm for French and English job candidates. Most Americans are not surprised when blatant sexual harassment leads to being fired from a job. But should an excessively flirtatious Italian expatriate manager be dismissed for what in Italy is a benign and acceptable occurrence? New on the horizon are employee expectations about the privacy of their computer's hard disk. Should one risk being fired for saving or transferring sexually explicit images on it as has happened recently at companies such as Xerox, Dow Chemical, Merck, and the New York Times? There are no easy answers to these questions without first studying what employees consider acceptable responses to the day-to-day problems of the workplace.

The second set of expectations belongs to the employer, as embodied in the explicit and implicit policies followed by the company's top decision-makers. These expectations develop over time and are part of the firm's culture. For example, some employers routinely expect young managers to work seventy-hour weeks, sometimes almost living in their offices. One major consultancy praised itself on a recent television documentary for deciding to limit the amount of travel it required of its consultants. In the show one of the young consultants proudly reported that he had recently bought a house. Explaining, he stated that before, with all the travel

required for his job, it did not make sense to have one. Another example is employer monitoring of computer activity, web surfing, or email usage by their employees. New software allows computer network managers to record and read every keystroke an employee makes on his computer in real time. Does this match the employees' expectation concerning privacy? Some companies may have expectations that merely average performance should not guarantee a manager's continued employment. Sure, the company promised a long-term commitment but that was before it lost its secure, regulation-protected marketplace. Times are different now.

In most societies there is a more or less tacit understanding of the rights, duties, and privileges expected from both employers and employees. Of course there are changes brought about by technology and new mores but even these generally follow some type of common values or procedures already inherent in the national culture. The problem comes when the foreign employers' expectations clash with their employees' expectations. With the enormous increase in cross-border corporate integration over the recent years, this problem is looming increasingly large.

Underlying Logics of Decision-Making

In this series of articles we focus on employee expectations, although our data can also be used to estimate employer expectations. Early in the project we suspected that two basic logics were at the heart of many corporate value systems. One that has a long history in the social sciences is the logic of economic rationality. This logic, which goes by many names, is essentially based on the premise that profit-oriented firms must respond to the exigency of the marketplace, generally by responding to perceived demands of customers or financial stakeholders. Employees in the firm are expected to subjugate their short-term interests to the interests of the market. Eventually, according to many theorists and business commentaries, this strategy should reward the firm (and employees) as satisfied customers and financial stakeholders will not begrudge providing and sharing profits. The other, again with an equally long pedigree, is the logic of the group. This logic, also laden with a number of names, is built around the assumption that employees at all levels of a modern corporation try to put their interests before both the client and shareholders. Theirs is a mindset that says, 'My family is waiting for me to come home so the customer can wait for another day for his order or the shareholders can just lose a few cents on the value of their shareholdings'. At the root of this logic is the idea that employment is created to provide a secure source of income for workers. Employed people can then complete the circle by being consumers.

What began to intrigue us is the hint that some

national cultures balance these competing logics in a way that compartmentalises them by assigning certain types of decision to one logic or the other. This means that both logics can be used without really opposing each other. They are simply applied differently depending on the type of problem or decision. For example when a new post is created that demands a multilingual manager do we find a linguistically gifted compatriot who fits well with us or do we find an even more gifted foreigner who fits less well? While some might argue this from either side, generally economic logic suggests that the best should be hired and the rest should simply adjust. Many of the biggest international companies have adopted this strategy. But hiring someone is like asking someone to join your group and groups can be easily disrupted by the addition of the wrong person. Maybe this type of decision should be governed more by group logic (i.e. who will fit well with us) than the economic logic? Other situations include the use of internal vs. external promotion policies and the criteria used for promotion. Who to promote in a company has long been identified as a problem which touches our values about seniority and being a congenial team member? Although good performance generally rates slightly higher as the basis of promotion decisions, seniority is also a very important factor. Perhaps promotion is not really a group issue. It could be more of an issue about how rewards (in this case higher status and salary) are divided and thus governed by the economic logic.

Advancement for the Field

This targeted and compartmentalised usage of different values to reach a solution happens to fit very well with one of the central problems of psychology — the weak relationship between measured values and subsequent behaviours. It has always been hard for psychologists to accurately predict actual behaviour based only on having some measure of an individual's values. Despite the fact that many common psychological tests can consistently measure the attitudes of people the actual behaviour of managers still often surprises their superiors. Perhaps one reason for this rests with the immediate conditions in which the behaviour occurred. These conditions include the type of situation and the actual emotional state of the decision-maker. In a series of studies and experiments American social psychologists have found that these factors are extremely important.³ For example they discovered that in certain cultures men are much more likely to display aggression after being insulted. In their experiments they used simple pencil and paper tests as well as actual enactments of both public and private insults. This resulting display of aggression went past words since it extended even to having elevated level of cortisol (a hormone related to stress) and testosterone (a hormone related to aggression and dominance) in the test subjects'

blood. This is powerful evidence of important interactions between a manager's values, the problem he must solve, and the situation in which he finds the problem.

These findings also provide a powerful critique of the continued usefulness of some of the past cross-cultural research. Much of the data collected by cross-cultural researchers rarely attempted a control for the situation in which the questions were asked. This means that respondents could literately interpret a question in any manner they chose. But the researcher, when tabulating the results, simply dumped all responses together. For example, a leading and much admired researcher, Geert Hofstede, offered a series of questions he used to determine certain values attributed to a society.⁴ One was, 'Company rules should not be broken — even when the employee thinks it is in the company's best interest' to which the respondent could check his level of agreement. Answer this question for yourself on a one to five scale and mentally note your response. Now let us offer you two conditions. The first is authorising your most important client to smoke his cigar in your office despite your firm's no smoking rule. The second is offering a personal bribe to a company buyer to cancel his order with a competitor. Did you change your response in light of either of these situations? If you did, you now have an independent gauge of the value of such questions.

Cultural Applications of Decision Logics

The results of our study clearly illustrate the problems faced in trying to get newly acquired foreign business units working together. In the following Recruitment article by Segalla, Sauquet, and Turati we find a typical problem in Europe today.⁵ Companies are having a difficult time hiring the right number and quality of managers. At the same time they face an increasingly international mix of customers. Should they start recruiting highly-skilled foreigners with the resulting rivalries and integration problems this may bring to local managers? The researchers find highly-varied responses suggesting the existence of cultural strategies. The Italian and French cultures appear to be influenced by a strategy of symbolism where characteristics other than mere competence are often decisive factors in the recruitment decision. The respondents from these two countries were most at ease with foreigners. English managers appear to have basically a functional recruitment policy. They are searching for specific skills and when an Euromanagement profile is needed they do not hesitate to recruit a foreigner. German and Spanish respondents appear to follow a functional recruitment policy also but for different reasons. Important factors for the German managers included a candidate's technical

skills and local network of contacts. International characteristics are not very important for them. Their preferences are for local candidates with linguistic skills. For the Spanish managers, nationality — if the candidate is Spanish — is almost always a favourable attribute. Foreign candidates are at a distinct disadvantage during the recruitment process. Placing these cultures into the two logics offered earlier is not a clear-cut decision. The symbolism of the French and Italians may be functional for the firm and therefore be motivated by economic logic. Certainly the English would feel comfortable with this logic. The problem is more complicated for the Germans and Spanish who by many indications want functional skills leading one to assume an economic logic is used. But both are notably hesitant to bring in outsiders and certainly not highly-skilled ones. This hints at a concern for the current position of members in the group. Furthermore, the Germans and Spanish gave ample evidence that they just did not want to include foreigners in their managerial teams. Again, in a multicultural marketplace the economic logic of this is ambiguous.

The second article concerning promotion policies by Segalla, Rouziès, and Flory also finds evidence of distinctly different cultural values, in this case English, Germanic, and Latin.⁶ The German respondents most often prefer external promotion favouring employee performance to commitment. However they also want someone with strong team player values. The English respondents are more interested in avoiding team players than in hiring them. The respondents from three Latin countries prefer internal promotion and generally value seniority more than performance. The study also finds that after a few standard factors such as past performance are considered, the remaining justifications used are remarkably inconsistent, even directly contradictory. The most dramatic example is the debate about promoting a team player or not. The respondents of some countries, notably Germany and Spain, are quite at odds with themselves over this question. There is also a strong element of self-interest apparent in the choices and reasons of many respondents. The younger and older ones show marked preference for external promotion policies favouring performance factors. The middle-aged managers are much more comfortable with internal promotion policies that are sensitive to commitment and ability to work easily with colleagues. The situational aspects of the research situation discussed above are very evident in this article. In the following Recruitment article the Germans were found to be much less likely to recruit a foreigner for a lower level managerial position, which is attributed to their concern for group logic. But they are much more likely to adopt an external promotion system, which is evidence of the economic logic.

In the final article concerning employee termination during corporate downsizing, by Segalla, Jacobs-Belschak and Müller, further differences across the

countries are revealed.⁷ This study establishes that the culture or nationality of the respondents first and foremost drives the choice of whom to fire. Secondly it finds a weak relationship between certain age groups of the Latin respondents and their termination choices. As in the promotion study there appears to be three distinct clusters of dismissal choices, English, German, and Latin. Differing rationales for these choices are identified. The first, based on classical economic theory, is used primarily by the English and to a lesser extent the Spanish to dismiss employees with the least productive worth to a company. The second, based on the humanistic principles of social justice, examines the impact of dismissal on the fired person and colleagues by looking at other personal criteria. Based on their justifications and choices, respondents from continental Europe appear to be more influenced by social justice considerations than classical economic rationality. This is especially true for Germans and slightly less for the Latin countries. The reliance on social justice argumentation reflects a concern for the impact of a decision on the group, albeit through the perspective of an individual. What can be done to one person can be done to others. Therefore allowing managers with similar characteristics to one's own to be dismissed is tantamount to accepting the same fate. For the Germans this is a clear issue of maintaining social peace. For the Latin cultures it is potentially related to one's age group. For the English, who follow economic logic, dismissal decisions should be based upon one's continued economic value to the company. Being expensive and average is not a good combination for job security in an English company.

It is clear that the Germans appear to have the most balanced approach to blending the two logics, economic and group, together in a coherent fashion. Decisions primarily based in the context of group membership (i.e. recruitment and dismissal) most often appear to respect group-based arguments. But when the decision reflects reward distribution (i.e. promotion and compensation⁸) the Germans adopt an economic logic, which we presume is rewarded by the customers and shareholders. It promotes the best on the labour market and rewards individual performance in its compensation system. The English follow mostly the economic logic by concentrating on functional argumentation when recruiting, promoting externally when necessary, and dismissing the least productive managers without consideration of the personal effects of the termination. The Latin cultures are more mixed, sometimes showing a semblance of coherence, other times asserting local differentiation.

Conclusion

The survey results, analysis, and hypotheses must be further developed to work out both the theoretical

and practical problems which invariably accompanies new research directions. While European managers will certainly be more interested in using the results and methods of this research to discover the values of their own employees, academics will be tempted to deepen their understanding concerning the origins of national, industrial, and corporate cultures. Matching the use of certain decision-making logics to national culture has been a quest of organisational science for quite some time. With the continued expansion of companies across cultural borders this interest is unlikely to diminish. Perhaps we can benefit by looking outside of our discipline toward anthropology and sociobiology. Deep within the literature of these sometimes overlapping and complementary fields is buried a central tenet. Human behaviour, although highly adaptable, is the product of at least one hundred thousand years of genetic adaptation. During as much as ninety seven thousand years the physical environment to which we adapted demanded small autonomous clans of hunter-gathers.⁹ The rise of large organisations not based on clan, religion, or territory is a very new phenomenon — certainly not older than four or five generations. As a species we have not had much time to adapt or specialise those human characteristics which allowed us to dominate the physical environment for thousands of generations to working in giant corporations impersonally managed by strangers. In a sense, we have not elaborated a sophisticated *user's guide* for the companies we create. Until we do, local variations in managerial values and practices will continue to be highly idiosyncratic.

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