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Examining Cultural Perspectives in a Globalized World

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Richard Brunet-Thornton



Examining Cultural Perspectives in a Globalized World

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Table of Contents

Foreword	xv
Preface	xvi
Acknowledgment	xxv

Section 1 **Seeking Alternative Models**

Chapter 1

Post-Hofstedeian Approaches to Culture	1
<i>Manuel Mayerhoffer, University of Economics, Prague, Czech Republic</i>	

Chapter 2

Psychological Distance and Culture: Towards a Socially-Constructed Individual-Level Cultural Framework	23
<i>Michael Joseph Dominic Roberts, Mount Royal University, Canada</i>	

Chapter 3

Nation Branding in the Context of State Administration Agenda	46
<i>Markéta Dianová, University of Economics, Prague, Czech Republic</i>	

Chapter 4

Cultivating Cultural Self-Awareness: Transforming IB Students Into Effective IB Leaders	65
<i>Juan-Maria Gallego, University of Colorado, Colorado Springs, USA</i>	

Chapter 5

Possibilities and Challenges for Intercultural Research in Global Urbanism	94
<i>Gerardo del Cerro Santamaría, Massachusetts Institute of Technology, USA</i>	

Section 2 Digital Transformation

Chapter 6

Digitalization of Cultural and Creative Industries and Its Economic and Social Impact 117

Marek Prokůpek, Department of Arts Management, University of Economics, Prague, Czech Republic & Le LabEx - Industries culturelles et création artistique, Université Paris 13, France

Chapter 7

Redefining Motivation in Digital Transformation: Employee Motivation in a Flat Organization..... 141

Václav Cejthamr, University of Economics, Prague, Czech Republic

Section 3 National and Corporate Perspectives

Chapter 8

Corporate Governance and Values: Postulating a New Typology of Corporate Governance Systems Including Values 175

Supriya Banerjee, Estonian Business School, Estonia
Mike Franz Wahl, Estonian Business School, Estonia

Chapter 9

Culture From a Value Systems Perspective: A Study of CATCH, an Interdisciplinary Research Project in Fisheries and Aquaculture in Norway208

Cheryl Marie Cordeiro, Norwegian Institute of Food, Fisheries, and Aquaculture Research (Nofima), Norway
Geir Sogn-Grundvåg, Norwegian Institute of Food, Fisheries, and Aquaculture Research (Nofima), Norway

Chapter 10

High-Performance Work Systems in a Cross-Cultural Context: A Comparison Between Sweden and Brazil.....238

Gislaine Martinelli Baniski, Ponta Grossa State University, Brazil
Rosana Silveira Reis, Institut Supérieur de Gestion, Paris, France
Bruno Henrique Rocha Fernandes, Pontifical Catholic University of Parana, Brazil
Fabricio Palermo Pupo, Positivo University, Brazil

Chapter 11

National and Organizational Culture and Its Impacts on the Negotiations
Between United States and Mexico in the Case of USMC-TEMEC267

*José G. Vargas-Hernández, Centro Universitario de Ciencias
Económico Administrativas, Universidad de Guadalajara, Mexico*
*Jovanna Nathalie Cervantes-Guzmán, Centro Universitario de Ciencias
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*Guillermo Vázquez-Ávila, Centro Universitario de Ciencias Económico
Administrativas, Universidad de Guadalajara, Mexico*

Compilation of References 296

About the Contributors 342

Index 348

Detailed Table of Contents

Foreword	xv
Preface	xvi
Acknowledgment	xxv

Section 1 **Seeking Alternative Models**

Chapter 1

Post-Hofstedeian Approaches to Culture	1
<i>Manuel Mayerhoffer, University of Economics, Prague, Czech Republic</i>	

The purpose of the field of cross-cultural management, amongst others, is to aid managers in dealing with new issues stemming from international encounters and employees from culturally diverse backgrounds. With today's businesses operating on the global market, exacerbated cross-cultural management challenges are more than ever in need of successful managers. Yet, it appears that the originally introduced approaches to successfully manage across cultures have undergone only little development. For this purpose, this chapter highlights the backlog demand of the field by discussing key issues with Hofstedeian approaches and subsequently identifying potential methodological approaches to advance the theoretical field and aiding practitioners. In this line, it will be argued that emic approaches, taking an ontological position of constructivism and epistemological stances of interpretivism through hermeneutics, could facilitate closing the gap between practice and academe. Recommendations for future research and relevant stakeholders are provided.

Chapter 2

Psychological Distance and Culture: Towards a Socially-Constructed Individual-Level Cultural Framework	23
<i>Michael Joseph Dominic Roberts, Mount Royal University, Canada</i>	

This chapter introduces psychological distance into cultural studies as an alternative way of conceptualizing individual differences. Unlike most cross-cultural frameworks that are at the group level, psychological distance provides an individual level conceptualization of distance. This conceptualization can complement the more group level and static frameworks that dominate management theory. The framework is rooted in knowledge theory. By developing the concepts of socially embedded tacit vs. explicit knowledge, the chapter demonstrates that explicit models of cultural difference, such as Hofstede's Cultural Dimensions, do not capture the lived tacit experience of managers working in a cross-cultural setting. This chapter is conceptual, but the framework that is developed here emerged from fieldwork conducted by the author on returnee executives in Korea. Psychological distance consists of four dimensions: time, space, social relations, and probability. These dimensions relate to the level of mental construal between an individual and a foreign knowledge practice.

Chapter 3

Nation Branding in the Context of State Administration Agenda46
Markéta Dianová, University of Economics, Prague, Czech Republic

The chapter focuses on relationships, structures, and processes that fundamentally influence the implementation of the nation branding strategy, the scope of activities carried out by institutional actors, and the extent of involvement of these actors in the process of nation branding. It studies the activities the official actors carry out in the nation branding scope and identifies what their priorities are in the integrated state presentation. It identifies the sources of double-track activities processes in the distribution of the roles and extent of involvement of public diplomacy actors, as well as institutions responsible for presentation of a country. Without attempting to initiate changes in legislation or hierarchy of the state actors involved in nation branding, it brings insight into informal layer of formal relationships and interactions and brings a proposal on how to formally simplify the process of implementation of the nation branding strategy in the Czech Republic.

Chapter 4

Cultivating Cultural Self-Awareness: Transforming IB Students Into Effective
 IB Leaders65
Juan-Maria Gallego, University of Colorado, Colorado Springs, USA

This chapter analyzes the importance of using appropriate pedagogic and practical tools to develop cultural self-awareness in international business (IB) students in a classroom setting, establishing the foundations for future international business executives. Based on recent research, the author posits that IB students need to develop three basic knowledge bases: (1) their cultural intelligence level, (2) their potential implicit biases, and (3) the use of critical thinking to avoid certain psychological traps or hijackers. Using cultural self-assessments, developing the understanding of

psychological factors affecting decision-making processes, and incorporating the use of critical thinking should reduce the negative role of unconscious biases during cross-cultural interactions. The author posits about the effectiveness of cultural profiling tools in predicting and identifying potential cultural pitfalls and challenges. Finally, the author recommends incorporating the practical use of cultural profiling tools in simulation or case studies.

Chapter 5

Possibilities and Challenges for Intercultural Research in Global Urbanism94

Gerardo del Cerro Santamaría, Massachusetts Institute of Technology, USA

Globalization has brought about an increased exposure to intercultural contexts and practices. Researchers see how their professional practices include an increasing degree of exposure to researchers and practices from other cultural contexts and disciplines. In the field of urbanism, this happens via two processes that the author will analyze in this chapter: (1) processes of participatory learning and research in networks formed by alliances of researchers, or researchers and citizens, in the intercultural city; (2) transnational circuits of research ideas (a process of intercultural symbiosis). The author analyze processes of intercultural research as alliances and circuits and assemblages (participatory, transnational urbanism) as means to highlight the complex nature of intercultural practices and their implications.

Section 2

Digital Transformation

Chapter 6

Digitalization of Cultural and Creative Industries and Its Economic and Social Impact 117

Marek Prokůpek, Department of Arts Management, University of Economics, Prague, Czech Republic & Le LabEx - Industries culturelles et création artistique, Université Paris 13, France

Digitalization has become a buzzword in all aspects of our lives. Therefore, it has significantly impacted the sector of cultural and creative industries, and it has had huge economic and social impacts. Cultural and creative industries are some of the fastest growing industries and represent a significant contribution to the economy, the creation of jobs, and quality of life. With the massive wave of digitalization, institutions within creative industries have faced new challenges of how to respond to this shifting environment while staying true to their mission and values. If they want to thrive, they need to adjust their business models to the technological, political, and economic changes. The aim of this chapter is to provide an understanding of the digitalization in the sector and the social and economic impacts of digital

transformation on cultural and creative industries as well as change the way cultural products are distributed and consumed.

Chapter 7

Redefining Motivation in Digital Transformation: Employee Motivation in a Flat Organization..... 141

Václav Cejthamr, University of Economics, Prague, Czech Republic

The rapid pace of change and the rapid growth of technology, especially artificial intelligence, are accelerating the pace of organizational transformation in enterprises. Organizations must be able to respond appropriately. Hierarchical structures still dominate current organizational systems. One way to respond adequately to today's challenges is to introduce flat organizational structures that represent a specific decentralized management system. Flat organizational structures, represented mainly by holacracy, require other ways of motivating workers, mostly predominantly millennials. In addition, organizations can no longer count on employee loyalty. However, boss-less organizations that rely on self-management and self-control are not suitable for every employee, and the concept of self-management and the boss-less organization has to be further developed and adjusted. The solution can be to redesign a traditional hierarchical model of needs that should be adapted and targeted to the current needs of flat organization employees that no longer count on managers.

Section 3

National and Corporate Perspectives

Chapter 8

Corporate Governance and Values: Postulating a New Typology of Corporate Governance Systems Including Values 175

Supriya Banerjee, Estonian Business School, Estonia

Mike Franz Wahl, Estonian Business School, Estonia

This study was conducted with a motivation to solve a research problem and scarcity of theory, which proposes a comprehensive and explains corporate governance systems including values by which owners under different corporate governance systems can analyse ownership behaviour, acquire knowledge, and mitigate conflicts of interest. The aim of the study is to postulate a new typology of corporate governance systems including values. This study has four major outcomes. Firstly, this study identified the presence of values in corporate governance and provided an overview of ownership values. Secondly, this study is presenting a new typology including three ideal types of corporate governance systems including values. Thirdly, this

study has empirically justified the best possible corporate governance type including values towards mitigating conflicts of interest. And fourthly, this study presents the significance of knowledge vision towards proficient ownership.

Chapter 9

Culture From a Value Systems Perspective: A Study of CATCH, an Interdisciplinary Research Project in Fisheries and Aquaculture in Norway208

Cheryl Marie Cordeiro, Norwegian Institute of Food, Fisheries, and Aquaculture Research (Nofima), Norway

Geir Sogn-Grundvåg, Norwegian Institute of Food, Fisheries, and Aquaculture Research (Nofima), Norway

International interdisciplinary projects (IDR) are a microcosm of multicultural landscapes. Through a culture theories perspective, in particular, viewing culture as a system of explicitly and implicitly coded values, this chapter conveys the processes and results of a study that investigates and uncovers the management strategies of an IDR project, CATCH. The study of culture from a value systems approach enables a more subtle and nuanced approach to the analysis and framing of cultural heterogeneity in the context of an IDR project, beyond the often dichotomous, cultural dimensions construct. Due to the multiple actors in an IDR project, the example of CATCH illustrates a more nuanced view of cultural filters that arise from each academic discipline. Using the culture as value systems perspective, this chapter shows how multicultural landscapes and different resulting knowledges can be leveraged towards an integrated worldview when solving challenges in a globalized world with limited resources.

Chapter 10

High-Performance Work Systems in a Cross-Cultural Context: A Comparison Between Sweden and Brazil.....238

Gislaine Martinelli Baniski, Ponta Grossa State University, Brazil

Rosana Silveira Reis, Institut Supérieur de Gestion, Paris, France

Bruno Henrique Rocha Fernandes, Pontifical Catholic University of Parana, Brazil

Fabricio Palermo Pupo, Positivo University, Brazil

The strategic human resource management field has increased the contributions, comparing cross-cultural aspects, mainly involving the East and West cultures, but there is a gap regarding on knowing how the implementation practices impacts and how they are impacted by cultural differences. Through a qualitative contribution, this research was developed in a multinational company in Sweden with a subsidiary in Brazil. The focus is to answer the questions: How high-performance work systems are applied in different cultural contexts? How do cultural dimensions affect high-performance work systems' adaptation? The findings have shown that strong

organizational cultures could overlap country differences, but adaptations could allow innovative exchanges and raise employee commitment and participation. High-performance work systems are practices that could be used in cross-cultural territories, but not without considering cultural and local adaptations. After institutionalized, the local adaptation could be able to enlarge organizational performance.

Chapter 11

National and Organizational Culture and Its Impacts on the Negotiations
Between United States and Mexico in the Case of USMC-TEMEC267

José G. Vargas-Hernández, Centro Universitario de Ciencias

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The organizational culture at the nation level is integrated by values, attitudes, workforce, loyalty, interpersonal relationships, etc. of its members. In the present investigation, the key to the business success of Mexico and the United States taking into consideration an element of analysis for its achievement is explained, making a comparison between both countries. There is a national culture with greater impact on organizations in the US than in Mexico. The methodology used was qualitative, exploratory, descriptive, and comparative. This research shows that the national culture affects the ways of acting of the members of the companies. The study was qualitative using only secondary sources for the investigation.

Compilation of References 296

About the Contributors 342

Index..... 348

Foreword

The dawn of the second decade of the twenty-first century brings with it additional challenges. Despite the on-going social, political, and economic dilemmas, all is not bad. Humanity now seeks solutions to better lives, eradicate disease, provide education and learning on a global scale, and resolve the environmental crises.

Our models of self-perception have evolved. Unfortunately, in some entities, cultural perspectives have become binary in which grey areas no longer exist. Similarly, our contemporary cultural components remain stereotypical or based on visions and characterisations formed during the Cold War era.

Examining Cultural Perspectives in a Globalized World exposes possible and viable alternatives to the current outdated scenarios promoted by the intercultural gurus of yesteryear. This tome also emphasises the need for future research to recognise that nations are not culturally homogeneous and therefore, innovative frameworks are required. In this vein, new cultural visions will promote not our differences but rather our commonalities as the human family.

Stanislav Háša

Faculty of Business Administration, University of Economics, Prague, Czech Republic

Preface

In her attempt to define what constitutes culture and what does not, Hoecklin (1995) makes reference to the 1990 attempt by the French auto maker Renault to acquire Škoda. Those of us who reside in the Czech Republic are extremely aware of the outcome of this acquisition. However, Hoecklin's point is not to favour Volkswagen over Renault but rather the reaction presented by the international media whose claim was that Czech culture is more directly linked to German rather than French. This was their justification for the loss rather than to have discussed which party had presented the best offer.

Unlike Hofstede's (2001) 'collective programming of the mind' or Trompenaars and Turner's (1998) problem resolution collective, Hoecklin (1995) offers the following definition:

Culture is not a 'thing', which can be experienced through the senses, just as 'needs', 'social systems', 'evil', and 'peace', are not directly tangible or visible. They are ideas constructed within a society. 'Culture' does not exist in a simple and easily defined form for a specifiable number of people in a bounded area. And, obviously, a society does not consist of individuals with entirely uniform mental characteristics or personalities. (p. 24)

Unlike many of her contemporaries, Hoecklin does not promote a homogeneous form of culture, one that is easily assigned a grade or ranking, or cluster when compared with others.

Defining the concept of culture is not a simple task and neither is the actual illustration or depiction of a culture. The utilisation of interviews, self-administered questionnaires (SAQs) and other forms of survey often present an image specific to and coincidental with the specific time period during which the data is collected. This statement does not however, condone these time-honoured methodologies. It is important to note that cultural dimensions present historical traditions and societal norms while reflecting trends over periods of time. The central purpose of this volume is to provide academicians, researchers, and management professionals

Preface

an updated view of cultural values. This work makes no claim as to its finality or inclusiveness. It does nonetheless hope to inspire other research in this area to formulate new cultural models to build cultural analyses to a lesser general and more specific to 'sole culture' scenarios.

Schmitz and Weber (2014) remind us that the Hofstede typologies are "taught in intercultural textbooks and trainings" despite being "untenable and therefore, frivolous" (p. 15). One has simply to pick up a textbook on international business to find the 4 to six cultural dimensions. In addition, several authors, building on the cultural dimensions, proposed use of the Hofstede model to determine negotiation tactics and foreign direct investment. Kogut and Singh (1988) rely heavily on Hofstede to develop their cases of cultural difference.

Once considered one of the most influential contributors to cross-cultural research, Geert Hofstede, and his work, have in recent years, come under increased criticism and scrutiny. Critics have always existed however; numbers have grown significantly. Some of the complaints are often echoed such as those proposed by McSweeney (2002), "so why should a claim to have measured national cultures absolutely or comparatively from the responses of similarly minute portions of national populations be regarded as more valid?". Others are more poignant. The most significant however, is that the dimensions lack flexibility. Much concern is levied that in an era of globalisation, mass immigration, and political instability are no longer static. Moreover, McCoy et al. (2005) and others claim that the Hofstede grids are no longer valid.

It appears at times, that intercultural management studies and subsequent models originated with Hofstede. However, such is not the case. As early as the 1950s anthropologists sought to define culture. Kroeber and Kluckhohn (1952) identified over one hundred sixty possible definitions of the concept. Kluckhohn and Strodtbeck (1961) had already conceived six cultural dimensions. Nevertheless, it was with the 1980 publication of Hofstede's *Cultural Consequences* that the discipline gained popularity and increased interest. Bird and Fang (2009) suggest that Hofstede simplified culture into measurable units, scores, associated characteristics with management. However, as the idiom, 'familiarity breeds contempt' expresses, with increased popularity and readership, Hofstede-related criticism has grown.

Although comments are often directed specific to Hofstede, they are equally applicable to later projects, such as, GLOBE, and others who have replicated, attempted to replicate, or enhanced the dimension model (McSweeney, 2002).

The issue then becomes one of reliability. To reproduce either the original Hofstede or GLOBE studies is impossible. Even if it was possible, the experiment would be time consuming and expensive. What then becomes of individual researchers and the need for reliable sources. Ailon (2008) best sums this predicament with the following, "Hofstede, it should be remembered worked within the discursive

limits of the 1970s, and he did so impressively, at least insofar as the popularity of *Culture's Consequences* indicates" (p. 901).

Hofstede, it can be said, tamed the beast, he divided it, counted it, tabled it, and graphed it. 'Culture' was reduced to 'values', which were reduced to a limited set of questions on an IBM questionnaire. 'National society' was reduced to 'middle class' rather than 'working class' which was reduced to IBM personnel for marketing and service divisions. Answers were quantified, computerised, 'statisticalised'. Things cultural could be said in 'scientific' language. (Ailon, 2008, p. 886)

The question arises as to whether the beast continues to be tamed - even better, is there still a beast? Many intercultural researchers will dismiss Hofstede and other similar contributors to the discussion; however, it is crucial to admit that without the Hofstedeian dimensions, this discussion would not be warranted. Dissatisfaction with the contemporary cultural constructs in an era of western feminism, extremist religious movements, and populist governments, promote a high degree of cultural adaptation to cope with these extraordinary societal conditions. Culture can no longer be viewed as static that changes in snail-like movements over generations. Leung et al. (2005) propose "a dynamic view of culture" in that culture "is represented by cognitive structures and processes that are sensitive to environmental influences" (p. 366). Despite the continuous search for practical models, Taras et al. (2012) warn that the model is here to stay at least until 2050 although some dimensions "becoming fully disconnected between 2020 and 2030" (p. 33).

SECTION 1: SEEKING ALTERNATIVE MODELS

Post-Hofstedeian Approaches to Culture

The overall aim of this chapter is to highlight alternative approaches to cross-cultural management with the potential for future research. These recommendations are specifically aimed at the lack of connection between practice and academia to remedy the resulting issues for practitioners. For this purpose, firstly a summary of Hofstedeian approaches to cross-cultural management will be provided, so as to point out general drawbacks of the approaches. Secondly, the etic and emic perspective will be contrasted to provide an additional framework for cultural studies. This is followed by a discussion of the prevalent methodologies in CCM research. To circumvent issues arising from etic such approaches, alternative post-Hofstedeian approaches are discussed. To further advance the field, recommendations are provided, and conclusions are drawn for relevant stakeholders.

Psychological Distance and Culture: Towards a Socially Constructed Individual Level Cultural Framework

Models of cultural differences tend to take a static view of culture. These static models include psychic distance as developed by Dow and Karunaratna as well as the cultural dimensions model of Hofstede, which were subsequently converted to measures of distance by Kogut and Singh. This static view contrasts with the lived experience of many firms and individuals who experience shifts in cultural distance over time. By abstracting culture into explicit dimensions, these static models see culture as relatively stable over time, view individual members within a culture as substantially homogeneous, and conceptualize culture as an abstraction rather than a continually negotiated individual experience. In this respect, the lived experiences of individual members are not seen as significantly altering them from their home culture. In doing this, these models do not capture the fact that individuals within a culture can, through their own internationalization journey, reduce the cultural differences and thus distances between themselves and a target group. In addition, by creating abstractions, the models oversimplify the relationship between actors in a cross-cultural setting. Thus, the purpose of this conceptual chapter is to introduce an alternative approach to cultural distance that is more fundamentally rooted at the individual level rather than the group level and is based on a knowledge practice approach to culture.

Nation Branding in the Context of State Administration Agenda

Nation branding is a discipline cutting through traditional boundaries of established academic disciplines, ranging from sociology, political science, psychology and history, across the research on national identity and country of origin effect, to marketing, brand management, destination management to image management. It is desirable to demarcate the thematic area that serves as a basis for the study presented in this chapter, as nation branding doesn't have a unified and generally accepted definition. Some authors perceive it as almost a synonym for a country of origin effect or place marketing, whereas Anholt defines nation branding as a term covering the whole nation brand strategy based on the strategic vision of a country, permanently supported and enriched by the communication between the country and the rest of the world.

Cultivating Cultural Self-Awareness: Transforming IB Students Into Effective IB Leaders

This chapter posits that in order to develop effective cross-cultural future leaders, executives, and employees, classroom activities and lectures should aim at developing and growing the IB student's own cultural intelligence. Many of the challenges faced by cross-cultural leaders are born from individual psychological factors, such as cognitive dissonance, rationalization, and motivated reasoning. Biases are generally born from social or psychological reasons, including cultural and organizational group behaviors. Hence, learning about one's implicit biases should be part of one's metacognition development early on in the IB student developmental phase. Learning about culturally specific elements should be another aspect of business leadership development. When dealing with individuals from different national cultures, cultural profiling tools, such as the Culture Intelligence Scale (CQS), the Meyer's Culture Map, Kazai Group's Intercultural Effectiveness Scale (IES), or ITIM International's Culture Compass™ Survey help predict potential challenges and opportunities related to one's cultural awareness level, self-efficacy, and culture-specific knowledge. The author examines existing research on the topics of cultural intelligence, implicit bias, and cross-cultural leadership development, and proposes an effective development plan for future cross-cultural leaders.

Possibilities and Challenges for Intercultural Research in Global Urbanism

The chapter identifies alliances and circuits as forms of collective research, learning and knowledge, and as the conditions of possibility for intercultural research in urbanism. We discuss the city as an intercultural milieu, where participatory urbanism and alliance formation, between researchers and citizens, take place. Then we discuss urban policy travel, a form of transnational urbanism (where intercultural means international) that is based on circuits, flows and networks between creators of knowledge, ideas and policy and receptors and adopters. In the section devoted to issues, controversies and problems we deal with (1) borders and citadels, and (2) global structural problems. These two elements constrain, sometimes in significant ways, the processes of alliance and circuit formation that were identified as the pre-conditions for intercultural research in urbanism.

SECTION 2: DIGITAL TRANSFORMATION

Digitalization of Cultural and Creative Industries and Its Economic and Social Impact

This chapter deals with two phenomena that have become buzzwords in last decades and we have witnessed increasingly interest of their economic and social importance, these phenomena are digitalization and culture and creative industries. Scholars, policy makers and practitioners seem to be more and more aware of economical contribution of cultural and creative industries on local, national and international level. Unfortunately, especially policy makers tend to focus only on the economic perspective of the issue. Social aspects deserve the equal attention, since intrinsic value of cultural sector is not economic profit, but mainly its impact on society. Digitalization, process that has impacted all aspects of our lives, has caught similar attention as cultural and creative industries and of course has strongly influenced the way actors in cultural and creative industries operate and interact. The aim of this chapter is to provide an overview and understanding of the social and economic impact of digital transformation on culture, creative industries as well as change in the way cultural products are distributed and consumed.

Redefining Motivation in Digital Transformation: Employee Motivation in a Flat Organization

Holacracy requires first and foremost the identification of a clear purpose and the recognition of shared values. People must understand what their purpose is. All team members must share this purpose. The advantage of holacracy is the absence of direct control and supervision, so it is imperative that team members understand what their task is and where they are heading. If people know the meaning of their activities, one of their basic needs is fulfilled.

SECTION 3: NATIONAL AND CORPORATE PERSPECTIVES

Corporate Governance and Values: Postulating a New Typology of Corporate Governance Systems Including Values

The aim of the study is to postulate a country-level typology of corporate governance systems that include values. Accordingly, this study presents a new typology of corporate governance systems that include values. Typologies are widely used as a form of theory building. This typology contains three ideal types of corporate governance systems.

Culture From a Value Systems Perspective: A Study of CATCH, an Interdisciplinary Research Project in Fisheries and Aquaculture in Norway

This chapter addresses the call in this book for new (post-cultural dimensions) perspectives in culture theories. It highlights thematically, the complexity and importance of human relations when working across cultures in the context of Industry 4.0. The example of an interdisciplinary research (IDR) project is used in this chapter, to illustrate how co-dependent relationships are navigated and managed towards a common project goal. An IDR project, in particular one that has university-industry collaborators, is a cognitive, sometimes geophysical spatial intersection of actors and stakeholders who have come together for the purpose of solving a real-world challenge. The processes are necessarily heterogeneous landscapes of cultural filters and constructs of its various actors (individual and institutional).

High-Performance Work Systems in a Cross-Cultural Context: A Comparison Between Sweden and Brazil

The strategic human resource management field has increased the contributions, comparing cross-cultural aspects, mainly involving the East and West cultures but there is a gap regarding on knowing how the implementation practices impacts and how they are impacted by cultural differences. Through a qualitative contribution, this research was developed in a Multinational Company in Sweden with a subsidiary in Brazil. The focus is to answer the questions: How high-performance work systems are applied in different cultural contexts? How do cultural dimensions affect high-performance work systems' adaptation? The findings have shown that strong organizational cultures could overlap country differences, but adaptations could allow innovative exchanges and raise employee commitment and participation. High-performance work systems are practices that could be used in cross-cultural territories, but not without considering cultural and local adaptations. After institutionalized, the local adaptation could be able to enlarge organizational performance.

National and Organizational Culture and Their Impacts on the Negotiations Between United States and Mexico in the Case of USMC-TEMEC

The objective of the present investigation is to explain the key to the business success of Mexico and the United States taking into consideration a key element

Preface

for its achievement the organizational culture of the country where the company operates, and finally making a comparison between both countries.

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Section 1

Seeking Alternative Models

Chapter 1

Post–Hofstedeian Approaches to Culture

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ABSTRACT

The purpose of the field of cross-cultural management, amongst others, is to aid managers in dealing with new issues stemming from international encounters and employees from culturally diverse backgrounds. With today's businesses operating on the global market, exacerbated cross-cultural management challenges are more than ever in need of successful managers. Yet, it appears that the originally introduced approaches to successfully manage across cultures have undergone only little development. For this purpose, this chapter highlights the backlog demand of the field by discussing key issues with Hofstedeian approaches and subsequently identifying potential methodological approaches to advance the theoretical field and aiding practitioners. In this line, it will be argued that emic approaches, taking an ontological position of constructivism and epistemological stances of interpretivism through hermeneutics, could facilitate closing the gap between practice and academe. Recommendations for future research and relevant stakeholders are provided.

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INTRODUCTION

The pursuit of enhancing organizational performance has been a key driver for management research in finding new ways to elevate employees' productivity. With increasingly rapid changes in the business environment, successful management practice is not only an advantage for businesses anymore but rather an absolute necessity in maintaining a competitive edge.

With organizations increasingly gaining in size and operating on the global market, the composition of personnel has changed from a homogeneous workforce to a diverse mixture of employees of different backgrounds. Yet, it appears that cross-cultural approaches popular during the rise of globalization have prevailed, despite obvious flaws and a lack of adaptation to the current business environment. In other words, the field of cross-cultural management (CCM) seems to have stagnated, and scholars increasingly call upon fellow researchers to find new, innovative ways of enhancing organizational performance through effective cross-cultural management.

Therefore, the overall aim of this chapter is to highlight alternative approaches to cross-cultural management with the potential for future research. These recommendations are specifically aimed at the lack of connection between practice and academia to remedy the resulting issues for practitioners.

For this purpose, firstly a summary of Hofstedeian approaches to cross-cultural management will be provided, so as to point out general drawbacks of the approaches. Secondly, the etic and emic perspective will be contrasted to provide an additional framework for cultural studies. This is followed by a discussion of the prevalent methodologies in CCM research. To circumvent issues arising from etic such approaches, alternative post-Hofstedeian approaches are discussed. To further advance the field, recommendations are provided, and conclusions are drawn for relevant stakeholders.

Background

In order to discuss alternatives to the mainstream approaches in cross-cultural management (CCM) research, it is necessary to provide an overview of prominent approaches. To further facilitate this process, the classification of Morden (1999) can be utilized, which distinguishes among single dimension, multiple dimension, and historical-social models. The latter, however, will be excluded as it goes beyond the scope of this chapter.

The first category of single dimension models categorizes cultures by focusing on one specific aspect or characteristic. Perhaps the most popular single dimension model is that of Hall (1959) who defines culture as communication, which can be analyzed by identifying the way messages are being transferred and processed.

Post-Hofstedeian Approaches to Culture

According to Hall (1976), high-context cultures are those that “feature preprogrammed information that is in the receiver and in the setting” (p. 101), hence the meaning is in the context, as the silent language (Hall, 1959). In low-context cultures, in turn, the message contains most of the information to be transmitted. This can be important to practitioners in ensuring effective communication in the workplace, as well as avoiding conflict stemming from misunderstandings of team members from countries with varying degrees of context in their communication (e.g. Germany as a low-context culture, and China as a high-context culture). Despite Morden’s (1999) categorization of Hall’s approach as a single dimension model, it should be noted that Hall also provides dimensions for personal space and time, which, however, are less frequently used.

In terms of multiple dimension models, one of the first and still cited works are the six value orientations by Florence Kluckhohn and Strodtbeck (1961), based on the prior work of Clyde Kluckhohn’s (1951). In comparison to Hall’s approach, this model was not rooted in practical experience, but derived from theory and subsequently validated through data collection. The assumption underlying the value orientations is that a limited number of common problems is faced by humans, as well as a limited number of solutions to those. By then analyzing the predominant choice of a culture and comparing it with others, the connected values become visible. For such an analysis, Kluckhohn and Strodtbeck (1961) suggest qualitative research through interviews, as they did with members of five different cultural groups. For management practitioners conducting interviews with their team members, and subsequently comparing their different cultural values in relation to their social behaviour, could help mitigate conflict resulting from cultural clashes, and ultimately increase group performance.

Perhaps the most influential scholar in cross-cultural management (Tung & Verbeke, 2010) is Geert Hofstede (2001) who defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another” (p. 9). As one of the first to opt for cross-cultural comparison on a nation-level, Hofstede (1980) further developed and expanded earlier ideas (e.g. the individualism dimension of Kluckhohn and Strodtbeck, 1961) into the model of the four dimensions of culture, which were later adapted and expanded to six dimensions (Hofstede, 2001), hence a multiple dimension model in the categorization of Morden (1999). The dimensions compare national cultures regarding their specific orientation in terms of power distance, individualism and collectivism, masculinity and femininity, uncertainty avoidance, long-term and short-term orientation, and indulgence and constraint. By comparing the scores of different cultures, practitioners can gain an understanding of potential issues to anticipate when preparing for cross-cultural encounters.

Based on actual criticism of Hofstede's (1980) approach to analyzing culture, Schwartz (1992, 1994) derived a set of 56 individual values, that were subsequently grouped into seven dimensions for cultural comparison. The key difference to Hofstede's approach is that Schwartz (1994) sees "individual values as partly a product of shared culture and partly a product of unique individual experience" (p. 8), hence providing more room for application on a micro-level, where individual beliefs, attitudes and behaviours, for instance of a work team, can be discussed based on the individual differences in value priorities. When comparing culture as a whole, Schwartz (1994) suggests three dimensions, which were utilized to study schoolteachers and college students in 54 countries.

In a similar approach, Trompenaars and Hampden-Turner (2011) derived seven dimensions of culture, based on the assumption that cultures can be contrasted for the way of reconciliation of dilemmas. By then comparing dominant and latent values on the different dimensions, national cultures can be described and compared. The key difference of this approach to that of Hofstede (2001) is that the seven dimensions allow for a stronger inclusion of the social environment, and further consider latent values in their comparison, hence extending the ideas brought forward by Schwartz.

Perhaps the most recent of such models is the GLOBE study (Global Leadership and Organizational Effectiveness) by House et al. (2004) with the specific focus of the impact of cultural differences on leadership processes. The data was collected in 62 countries, where a total of nine dimensions were subsequently derived from. Albeit some overlap with other frameworks (e.g. power distance like in Hofstede's model), the GLOBE study introduced additional perspectives based on the differences in related leadership behaviour that was observed. In doing so, House et al.'s (2004) research goes beyond a sole cross-cultural comparison, but links this also to the resulting and/or required leadership behaviour and is hence more advantageous for practitioners in this regard.

Despite the potential differences of the models outlined above in the general orientation of the models or their methodological approaches, they are similar especially regarding two factors (Nardon & Steers, 2009). Firstly, each framework provides "a well-reasoned set of dimensions" (Nardon & Steers, 2009, p. 7) that allow for cross-cultural comparison. This is beneficial both for both researchers and practitioners, as it can facilitate assessment and can raise relevant issues to be anticipated (e.g. before negotiations in other countries). Secondly, four out of the six models discussed above provide numerical scores, which, despite potential issues with its accuracy, can further aid cross-cultural comparison.

The discussed dimensional models can be broadly be named after the most popular one by Hofstede (1980) as Hofstedeian models, and hence dimensional models of national culture for comparison across cultures. As the title of the chapter already indicates, however, Hofstedeian models are subject to various issues for usage in

practice. Some of the most important ones will be summarized and methodological positions in this regard will be discussed with the goal of emphasizing potential opportunities for future research for post-Hofstedeian approach.

KEY ISSUES WITH HOFSTEDIAN APPROACHES

One of the key issues with Hofstedeian models, as Tung and Verbeke (2010) point out, is the assumption of spatial homogeneity of national cultures, or in other words, the assumption that national culture is the same across all the regions of the nation, as it minimizes the potential for application for micro-level analyses. The generalization on national culture as a whole (McSweeney, 2002), also declares regional cultures as obsolete. Hence, sole reliance on such approaches would hinder effective decision-making for practitioners when managing employees from different cultural backgrounds, as they would be affected by viewing cultures from an overly generalized perspective, with the risk of stereotyping.

However, Hofstede (2001) himself cautions about the application of the national culture model on an individual level, as the model focuses differences among national cultures; which in turn implies that “[their] absolute value has no meaning” (p. 462) for the analysis of one particular culture only. This is in line with Tung and Verbeke (2010), who note that “it would be woefully inadequate and misleading to interpret the rest of a country’s behavior and tendencies based on a generalized index” (p. 1267). In other words, despite the potential benefits that the models yield on a macro-level, it is only of limited use for a micro-level investigation, for instance by a manager in an organizational setting.

In fact, if practitioners were to base their decision-making on conclusions derived by generalized culture scores, it might potentially even cause further issues. If then, the culture scores would even be based on obsolete data sets, issues would be further exacerbated, as a country’s scores in cultural dimensions can be “at best, a one-time snapshot” (Tung & Verbeke, 2010, p. 1267) of a nation.

Not surprisingly, as Romani et al. (2018) point out, cross-cultural management research is increasingly approached from a critical stance, paving the way for the emergence of critical cross-cultural management. The purpose of this is to challenge existing and commonly accepted assumptions not only on the concept of culture as a whole but also on the way it can and cannot be investigated from a methodological perspective. As Guttormsen and Luring (2018) advocate, the field of knowledge on cross-cultural management should be scrutinized, so as to advance the field by not taking too simplistic perspectives on the concept of culture.

Current cross-cultural management research seems to adopt mainstream methodologies partly due to publishing pressures (Guttormsen & Lauring, 2018). This is in line with Byington and Felps (2017), concluding that “research is *not* theory-adding when it confirms what was already thought to be true, or when it subtracts theory” by indicating that something we thought to be true is not” (p. 154). They suggest various solutions to the credibility crisis in management research, to which the field of cross-cultural management research might have fallen prey, too. It is necessary to challenge the prevalent approaches to CCM research, so as to add further to our understanding of culture and provide useful guidance also for practitioners in successfully implementing concepts in their daily work. This also includes taking into account intra-national diversity when conducting cross-cultural research (Tung & Verbeke, 2010), so as to compensate for the biased macro-level analysis.

In fact, the commonly predominant perspective on culture is static and quantitative. This seems rather odd, considering that “man and his culture are historical concepts that should be understood in social context” (Yeganeh & Su, 2004, p. 68). Yet, as Jackson (2018) outlines in the editorial of the *International Journal of Cross-Cultural Management*, this is also due to a lack of shared understanding of culture in the first place. It seems necessary to put further emphasis on this in the field, and also shows an evident need for post-Hofstedeian approaches, allowing more for an application in practice.

In conclusion, the field of CCM is in desperate need of new, alternative ways on how to approach and explore the concept of culture, also by challenging the current research frames (Tung & Verbeke, 2010) in the field. Furthermore, the underlying methodological assumptions need to be questioned to allow for new, innovative approaches from different perspectives. For this purpose, the following section will provide a discussion on Hofstedeian and alternative perspectives to the study of culture in order to then promote relevant methodologies to reconcile the dilemma in cultural studies and advance the field through new approaches.

The Etic-Emic Dilemma

Based on the identified need for post-Hofstedeian approaches, this section will discuss potential approaches and issues to overcome. Firstly, the etic-emic dilemma will be discussed, allowing for a consideration of the predominant ontological perspectives. This will be the base for the discussion on solutions and recommendations, deriving directions for future research.

Post-Hofstedeian Approaches to Culture

The study of culture can generally be differentiated into two different approaches. The first approach seeks to analyze cultures from the inside, in social anthropology so-called functional studies, where cultures ought to be understood individually in an inductive way. Here it is assumed, that cultures can only be understood by seeing each aspect through their relationship with other aspects of that very culture. For example, when exploring the meanings behind the rituals of a culture when greeting other members, an understanding could be built by firstly examining the values of respect, privacy, and hierarchical structures, which are relevant to the specific culture. By then building an understanding of their interrelationships, conclusions can be drawn on the meanings attached to the greeting rituals observed.

In contrast, the second approach seeks to study cultures by comparing institutions or structural features among various societies to show how they differ. Hence, in the above example, the greeting rituals would be compared among different cultures (i.e. bowing, handshake) to investigate differences and similarities. This, however, would require the pre-determination of relevant, observable factors across the cultures under investigation.

The logical consequence of the first, internally oriented approach, however, is that cross-cultural comparison cannot possibly be carried out reliably, as there is no such common denominator to even allow for comparison in the first place. The resulting dilemma for the choice of an adequate perspective of culture has been described as the Malinowskian Dilemma (Goldschmidt, 1966).

Yet, it needs to be noted that the internal analysis of culture does indeed yield important insight into the functioning of a culture, as it allows for an interpretation of elements of the culture based on the functions in place. This, however, is also limiting the reliability of such findings, as a researcher “cannot demonstrate that his presumed causes are anything more than circumstance” (Goldschmidt, 1966, p. 9).

Based on the words phonetic and phonemic, as commonly used in linguistics, Pike (1967) coined the first approach, or the internal analysis as emic, which is “culturally specific, applied to one language or culture as a time” (p. 37). The second, external approach, is the etic viewpoint, where behaviors are studied “as from the outside of a particular system, and as an essential initial approach to an alien system” (Pike, 1967, p.37).

Yet, Pike’s (1967) classification resolves the Malinowskian dilemma to a certain extent. Instead of the assumption that the emic and the etic viewpoint contrast each other, and researchers ought to take only one stance, Pike (1967) describes the potential for their combination to allow for analyses on an elevated level: In the etic approach, the classifications, or common denominators if you will, are developed before the analysis is actually conducted. Analyzing a new culture, hence, will be done the same way, using the same classifications as before. Pike (1967) indicates that it is first necessary to approach research from this etic stance, so to start off

from a “rough, tentative (and inaccurate) description” (p. 40). Only then can the culture be approached from an emic perspective, where the relative, culture-specific criteria which emerge during the inquiry can be analyzed and interpreted in regards to their functioning within this culture.

It should also be noted, that the data collected would not necessarily be very different. In fact, it could seem similar, but the analysis would yield very different results. If one was to investigate the greeting ritual of cheek kissing, for instance, the way it is carried out could seem similar across cultures from an etic viewpoint, with slight differences in the number of kisses or whether it is accompanied by a handshake. The meaning, however, would differ strongly from an emic viewpoint. Cheek kissing between males would indicate an intimate relationship in most Northern European countries (such as Germany) but would be common practice and only a sign of friendship in Arab countries (such as Lebanon). Relying on only one perspective, in this regard, would be heavily misleading. Combining both approaches, however, is necessary in order to capture the full implications of the phenomena, and hence emphasizes the need for mixed-methods research (e.g. Johnson & Onwuegbuzie, 2004).

Despite the advantages of the etic models in allowing for cross-cultural comparison, they pose a major issue for practitioners. Managers with subordinates from different cultural backgrounds cannot utilize the insight of macro-level analysis for their micro-level decisions, as this would neglect the individual characteristics of the employee. Advice on how to take advantage of country-level findings of the etic models for managers, however, seems scarce and in need of further research. Moreover, the simplistic assumption and misconception that employees’ behaviour would only be impacted by a single cultural background, seems to further exacerbate the problem faced by practitioners. This further emphasizes the need for a stronger connection between academe and practice, for the goal of developing useful guidance for practitioners, but also providing further insight for cross-cultural management research.

Overall, it needs to be recognized that the emic and the etic approach to studying cultures do not cancel each other out but could potentially complement one another. In this regard, approaching the analysis of new cultures implies taking an etic approach by default, before emic perspectives can be taken. Taking the etic view for micro-level decision-making, however, would beyond doubt lead to miscalculation and error, for instance sparking conflicts among employees in multi-cultural work settings. For the field of cross-cultural management research, this implies that Hofstedeian models, indeed, could provide an adequate etic overview over the functioning of different cultures, which would enable further investigation from an emic viewpoint, focusing on one culture only and seeking to understand it based on its individual characteristics

and their interrelationships. Similarly, it could be utilized by practitioners as a basis for further emic inquiry to be discussed in later sections.

Methodological Considerations

The Malinowskian Dilemma outlined above raises a fundamental question of the principles underpinning the study of culture. Despite the potential applicability of Hofstedeian, and hence by definition etic models of culture in connection to emic approaches, the underpinning assumptions about the concept of culture on a meta-level analysis need to be considered. Only by understanding the way culture is viewed and can be investigated, the field can be advanced effectively. Building an understanding of the methodology underlying the different research is also crucial for practitioners in deciding on whether and how research findings can be implemented, as the definitions of culture and the methods of gaining knowledge on it significantly shape the meaning and relevance for managers.

Discussing methodologies for research seems to commonly suffer from misconceptions about the benefits provided. In fact, laying out the methodological approach and justification of one's research is crucial to provide transparency on how the knowledge created is to be understood, carrying major implications for the overall research. This process is not aiming at achieving agreement on the one and only acceptable methodological position to studying culture but instead should provide the reader with transparency over the underpinning assumptions on the nature of being and the creation of knowledge. Only then can the field be advanced effectively, as drawbacks and gaps can be addressed precisely.

In social sciences, ontology is concerned with the "nature of social entities" (Bryman, 2012, p. 32) and specifies whether entities exist in an objective reality external of social actors or exist only as the result of the latter and their interaction. These different paradigms, as Romani et al. (2018) point out, can be broadly understood as the "research community's shared ontological assumptions and epistemology and its scientific production" (p. 404). Essentially, these are the different groups of scholars who agree on what culture is, and how it can be researched. Therefore, when looking at the field of cross-cultural management research, one can differentiate between different research paradigms being employed, and hence dictating the viewpoints on the functioning of culture, as well as the possible ways of researching it.

The assumption that social phenomena are to some extent tangible objects out of the reach of the influence of human beings is the core of the objectivist position. In this regard, cultures are understood as "repositories of widely shared values and customs into which people are socialized so that they can function as good citizens or as full participants" (Bryman, 2012, p. 32). In other words, culture is assumed to be quantifiable and shared in the same way by the members of a culture. Researching

culture from this perspective can then be approached from an etic perspective, for instance by collecting quantitative data and comparing this across different culture. By simplifying the complex concept of culture through quantitative research (e.g. Bryman, 2012), hence taking an etic perspective, concrete indicators can be analyzed. This does, indeed, yield results and facilitates research, but causes issues in terms of the applicability of the work to practice.

Consequentially, in Hofstedeian models (e.g. Hofstede, 2001; Trompenaars & Hampden-Turner, 2011), culture is assumed to be a stable phenomenon that can be analyzed and compared using general dimensions and concepts. As Jabi (2005) points out, this perspective does not consider “how people construct their identities *in relation* to each other” (p. 351-352) but instead remains on a strongly etic viewpoint.

When social phenomena, in contrast, are assumed to be created from social actors and constantly shaped by their interactions, an ontological position of constructivism (Bryman, 2012) is assumed. Constructivists stand in direct contrast to objectivists, by assuming that social phenomena and their respective meanings are created and revised constantly by social actors. Hence, constructivists focus on the social actors’ interpretations of culture and the way they construct it (Yeganeh & Su, 2004). This is in line with the emic perspective discussed above, as the social actors need to be considered individually to comprehend the respective way culture is interpreted and shaped by the interpretation.

The objectivist assumption of stability of culture, as well as its homogeneity, is hence challenged by constructivism, by acknowledging intra-national diversity and the dynamic nature of culture as a result of the interaction of social actors. In this line, however, the assumptions behind constructivism also imply that the researchers conducting analyses from a constructivist stance depict their understanding and interpretation of the social reality. Similarly, research in this regard cannot be fully objective, or bias-free, which further emphasizes the need to lay additional focus on the specifications of the methodological assumptions of research conducted and published. Guttormsen and Luring (2018), for instance, point out the need for reflective ontological stances, so as to move towards emic out-of-the-box thinking in order to challenge the predominantly employed ontological positions of objectivism in CCM research.

As opposed to the study of ontology as the study of being and hence reality, epistemology (Bryman, 2012) is concerned with the creation of knowledge and is a key discipline to be considered and specified when conducting social research. As a logical consequence of the nature of both ontology and epistemology, the stances taken by researchers need to be in line with the underlying assumptions. This is necessary to reliably specify not only what *is* but also *how* it can be studied to ensure consistency of conducted research and provide transparency to the readership.

Post-Hofstedeian Approaches to Culture

As Yeganeh and Su (2004) point out, the most prominent research in CCM takes a realist perspective through a positivist epistemology. Based on an objectivist ontological position, positivism employs research methods from natural science to social phenomena. Hence, it assumes that social phenomena can be measured objectively and value-free. This is reflected in Hofstedeian approaches, which measure and compare cultures utilizing scores on dimensions, which are assumed to depict the objective reality of this very culture. It should be noted, however, that positivism is not equal to natural science, as there exist various positivist positions, some more and some less scientific (Bryman, 2012).

In direct contrast to the positivist approaches, culture can also be explored from an interpretivist stance (e.g. Geertz, 1973). In this regard, culture is assumed to be shared meaning and is, hence, in line with the emic approach to cultures. The position of interpretivism (Bryman, 2012) is concerned with the understanding of human interaction, as opposed to its explanation only. By taking an emic approach, the focus of studies conducted is hence laid on only a single culture at a time. The latter focus also explains the terminological preference of interpretivists (d'Iribarne, 2009) of calling their research intercultural, as opposed to cross-cultural, which ultimately indicates the scope of comparison which conflicts with the scope of interpretivism, which does not necessarily focus on the comparison of cultures only.

In line with the epistemological assumptions of interpretivism, hermeneutics may complement cultural analysis from an epistemological stance (Mohr & Rawlings, 2012). The key difference of hermeneutics and the methods of classical natural sciences is the way knowledge is created (i.e. epistemology). Hermeneutics aims at understanding observed phenomena, hence going beyond the intention to explain in natural sciences (e.g. Yeganeh & Su, 2004), but instead takes a strongly emic approach to the analysis of social phenomena.

The hermeneutic circle was firstly introduced by Ast (1808) and then further developed by Heidegger (2006), which also explains the tendency to utilize the German terminology in this regard, which will be included in this section to further emphasize the underlying meaning. The hermeneutic circle seeks to conceptualize the process of understanding (*verstehen*) through the analysis of the way different horizons of understanding (*Verständnishorizonte*) are merged. The analysis is hereby focused on text and language and aims at their thorough interpretation. Essentially, the idea the circle is to show the process of interpretation and re-interpretation when making sense of the world. This is also in line with Romani et al. (2018) suggest that a stronger focus on the interconnections of text and culture could yield valuable insights for the field of cross-cultural research.

The hermeneutic circle can be utilized as a framework in building understanding about the fore-understanding and understanding when interpreting texts. The assumption behind the notion of understanding and fore-understanding is described by Heidegger (2006), who asserts that the process of understanding is an implicit state of social actors and the way of sense-making of their environment. In this regard, it is assumed that human beings already understand based on a fore-understanding of the world. In other words, when attaching meaning to the world, social actors view phenomena based on their fore-understanding of it. Hence, phenomena are always seen on their horizon of understanding (*Verständnishorizont*), where sense-making takes place. Coming back to the example provided above on the greeting rituals of a culture, the hermeneutic circle implies that social actors would interpret their observation of a handshake based on their fore-understanding of the handshake as a greeting ritual and the meaning they attach to it. The interpretation of the observation will then, in turn, re-adjust the previously held fore-understanding of the handshake as a greeting ritual.

Utilizing the hermeneutic circle for analyzing cultural phenomena seeks to understand the interpretative relationship of fore-understanding and understanding. It is assumed that both maintain a reciprocal relationship, by constantly adjusting one another (Gadamer, 1960). For this reason, it is represented as a circle, displaying the continuous interpretation and re-interpretation, and hence the constant re-adjustment of both the understanding and the fore-understanding of the social actors.

Viewing culture from the epistemological stance of hermeneutics can, therefore, provide new perspectives from an emic, micro-level of analysis, such as work teams. By seeking to understand the members of a multi-cultural work team, and their respective horizons of understandings, new perspectives on how to incorporate the different ways of understanding could facilitate the achievement of successful collaboration and productivity for the team.

Apart from the ontological and epistemological considerations to be made when conducting research in social sciences, the choice of an appropriate research strategy to be employed requires consideration. In this regard, it can be differentiated between qualitative and quantitative research strategies. Quantitative research strategies (Bryman, 2012) are related to the ontological assumptions of objectivism, by aiming at the quantification and analysis of data, so as to test pre-determined hypotheses. In the case of cultural analysis, hence, quantitative methods are mostly employed in Hofstedeian models, where quantitative data is collected to test dimensions which were developed prior to the investigation and to subsequently validate them. This is related to the ontological assumptions of objectivism which view culture as a tangible object, external of social actors. The approach to its analysis through quantitative methods is reflected in the commonly underpinned stance of positivism.

Qualitative research strategies (Bryman, 2012), in contrast, focus on the process of interpretation of social actors and their social world. By gathering data for instance through interviews, qualitative research aims at the creation of theory, allowing to apply derived theories also on a more general level. Yet, as d'Iribarne (2009) points out, qualitative research is generally regarded as less valuable, and hence studies with an interpretivist stance might be considered "non-significant" (p. 310). This perhaps further exacerbates the (Yeganeh & Su, 2004) prevalence of Hofstedeian models.

The ontological position of subjectivism is usually associated with inductive approaches (Bryman & Bell, 2015). The latter is aimed at deriving theory from research. When investigating culture, for instance, this would imply gathering qualitative data for instance through interviews, and subsequently analyzing the data so as to build a theoretical model on the themes and topics emerging. Thus, it is in line with the emic perspective discussed in previous sections. Deductive approaches, in contrast, function by testing pre-determined hypotheses through the collection of quantitative data. Hence, deductive research builds on existing theories and tests them, so as to draw conclusions on specific cases, according to the etic approach.

It becomes clear, that both qualitative and quantitative research strategies and their underlying philosophical stances and research approaches suffer from different drawbacks. Therefore, a key consideration is the applicability of mixed methods approaches (e.g. Johnson & Onwuegbuzie, 2004) which seek to take advantages of each approach and minimizing the implicit drawbacks. This is also in line with the suggestion provided by Pike (1967) in gaining a deeper understanding of social phenomena by combining both etic and emic perspectives.

A further consideration to be made is the influence of the researcher's own values and beliefs towards the topic under investigation from an axiological perspective, which is especially relevant when conducting qualitative research. By working closely with participants (e.g. through face-to-face interviews), researchers are likely to develop – even if unconsciously – emotions towards the topic researcher and/or the participants involved. In turn, the interpretation of the gathered data can suffer from bias and would result in distorted analyses. It is crucial for researchers to display high degrees of self-reflectivity and communicate relevant beliefs and values that might impact their research. A German, for instance, might interpret and analyze data collected from German participants differently than a Czech might.

Similarly, a researcher's axiological assumptions (Bryman, 2012) impact the initial choice of the research area, the formulation of the research questions and methodological decisions. Being aware of values impacting the research yields not only benefits to the researchers themselves but helps readers to comprehend the choices made. This was even acknowledged by Trompenaars and Hampden-Turner (2011) who stress that "you can never understand another culture" (p. 1).

When reconsidering the field of cross-cultural management and its advancement, a key consideration to be made before the development of any new approach should be methodological in nature. As Mohr and Rawlings (2010) point out, the shift towards the method of cultural analysis, away from only the theory of cultural analysis, has been initiated after the prominent models taking a positivist approach were increasingly challenged. It needs to be noted, however, that they do not need to be challenged for being incomplete (Jabri, 2005), but instead for the underpinned assumptions about culture as a concept. Therefore, determining and specifying the understanding of culture underpinning the piece of work, and the resulting ontological, epistemological and axiological stance, needs to be transparent for the audience. Only under this precondition can the advancement of knowledge in the field be effective and foster constructive debate.

FUTURE RESEARCH DIRECTIONS

The key area for potential advancement of the field of CCM appears to be a further collaboration of scholars and practitioners. Instead of focusing on the etic view of culture, and analyzing cross-cultural differences, it seems necessary to examine intercultural encounters (Guttormsen & Luring, 2018) to learn from actual experience.

In practice, this could be achieved by further investigating the development of effective cross-cultural management through qualitative research (Bryman, 2012), for instance when new, multicultural work teams are assembled. Tracking the development, conflicts, issues, and solutions could allow developing further guidance for practitioners on how to effectively manage across cultures from an emic, micro-level perspective. The necessary data could be gathered from the respective managers and team members (Guttormsen & Luring, 2018). By then identifying common patterns, such as development stages, and relevant themes and issues for each stage, guidance could be provided on how to go about the resolution. Despite the potential lack of validity from an academic perspective, it could be of advantage for practitioners.

As mentioned before, this could further be complemented by incorporating existing etic approaches to culture. This could, for instance, serve as general guidance for managers in order to prepare for the cultural clashes to expect and prevent, prior to the actual commencement of building and developing their team. By then providing guidance on how to interpret and utilize arising themes from an emic perspective, managers could learn to successfully establish multicultural work teams.

Post-Hofstedeian Approaches to Culture

As Guttormsen and Lauring (2018) point out, the analysis of these real-life encounters could also aid in challenging the predominantly shared philosophical foundation of the field of CCM. By aiming at collaboration of scholars and practitioners in the process described above, both qualitative (i.e. experience of the team members and the manager) and quantitative (i.e. relevant key performance indicators, job satisfaction and others) data could be gathered so as to provide a factual account of the development and drawing conclusions for management practitioners and scholars through publishing.

In this regard, however, as Bartunek (2007) points out, for academic research to have an actual impact on practitioners, it appears necessary to adjust the language to the audience. Whereas scholars intend to convince their audience through strong arguments and logic coherence, practitioners require “language that wins both their hearts and minds” (p. 1327). In this line, it appears that results should also be “translated” to fit the audience’s primary goal of applicability and emotion, instead of logic and clarity.

This also carries implications for the way such findings should be published. In addition to academic journals, it could be beneficial to turn to less formal business papers and professional networking platforms. Apart from gaining traction like this in practice, this could also facilitate and expand further collaboration efforts, if the readership is encouraged to participate in future research projects.

In terms of the proposed collaboration of scholars and practitioners, the potential for interdisciplinary approaches is worth considering. One of such, as Guttormsen and Lauring (2018) point out, is the potential benefit of considering language in the context of culture. In this line, further attention could also be devoted to the concept of culture as “a semiotic one” (Geertz, 1973, p. 5). Semioticians approach culture as a system of codes (Lotman, 1990) which are transmitted through communication. By interpreting the way codes are utilized in understanding texts, additional insights into the functioning of culture could be derived. It should be noted, that the semiotic approach to culture does not seek to create a universal theory of culture, but instead shed light on the micro-level and actual encounters. As Geertz (1973) points out, “the whole point of a semiotic approach to culture is, as I have said, to aid us in gaining access to the conceptual world in which our subjects live so that we can, in some extended sense of the term, converse with them” (p. 24).

Lastly, irrespective of the type of stances taken, it seems necessary to fully integrate the cultural turn into the field of cross-cultural management as well. Despite the increasingly critical stances of scholars, an abundance of macro-level studies is still conducted based on Hofstedeian approaches. Instead, the field should emphasize the current shift towards critical cross-cultural management by challenging the commonly accepted knowledge through different approaches, further expanding on post-Hofstedeian approaches.

CONCLUSION

The discussions provided above carries various implications for different stakeholders which will be addressed in this section in the hope that the field of cross-cultural management research will benefit from future contributions to its advancement.

As for management practitioners, the etic-emic dilemma indicates the need of further resolution, for instance in the form of defined steps guiding management practitioners in using the etic insight of the field but enriching it with their emic observations from the actual practice. Doing so could provide practitioners with the necessary insight, especially on a long-term perspective, to successfully enhance the performance of the time and avoid conflicts resulting from cultural clashes not prepared for. Brannen and Salk (2000) for instance, describe how the cultural background (so the etic perspective) of team members can serve as an initial anchor as sources of values, meanings and norms, but which are then shaped by their individual assumptions, hence from an emic perspective as an example of a post-Hofstedeian approach.

In this line, it is vital for managers to consider the cultural clashes they face not only from an etic perspective, but instead reaching a point of emic understanding so as to be able to engage with employees not only on the basis of etic scores of their cultural background but instead taking into account their individual diversity and cultural background from an emic perspective. In essence, managers need to understand their subordinates more, instead of only trying to explain their behaviour, which ultimately requires a strong connection to subordinates on both a personal and a professional level.

One way this could be achieved would be if cross-cultural management researchers were to derive a model to link the field further with practice. Such an approach could make use of relevant theories and guide practitioners on how to evaluate and implement approaches in the literature into their work with multicultural teams. Hence, combining the expertise of both scholar and practitioners, in line with Guttormsen and Luring (2018), could provide valuable insight from the field to practitioners, and by doing so, advance and challenge the knowledge in the field, closing the gap of practice and theory. Furthermore, it would allow for the inclusion of topics currently relevant in the field, such as digitalization.

In this line, transparency and justifications of the methods employed should be further prioritized. Mixed-method research (Johnson & Onwuegbuzie, 2004) could be employed in creating the framework described above, incorporating both elements from an etic and emic perspective. In this regard, Hofstedeian models could, for instance, be incorporated in order to prepare members of a multi-cultural team for cultural clashes to prepare for, prior to the actual encounter with fellow team members. Hence, building a fore-understanding of the functioning of other

Post-Hofstedeian Approaches to Culture

cultures involved could provide the etic basis described by Pike (1967) to facilitate the creation of understanding from an emic perspective, as soon as the team begins working together.

This mixed-method approach would also allow for the collection of both qualitative and quantitative data. By monitoring relevant performance indicators of the team, the effectiveness of measures taken to improve cross-cultural understanding and hence facilitating collaboration could be tested from a deductive perspective. Additionally, gathering qualitative data through interviews with the involved team members and leading figures would provide an emic perspective on the development of the team and the stages encountered. In doing so, emerging themes and issues could be analyzed taking an inductive approach, hence deriving theory on it. By then contrasting both, valuable insights could be gained from the analysis of real-life encounters (Guttormsen & Luring, 2018). As future chapters will reveal, fostering such new and innovative approaches to the concept of culture will also allow for the inclusion of currently debated topics in the field of management, one of those being the shift towards the era of digitalization, with both its benefits and drawbacks from a cross-cultural perspective.

Similarly, consultants could make use of such a model by incorporating relevant approaches into their daily work with businesses and clients. Furthermore, it is of fundamental importance to design cross-cultural training with the scope of instilling critical thinking towards Hofstedeian approaches and their limited practicality for decision-making on an organizational, group, or individual level. Instead, leading practitioners to broaden their horizons through the inclusion of emic viewpoints on culture and its manifestation would render more effective cross-cultural management possible.

Concludingly, the need to re-think the currently predominant approaches to culture in the field of cross-cultural management becomes evident especially when viewed from the perspective of practitioners. Further attention should be drawn to the practice-academia dichotomy of cross-cultural management, fostering collaboration between practitioners and scholars.

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KEY TERMS AND DEFINITIONS

Constructivism: Ontological position that assumes that social phenomena and their meanings are constructed by social actors.

Emic: Approach to studying social phenomena based on its internal elements and individual characteristics.

Epistemology: Theory of knowledge and relevant methods for its creation.

Etic: Approach to studying social phenomena from an outside, general perspective.

Hermeneutics: Epistemological position concerned with the theory and method of interpretation.

Hofstedeian Models: Dimensional frameworks of cross-cultural studies conducted from an objectivist position, mostly employing quantitative methods.

Ontology: Study of being and its nature.

Semiotics: Epistemological position concerned with the study of signs and symbols for the creation and communication of meaning.

Chapter 2

Psychological Distance and Culture: Towards a Socially–Constructed Individual–Level Cultural Framework

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ABSTRACT

This chapter introduces psychological distance into cultural studies as an alternative way of conceptualizing individual differences. Unlike most cross-cultural frameworks that are at the group level, psychological distance provides an individual level conceptualization of distance. This conceptualization can complement the more group level and static frameworks that dominate management theory. The framework is rooted in knowledge theory. By developing the concepts of socially embedded tacit vs. explicit knowledge, the chapter demonstrates that explicit models of cultural difference, such as Hofstede's Cultural Dimensions, do not capture the lived tacit experience of managers working in a cross-cultural setting. This chapter is conceptual, but the framework that is developed here emerged from fieldwork conducted by the author on returnee executives in Korea. Psychological distance consists of four dimensions: time, space, social relations, and probability. These dimensions relate to the level of mental construal between an individual and a foreign knowledge practice.

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INTRODUCTION

Models of cultural differences tend to take a static view of culture. These static models include psychic distance as developed by Dow and Karunaratna (2006) as well as the cultural dimensions model of Hofstede (1983), which were subsequently converted to measures of distance by Kogut and Singh (1988). This static view is in contrast to the lived experience of many firms and individuals who experience shifts in cultural distance over time. By abstracting culture into explicit dimensions, these static models see culture as relatively stable over time, view individual members within a culture as substantially homogeneous, and conceptualize culture as an abstraction rather than a continually negotiated individual experience. In this respect, the lived experiences of individual members are not seen as significantly altering them from their home culture. In doing this, these models do not capture the fact that individuals within a culture can, through their own internationalization journey, reduce the cultural differences and thus distances between themselves and a target group. In addition, by creating abstractions, the models oversimplify the relationship between actors in a cross-cultural setting. Thus, the purpose of this conceptual chapter is to introduce an alternative approach to cultural distance that is more fundamentally rooted at the individual level rather than the group level, and is based on a knowledge practice approach to culture.

The first section of this chapter examines the dimensions of knowledge as explicit vs. tacit and independent vs. socially embedded. The argument here is that cultural knowledge practices are socially embedded, and as such, resist attempts at being made explicit. Thus, cultural models that have the goal of explicating cultural differences into static models fail to address the tacit nature of cultural practices. The second section develops a more tacit model of cultural distance that is based on the framework of psychological distance as developed in the field of psychology (Trope & Liberman, 2010; Trope, Liberman, & Wakslak, 2007).

BACKGROUND ON KNOWLEDGE APPROACH

Tacit vs. Explicit Knowledge

Nonaka's (1991) conceptualization of knowledge as either tacit or explicit is a useful distinction to understand the broad categories of knowledge practices. Tacit knowledge resides in the individual knower. Because knowledge is often acquired over a period of time and through a process of experiences, the knower may have little ability to abstract that knowledge and articulate it in a formal way. In this sense, a person is able to perform beyond their own ability to objectively understand the processes

that they are following. More simply stated “we can know more than we can tell” (Polanyi, 1966: 4). The characteristics of tacit knowledge are: it is difficult to write down, it is personal knowledge, it is practical knowledge, and it is embedded in a specific context (Ambrosini & Bowman, 2001; Nonaka, 1991; Sternberg, 1994).

Polanyi (1966) gives the example of face recognition. While we are able to quite easily recognize the faces of people we know, we would be hard pressed to explain why we are able recognize those faces or the process by which we recognize faces. Thus, this knowledge remains tacit. However, since Polanyi’s writing, scientists have been able to discover more about the processes by which faces are recognized. By making these processes explicit, they have been able to create face recognition software. In doing so, this tacit human knowledge has been made explicit.

Explicit knowledge is knowledge that can be codified and made systematic in a way that can be easily shared by being written down in operating manuals, scientific formulas, computer programs, etc. (Nonaka, 1991). Using an example of the development of a bread machine, Nonaka (1991) demonstrates how the tacit “know how” of the master bakers at the Osaka International Hotel were carefully codified into a set of actions and rules that could be incorporated into a mechanical device. In the case of the master bakers, one of the keys to their uniquely delicious bread was a twisting hand motion that was not articulated in any of the recipe books they followed. Once the product engineers were able to discover this technique through observation, they were able to capture the bakers’ tacit knowledge and incorporate it into their bread machine. Thus, the tacit knowledge, which the bakers knew but could not articulate, was converted to explicit knowledge.

While the above two examples demonstrate that tacit knowledge can be captured into explicit knowledge, there can be both enormous costs and severe limitations to converting tacit knowledge into explicit knowledge. For example, as Ribeiro and Collins (2007) point out, it would be a gross overstatement to imply that the bread making machine had captured the previously tacit knowledge of the master bakers. Rather, one aspect of the masters’ knowledge was discovered, and then through additional tacit knowledge of the engineers, a mechanical substitute was created. However, the master bakers’ knowledge of how to knead dough remains tacit. Buying a bread machine does not provide a person with the knowledge—explicit or tacit—of how to knead bread with the skill of a master bread maker; it merely allows them to make some types of bread without possessing that knowledge.

In the example of face recognition, while there may be many tacit processes that our brain performs during the face recognition process that could be discovered, made explicit, and incorporated into software, the process of converting this tacit knowledge into explicit knowledge is expensive, time consuming, and dependent on the sufficiently advanced tacit knowledge of modern engineering.

Figure 1. A comparison of tacit and explicit knowledge

	Tacit Knowledge	Explicit Knowledge
Characteristics	<ul style="list-style-type: none"> • Learning by doing “knowing more than one can tell” • Personal • Practical • Embedded in Context 	<ul style="list-style-type: none"> • Codified • Made systematic • Can be shared to a wide audience
Where the Knowledge Resides	<ul style="list-style-type: none"> • In the mind and body of the knower 	<ul style="list-style-type: none"> • “Written down” in external sources (e.g. manuals, formulas, textbooks, video)
Need for Human Actor	<ul style="list-style-type: none"> • Requires the knower be present 	<ul style="list-style-type: none"> • Portable and independent of human actors
Understanding of Institutional Environment	<ul style="list-style-type: none"> • Requires an understanding of the context in which the knowledge is embedded 	<ul style="list-style-type: none"> • Not dependent on context
Ease of Transferring	<ul style="list-style-type: none"> • Sticky (harder to transfer) • Can be a source of competitive advantage for a firm 	<ul style="list-style-type: none"> • Fluid (easier to transfer) • Will quickly diffuse into other organizations

Most human knowledge resides somewhere on a continuum between tacit and explicit (Ambrosini & Bowman, 2001; Nonaka & von Krogh, 2009). Even the most tacit skill, such as showing respect or appreciation towards a colleague, has to some degree been codified and taught. On the other hand, following an explicit step-by-step guide for setting up an electronic device is certainly easier for a person with some computer tacit knowledge and self-efficacy (Compeau & Higgins, 1995). Understanding that knowledge resides on a continuum between tacit and explicit, Figure 1 summarizes the dimensions on which tacit and explicit knowledge can be compared and contrasted.

Organizations managing individual knowledge holders may or may not choose to attempt to capture the tacit knowledge of individuals in order to make it explicit. When knowledge is made explicit, it is easier to transfer throughout an organization (Grant, 1996); however there are limits to an organization’s ability to capture tacit knowledge in an explicit form. Imagine, for example, a firm had managers with extensive knowledge of an overseas market. While the firm could commission the

Psychological Distance and Culture

managers to develop some helpful instructions and manuals for others to follow, it is unimaginable to attempt to codify all of this socially embedded knowledge into explicit instructions.

In addition, as knowledge is codified it becomes more general. Cultural models are a good example of this. Simplifying cultural dimensions into a limited number of broad categories is useful for managers to understand a set of cultural differences. However, in this process much tacit information must be discarded or the models would be overly large and cumbersome.

Knowledge-Based View

This distinction between tacit and explicit knowledge has formed the backbone of the knowledge transfer literature in management studies (Ambrosini & Bowman, 2001; Grant, 1996; Spender, 1996). Since tacit knowledge can only be transferred from one context to another via a knower, the role of human resources in the transfer of this type of knowledge is extremely important (Inkpen & Pien, 2006). The knowledge-based view (KBV) of the firm sees the ability of the firm—through its hierarchy structures—to coordinate and apply the tacit knowledge of individuals as a key reason for the existence of firms over market exchanges (Grant, 1996).

According to the KBV, the firm is a social community that is able to store and transfer knowledge more efficiently on an internal basis than through the external market (Kogut, 2000; Kogut & Zander, 1992). The firm's knowledge, and the efficiency by which it is created and transferred internally, is a main source of competitive advantage (Gupta & Govindarajan, 1991, 2000; Kogut, 2000; Kogut & Zander, 1992; Kostova, 1999). The KBV emphasizes that knowledge transfer relates not only to the sending of knowledge from a source to a recipient unit, but also its integration, understanding and application (Cohen & Levinthal, 1990; Hansen, 1999, 2002; Mudambi & Swift, 2011; Szulanski, 1996).

It is clear that the knowledge that is brought into a firm by new employees is tacit knowledge. Explicit knowledge would be purchased by a firm as a product. For example, a domestic firm could purchase foreign technology in the form of hardware or software. Unlike explicit knowledge which can be codified and transferred without regards to context, tacit knowledge is understood by individuals who are embedded in situations, which are embedded in organizations, which are embedded in societies (Lam, 2000):

At the cognitive level, the notion of social embeddedness underlines the 'tacit' nature of human knowledge and the dynamic relationship between individual and collective learning... At the organizational level, it focuses on how the organizing principles of the firm shape the social structure of coordination, and the behavioural routines and work roles of group members... At the societal level, it draws attention

to the way societal institutions shape organizational routines and coordination rules (Lam, 2000: 489).

Because so much of an individual's knowledge is embedded in a context which has taken-for-granted routines and techniques, it is often impossible to explicitly codify that knowledge in a way that can be transferred beyond the environment in which it was created. The way in which organizations are 'organized' shapes and partially determines knowledge. This can make it difficult to explicitly transfer knowledge into an organization that operates in a different institutional environment. Since tacit knowledge is socially embedded, it very often requires an understanding and appreciation of the society in which it was developed. Thus, tacit knowledge that "is deeply embedded within the context in which it was created tends to be resistant to both movement and receipt" (Inkpen, 2008: 79).

Types of Tacit Knowledge

Flowing from the idea that tacit knowledge can be socially embedded, a further distinction can be made within tacit knowledge by considering the degree to which tacit knowledge could, even theoretically, be made explicit (Collins, 2007). Collins argues that there is a type of knowledge that, while ontologically independent of human actors, remains tacit because it is far too complex for people to make use of the knowledge in its explicit form. He argues that this type of knowledge remains tacit because there is a somatic-limitation [mind/body limitation] of the human condition (Collins, 2007). A somatic limitation is a limitation of the body to act on an explicit instruction from the brain. Thus, the body has developed a 'memory' for the task (Collins, 2008). An example is the 'muscle memory' that is used to perform in sports. Thus, knowledge can be 'independent'. We define independent knowledge as knowledge which has an ontological existence independent of human actors. It is knowledge about 'things out there'. Often the complexity of independent knowledge makes it impractical to be used by human actors in its explicit form. An apprenticeship model of learning often typifies this type of tacit knowledge. It is not so much that the knowledge of the skilled trade could not, at least theoretically, be made explicit; it is that the complexity of the tasks involved would make the following of explicit instructions an overly complex task for a person to process and act upon. Thus, to be useful, the knowledge must be tacit.

On the other hand, there is knowledge which cannot be made explicit. Some knowledge has to be known tacitly "because it is located in the human collectives and, therefore, can never be the property of any one individual" (Collins, 2007, p. 260). This is socially constructed tacit knowledge. Such knowledge comes about through a series of historically embedded human experiences, and thus cannot be decomposed into parts (Sobol & Lei, 1994).

socially embedded knowledge. Manuals on how to show respect to customers in China compared to customers in Texas can be written to help guide employees.

The distinction between knowledge which remains tacit because of its complexity and socially constructed practice is extremely important for understanding cultural practices. The knowledge practices that managers transfer tends to be socially constructed tacit knowledge. Because this managerial knowledge is rooted in a historically embedded social environment, there are theoretical limits, not just practical limits, to transferring this knowledge in an explicit form.

In the top left box, tacit knowledge of how, let's say, semi-conductors work could be made explicit and one could possibly follow a step-by-step manual. However, such an attempt would quickly meet the limits of the human mind and body. Engineers do not rely solely on explicit 'textbook' knowledge, but rather on their tacit understanding of that knowledge. The engineer, like the skilled tradesman, has learned a considerable amount of knowledge through a learning-by-doing process (Teece, 1982). Thus learning-by-hiring can be an efficient way for a firm to capture this engineering knowledge (Song, Almeida, & Wu, 2003). Research has demonstrated that returnee engineers, who have developed skills in foreign countries, can be hired by a domestic firm, which gives the firm access to their tacit engineering knowledge (Kim, 1997; Song, Almeida, & Wu, 2001). However, at its core, the engineering knowledge is about something in the world that is independent of the human actor; the knowledge medium or depository of that knowledge is the human mind.

The upper right hand box looks at tacit managerial practices that are more often the result of the historically embedded relationships of the people in that society. Thus, this knowledge is much more fundamentally tacit and there are theoretical limits to making it explicit. Because such knowledge is about the organizing of human activity, it is "embedded in and manifested through systems of historically developing, culturally mediated activity" (Lecusay, Rossen, & Cole, 2008).

Managerial knowledge is socially constructed tacit knowledge. Thus, it is tightly bound to the institutional environment in which it was created. For example, we could expect that the American management frameworks that are taught in American business schools will reflect the societal realities of American organizations. Not only is tacit knowledge itself embedded in institutional environments, but even what constitutes truth and reasoning can vary from one environment to another. Miller and Lin (2010) found that knowledge transfer can be affected by congruency (or lack of congruency) between an individual's epistemology—general view of knowledge—and the workgroup's epistemology.

PSYCHOLOGICAL DISTANCE AS A TACIT BASED APPROACH TO CULTURE

The Limits of Explicit Models

In the lower right hand box is social constructed practice that has been made explicit. Cultural frameworks designed to help facilitate an understanding of cultural differences and build cultural competencies are an example of socially embedded practice that has been made explicit. Two widely use frameworks for comparing dimensions of cultural in both academic and business education pedagogy include Hofstede's Cultural dimension framework (Hofstede, 1983) and the cultural research conducted by Trompenaars (2012). While valuable in understanding aspects of cultural differences, these types of models are by definition at the large group level and thus do not represent individual tacit experiences. They are an attempt to make explicit socially embedded practice that is fundamentally experienced by individuals as tacit. Thus, they are limited to a static view of cultural that only represents that which can be codified.

The problem is that much of the lived experience of cross-cultural interactions is that they can not be captured into explicit models. Hoecklin (1995) explains that managers must go beyond these static frameworks into order to:

1. Understand their own cultural biases and assumptions.
2. Consider the reasons why different cultures' ways of doing things make sense in light of their cultural assumptions.
3. View cultural assumptions and ways of doing things not as irreconcilable differences, but rather as different starting points that can be integrated to develop uniquely complete solutions (Hoecklin, 1995, p. 48).

In order to accomplish these three goals, explicit models need to be supplemented by more individual focused perspectives on cultural. The remainder of this chapter develops a model for understanding distance between cultures not as an abstract explicit model but as a socially embedded tacit experience of individuals as they interact with each others.

Origins of Psychological Distance

Rooted in psychology and developed in fields as diverse as microeconomics, consumer behaviour, and education, considerable research has been conducted on the effects of psychological distance (Green & Myerson, 2004; Trope & Liberman, 2010; Trope et al., 2007). Psychological distance, as a guiding concept, has been incorporated into the field of international business (IB). However, the uses of the construct in international business—for example in the international process model (Johanson & Vahlne, 1977) and the effects of cultural distance (Kogut & Singh, 1988)—have been more at the firm to market level rather than at the individual or individual to workgroup level.

Based on learning theory (March, 1991, 2006) and the theory of the international process model (Johanson & Vahlne, 1977), Wilkinson et al. (2008) argue that when a firm enters into a market in a culture with which it is unfamiliar, it will lack important competencies that are needed to succeed. However as the firm gains experience in the new market, “the ability to cope with cultural distance, risk, and uncertainty, is enhanced” (Wilkinson et al., 2008: p.9). Thus, in this sense, the authors reduce the effects of cultural distance to a lack of a skill set, rather than understanding cultural distance as a permanent barrier to doing business in a fixed environmental reality. Firms can gradually overcome the ‘liability of foreignness’ (Zaheer, 1995) as they participate in foreign markets. Findings have supported this theory by demonstrating that secondary sources or market research are not an adequate substitute for experience (Johanson & Vahlne, 2006). From this perspective, the liability of foreignness can be seen as a type of liability of newness (Hannan & Freeman, 1984). Entering a new foreign market is a form of radical adaptation that exposes a firm, internally, to a lack of competencies, and externally, to a lack of legitimacy. However, if the firm is successful, it can overcome this liability and emerge as a strong and legitimate organization in that new foreign market. Since this seems to hold at the firm level, it is reasonable to conceptualize this at the individual level.

Psychological Distance Explained

Psychological distance provides an individual level theory of distance (Green & Myerson, 2004; Trope & Liberman, 2010; Trope et al., 2007). While not unrelated to psychic distance, which has a long tradition in the IB literature (Dow & Karunaratna, 2006), psychological distance is significantly different in that it is more individual and flexible. While psychic distance is defined as a subjectively perceived distance to a foreign country (Håkanson & Ambos, 2010), it is also understood to be an average of the population in one country compared to another country (Dow & Karunaratna, 2006). Psychological distance, however, is purely at the individual level. Thus, as

Psychological Distance and Culture

Figure 3. Dimensions of psychological distance

Dimension	Description
Temporal Distance	‘when’ <ul style="list-style-type: none">• The perceived distance in time from now (past or future)
Spatial Distance	‘where’ <ul style="list-style-type: none">• The subjective understanding of how far away something is from oneself in physical distance
Social Distance	‘who’ <ul style="list-style-type: none">• The perceived relational distance between oneself and the focal actor(s)
Hypotheticality	‘whether’ <ul style="list-style-type: none">• The subjective probability that something will occur

Original Source: Zhang & Wang (2009)

an individual gains international experience over time, it is quite likely that the psychological distance between that individual and the foreign context they have experienced will decrease. For example, similarities in education levels between two countries is argued to result in lower psychic distance (Davidson & McFetridge, 1985). When on average, the education levels in two countries are similar, psychic distance should be less between the people in those countries. What if, however, an individual in a country with a ‘lower’ education level has several years of experience in a country with a ‘higher’ level of education? For that individual, this distance will decrease. Because psychic distance asks questions related to more macro level phenomena, such as exporting choices (Hocking, Brown, & Harzing, 2004) or firm level expatriate staffing levels (Hebert, Very, & Beamish, 2005), the theory is less concerned with these individual level differences. Employing psychological distance allows researchers to bring the level of analysis to the individual level and explore how distance can decrease through individual actions over time. In this way, psychological distance models cross-cultural differences as a socially constructed tacit knowledge. This approach does not attempt to generalize these differences as explicit.

Dimensions of Psychological Distance

Psychological distance is flexible because it “is a subjective experience that something is close or far away from the self, here, and now” (Trope & Liberman, 2010, p. 440), and is rooted in an individual tacit experience within a particular context. It can be seen in terms of four types of distance—(i) time, (ii) space, (iii) social relations, and (iv) probability (Zhang & Wang, 2009). While each type uniquely represents a different distance relationship, experimental psychology has found them to be

driven by the same psychological mechanisms (Zhang & Wang, 2009). Figure 3 summarized these dimensions

Temporal distance can be seen in terms of ‘when’ something (such as an event) will occur or when the effects of an action or event will be realized (Liberman, Sagristano, & Trope, 2002). For example, making a decision today on an action that will have an outcome this week is much more psychologically proximal than making a decision today for an outcome that will be realized in a year.

The time discounted utility models developed by micro-economists in the early 20th century (e.g. Samuelson, 1937) are an example of temporal distance. In these models, each individual has a unique utility function that determines their willingness to delay a reward. While a poor man may be willing to take \$10 today and forgo \$20 in one week, a rich man may be quite willing to wait the week. The temporal distance is thus greater for the poor man than the rich man (for a review of time preference in economics see: Frederick, Loewenstein, & O’Donoghue, 2002).

Spatial distance is concerned with ‘where’ or how far away in space something is from the actor (Fujita, Henderson, Eng, Trope, & Liberman, 2006). While spatial distance is perhaps the most physically measurable distance, it is also quite subjective and is rooted in the nature of the relationship between the place of reference and the individual in a given situation. For example, a place that the individual has visited often and knows well may seem less spatially distant than a place of equal physical distance but which is unknown to the individual. For example, a New York business person who has spent decades doing business in Shanghai may feel that China is more proximal than even Mexico.

Social distance has to do with ‘who’ another individual is in terms of how connected the actor is from the focal person. The concern in social distance is how different in terms of social connections one feels from the social target (Trope & Liberman, 2010). The more dimensions on which someone can relate to the social target, the more socially proximal one is to that target. Ultimately, social distance can be viewed in terms of self versus other (Kim, Zhang, & Li, 2008; Zhang & Wang, 2009), since one is most socially proximal to oneself. Thus, the ultimate question here is “are these my people”.

Hypotheticity is concerned with the perceived probability of ‘whether’ something will occur (Todorov, Goren, & Trope, 2007). As the probability of an event decreases—or as the known probability decreases—the event becomes more psychologically distant.

The principle of bounded rationality (Simon, 1955) argues that people do not always make the most economically rational decision not only because they lack sufficient knowledge about distant choices, but also because they tend to discount distant preferences (March, 1978). As a result, choices that would, in fact, allow a person to derive a greater amount of benefit are discounted in favour of choices that

are in the here and now (Green & Myerson, 2004). In addition, the potential gains of distant choices are often discounted at a greater rate than the potential losses from those choices (Murphy, Vuchinich, & Simpson, 2001).

Distance as a Measure of Construal

Psychological distance is related to the level of mental construal. Mental construal is the level of abstraction at which a person is contemplating an idea. High levels of construal are general and abstract thought, and low levels of construal are detailed and concrete thoughts. (Trope & Liberman, 2010). The greater the distance a person is from an experience, the higher level of construal that a person will use to think about the experience. Take, for example, an economic crisis occurring now as opposed to in the distant past; or here as opposed to in another country; or to you rather than to a distant class of people. Through experimental evidence (Trope et al., 2007), construal theory has shown that people tend to think about more distant events with a higher level of abstraction. As such, when something is perceived to be distant, it is less real, concrete and immediately relevant.

Models of cultural differences, such as Hofstede's dimensions, are at the highest level of construal. By making the dimensions explicit, the models create an abstract representation of a culture. As such, they are useful for thinking about cultural differences when comparing groups in a detached situation. For example saying that 'Japanese are more collectivist than Canadians' is a statement at the very highest level of construal. This knowledge may be helpful in understanding what types of marketing campaigns may be suitable for a particular culture as this is also an abstract consideration.

While people tend to idealize things perceived to be distant, they also dismiss their importance (Trope et al., 2007). In a study of academic officers, Logue and Anderson (2001) found while experienced academic officers had a strong appreciation for the long-term effects of administrative actions when asked to consider hypothetical situations, they tended to favour short-term solutions (less money now, instead of more money later) when given a concrete situation. When the psychological distance is high, such as temporal distance for the academic officers, there is a tendency to focus on desirability; however, as psychological distance decreases, the tendency shifts towards feasibility (Liviatan, Trope, & Liberman, 2008; Trope & Liberman, 2010).

As another example, imagine managers benchmarking a process that was currently being undertaken by another firm of similar size in the same industry and in the same city. According to construal theory, managers will tend to focus on details. They will examine what is being done and how it is being done. Their level of construal will be fairly low. However, if managers are benchmarking in a foreign country where distance in time, space, and relatedness are large, the managers will tend to think at a

higher level of construal. They may consider ‘why’ the process should be undertaken or the values of implementing the process. Benchmarking a more psychologically distant process may allow the managers to form an understanding of the ideals to which they wish to aspire; however, benchmarking a more psychologically proximal process will allow managers to create a more actionable plan (Trope & Liberman, 2010).

Field Based Examples of a Psychological Distance Approach to Culture

In previous work with colleagues, we examined how returnee executives in Korea manage the transfer of practices from the foreign cultural context in which they were embedded into their domestic Korean contexts. “International returnees are individuals who through self (or family) selection have gone abroad to study, live, and/or work, then return to their home country” (Roberts & Beamish, 2017, p. 516). This chapter draws on research to present a generalized example of how returnees, who were at one time culturally similar to their current colleagues, have shifted along the dimensions of psychological distance overtime with respect to the cultures they were temporally embedded. As such they have a substantially different level of construal of foreign knowledge practices. It is not just that they understand foreign knowledge practices better, they also have a different psychological relationship to those foreign knowledge practices.

The foreign practices that returnees bring to their workgroups can be perceived as psychologically distant by workgroup members on several dimensions. These practices may be perceived as more abstract and more heavily discounted than might be expected in a more rational decision model. International returnees report that they would present ideas to domestic colleagues that seemed rather established in their previous foreign context, but perceived by domestic colleagues as quite distant. First, foreign practices have temporal distance. Generally, knowledge takes time to implement in a foreign setting, and as a result the payoff lies somewhere in the future. Since managerial practices are tacit and socially embedded, they must be learned through experience over time. For example, a co-op banking executive from the returnee study explained that his colleague were originally quite excited to learn about a French practice he experienced that gave more choice to individual rural clients. At a high level of construal the practice made sense. However, the moment the discussion turned to the amount of time it would take to implement the practice, the idea was discounted by colleagues. It was not that it would take too long to implement, but rather it was that colleagues began to focus on the negative aspects of the project. They began to realize that this interesting idea was psychologically distant. They did not have a sense of proximity to the practice.

Second, the returnee foreign knowledge practices have spatial distance in that they come from a foreign country. As such, the knowledge has less immediate presence and is less concrete. Returnee executives found that colleagues struggled with decoupling spatial context to the value of a proposal. The returnees did not have this spatial distance, and thus the practices did not strike them as foreign. A senior returnee executive explained that he learned a great deal from the American approach to problem solving. It was more egalitarian and more focused on idea generation and mutual critique of ideas. This was different than the more formal approach typically seen in Korean organizations where ideas tended to flow top down and were not rigorously examined. Interestingly, he found that his team members enjoyed and became quite good at the American approach during training and simulation exercises. However, once the same team entered a real life situation, they immediately returned to the 'Korean' approach. When asked why they said that such an approach would not work well here. Thus, at a high level of construal they could understand and accept the knowledge practice, but when faced with a more proximal situation they identified the practice as something 'not done here'

Third, the results of making use of the foreign knowledge practices are more hypothetical. While the results of current knowledge are known, the results of this new knowledge are less known in the current situation. Also, since potential gains are often discounted more than potential losses (Green & Myerson, 2004; Murphy et al., 2001), the risks from implementing the new returnee knowledge may be given more weight than the potential payoff. In addition, the level of novelty of the knowledge is quite high. Novelty is related to hypotheticality in that "novel events are unfamiliar and often subjectively improbable. Novel objects may therefore be perceived as more psychologically distant" (Trope & Liberman, 2010). A marketing returnee executive at an insurance company became quite frustrated with his senior colleagues who would constantly fret that his foreign learned marketing approaches might fail in their context. He believed that it was not that his colleagues were risk adverse, as they had aggressively tried new marketing approaches, but they tended to inflate the risks when they perceived the idea as being foreign. His solution was to attempt to make this ideas appear as Korean as possible when he presented them. In this way, he could lower anxiety which led colleagues to inflate the risks of failure. The mere perception of something as foreign impacts hypotheticality which can irrationally increase perception of risk.

Fourth, and potentially the most important for foreign knowledge practice is that the new knowledge is often socially distant. It has evolved from a social constructed that is in a different society. Social similarity such as, "similarity in attitudes, personality characteristics or background variables, promotes forming unit relations between a perceiver and a target. A unit relation refers to a sense of 'belongingness', or closeness, between the perceiver and the target on the relevant

dimension” (Liviatan et al., 2008, p. 1256). Returnee executives seek to integrate practices across institutional boundaries. Thus, the cultural, historical, language, and institutional context will be perceived by the receiver of the new practices as more socially distant than knowledge from local sources. Thus, while it is possible that the new knowledge may be perceived as interesting or desirable, it may also be perceived as less practical and feasible than knowledge and solutions that are available locally and from more local sources (Förster, Liberman, & Shapira, 2009).

A senior marketing manager from a large financial firm summarized how construal levels and psychological distance play in the acceptance of the new knowledge that he was trying to implement into his firm. This returnee’s comments suggest that while the senior decision makers were not opposed to his ideas, and in fact were very happy to entertain them at a high level of construal, as the knowledge became more concrete and needed practical implementation, they rejected them in favour of knowledge and practices that were more socially proximal.

Discussion

Returnee executives represent an interesting sample as they began their careers in the local context. Then, they left for a foreign context to work and study. Our study looked at their experience trying to integrate foreign practices back into large Korean companies. Their years of foreign experience not only allowed them to learn new practices in an abstract form but to experience those practices in a more proximal way. In this way, their relationship to culturally distance practices changed over time.

When introducing these practices into their domestic firms, the returnee executives found that the impediment to success was not that their colleagues or team members could not cognitively understand they practice, rather it was because the practice remained to abstract and distant for them to embrace. In this way, adopting a foreign practice is not so much an exercise in learning about something in an explicit way, but rather is about interacting with a practice so that it becomes a more proximal experience. In fact, foreign practices are often viewed as interesting and exciting when considered at a high level of abstract construal, but rejected when it come time to actually execute the practice.

CONCLUSION

Psychological distance at the individual level and construal level theory has become an important area of research for marketing scholars studying the behaviour of consumers (Coulter & Norberg, 2009; Liberman et al., 2002; Trope & Liberman, 2010). In this paper, we have demonstrated that individual level psychological distance and construal theory can also inform cultural scholars. It is important to understand that as individual members of a culture become more internationalized, their psychological distance from a target culture changes. This existential change repositions that person in relationship to that culture.

Given the numbers of people who have immigrated for economic or educational purposes, the pool of potential returnees greatly increased over the past decades (Tung, 2008). Intense emigration from emerging market countries to more developed countries and the internationalization of higher education has given rise to a group of professionals whose lives, education, and work experience provide them with the skills needed to transfer knowledge across national boundaries (Brannen & Thomas, 2010; Riddle & Brinkerhoff, 2011; Thomas, Lazarova, & Inkson, 2005). At the same time, professional opportunities have increased in many emerging markets, which is now drawing some of these people back home. This study provides insight on how this phenomena is affecting the nature of cultural distance. With the global movement of people, it is important to have individual models of distance. Psychological distance provides a rationalized way of conceptualizing this distance at the individual level.

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Chapter 3

Nation Branding in the Context of State Administration Agenda

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ABSTRACT

The chapter focuses on relationships, structures, and processes that fundamentally influence the implementation of the nation branding strategy, the scope of activities carried out by institutional actors, and the extent of involvement of these actors in the process of nation branding. It studies the activities the official actors carry out in the nation branding scope and identifies what their priorities are in the integrated state presentation. It identifies the sources of double-track activities processes in the distribution of the roles and extent of involvement of public diplomacy actors, as well as institutions responsible for presentation of a country. Without attempting to initiate changes in legislation or hierarchy of the state actors involved in nation branding, it brings insight into informal layer of formal relationships and interactions and brings a proposal on how to formally simplify the process of implementation of the nation branding strategy in the Czech Republic.

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1 ROLE OF THE NATION BRANDING

Nation branding is a discipline cutting through traditional boundaries of established academic disciplines, ranging from sociology, politology, psychology and history, across the research on national identity and country of origin effect, to marketing, brand management, destination management to image management. It is desirable to demarcate the thematic area that serves as a basis for the study presented in this chapter, as nation branding doesn't have a unified and generally accepted definition. Some authors (Kotler, 2002) perceive it as almost a synonym for a country of origin effect or place marketing, whereas Anholt (2005) defines nation branding as a term covering the whole nation brand strategy based on the strategic vision of a country, permanently supported and enriched by the communication between the country and the rest of the world.

Although nation branding has a relatively limited theoretical and academic basis, it is at the same time endowed with a significant amount of real-time activities that can directly influence it. It is also a relatively politicized agenda, often tackled by contradictory or even conflicting opinions and attitudes of government representatives and stakeholders. States, governments, economic and cultural actors, as well as the individual citizens are intervening into the process of nation branding, to greater or lesser extent, more or less intentionally. Nation branding itself (through the government perspective) targets mainly three key priorities: to attract the tourism, to stimulate the investment, and to support the export activities. Dinnie (2008) adds to the previous three also to attract the talent. The support of currency stability, restoration of credibility for investors, reversing of the decrease in international rating, increase of political influence, or strengthening of international partnerships are cited among other beneficial outcomes of effective nation branding (Dinnie, 2008). The awareness of the importance of how the countries want to be perceived by investors, political counterparts, tourists or foreign residents has become a part of the public discourse of the state actors both formally and informally (Szondi, 2008; Jönsson et al., 2000; Olins, 2002; Gudjonsson, 2005; Anholt, 2005, 2007, 2011, 2014; Scott, 2013). While tourism may be the most visible manifestation of the country as a brand (Dinnie, 2008), it is evident that the image, reputation and values that the country and its (formal and informal) representatives project to the outside world have an impact on the perception of its products, residents or investment opportunities (Anholt, 2009). Nation branding does not work with anything lesser than a country, and actors who may interact during the process, reach far beyond the outreach of government and public administration. On the other hand, in the environment of the government and the state administration as a relatively clearly defined space, agenda, actors and activities it is possible to suggest how to better

formalize cooperation of actors not only among themselves but also in relations to the external environment.

Nation branding is a complex of activities carried out both by formal and informal actors whose extent of involvement was pursued in preceding studies (Szondi, 2008; Jönsson et al., 2000; Olins, 2002; Anholt, 2005, 2007, 2011, 2014; Scott, 2013). The aim of the chapter is to analyze and summarize how the nation branding activities are carried out and perceived through the perspective of official representatives of the government and state institutions in the Czech Republic.

2 BACKGROUND

Anholt mentions in the introduction to the Place Branding journal that the terms brand and branding are significantly popularized and became relatively natural part of popular (non-scientific) language (Anholt, 2005). Branding as a term often blends with terms such as advertisement, marketing, public relations, presentation, or promotion. In the area of the marketing practice it is mainly used in connection to the creation of visual identity and is being connected with name, logo, slogan, or corporate identity. In this context it can be understood as a communication channel in which the style and content refer to the substance of a product and its target audience. A more specific definition of branding (by Anholt) includes, besides of the marketing dimension, also a wider area of corporate strategy, motivation, and consumer behavior, as well as other subjects, internal and external communication, ethical dimension, essence and meaning (Anholt, 2005, p. 117). Such understanding of branding emphasizes not only functional and tangible attributes of the product, but also the intangible aspect connected with values, sense and reputation. A crucial part of the public and academic debate is of course an ethical dimension of the matter, reflecting the question to what extent a country or a nation can be perceived and approached as a product.

A logical difference between the promotion of a product with a purpose of selling it and promotion of a country with a purpose of persuading external (as well as internal) audience about its qualities, is based not only on the fact that a country isn't a commercial product, but also on the fact that the image of a country wasn't being built with the use of standard tools of marketing communication. It can hardly be imagined that an image of a country can be simply rebuilt through changes in slogan, design of advertisement, public relations activities or new communication campaigns. On the other hand, number of these instruments can be effectively used for promotion of individual aspects that contribute to the building of a country's image. These can include for example tangible and intangible cultural products,

tourism destinations, products for export, sport achievements, scientific or cultural achievements, investment opportunities, and other (Anholt, 2009).

Following the nature of nation branding, working with nothing smaller than a country as an entity or brand, the approach towards the management of its image should differ from the management of image of individual products. Unlike the products, the country and its brand doesn't have a unique owner who would have a complete control and mandate to its brand management. Ranges of different actors from a range of different environments co-create and influence individual aspects that contribute to the creation of the image of a country. Besides of the government actors and state institutions (as national tourism organization, agencies supporting investment and export) it's also the corporate sector, cultural institutions, civic society, and to a certain extent also each individual citizen. The principle of the effective and, with a slight overstatement, only way how to manage and influence the image of a country, lies in the ability of all involved (formal and informal) actors to pursue a common objective and head towards it together. The notion of identity and socio-cultural values of the country of which the position we want to strengthen in the international context is of no less importance.

The general assumption is that the state actors (that have a mandate to shape the image of the Czech Republic and influence its reputation through the tools of public, economic and cultural diplomacy) have already started to be active in the nation branding activities. Image and reputation are in this regard related concepts, both part of a communication process (with internal and external environment). Whereas image is understood as something that we send to the recipient, the reputation is the reflection in the mind of the recipient in relation to us (Whetten, 2002). Based on this definition the nation image is what the actors (formal and informal) want the external environment to consider as important, typical and stable, while reputation is a feedback of the external environment related to the credibility of such message. The relations between national identity and nation image are described in the following scheme, based on Fan (2010 p. 100) and Whetten (2002):

National identity @ Nation branding @ Nation Image « National reputation

At the same time it is to be noted that the level of the engagement of official actors, the level of their cooperation, spectrum of their activities and the level of formalization of their relations is fairly unbalanced. Although there is no clear consensus on the relationship between nation branding and public diplomacy (Popescu & Corbos, 2013), Szondi (2008, p. 14-15) identified five different approaches towards studying this relationship, ranging from the perspective of nation branding and public diplomacy being independent spheres with different objectives, strategies and actors through varying extent of integration between the two, to the perspective of the two coinciding and having the same objective i.e. promoting the country with the ultimate goal of building a positive image. Nation branding and public diplomacy

are rather perceived as distinct, yet slightly overlapping concepts (in terms of culture, identity, image and values) that both focus on communication accentuating nation, state and relationships building. Jönsson et al. (2000, p. 23) further classify these relationships in networks, differentiating between physical (channels of mass communication), institutional-organizational (economic and cultural institutions, strategic partnerships, policy networks) and socio-cultural (that unite individuals or are carriers of ideas). It is presumed that the tools of the nation branding and the tools of cultural and economic diplomacy are in many cases similar, so the fundamental constituents of conceptual planning and diplomatic communication in this regard should be based on the same principles. The presumption is that the key obstacles lie primarily in the area of competences, and only secondarily in budget and human resources, and that the creation of formalized protocol is a crucial step for the relevant institutional actors in order to effectively cooperate in strategic activities within the framework of nation branding. Another assumption is that the awareness of the national identity is in this regard a necessary element of a nation branding strategy and of intercultural communication in European area as the nation branding is an activity influenced directly by not only governments or economic and cultural actors, but also the inhabitants of the states who more or less intentionally contribute to shaping its image. Nation branding as well as public diplomacy can in this context serve as important instruments of reputation building and reputation management of a country.

Nation branding is therefore perceived less from the perspective of marketing or country of origin effect (Kotler, 2002) and the emphasis is given to the common ground of public diplomacy and competitive identity perspective. However it must be noted that the nation branding is not viewed as a part of public diplomacy as such approach might put the nation branding in danger of being *victim of domestic political fights* (Szondi, 2008, p. 26). Also, as Kaneva (2011) mentions it can be perceived both as a positive instrument to inspire responsible citizens, and as a tool for propaganda. As the growth and innovation leading to development of regions or cities does not depend entirely on state actors or government decisions but is rather driven by forces beyond these official actors, the involvement of stakeholders beyond the area of government and diplomacy addressed by Scott (2013) is pointing at two important pools: “Institutions” (representing states, formal policies) and “institutions” (networks, communities interacting more or less intentionally). These forces indicate that the approach to the nation branding should take into consideration involvement of formal and informal actors from various levels: local, regional and national (Scott, 2013), and consider the combination of top-down and bottom-up approach.

It is assumed that the nation branding attempts to bring benefits to the state and its inhabitants on various levels, from tourism attraction, stimulation of investment, support of export, talent attraction (Dinnie, 2008) to currency stability, restoration of credibility for investors and increase of political influence (Temporal in Dinnie, 2008). The issue whether nations and states can be perceived as products (and therefore marketed or branded) at all, takes into consideration two opposing perspectives outlined by Olins and Girard (2002) where on one side stands the perspective of national identity building and on the other the country of origin effect. Whereas Girard argues that nations are built on different principles than corporations, no one owns them therefore they can't be marketed or branded as products, Olins opposes that the methods of doing so are very similar. The research objectives within the nation branding field should therefore be formulated on all three levels: local, national and supra-national as the nation branding can be considered as an activity carried out both by governments and economic and cultural actors, and also by inhabitants of the states themselves (Szondi, 2008; Jönsson et al., 2000; Olins, 2002; Scott, 2013).

3 MAIN FOCUS OF THE CHAPTER

In the environment of the Czech Republic, the process of creating the nation branding strategy (Anholt, 2005; Dinnie, 2008; Govers & Go, 2009) leading to the identification and implementation of strategic activities involving the official and unofficial actors can follow up an array of (to some extent) formalized activities, especially on the national level. This process includes both (formal) Institutions and (informal) institutions (as in Scott, 2013) and creates the necessary prerequisites for broader support based on greater involvement of actors on various levels. The importance of involvement of unofficial actors is interconnected with the specific role of the culture, and especially the cultural diplomacy that has the unique ability to address wide spectrum of actors, often informal ones, non-elites, and communicate across many layers of the societies. Although the studies covering nation branding in CEE region with the focus on the Czech Republic have been realized marginally (Hall, 1999; Dinnie & Fujita, 2009), it is possible to proceed from a number of existing studies, mapping the attitudes of the population, value orientations and other aspects reflecting national identity (Anholt, 2007; Govers & Go, 2009; Smith, 1991; Widler, 2007). On the other hand, from external perspective, it can be identified how a country is perceived in the international competition and how it is perceived in a series of more detailed aspects (Anholt, 2005a, 2009; Fan, 2006; Porter, 1998; Szondi, 2008).

Although it is unrealistic to expect a situation when those in charge of creating a nation branding strategy in the Czech Republic will know all variables influencing a position of a country in the minds of an external audience, it is to be noted that a number of steps have been already made. From this perspective, it may not be appropriate to wait for ideal conditions, but rather to identify the status quo and in such defined terrain propose series of follow up steps for the effective implementation of a nation branding strategy. Based on the knowledge of attitudes formal actors, their description of the current situation, formalized processes, defined activities and to some extent coordinated procedures, their role in the implementation process is suggested.

The Ministry of Foreign Affairs of the Czech Republic states:

Branding of the Czech Republic and increasing its value by improving the positive image of the Czech Republic abroad remains the main priority for public diplomacy. The international status of the Czech Republic is not based on economic or military power or significant international political influence. Czech Republic must benefit from its strategic location and membership in international structures, acceptance and protection of shared values and its comparative advantages. The position of the Czech Republic abroad strengthens the favourable perception of the Czech creative traditions and culture, part of Europe's intellectual and cultural heritage and international popularity of Prague as a tourist destination. The impact of the Czech foreign presentation is also supported by the development process of national identity since 1989 and connection with the transformation, membership in the EU and Euro-Atlantic structures and the openness and activities of the Czech economy to foreign countries. (Ministry for Foreign Affairs, 2014, p. 2)

What remains as a question is, what do the representatives of individual ministries mean by presentation, whether such understanding is usually related to the activities connected only with their own agendas or activities pursuing a common goal. Another question is how the sharing of information and content coordination in the development of individual strategic documents is carried out, so that such activity would not lead to disunity and lack of synergy. Even in the organizational support of presentation it is necessary to reveal whether there are any uncoordinated activities, as individual departments often arrange such activities by different organizational units focused on communications with the media and professional community, rather than on the creation of a coordinated branding strategy and country's brand management. Therefore a more detailed insight into the relationship of official actors on the national level is desirable.

Table 1. Thematic intersections of nation branding and diplomatic agenda in the Czech Republic (based on Scott, 2013; Anholt, 2007, 2014; Szondi, 2008)

Perspective	Passive image		Activities	
	NBI dimension	Diplomacy dimension	Actors	
			Institutions (formal)	institutions (informal)
Political-economic	Investment	Economic	<ul style="list-style-type: none"> Ministry of Industry and Trade CzechInvest 	
	Export		<ul style="list-style-type: none"> Ministry of Industry and Trade CzechTrade 	enterprises brands
	Governance	Public	<ul style="list-style-type: none"> president government Ministry of Foreign Affairs 	
Socio-cultural	People		<ul style="list-style-type: none"> Official representatives 	inhabitants famous people
	Culture		<ul style="list-style-type: none"> Ministry of Foreign affairs Czech Centers 	creators performers
	Tourism	<ul style="list-style-type: none"> Ministry for the Regional Development, CzechTourism Regions municipalities 	destinations	

The goal of the expert interviews is to capture how the nation branding is managed and perceived through the perspective of official representatives of the government, state institutions of the Czech Republic and their contributory organizations. The research aims to gain deeper knowledge about what activities these key actors carry out in the nation branding agenda, to what extent they cooperate, what their priorities are and how they perceive the topic of integrated state presentation. These findings are a necessary prerequisite for efforts to initiate activities leading to the promotion of the idea of an integrated presentation, both within the government and state administration, and towards the general and professional public. The collection of primary data in the qualitative research and the selection of analyzed institutions (Dinnie 2008) is based on the logic of Nation brand hexagon (Anholt, 2005), and reflects the thematic orientation of the activities of the surveyed actors of public, economic and cultural diplomacy. The scope of actors selected is based

on the political-economic perspective (governance, export, investment) and socio-cultural perspective (people, culture, tourism), further elaborated in Dianová (2014).

The thematic intersections of nation branding perspectives together with the topics of existing diplomatic agenda are presented in Table 1.

The central institutions surveyed: Office of the Government, Ministry for the Regional Development, Ministry of Culture, Ministry of Foreign Affairs, Ministry of Industry and Trade.

The contributory organizations of the ministries surveyed: Czech Centres, CzechInvest, CzechTourism, CzechTrade.

The issues explored through the interviews covered the areas of activities and cooperation, priorities and competitors, and the integrated presentation. The qualitative research, which is the basis for the data presented in this chapter, views the issue with the objective to identify the environment in which the nation branding activities of the Czech Republic are carried out. Partial aim is to analyze the ways, means and impacts of such activities, define the prerequisites and lay out the framework for an effective and coordinated presentation of the Czech Republic. The propositions therefore are:

P1: Official representatives of state administration perceive nation branding as an effective instrument to improve a positive perception of a country.

P2: The issue of national identity is not purposefully reflected in the promotional activities of the Czech Republic.

P3: Nation branding is an integral part of the official communication of state Institutions (as in Scott 2013) of the Czech Republic with the international environment.

The choice of institutions, from which the respondents were selected, is based on the logic of the NBI methodology and reflects the thematic focus of the activities of the most important actors in the public, economic and cultural diplomacy. Representatives of the cited institutions were always chosen from among the senior staff. In order to maintain anonymity and the related freedom of expression the individual respondents are identified solely according to the institution. Questioning was conducted through exploratory semi-structured interview with the respondents. Data were recorded in audio form, where given consent. In other cases a written record was made by the interviewer during the course of questioning. The topics of the questionnaire were designed in three thematic layers: activities and cooperation, priorities and competitors, and integrated presentation.

3.1 Outcomes of the Qualitative Survey

Activities and cooperation: Institutions implement a wide range of promotional activities, among which prevails the presentation through websites in various language

mutations (or at least Czech and English), PR and professional publications. Other activities are realized through events, namely fairs, workshops and conferences. There are also new (or rather current) forms of communication such as Facebook, Twitter and blogs. Presentation within the Czech Republic focuses rather on promotion of own activities that target the citizens and serve rather as a tool to publicize the activities of the government with the perspective to be re-elected. It can be stated that promotional tools used by the individual institutions, reach both the domestic and foreign audiences, and both the professional and general public.

Cooperation with the actors of the public sector predominates over private. The most frequent type is a mutual cooperation carried on inter-ministerial level, between the individual ministries and their contributory organizations, or between the Office of the Government and other (governmental and non-governmental) actors. Based on the obtained data, the Ministry of Foreign Affairs and Ministry of Industry and Trade are among the most frequently mentioned cooperating state departments. Among the subjects with the largest number of links extending beyond the state administration, the contributory organizations of ministries (rather than ministries themselves) were stated. The cooperation on the preparation and development of strategic documents (conceptual or marketing) takes place after their creation, rather than in the preparatory phase. The possible elimination of overlaps in conceptual documents is dealt with within the course of the standard consultation procedure that takes place after the document is prepared. For individual marketing strategies, the consultations take place according to the will and the habits of individual entities, rather than based on the formalized processes. Cooperation with private entities representing strong brands (exporters) is mentioned, and it can be assumed that the state administration representatives are aware of its potential, however in reality it rarely occurs. In most cases the cooperation is carried out on ad hoc projects or activities. With the exception of the Ministry of Foreign Affairs, a predominant initiator of cooperation has not been identified.

Research and surveys providing a feedback or a reflection of the activities is not consistently performed by the government institutions. If so, they focus exclusively on the topic of defined competences. The cooperation on the research of the topics and agenda overlapping the individual departments was not identified. An exception is the purchase of partial Nation Brand Index studies, which are subsequently used and adapted according to the priorities of tourism, without further sharing with other ministries. Another activity mentioned in this area, are the surveys focused on the perception of the Czech Republic through prominent personalities of Czech origin living abroad. Both cases represent a valuable source of data that could serve as one of the sources for possible supra-departmental research on the image of the country.

Priorities and competitors: The selection of planned promotional activities usually takes place a year in advance. It is generally based on the objectives and priorities

of the conceptual materials of individual ministries. Creation of the materials is performed individually within each ministry or a contributory organization, in some cases, the finished material is shared with others (more often in case of contributory organizations rather than other ministries). Certain systematic effort of coordination between the ministry and its contributory organizations was mentioned in the case of Ministry of Industry and Trade. The choice of topics respects thematic focus defined by the Competence Act 2/1969 Coll., deliberate or coordinated efforts to find shared theme were not mentioned. There are partial joint projects in which the supra-departmental view can be identified in the cases of important anniversaries in which interdepartmental intersections can be defined. In other cases, however, these tend to be isolated activities based on the individual will of individual members of staff.

The topic of identity (who we are) was sometimes confused with the topic of the image (how we are perceived), and sometimes mistaken for typical Czech products, or national symbols or colors - red, white and blue. Respondents often referred to the cultural heritage of the Czech Republic, which is mentioned in relation to the national identity, across the departments. Also, the process of the search for what we identify with after the political, economic and social changes since the Velvet revolution is mentioned. In some cases, rather conflicting perspectives are identified. As one respondent expressed: *We perceive the Czech Republic as a part of European intellectual area, we are aware of the image of Prague, open economy, ..., creativity and identity reflecting the transformation after the 1989 and search for own self-consciousness.* (Dianová, 2014, p. 102) Other respondent states: *The national identity is an outdated concept. We have a civic Constitution, we are citizens, not nation, and that is a good thing.* (Dianová, 2014, p. 102)

Regarding the key partner countries, despite different themes and activities and different goals of individual departments, cultural, tourism and economic actors identified Germany as a traditional partner, and China as a rapidly growing global player. The generally prevailing opinion is that in the globalized world the competitors of the Czech Republic are all other countries. In culture and tourism, to a certain extent, it was stated that the forces can be joined within the Visegrad four countries framework and thus promote Czech Republic as part of the Central European region, especially to geographically distant markets. At the same time, however, some respondents point out that it is necessary to be able to distinguish oneself from countries that offer essentially the same in the Central European region.

Integrated presentation: Respondents are aware of the fact that the Czech Republic does not have an integrated presentation, in which all concerned ministries would be involved. Some refer to a short-term initiative of the Ministry of Foreign Affairs, which took place a decade ago and resulted in a new logo, which was supposed to

be used by all departments involved in the presentation of the country abroad. The results of this initiative were abandoned shortly after the appointment of the new cabinet, and the logo can be found only on the materials of the Ministry of Foreign Affairs and their contributory organization Czech Centers, in some cases parallel with the logo of the institutions in question. If in some destinations a coordinated presentation of the Czech Republic is carried out, it is done randomly and depending on the personal preferences and the will of the ambassador and other representatives at the destination. Other efforts to coordinate are identified predominantly in individual sectors with same agenda (e.g. between the Ministry of Foreign Affairs and the Czech Centers), rarely interdepartmentally.

There is almost a unanimous agreement among the respondents regarding the statement that the Czech Republic should have an integrated presentation. As one respondent states: *Anything that leads to the elimination of duplicities and saving of finances is good.* (Dianová, 2014, p. 107). The participating actors mentioned in the answers are Office of the Government, Ministry of Foreign Affairs, Ministry of Industry and Trade, Ministry for the Regional Development, Ministry of Culture, and their contributory organizations Czech Centers, CzechTrade, CzechInvest, CzechTourism, i.e. institutions that were members of the Commission on presentation of which the activities started a decade ago and ceased shortly after. Certain activities following the agenda of the Commission are identified between the Ministry of Foreign Affairs and Ministry of Industry and Trade (since autumn 2014), other ministries do not mention their involvement in such activities.

The fundamental obstacle to the effective implementation the integrated presentation in the sphere of processes appears to be especially the resortism and the lack of coordination. In the sphere of ideas it is the absence of the main idea and the lack of clarity in questions as who we are and what we represent. In the sphere of competences, it is the inability to overcome the thematic diversity originating in the agenda of the individual ministries and contributory organizations.

In regards to the positive aspects of an integrated presentation a better recognisability, increase of the interest in the Czech Republic, positive effects in the sphere of tourism and trade, financial savings and improved image were stated. A will for a coordinated presentation and overcoming of the disagreements was declared. There are differing opinions on the issue of an integrated presentation within the Czech Republic (to the domestic audience), where from one perspective it is perceived as artificial, and from the other as potential support of solidarity or pride.

There is relatively high fragmentation in regards to the content of an integrated presentation. As one respondent summarizes: *being in the centre of Europe caused that we have a bit of everything, ... we are kind of a concentrate, but rather static* (Dianová, 2014, p. 111). The only consensus regarding the issue of an integrated presentation appears to be that there should be an integrated presentation, and *it*

should reflect what was, is and will be; focusing on the cover as well as the content. (Dianová, 2014, p. 111). Another respondent adds: *we are calm, you can afford a lot here, it's free and safe... don't expect too much, but we can take care about ourselves... a country where they let you live, where they leave you alone... a space to breathe.* (Dianová, 2014, p. 112) The respondents do not distinguish if a shared supra-departmental theme, or umbrella brand, or portfolio of topics related to the individual sectors (culture, tourism, export etc.) should be elaborated.

The chapter identifies the sources of double-track processes in the distribution of agenda and a level of involvement of public diplomacy actors and other institutions responsible for the presentation of a country. Based on the formal and informal level of relationships and interactions of official state actors, the chapter uncovers thematic and process-related overlaps, identifies the relation between nation branding and public diplomacy (Szondi, 2008) and draws attention to the critical obstacles preventing an integrated state presentation, primarily in the sphere of processes, ideas, and competences. These findings are a necessary precondition for any activity leading to advancement of the idea of an integrated state presentation both in the framework of state administration and public-oriented activities. The qualitative research brings the insight into the environment in which the nation branding activities are carried out, assesses the means and impacts of such activities and defines the space for an integrated presentation of the Czech Republic. Although the positive effects of an integrated approach are widely understood by the respondents and the will to cooperate on a shared agenda was explicitly expressed, there hasn't been a clear agreement on its content yet, nor has been an agreement on the coordinating body in charge of such agenda.

4 PROPOSALS AND RECOMMENDATIONS FOR THE STATE ADMINISTRATION

It can be stated that the absence of an explicit framework of authorities in relation to nation branding between the actors and the need for informal agreements, as well as the quality of the nation branding activities depend on the personal and professional qualities of the state administration staff (or individual officials) and the relationships between them. Such relationships are hardly transferable beyond specific personnel constellations and it is thus difficult to ensure their long-term sustainability both systemically and also in perspective overlapping the framework of particular governments. The state administration however possesses a range of instruments that, through the means of state institutions and actors, are closely intertwined with nation branding. Based on the analysis of competences, conceptual materials, instruments, environment and attitudes of the state administration representatives,

Table 2. Role of the state in the nation branding strategy of the Czech Republic (author)

Agenda	Actors	Activities
Visual identity	Government Commission (Office of the Government)	<ul style="list-style-type: none"> • Selection of the unified visual identity elements for the central institutions • Implementation on two levels: a/ Office of the Government, b/ ministries
Thematic coordination of promotional activities	Government Council for Presentation (Ministry for Foreign Affairs)	<ul style="list-style-type: none"> • Optimization of foreign offices networks • Formulation of objectives of an integrated state presentation • Coordination of conceptual documents and strategies • Coordination of presentation activities of contributory organizations

the proposals and recommendations related to the role of state in the nation branding strategy can be formulated in three layers: agenda, actors, and activities.

Visual identity: The initial step on the state administration level is to unify the visual identity of the central government institutions presentation. Based on implementation cases from the Netherlands, Poland and Germany, the unified visual presentation proves to be a tool supporting effective communication of government institutions. This formal step leads to the situation in which the government and state institutions despite the diversity of their agendas do not create the impression of an uncoordinated fragmented formation. The decisions and impulse to unify visual identity should come from the highest governing body, i.e. the Office of the Government, which has the key role in such process. The proposal does not attempt to create a new institution or propose measures that would require an amendment to the Competence Act, but rather take advantage of a flexible solution, which may be the establishment of a temporary interdepartmental Government Commission (for the agenda of unified visual identity), organizationally linked to the current structure of the Office of the Government. The Office of the Government has already initiated the regulation that obliges the central government institutions to proceed uniformly in case of document creation, as *for the public...the formal unification of documents will improve orientation* (Office of the Government of the Czech Republic 2016). Members of the Commission shall be the representatives of the Office of the Government and the representatives of all ministries. The key activities of the Commission will be to select the unified visual identity elements

and ensure implementation in all forms of communication of the ministries. After the implementation of these tasks the Commission's activities are terminated.

Thematic coordination: The subsequent step follows the unified visual identity, i.e. the formal level, which is an important prerequisite for a more complex issue of content coordination. Thematic coordination to a great extent just what the state administration can and should do in terms of nation branding, and what they already to a certain extent do. Based on the analysis of competence, conceptual and instrumental level of the presentation of the Czech Republic and the qualitative research, currently the agenda of particular ministries is in most cases realized separately, without a significant coordination with other ministries. Results, however, indicate quite clearly that the most significant experience, and instruments to coordinate the presentation on the national level, has the Ministry of Foreign Affairs. Cross-sectional character of the nation branding agenda also requires that its procedures are supported within the interdepartmental cooperation. Solution that can meet the above requirements, is the establishment of the Government Council for Presentation, as an advisory and working body, organizationally linked to the current structure of the Ministry of Foreign Affairs. This solution does not create again the need for the amendment of the Competence Act, because it respects the legislatively defined role of the ministry as it *coordinates the activities of ministries and other central institutions of the state administration in the area of international relations* (Act 2/1969 Coll.). Members of the Commission shall be the representatives of the Office of the Government, ministries as well as representatives from selected contributory organizations, i.e. Czech Centers, CzechTourism, CzechTrade and CzechInvest.

The Council enables the possibility of broad cooperation with other formal and informal actors. One of the important activities is optimizing the network of foreign offices of member contributory organizations (Czech Centres, CzechTourism, CzechTrage and CzechInvest). The foreign offices are together with the embassies a logical point of contact, providing official information on the Czech Republic and mediating a part of the official communication of a country to the external environment. Another important step is to coordinate the conceptual documents of the ministries and related presentation activities (such as marketing plans and event calendars) of the contributory organizations. Currently, the coordination or feedback between different ministries often as late as within the course of the standard consultation procedure, i.e. at the moment when a concept or a strategy is basically finished. In case of the promotional and marketing activities of the contributory organizations (Czech Centers, CzechTourism, CzechTrade and CzechInvest) the lack of coordination can occur most visibly. A vertical (between ministry and contributory organization) and horizontal (interdepartmental) coordination is a necessary prerequisite to streamline existing and future nation branding activities that the Czech state actors might carry out. Regarding the identified extent of resortism,

a possibility to find a broader consensus on the significant reconstruction of the existing institutional architecture does not appear very likely. The formation of an interdepartmental entity (Government Council for Presentation) thus seems to be a more realistic solution.

5 CONCLUSION

Based on the analysis of socio-cultural, as well as political and economic parameters of the Nation Brand Index, and on the comparison of position of countries according to Nation Brand Index and Good Country Index, it can be concluded that the size of the country affects the positive evaluation of its image. Smaller countries tend to be on lower positions in the ranking which increases pressure on their effective presentation and perception in the global context.

The proposition that the official representatives of state administration perceive nation branding as an effective instrument to improve a positive perception of a country was unequivocally confirmed. Qualitative research on the national level showed that state institutions that have a mandate to carry out the presentation of the Czech Republic have already been involved in the nation branding activities. Respondents identified quite clearly the potential deriving from an integrated presentation. It should however be noted that the level of their involvement, the level of mutual cooperation, the spectrum of activities and formalization of the relationships of these institutions are still proving to be quite unbalanced and the activities themselves not systematically coordinated. The causes are especially in terms of realization and implementation, less on the level of competence, budget and personnel. Despite an attempt to formalize the agenda, it should be noted that the Czech Republic (beyond the extent of Competence Act and ad hoc interdepartmental groups) lacks the strategy of an integrated presentation, mandatory for government institutions. Individual institutions have been directly involved in the nation branding activities, without, in some cases, being necessarily aware of the impact that a coordinated approach brings.

The proposition that nation branding is an integral part of the official communication of state Institutions (as in Scott, 2013) of the Czech Republic with the international environment was confirmed, however the approach to the realization of such communication shows to be significantly fragmented. The ministries and contributory organizations use similar communication instruments, primarily for the presentation of their own activities. The cooperation on preparation (or adjustment)

of strategic conceptual or marketing documents is carried out ex post. The most significant obstacle to the implementation of an integrated presentation shows to be the persisting resortism, despite the declared will to cooperate and contribute to the integrated presentation. Contrarily, it cannot be clearly said that a coordinated approach is impeded by budgetary constraints.

The proposition anticipating that the issue of national identity is not purposefully reflected in the promotional activities of the Czech Republic, was partly confirmed. Results of expert interviews identified a significant semantic overlap of national identity in the minds of respondents, for example, with an image, or a typical Czech product, or national symbols. Value and systemic transformation of the Czech Republic after 1989 projected to the communication with both internal and external environment, reflects the identity and a number of presentation activities show the tendency to formulate who we are, what we represent and what values we adhere to. These efforts do not exceed the limits of the thematic agenda of individual ministries. However, it should be noted that central institutions are not the only actor who should deal with these questions and who should be looking for answers for them. Nation branding offers the instruments that can contribute to the shift in the minds of audiences to some extent, but it is also evident that this should be preceded by a necessary stage to realize, what the Czech Republic in the post-communist period is, which values it represents and where it projects itself in future (in the long-term perspective clearly overlapping the time frames of particular governments). Such activity should not be based on a false confidence but a legitimate awareness of the competitive identity, based on a realistic view of the country and shared by its inhabitants. Of the country, that is like all the others, part of a global market of products and values, and within this framework competes for its position in geopolitical relations, in the international economy, in the intercultural exchanges, and the minds of those participating.

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Chapter 4

Cultivating Cultural Self–Awareness: Transforming IB Students Into Effective IB Leaders

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ABSTRACT

This chapter analyzes the importance of using appropriate pedagogic and practical tools to develop cultural self-awareness in international business (IB) students in a classroom setting, establishing the foundations for future international business executives. Based on recent research, the author posits that IB students need to develop three basic knowledge bases: (1) their cultural intelligence level, (2) their potential implicit biases, and (3) the use of critical thinking to avoid certain psychological traps or hijackers. Using cultural self-assessments, developing the understanding of psychological factors affecting decision-making processes, and incorporating the use of critical thinking should reduce the negative role of unconscious biases during cross-cultural interactions. The author posits about the effectiveness of cultural profiling tools in predicting and identifying potential cultural pitfalls and challenges. Finally, the author recommends incorporating the practical use of cultural profiling tools in simulation or case studies.

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INTRODUCTION

A new level of complexity dominates today's global economy (Mendenhall et al., 2012; Stacks, Booker, von Der Linden, & Strohmayer, 2014). The challenges of globalization are embedded in the multiculturalism of the new business environment, affecting cultural, technological, political, and social factors. Tapping into the competitive advantages of certain markets (low-labor costs, large English-speaking populations, large pool of engineers or STEM-based professionals...), while navigating the political and social implications of globalization, produced multicultural workforces that are becoming the norm in today's world economy. Past studies support the benefits of multiculturalism, such as increase levels of creativity, higher corporate profitability, and improved customer satisfaction (Hunt, Layton, & Prince, 2015). Still, multiculturalism presents certain challenges to organizations that, when mismanaged, could result in conflicts and, ultimately, loss of opportunities and revenues for corporations. Preparing future international business (IB) professionals to hit the ground running should be a priority for any business-focused, higher learning institution.

Developing an effective leadership that has the ability to navigate and prosper within these global movements presents itself as a challenging task. Regardless of the nationality or country of origin of the young IB executive, he or she will face a series of challenges anchored in the lack of a culture-specific knowledge and, to a large degree, exacerbated by a poorly developed metacognition. Thomas (2006) defined metacognition as the "understanding of one's own cognitive behavior in the planning and monitoring of performance and in the use of cognitive strategies" (p. 86). Metacognition is identified as one of the dimensions of Cultural Intelligence (CQ), "the ability to interact effectively with people who are culturally different" (Thomas, 2006, p. 80).

This chapter will posit that in order to develop effective cross-cultural future leaders, executives, and employees, classroom activities and lectures should aim at developing and growing the IB student's own cultural intelligence. Many of the challenges faced by cross-cultural leaders are born from individual psychological factors, such as cognitive dissonance, rationalization, and motivated reasoning. Biases are generally born from social or psychological reasons, including cultural and organizational group behaviors. Hence, learning about one's implicit biases should be part of one's metacognition development early on in the IB student developmental phase. Learning about culturally specific elements should be another aspect of business leadership development. When dealing with individuals from different national cultures, cultural profiling tools, such as the Culture Intelligence Scale (CQS), the Meyer's Culture Map, Kazai Group's Intercultural Effectiveness Scale (IES), or Itim International's Culture Compass™ Survey help predict potential

Cultivating Cultural Self-Awareness

challenges and opportunities related to one's cultural awareness level, self-efficacy, and culture-specific knowledge. The author examines existing research on the topics of cultural intelligence, implicit bias, and cross-cultural leadership development, and proposes an effective development plan for future cross-cultural leaders.

IB PROGRAMS

There is no denying that the current globalized business world requires a specific set of knowledge, abilities, skills, and motivations to cope with the current corporate challenges, domestically or internationally. The current globalized world includes multicultural organizations, supply chains, and distributions chains, as those firms service culturally diverse markets with various culturally defined consumer behaviors (de Mooji & Hofstede, 2011; Kurpis & Hunter, 2017). A survey conducted by Daniel, Xie, and Kedia (2014) of over 800 executives at different US companies found that among those companies, 40% admitted to losing opportunities due to the lack of internationally competent personnel. Those internationally competent individuals are expected to have high levels of adaptability and a global mindset. A global mindset requires the ability to think and act within a global setting and from diverse cross-cultural perspectives (Aggarwal & Zhan, 2016). To adjust to these necessities, as part of their 2013 Standards of Accreditation, the Association to Advance Collegiate Schools of Business (AACSB) promoted the need for all business students to develop the ability to work in diverse and multicultural work environments and to communicate effectively cross-culturally (AACSB International, 2015). In order to develop the capability to adjust to individuals and groups of people from diverse cultural backgrounds and to acquire a set of learned attributes that would enable those productive cross-cultural interactions, college students are expected to enhance their multicultural adaptation ability prior to joining the workforce (Varela, & Gatlin-Watts, 2014). Brislin and Yoshida (1994) posited that intercultural training should involve different learning activities such as:

- Raising the individual awareness on how culture affects one's way of thinking, behaving, and interpreting behaviors.
- Acquiring culture-specific and culture-general knowledge.
- Preparing individuals to understand the emotional challenges borne from interactions with individuals or groups from different cultures.
- Developing the skills to help individuals reconcile those differences.

A complex and diverse array of activities would help prepare IB students to become successful cross-cultural leaders. Those activities include lectures, role-playing, simulations exercises, group discussions, case study analysis, cultural assimilation through assessments, exposure to other cultures, or studying abroad (Yoshida, Gimbayashi, Suzuki, & Tamura, 2016). By providing IB students with practical and theoretical cross-cultural training, IB programs aim to assist students in avoiding the cultural shock and adjustment difficulties related with the costly failures of expatriate assignments or the loss of corporate revenues (Farooq, Ahmad, & Shafique, 2015). Intercultural differences present challenges to multinational corporations as well as to local organizations operating in a multicultural environment (Hofstede, Hofstede, & Minkov, 2010). Through cross-cultural training, IB programs should provide IB students with the tools and techniques to develop constructive interpersonal relations borne out of interactions with people from different cultures and resulting in professional success. Still, awareness of cultural values may not be a substitute for a more direct and experiential knowledge of interpersonal interactions. Hence, the importance of short-term or long-term studying abroad programs promoted by many universities.

Studying Abroad

Global learning is a requirement for success in today's world (Gibson, Rimmington, & Landwehr-Brown, 2008). The increase globalization of today's world economy with its interdependence, interconnectedness, and cultural diversity requires executives and managers to learn from international experiences, the culture-specific and culture-general knowledge that conveys the necessary respect and concerns for other cultures and the understanding of global issues. IB programs pursue the mission of instilling multicultural competence on business students. Multicultural competence is defined as a series of learned attributes that permits individuals to interface with people from different cultures in a constructive, effective, and productive manner (Thomas et al., 2015; Warela & Gatlin-Watts, 2014). IB programs should aim at converting IB students into cosmopolitan managers, void of parochial prejudices and with the skills and abilities to constructively interact with people from diverse cultural backgrounds (Warela & Gatlin-Watts, 2014). Most research on IB programs agreed that the key criteria of learning events should include the development of a student's affects, cognition, and skills. Affects refer to the participants' emotional reaction, the degree of satisfaction, and motivation, as well as the education experience and interest shown by the student. The cognition aspects of the student developments revolve around the need to acquire culture-specific and culture-general knowledge, the retention of factual information, and the understanding of how the thinking process works under different cultural environments. Finally, the skills development

Cultivating Cultural Self-Awareness

aspect requires the development of the capacity to apply the acquired knowledge and develop the behavioral proficiency to effectively produce the right behaviors and actions required by a specific multicultural context. Those are facets that parallel the concept of cultural intelligence (CQ), or the capability of an individual to be effective across multicultural settings (Eisenberg et al., 2013; Ng & Earley, 2006).

While some research has found no causal link between studying abroad and the success of alumni careers (Orahood, Woolf, & Kruze, 2008), the benefits of studying abroad have been documented in a larger array of other studies. Gullekson and Tucker (2013) found that the benefits of studying abroad in short- or long-term programs included improvements in (a) intercultural sensitivity, (b) cultural awareness and personal development, (c) cross-cultural skills, (d) global understanding, (e) emotional intelligence and (f) world mindedness. Studying abroad programs also improve the emotional intelligence of the students (Gullekson & Tucker, 2013) and facilitated the intercultural growth by reducing the effects of the student's ethnocentrism and apprehension of cultural differences, hence, improving intercultural communication effectiveness and global issues awareness.

According to the National Association of Foreign Student Advisers (http://www.nafsa.org/Professional_Resources/Research_and_Trends/), 313,406 US students studied abroad during the academic year of 2014-15. That number represents a growth of 2.9% from the previous year (2013-14) and a significant growth from the 130,000 US students that studied abroad in organized programs in 1999 (Barbuto, Beenen, & Tran, 2015). Table 1 provides a recent picture of the magnitude and growth of studying abroad programs.

Studying abroad has been found to positively affect mostly the cognitive and metacognitive areas of IB learning, with limited effect on the motivational and behavioral aspects of cultural intelligence (Varela & Gatlin-Watts, 2014). Orahood and colleagues (2008) found that studying abroad programs fomented the development of the individual's interpersonal skills. According to studies commissioned by the Institute of International Education, the German Academic Exchange Service, the British Council, and the Australian Education Office during 2006, interpersonal skills were the most sought-after selection criteria for managers involved in international business.

Studying abroad programs support an experiential learning experience that grows the global knowledge and skills of IB students (Brasfield, McCoy, & Reed, 2011). Through the international sojourns, the students improve their intercultural communicative competence or their ability to communicate effectively in cross-cultural situations, as well as the ability for cultural adaptation (Czerwionka, Artamonova, & Barbosa, 2015). Still, while some studies suggested that students' ethnocentrism declined during studying abroad programs (Walton & Basciano, 2006), other studies disagreed (Vemela et al., 2014). In a global environment, it is

Table 1. Number of US students studying abroad and foreign students studying in the USA

School Year	US Students Studying Abroad				Foreign Students in the US			
	Total Students ('000s)	% of US Higher Education Student Total (1)	Top 5 Destination Countries	% of Students Abroad Studying Business & Management	Total ('000s)	% of US Higher Education Student Total (1)	% of Foreign Students in US Studying Business & Management	Top 5 Countries of Origin of Foreign Students in USA
1999/0	144	NA	UK; ES; IT; FR; MX	0.177	514	NA	0.194	CN; IN; JP; KR; TW
2011/12	283	1.4	UK; IT; ES; FR; CN	20.5	764	3.7	21.8	CN; IN; KR; SA; CA
2012/13	289	1.5	UK; IT; ES; FR; CN	20.4	820	3.9	21.8	CN; IN; KR; SA; CA
2013/14	304	1.6	UK; IT; ES; FR; CN	19.6	886	4.2	21.2	CN; IN; KR; SA; CA
2014/15	313	1.6	UK; IT; ES; FR; CN	20.1	975	4.8	20.2	CN; IN; KR; SA; CA
2015/16	NA	NA	UK; IT; ES; FR; CN	NA	1044	5.2	19.2	CN; IN; KR; SA; CA

Source: Numbers consolidated from Institute of International Education (Retrieved from <http://www.lie.org/Research-and-insights/Open-Doors/Fact-Sheets-and-Infographics/Fast-Facts>) (1) **Excluding international students studying in the US** (2) **CN – China; IN – India; SA – Saudi Arabia; KR – South Korea/Republic of Korea; CA – Canada; JP – Japan; TW – Taiwan**(3) **UK – United Kingdom; IT – Italy; ES – Spain; FR – France; CN – China; MX – Mexico**

difficult to identify one single target culture due to the diversity of the workforce and the dynamism of cultures (MacNab, Brislin, & Worthley, 2012). For example, a simple examination of Table 1, comparing the top five destination countries for US students and the countries of origin for the top five visiting foreign students would show a misalignment among visited and visiting cultures.

Finally, there is the subject of the cost of studying abroad (Feng, 2016). According to the Institute of International Education, the average cost of studying abroad for one semester was \$17,785 (2012-2013 academic year). GoOverseas (<https://www.gooverseas.com>) estimated that the living cost per semester in the top 10 destinations (UK, Ireland, Spain, Italy, France, China, Germany, Costa Rica, Japan, and Australia) ranged from \$2,500 to \$7,500 per semester, in addition to the actual tuition (varies by country, program, and sponsoring university). International Studies Abroad® (<http://studiesabroad.com/>) offered an array of programs priced from around \$5,000 for a short-term summer program to over \$25,000 for a yearlong program. While the student may benefit from scholarships, sponsorships, and grants, studying abroad poses a challenge to most students' financial resources.

Other Learning Venues

The objective of IB programs should be (1) to provide the IB students with the worldview knowledge of groups of people from different cultures; (2) to develop the skills to manage one's behaviors while understanding the behaviors and actions of those from other cultural backgrounds; and (3) to foment the abilities to effectively engage in productive business in a multicultural cadre (Aggarwal, 2011; Lane & Bird, 2012). Aggarwal and Zhan (2016) recommended that IB instructors develop the students' global awareness, their knowledge of cultures and institutions in various countries, and promote the motivation to pursue cross-cultural business experience, while taking into consideration the different learning styles, ages, personality types, financial resources, and other individual characteristics of the students. A study conducted in Colombia suggested that second-language proficiency, the student's multicultural team membership, and his or her participation in curricular and extracurricular activities predicted the student's performance at the personal and professional levels (Robledo-Ardila, Aguilar-Barrientos, & Román-Calderón, 2016).

Based on the existing literature, IB program development should fulfill the following requirements. IB programs should provide the globalization outlook needed for managers and executives to succeed in today's global markets (Ghaith, 2010; Gibson, Rimmington, & Lanwehr-Brown, 2008). As US business students are generally less interested in international business affairs (Curran, Iyengar, Lund, & Salovaara-Moring, 2009; Iyengar & Morin, 2006), there is a need to help those students develop cultural empathy and motivation to be involved in the global landscape (Margavio, Hignite, Moses, & Margavio, 2005). IB programs should cultivate cultural sensitivity related to cultural knowledge (Brasfield, McCoy, & Reed, 2011; Vemala, Chen, & Cox, 2014). The delivery of cultural knowledge should lower the levels of ethnocentrism in students (Saghafi, 2001; Walton & Basciano, 2006). That cultural knowledge should reflect the current issues defining present globalization, such as societal demographics, technology evolution and disruption, and sustainability (Aggarwal, 2011). IB programs should promote a global mindset, that is, the ability to think and act with global scale and perspective (Aggarwal & Zhan, 2016). In summary, IB programs should provide the motivation and initiative for IB students to (1) learn about global issues affecting organizations, internationally and locally; (2) create the life-long desire to remain current on international issues; (3) learn to effectively interact with individuals from different cultural backgrounds; (4) pursue intercultural development opportunities beyond sight-seeing; (5) develop the student's internationalism and awareness of one's ethnocentrism, cultural sensitivity, cultural self-awareness, biases and prejudices; (6) acquire an understanding about the relationship between the global mindset of an organizational culture and its international performance; and (7) learn to successfully work with people of different

national and group cultures, ethnicities, genders, generations, sexual orientations, or religious affiliations (Aggarwal & Zhan, 2016; Chen, Stevens, Cox, & Tudor, 2016; Feng, 2016). IB programs should develop the student's cultural intelligence.

CULTURAL INTELLIGENCE

As elements of the world economy grow more intertwined, effective management behaviors have become critical to the success of many corporations. Thomas and colleagues (2015) argued for the need of executives, managers, and employees to properly and effectively interact face-to-face or via electronic media with individuals from different cultures. Those interactions are key to running a profitable and successful organization, optimizing synergies among business units within a company, as well as fomenting creative and idea sharing opportunities among employees in different regions of the world. While corporate culture plays an important role in this process (Cejka & Mohelska, 2017), global managers and cross-cultural leaders are instrumental to productive cross-border collaboration efforts and overall business efficiencies (Bartlett & Ghoshal, 1991).

By combining different academic sources, one possible definition of "culture" is the set of common beliefs, norms, mores, and behaviors that are shared and defined by a group of individuals (Cejka & Mohelska, 2017; Gallego-Toledo, 2016; Hofstede et al., 2010; Meyer, 2014). While this definition could also cover the definition of organizational cultures, Hofstede and colleagues (1990) differentiated between national and organizational culture in the following manner. The researchers argued that national culture (1) differed mainly in values; (2) was learned before the age of 10; and (3) could not be managed. On the other hand, organizational culture (1) could be managed; (2) was generally learned upon joining the company; and (3) differed mainly in practices. For the purpose of this paper, the author will be focusing on national cultures, referred to as cross-cultural or cross-border cultures interchangeably in this chapter.

CQ Measure

Recurrent intercultural misunderstandings are costly for organizations. In addition to the potential revenue loss, intercultural misunderstanding negatively affects the productivity and creativity of an organization. While some studies suggest that programs developed around the needs of local firms engaged in IB (market-driven programs) could provide certain benefits to IB students (Wolf & Wright, 2014), the larger portion of recent research recommends, directly or indirectly, building IB programs around the concept of cultural intelligence. Earley (2002) defined cultural

Cultivating Cultural Self-Awareness

intelligence (CQ) as a construct developed to ameliorate intercultural interactions, or “a person’s capacity to adapt to new cultural contexts” (p. 274) from the perspective of three different facets (cognitive, motivational, and behavioral features). Thomas (2006; Thomas et al., 2008) posited that CQ was the ability of an individual to effectively communicate and interact with an individual from a different culture.

More recently, Thomas and colleagues (2015) defined CQ as “a system consisting of cultural knowledge, cross-cultural skills, and cultural metacognition that allows people to interact effectively across cultures” (p. 4). This definition incorporates the three facets introduced by Earley (2002) that would support the author’s argument for a three-pronged approach to the effective development of effective cross-cultural leaders.

IB Student CQ Development

Bartlett and Ghoshal (1992) argued that there was no such thing as a “universal global manager” and identified the need to develop three different kinds of specialists when dealing with cross-border businesses. The researchers posited that a global manager needed to develop global-scale efficiency, local responsiveness, and the ability to leverage learning worldwide by sharing expertise and cross-pollinating good ideas among different business units. This author partially disagrees with the impossibility of developing “universal global managers” and will argue that with proper cultural intelligence development and preparation an effective universal global manager could be a reality.

In a leadership development context, cultural intelligence (CQ) addresses the capability of an individual to manage effectively in culturally diverse settings (Rockstuhl, Seiler, Ang, Van Dyne, & Annen, 2011). CQ education aims to increase an individual’s cultural capacity through the dynamic blend of cultural knowledge, self-awareness, and behavioral training (MacNab, Brislin, & Worthley, 2012). CQ training encompasses the cognitive aspects (head), motivational aspects (heart), and behavioral patterns (actions). The development of cross-border effectiveness in a globalized business world is a critical competency that requires specific, comprehensive, and deliberate development of the cognitive dimension (cultural awareness, self-awareness, and knowledge), metacognitive dimension (gaining and using cultural knowledge), motivational dimension (perseverance and self-efficacy) and behavioral dimension (conscious behavior adaptation) (Earley & Peterson, 2004; Eisenberg et al., 2013; Gibson, Rimmington, & Landwehr-Brown, 2008; Kurpis & Hunter, 2017; Van Dyne et al., 2012). For the purpose of this chapter, effectiveness was defined as “observable actions that managers take to accomplish their goals” (Rockstuhl et al., 2011, p. 826).

Research conducted by Rockstuhl and colleagues (2011) identified that, while general intelligence and emotional intelligence could be predictors of domestic leadership effectiveness, CQ was a stronger predictor of cross-border leadership effectiveness or the ability to solve complex technical and social problems in cross-cultural settings. Ng and Earley (2006) found that CQ was not culture-specific. Other studies argued a strong correlation between CQ and certain dimensions of an individual's personality, specifically "openness to experiences" and "extraversion" as defined by Big Five Personality Traits assessments (Ang, Van Dyne, & Koh, 2006; Castro, 2012; Chen, Stevens, Cox, & Tudor, 2016). In a study conducted in Argentina, Castro (2012) found that an individual's Big Five Personality Traits could predict multicultural success. Successful internationalism requires effective levels of empathy and interest for the welfare of individuals that have different cultural backgrounds. Research findings corroborated strong correlations between CQ and openness and extroversion (Angelkoska, Stankovska, & Dimitrovski, 2016); openness and conscientiousness (Tok & Moralli, 2009); and openness and success as a business student (Lakhal, Frenette, Sévigny, & Khechine, 2012). It is important to note the differences between CQ and personality traits. While CQ represents the ability of an individual to adjust to multicultural people and effectively manage interactions during cross-cultural situations, personality traits refer to the normal behavior of an individual across times and situations (Ang et al., 2006; Eisenberg et al., 2013).

Another predictor of CQ is Emotional Intelligence (EQ) (Gullekson & Tucker, 2013). Emotional Intelligence refers to the ability to recognize, regulate, and control one's emotions as well as properly react to the emotions of others (Orahood, Woolf, & Kruze, 2008). EQ was found to facilitate intercultural growth by encouraging changes in individual ethnocentrism, intercultural communication apprehension of foreign cultures, and international awareness. One definition of ethnocentrism involves the perception that an individual may have about his or her culture being at the center of everything and a point of reference for the other cultures. Intercultural communication apprehension involves the fear or anxiety experienced by an individual during his or her interaction with members of a different group (out-group) (Orahood, Woolf, & Kruze, 2008). As EQ is a type of social intelligence, it could predict an individual's intercultural sensitivity, cultural self-awareness, and global mindedness (Gullekson & Tucker, 2013).

Cross-cultural factors could magnify the complexity of aforementioned social problems. In a corporate setting, factors such as leadership style, managerial behaviors, and the nature of relationships have been determined to be culture-dependent (Gallego-Toledo, 2016; Haidt, 2012; Hofstede et al., 2010). Therefore, an effective leader needs to be able to identify the proper approach to different group cultures. Culture profiling tools could facilitate this approach as described subsequently.

Cultivating Cultural Self-Awareness

Avolio, Walumbwa, and Weber (2009) defined a cross-cultural leader as one that is “able to effectively lead across a variety of cultures” (p. 438). Hence, to match the main relevant points previously mentioned and the developmental practices to be described below, the development of effective cross-border leadership would involve (1) the cultural and personal self-awareness, including culture knowledge development on one’s own culture, norms, and implicit biases through the use of the cultural intelligence scale (CQS) or the most recent extended-CQS (ECQS), the Implicit Association Test (IAT) and Kozai Group’s Intercultural Effectiveness Score (IES); (2) the motivation to be attentive and curious about how to operate in culturally diverse situations through the use of critical thinking and cultural profiling tools analysis; (3) the knowledge acquisition about a different society prior and during the interactions, through the analysis of the cultural profiling tools results and the acquisition of general cultural knowledge; and; (4) the capability to exhibit culturally appropriate verbal and non-verbal actions during interactions with individuals from other cultural groups.

Developing Cultural Self-Awareness

Previously, this chapter established that short-term sojourns contributed positively to the improvement of those CQ facets associated with cultural adaptation, global knowledge, cultural judgment, decision-making, task performance, intercultural communication, and enculturation (Brasfield, McCoy, & Reed, 2011; Czerwionka, Artanovna, & Barbosa, 2015; Engle & Crowne, 2014; MacNab, Brislin, & Worthley, 2012; Orahood, Woolf, & Kruze, 2008; Warela & Gatlin-Watts, 2014). The development of cross-border effectiveness in the leadership of a transnational organization is critical. By addressing the three facets of cultural intelligence (cognitive, motivational, and behavioral facets), IB students should be able to learn how to function effectively in cross-border situations as well as improve their overall performance in domestic contexts (Rockstuhl et al., 2011). In the following pages, the author will suggest several research-supported techniques to improve the metacognition ability or “mindfulness” by bringing the implicit biases to a conscious level and using experiential methods for de-biasing. The use of critical thinking techniques would reduce the effect of cognitive dissonance and provide a better understanding of the motivations behind one’s behaviors. In addition, the use of cultural profiling tools should facilitate the knowledge development of an IB student regarding the necessary cultural factors and elements to avoid some common cultural pitfalls.

Cultural Intelligence Survey (CQS)

Cultural intelligence (CQ) refers to the capability of an individual to be effective across multicultural environments (Ng & Earley, 2006). Van Dyne and colleagues (2012) defined CQ as “an individual’s capability to detect, assimilate, reason, and act on cultural cues appropriately in situations characterized by cultural diversity” (p. 297). Early and Peterson (2004) identified the following advantages of CQ training:

- Provides respondents with a self-assessment.
- Allows faculty, consultants or coaches to tailor the cultural trainings to the unique set of strengths and weaknesses of each respondent.
- Provides the bases to develop intercultural competences and learning strategies appropriate for specific intercultural situations.

The Cultural Intelligence Scale (CQS) measures the four dimensions that ascertain an individual’s capability to function and manage him- or herself successfully in culturally diverse settings (Ang et al., 2004; Ang et al., 2007). The original CQS, which includes 20-items measured in a 7-point Likert scale, has been found to have good psychometric properties across samples, times, countries, and methods (Ng, Van Dyne, & Ang, 2012), and has been validated over time as an effective assessment scale (Ang et al., 2004; Van Dyne, Ang, Ng, Rockstuhl, Tan, & Koh, 2012).

The four dimensions measured by the CQS include (1) metacognitive; (2) Motivational; (3) Cognitive; and (4) Behavioral (Ang et al., 2004; Ng & Earley, 2006; Van Dyne et al., 2012; Varela & Gatlin-Watts, 2014). The metacognitive dimension refers to the individual’s level of conscious cultural awareness and ability to recognize cultural gaps in knowledge during interactions. Motivational dimension correlates with the self-efficacy of an individual or the belief that an individual has about his or her abilities to successfully interact with other cultures. The cognitive dimension includes culture-specific and culture-general knowledge and the accumulation of facts about norms, mores, practices, and customs that facilitate the understanding of a distinct cultural situation. Finally, the behavioral dimension defines the ability of cultural adaptation of an individual.

More recently, Van Dyne and colleagues (2012) proposed the need to apply a more complex assessment, the Extended Cultural Intelligence Scale (E-CQS). The E-CQS includes 37 items, covering the previously presented four dimensions, divided into 11 sub-dimensions. The author suggested measuring cognitive CQ using Cultural-General Knowledge and Context-Specific Knowledge sub-dimensions. Intrinsic Interest, Extrinsic Interest, and Self-Efficacy to Adjust sub-dimensions would determine motivational CQ. Metacognitive CQ would involve planning (strategizing before a culturally-diverse encounter), awareness (use of critical thinking

Cultivating Cultural Self-Awareness

and self-awareness), and checking (reviewing assumptions and adjusting to specific expectations) sub-dimensions. Finally, Behavioral CQ would be a construct of verbal behavior, non-verbal behavior, and speech acts sub-dimensions (Van Dyne et al., 2012). A more complete picture on the level of cultural awareness is obtained by analyzing those 11 sub-dimensions, providing a more detailed individual plan on how to improve the respondent's cultural intelligence. The E-CQS was validated by the researchers in question, but requires further research.

Intercultural Effectiveness Scale (IES)

The Intercultural Effective Scales (IES), by the Kozai Group, is a self-assessment survey composed of a 52-item questionnaire on a Likert scale that determines the global effectiveness of an individual. Global mindset is defined as “the degree to which one is interested in and seeks to actively learn about other cultures and the people that live in them” (Mendenhall, Stevens, Bird, Oddou, & Osland, 2012, p. 9). The IES uses three scales (Continuous Learning (CL), Interpersonal Engagement (IE), & Hardiness (H)) with a total of six subscales (Self-Awareness and Exploration under CL, Global Mindset, and Relationship Interest under IE, Positive Regard and Emotional Resilience under H). Many of these subscales and scales could be easily transcribed to CQ. For example, the concept of Self-Awareness under the CL scale was defined as an individual's self-awareness of his/her personal values, norms, and behaviors (Gallego-Toledo, 2016; Mendenhall et al., 2012). One could draw many parallels between self-awareness as defined by the IES and the behavioral facet of CQ or mindfulness (Thomas, 2006). The reliability of the IES elements has been found to be strong, ranked from 0.76 to 0.84 by Mendenhall and colleagues (2012).

Implicit Association Test (IAT)

Reuben, Sapienza, and Zingales (2014) studied the potential causes for the low numbers of women pursuing science, technology, engineering, and mathematics (STEM)-based professions. The researchers found that while women outnumbered men in undergraduate enrollment in the USA, women were: (1) less likely to pursue majors in mathematics or science than men and; (2) within the STEM-related professions, men were twice as likely to get hired than women when only candidate appearance was available to the hiring party. Reuben and colleagues (2014) conducted a study using the Implicit Association Test and found a correlation between employers' beliefs (and biases) about women and their hiring decisions. A combination of implicit stereotypes and priming were also key elements in the findings of two other studies conducted by Aronson and colleagues (1999) and Spencer, Steele, and Quinn (1999). In those studies, the performance of women during a math

test was analyzed during two different scenarios: (1) when the women took the exam with only women, and; (2) when testing conditions included a mixed-gender population. Women's performance declined when the test was conducted within mixed-gender presence. Similarly, the performance of white males declined when the testing conditions included Asian males. Other studies have identified implicit racial biases between job applicants' first names in their resume (i.e. Greg and Emily versus Jamal and Lakisha) and the chances of obtaining a job interview (Bertrand & Mullainathan, 2004). This implicit bias could be related to familiarity or the tendency to favor or be attracted to individuals from one's in-group (Haidt, 2012). Two recent studies by Kugelmass (2016) and Winerman (2016) found that counselors and psychotherapists are not immune to this implicit racial bias. Those studies showed a preference towards white and middle-class (sounding) potential clients and a bias towards working-class and/or African American (sounding) clients, when returning calls from potential new patients based on voice-mails left on the psychotherapist's or counselor's voice mail.

Implicit or unconscious bias has been found to start in early childhood and is correlated to the norms, values, beliefs, and practices of one's national or group culture (Xiao et al., 2015). Biases are hence learned traits or prejudices against one thing, person, or group that may not be based on rational or logical reasons, but based on social reasons. At the unconscious level, these preconceived reasons or prejudices are referred to as implicit biases. As implicit biases are strongly correlated to group culture, it is difficult for an individual to identify them at a conscious level (Stepanikova, Triplett, & Simpson, 2011; Triplett, 2012).

McKinsey consultants have underlined the importance for managers to develop an awareness of their own conscious or unconscious biases and prejudices and develop an understanding of how those biases affect their professional decision-making process. The consulting experts provided an array of techniques on de-biasing decisions, such as developing individual self-awareness, avoiding groupthink, overconfidence or over-optimism, and the reliance on hard data and facts to make decisions (Baer, Heiligtag, & Samandari, 2017; Lovallo & Sibony, 2006; Roxburgh, 2003). Experiential course content has also been found to exercise a stronger effect on the CQ dimensions of motivation and behavior (Dyne et al., 2012). As a reminder, motivational CQ conciliates the relationship among core self-evaluation, global mindset, and the individual level of ethnocentrism (Barbuto, Beenen, & Tran, 2015). The desire to embrace geo-centrism mediates the proper blend of strategy management, global business acumen, and cultural intelligence.

Cultivating Cultural Self-Awareness

Those implicit biases need to be brought up to a conscious level to improve effectiveness in a multi-cultural environment, preferably through experiential methods. This is part of the metacognition facet of cultural intelligence. The Implicit Association Test (IAT) was developed to investigate the gap between intentions and actions (<https://www.projectimplicit.net/index.html>) and quantify the strength of the associations between concepts and stereotypes. Founded in 1998, Project Implicit (<https://implicit.harvard.edu/implicit/aboutus.html>) aims to “educate the public about hidden biases and to provide a “virtual laboratory” for collecting data on the Internet.” By taking one or more of the available tests (<https://implicit.harvard.edu/implicit/takeatest.html>), an executive or a student could identify potential implicit biases that could affect his or her intercultural relationships. Being aware of one’s unconscious bias could be an effective step in addressing the effect of stereotypes in an international business setting.

Critical Thinking to Confront Cognitive Dissonance

Cognitive dissonance was a term first introduced by American social psychologist Leon Festinger (1957, 1962). The researcher argued that certain psychological factors would filter one’s view of factual information and elements of a situation tainting one’s interpretation of those facts. Hence, during specific cultural encounters, one would seek to compare facts and foreign elements to one’s own experience, seeking similarities among elements and avoiding as much ambiguity as possible – the observer would likely try to anchor different elements to his or her own reality and life experience. One’s perception of an unknown situation is filtered through one’s personal system of beliefs, values, norms, and experiences in an effort to make sense of the situation. Roxburgh (2003) studied the implication of unconscious biases on corporate strategy development, arguing that the brain posed a deceptive obstacle to one’s rational decision-making processes. Executives and managers regularly face problems such as overconfidence, anchoring, and status quo biases that tainted their strategic decisions. Those hijackers (confirmation bias, selective recalls, biased evaluation, groupthink, motivated reasoning, rationalization, and self-justification) could result in stereotypes or generalizations based on one’s past experiences that could impede an effective understanding and/or handling of the situation at hand, as well as the proper strategic analysis and planning (Haidt, 2012; Paul & Elder, 2013; Roxburgh, 2003).

Critical thinking was a concept developed by Paul and Elder (2013) based on a cognitive process that allows an individual to question one’s need for similarity and certainty. A series of critical thinking questions permits an individual to challenge decisions in uncommon situations based on facts and data, rather than based on one’s personal values and beliefs. For example, critical thinking pushes an

executive in a foreign contract negotiation to question his or her own conclusions by seeking facts and data supported by a quasi-scientific-based, decision-making methodology. Critical thinking challenges certain assumptions that may be tainted by one's cultural norms and beliefs, and therefore, assumptions that may not apply to the foreign situation at hand.

Cultural Profiling

In addition to critical thinking and the self-administered tools, such as CQS, IAT and IES, an executive or student operating within the norms and rules of a foreign culture could increase his/her chances of a successful outcome by improving culture-specific knowledge, including knowledge about his/her own national culture. Certain culture profiling tools identify potential pitfalls between a student's or executive's own system of values, beliefs, and norms with that of his/her counterparts (Gallego-Toledo, 2016). The author previously identified the Kozai Group's Intercultural Effectiveness Score as a tool that provides the IB student and future executive with an understanding of his/her global mindset. Thomas (2006) referred to the need to develop "mindfulness" as a critical factor to improve one's CQ. Mindfulness provides executives and students with a heightened awareness about the current experience based on one's reality and one's limited cultural knowledge. Mindfulness requires the acquisition of additional cultural knowledge to preclude cross-cultural miscommunication.

Learned Needs

Cultural profiling tools address the norms, beliefs, and subsequent behaviors to be expected by the other parties as well as information on how one's own actions could be misconstrued. Before reviewing the two main profiling tools, it would be helpful to review basic motivational and needs theories and, in particular, McClelland and Burnham's theory (2003) of learned needs. A behavior is usually the result of a gap between one's actual state and a desired state. Upon recognizing that a gap exists between both states, an individual would either recognize a problem or an opportunity to close that gap. The problem or the opportunity is identified as a need. The motivation to act is strongly related to the recognition that such a need exists. Motivation (a CQ facet) could be defined as an "activated state that accompanies goal-directed behavior, consisting of drives, urges, wishes, and desires that initiate the sequence of events leading to a behavior" (Donavan, Minor, & Mowen, 2014).

Cultivating Cultural Self-Awareness

According to McClelland and Burnham (2003), the level of the following four needs would determine an individual's motivation and subsequent behaviors: (1) The need for achievement; (2) The need for affiliation; (3) The need for power; and (4) the need for uniqueness (Zinkhan, Conchar, Gupta, & Geissler, 1999). McClelland and Burnham (2003) illustrated how those needs determine the management style of individuals in a corporate setting, ranging from an affiliate manager that seeks to be liked above all (strong affiliation need) to an institutional manager whose main interest above all is power.

While CQ might reflect an individual's capability to adapt to unfamiliar actions and behaviors (Earley, 2002), understanding the other individual's motivation could facilitate such adaptation. For example, using research by Hofstede et al. (2010, 1990) one could argue that the power distance of the national culture could predict the need for power. On the same token, being familiar with how a decision is taken, as defined by Meyer's Culture Map (2014) (top down- versus a consensus-driven approach) or the type of preferred leadership (hierarchical versus egalitarian), would allow the executive to decide if he/she is talking to the right individual (decision-maker versus an influencer, for example) within the foreign organization and how his or her own decision-making process is perceived by his/her foreign business counterpart. Hence, the author would support the value of familiarizing IB students and executives with the Itim International's Culture Compass™ and Erin Meyer's Culture Map, in the classroom or prior to a first IB executive encounter.

Profiling Tools

Before all, it is important for any leader interacting with individuals from other cultures to understand that he or she is interacting with an individual and not with the group from which the norms were drawn. Important differences between the norm values presented by the models discussed and the individual could, and most likely will, exist. In Sir Conan Doyle's book *The Sign of Four*, Sherlock Holmes stated that "[W]hile the individual man is an insoluble puzzle, in the aggregate, he becomes a mathematical certainty." Said through the words of professor Erin Meyer (2014), "No two individuals are precisely the same; each of us has a unique style and a set of preferences, interests, aversions, and values" (p. 251). During cultural interactions, one is dealing with the individual and not the aggregate of the individuals from that group.

Still, "people are driven by common physiological and psychological needs and motivations" (Meyer, 2014, p. 250). Through the analysis and familiarity of the results from profiling tools, such as Itim International's Culture Compass and Meyer's Culture Map, an individual could identify cultural gaps that could potentially affect the effectiveness of the communication among the involved parties (Gallego-

Toledo, 2016). Those models would provide an array of visual, qualitative and quantitative information that could determine competencies to rely on as well as potential weaknesses to address prior to the cultural interaction.

While it is not the purpose of this chapter to go into a deep analysis of the culture profiling tools per se, the author will provide the basic concepts as a reference for the reader. More details could be found in Hofstede's or Meyer's numerous books and articles on the topic, as well as their corresponding websites.

Hofstede's Cultural Compass™ provides an individual with a comparison of the individual's cultural profile, against the country of origin of the individual (to understand potential expectations from the host country) and the cultural profile of the host country. In this instance, the Cultural Compass™ also asks for the role that the executive will be playing at the host country. The results are displayed on the five scales drawn from Hofstede's copious research on national culture over the last four decades (Hofstede et al., 2010). Those scales include: (1) Power Distance; (2) Uncertainty Avoidance; (3) Masculinity versus Femininity; (4) Individualism versus Collectivism; and (5) Short- versus Long-Term orientation (Hofstede et al., 2010; Hofstede et al., 1990). The Cultural Compass™ report includes a written summary on potential pitfalls based on the results presented and the pre-defined role during the cross-cultural interaction.

Meyer's Cultural Map is based on the theories of Edward Hall, Geert Hofstede, Robert House, and Mansour Javidan, as well as her own research conducted over the last decade through her executive program at INSEAD (Meyer, 2014). Currently, as of January 2019, the process of obtaining a complete cultural map involves a two-step process. First, the executive will define his/her own cultural map by answering a questionnaire (<http://erinmeyer.com/tools/self-assessment-questionnaire/>). Second, by accessing a different web link (<https://simulations.insead.edu/culture-map/#sessions>), the executive would input his/her own results and compare those to the data on the countries of interest. The resulting graph provides a visualization of the executive's own cultural profile compared to that of the countries of interest, based on seven of the eight scales (communicating, evaluating, leading, deciding, trusting, disagreeing, and scheduling). The visual representation allows the executive to identify potential gaps in cultural approach. Table 2 provides the reader with a summary and alignment between the different assessments presented in the previous pages.

Both cultural profiling tools improve the understanding of one's cultural traits (based on different scales) versus the aggregate traits of the host or visiting country. In addition to the quick manner in which an executive could acquire information on a different culture, the tools provide a visualization or analysis on potential areas of conflict. The information in those reports should facilitate the communication among the involved parties.

Cultivating Cultural Self-Awareness

Table 2. Parallels between CQ facets and cultural assessments

CQ Facets	Descriptions	References	Relevant Assessments
Metacognitive CQ			
1/	Individual level of consciousness cultural awareness during multicultural interactions	Ang, Van Dyne, & Tan, 2011; Thomas et al., 2015; Ang, Van Dyne, & Koh, 2006; Van Dyne et al., 2012	Kozai Group's IES
2/	Aids in the application of cultural knowledge		
3/	Reflects one's knowledge and controls cognition		
4/	Critical thinking applied to cultural situations		
Motivational CQ			
1/	Coping with change and risk	Ang, Van Dyne, & Koh, 2006; Ang, Van Dyne, & Tan, 2011; Ng & Earley, 2006; Van Dyne et al., 2012	Kozai Group's IES; IAT; Big Five Survey
2/	Desire to adapt to the unfamiliar environment		
3/	Focus and desire on learning and functioning in different cultural situations		
4/	Guides and motivates one's adaption to a new culture environment		
5/	Helps having a positive and effective impact on new "foreign" situations – provides the basis for general positive adjustment		
Behavioral CQ			
1/	Underlines the proper use of verbal and nonverbal behaviors such as tones, pauses, gestures, and body language	Ang, Van Dyne, & Tan, 2011; Van Dyne et al., 2012; Thomas, 2006; Thomas et al., 2015	Erin Meyer's Cultural Maps; Itim's Cultural Compass®; Kozai Group's IES
2/	Competent interaction with individuals from diverse background		
Cognitive CQ			
1/	Knowledge of norms, practices, and conventions of various cultures	Ang, Van Dyne, & Tan, 2011; Thomas et al., 2015; Van Dyne et al., 2012	
2/	General knowledge about the structure of cultures		
3/	Cultural-general knowledge and cultural-specific knowledge		

In a classroom setting, IB students could become familiar with the tools through simulations, to assist with case study analyses, games, and other experiential classroom exercises. In addition to the culture-specific knowledge that the student will develop, using cultural profiling tools should erode the level of ethnocentrism of the student.

Limitations

While the research supporting different factors presented in this chapter is strong, it is fairly limited. CQ is a recently developed concept studied and researched over the past few decades. Many of the profiling tools presented in this chapter have also been subjected to criticism, from the limited research-based foundation of Meyer's Cultural Map to the values- and norm-based research focus of Hofstede's models. Furthermore, there is no practical research at this time supporting that implementing the development process discussed would improve the cultural intelligence of future business leaders. More research is needed to draw a scientific connection between the development processes and an improvement in CQ.

CONCLUSION

In today's globalized economy, it is important for executives to properly develop certain knowledge, techniques, and self-knowledge (metacognition) to attain a broad culture-specific and culture-general knowledge base, and an effective cultural self-awareness prior to entering into a relationship with an unfamiliar culture. Through the use of critical thinking, experiential programs, such as the studying abroad programs and/or the self-administration of the cultural intelligence scales (CQS or ECQS), the implicit association test (IAT), and the intercultural effectiveness scale (IES), a future executive could develop a conscious knowledge of his or her own personal filters or hijackers – that personal system of values, norms, beliefs, and experiences that would taint one's understanding of a situation, behavior, or action. In addition to practicing critical thinking, several cultural profiling tools could provide IB students and executives the techniques to access useful knowledge to have during communication with unfamiliar cultures. IB students and executives alike could learn to use culture profiling tools and their supporting research to identify potential pitfalls between their own system of values, beliefs, behaviors, and norms with those of their international counterparts. Effective bi-lateral communication and improved cultural self-awareness would positively remove many obstacles to allow the parties to reach a successful outcome.

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KEY TERMS AND DEFINITIONS

Behavior: The result of a gap between one's actual state and a desired state.

Behavioral Dimension: The ability of cultural adaptation of an individual.

Biases: Learned traits or prejudices against one thing, person, or group that may not be based on rational or logical reasons.

Cognitive Dimension: The culture-specific and culture-general knowledge, the accumulation of facts about norms, mores, practices, and customs that facilitates the understanding of a distinct cultural situation.

Cultural Intelligence: A person's capability to function and manage him- or herself successfully in culturally diverse settings.


Metacognitive Dimension: An individual's level of conscious cultural awareness and ability to recognize cultural gaps in knowledge during interactions.

Motivational Dimension: The self-efficacy of an individual or the personal belief of an individual about his or her abilities to successfully interact with other cultures.

Chapter 5

Possibilities and Challenges for Intercultural Research in Global Urbanism

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ABSTRACT

Globalization has brought about an increased exposure to intercultural contexts and practices. Researchers see how their professional practices include an increasing degree of exposure to researchers and practices from other cultural contexts and disciplines. In the field of urbanism, this happens via two processes that the author will analyze in this chapter: (1) processes of participatory learning and research in networks formed by alliances of researchers, or researchers and citizens, in the intercultural city; (2) transnational circuits of research ideas (a process of intercultural symbiosis). The author analyze processes of intercultural research as alliances and circuits and assemblages (participatory, transnational urbanism) as means to highlight the complex nature of intercultural practices and their implications.

INTRODUCTION

Intercultural research refers to research across cultures. As Dahl argues, “the idea of a shared, yet distinctive, set of values held by one society with resulting behaviour and artifacts is fundamental to the basic idea of ‘culture’ within the realm of intercultural research” (Dahl, 2004, p. 12). Hofstede defines culture as “the collective

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programming of the mind which distinguishes the member of one group or category of people from another” (Hofstede, 1994, p. 5).

Hofstede expands the concept of ‘collective programming’ by suggesting that culture could therefore “be situated between human nature, which is not programmed, nor programmable on the one side – and the individual’s personality on the other side” (Hofstede, 1994, p. 8). On the other hand, Spencer-Oatley defines culture as “a fuzzy set of attitudes, beliefs, behavioral norms, and basic assumptions and values that are shared by a group of people, and that influence each member’s behaviour and his/her interpretation of the ‘meaning’ of other peoples’ behavior” (Spencer-Oatley, 2000, p. 37).

Thus, both Hofstede and Spencer-Oatley highlight the collective dimension of culture. We adopt this approach and, in this paper, we use a pragmatic working definition of culture within the field of urbanism as a set of research practices that identify the field’s practitioners from outsiders.

Intercultural research here is close to the notion of “epistemic culture” (Knorr Cetina, 1999). We contend that intercultural research in urbanism would be represented by a sustained traffic of ideas and practices that further redefine research cultures as rhizomes or assemblages.

We thus adopt a dynamic conception of culture and research, and we see intercultural research as necessarily transcending conventional disciplinary boundaries. Rather than exploring the most appropriate methodologies for intercultural research and cross-cultural comparisons, this paper presents examples of intercultural research in urbanism, their possibilities and drawbacks, and suggests possible ways to advance intercultural research in urbanism by proposing assemblages as an ontology for urbanism and transdisciplinarity as an epistemic or research strategy. This paper then asks: how is intercultural research made possible in the field of urbanism? We will see that some of the existing examples of intercultural research in urbanism resemble participatory action research, an approach that relies on community member participation to examine social reality and the creation of local skill capacity for the purpose of creating community autonomy through the process of praxis (Sommer, 1999).

The paper identifies alliances and circuits as forms of collective research, learning and knowledge, and as the conditions of possibility for intercultural research in urbanism. We discuss the city as an intercultural milieu, where participatory urbanism and alliance formation, between researchers and citizens, take place. Then we discuss urban policy travel, a form of transnational urbanism (where intercultural means international) that is based on circuits, flows and networks between creators of knowledge, ideas and policy and receptors and adopters. In the section devoted to issues, controversies and problems we deal with (1) borders and citadels, and (2) global structural problems. These two elements constrain, sometimes in significant

ways, the processes of alliance and circuit formation that were identified as the pre-conditions for intercultural research in urbanism. In the section on solutions and recommendations we suggest (1) practicing places as a strategy to overcome borders and boundaries and (2) assemblages as hybridization, where intercultural ties happen through translation, in the trade zones across research cultures and disciplines. Disciplines are understood as conceptual hubs based on history and path-dependence, not as self-contained, closed systems of knowledge and research. As possible research directions in the near future we identify (1) holistic intercultural research, and (2) complexity and transdisciplinarity.

BACKGROUND: RESEARCH AS A COLLECTIVE ENTERPRISE

1. Social Learning

One factor that enhances the potential for intercultural research is the idea that learning is essentially a social, collective process. Learning and research are cultural practices bounded by values reflected in practices. They are fundamentally collective practices. According to Vygotsky (1962), we learn through our interactions and communications with others. Interactions of students and learners with peers, teachers and other experts are conducive to enhanced learning. It is therefore possible to design appropriate environments that maximize the chances of participants to learn through discussion, collaboration and feedback.

We also learn and construct knowledge, according to Vygotsky, within the boundaries of our own cultural frameworks, rules, skills and abilities.

Culture therefore becomes the single most significant factor for learning, research and knowledge creation (Vygotsky, 1962). For Vygotsky, “language is the main tool that promotes thinking, develops reasoning, and supports cultural activities like reading and writing” (Vygotsky 1978).

In part as an application of Vygotsky’s ideas, we conducted a study of communication modes and content used by engineering students in a special project-course, Robotics for Theater, focused on the planning and construction of a robot from scratch, to support theatric production as actor and prop (del Cerro Santamaría et al., 2015). The student projects studied in the pilot program assumed the format of client-based product development and delivery. A preferred scenario would involve industrial partners who sponsor and participate in specific product prototyping projects. In this ideal case, a technical representative of each industrial partner would be the *client* to the student team working on the industrial partner’s project. This model was successfully implemented by Prof. Leifer at Stanford University, through a graduate-level project course (Leifer, 1997).

Analysis of the case study of the Robotics for Theater project revealed that the social aspects of team dynamics had a significant positive impact on student learning:

1. Resource mobilization was fostered by the role of the advisor as information facilitator and “weak tie” in the network, and also by the frequent informal contacts among the students in the team.
2. Innovation was fostered by intra-team trust. The strong friendship and teaming experience of the group were critical for effective team dynamics.
3. Probably due to time constraints, the field of theater did not become a fundamental reference of the project, contrary to plans.
4. Time constraints and technical difficulties in implementation inhibited progress.
5. Informal meetings were crucial in the progression of design and implementation.

The above conclusions confirm the validity of the concept of social learning, in line with the theorization proposed by Vygotsky. Social learning, therefore, is a factor that makes it possible to develop multicultural research.

2. Converging Epistemic Cultures

Another factor or pre-condition that works in favor of the possibility of intercultural research is the idea of converging epistemic cultures. Scholars in the field of social studies of science and technology are providing examples indicating a certain degree of convergence of research fields under a new techno-scientific paradigm. Mostly, these discussions refer to the macro-scale and adopt a broad understanding of convergence. Kastenhofer (2007) introduces a focus on epistemic cultures and raises the question of what convergence might imply on the micro-level of everyday research practices. She distinguishes three forms of scientific change over time (convergence, divergence and emergence) and three modes of convergence (cooperation, integration and assimilation).

Further, as Knorr Cetina argued, “the concepts of knowledge culture and epistemic culture are used here against the background of contemporary transformations in global financial architecture” (Knorr Cetina, 2007: 363).

The focus is in this paper on the construction, within the field of urbanism, of the machineries of knowledge construction, relocating culture in the micropractices of city life as a bounded habitat of intercultural research practice through processes of alliance formation. Not all places of intercultural research in urbanism, however, are bounded spaces, and there is a case to be made for including in the empirical agenda more distributed locations. We describe here wider networks and circuits of knowledge generation as intercultural research in what is often known as transnational urban space.

FOCUS OF PAPER: ALLIANCES AND CIRCUITS IN GLOBAL URBANISM

1. Alliances: Participatory Urbanism

1.1 Cities as Intercultural Milieus

Cities are contexts in which cultures and societies are produced and transformed; cities themselves are produced and transformed by those cultures and societies. If the global scale is constructed and transformed in specific territories, the local scale also contributes to the intersection of multiple social relations, processes, structures, and representations. Although not every metropolis can be said to be “global” (a main node in the international financial network), most of them participate in transnational cultural flows, and produce and experience the specific consequences of such flows, visible at the local level in the presence and influence of companies, workers, tourists and foreign products. Thus, globalization brings us to the experience of cultural diversity in spatially-bounded milieus such as cities (del Cerro Santamaria, 2009).

Intercultural research needs a cosmopolitan attitude and such an attitude can be found in cities. Contemporary transnationalism has transformed the idea of cosmopolitanism in two ways: (1) it is no longer an elite attitude exclusively (although class distinction mechanisms continue to operate at all levels), and (2) it is possible to develop a cosmopolitan attitude within a certain place, in a sufficiently diverse city. Cities are also *civitas*, places of personal cultivation and intellectual and cultural openness where “complete strangers observe and appreciate each other” (Anderson, 2011, p. 26).

Scattered throughout the city there are oasis of cosmopolitanism, places characterized by “the acceptance of space as belonging to all kinds of people” (Anderson, 2011, p. 33). In such places, cosmopolitanism is part of what attracts a crowd: people enjoy meeting and observing other people who are different from themselves. It is a relaxation of the emotionally taxing social protection that one must maintain the rest of the time. They are safe, warm and intimate spaces thanks to a shared experience: food, shopping, travel, a sports show. There is also an intangible ingredient: a mood, writes Anderson, of “civility” that allows people to “strive mentally, emotionally and socially” and develop “social sophistication that allows various urban people to get along” (Anderson, 2011, p. 52). Because they are so difficult to replicate, Anderson argues, all these places should be treasured and protected, and those of us who enjoy them should treat them not as moments outside of normal life, but as a model for social relations in increasingly diverse cities.

The civic urbanism to be fostered today is one that nurtures, explores and learns in such zones of *civic friction* in external environments: spaces that widen the scope of action and, therefore, of thought. They are spaces in which a cosmopolitan attitude can be cultivated. The urban ethic that we can build is the ability of a city to normalize meetings with the other (Sennett, 2018). The many small signs of banal, everyday, vernacular or low intensity cosmopolitanism in our daily lives are a civic manifestation of an attitude shaping the preconditions for participatory urbanism, a form of intercultural research.

1.2 Participatory Urbanism

In recent years, citizen participation in urban planning processes has become both a demand and a reality (Anciano & Piper, 2018). Collaborations among city planners, architects, social scientists, urban activists and citizens to analyze and try to solve city problems constitute a form of intercultural research given the different worldviews and epistemic cultures (Knorr Cetina, 1999) of each group involved. This mode of intercultural action research involves issues of decentralization and devolution of powers, building trust, achieving fair representation, enabling resources and support systems, or building transparency through platforms of engagement.

Enabling true and effective citizen participation in an existing administrative set up is a complex process with challenges such as finding an amicable power and responsibility distribution framework, a building of additional capacity amongst both, government officials and citizens alike, “ensuring fair civil society representation and enabling resources to support it. In many countries, decentralization of power requires institutional, legislative and political support at different levels of governance” (USAID, 2008, p. 121). In parallel is the perceived threat of erosion of powers leading to cases where the effectiveness of decision-making and impact of local committees “are significantly hampered by red tape, bureaucracy, and required approval from government agencies. In addition, approaches may lead to prioritization of only those projects that will contribute to increasing revenue of the area, over socially benefitting projects” (Rajesh, 2009, p. 62).

City governments sometimes look at citizen engagement both through institutionalised structures and others such as citizen-led groups to act as active partners in the co-creation of the policy and planning process. Enabling multiple platforms of engagement enabling active participation helps build transparency by making information readily available. “While e- governance platforms have proven to be very effective in cities across the world there have been many other technological platforms that have been developed and are being used in the areas of collecting empirical data and allowing participation from different stakeholders” (CURS, 2008, p. 83).

Collaborations among different epistemic cultures in participatory urbanism, a form of intercultural research, require city governments to make available different channels of engagement and participation. These engagements will also essentially need to tie together into a comprehensive local area development plan and ensure optimal utilization of all available resources.

2. Circuits: Urban Policy Travels

Researchers on transnational urban policy seek to analyze the factors enabling and constraining the formation of transnational circuits of policy adoption and adaptation as well as the social organization and consequences of the complex interconnectivity of cross-border networks in urban policy. Urban policy and ideas, framed or not as “best practices,” travel around the world (Healey, 2013). This process lies at the foundation of a mode of intercultural research whereby transnational policy circuits foster spatially unbounded collaborations and implicit partnerships, from policy creators to receptors and adopters.

Urban policy travels can thus be said to underline “the socio-spatial processes by which social actors and their networks forge the *translocal* connections and create the translocalities that increasingly sustain new modes of being-in-the-world” (Smith, 2005). This complex interconnectivity working at a distance is multidimensional, encompassing social, economic, and political relations as well as cultural and interpersonal networks and technological linkages. It is also a complex process subject to misplaced expectations and failure. We shall briefly illustrate urban policy travels with two examples: the Bilbao Effect and Dubaization.

2.1 The Bilbao Effect

The Bilbao Effect can be succinctly defined as the attempts by a share of urban elites worldwide to implement a policy of building icons in their cities, largely based on a superficial and media-based understanding of the Bilbao case, which led many to firmly believe that a city in economic difficulties could be turned around just by iconic architecture (del Cerro Santamaría, 2007). Those leaders overlooked the fact that institutional contexts, specific policy instruments and territorially grounded social dynamics give rise to distinct patterns of iconic megaproject development and help explain the degree to which such megaprojects succeed or fail in different places.

Denver, Helsinki and Abu Dhabi, three of the many cities that adopted icon building as urban policy, show the complexities of this mode of intercultural research and the challenges it faces in order to be successful. The Helsinki Project was cancelled and will not materialize, due to government and citizen opposition. In the case of Denver, urban planning developments in the years since the opening of the Bilbao-

inspired museum addition have displaced the Denver Art Museum to the sidelines in local efforts at urban improvement. In Abu Dhabi, the new Guggenheim will play in a complex environment within the context of an increasing diversification of the local economy and, if its fate is similar to Masdar City's eco-experiment in the outskirts of Abu Dhabi, the success of the new museum is far from guaranteed (del Cerro Santamaría, 2017).

There has been a fading away of the "Bilbao Effect," which owes to the limitations of existing political rationality and decision-making processes at times when globalization puts pressure on urban leaders to redevelop and become globally visible. It also owes to a poor understanding by outsiders of the context and true reasons behind Bilbao's urban revitalization success, which have little to do with iconic architecture: they owe to a sound economic policy by the financially autonomous Basque government and a well-crafted and comprehensive revitalization plan of which the Guggenheim was just a very small and ad-hoc component (del Cerro Santamaría, 2017).

Thus, urban policy travel and circuit formation as conditions of possibility for intercultural research face severe obstacles, mainly having to do with the existence of a distinct cultural contexts in different places. This is why cities should not expect to be able to replicate the success of Bilbao just by implementing fashionable urban policy marketed via appropriate global media discourses. Each city has a local history, a region within which it develops, and a specific political make-up that influences local decision-making processes. Cities and regions around the world partially adhere to their own specific logic of development.

Each city shows particular features that contribute to explaining decline, and each may need localized strategies for redevelopment. Applying the standard elements in the revitalization mix, including iconic megaprojects, to cities around the world may be unavoidable due to rapid and acritical adoption of policy discourses from center to periphery. However, expecting to replicate a city's success by merely adopting such strategy is often a recipe for disappointment (del Cerro Santamaría, 2017).

2.2 Dubaization

Most Arab world cities are competing to imitate Dubai in its unprecedented effort to build the tallest, the biggest and the largest ever built architectural and urban icons. This phenomenon can be best described as "Dubaization," the process of urbanizing a city with futuristic, pioneering architecture. Dubaization is qualitatively similar to the "Bilbao effect," and it has spread to other cities, even outside of the Gulf area, such as Istanbul and Vancouver.

The *Dubaization* of Abu Dhabi includes a new Guggenheim Museum, designed by Frank Gehry, originally set to open in 2012, then in 2017, and still not completed as of March 2019. The Guggenheim in Abu Dhabi is twice the size of the museum in Bilbao, twelve times the size of the Frank Lloyd Wright Guggenheim in New York. Carol Vogel in *The New York Times* refers to this Gehry design as “a graceful tumble of giant plaster building blocks and translucent blue cones” (Vogel, 2014).

Dubaization triggers crucial questions: What are the consequences of this urbanization strategy on the future of Arab cities? What kind of social life will emerge out of this development? Is this just an elite-driven process of constructing, reconstructing and deconstructing identities and the territorial outlook of Arab cities? And also, is there any future for sustainability in the developmental strategies of Arab and Middle Eastern cities?

Dubai, as a model of urban development, is based primarily on images and icons rather than sustainable concepts and processes. Major conflicts are resulting from this, including failing to adopt sustainability, limited interpretation of globalization and degradation of locality. Arguably, Arab cities need to consider a more holistic approach for its sustainable strategic development. Architecture as a domain and creative reflection of local culture can be used as a vehicle to maintain local culture and interact with the global appetite for knowing “the other” (Elshestawy, 2019).

The main condition for these architectural products to be exposed to the other is that they should be coming from a deep and original local vision rather than being exemplars of a globally crafted strategy. The multiple controversies and disruptions associated with the Guggenheim Abu Dhabi indicate errors and failures in planning, policy and implementation, due to the complexities of adoption and adaptation as strategies of intercultural research, analysis and practice.

3. Issues, Controversies, Problems

Even if the city as an intercultural milieu is conducive to the necessary cosmopolitan attitude that fosters intercultural linkages, the challenges are formidable. The structuring of cities around borders and citadels, virtual and symbolic or cultural walls and ghettos, as well as the challenges to translation, adoption and adaptation of urban policies across distinct local planning cultures, are obstacles for the transferring of urban knowledge around the world and thus for the possibilities of effective intercultural research.

Participatory urbanism shows the way forward as an intercultural practice for researching and analyzing urban problems. However, issues of decentralization and devolution of powers, building trust, achieving fair representation, enabling resources and support systems, or building transparency through platforms of engagement represent potential limitations to this approach. The fading away of the Bilbao Effect

and the limited impact of Dubaization are illustrations of several drawbacks in the materialization of circuits and so-called best practice adoption.

In addition, the sheer complexity of alliance formation and circuit efficacy, as well as the predominance of different epistemic cultures (with distinct conceptual sets) among participants in intercultural research, analysis and practice present substantial challenges to effective intercultural communication. The existence of different values and cultural contexts complicates efforts at interpretation and fair judgment among parties involved in practices of intercultural research. In what follows we shall discuss three challenges to intercultural research in urbanism: the notion of borders or boundaries, global structural obstacles and the diversity of planning cultures.

3.1 Borders and Citadels

Why is a reflection on “borders” and boundaries important to understand challenges to intercultural research in urban settings? Producing boundaries means establishing a turf and defending it; it is a political strategy, often an aggressive one, a strategy of power to control, to obtain legitimacy and neutralize or eliminate resistance, to create hegemony in space, thus inhibiting hybrid alliances and multicultural partnerships.

Boundary creation operates through careful planning that includes not only the visual power of icons and the effective management of space (abstract and concrete), but also the establishment of a strong sense of demarcation and identity that makes their success more likely, as seen from the perspective of the interests of the growth machine.

Through bordering (as in citadels, enclaves, gated megaprojects or ghettos), urban settings enhance urban fragmentation and socio-spatial segregation. This iconography of borders and symbolic walls prevents the workings of alliances and circuits that intercultural research requires in order to take place. The debate by political economists on the “dual city” (Mollenkopf & Castells, 1992) and the idea of a “quartered city” of Peter Marcuse (1989), both echo the analysis on fragmented societies by Enzo Mingione (1991). These are dynamics of power produced by the workings of the global economy that parallel the spatial dynamics of power at work in producing borders during the planning and implementation of new urban spaces. The idea of boundary or border is then important because it leads us to reflect on the idea of “inclusiveness” and “visibility” (Grubbauer, 2013) as two ingredients of public space in intercultural research strategies to be realized in urban settings and in urbanism as a field of endeavor.

3.2 Global Structural Obstacles

The Manhattanization of the world, the Bilbao Effect or Dubaization – and the urban political economy that sustains these processes – present difficulties and can face several structural obstacles with direct consequences for the processes of urban policy travel and the establishment of transnational circuits as preconditions for intercultural research in urbanism. Situations of economic recession are only one of many obstacles faced by urban policy travel. Another is of a political nature, in particular the lack of strong metropolitan governments provided with the necessary instruments to undertake projects that can transform the urban image and the urban fabric. Such is the case of Mumbai, which is determined to “Shanghaize” itself, although major challenges loom (Weinstein & Ren, 2009).

The organizational obstacles in megaproject development as a major example of urban policy travel are not minor. Bent Flyvbjerg et al. (2003) already warned of these problems in *Megaprojects and Risk* with examples of big infrastructure projects in Europe. The development of an urban megaproject is usually completed in various phases, and therefore many rearrangements, corrections, additions, and errors occur, not to mention the usual incapability by developers to limit the final expenses to the initial budget (so-called “cost overruns”). All this produces a lack of transparency that is increasingly difficult to support in view of the increasing activity of civil society, which organizes itself to face the ambitions of the political and economic elites (del Cerro Santamaría, 2013).

We cannot forget either, that sometimes UMPs develop in conflict situations – as shown by Alexandra Miller’s work on the Afghan Ring Road (2013) – and that organized resistance to megaprojects can be of such a caliber that the state and the promoters fail to carry them out. This happened to Mexico City’s proposed international airport project, which has been defeated because of the divisions between and within the political class and citizens initially triggered by the progressive democratization, decentralization, and globalization of the country (Davis & Flores, 2013).

SOLUTIONS, RECOMMENDATIONS

1. Practicing Places

The walker in the city continually invents spaces by means of practicing the places in the built urban environment. The walker crosses boundaries just like an intercultural researcher does. According to Michel de Certeau (1984), walking defines spaces of enunciation. Similarly, geometry opposes itself to experienced anthropology, and so do maps (reifications, abstractions of the rich diversity of itineraries that can be practiced by individuals) in relation to tours. Power strategically establishes a place, an order, a particular distribution of stratified elements available for analysis, whereas resistance tactically articulates variations within such an order, and so practices spaces.

Practices of resistance become, then, “spatial stories,” and through them there occurs “a constant transformation of places into spaces and of spaces into places.” Spaces, thus, are thought of as open to human creativity and action. De Certeau believes that spaces can be more easily liberated than Foucault imagines, because individual practices “spatialize” rather than localize in repressive grids of social control. Space, therefore, is not simply a metaphor for a site or container of power (de Certeau, 1984, p. 59-67).

Resisting means then marking out boundaries, for the symbolic creation and recreation of spaces is an act of partitioning and differentiating. In this sense, it also constitutes an act of foundation, “of creation of a field that authorizes dangerous and contingent social action” in a “fragmented,” miniaturized,” and “polyvalent” form. Resisting (spatial stories, practices, operations) also means transcending frontiers and crossing bridges. By privileging a “logic of ambiguity,” the spatial stories of resistance represent “a departure, an attack on a state, the ambition of a conquering power, or the flight of an exile; in any case, the ‘betrayal’ of an order,” the “tour over the state,” narrativity “in its most delinquent form” (de Certeau, 1984, p.115-119).

De Certeau conceives narrative in a quite broad way as creations of spaces (as opposed to established places), as description (as opposed to theorization), as an art (as opposed to discourse), and as a private knowledge that remains “on the margins...of scientific or cultural orthopraxis.” It is “the status of a know-how without discourse.” Not only all manifestations of popular culture (ordinary language, tales, games, legends), but also any kind of “spatial practice” (walking, incarceration, railway navigation), and also reading and believing constitute objects for narrativity. Narrating represents an avoidance of totalizations and a foundation of spaces (which, as we have seen, challenge the unifying thrust of places). Indeed, “deprived of narrations...the group or the individual regresses toward the disquieting,

fatalistic experience of a formless, indistinct, and nocturnal totality” (de Certeau, 1984, p. 123-30).

2. Assemblages as Hybridization

Literary critic Homi K. Bhabha introduces the concept of ‘hybridity’ against the containment of cultural differences and challenges all hegemonies structured through binary antagonism. For him, “... all forms of culture are continually in a process of hybridity. But the importance of hybridity is not ... to race two original moments from which the third emerges, rather hybridity is the ‘third space’ which enables other positions to emerge. This third space displaces the histories that constitute it, and set up new structures of authority, new political initiatives ... The process of cultural hybridity gives rise to something different, something new and unrecognisable, a new area of negotiation of meaning and representation” (Bhabha, 1994, p. 56).

Bhabha locates the origin of the notion ‘cultural difference’ and hybridity within colonial discourse itself where it is articulated as resistance to ‘colonial authority’ – a process by which in the very practice of domination the language of the master becomes hybrid.

“The field of signification of colonial cultural differences announces a modality of misappropriations of signs that produces a discursive instability at the level of enunciation; a productive ambivalence which deconstructs the fixity of the boundaries (coloniser/colonised) of colonial discursivity and construct hybrid identities” (Bhabha, 1994, p. 73).

The notion hybridity or third space of Homi Bhabha is a floating metaphor for a critical historical consciousness that privilege spatiality over temporality; but the privileging of spatialization is not ahistorical and timeless rather he tries creatively to spatialize temporality. This is an envisioning of cultural politics of third space, an effective consolidation that helps to dislodge its entrapment in hegemonic historiography and historicism.

The social articulation of difference, from the minority perspective, is a complex, ongoing negotiation that seeks to authorise cultural hybridities that emerge in moments of historical transformation. The “right” to signify from the periphery of authorised power and privilege does not depend on the persistence of tradition, it is resourced by power. He explains further the notion “going beyond”:

“Beyond signifies spatial distance, marks progress, promises the future, but our intimations of exceeding the barrier or boundary – the very act of going beyond – are unknowable, unrepresentable, without a return to the “present” which in the process of repetition, becomes disjunct and distance – to live somehow beyond the border of our times – throws into relief the temporal, social differences that interrupt or collusive sense of cultural contemporaneity” (Bhabha, 1994, p. 132).

Hence, the going beyond is the spatial act of intervention to revisit and reconstruct subjectivities in order to inhabit multiple positions of subjects as an enunciation of cultural difference. Thus Homi Bhabha's notion hybridity/third space is akin to the notion of "assemblage" (Deleuze & Guattari, 1987). Both notions connect spatial concerns with cultural politics to provide multiple identities challenging all the binaries which are part of homogenisation and universalisation of human existence with singular analytical categories. Intercultural research in urbanism has the potential to overcome the barriers to alliances and circuits through an ontology and epistemology developing around the idea of assemblages or "rhizomatic research cultures" (Guerin, 2013).

FUTURE RESEARCH DIRECTIONS

1. Holistic Intercultural Research

Intercultural research can be said to be holistic when a transdisciplinary research strategy is used to account for problems that are global in nature, such as sustainable megaproject development. Development processes in the built environment have significant environmental impacts, and thus attaining acceptable levels of environmental sustainability needs to become a priority for planners, developers and other stakeholders. However, the attainment of environmental sustainability does not in itself ensure megaproject sustainability, a goal that needs to be pursued holistically. One way to do it is to use the notion of "key or multiple success factors" (Grunert & Ellegaard, 1992).

This notion is not new in the field of project management and, in fact, constitutes one of the topics most discussed by specialists. It is increasingly important "to evaluate projects and their impacts at different times and based on multiple criteria in order to fully evaluate their performance. Success is often driven by political and/or power-related factors" (Grunert & Ellegaard, 1992, p. 24). Due to the strongly political nature of the stakeholders throughout the supply chain and their different underlying objectives, the success factors usually considered no longer seem sufficient. This configuration requires innovative governance solutions that align the interests of the different stakeholders in a complex environment with a large number of key actors (Harris, 2017).

By following the notion of "multiple success factors," we contend that there are a number of requirements that need to be met in order to achieve sustainable megaprojects: environmental sustainability (sustainable infrastructure delivery and sustainable development zones); sustainability in design and planning; sustainability in megaproject management; institutional sustainability; and socio-economic

sustainability. Thus, a megaproject can be defined as sustainable if it is planned and executed to account for the capacity, fitness, resilience, diversity and balance of its urban ecosystem. We take the view of sustainability as an organic process including environment, economy and community: form and efficiency -- environmental factors in design, architecture, engineering and construction -- as well as policy -- urban plans and practices that explicitly aim at maintaining and improving the social and economic well-being of citizens (del Cerro Santamaría, 2019).

2. Complexity and Transdisciplinarity

If intercultural researchers adopt a transdisciplinary strategy, they are certain to have to deal with the concept of complexity. For example, the notion of “strategic urban planning” (Hersperger et al., 2018) has become paramount in efforts to address sustainability challenges in urban environments. This notion involves a holistic approach to problem solving in the area of sustainability that implies placing the idea of complexity at the forefront of analysis and action. Complex thought, education and knowledge, in Edgar Morin’s understanding, take into account contextual, global and multidimensional factors to devise strategy conducive to more fruitful action.

“Pertinent, knowledge must confront complexity. Complexus means that which is woven together. In fact there is complexity whenever the various elements (economic, political, sociological, psychological, emotional, mythological ...) that compose a whole are inseparable, and there is inter-retroactive, interactive, interdependent tissue between the subject of knowledge and its context, the parts and the whole, the whole and the parts, the parts amongst themselves. Complexity is therefore the bond between unity and multiplicity. Developments proper to our planetary era confront us more frequently, ineluctably with the challenge of complexity” (Morin, 1999, p. 19).

Complex knowledge also factors in the centrality of the knowing subject in analytical endeavors, the uncertainty of the knowledge enterprise itself and the incompleteness and undecidable nature of *homo complexus*’s human action. Through complex knowledge, the holistic quality of urban planning naturally leads to a transdisciplinary conception of theory-building and practice development. Thus, a possibly fruitful way to apply the notion of strategic urban planning would be to propose a transdisciplinary paradigm to address urban challenges. Strategy by itself is insufficient if it is based on traditional approaches to knowledge generation. A global and transdisciplinary strategy of sustainable development is required. The concepts in individual disciplines are not necessarily univocal.

The global problems of sustainable development consist not only of some of the environmental problems (climate change, loss of biodiversity), but also of socio-economic issues. Whatever “sustainability” means, and whatever sustainability’s multiple interpretation simply, they involve politics, resources and power. Most current

attempts at solving sustainable development issues are not by themselves conducive to sustainability. They are mostly contradictory, inconsistent and inefficient. This contrasts with the nature of the behavior in sustainable systems, which is non-linear and holistic.

“Green reformism” is based on a paradox, because it simultaneously adopts neoliberal capitalism and rejects economic growth. Although “green reformism” has developed an integral form of natural resource management, it has a poorly defined vision and well being of human development (Gill, 2009). The current consideration of sustainable development in literature and the media is basically reductionist and involves mainly a binary thought. The problem is that reductionism, binary logic and disciplinary approaches are beliefs that must be overcome.

A transdisciplinary way of thinking is in order. Such a way of thinking would cross-traditional disciplines and would modify the classical notion of science. A new vision fostering sustainable principles requires a rethinking of human values, and a reconsideration of the integration among the flow of perception, experience and consciousness. It is impossible to imagine a single solution to the problem of sustainability, but many complex, interrelated and evolving solutions.

To avoid current destructive human behavior, we need to develop a new collective perception of human relations towards the valorization of a new set of attitudes and behaviors or towards a different prioritization of the set of current values. Holistic and unified knowledge, as an instance of intercultural research, can deal with complex global problems of sustainable development.

CONCLUSIONS

This paper asked how is intercultural research made possible in the field of urbanism? The paper has identified alliances, circuits and assemblages as the forms of collective research, learning and knowledge, and as the conditions of possibility for intercultural research in urbanism. We discussed the city as an intercultural milieu, where participatory urbanism and alliance formation, between researchers and citizens, take place. Then we discussed urban policy travel, a form of transnational urbanism (where intercultural means international) that is based on circuits, flows and networks between creators of knowledge, ideas and policy and receptors and adopters. In the section devoted to issues, controversies and problems we dealt with (1) borders and citadels, and (2) global structural problems. These two constrain, sometimes in significant ways, the processes of alliance and circuit formation that were identified as the pre-conditions for intercultural research in urbanism.

In the section on solutions and recommendations we identified (1) practicing places as a strategy to overcome borders and boundaries, and (2) assemblages as

hybridization, where intercultural ties happen through translation, in the trade zones across research cultures and disciplines. We proposed disciplines to be understood as conceptual hubs based on history and path-dependence, not as self-contained, closed systems of knowledge and research. As possible research directions in the near future we identified (1) holistic intercultural research, and (2) complexity and transdisciplinarity.

We found that, even if the city as an intercultural milieu is conducive to the necessary cosmopolitan attitude that fosters intercultural linkages, the challenges are formidable. The structuring of cities around borders and citadels, virtual and symbolic or cultural walls and ghettos, as well as the challenges to translation, adoption and adaptation of urban policies across distinct local planning cultures, are obstacles for the transferring of urban knowledge around the world and thus for the expansion of intercultural research.

Participatory urbanism shows the way forward as an intercultural practice for researching and analyzing urban problems. However, issues of decentralization and devolution of powers, building trust, achieving fair representation, enabling resources and support systems, or building transparency through platforms of engagement represent potential limitations to this approach. The fading away of the Bilbao Effect and the limited impact of Dubaization are illustrations of drawbacks in so-called best practices.

In addition, the sheer complexity of alliance formation and circuit efficacy, as well as the predominance of different epistemic cultures (with distinct conceptual sets) among participants in intercultural research, analysis and practice present substantial challenges to effective intercultural communication. The existence of different values and cultural contexts complicates efforts at interpretation and fair judgment among parties involved in practices of intercultural research.

Advances in intercultural research in urbanism are tied to developments in the area of assemblage research cultures, particularly in developing new ontologies and epistemologies that would allow for the possibility of shaping transcultural value sets, even if partial or temporary, and resolving the conundrum and wicked problem of complexity. We can expect advances in intercultural and transdisciplinary approaches and research strategies in urbanism in the coming years that help understand the complex, multifaceted and indeterminate nature of urban reality.

DEDICATION

To Professor Diane E. Davis, teacher and mentor, for her exemplary scholarship.

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KEY TERMS AND DEFINITIONS

Assemblages: A bottom-up framework for analyzing social complexity by emphasizing fluidity, exchangeability, and multiple functionalities through entities and their connectivity, as in rhizomatic research cultures.

Complexity: Complexus means that which is woven together; the bond between unity and multiplicity. Complex thought, education and knowledge, in Edgar Morin's understanding, take into account contextual, global and multidimensional factors to devise strategy conducive to more fruitful action.

Dubaization: The process of urbanizing a city with futuristic, pioneering architecture, as in Dubai (United Arab Emirates), and many other cities around the world.

Epistemic Cultures: Knorr Cetina defines the term as a diversity of scientific activities according to different scientific fields, not only in methods and tools, but also in reasoning, establishing evidence, and relationships between theory and empiry.

Holism: The theory that parts of a whole are in intimate interconnection, such that they cannot exist independently of the whole, or cannot be understood without reference to the whole, which is thus regarded as greater than the sum of its parts.

Hybridization: The transcendence of binary antagonisms; a "third space" where the social articulation of difference takes place.

Participatory Urbanism: Collaborations among city planners, architects, social scientists, urban activists and citizens to analyze and try to solve city problems.

Social Learning: The process of learning through our interactions and communications with others (Vygotsky); culture therefore becomes the single most significant factor for learning, research and knowledge creation.

Transdisciplinarity: A way of thinking that proposes crossing traditional disciplines and modifying the classical notion of science, including binary logic and underlying values.

Section 2

Digital Transformation

Chapter 6

Digitalization of Cultural and Creative Industries and Its Economic and Social Impact

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ABSTRACT

Digitalization has become a buzzword in all aspects of our lives. Therefore, it has significantly impacted the sector of cultural and creative industries, and it has had huge economic and social impacts. Cultural and creative industries are some of the fastest growing industries and represent a significant contribution to the economy, the creation of jobs, and quality of life. With the massive wave of digitalization, institutions within creative industries have faced new challenges of how to respond to this shifting environment while staying true to their mission and values. If they want to thrive, they need to adjust their business models to the technological, political, and economic changes. The aim of this chapter is to provide an understanding of the digitalization in the sector and the social and economic impacts of digital transformation on cultural and creative industries as well as change the way cultural products are distributed and consumed.

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1 INTRODUCTION

This chapter deals with two phenomena that have become buzzwords in last decades, and we have witnessed increasing interest of their economic and social importance. These phenomena are digitalization and culture and creative industries. Scholars, policy makers and practitioners seem to be more and more aware of economic contribution of cultural and creative industries on local, national, and international levels. Unfortunately, especially policy makers tend to focus only on the economic perspective of the issue. Social aspects deserve the equal attention, since intrinsic value of cultural sector is not economic profit, but mainly its impact on society. Digitalization, process that has impacted all aspects of our lives, has caught similar attention as cultural and creative industries and of course has strongly influenced the way actors in cultural and creative industries operate and interact. The aim of this chapter is to provide an overview and understanding of the social and economic impact of digital transformation on culture, creative industries as well as change in the way cultural products are distributed and consumed.

Digitalization affects our everyday reality and also brings many expectations. Katz (2017) explains that digitalization refers to the transformation triggered by the massive adoption of digital technologies that generate, process, share and transfer information. Digitalization is based on the evolution of multiple technologies: telecommunications network, computer technologies, software engineering and the spill-over effects resulting from their use.

Digitalization is not one-time action, it is an ongoing process that happens in waves that are influenced by technological progress and diffusion of innovations. Digitalization should be considered as two processes happening simultaneously, these processes are evolution of technology through innovation and technology adoption in companies, governments and consumers. The first process, technology evolution is ahead of the second process, therefore there might be a lag between product availability and impact (Katz, 2017).

Undoubtedly, digital technologies have played a crucial role in the innovation of cultural sector (Rizzo, 2016), it has significantly pushed organizations to rethink and innovate their business models. Digitalization has brought many changes in to the field of culture, it has modified the relationship between artists, agents, consumers, it has changed the way culture is mediated to the audience as well as the way culture is consumed and perceived. Advancement in digital technologies might decrease the importance of intermediaries in the art sector, since artists can raise fund via crowdfunding campaigns, they can show their work on their websites or other platforms, they can publish their work online, and they can easily communicate with their audience, clients and consumers. Almost everyone can record a song or video and put it on YouTube and reach thousands of viewers. Digitalization in culture

has had a strong impact on the production of cultural content and products. Due to the advancement of communication technologies, people from different part of the world can cooperate and create content and products together. It has changed also the way cultural workers and artists can promote their work, it is much easier to reach wider audience with the growth of social media. The change has not appeared on both side, demand and supply. Thanks to the digitalization, audience and consumers have become more involved in the content creation, mainly because digital devices such as smartphones, tablets, laptops, etc. have adapted to be able to create content and not only passively consume. Many challenges for cultural sector comes together with digitalization, one of them is the issue of copyright, piracy and many others, therefore new models of copyright such as creative commons have appeared. But copyright is still a big challenge and rises many questions like, what is the fair usage of cultural product. Is it fair to share e-book, CD or DVD with few of my friends, is it fair to share this content on the internet with thousands of people?

The definitions and concepts of cultural and creative industries vary in different countries and have evolved over the years. In the following section, several concepts and approaches are presented.

2 SECTOR OF CULTURAL AND CREATIVE INDUSTRIES

Cultural and creative industries are one of the fastest growing industries and represent a significant contribution to the economy, the creation of jobs, and quality of life. According to a report produced and published by Ernest and Young (2015), cultural and creative industries worldwide generated revenue of 2.250b USD and employed 29 million people in 2013. These figures are significant especially when we compare them with other industries. Cultural and creative industries revenue exceed revenue generated by telecom services (USD 1.570b globally), and surpass India's GDP (USD 1.900b). The industries that earn the most are television (USD 477B), visual arts (USD 391b), and newspapers and magazines (USD 354b). 1% of the whole active population of the world works in CCI, which makes it 29.5 million jobs. Three sectors that employ the most people are visual arts (6.73m), books (3.67m), and music (3.98m).

The core of creative industries, as the name itself implies, is creation. As Einarsson (2016) points out, creative industries rely for their existence on human capital, which represents the knowledge possessed by an individual or individuals. This knowledge can be usefully used in the running of business enterprise, organisation or any other operation.

2.1 Cultural Industries and Their Origin

The term “culture industry” was used for the first time in a work by Theodor W. Adorno and Max Horkheimer in 1947 called *Dialectic of the Enlightenment*. They used this term as a criticism of the modern, mass approach towards entertainment. The purpose of the combination of the words culture and industry was to induce shock as well as to disclaim the popular forms of entertainment (Adorno & Horkheimer, 1979). Since then the term industries of culture and its perceptions has evolved and nowadays is used for industries that combine creating, production and commercialisation of a product of cultural nature and these products are usually protected by copyright (Wroblewski, 2014).

Theodor W. Adorno and Max Horkheimer are representants of the Frankfurt School. Their approach is based on the works of Walter Benjamin, even though he has never been a part of the Institute of Social Fiction, where Adorno and Horkheimer were based. The most important Benjamin’s work that influenced the Frankfurt School was his essay “The work of art in the age of its mechanical reproduction”. As the title of the essay implies, it is about change of production and therefore perception of art works based on their reproducibility. As Adorno (1991) points out at the end of 19th century, the first forms of reproducible art started to appear, such as recorded music, movies, etc. In his essay, Benjamin focuses on the loss of the aura of an art work, which for him is kind of authenticity spirit of the art work. When, for example, we visit Musée de l’Orangerie in Paris in order to see Claude Monet’s *Water Lilies*, we can experience the aura around this art work, since it is based on the authenticity of this specific piece. When we look at the reproduction of this painting, for example in books, from Benjamin’s point of view this aura is lost. Theodor Adorno and Max Horkheimer based on Benjamin’s view criticize the industrial approach to the culture, the way culture is becoming capitalist production. As consequences, in their point of view, culture in general has made a shift from the art towards the industry and become the mass production for consumers.

The term cultural industries has been used both in the singular as well as plural form. The plural form cultural industries is usually used in cultural policy documents. Plural form has been preferred terminology also for Hesmondhalgh (2007) or Miège (2011). On the other hand, the singular form ‘culture industry’ is usually linked with the neo-Marxist philosophy and cultural theory associated with Theodor W. Adorno and Max Horkheimer and others. Herbert Marcuse (1964) developed the culture industry further, in his vision capitalist industrial society integrated into the economic system of production and consumption by promoting false needs (Hartley et al., 2012). The anti-capitalist critiques developed by the Frankfurt School continue to appeal even nowadays.

But the concept of cultural industries as we know them nowadays appeared in 1970s mostly within French and British schools that have been based on the Frankfurt School implications. In 1970s and 1980s we can see in cultural sector the raising role of information as well as culture within the industries of contemporary economy. Important aspect of this era in terms of cultural industries is deregulation in the field of audio-visual communication across Europe. So, this period is a period of commercialization and commodification, until 1970s and 1980s, for example, radio and television was owned by state, so they were public goods, but later states started to sell out radio and television. Also, in this period, we could witness the boost of international exchange and field of culture production, this trend was the most significant in the movie industry.

A milestone in the theory of cultural industries is a book *Capitalisme et Industries Culturelles* written by French scholars published in 1980 and that claims the main specialities of cultural industries. First important aspect of this book is that the scholars propose the concept of cultural industries in plural, since these industries might have different type of products. The second main concept present in this book is the random exchange value. Since it is almost impossible to predict commercial result of the book or a new series before launching them, mainly because the results depend on the nonmeasurability of the collective tastes. In cultural industries, it is not possible to do a marketing research and then based on this research create and provide a product, it is impossible to measure collective tastes by classic marketing tools. The demand for cultural product is non-elastic, since if someone wants to buy a particular cultural product, for example a book by Milan Kundera, he/she will buy this particular book even if the price of it will be higher than a book by Franz Kafka and this concept of non-elastic demand works in the majority of cultural industries. Another and last concept coming from the French scholars is the editorial function, which is the function carried out by an editor that could be present in any branch of creative industries and can have different titles such as publisher, producer, etc. These different titles units the function of the editor, which is to bring together the artistic or creative elements of production and commercial reproduction as well as the technical production.

In the second half of the 20th century, media became more and more important when it comes to disseminate cultural products and at the same time, media became more and more converged with telecommunications industry and with a sector of information communication technology industry and therefore it became difficult to separate some particular fields.

As Hartley et al. (2012) explain, terminology and distinction between cultural and creative industries vary from discipline to discipline, for example in economics, the distinction between these two terms is not so strict, for example David Thorsby explains that the concept of industry can be outlined according to groupings of producers, product classifications, factors of production, types of consumer, and location (Thorsby, 2001). On the other hand, scholars in humanities and cultural studies consider the choice of a proper terminology very important.

2.2 Creative Industries

The term creative industries was developed and gained its relevance in 1990s, mainly because it was included in initiatives of the new UK Labour government and the Department for Culture, Media and Sport (Hartley et al., 2012).

One of the main differences between cultural and creative industries is that the concept of creative industries is not a product of scholars. Cultural industries, as explained above comes from research field, creative industries, on the other hand, is a political concept and it comes from new-labour party of Great Britain. They used the concept of creative industries in order to justify the decline in economic with an argument that nowadays economy is more creative, even though it does not generate a great profit. The term started to appear in policies, such as the national cultural policy of Australia in the beginning of 1990s, followed by the Department for Culture, Media and Sport of the United Kingdom from cultural to creative industries.

The term creative industries can be also applied to a much wider productive set, including goods and services produced by the cultural industries and those that depend on innovation, including many types of research and software development (UNESCO, 2013).

There have been several models of creative industries proposed, probably the most known is the one proposed by David Thorsby (2008), Australian cultural economist. He separated the core creative industries, such as literature, music, performing art and visual arts, these are based on the main arts expressions. Another layer of creative industries consists of, so called, other core creative industries and wider cultural industries that consists of museums, audio-visual sector, libraries, photography, etc. The last layer of creative industries is according to Thorsby related industries, these are advertising, architecture, design, fashion, etc. According to Thorsby, the set of these particular industries is basically creative economy.

The topic of creative economy has been also addressed by the United Nations Conference on Trade and Development (UNCTAD) that defines creative economy as “...*an emerging concept dealing with the interface between creativity, culture, economics, and technology in a contemporary world dominated by images, sounds, texts and symbols*”

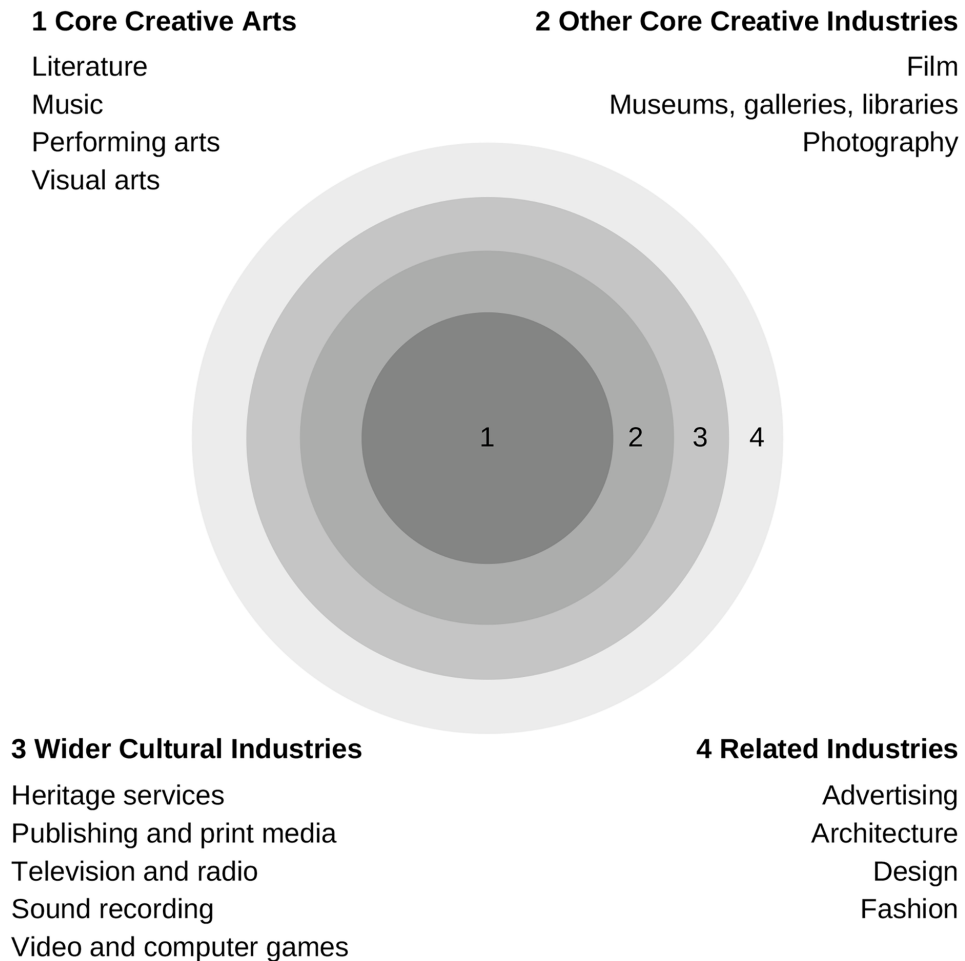
Another concept, different from the concept of creative economy proposed by Thorsby is the concept proposed by urbanist Richard Florida, who also came up with the term creative class. He says that creativity is everywhere, because creativity is everywhere and at the same time nowhere. Florida says that creativity is any area, you can be creative in design, but also in finance, etc.

Thorsby identifies three main characteristics that define creative industries. First is that creative industries are industries where the management of creativity is the priority, second the product created in creative industries has a high degree of symbolic creativity, and third characteristics is that the results of production are capitalized via utilization of the intellectual property.

The concentric circle model proposed by Thorsby and captured in the Figure 1 needs some comments. First of all, the circles have porous boundaries each successive circle is more and more shot through with aesthetic and symbolic attributes. Second, the central circle “core creative arts” does not mean that individual artists are alone at the top of a hierarchy of creativity. The cultural value chain starts with them, but they are part of a wider enterprise whose process is initiated by managers, entrepreneurs, producers, intermediaries, etc. Another model, more recent, proposed by the Work Foundation in the United Kingdom, captured in the Figure xx, places the notion of expressive value at the core and includes diverse elements, including aesthetic, social, spiritual, historical, and authenticity values. This model distinguishes between cultural and the creative industries and place them both within the economy as a whole (UNESCO, 2013).

As mentioned before, many different models have been developed. The utilisation of the terms creative and cultural industries can vary depending on the context. Communities often seek to redefine predominant models in order to adopt them to the reality of their local context, culture and market. Therefore, the terms are constantly evolving. Figure 3 presents different classification systems and their implication for the creative economy (UNESCO, 2013). We can find at least six different classifications of creative industries. One of them is classification of the Department of Culture, Media and Sport in the UK, DCMS model, then we can have the basic symbolic text model, concentric circle model such as the one proposed by Thorsby, a model proposed by the World Intellectual Property Organization, WIPO model, UNESCO Institute for Statistics Model, and model of an organization Americans for the Arts. So, as we can see, there are many differences and therefore it might be complicated to create a comprehensive policy even on the EU level, this kind of policy needs to be thus flexible. Another problematic issue caused by the different approaches and models of cultural and creative industries is measurement, how can we measure and compare contribution of creative industries in different economies, if they do not share the same framework and also it might cause the manipulation with economic statistics and can be used for political manipulation.

Figure 1. Thorby's concentric circles model (Throsby, *The concentric circles model of the cultural industries*, 2008)



Understanding and utilisation of the terms cultural and creative industries vary also when we consider the geographical factor and national policies. For example, if we compare United Kingdom, Germany, France and Spain, we will find out the different terms are used and different domains are included or excluded from this field. In the case of the United Kingdom it is a domain of creative industries, in France cultural industries, in Spain cultural sector and in Germany it is culture and creative industries. An example of different fields included and excluded are libraries, which for example in Germany and the UK are not considered as part of culture and creative industries, which is not the case in France and Spain. But then for instance, French concept of culture industries does not include architecture, whereas Spanish

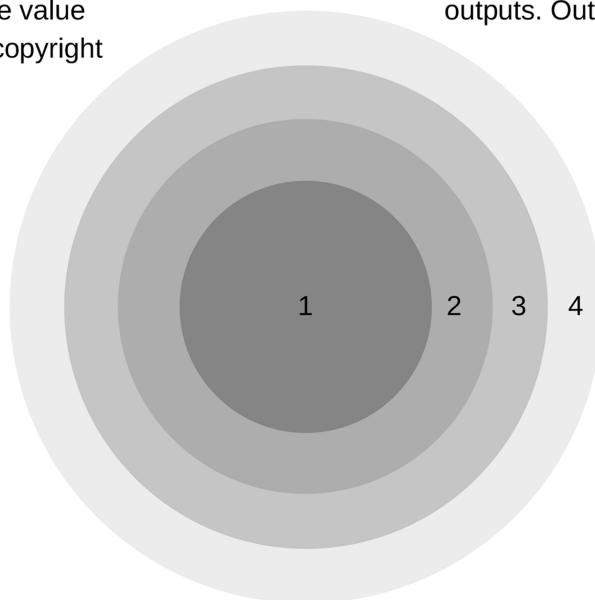
Figure 2. The work foundation's concentric circles model (Work Foundation, 2007)

1 Core Creative Fields

Commercial outputs possess a high degree of expressive value and invoke copyright protection.

2 Cultural Industries

Activities involve mass reproduction of expressive outputs. Outputs are based on copyrights.



3 Creative Industries and Activities

The use of expressive value is essential to the performance of these sectors.

4 The Rest of the Economy

Manufacturing and service sectors benefit from and exploit the expressive outputs generated by the creative industries.

concept does. Germany and the UK includes design as part of creative industries, but France does not and when it comes to fashion, it is included only in the British policy. Similar example is software industry, which is considered as creative industry in the UK and Germany, but not as culture in France and Spain. On the other hand, museums, that are considered as part of cultural domain in France and Spain are not included in creative industries in UK and Germany. Therefore, we can find different approaches and policies to define and support cultural and creative industries.

Figure 3. Different classification systems for the cultural and creative industries (UNESCO, 2013)

<p>DSCM model Advertising Architecture Art and antiques market Crafts Design Fashion Film and video Music Performing arts Publishing Software Television and radio Video and computer games</p>	<p>Symbolic Texts Model Core Cultural Industries Advertising Film Internet Music Publishing Television and radio Video and computer games Peripheral Cultural Industries Creative arts Borderline Cultural Industries Consumer electronics Fashion Software Sport</p>	<p>Americans for the Arts Model Advertising Architecture Art school and services Design Film Museums, zoo Music Performing arts Publishing Television and radio Visual arts</p>
<p>WIPO Copyright Model Core Copyright Industries Advertising Collecting societies Film and video Music Performing arts Publishing Software Television and radio Visual and graphic art Partial Copyright Industries Architecture Clothing Design Fashion Household goods Toys Independant Copyright Industries Blank recording materials Consumer electronics Music Instruments Papers Photocopiers</p>	<p>UNESCO Model Industries in Core Cultural Domain Museums, gallerie, libraries Performing arts Festivals Visual arts, crafts Design Publishing Television and radio Film and video Photography Interactive media Industries in Expanded Cultural Domain Musical instruments Sound equipment Architecture Advertising Printing equipment Software Audiovisual hardware</p>	<p>Concentric Cyrcles Model Core Creative Arts Literature Music Performing arts Visual arts Other Core Creative Industries Film Museums, galleries, libraries Photography Wider Cultural Industries Heritage services Publishing and print media Television and radio Sound recording Video and computer games Related Industries Advertising Architecture Design Fashion</p>

Due to the different approaches to the domain it is also very complicated to define the difference between cultural and creative industries and different scholars have different opinions to this distinction. Some researchers think that cultural industries should be strictly separated from creative industries, since cultural industries have special artistic contribution, whereas creative industries are more connected to industrial world. Others consider cultural industries as part of big industries, what we call creative industries. This approach claims that all that industries are different, but they share something in common, such as creation, symbolic value, intellectual property rights, etc.

But when it comes to symbolic value the role of creativity in creative industries is different than creativity in cultural industries. Creativity in cultural industries constitute an essence of the product value, whereas symbolic value in creative industries is less important, the base of the value of the product in cultural industries is absolutely based on the artistic creativity. People buy products of cultural industries mainly because of their artistic value, their symbolic value. But the demand for products in creative industries is influenced by many factors, people buy clothes from designers because they like it, but also because they need clothes, so in case products of creative industries, people are influenced by more factors than just symbolic value.

3 DIGITALIZATION

Digitalization has become a buzzword in all aspects of our lives. Digitalization, that refers to the transformations triggered by the massive adoption of digital technologies, has impacted majority of cultural organizations and change their business models, the way culture is mediated as well as “consumed”. In this chapter, all these three layers are analysed.

Digitalization has disrupted numbers of copyright-protected creative industries including books, music, radio, television and movies. Once information is transformed into digital form, it can be copied and distributed at near-zero marginal costs. Naturally, this shift has facilitated piracy in some industries, which in turn, has made it difficult for commercial sellers to continue generating the same levels of revenue. At the same time, digitalization has increased the number of new products that are created and made available to consumers.

With the massive wave of digitalization institutions within creative industries have faced new challenges how to respond to this shifting environment while stay true to their mission and values. If they want to thrive, then need to adjust their business model to the technological, political and economical changes.

Digitalization allows us to have easier access to information resources and search for it rapidly and comprehensively from anywhere at any time. Digitalization allows that almost unlimited of users can access the same material at the same time without obstacles, it also removes the problem of distance. Nowadays many museums have made their collections digitized and therefore researchers and people interested in museum objects can easily look at them.

Moreover, a digital substitute of rare and fragile original document allows user to access it while the original is protected from damage by handling or display. Khan, Khan and Aftab (2015) summarize what are the main benefits of digitalization:

- The documents can be views from anywhere, at any time.
- The document can be printed directly from the web.
- Users can find what they are searching for quickly and independently.
- It can save staff reference time by answering frequently asked questions on the web.
- It can enhance images electronically so that they can be viewed with greater legibility.
- It increases use of collections and facilitates learning and scholarship.
- The documents are not handled frequently which lessen wear and tear.

Clearly, there are many benefits of digitalization for both, consumers and organizations in culture and creative industries, even though in some cases the term “consumer” can be inappropriate for people using cultural content. In this chapter, there is a closer analysis of economic and social benefits of digitalization in culture and creative industries. Developing a digital content can reduce costs of many organizations. At the beginning the investment in the process of digitalization might be significant, but it can reduce their costs and help them to reach new audience. At the same time, it accessible digital content might reduce costs of consumer of this content, for example, they do not need to travel to a museum in order to see some museum objects, they can access rare fragile documents. Financial benefits are not the only benefits that digitalization provides, but also some social values such as comfort and satisfaction for users, development in learning, improving quality of life, etc.

Katz (2017) conceptualizes digitalization into three waves. The first one is linked with the introduction and adoption of mature technologies including management information systems that aim at automating data processing and apply to monitor and report of business performance, telecommunications technologies and voice telecommunications. Computers (introduced in 1960s) and mobile phones (introduced in 1980s) are commonly used. Nowadays we cannot imagine our everyday life without these devices. The second wave of digitalization is associated with the introduction

of the Internet and its platforms. The Internet has helped businesses to access their customers and enterprises among themselves. The invention and evolution of the Internet and platforms has significantly impacted cultural and creative industries and actually have enabled to launch and development of some of them. One of many examples are streaming platforms, sound clouds, services such as Spotify, Netflix and many others. The last, third wave of digitalization, which Katz dates from 2010 and is linked with the adoption of a range of technologies, whose aim is to improve information processing and improvement of decision making such as big data, internet of things, robotics, 3D printing, artificial intelligence. Even though these technologies are not typically adopted in a stand-alone fashion, nowadays they are used in cultural and creative industries, often used for artistic projects and for art works. These technologies are also critically reflected by artists like in the case of big data, artificial intelligence etc. Adaption of these technologies usually requires high investment and is concerned with ethical and privacy issues as well. These three waves have had different economical and social impact on our society.

Each cultural and creative industry vary in the extend of impact of digitalization. As Henten and Tadayoni (2011) point out the art of painting is not much affected, apart from the advertisement of exhibitons and the seeling of paintings, even though digital techlonogies started to play an important role in the recent art market development. Same applies to for example thetres, on the other hand, industries in the area of audio, video and text have changed enourmously. For industris that are significantly affected by digitalization, the implications are not only for the ways cultral product are distributed and communicated, but also for the products themselves and furthermore, it impacts the relationship between the producer and the users (Henten & Tadayoni, 2011).

3.1 Digital Organizations

Organizations in cultural and creative industries, both non-profit and for-profit, need to adopt to fast changing technical environment and take into account new needs of their audience and customers. Digital technologies change the way audience engage with culture and modify new forms of cultural participation. Behaviour of audiences in alliance of evolution of technology, especially in the case of younger audiences. Due to the new technologies, audiences are used to have instant access to all forms of digital content that enables interaction. Technology has modified cultural experiences, made it more accessible and “easier to consume”, whether accessing online museum collection, listening to music, watching theatre performance from all around the world or purchasing e-tickets.

Organizations in cultural and creative industries have a chance to use technology to attract new audiences, but also to reach out audiences and customers that lost interest in products and services. Therefore, it is in interest of organization themselves as well as policy makers and governments to improve digital skills. Research (Lloyds Bank Digital Index for Small Business and Charities) has proved that cultural organizations that are digitally mature are the ones who benefit the most from digital technology. According to the report *Culture Is Digital* produced by the Department for Digital, Culture, Media and Sport in the UK, digital maturity means that digital activities are implemented across an organization as part of the strategic vision and throughout every aspects of the business, they are present in creative output, audience outreach and e-commerce (Department for Digital, 2018).

Organizations in culture and creative industries can serve as a gatekeepers for new tools using new technologies, since they can experiment with them and therefore can later be an engine for wider creative economy. This provide a room for cooperation and partnership between cultural organizations and other companies. Recently, the sector witnessed many partnership projects between museums and high-tech companies. One example among many is an exhibition of Amadeo Modigliani in Tate Modern in London, when the gallery cooperated with HTC Vive in order to create virtual reality experience as part of the exhibition. Visitors had the opportunity to enter an atelier of Amadeo Modigliani and “witnessed” where masterpieces exhibited in the exhibition were created. This kind of partnership is a new trend not only in the museum sector, but other field of cultural and creative industries. It provides several benefits for both, high-tech companies and cultural organizations. Hi-tech companies can test their produts or a partnership can even help with a product development and improve their brand awareness, reach new clients, improve the internal communication and relationship with their employees and others. On the other side, museums through the partnership can gain not only financial support, but it can bring new equipment, they can attract new audience and participator, extend their brand awareness, it can bring competitive advantage and help realising their mission. Both cultural organizations and companies from the tech sector can benefit from idea exchange, creative minds and new point of views.

Partnership between cultural institutions and tech companies, or other entrepreneurs can have also some difficulties and barriers. People from different sectors do not share the same language and therefore it can be difficult to understand each other, they might share also different values. Another issue might be that workers of cultural institutions often do not have strong technical skills, which can be a problem when negotiating partnership with tech companies. a

In order to be able to benefit fully from digitalization and participation in the digital economy, it is crucial to build digital infrastructure. According to the Department for Digital, Culture, Media and Sport in the UK (2018) the cultural sector lacks the infrastructure and the operating and funding models needed to thrive in a digital landscape. Therefore, government should support digitalization and building digital infrastructure. In order to reach desired impact, public support for digitisation needs to be strategic and well oriented. In some countries, there are several types of public funding to help organizations in cultural and creative sector to help them to engage in digital economy. The Cultural Protection Fund that is managed by the British Council, in partnership with DCMS aims to keep cultural sites and objects safe and to support that cultural heritage is well recorded, conserved and restored. This fund also provides awards to digitally document heritage sites at risk in Syria, digitise written and photographic material that are held in archives in Sudan.

4 ECONOMIC IMPACT OF DIGITALIZATION IN CULTURAL AND CREATIVE INDUSTRIES

Process of digitalization in cultural and creative industries has impacted the diversification of channels of the distribution of products of cultural and creative industries. In the previous era of cultural and creative industries, but also information industries and mass communication industries, there was a concept of gatekeepers, so basically few strong players in the field had power among any kind of distribution of cultural industries. For example, it was more difficult for singers, who wanted to become famous to reach their audience, since producers decided who should record an album or whose songs will be played in radio. There are still some remains of this system, but nowadays, musicians can easily reach their audience via youtube, spotify, social media such as Instagram, Facebook, Snapshot and other channels. Nowadays, the environment of gatekeepers is much more diverse and complex, there are still some gatekeepers, but their power is much more diverse, and their role has changed. Therefore, it seems that actually digital platforms became new gatekeepers, but there are many of them, so the artist can choose within very high variety of different gatekeepers, such as variety of radio stations, variety of digital platforms, some of them are connected and artists can share content through all of them and reach more diverse audience. Of course, the power of these gatekeepers is strongly influenced by the informational technology and software companies, companies developing and producing devices, etc. So, there has been a significant shift in terms of conditions for competitors and market power.

Digitalization has proven to have a strong economic impact, such as reducing unemployment, and reducing costs, growth and productivity. Also, digitalization helps organizations and government bodies to perform with high level of transparency and efficiency. Therefore, it is in the interests of governments to support process of digitalization in order to boost economic activities. They can do so in many ways through different tools such as policies, restrictions and laws, incentives and many others. But of course, considering benefits of digitalization, it is necessary to take into account level of development of different countries. Developed economics are usually able to benefit more from digitalization in terms of economic growth, but at the same time, emerging economics has proven to gain more when it comes to jobs. These differences are caused by the different economic structure of developed and emerging economies (El-Darwiche, Friedrich, Koster, & Singh, 2013).

4.1 Impact on Employment

The increasing advancement in the use of information and communication technologies and digitalization has proved to have a great impact on employment, such as job creation, but also improvement of working conditions. But in some industries, digitalization can reduce job destruction, it is mostly case of labour-intensive industries, no so much case of cultural and creative industries. So in terms of employment, digitalization has had mostly positive impact on cultural and creative industries.

4.2 Productivity

Introduction of more efficient business processes imposed by the introduction and evolution of new technologies has proved to have a significant impact on productivity improvement. People can spend less time on decision making and also decision-making process is less risky, since people have wide and quick access to information.

4.3 Business Innovation

Digitalization has brought many opportunities for innovation that drives economic growth. New tools have been developed, but also new kind of companies in cultural and creative industries have been build whose core of business is based on digitalization. One example can be a huge expansion of vide game industry, which is part of creative industries.

Digitalization has provided opportunities for many actors in cultural and creative industries to expand their business activities, traditional auction houses has been able to launch on-line auction, which is still growing field in the art world, graphic designers has had a chance to focus their business on web design, etc.

4.4 Crowdfunding

Crowdfunding became extremely spread tool to finance project, it has had a big success especially in cultural and creative industries. What is crowdfunding? We can find some forms of crowdfunding in history, when, for example, communities donated money or helped to build cultural institutions, this kind of crowdfunding had usually local range. With the introduction of digital platforms, crowdfunding became wide spread and easier. In the case of cultural industries, crowdfunding represents a tool, when creator use a specific platform to ask consumer to contribute in order to develop his project or product. Digital platform together with social media can bring together many people potentially interested in a specific project and who would be willing to contribute, therefore it is easier to make crowdfunding in a larger scale then before digital platforms. We can find thousands of projects in cultural field that have been funded through crowdfunding campaign on digital platforms such as recording a new album, creating work of art, shooting a movie, publishing a book and many others. Very often, contributors receive something in reward, a copy of the album, book, tickets to cinema, etc. Sometimes, contributors can be even involved in a content creation of a project.

5 SOCIAL IMPACT OF DIGITALIZATION IN CULTURAL AND CREATIVE INDUSTRIES

As mentioned in the previous section, digitalization does not provide only economic benefits, it has an impact on the overall societal welfare, but also it can positively or negatively impact social relationship between people, and communities. Naturally, economic and social impacts are interluded.

Information technologies provide potential for new and more engaged audience, new development for art forms, new values and new business models (Rizzo, 2016; Bakhshi & Throsby, 2012). Due to the advance in technologies, cultural organization can increase achievement of their mission. The Van Gogh Museum's mission in Amsterdam states "*The Van Gogh Museum makes the life and work of Vincent van Gogh and the art of his time accessible and reaches as many people as possible in order to enrich and inspire them*" (Van Gogh Museum, 2020). Over the course of the years, the museum's collection has become more vulnerable and immobile,

therefore, in order to reach as many people as possible, the museum used digital tools to create a traveling exhibition, that first of all, introduces life and work of Vincent van Gogh to audience all over the world and moreover generates revenue for the museum.

The change of distribution channels does not have only economic impact for creators and producers, but it has also a social impact, because the platforms are also platforms of social exchange. They provide a place to digitally connect people from all around the world, from different environment and background to distribute and share content and information and even private life. Of course, there are good side and bad side of this accessibility. People have an instant and quick access to information and content, but also it can be used for fake news, populism and personal data can be used for manipulation and commercial purposes.

In cultural sector, digitalization process includes the huge digitalization of museum objects, books, old movies and others. This enables preserving the knowledge contents for future generations and making these contents accessible to a wider community. Initial intention of many libraries and other arts and cultural organizations was to enable access to the history of societies, countries, cultures and languages. Therefore, many cultural heritage institutions have involved information and communication technologies into all aspects of their operation and services. Digitalization has helped cultural heritage institutions to make information accessible that was previously possible only to a small group of users. These institutions have been scanning their old documents and rare images for many years, catalogued them and made them accessible through the World Wide Web. Therefore, collections in small museums in small cities can be more visible than before thanks to virtual exhibitions and digitalization of their collections. Nevertheless, the purpose of process of digitalization in culture heritage institution is not only make contents available, but also protect delicate and rare original documents that can be now as digitalized items online seen by many users all over the world simultaneously. At the same time, it reduces costs and improves comfort of users, they do not have to physically visit these institutions in order to see desired documents and objects (Khan, Khan, & Aftab, 2015). A pioneering step in digitalization of museum's collection was initiative of the Rijksmuseum in Amsterdam. They digitalize their collection and provide it accessible for free on their website, for free even for commercial purposes. This has had both social and economic impact. First of all, the collection became more accessible for people and scholars who could not visit the museums, but also companies started to use images of art works from the collection for commercial purposes. It was so well received by many companies that they consequently decided to sponsor the museum.

A good example of such digitalization is a project Europeana, which is a digital library containing more than 53 million objects such as art works, books, audio-visual items, cultural heritage, etc from the collections of more than 3 700 libraries, archives, museums, galleries and audio-visual collections across Europe. The project was initiated by the European Commission and the website was launched in 2008. Through this website, citizens and the cultural and creative industries have an opportunity to access European culture. The content on Europeana website can be used for different purposes that has a social impact, it can be used by teachers, artists, professionals in cultural organizations, researchers, but also everyone just looking for information on culture. The digitised materials can be used to develop learning and educational content, documentaries, tourism applications, games, animations, design tools. Moreover, Europeana can serve as a test-bed for new technologies and innovative ideas.

Digitalization has helped to expand amateurism into cultural and creative industries, which basically represents any kind of content that is made by people themselves. Again, mainly digital platforms play important role in this trend, anyone can share his/her content on-line. What is interesting is, that in some cases, this field of amateurism becomes commercialized and industrialized. There are many singers, video makers, writers who started share their songs, videos or stories on digital platforms and they became very popular and became stars and later from the form of amateurism they joined more commercial and industrialized production.

Digitalization has had a huge social impact in cultural and creative industries not only in terms of production, but also in terms of consumption and inclusion. Digitalization has helped to include in cultural industries more disadvantage group of people. Therefore, arts and culture became less and less elitists. People with access to internet can explore different cultural content of different cultures. On the other hand, digital consumption might lead to the degradation of human relationship. Turkle (2015) points out that digital revolution degrades the quality of human relationships and she sees as a root of this problem that young people spend so much time with their electronic devices that they fail to develop fully independent selves. People do not know how to be alone, due to the constant connection through their devices.

The new ways culture is consumed and experienced in relation to the technological changes are summarise by Bakhshi and Thorsby (2012). They see these changes in three main elements: interactivity, convergence and connectivity. Interactivity is related to the possibility of two-way communication with users of cultural goods. Convergence means that the cultural goods can be access without time and space constraints and connectivity allows the direct communication between users and suppliers.

As Rizzo (2016) stresses a side effect of technology advancement might be the reduction of the asymmetric information, which is so characteristic for the cultural sector. Ability of consumers to value and compare cultural products is likely to increase with the possibility to reach more information thanks to the digital technologies, which also decreases influence of experts.

6 ECOLOGICAL IMPACT OF DIGITALIZATION

Thanks to the digitalization many contents are made available in a digital form, therefore they do not need to be printed or produced in different ways. Publishing industry is a perfect example of this shift, where most of newspapers, magazines, books and other contents can be accessed online. Thus, digitalization has a huge impact on environment. Society is now more concerned about ecological traces of its activities than ever before. The process of digitalization may be the way how to protect and save environment and become more sustainable. Khan, Khan and Aftab (2015) point out four main ecological benefits of digitalization:

- Reduce use of paper helps organizations to be make their operations more friendly to environment.
- Reducing paper also means saving trees and using less overall supplies.
- Paper documents are better stored when they are digitalized, so there are less chances of loss of documents.
- Digitalization allows to access documents from any location all around the world, therefore it causes less use of vehicles or planes, which makes society more sustainable.

7 ETHICAL ISSUES OF DIGITALIZATION IN CULTURAL AND CREATIVE INDUSTRIES

Stakeholders in cultural and creative industries have been engaged in digitalization for decades and digitalization has created new models and collaborative networks, new ways organizations communicate with their audience and customers and caused many changes and challenges. These new practices have risen many ethical challenges. One of these challenges are the new models of funding. The costs of digitalization are high, therefore organizations, especially non-profit organizations need to seek for external funding and donor support, therefore there might be a tendency to use digitized heritage objects for developing commercial services and content, such as charging for access to digitized content, partnership with private entities, etc.

(Manžuch, 2017). Lately, there have been many issues and scandals, when arts and cultural institutions accepted money from companies whose business activities are not seen as ethical, such as fossil fuel or pharmaceutical companies. Arts and cultural institutions are based on public trust and such behaviour can damage their reputation and cause lost of public trust. There might be another risk when doing digitalization sponsored by private companies, that they will try to have an editorial impact on the content of digitalization.

Another ethical issue connected with digitalization of cultural and creative content is piracy, that has strongly impacted mainly sector of music, movies and books. The record music industry faced probably the toughest test because it was the first of the media industries to face digitalization and unfortunately did not develop an attractive legal method of digital distribution until Apple created iTunes Music Store, followed by other platforms such as Spotify. It allowed consumers to obtain music without payment (Waldfogel, 2017), which caused declining revenue for companies within record music industry.

We could find many other ethical issues and new ones are still appearing. Different field of cultural industries have their codes of ethics provided by association or organizations themselves, but as technical, economical and political environment constantly evolve, these codes of ethics needs to be updated and adjust to a current landscape.

8 CONCLUSION

The process of digitalization has impacted all aspects of cultural and creative industries, and it is a continuing process that will bring many other challenges. Public institutions and privet bodies in cultural and creative industries have made a huge effort to convert physical and intangible cultural heritage into digital. Some industries, for example music industry, reacted quite late to the waves, which caused huge loss of revenues and forced companies in this field to quickly react and adjust to this fast-changing environment. On the other hand, digitalization has brought many advantages into the sector of cultural and creative industries, not only for organizations within this sector, but also for people using their services and consume their products. Access to content is faster and possible from all around the world, easier for disadvantaged groups, and people can even contribute to content creation. It can have also negative implications and sure there are opponents of this trend, who say that high culture becomes mass culture and loss its aura. Research has proved that digitalization has a positive impact on welfare. We can find many economic and social impact, both positive and negative, of digitalization in cultural and creative industries. As informational and communication technologies are rapidly evolving,

organizations and society is facing new challenges how to adopt to these shifts. Can digitalization help to solve the problem of environmental sustainability? Will it improve the protection of cultural heritage? Or will digitalization decrease quality of art and culture because it will make it even more commercial? Will it decrease or enhance cultural diversity? What will be the role of intermediaries such as art dealers, galleries, will they disappear in the future? These are just few questions that cultural and creative industries will face regarding the future digitalization.

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Chapter 7

Redefining Motivation in Digital Transformation: Employee Motivation in a Flat Organization

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ABSTRACT

The rapid pace of change and the rapid growth of technology, especially artificial intelligence, are accelerating the pace of organizational transformation in enterprises. Organizations must be able to respond appropriately. Hierarchical structures still dominate current organizational systems. One way to respond adequately to today's challenges is to introduce flat organizational structures that represent a specific decentralized management system. Flat organizational structures, represented mainly by holacracy, require other ways of motivating workers, mostly predominantly millennials. In addition, organizations can no longer count on employee loyalty. However, boss-less organizations that rely on self-management and self-control are not suitable for every employee, and the concept of self-management and the boss-less organization has to be further developed and adjusted. The solution can be to redesign a traditional hierarchical model of needs that should be adapted and targeted to the current needs of flat organization employees that no longer count on managers.

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INTRODUCTION

The ever-accelerating pace of change is affecting the transformation of corporate organizational structures and is rapidly threatening their existence. According to Credit Suisse, the life expectancy of companies reported in the S&P 500 index in 1958 was more than 60 years, while in 2016 it dropped to just 24 years (Anthony, Viguerie, & Waldeck, 2016). This trend will continue, and it is estimated that in 2027 the life expectancy of a company will be only 12 years. About 50% of the S&P 500 will go bankrupt or be acquired over the next decade.

The driving force behind this trend is the rapid growth of intelligent technologies that allow further extension in automation, especially the implementation of artificial intelligence and the Internet of Things (Oracle, 2016). Analysts expect insurance companies' revenues to fall to half over the next ten years, as intelligent systems will dramatically reduce accidents (Innosight, 2018).

These changes do not leave managers at ease, and they must prepare for adequate responses. As Innosight says in its survey of executives (Anthony, Viguerie, & Waldeck, 2016) from 91 companies with revenue greater than \$ 1 billion, their growth strategy is being constantly undermined by the everyday influx of operative decisions inside companies. This is precisely in line with Mintzberg's almost 50-year-old (Mintzberg, 1973) analysis of the top managers' working day. Typical day-to-day managerial work continues to focus on handling operational tasks, filling in forms, reports, and attending meetings. It is extremely difficult to reduce the number of operative activities and additional tasks that keep managers from innovative, creative work that will allow their organizations to react flexibly to expected and unexpected future trends. Similarly, it is difficult to move from common management practices that have begun to develop gradually since the beginning of the 20th century and have become a major management paradigm at the end of the 20th century.

Hierarchical structures dominated and still dominate organizational systems. At that time, organizations were far from understanding the importance of automation, complex processes, knowledge management, data mining, and artificial intelligence. Their main task was to achieve efficiency. However, this situation has started to change very quickly and companies, if they wanted to succeed or survive on the market, had to pay attention to new technologies and their influence on organizational structures, organizations and customers. As a result of the development of information technology, the customer has also quickly transformed into a highly intelligent and perfectly informed consumer who uses new technologies to his advantage. Previously conventional traditional planning methods and tools have moved to new, useful tools that enable organizations to respond quickly to continual change and adapt planning procedures to the real situation. Organizations are no longer able to accurately estimate future trends with a horizon of more than one year using traditional planning

tools, and so more and more different innovative and agile planning approaches and methods are being used. What is the management hierarchy? It can probably be defined as a multi-level organizational system in which managers monitor and coordinate the work of the organizational units they control (Chandler, 1977). The management hierarchy is based on two basic underlying principles: the hierarchy of authority, where individuals report to managers, and the hierarchy of responsibility, where responsibility for work extends from direct executors to managers (Lee & Edmonson, 2017). The basic premise of the managerial hierarchy, which distinguishes it from non-hierarchy, is individual obedience to superiors (Burns & Stalker, 1966).

Strengthening and promoting managerial hierarchy and obedience does not seem to be possible without conflicts and tensions, although it enables the successful operation of highly complex systems (Pfeffer, 2013). The management hierarchy fulfils the deep-rooted needs for order and security (Leavitt, 2003). Many experiments have shown that participants prefer a hierarchical order over a non-hierarchical, chaotic organizational order (Tiedens, et al., 2007). The hierarchy is said to be natural to man (Van Vugt, et al., 2008). In addition to the indisputable advantages, the hierarchical organization also has its negative features (Leavitt, 2003), which can suppress the development and personal growth of employees (Kegan, 1998), further limiting the creativity and engagement of employees (Hamel, 2011). That is why at the end of the 18th and during the 19th-century resistance against hierarchies, and resistance to authority began to emerge, which manifested itself in a number of activities and civil movements (Birkinshaw, 2012, pp. 39-41).

Since the second half of the twentieth century, the management hierarchy has been strongly criticized as a system that works well under stable conditions but fails in a dynamic environment where complex non-routine tasks need to be addressed (Mintzberg, 1979; Burns & Stalker, 1966; Heckscher & Donnellon, 1994). Hence, the hierarchy as a sustainable system is questioned in a number of theoretical works (Hamel & Breen, 2007)

According to McKinsey, eighty-two per cent of businesses have gone through organizational redesign over the past three years and, by technology, the efficiency of manual workers is increasing and the number of accidents at work is reduced (Aghina et al., 2018).

Naturally, the ongoing technological and structural changes represent intense managerial challenges and require organizations to have utterly new management tools and methods, new organizational structures and new ways of motivation. Traditional managerial approaches are not the solution (Griesar, Bessant, & Bernschneider-Reif, 2018). Flexible and creative workgroups require a flat organizational structure, a higher degree of autonomy, open, collaborative systems, empowerment, and new motivational tools for their effective management. Repetitive, routine procedures can be successfully automated, but creative solutions require mutually inspiring group

interaction. There is room for self-managing teams that would be able to organize themselves and work autonomously to create value. Direct supervision is no longer help for these teams, but rather an obstacle. Today, executives need up-to-date and in-depth knowledge of new trends to be able to manage their teams in real-time. A systematic approach to understanding the future and identifying trends will shape the future and determine future success (Canton, 2017).

Alternative approaches to governance are emerging, based on the principles of self-organization, collective wisdom and intrinsic motivation (Birkinshaw, 2012,). The new managerial model is a combination of traditional and modern alternative principles. Managers start to define goals differently, use other incentive tools, different ways of coordinating action and allocating resources (Birkinshaw & Goddard, 2009). The most frequently cited in the literature are organizations that have opted for alternative approaches to organizational organization, such as Morning Star, a manufacturer of tomato products, Valve, a video game and gaming platform company, Zappos, an online shoe retailer, Oticon, a medical device manufacturer, and more. (Puranam & Håkonsson, 2015; Gronning, 2016; Bernstein et al., 2016; Nandram & Koster, 2014; Laloux, 2016).

Today, organizations need to be able to flexibly adapt to the changing environment and customer needs. In such conditions, the control and communication system is a bottleneck. Organizations need to respond faster than the existing hierarchical system allows for a system with its complex decision-making levels, resulting in loss of speed, responsiveness and, ultimately, loss of turnover and profit. and another failure. (Martin, Liao & Campbell, 2013).

Terms such as emotional intelligence, self-awareness, self-management, social awareness and social skills began to emerge (Goleman, 2000). Going earlier, Fiedler (1958) looked at the effectiveness of the leader depending on the situation and the management style. This was further developed in Hersey and Blanchard (1969) who newly included terms like the correlation between employee's rank and its ability to work independently, confidence in the manager and the level of work routine. Workers in lower positions have a lower level of

When thinking about the future, most of us try to anticipate it by extrapolating from a wide range of assumptions. Wofrey (2018) suggests using the concept of critical uncertainty to explore the future. This concept makes it possible to compare different futuristic visions of the future, and thus reduce the risk of failure. Artificial intelligence remains a significant risk and unknown area, which on the one hand allows large organizations to develop rapidly, but on the other hand, it reduces a large number of jobs. The machines become smarter than the people who invented them. China now has four times more artificial intelligence patents than the US. The study states that we are now moving from "consumers" to "citizens" because people are increasingly active in society than in the past. The effectiveness of democracy is

being questioned because an increasing number of people, especially young people, have lost faith in democratic systems and structures.

In this context, a way to motivate employees in emerging organizational structures (Bialik, Fry, & Inquiries, 2019) Organizational structures face a major challenge today. It tries to answer the question of how to respond most effectively and quickly to current trends, whose common feature is continuous change, the advent of artificial intelligence and the rapid development of automation (Bershin, McDowell, Rahnem, & Van Durme, 2017). One possible answer to this question is the emergence of flat organizational structures (Craig, 2018).

FLAT ORGANIZATIONAL STRUCTURES: SOLUTIONS OR EXPERIMENT?

Perhaps the most important recent innovation in organizational architecture is the holacracy and application of self-management and self-organizing principles in organizations. The concept of holacracy attracts media and researchers' attention (Csar, 2017; Giang & Giang, 2015; Lee & Edmondson, 2017; Spicer, 2018a; Spicer, 2018b; Craig, 2018; Spurlin, 2015). Holacracy is a trendy concept, but it is just one of several types of flat organizational structure. Flat organizations generally have a low number of hierarchies and, as a result, have an extremely low number of middle management compared to a traditional hierarchical organization.

Some flat hierarchies have no managers between staff and top management. Self-managing and self-organizing teams replaced the traditional managerial role of managers. In other organizations, there is a team leadership rotation system. Another option is a smaller number of managers who, however, manage much larger teams of people than is usual in traditional hierarchical organizations. In total, managers take more responsibility than before (Craig, 2018).

The concept of holacracy first appeared in the software company Ternary Software of Pennsylvania, which Brian J. Robertson described in the Holacracy Constitution of 2015 published at www.holacracy.org and further developed in Holacracy, The New Management System That Redefines Management (Robertson, 2015a; Robertson, 2015b).

Holacratic organizations are a specific decentralized management system in which no one is in control (Gustin, 2016). Instead of managers, the management and coordination function is taken over by self-managing teams. Simultaneously, the decision-making process is distributed across the organization and teams can work independently on the tasks that best fit their knowledge and skills (Robertson, 2015a; Robertson, 2015b). Holacracy allows full use of team members' talent and creativity while enhancing their independence. Teams set their own tasks, timeframes

and assessment methods themselves. Team members define their own team roles, and each performs the best they can. Thus, the teams design their own structure and manage themselves. Coordination is provided by coordinators, who also provide communication between other teams. Team members meet regularly to evaluate the results and progress of work and monitor team and individual performance. At the same time, in addition to the enormous freedom to set tasks, holacratic teams have a high responsibility for their work. The core of the holacratic organization is the central circle, which contains a group of major experts who are then integrally linked to other holacratic circles (Robertson, 2015a).

Although this new non-hierarchical structure is suitable enterprises of any size, it is most often used in small and medium-sized organizations (Bourree, 2016). Holacracy is particularly suited to smaller organizations whose departments and units can work independently and autonomously and whose tasks are specific in nature. Its principles can also be introduced into hierarchical organizations and within these structures create non-hierarchical units or teams (Robertson, 2015a). So far, the most prominent organization that introduced the holacracy system remains Zappos, who introduced the concept of a boss-less organization, or distributed decision making (Zappos, 2014).

How to motivate staff working in teams without direct supervision, without clearly assigned tasks and responsibilities, without feedback from their supervisor is becoming increasingly important. Traditional motivational models did not foresee non-hierarchical structures in which people work teams in terms of self-management and self-control (Bialik et al., 2019). So how to motivate workers who cannot grow their managerial careers in the organization?

Self-Management

The purpose of self-management is to perform the tasks that a team member can best handle, for which he has the best knowledge and skills. The absence of a direct supervisor, however, poses high demands on each team member's discipline. People with high responsibilities can manage themselves without direct supervision effectively or even more efficiently.

Self-regulation takes many forms, and everyone can choose the type that is most appropriate for him. For example, I can reward myself for my success, or sanction myself for my failure. The possibilities of self-management are no less diverse. This puts enormous pressure on self-discipline that not everyone is fully capable of.

The aim of introducing holacratic structures is to make the organization work more efficiently and improve its performance. This is made possible by the full development of human potential. Only employees who are intrinsically strongly motivated to succeed are a good member of the holacratic team.

In hierarchical structures, managers seek to give people clear and specific instructions and tasks. In doing so, they regularly provide feedback to their subordinates. However, this mechanism is missing in holacratic structures.

The character of the tasks in holacratic structures is also very diverse and not precisely defined (Zappos, 2014). This puts considerable demands on the maturity and responsibility of workers who perform complex tasks and become entrepreneurs in their defined framework (Gustin, 2016). The ambiguity and diversity of everyday tasks require employees to be fully intellectually committed to being able to cope with changing working conditions and working environments.

More than 95% of employed people have at least one boss. So far, a small but growing number of companies have dropped direct line managers. Boss-less organizations are emerging, and the question arises whether self-management can replace proven hierarchical structures (Giang & Giang, 2015). The very idea of self-management is not new, as Peter Drucker called for “management by self-control” to replace “management by domination” (Drucker, 1955). In his book *Reinventing Organizations* (Laloux, 2016), Frederick Laloux presents some innovative companies that have tried to introduce new ways of management, such as the world’s largest tomato maker, the Morning Star, and more.

At present, around a thousand organizations have implemented a holacratic system with less or greater success, either at the organizational level or at the business units or departments level. However, serious research in this area has not yet been conducted and a relatively short time has passed since the introduction of the first completely holacratic systems.

Holacracy provides people with much more responsibility than any other organizational system. Holacratic advocates argue that by introducing holacracy, the company will not lose its bosses, but will only install hundreds of other bosses who manage themselves.

Traditional bosses no longer have their place in the holacratic structure (Useem, 2015). They are no longer expected to take the helm in difficult times to take responsibility for others (Investorsinpeople.com, 2018). To do this, we have holacratic teams with their specific functions to get involved in solving the situation. Teams create processes and structures independently, and they suggest solutions. Everyone in the team has a role to play in. Its solution is then subject to critical peer-to-peer evaluation, so the final decision is not made by the individual but by the competent group.

Also, the coordination of activities takes place in a holacratic organization differently than in a hierarchical structure. This is often solved by a shared vision, shared values and, above all, a shared purpose that is formulated for the organization as well as for individual teams (McKinsey Quarterly, 2019). The shared purpose of the holacratic organization replaces the function of the boss.

The role of trust is crucial in both holacratic and virtual organizations. Organizations must ensure that people feel safe and secure in the organization. If the boss is not present in the organization, there must be an effective and functioning trust and security system. This system consists of a set of regulations and rules that employees must follow.

Empowerment is a typical feature of a holacratic organization. Teams and individuals have a high level of empowerment and are fully responsible for themselves (Spurlin, 2015)

Shared Purpose, Shared Value, and Empowerment

Holacracy requires first and foremost the identification of a clear purpose and the recognition of shared values. People must understand what their purpose is. All team members must share this purpose. The advantage of holacracy is the absence of direct control and supervision, so it is imperative that team members understand what their task is and where they are heading. If people know the meaning of their activities, one of their basic needs is fulfilled (McKinsey Quarterly, 2019).

Another vital factor for the efficient functioning of the holacratic organization is the atmosphere of mutual trust and cooperation. Mutual trust promotes a collaborative atmosphere, facilitates communication and increases motivation. Similarly, empowerment has a strong effect on the effective functioning of the organization and performance enhancement (Goudreau, 2013). People are responsible for their actions, for the quality and effectiveness of their work and their mistakes and failures. Empowerment increases people's satisfaction, encourages creativity and confidence (Bell & Kozlowski, 2002). Empowered people perform better and have a higher level of cohesion. A strong and independent team position, or empowered teams, has proven to be an essential factor in team performance. Teams in charge of complex tasks value this fact and are even more motivated to perform better (Lipnack & Stamps, 2000). The empowered team is strongly motivated by the nature of tasks to accomplish them thoroughly and, thanks to the involvement of all team members in decision making, is more powerful than others (Kirkman & Rosen, 1997). Empowered teams believe they will be effective in their work. They have autonomy and freedom to make their own decisions. They greatly value their meaningful existence and appreciate that their work benefits the entire organization (Kirkman et al., 2004). The empowered team concept was developed relatively

recently (Kirkman et al., 2004), some of its components, such as meaningfulness, autonomy, meaning, appeared much earlier as the critical characteristics of work. In turn, the potential and autonomy emerged as an analogy to the competence and determination in the cognitive evaluation theory of Deci and Ryan (2014).

PROS OF FLAT STRUCTURES

The flat structure reduces costs, increases employee motivation and satisfaction. Employees can realize their innovative ideas and choose how they will accomplish the task. This empowerment not only increases productivity but also increases employee motivation. When employees feel they have confidence, they use their skills to achieve organizational goals. These factors are typical for flat organizational structures (van Mechelen, 2017). Bobic and Davis (2003) reported that job security, job satisfaction and creativity preference over safety are at the heart of the current worker's interest. Bobic says that for a long time there was a conviction that a worker should be sure of a job for a lifetime in a society. Today, however, the situation is quite different.

Fast Communication and Quick Decisions

The advantage of flat structures is clear and fast communication without intermediaries and disruptive elements. Information that passes through multiple organizational layers is logically subject to distortion, which can be easily eliminated by direct communication. (Krings-Klebe, Heinz, & Schreiner, 2017). One of the disadvantages of a hierarchical organizational structure is slow communication due to the higher number of levels between managers and employees. Communication is getting worse when more people are involved in the communication process. Unlike communication in hierarchical organizations, communication in a flat organizational structure is accurate, fast, and less prone to distortion. With good communication, decisions can be made faster and in direct contact with the decision-making problem. In traditional hierarchical organizations, where decision-making power is centralized with senior managers, reaction and decision-making times are longer. In flatter hierarchies, decisions can be made almost immediately, leading to high decision-making flexibility. Therefore, flat structures are suitable for organizations that need a quick decision (Investorsinpeople.com, 2018).

Lower Expenses

In the flat structure, decisions are made at the employee level, so managers are unnecessary. Employees in a flat organizational structure have considerable authority with little or no supervision. In this way, organizations can deploy leaner operations and attract more employees, increasing productivity quickly. Wage costs are lower, as the number of middle and senior managers is reduced. It is middle management that is more expensive than a regular employee, and their reduction significantly contributes to a decrease in total personnel costs, which include, in addition to labour costs, training, workshops and hotels (Spurlin, 2015).

High Autonomy and Innovative Environment

Lack of confidence slows down the work process in hierarchical organizations because of formal approval procedures and control delay employees at work. Increased autonomy and empowerment of employees in flat organizational structures generally motivates employees. Autonomy, the possibility of co-decision and the purpose of work are critical factors for employee satisfaction in the workplace. Employees can engage themselves in creating jobs to suit their needs, knowledge and skills. This further increases their autonomy and contributes to the growth of satisfaction. Flat structures also effectively remove micromanaging, which can suppress creativity. Besides, employees feel better when they are not criticized for their mistakes (Goudreau, 2013).

Innovation can take place informally and faster than in hierarchical structures where acceptance and approval of innovative solutions are highly formalized and subject to several approval levels in the organization. Traditional hierarchies favour stability control, leading to slower and more difficult approval and innovation. Therefore, the advantage of start-ups that have a flat organizational structure is higher growth and faster innovation. For hierarchical organizational structures, stability, cost reduction and sustainable growth are crucial (Hein, 2012).

CONS OF FLAT STRUCTURES

Flat organizational structures have several disadvantages in addition to their advantages. There are quite a few critical voices that question the modern concept of holacracy. Some criticism of holacracy reminds sociocracies, other collectivism and ideas of Karl Marx and his followers, while other critics point to the inefficiency of flat structures and self-organizing, which in extreme cases can cause chaos or anarchy as well as the destruction of a functioning system. The mistakes of excessive

centralization are well known. Finding ways and opportunities to improve management efficiency is increasing, as are more and more of these attempts fail. A similar fate can be found in holacratic organizations (Giang & Giang, 2015).

Self-Control: Mistake or Hope?

Although the holacracy concept is very attractive to the media, it is not always accepted with enthusiasm (Swanner, 2018; Giang & Giang, 2015; Leinbach-Reyhle, 2014). Tony Hsieh, the founder of Zappos, introduced his concept in 2013 (Zappos, 2014). This organizational form was designed to encourage collaboration by removing workplace hierarchy, requiring workers to follow all strategic decisions and their results in the web application and follow them. However, the result was confusion, and the employees did not know exactly what was expected of them and what they should do. The position of the boss, who should decide the unclear situation, was noticeably lacking. About 18% of employees left the company after the new organizational structure was introduced. The company explained that employees were allowed to make their dreams come true and received severance pay of about three to five times their monthly wage (Feloni, 2016; J. McGregor, 2016). Only those employees who are determined to push Zappos vision enthusiastically remain in the company (McKinsey Quarterly, 2019).

It is hard to imagine that complex organizational systems, represented on the one hand by organizations such as government agencies, military, police, hospitals, airports and railways, and organizations such as manufacturers of cars and aircraft, medicines, food, raw materials, chemicals, etc., can operate without managerial control and complex coordination and control mechanisms. Already the system of European or American quality certifications, the fulfilment of agreements and regulations, the escalation of problems and the deployment of security systems, etc., require extensive coordination and hierarchical arrangements. The idea that a team to solve any of these problems will first seek consensus in a quick meeting and choose the right coordinator to handle the problem can really scare someone. In a challenging situation and at a critical time, a trustworthy and competent manager has to enter the game to take control of the situation and lead the company to a safe side. In times of uncertainty, people turn to their boss for support and advice. In times of uncertainty, the boss assumes responsibility, calms the situation, and supports his team.

There are good and bad bosses, as well as good and bad teams. And meanwhile, we find many average bosses and average teams. To be successful, a company must have top managers in their top positions to monitor the business from a distance, but in times of complexity they will calm down the situation, take control and watch over the situation until the situation returns to normal. Likewise, the company also needs

self-managing and responsible teams that will work intensively in the company's interest, according to its vision and strategy.

If we remove a boss in a traditional organization, the structure will soon collapse (Robertson, 2018). However, holacratic organizations are from the beginning shaped as boss-less. There will then be several circles, holacratic organizational structures, which may eventually create even more structures than in a traditional hierarchical organization. Moreover, these holacratic circles overlap each other, and a member of one structure can also be a member of other structures. Instead of hierarchical degrees, we have a constantly changing number of overlapping circles. It sounds chaotic and maybe a little scary. Nevertheless, time will show which system will survive and be effective. Perhaps we are still waiting for an ideal organizational structure.

Lack of Control

The boss's job is to monitor the work of his subordinates, provide them with the conditions to work, inspire and motivate them. Also, they must set a clear direction, identify a strategy and determine who does what. However, the empowerment of individuals and the provision of space and freedom to work is an integral part of their effective motivation. Besides, leaders must create an atmosphere of collaboration and mutual support. When the leader is missing, the team (Robertson, 2018) must take over his tasks in the flat organizational structure.

Lack of control complicates employee productivity control. It is also difficult to check whether the outputs and processes deviate from norms and standards and helps ensure that behaviours and outputs do not deviate from the expected standard. Supervision is expensive and time-consuming; eliminating it will bring immediate cost savings. However, an entire absence of control can fundamentally compromise your organization's performance. A flat organization relies on the skills and knowledge of each employee but is unable to properly check whether the work of its employees deviates from standards and standards. Medium is an example of an organization that has abandoned a holacratic structure because it has been difficult and time-consuming to align teams to meet larger projects and tasks. Non-hierarchical holacratic organizations may seem to work well in smaller organizations, but in larger enterprises, collective decision-making may be a barrier to a quick decision.

Responsibility and Decision-Making are Dispersed

Flat hierarchies have a responsibility divided between team members, and therefore it is not clear who is responsible for a particular decision or performance. There are no clear boundaries in flat structures. Each team member has several different roles and is involved in a variety of activities, resulting in confusion. There is no clear definition of responsibility. Some team members feel responsible for everything; other team members feel no responsibility.

The cornerstone of the holacracy (Robertson, 2018) is a role. Individual roles are then assigned specific powers. So, we assign work to roles, not to individuals. The next step is very complex and involves determining the interface, its implementation, the instance of the object, its activation, etc. The problem is that it is all designed and created as the operating system of the computer. The work is delegated to roles, not to people. Roles include responsibilities, and these roles and responsibilities are continually changing. Holacracy is not primarily based on humans, but on processes (Robertson, 2015a). This was one of the reasons why Medium left the holacratic system. People are unable to function as programmed parts of a technical system in the long term. The system is superior to people, and people are here to adapt to the system

The problem of holacracy (Bernstein et al., 2016) is the great emphasis on the process and neglect of the social side in the organization. Holacracy is not a universal solution to organizational problems. It is a project that is still under construction and whose final form is not yet definitive. Also, as stated in the introduction, it is not the only representative of flat structures. The rules and procedures set out in Holacracy's founding documents are very detailed and very close to bureaucracy. The Holacracy Constitution has about 40 pages, while the US Constitution has 4500 words on 17 pages and 17 pages of amendments (Baltzell, 1994), a total of 7591 words. It seems that the American constitution is leaner than the constitution of a holacratic organization. This is because non-hierarchical systems without managers must have extraordinarily detailed rules and procedures to follow.

Undesirable Informal Structures

Baker (1981) argues that the abolition of formal hierarchies allows the emergence of unwanted informal hierarchies. These informal hierarchies can be harmful to organizations by providing space for informal leaders to create their hierarchies within a non-hierarchical structure. Informal structures also allow bullying and abuse of other employees and facilitate the promotion of the interests and decisions of the most influential individuals in the group. Informal ties and relationships can oppress people who do not act like extroverts, and their opinion may not be heard.

They may be referred to as the originators of errors and deficiencies. Thus, those who are stronger and more distinctive personality types can use a non-hierarchical structure to promote their interests and influence (Spicer, 2018a). There may also be a careful selection of “appropriate” team members best suited to the team. An unhealthy working atmosphere can easily make some team members feel like outsiders.

Limited Career Growth Opportunities

Limited career advancement may not motivate employees, who are focused on a managerial career. In flat structures, it is not possible for an employee to move in a vertical direction as there are no hierarchical levels. The only career path is a horizontal approach or acquiring new skills, knowledge, and roles. However, this may not satisfy all employees if seniority and senior salary are important to them. Horizontal development rarely means a career that will have a positive impact on your CV. This can be a big drawback if you are looking for a place in other organizations (Pfau, 2016).

Gallup has confirmed that clear rules are a basic human need. Employees want to be able to talk to someone about their responsibilities, their work and performance. Therefore, the manager has an irreplaceable role in providing feedback. Consistent communication, accountability and growth support are essential to the organization’s success.

Hierarchy removal is just one of many steps that can improve your organization’s performance. However, many other measures need to be put in place to help promote organizational goals. Decision making in overlapping circles is a beautiful idea, but the known drawbacks of the system described above should be removed.

The Similarity of Virtual and Holacratic Organizations

The holacratic organization is in many characters like a virtual organization. Creating virtual organizations and hiring remote employees is growing. This organizational form is particularly suitable for start-ups and new types of business, as it enables low-cost and unlimited operations. Especially for young people, millennials, this form is extremely attractive (Deloitte, 2018). Virtual organizations allow their members time and geographic flexibility and offer their members the opportunity to use modern technology (Robertson, 2015b). In addition to paid programs, there are numerous free applications and programs available to virtual teams. These tools allow remote collaboration, especially team-based shared communication, team coordination, planning, monitoring, and activity evaluation.

The effects of internal and external factors that influence the creation of a strong, empowered team are identical (Bell & Kozlowski, 2002). These factors are contained in the nature of the work, task or any of their activities. For example, internal factors include team assessment of responsibilities, capabilities, and tasks as such. Teams feel intrinsically motivated if they have high potential, a strong sense of meaningful work, and a sense that they make a significant contribution to the performance of the entire organization (Bialik et al., 2019). On the other hand, external motivation is determined by the factors that lie outside the team and beyond the influence of its members. This includes factors such as feedback from the organization, organizational standards, payroll policy, recognition from others, etc. The physical absence of a leader in virtual teams (Bell & Kozlowski, 2002) and holacracy teams leads to a higher level of delegation of responsibilities and responsibilities to other team members. To be able to assume these responsibilities and powers, virtual and holacracy teams must achieve a certain level of knowledge and team maturity. In particular, the empowered team and its ability to self-manage will replace the missing leader who is no longer in daily contact with team members in a virtual and holacracy organizational environment and whose physical absence must be replaced effectively.

The virtue the empowered team has helped to counteract other shortcomings and problems that virtuality and holacracy bring. It is a possible loss of coordination, deviation from processes and established procedures that necessarily lead to a decline in performance. Here the empowering team has an irreplaceable role. If team members feel autonomy, they are aware of their potential. If they believe in the meaningfulness of their work, if they think that the organization perceives and appreciates their contribution, then they will be able to overcome most problems. Otherwise, their proactivity will decrease. There will be signs of distrust and reluctance to work; a sense of belonging will drop. Team members will stop learning from their mistakes, and the entire team may be paralyzed (Bell & Kozlowski, 2002). The solution to the situation is regular meetings and briefing with a strong leader and a temporary return to traditional team constellations. The ultimate solution can be dissolving the team and rebuilding it.

The selection of members and assigning tasks to each team member is extremely important for the virtual and holacracy teams to function correctly. People should be able to self-assign to tasks and responsibilities. People are more motivated if they can decide for themselves what task they will complete, what task they feel most qualified for (Hein, 2012). Diversity of experience and thinking is also crucial for both virtual and holacracy teams. Only very diversified teams, made up of team members with different experiences and skills, can achieve high performance and seek creative solutions.

Hierarchy of Needs

Maslow's Theory of Individual Development and Motivation (Maslow, 1943), published in 1943, is based on the idea that human needs are hierarchically organized. In his latest version of his theory, Maslow identified a total of eight innate needs, including the need to know and understand, the aesthetic needs, and the need for transcendence. However, the needs hierarchy is usually expressed in only five main levels, from physiological needs to safety needs, the need for love and the need for respect to the need for self-improvement. The hierarchy of needs often appears in the form of a pyramid, though Maslow has never created it. Maslow did not even propose this hierarchical need theory as a theory of work motivation but as a theory of life motivation.

In the work environment, external motivation concerns organizations and employees and focuses on material rewards such as wages, benefits, career advancement, work environment, working conditions, etc.

Internal motivation is associated with psychological rewards such as the ability to use your skills, success, recognition, fair treatment, etc. Internal satisfaction is derived from the nature of the work itself, interest in work, and personal growth and development. It is a personal focus on work and dealing with "yourself". Maslow says that once the lower need is met, it no longer acts as a strong motivator. He also claims that the hierarchy of needs may not have a firm order and that it is not always necessary to first meet the needs of the lower order, and only then the needs of the higher-order. He also points out that man can underestimate a need that is long-term satisfied. While Maslow claims that the hierarchy is relatively universal among different cultures, it recognizes that there are some cultural differences

Maslow and Theory X, Y, and Z

A certain similarity to the concept of self-organizing and self-management can be identified in Z theory, written by American academician William Ouchi (Ouchi, 1982), who has built his idea on the Douglas McGregor's X and Y theory (McGregor, 1960). The Z theory is the name for other theories of human motivation, which are based on the original theory of X and the theory of Y Douglas McGregor. The social psychologist Douglas McGregor, who formulated his theory in the 1960s, assumes that according to X theory, employees are naturally lazy and motivated only by salary levels. It is necessary to use autocratic and directive guidance for this type of people and to ensure continuous supervision. The theory of X is based in many respects on Maslow's theory of needs and its assumptions are still prevalent over Y theory (Fernando, 2001; Staw & Epstein, 2000) due to the incapacity of Y theory to understand the basic human nature. Maslow's research on motivation related to

the personal aspect of man and was not focused on the working context (Bobic & Davis, 2003). It also turns out, and Maslow himself often mentioned in his works, that Maslow's work is culturally conditioned and perhaps not valid in different cultural-social environments.

According to theory Y, employees find satisfaction in their work and appreciate the possibility of co-decision. It is often forgotten that the very first Theory Z was designed by Abraham H. Maslow in 1969 (Maslow, 1969), before Ouchi (Ouchi, 1982). Maslow focused on transcendence at the end of his career and stated in his book Theory Z that motivation for transcendence goes beyond the original hierarchy of needs. Some people who achieve self-actualization (Maslow, 1986), or the highest levels of the hierarchy of needs, are also able to achieve a transcendent life orientation. Also, some people have only fulfilled some of their basic needs and no longer have any other motivation to satisfy the needs of the higher-order, yet they can achieve transcendence. Maslow believed that the ideal organization would be able to motivate people to use not only the theory of hierarchically arranged human needs but also the desire of some people to achieve transcendence.

For transcendents, highlights are the most important things in their lives. These people can easily understand parables, paradoxes, nonverbal communication, are extraordinarily empathetic and easily recognize truth, good and evil, think quickly and very naturally. The sign of the people who have reached the transcendent is a holistic view. In doing so, Maslow formulated his key term as "self-actualization" (or the development of his abilities) and later added the term "self-transcendence" (full spiritual awakening) and "peak experience" (Maslow, 1986). Maslow also used the term Eupsychian Management (Maslow, 1977) as a kind of managerial philosophy to create a favourable working environment in which people quickly achieve self-actualization (Maslow & Hoffman, 1996).

In his book Theory Z, William Ouchi describes a typical Japanese consensual managerial style. The Z theory is based on consistent employee participation in management. William Ouchi suggests using Japanese approaches and adapting them to the Western business environment. The focus of the Z theory is employee loyalty to the company and its constant increase. The company focuses on employee wellbeing, both in the workplace and beyond. Companies that have introduced Z theory support long-term employment, high productivity, high morale, and employee satisfaction.

According to Ouchi workers appreciate satisfying working relationships and have a high need to get support from their employer. Employees highly appreciate the work environment where values such as family, culture, traditions and social relationships are recognized. A Z-type worker has a very well-developed sense of order, discipline and moral duty to work hard. Furthermore, he has a strong sense of coherence with his colleagues. Z theory staff will do their best if the organization

trusts and supports them. A high degree of trust is a prerequisite for the successful operation of this type of management.

Like the holacracy (Robertson, 2015a), Theory Z (Ouchi, 1982) assumes that workers will participate in the company's decision-making. Employees must, therefore, have enough information about the company and should also have the possibility to co-decide. Employees should be versatile professionals rather than specialists who focus on just one specific area. They should know the business processes and their career progression is very slow. This will allow workers to have enough time to train and improve their skills. This is also similar to that of a holacratic society, where vertical career advancement is almost eliminated, and people in the organization are moving almost exclusively only in horizontal directions (expanding skills, improving knowledge and skills). Unlike millennials (Deloitte, 2018) in a holacratic organization, the loyalty of Z-type workers is very high, and their goal is to keep a job with the company as long as possible.

Robert Greenleaf (1970) introduced the concept of servant-leadership and emphasized the conscious belief and choice of a leader to become a servant, serving the higher interests of the organization. It is a decision to humbly serve, instead of for others to serve him Graham (1991). Interesting views are presented by Smith, Montagno and Kuzmenko (2004), who defined the fundamental difference between a charismatic transformation leader and a servant leader. Both types of leaders consistently seek to create educate empowered followers. Unlike the leader's servant, the charismatic leader primarily relies on his charismatic power.

SOLUTIONS AND RECOMMENDATIONS

Long-term management research by Kouzes and Posner (2007), which included more than 75,000 executives, as well as international research in Norway (Hetland & Sandal, 2003) and Taiwan (Tsai, Chen & Cheng, 2009) evaluated the influence of leadership styles performance of employees. Other studies looked at the lack of leadership and the laissez-faire approach (Barbuto, 2005). Other studies were about employee empowerment, various management styles, leader perceptions and subordinates perceptions (Wegner, 2004; Atwater & Bass, 1994)

Gender was added to previous research by Perkins (2014) in another MLQ study on leadership and organizational performance. Gender has also been the subject of previous research (Reuvers, Van Engen, Vinkenbunrg & Wilson-Evered, 2008) on the differences between innovative behaviours based on gender. Some studies have indicated a gender difference in relation to the transformation style (preferred by women) and the transaction style preferred by men (Alimo-Metcalf & Alban-Metcalf, 2003). In their research, Weibler and Rohn-Endres (2010) have used

Redefining Motivation in Digital Transformation

integrated social networking theory in shared leadership, claiming that flat structures will soon replace hierarchical arrangements.

Alternative approaches take place mainly at the team level, not at the level of organizations and higher organizational units. However, efforts to explore and incorporate new organizational models suggest that the end of the road is out of sight. As found by Wegner (2004) the laissez-faire style and lack of management did not show positive results. However, it is certain that a leader today, more than ever, must still work honestly, inspire, motivate and encourage employees by example (Kouzes & Posner, 2007).

Shared leadership, unlike the transformation leadership style, cannot clearly determine the direction of the strategy and implement it. Holacracy, a new model of the shared leadership model, remains an interesting experiment of several companies, but its future is still quite uncertain.

Motivational Concepts for Digital Transformation

The emergence of flat organizations, often represented by holacracy organizations, has fundamentally challenged traditional hierarchical organizations and raised the issue of appropriate motivation for members of flat organizations (Oracle, 2016). How to motivate employees who, as opposed to traditional hierarchical structures, do not have a direct superior, cannot proceed in the organizational structure and do not have a clearly defined place here (Pfau, 2016). There is a need to explore new ways of motivating these people, without overlooking the useful links of the hierarchy of needs theory that is often misinterpreted and ignored (SnapMunk, 2016). Can traditional models of the hierarchy of needs that capture different levels of human motivation be applied to flat organizations?

Next year, the millennial generation, people aged 18-35, are expected to make up almost half of the workforce in the US by 2020 (Deloitte, 2018). They are educated, much more educated than generations before them. Their values differ from those of their parents and grandparents (Tan, 2013). These people do not like bureaucratic structures and hierarchies and often change jobs. Flat structure improves employee motivation and satisfaction. Employees can realize their ideas and choose how they will work. This reinforcement not only increases productivity but also increases employee motivation (Tan, 2013; Thun, 2017).

Compared to Baby Boomers and Generation X, they are less patient (Pfau, 2016) and are not willing to wait long for career advancement (Thun, 2017). Their long-term personal goals are traditional, seeking work-life balance, wanting to have their own house and life partner, seeking financial security and wishing to save money for retirement (Bialik et al., 2019).

In addition to salaries and traditional benefits, holacracy workers and virtual organizations are motivated by the ability to use state-of-the-art technology, working across time and geographical location (Goudreau, 2013). They appreciate the ability to set their tasks and their own time frame (Deloitte, 2018). Professional growth, skills and knowledge are no less important to them (Gallup, 2017)

The Importance of Giving Feedback

They appreciate feedback from their superior and appreciate moral support (Tan, 2013). Thanks to their technical skills, they are able and willing to work virtually from anywhere in the world. They like free time and a balance between personal life and work (Gallup, 2017) And for this personal freedom, they are willing to pay and sacrifice their higher salary. They appreciate the ability to work outside the office, enjoy shorter and flexible working hours and longer holidays. They highly demand career advancement and education and place this at the forefront of their values. Millennials require their managers to have regular and open feedback (Meister & Willyerd, 2010), but according to a survey published in Harvard Business Review, interviewed HR managers reported their managers' ability to give feedback at last (Meister & Willyerd, 2010). Millennials are convinced that companies have no other interests in addition to profit. Besides, millennials put their interests above the interests of the organization, and more than 44% of them would want to replace their employer within two years (Gallup, 2017).

Empowerment and Self-management

The empowered team's concept works very well in virtual and holacracy organizations. Team members will be given the appropriate powers, set their tasks and have full responsibility for their success or failure.

Interdependence and teamwork are enhanced by sharing information. This information is available to all team members at any time and gives everyone an immediate insight into the performance of each team member, at their cost and benefits. This promotes competition within the team and at the same time allows shared control of the performance of individual team members.

Innovation Rewards

The reward for innovation and enough time for innovation is a vital motivation element (Oracle, 2016). People need time to innovate, and they also need recognition for truly beneficial innovations. Bonus schemes only make sense when they are properly designed and have a direct impact on a specific team member. Rather than giving workers a general reward for the performance of the entire organization, it is preferable to appreciate the performance of the individual directly (Goudreau, 2013).

Leisure Time

Millennials prefer to choose their work tasks themselves and postpone marriages and anything that might slow or stop them in the process (Goudreau, 2013). Most of these young people also have higher education debts than the previous generation. Some stay with their parents if possible.

Recently, more and more unlimited holidays are being experimented, but are offered by less than 2% of companies, such as Virgin Management, Visualsoft, Netflix, Glassdoor, Hubspot, LinkedIn and others (Spicer, 2018). Companies that offer unlimited vacations attract experienced and prospective experts to whom they want to offer a happier life and favourable living conditions, as comfortable and relaxed people are more productive than tired and exhausted (King & Lawley, 2014). In fact, the experience with unlimited holidays is not always positive, as employees often feel guilty of taking longer holidays and are often taking even shorter holidays than in traditional companies. The other disadvantage of unlimited leave is that the employer does not have to pay workers for unselected leave (King & Lawley, 2014).

Netflix allows its employees to take an unlimited holiday, which inspired Richard Branson, who leaves the staff to decide for themselves how much vacation and when to take (Prynn, 2014). It is at least an interesting experiment that is probably not suitable for all companies but is worth experimenting. Organizations that offer unlimited holidays claim that a longer vacation will provide people with additional energy, creativity and work pleasure. People will be healthier, their family life better. Also, the daily commuting to work will be significantly reduced. This also applies to a shorter working day. Organizations expect people to make better use of their free time to work intensively in the office and will work in four days as in a full five-day working week (Branson, 2013).

The main drawbacks are that people are not sure how to behave correctly. People are overwhelmed by the large number of choices they can make and do not have clear instructions on how to proceed. They fear that unlimited leave is more a matter of populist corporate policy that the organization does not really mean (Kaufman & Kaufman, 2014).

An unlimited holiday is a reaction of technology organizations to difficult control of working time. The control of working time is unpleasant to people and significantly interferes with their private sphere. And, it is almost impossible to monitor how remote employees use their working time. Therefore, it is much easier for organizations to require their employees to fulfil work tasks and leave full use of their working time to their decisions (Spicer, 2018a).

Application of Maslow's Hierarchy of Needs

If we want to change the behaviour of people in flat organizations in the right direction, we need to focus on the next higher level of needs. Flat organizational structures, which include mostly knowledge workers, will primarily work with higher-level needs known as growth or being needs (B-needs) within their motivational schemes. We assume that knowledge workers have already sufficiently met their lower-level needs often referred to as deficiency needs (D-needs). Knowledge workers are a specific group whose motivation differs from traditional workers. These workers are currently primarily made up of millennials (Innosight, 2018).

Social relationships - such as friendship, group work and desire for affiliation and status are at the heart of knowledge workers and millennials (Goudreau, 2013). These people have a high need for belonging, social activity and friendship. They greatly appreciate trust, independence, freedom, success, appreciation and attention (Hein, 2012). At the peak of needs, there is a need for self-actualization, or the opportunity to maximize your potential.

However, satisfying needs does not only take place in the working environment. Some people satisfy their needs outside the working environment; they may prefer family life, hobby or sports. People also assign different values to different needs. Job security is important for one, a career progression for another. The main result of motivation is satisfaction, but satisfaction does not necessarily lead to an increase in work performance (Tan, 2014). Some employees are satisfied in a particular job just because they do not have to perform well.

Maslow's theory has been and is often criticized, yet it is the most widely used model of the hierarchy of needs theory. Current organizations can use the principles and concepts of this theory in a digital transformation environment. Despite criticism and doubt, this theory has had a significant impact on motivational management approaches. The hierarchy of needs model provides a useful basis for assessing work motivation.

The modified model hierarchy of needs model was proposed by Alderfer (Alderfer, 1973). His model reduces five levels of need to three levels based on the basic needs of existence, relatedness and growth (ERG theory). To motivate millennials, the need for relatedness, which includes belonging, respect, love, and meaningful interpersonal relationships and growth focus on developing potential and include self-esteem and self-fulfilment are relevant. According to Alderfer, needs are rather a continuum than a hierarchical level.

Correspondingly, McClelland has identified four characteristics of people with a strong need for success (McClelland, 2000). These people prefer moderately challenging tasks that they can easily handle and show others how good they are. They also prefer personal responsibility for performance, and they don't care much about teamwork. They need and appreciate clear and unambiguous feedback. Moreover, these people are very innovative, avoid routine and also tend to travel frequently. For people that are motivated by high performance, money is not a stimulus, but it can serve as a means of providing performance feedback. As a rule, these people often change jobs to achieve career growth.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

The next research should focus on three main directions of research. One research should answer the question of how flat structures are effective in achieving performance compared to traditional hierarchical organizational structures, how flat organizations coordinate activities, or how they interact with the external environment.

Another research should analyze the feelings and experiences of employees in flat organizational structures. How these employees cope with stress, and to what extent they are threatened by stress. How employees perceive management without the presence of a leader, how they deal with incidental problems, and how they escalate an unknown problem. Another problem that has not yet been studied is whether there is a burnout problem in flat structures.

Further research should answer the question of how employees of flat organizations meet their needs. To what extent it is crucial and important for them to satisfy needs at work and in private life. Can satisfying private life needs to replace the satisfaction of the needs of employees? It is possible that due to the decline in loyalty to the employer and the decline in mutual ties, the focus on the satisfaction of needs is shifted towards private life.

Implementing flat organizational structures is a response to constant and unpredictable change. The advantage of the flat organization is the reduction of hierarchical structures, acceleration of communication, flexible decision making, support of cooperation, active participation of all members of the organization in decision making, support of creativity and increased motivation to work. Besides, cost reduction is a significant advantage. Therefore, holacracy is gaining more and more attention from experts and the media.

In addition to the undeniable advantages, there are still doubts about the effectiveness of flat structures. It is also not entirely clear whether the flat structures are suitable for all types of organizations.

Until now, the problem is the motivation of employees in flat organizational structures. Employees eager to rise to the top of the hierarchy are leaving to work for organizations that enable them to grow a career. In addition, there still seems to be a certain percentage of people who prefer order and rules and who feel comfortable in a hierarchical structure. It is easier for them to understand what their job is, what their duties are and what they are expected to do. Hierarchies are practical and suitable for some people and bring a higher sense of order and security. Self-management and self-organization are simply not for everyone. Traditional hierarchical organizations are still the most enjoyable organizational structure for many employees that is clear and transparent, and that reduces the level of uncertainty and ambiguity. Middle and senior management are the most endangered species in flat structures, and it will be most difficult for them to accept a change in status.

Traditional motivational concepts of satisfying hierarchical needs are still appropriate for modern flat organizational structures and have much to offer. Models of motivation must focus on appropriate tools to satisfy the highest needs levels. We have to offer our employees independence and free time, participative decision-making, space for innovation and the possibility of continuous improvement. It is no longer possible to rely on employee loyalty. However, combining the current knowledge and skills of competent and motivated staff with the advantages of a flat organizational structure can be extremely beneficial for both parties.

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Section 3


National and Corporate Perspectives

Chapter 8


Corporate Governance and Values:

Postulating a New Typology of Corporate Governance Systems Including Values

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ABSTRACT

This study was conducted with a motivation to solve a research problem and scarcity of theory, which proposes a comprehensive and explains corporate governance systems including values by which owners under different corporate governance systems can analyse ownership behaviour, acquire knowledge, and mitigate conflicts of interest. The aim of the study is to postulate a new typology of corporate governance systems including values. This study has four major outcomes. Firstly, this study identified the presence of values in corporate governance and provided an overview of ownership values. Secondly, this study is presenting a new typology including three ideal types of corporate governance systems including values. Thirdly, this study has empirically justified the best possible corporate governance type including values towards mitigating conflicts of interest. And fourthly, this study presents the significance of knowledge vision towards proficient ownership.

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1. INTRODUCTION

The subject of corporate governance has become a major concern for business and academia, reflecting the owners' deep concerns about the diverse and dynamic business environment and the results they want from their corporations (Hilb, 2016).

While a moderate amount of literature exists that defines corporate governance, most of the definitions are based on implicit or explicit assumptions about underlying objectives and intentions (Goergen, 2012). Among the variety of definitions for the term corporate governance that have been suggested, the authors would first like to use the definition suggested by Wahl (2011, 2012, 2015), who saw it as a system concerned with the implementation of the owners' will.

Furthermore, conflicts of interest (CI) remain a major component in corporate governance field; they concern the relationships between owners and top management and mitigating conflicts of interest is a prime issue in different corporate governance systems (Cox, 2003; Wahl, 2015; Hilb, 2016). Therefore, traditional studies of corporate governance are conducted within the framework of agency theory (Alchian & Demsetz, 1972; Jensen & Meckling, 1976), viewing the modern corporation as a nexus of contracts between principals (owners) and agents (top management) (Aguilera & Jackson, 2003). Despite that a significant number of studies have been conducted towards a better solution to mitigating conflicts of interest, the issue remains dubious due to the substantial number of existing corporate crises (Hilb, 2016).

Moreover, knowledge transfer is another major component that is currently receiving considerable attention in corporate governance field; to practically transfer knowledge there is a need for proficient owners. Nonaka, Toyama and Konno (2000) see a corporation as an entity that creates knowledge continuously. To transfer knowledge, there is a need for proficient ownership through knowledge vision, e.g., clearly expressing the owners' will in the form of an ownership strategy (Wahl, 2015). Despite the widely recognized importance of knowledge as a vital source of competitive advantage, there is little understanding of how corporations create and manage knowledge dynamically.

On the other hand, theorists, policy-makers, and practitioners share the understanding that corporate governance reflects national culture, and differences in it are also determined by national culture (Licht, 2004; Licht, Goldschmidt, & Schwartz, 2005), especially values (Wahl, 2015). Values are used to characterize cultural groups, societies, and individuals, to trace change over time and to explain the motivational bases of attitudes and behaviour (Schwartz, 2012a; Schwartz, et al., 2012b). Furthermore, Gini and Green (2014) described values as the ideas and beliefs that influence and direct our choices and actions. Zetterberg (1997) considered values to be generalized, relative, enduring and consistent priorities for how we want to live. Additionally, Schwartz (1992) described values as being

deeply rooted, abstract motivations that guide, justify or explain attitudes, norms, opinions and actions (Schwartz & Bilsky, 1987; Schwartz, 1992). Currently, these introductory definitions of values are based on an individual level and individual level values; this study argues that owners under different corporate governance systems implement ownership strategies based on values to achieve desired results and success in the long run within diverse business environments. In this regard, Luoma (2011) defined ownership strategy as an expression of the will of the corporation's owners; it clarifies what owners want in terms of rights, resources, risks, responsibilities and returns. Moreover, studying individuals' basic values can contribute directly to our understanding of owners' behaviour and will (Wahl, 2012). Therefore, it is evident that individual basic values have a significant role in corporate governance systems.

By contrast, the existing theories of corporate governance fail to show the interrelationships and broaden our understanding of the diverse phenomena of values and corporate governance worldwide. The conceptualizations of values and corporate governance and their interconnections have not been sufficiently studied, so key concepts of values and corporate governance are not understood at the individual and societal level. (Wahl, 2011) Moreover, the literature reveals that there is a lack of theoretical support to measure corporate governance systems (Schnyder, 2012; Tricker, 2015) and to propose comprehensive and clear corporate governance systems that include values (Wahl, 2015). Thus, it is necessary to explain the connections between corporate governance and values and fill a perceived gap in the theoretical developments in the field.

This study was conducted with a motivation to solve the research problem of theory scarcity, which proposes comprehensive and clear corporate governance systems that include values by which owners under different corporate governance systems can evaluate ownership behaviour, acquire knowledge and mitigate conflicts of interest. To solve the research problem, a systematic literature review and empirical research were conducted.

The aim of the study is to postulate a country-level typology of corporate governance systems that include values. Accordingly, this study presents a new typology of corporate governance systems that include values. Typologies (Hornaday, 1990; Mintzberg, 1992; Pedersen & Thomsen, 1997; Zetterberg, 1997; Hung, 1998; Jaouen & Lasch, 2015) are widely used as a form of theory building. This typology contains three ideal types of corporate governance systems.

The goals of the study are to show the connections between the phenomena of values and corporate governance and develop a better understanding of the intensity of the relationships. Furthermore, the objectives of the study are to evaluate the aspects that are connected to the phenomena of values and corporate governance for a better and superior understanding. Thus, this study identified the presence of values in corporate governance and provided a concept about ownership values.

Nonetheless, academically every theory must be capable of refutation (Miner, 2000). Hence, the purpose of the study is to determine the best possible type of corporate governance system that includes values towards mitigating conflicts of interest. Therefore, this study empirically studied the constructed typology to examine the influences of values on conflicts of interest and justified the best possible corporate governance type to mitigate conflicts of interest.

Nevertheless, the role of the owners (under different corporate governance systems) in knowledge creation and the principal repository of knowledge are essential to piercing the veil of a corporation's knowledge and clarifying the role of corporations in the creation and application of knowledge (Grant, 1996). Therefore, another purpose of the study is to determine the significance of a knowledge vision towards proficient ownership. Consequently, this study describes the process of knowledge transfer and provides a foundation for proficient ownership through knowledge vision.

To solve the precursory research problem, the following four research tasks (T) were performed:

T1: To identify the ownership values.

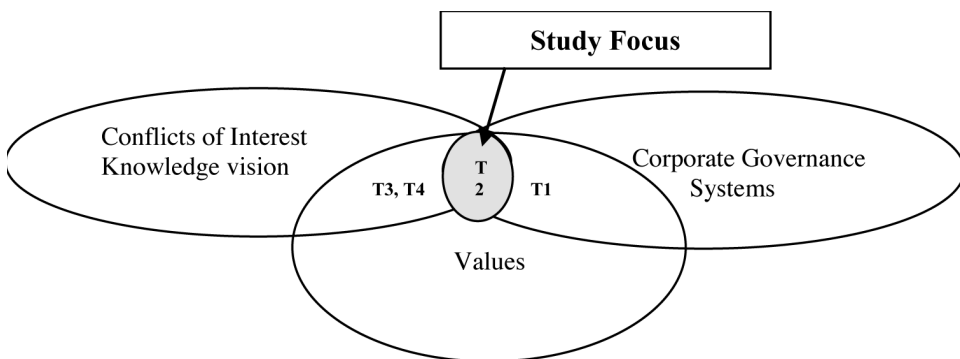
T2: To construct ideal types of corporate governance systems including values.

T3: To examine the influences of values on conflicts of interest.

T4: To describe the process of knowledge transfer in corporate governance.

For a better understanding, Figure 1 illustrates the performed research tasks, the study focus typology and its connection to the concerned areas of study.

Figure 1. Study focus and its connection to the concerned areas of study (Source: Authors' compilation)



1.1. Short Overview of the Results

The results of this study present the main findings from the empirical research towards solving the previously identified research problem, which is to understand and bring clarity to the following key concepts:

- First, this study shows the presence of values in corporate governance and provided a concept about ownership values.
- Second, this study constructed a new typology for corporate governance systems that include values that provides a new knowledge and consequently, broadens our understanding of the diverse phenomena of corporate governance and values.
- Third, this study justified the best possible corporate governance type to mitigate conflicts of interest.
- Fourth, this study provides the foundation for proficient ownership through knowledge vision.

1.2. Structure of the Study

This study is structured as follows. Chapter 1, Theoretical framework: Corporate governance systems, explains the theoretical foundations of the study, including a systematic literature review to operationalize corporate governance and values. Chapter 2, Research methodology, describes the philosophical assumptions and the research approach considered by the authors. It also provides reasoning for the selection of the research strategy and methods. Chapter 3, Results and discussion, introduces the results of the study and structures the findings. The key results of the empirical research are presented in this chapter. Chapter 4, Conclusion, synthesis the conclusions, highlights theoretical, methodological and practical contributions and provides the scope for future research.

2. THEORETICAL FRAMEWORK: CORPORATE GOVERNANCE SYSTEMS

This chapter introduces the theoretical foundation of the study. To construct the typology, theoretically, it is necessary to operationalize the focused phenomena (Kluge, 2000) by performing a systematic literature review to expand and reduce the number of previous studies, theories and approaches according to pre-set criteria towards a thematic framework (Neergaard & Ulhøi, 2007). As a corollary, this study followed the systematic literature review to expand and reduce the number

of previous studies, theories and approaches according to pre-set criteria toward a thematic framework (Neergaard & Uihøi, 2007). Considering these paradigms, the first and second section of this chapter presents the systematic review of relevant theories and approaches towards operationalising corporate governance and values. The third section of this chapter covers the theoretical background and overview of the reasons behind conflicts of interest in corporate governance. And the last section of this chapter presents the process of knowledge transfer in corporate governance.

2.1. Operationalising Corporate Governance

Corporate governance differs significantly across countries in terms of control patterns and the types of shareholders that prevail in each group of countries. For instance, countries that promote shareholder-value governance approaches (such as the United States of America and the United Kingdom) and countries that strive for stakeholder-value approaches (such as Germany and Japan). (Goergen, 2012) Therefore, different systems of corporate governance are derived and are observable around the world (Tricker, 2015); there are considerable similarities and differences among different corporate governance systems (Goergen, 2012).

To understand the taxonomies of corporate governance, corporate governance has been reviewed by classifications based on the law and finance literature (La Porta, Lopez-de-Silanes, & Shleifer, 1999), on the quality of law and investor protection (Pagano & Volpin, 2005), on electoral systems, on political orientation of governments in power (Roe, 1994) and the varieties of capitalism (VOC) literature (Roe, 2006).

Theoretically as well as in practice, two basic systems of corporate governance have been assumed. The first is the Anglo-American “market-based” global system that operates for the maximization of shareholders’ profit, while the second is the “relationship-based” local system that emphasizes the interests of a broader group of stakeholders. However, it remains unclear which system of corporate governance is ideal (Hilb, 2016). For that reason, Hilb (2016) introduced an enlightened system of corporate governance (Andreadakis, 2011; Pichet, 2011) known as the “new corporate governance” glocal system, which integrates the supremacy of both global and local corporate governance systems.

Global corporate governance systems place importance on the Anglo-American corporate governance model (exemplified in the United States of America, Canada, the United Kingdom, and New Zealand and often adopted with little or no critical analysis in developing nations).

In previous corporate governance research, agency theory (Eisenhardt, 1989) was used in an undifferentiated and one-dimensional way to justify the Anglo-American

market-based global corporate governance system (Hilb, 2016). Furthermore, Jensen and Meckling (1976) discussed the nature of agency theory by identifying the principal-agent problem and the agency costs associated with outside claims on the corporation—both debt and equity (Jensen & Meckling, 1976). Their purpose was to integrate concepts into the beginnings of a theory of corporate ownership structure (Wahl, 2006).

However, unfortunately, agency theory could not account for the key differences among corporate governance systems across countries and shows the scope of the research gap in the phenomenon of corporate governance. Therefore, agency theory is not appropriate to operationalize corporate governance for this study.

Relationship-based local corporate governance systems are most seen in international corporations, mostly in European countries. The relationship-based local corporate governance system posits that a corporation can generate enduring success if it gives adequate importance to the shareholders, customers, employees and society (Hilb, 2016). In addition, Goergen (2012) defined corporate governance as the combination of mechanisms that ensure that the management operates the corporation for the benefit of one or several stakeholders.

The stakeholder theory (Freeman, 1984) is based on the relationship-based local corporate governance system, which focuses on the responsibility of major shareholders towards all the stakeholders of the corporation. Furthermore, Berle and Means (1932) predicted that corporations evolve towards a separation of ownership and control as they become larger. Therefore, managers eventually have a high discretionary power over the corporation and most shareholders are not able to control the managers' actions (Roe, 1994). Under this dilemma, stakeholder theory suggests that a corporation should pay attention to all its constituencies (Freeman, 1984).

However, a conflict remains over how to create successful ownership strategy based on stakeholder theory (Wahl, 2015). Hence, there is a research gap in the field of corporate governance, and stakeholder theory is also not suitable to operationalize corporate governance for this study.

Hilb (2016) explains that the success of a corporation's relevance depends on an ownership strategy that simultaneously provides benefits to all the stakeholders including shareholders and society. Thus, it is important for the owners to determine an ownership strategy so all stakeholders can benefit from the corporation's success according to the corporation's requirements; this process could be reviewed periodically (Hilb, 2016). Therefore, Hilb (2016) considered multiple theories to formulate an enlightened new corporate governance global corporate governance system. Resource dependency theory (Pfeffer & Salancik, 1978) suggests that board members can play a valuable role in making resources available and in coaching

the chief executive officer (Hilb, 2016). Stewardship theory (Davis, Schoorman, & Donalds, 1997) suggests that top management can act in the best interest of the corporation even when financial incentives and monitoring systems are not in place to ensure this occurs (Hilb, 2016). Institutional theory (Scott, 1995) attempts to understand corporate governance in the context of social and cultural constraints imposed on corporations (Hilb, 2016).

Under the new corporate governance glocal corporate governance systems, corporations are strategically directed, interactively managed and holistically controlled in an entrepreneurial and ethical way and in a manner appropriate for each particular context (Hilb, 2016). There are four dimensions of situational, strategic, integrated and control (in reversed manner) by which Hilb (2016) differentiated a glocal corporate governance system from the traditional global and local corporate governance systems.

However, corporate crises continue to be reported. Therefore, the multi-theoretic new corporate governance glocal corporate governance system remains uncertain towards operationalizing corporate governance, which leads to a controversy in the research gap in the area of corporate governance study.

The development of capitalist socio-economic systems depends on the existing corporate governance system. Furthermore, Goergen (2012) argued that different countries have different ideologies to maintain social peace. Different capitalism approaches suggest two ways of solving the economic coordination of a country—liberal market economy (LME) and coordinated market economy (CME) (Goergen, 2012). However, there are not sufficient varieties of capitalism approaches to operationalize corporate governance, as the inability to resolve corporate governance mishaps clearly indicates a research gap in the corporate governance field.

Schnyder (2012) stated that one of the foremost challenges of corporate governance research since its inception has been the definition of measures of “good corporate governance,” i.e., of corporate governance mechanisms that lead to financial efficiency and social legitimacy. Succinctly, Schnyder (2012) concluded that the problem of a lack of theory behind measuring corporate governance could guide us in our choices regarding a corporate governance index. Tricker (2015) added that there are no theoretical floodlights available to illuminate the boundaries of corporate governance.

Considering these theories, approaches and key arguments, this study has selected the Organisation for Economic Co-operation and Development (OECD) law and corporate governance principles report to operationalize corporate governance (OECD, 2004). This report was prepared by the OECD corporate affairs division based on member countries’ submissions to the OECD law and corporate governance

database in 2004. It is being released following review and classification by an OECD steering group on corporate governance; this is the only updated data version available from OECD on corporate governance principles since 2004.

Finally, after systematically reviewing all the relevant theories and approaches, this section reports the regarding operationalizing corporate governance towards the construction of the typology of corporate governance systems that include values.

2.2. Operationalising Values

Values are used to characterize cultural groups, societies, and individuals, to trace change over time and to explain the motivational bases of attitudes and behaviour (Schwartz, *et al.*, 2012b). Furthermore, Gini and Green (2014) defined values as the ideas and beliefs that influence and direct our choices and actions. Additionally, Zetterberg (1997) considered values to be a generalized, relatively enduring and consistent priority for how we want to live. The most popular scales for measuring values are those of Rokeach (1973), Inglehart (1977), Hofstede (1980) and Schwartz (1992). In contrast, Schwartz (1992) defined values as deeply rooted, abstract motivations that guide, justify or explain attitudes, norms, opinions and actions (Schwartz & Bilsky, 1987; Schwartz, 1992). Licht, Goldschmidt, and Schwartz (2005) argued that theorists, policy-makers, and practitioners share the intuition that corporate governance reflects national culture. This study defines culture in subjective terms. Many different value emphases could be chosen to characterize cultures (Tausch, 2015).

Furthermore, Schwartz (2012a) explained that values have a universal content and structure and values are structured in similar ways across culturally diverse groups. Considering these essences of values, Schwartz (1992) constructed a theory of basic values that identified ten basic, motivationally distinct values that people in all cultures implicitly recognise. Ten basic values are Universalism (UN), Benevolence (BE), Tradition (TR), Conformity (CO), Security (SE), Power (PO), Achievement (AC), Hedonism (HE), Stimulation (ST) and Self-Direction (SD). In addition, these values are likely to be universal because they are grounded in one or more of three universal requirements of human existence with which they help to cope. These requirements are needs of individuals as biological organisms, requisites of coordinated social interaction, and survival and welfare needs of groups. Individuals cannot cope successfully with these requirements of human existence on their own. This theory is appropriate for characterising the values of individual people and studying the relationships of individuals' values to other individual differences. (Schwartz, 2012a)

According to Kluckhohn and Strodtbeck (1961), all societies confront certain basic issues in regulating human activity. Furthermore, Schwartz (2008) concluded all societies must always solve the following three problems which are as follows:

- a. How to define the nature of the relations and boundaries between the person and the group?
- b. How to guarantee that people behave in a responsible manner that preserves the social fabric?
- c. How to regulate people's treatment of humans and natural resources?

Schwartz (2008) also added in different cultures the answers are different. For these reasons, Schwartz (2008) developed a different theory (Cultural value orientations: Nature and implications of national differences) along with a set of individual value dimensions, which defines seven cultural/societal value orientations that capture the basic cultural differences between societies. The seven cultural/societal level value orientations are appropriate for comparing cultural groups to one another and for relating to societal level characteristics (Schwartz, 2008).

After careful consideration by systematically reviewing all the relevant theories, this section provides additional results by considering Schwartz's (2008) theory of cultural value orientations with regard to operationalizing values towards the construction of the typology of corporate governance systems that include values.

2.3. Conflicts of Interest in Corporate Governance

All theories of corporate governance see the corporation as a nexus of contracts (Licht, 2004). Agency theory (Alchian & Demsetz, 1972; Jensen & Meckling, 1976; Eisenhardt, 1989) remains the most popular theoretical approach behind conflicts of interest in the area of corporate governance; it is concerned with the relationships between owners (principal) and top management (agent). Furthermore, Jensen and Meckling (1976) discussed the nature of agency theory by identifying the principal-agent problem. Repeatedly, Jensen (1983) posited that there are two lines of agency theory: positivist and principal-agent. Positivist scholars emphasize potential situations where a principal and an agent are likely to have conflict in terms of establishing a corporation's visions (Jensen, 1983). Gillan and Starks (2003) described the need arising from the potential conflicts of interest among participants (stakeholders) in the corporate structure. While the agent (top management) has been asked by the principal (owner) to perform a specific duty, the agent may not act in the best interest of the principal once the contract has been signed. In practice, it is impossible to write such complex contracts, and they would probably be impossible

to monitor (Jensen & Meckling, 1976; Goergen, 2012; Wahl, 2015). The majority of corporations with ethics programmes address potential conflicts of interest in their programmes (Waterhouse, 1996). In addition, Berenbeim (1987) perceived that business executives generally view potential conflicts of interest as ethical issues that the corporation should address.

Ultimately, this section shows why mitigating conflicts of interest is indispensable for a profound corporate governance system. Although a significant number of studies have been conducted towards a better solution to mitigate conflicts of interest, the issue remains dubious due to the substantial number of existing corporate crises (Hilb, 2016). Thus, this study identified a research gap in the understanding of the core reason behind conflicts of interest and a possible solution towards their mitigation.

2.4. Knowledge Transfer in Corporate Governance

In defining knowledge, Grant (1996) offers a simple tautology that knowledge is that which is known. Others see knowledge as the act of having a clear and justifiable grasp of facts or of how to perform a task. Here, knowledge is based on understanding or skill, which in turn is based on thought, study, and experience. Knowledge is a justified true belief, a dynamic human process of justifying a personal belief towards the truth (Nonaka & Takeuchi, 1995) to reflect the context in which knowledge exists. Western epistemology has traditionally viewed knowledge as explicit, where truthfulness is the essential attribute of knowledge (Nonaka, Toyama, & Konno, 2000).

The literature has clearly recognized the epistemological distinction between knowing how (implicit or tacit knowledge) and knowing about facts and theories (explicit knowledge), which is captured by distinctions between subjective and objective knowledge, personal and propositional knowledge, and procedural (tacit) and declarative (explicit) knowledge (Grant, 1996). The most useful way to describe the movement of knowledge in corporate governance is knowledge transfer. Hedlund (1994) explains transfer of knowledge as moving of knowledge from lower to higher agency levels (individual, small group, corporation, and inter-corporate domain) in explicit (e.g. drawings) or tacit (face-to-face contact, teaching, skills) form, also as the domain-specific knowledge transferred across the pragmatic boundary (Carlile, 2004).

This section reviewed the process of knowledge transfer in corporate governance and explored its theoretical foundations. However, despite the widely recognized importance of knowledge as a vital source of competitive advantage, there is little understanding of how corporations create and manage knowledge dynamically, which leads to a research gap in the study of corporate governance. Hence, this study is attempting to bridge the gap and contribute to the literature of corporate governance.

3. RESEARCH METHODOLOGY

This chapter introduces the methodological choices of the study. The first section of this chapter describes the research philosophy and approach of the study. The second section of this chapter gives the detailed description of the research design.

3.1. Constructionist Research Philosophy and Abduction

The research approach is abduction (Peirce, 1974); this approach aligns with the constructionist view of the world. Abduction is the process of forming an explanatory hypothesis. Peirce (1974) stated it is the only logical operation that introduces a new idea, e.g., constructing a new typology of corporate governance systems that include values. Additionally, this study is based on the ontological assumption that reality stems from people's beliefs, feelings and experiences (Kaplan & Maxwell, 2005; Hine & Carson, 2007; Saunders, 2015).

3.2. Research Design: Data Collection and Analysis

The research data were collected by using the mixed methods research choice. Furthermore, the empirical data were analysed by using multiple quantitative tools (correlation matrix, hierarchical cluster, non-hierarchical cluster, non-metric multidimensional scaling, ordinary least squares, one-way analysis of similarities and regression analysis).

The empirical part of this study was designed to perform the above-mentioned research tasks (T1) to (T4). This study has chosen multiple cases as a research strategy (Yin, 2009) to understand the complex social phenomena of corporate governance and values of multiple countries. Research choice is mixed methods, and it can be categorised as an explanatory, cross-sectional research project.

For data analysis, Microsoft Excel, Palaeontological Statistics (PAST) 3.10 (Hammer, Harper, & Ryan, 2001), Statistical Package for the Social Sciences (SPSS) and The Waikato Environment for Knowledge Analysis (WEKA) ver. 3.8.0 (Hall, Frank, Holmes, Pfahringer, Reutemann, & Witte, 2009) were employed.

The first empirical part aimed to identify the ownership values (T1). The dataset was collected in Estonia and in India and lasted from 01.10.2012 to 12.11.2015 by conducting the semi-structured interview through emails, Skype, study assignments and personal visits. Schwartz (1992) Portrait Values Questionnaire (PVQ), 21 structured questions was translated and adapted from the English questionnaire to identify Schwartz's (1992) ten basic values which are Universalism (UN), Benevolence (BE), Tradition (TR), Conformity (CO), Security (SE), Power (PO), Achievement (AC), Hedonism (HE), Stimulation (ST) and Self-Direction (SD). The PVQ includes

short verbal portraits of different owners of corporations and management students from Tallinn University of Technology, Estonia and Jawaharlal Nehru University, India. Each portrait describes goals, aspirations, or wishes that point implicitly to the importance of a single value type. For each portrait, respondents answer: “How much like you is this person?” They check one of six boxes labelled: very much like me, like me, somewhat like me, a little like me, not like me, and not like me at all. Thus, respondents’ own values are inferred from their self-reported similarity to people who are described in terms of particular values. The similarity judgments are transformed into a 6 pt. numerical scale. Note that respondents are asked to compare the portrait to themselves rather than themselves to the portrait. (Wahl, 2012) For sample size selection, Israel (1992) states that sample size refer to inferential statistics and specially the purpose of a study (Bartlett, Kotrlik, & Higgins, 2001). By following the mentioned guidelines, all chosen data from owners and students $n = 404$ (students $n = 206$, owners $n = 198$) were entered into a case database.

Turning now to analysis the data, firstly, non-metric multidimensional scaling (nMDS) Technique was used. nMDS is based on a distance matrix computed with any of 14 supported distance measures. The algorithm then attempts to place the data points in a two-dimensional coordinate system such that the ranked differences are

Table 1. Descriptive statistics to identify the ownership values among students and owners by considering Schwartz’s (2012a) theory of ten basic values which are Universalism (UN), Benevolence (BE), Tradition (TR), Conformity (CO), Security (SE), Power (PO), Achievement (AC), Hedonism (HE), Stimulation (ST) and Self-Direction (SD)

Students	UN	BE	TR	CO	SE	PO	AC	HE	ST	SD
N	206	206	206	206	206	206	206	206	206	206
Min	1.33	1.50	1.00	1.00	1.00	1.50	1.00	1.00	1.00	2.00
Max	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Mean \bar{x}	4.41	4.71	3.85	3.52	3.82	3.86	4.53	4.09	4.17	4.65
Standard deviation	0.86	0.89	0.92	1.28	1.12	0.93	1.04	1.11	1.16	0.84
Owners	UN	BE	TR	CO	SE	PO	AC	HE	ST	SD
N	198	198	198	198	198	198	198	198	198	198
Min	2.00	2.00	1.00	1.00	1.00	1.00	1.00	2.50	1.00	1.00
Max	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	6.00	6.00
Mean \bar{x}	4.53	4.95	3.84	3.41	3.93	3.91	4.04	4.25	4.20	5.04
Standard deviation	0.83	0.86	1.05	1.10	1.11	1.03	1.23	0.64	1.15	0.88
Mean \bar{x} difference	-11.61%	-24.32%	1.10%	11.01%	-10.64%	-4.50%	49.61%	-15.53%	-3.21%	-38.97%

(Source: Authors’ calculation based on empirical data)

preserved (Hammer, Harper, & Ryan, 2001). This analysis revealed that there are value priorities exist among owners and the students, which are well aligned with Schwartz's (2012a) universal structure of human values. Despite this, the Shepard plot of obtained versus observed ranks indicates the high quality of the nMDS result (Hammer, Harper, & Ryan, 2001). Further to analyse the data, descriptive statistics (Table 1) was considered.

The second empirical part aimed to construct ideal types of corporate governance systems including values (T2). Kluge's (2000) "model of empirically grounded type construction" suggested that an object field must be divided into some groups or types with the help of one or more attributes. The elements within a type have to be as similar as possible and the differences between the types have to be as perceivable as possible. Types could be constructed in order to comprehend, understand and explain complex social realities. (Kluge, 2000; Kelle & Kluge, 2010) Now, there are several concepts of types that can be used for social science research like ideal types, real types, prototypes, extreme types (Wahl, 2012). According to Weber's definition, "an ideal type is formed by the one-sided accentuation of one or more points of view" according to which "concrete individual phenomena ... are arranged into a unified analytical construct" (*Gedankenbild*); in its purely fictional nature, it is a methodological "utopia [that] cannot be found empirically anywhere in reality" (Weber, 1904, 1949, p. 90).

Moreover, Max Weber's (1864–1920) study has marked out that ideal type could serve as a measuring rod of reality (Weber, 1904/1949; Kim, 2012). For that reason, ideal types were considered to build the typology of corporate governance systems including values. Different rules and steps of Kluge's (2000) "model of empirically grounded type construction" are integrated into the research process. The after mentioned (Figure 2) was considered in this study for the construction of ideal types of corporate governance systems including values.

If the type is defined as a combination of attributes, a) one first need properties and dimensions, which form the basis for the typology; b) with the help of these attributes, c) the similarities and differences between the research elements must be adequately grasped. And finally, d) the constructed groups and types have to be described with the help of these properties. (Kluge, 2000) Following these methodological guidelines, two datasets were used and analysed to construct the typology of corporate governance systems including values.

The first set of data was used from the countries submission to OECD and OECD law and corporate governance database in the year 2004 and this is the only updated data version available from OECD on corporate governance principles since the year 2004. (OECD, 2004) The consecutive (Table 2) describes the six OECD corporate governance principles.

Figure 2. Model of empirically grounded type construction (Source: Authors' illustration with reference to Kluge, 2000)

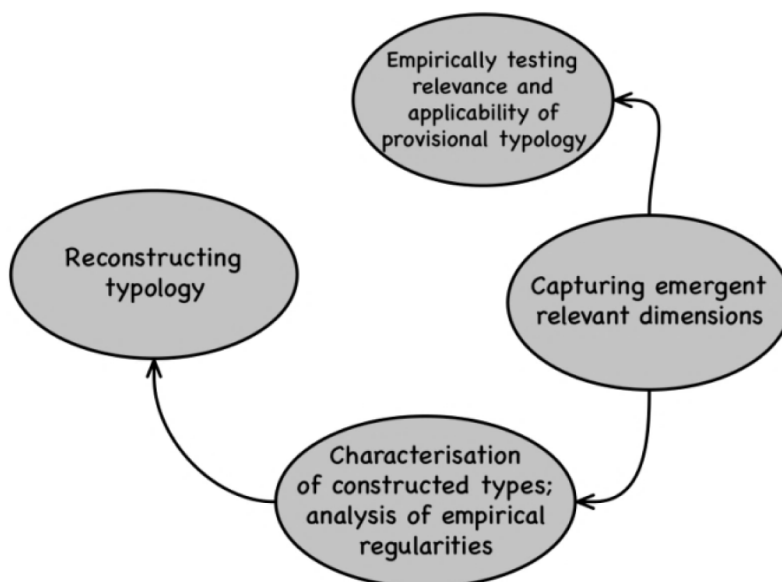


Table 2. OECD corporate governance principles

Corporate governance principles	Code	Overview
Comply or explain with principles or codes	PC	30 principles or codes were agreed upon in 1990 and have been established in an OECD area
Defining audit functions and limits on auditors	AF	Create and maintain an audit committee that adds value to the board and corporations
Improving transparency	TR	Disclosure to improve the incentive structure for auditors and analysts
Defining and controlling conflicts of interest	CI	Sufficient number of nonexecutive board members capable of exercising independent judgement to task where there is conflict of interest
Improving or easing voting and greater role for Annual General Meeting (AGM)	VO	Improves shareholders' participation, information and voting
Rule for independent directors	ID	Establish committees, in particular nominating and compensation committee only for independent directors

(Source: OECD, 2004)

Table 3. Values indicators that are averaged to provide the scores for each cultural value orientation

Cultural value orientation	Code	Value Items
Harmony	HAR	A world of beauty, a world at peace, protecting the environment and unity with nature
Embeddedness	EMB	Clean, devout, forgiving, honouring parents and elders, moderate, national security, obedient, politeness, protecting my public image, reciprocation of favours, respect for tradition, self-discipline, social order and wisdom
Hierarchy	HIE	Authority, humble, social power and wealth
Mastery	MAS	Ambitious, capable, choosing own goals, daring, independent, influential, social recognition and successful
Affective Autonomy	AFF	Enjoying life, exciting life, pleasure, varied life and self-indulgent
Intellectual Autonomy	INT	Broadminded, creativity, curious and freedom
Egalitarianism	EGA	Equality, helpful, honest, loyal, responsible and social justice

(Source: Schwartz, 2008)

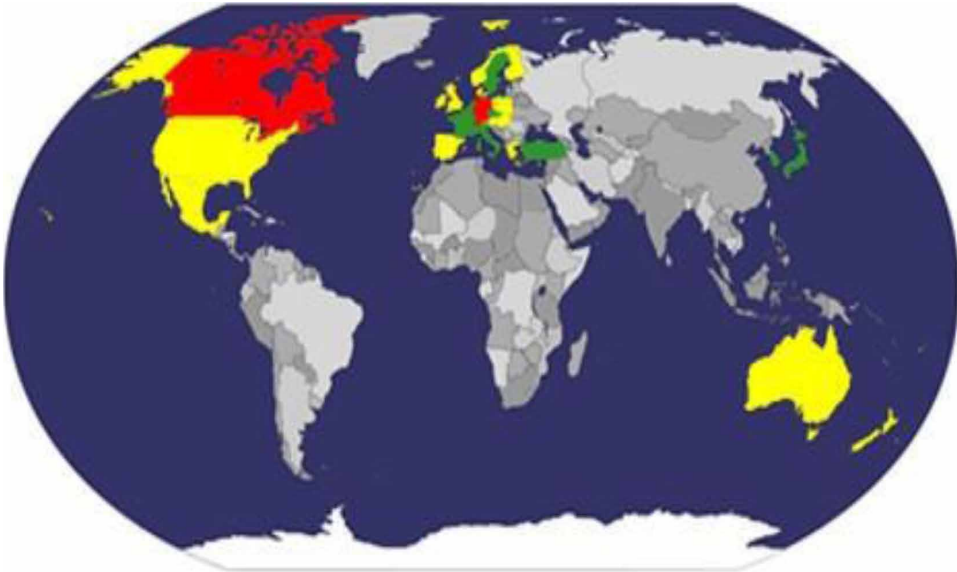
The chosen data was quantified in the form of 6 attributes from 0 to 1 scale for analysis. The second set of data was used from Schwartz value survey that was conducted from the year 1988 to 2007 to characterise multiple countries by their culture (Schwartz, 2008). The aftermentioned (Table 3) indicates the values that are averaged to provide the scores for each cultural value orientation.

Furthermore, 28 common OECD countries were chosen to compile the above-mentioned dataset for further analysis. Data were checked for errors, cleaned, pre-processed, and transformed – min-max normalisation from 0 to 1 scale.

Clustering is a common descriptive task where one seeks to identify a finite set of categories or clusters to describe the data (Wahl, 2012). By using PAST 3.10, firstly the hierarchical clustering was exercised to find hierarchical grouping in considered multivariate dataset.

The hierarchical clustering routine produces a dendrogram with the highest co phenetic correlation coefficient ($c = .907$), which illustrates how data points (rows) can be clustered (Hammer, Harper, & Ryan, 2001). In addition, to ensure the accuracy of the foregoing data analysis process, non-metric multidimensional scaling (nMDS) was performed. nMDS is a set of related statistical techniques used in information visualisation for exploring similarities or dissimilarities in data (Figure 3), considering 28 common OECD countries. It illustrates a general

Figure 3. Cluster map of 28 OECD countries (Source: Authors' illustration)



view of all possible combinations and the concrete empirical distribution of the 28 OECD countries. nMDS is based on a distance matrix computed with any of the 14 supported distance measures. (Hammer, Harper, & Ryan, 2001) The best result of the nMDS comes with Gower similarity measure, 3D, (stress = .159). Despite this, the Shepard plot of the obtained versus observed ranks indicates the high quality of the nMDS result (Hammer, Harper, & Ryan, 2001). Coming back to grouping the 28 OECD countries and analysis of empirical regularities, k-means clustering was used, which is a non-hierarchical clustering of multivariate data into a specified number of groups (Hammer, Harper, & Ryan, 2001). The number of clusters was three and it was decided by the result of hierarchical clustering: dendrogram and result of the non-metric multidimensional scaling followed by comparing relevant theories which were systematically reviewed in sub section 2.1. and 2.2.

The second cluster (k2) contains 32% ($n = 9$) group of countries (green) which are Belgium (BEL), Czech Republic (CZE), France (FRA), Italy (ITA), Japan (JPN), Korea Republic (KOR), Netherland (NLD), Sweden (SWE) and Turkey (TUR).

The third cluster (k3) contains 57% ($n = 16$) group of countries (yellow) which are Austria (AUS), Australia (AUL), Denmark (DNK), Finland (FIN), Greece (GRC), Hungary (HUN), Ireland (IRL), Mexico (MEX), New Zealand (NZL), Norway (NOR), Poland (POL), Portugal (PRT), Slovakia (SVK), Spain (ESP), the United States of America (US) and the United Kingdom (GBR).

Table 4. Descriptive statistics to analyse the cluster result

Relevant analysing dimensions	Code	k1 (n = 3)		k2 (n = 9)		k3 (n = 16)	
		Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
Corporate governance principles							
Comply or explain with principles or codes	PC	0,67	0,57	0,11	0,33	0,19	0,40
Defining audit functions and limits on auditors	AF	0,67	0,57	0,56	0,52	0,38	0,50
Improving transparency	TR	0,67	0,57	0,67	0,50	0,50	0,51
Defining and controlling conflicts of interest	CI	0,33	0,57	0,44	0,52	0,33	0,48
Improving or easing voting and greater role for AGM	VO	0,67	0,57	1,00	0,00	0,00	0,00
Rule for independent directors	ID	0,33	0,57	0,44	0,52	0,19	0,40
Cultural value orientation							
Harmony	HAR	0,87	0,13	0,23	0,08	0,21	0,09
Embeddedness	EMB	0,88	0,10	0,16	0,12	0,19	0,12
Hierarchy	HIE	0,85	0,16	0,41	0,28	0,30	0,15
Mastery	MAS	0,69	0,45	0,11	0,07	0,12	0,06
Affective Autonomy	AFF	0,96	0,04	0,26	0,11	0,26	0,12
Intellectual Autonomy	INT	0,80	0,18	0,16	0,08	0,11	0,07
Egalitarianism	EGA	0,93	0,06	0,15	0,10	0,16	0,07

(Source: Authors' calculation based on empirical data with reference to OECD, 2004; Schwartz, 2008)

For each cluster mean and standard deviation were calculated. In the next stage, in order to analyse the clustering result from Palaeontological statistics (PAST) 3.10, the descriptive statistics (Table 4) was considered with six relevant analyses of corporate governance attributes and seven relevant values attributes. The standard deviation was calculated for each cluster mean. The identified groups were analysed with regard to empirical regularities.

The third empirical part is aimed to examine the influences of values on conflicts of interest (T3). Towards examining the influences of values on conflicts of interest, two sets of data were analysed. The first set of data is used from the Doing business data: The World Bank group, which was covered from the year 2004 to 2016 and provides business regulations and their enforcement across 189 economies. Each economy is ranked according to ten sets of indicators. These are combined into an overall "ease of doing business" ranking. Although this study has considered only the extent of conflict of interest regulation index, that is the average of the extent of disclosure index, the extent of director liability index and the ease of shareholder suits index. The index ranges from 0 to 10, with higher values indicating stronger regulation of conflicts of interest. (World Bank, 2016) The second set of data is used from previously mentioned Schwartz's value survey (Schwartz, 2008). Furthermore, 75 common countries were considered to compile the above-mentioned data set.

Table 5. Regression analysis (conflicts of interest is the dependent variable)

Regression statistics	
Multiple R	0.64
R^2	0.41
Adjusted R^2	0.32
Standard Error	0.51
Observations	56

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	Significance <i>F</i>
Regression	7	9.09	1.29	4.83	0.00
Residual	48	12.88	0.26		
Total	55	21.98			

(Source: Authors' calculation based on empirical data with reference to Study IV; World Bank, 2016; Schwartz, 2008)

Table 6. Individual value influence

	Coefficients	Standard Error	<i>t</i> -statistic	<i>p</i> -value
Intercept	1.41	0.54	2.60	0.01
HIE	0.09	0.12	0.77	0.44
AFF	0.34	0.18	1.88	0.04
INT	0.10	0.17	0.61	0.53
EGA	-0.17	0.14	-1.18	0.24
HAR	-0.10	0.15	-0.65	0.51
EMB	0.36	0.14	2.51	0.01
MAS	0.05	0.13	0.41	0.67

(Source: Authors' calculation based on empirical data with reference to Study IV; Schwartz, 2008; World Bank, 2016)

For the analysis, the following description of variables is presented. The independent variables are Harmony (HAR), Embeddedness (EMB), Hierarchy (HIE), Mastery (MAS), Affective Autonomy (AFF), Intellectual Autonomy (INT) and Egalitarianism (EGA). The dependent variable is conflicts of interest (CI).

Regression analysis was performed (Table 5) to observe the influence of the values on the conflicts of interest.

The overall model was explained by a 41% variance that was statistically significant $F(7.80) = 4.83, p < .05$ to predict the conflicts of interest.

The Intellectual Autonomy (INT) and Embeddedness (EMB) values have been found to be significant predictors of conflicts of interest (CI) as the observed statistics have reported a positive beta coefficient and statistically significant values (Table 6).

Table 6 shows that Intellectual Autonomy and Embedded values have been found to be significant predictors of conflicts of interest as the observed statistics have reported a positive beta coefficient and statistically significant values.

The objective of the fourth empirical part was to describe the process of knowledge transfer in corporate governance (T4).

Heterogeneity sampling was used in this study; it is used because the primary interest is getting a broad spectrum of cases. Standardised interviewer administered the questionnaires, with a total of 109 questions. Questions were asked in English and in Estonian, and where necessary, used translations into English. The portrait ownership questionnaire (POQ) includes short verbal portraits of different owners of corporations. Each portrait describes an owner's goals, aspirations, or wishes that point implicitly to values and behaviour. For each portrait, respondents answer: "How much like you is this person?" They check one of six boxes labelled: very much like me, like me, somewhat like me, a little like me, not like me, and not like me at all. The similarity judgments are transformed into a 6-pt. numerical scale. Interviewers were well-trained management students from Tallinn University of Technology, Estonia and Jawaharlal Nehru University, India, data quality issues and interviewer proficiency are important considerations. All questions were pretested on students and academic personnel. The interviewing period lasted from 04.11.2013 to 04.04.2016. Secondary data consists of documentary and multiple sources (Central Commercial Register, Credit Information Services, and Estonian Central Register of Securities). All materials and data are entered into an MS Excel case database. All chosen cases ($n = 211$) are thoroughly described, starting with owner's personal data, followed by value issues; then categories and subcategories of owners will: legal status, economic goal, role in governance and management, contribution to the realization of a business idea, investment horizon, participatory rate, attitude toward risk, country of residence, involvement, and proficiency are described. Thematic case analysis, case contrasts and analysis of empirical regularities were

done. Based on the research problem, 83 general and significant attributes were related to values, will and proficiency.

One-way ANOSIM (Analysis of Similarities) is often used as a statistical method to aid hypothesis testing. The first step in hypothesis testing is to set a research hypothesis - when owners are proficient, their corporations' performance increases.

H₀: There is no monotonic association between the performance and proficiency in the population at significance level ($\alpha = 0.01$).

H_A: There is a monotonic association between the performance and proficiency in the population at significance level ($\alpha = 0.01$).

Proficiency is measured by education level, languages, hobbies, stakeholder's importance, contribution, ethics, diversification, the share of ownership, founder, consensus, active, professionalism, capable (independent variables). Performance is measured by the number of employees, company's annual turnover, balance sheet, market value (dependent variables). ANOSIM is a non-parametric test of the significant difference between two or more groups; the distances are converted to ranks. The test is based on comparing distances between groups with distances within groups. Large positive R (up to 1) signifies dissimilarity between groups. The one-tailed significance is computed by permutation of group membership, with 9,999 replicates. (Hammer, Harper, & Ryan, 2001). The statistical analysis shows that using Bray- Curtis similarity index, the significance level is below the cut-off value we have set ($R = 0.65$; $p = 0.004$). This study rejects the null hypothesis (H_0) and accepts the alternative hypothesis (H_A), there is a monotonic association between performance and proficiency in the population at significance level.

4. RESULTS AND DISCUSSIONS

This chapter presents the key findings from the empirical research. The first section of this chapter gives an idea of ownership values. The second, third and the last section of this chapter aims to give a full overview of the results of the empirical analysis in order to achieve the study aim and purposes (explained in the Introduction).

4.1. Ownership Values

Schwartz's (2012a) theory of basic values was chosen to identify the ownership values. The study found an important difference in value priorities between students and owners (Table 1). The most interesting finding is that owners are more in favour of Achievement (AC) as there is 49,61% difference from the sample mean

of the students ($\bar{x} = 4.53$) and owners ($\bar{x} = 4.04$). This result clearly indicates that achievement (AC) is an ownership value. Another important finding was that owners significantly deviate from the students where benevolence (BE) and self-direction (SD) are concerned. This finding suggests that the beauty of nature and the arts, unity with nature and environmental protection are less important for owners. These findings may help us to understand ownership values in the corporate governance field, which explains the owners' motivational bases of attitudes and ownership behaviour.

4.2. Typology of Corporate Governance Systems Including Values and Characterisations of the Constructed Types

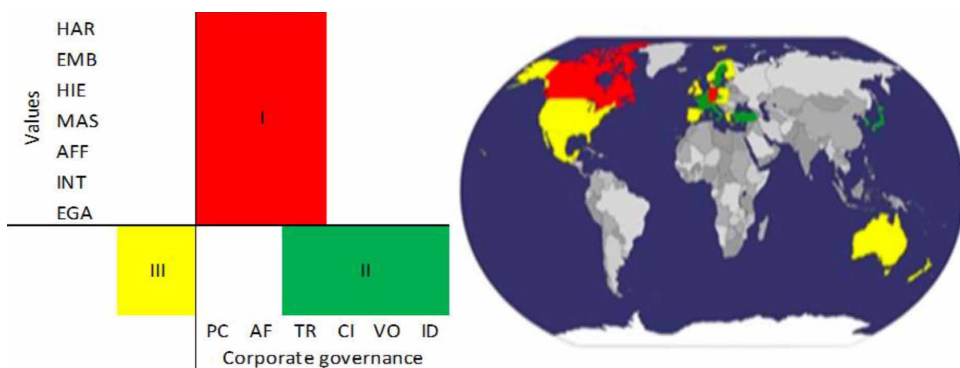
Towards achieving the study aim, this study presents a new typology of corporate governance systems including values (Figure 4) based on the above-mentioned descriptive statistics to analyse the cluster result (Table 4).

The constructed typology contains three ideal types of corporate governance systems: I Missionary type; II Visionary type; and III Actionary type. The constructed types are characterized as follows:

I Missionary Type

The Missionary type is a theoretically constructed reality of corporate governance systems that include values. The missionary type is derived from the results of cluster (k1), which included the individual countries of Canada (CAN), Germany (DEU) and Switzerland (CHE) (Figure 4).

Figure 4. New Typology: Construction of three ideal types of corporate governance systems including values (Source: Authors' compilation with reference to OECD, 2004; Schwartz, 2008)



The alternative model of multi-theoretic corporate governance that transcends the classic shareholder-stakeholder polarisation – enlightened shareholder value (Pfeffer & Salancik, 1978; Scott, 1995; Davis, Schoorman, & Donalds, 1997; Hilb, 2016) is represented by ideal type Missionary.

In addition, whenever it comes to values, the Missionary type is very interested in maintaining the values. In terms of corporate governance, the Missionary type is reflected in various national corporate principles. For example, the Missionary type has respect for the functions of external auditors (OECD, 2004) and the second most important feature is improving transparency, i.e., procedures for shareholders meetings should ensure that votes are properly counted and recorded and that a timely announcement of the outcome is made (OECD, 2004).

Therefore, it seems that there are similarities between the Missionary type and the glocal corporate governance systems (Hilb, 2016) that are based on resource dependency theory (Pfeffer & Salancik, 1978), stewardship theory (Davis, Schoorman, & Donalds, 1997) and institutional theory (Scott, 1995) in terms of integrating global and local corporate governance systems (Hilb, 2016).

II Visionary Type

The Visionary type is built from the result of the cluster (k2). The Visionary type has become the representative of countries, which are Belgium (BEL), Czech Republic (CZE), France (FRA), Italy (ITA), Japan (JPN), Korea Republic (KOR), Netherland (NLD), Sweden (SWE) and Turkey (TUR) (Figure 4).

The stakeholder value model (Berle & Means, 1932; Freeman, 1984; Roe, 1994; Goergen, 2012; Hilb, 2016) is represented by the Visionary ideal type. Unforeseen, the Visionary type could not maintain the values. But, the Visionary type is active towards the principles of corporate governance. For example, Visionary type succeeds in managerial performance and achieves an adequate rate of return for owners while avoiding conflict of interest (OECD, 2004).

Therefore, these findings suggest the Visionary type is typically similar to local corporate governance systems (Hilb, 2016) that are based on stakeholder theory (Freeman, 1984).

III Actionary Type

The Actionary type was formulated according to the result of the cluster (k3). Countries under Actionary type are Austria (AUS), Australia (AUL), Denmark (DNK), Finland (FIN), Greece (GRC), Hungary (HUN), Ireland (IRL), Mexico

(MEX), New Zealand (NZL), Norway (NOR), Poland (POL), Portugal (PRT), Slovakia (SVK), Spain (ESP), the United States of America (US) and the United Kingdom (GBR) (Figure 4).

The shareholder value model (Alchian & Demsetz, 1972; Jensen & Meckling, 1976; Eisenhardt, 1989; Hilb, 2016;) is represented by the Actionary ideal type. It is somewhat surprising that the Actionary type could not overcome comparison with the Missionary and Visionary types in terms of corporate governance principles and values. These findings are unexpected and suggest that the Actionary type is typically propagated by the agency problem (Eisenhardt, 1989).

4.3. Mitigating Conflicts of Interest

The results of regression analysis (Table 5) and individual value influences on conflicts of interest (Table 6) show that Intellectual Autonomy and Embedded values have been found as significant predictors of conflicts of interest; this result improves our understanding that values are the true driver behind conflicts of interest. To achieve the objective of the study, this study finds type I (Missionary) is the best type of corporate governance possible that includes values in terms of conflicts of interest mitigation because type II (Visionary) and type III (Actionary) failed to maintain the values.

4.4. Proficient Ownership Through Knowledge Vision

The result of One-way ANOSIM (Analysis of Similarities) can be explained by the fact that the role of owners, top management and other important stakeholders in articulating the corporate's knowledge vision is technology, innovation and knowledge emphasised, as is the important role of middle management (knowledge producers) in energising (Nonaka, Toyama, & Konno, 2000).

Considering the constructed typology as knowledge, this section explains the relationships among owners' personal constructs, environmental constructs and behavioural constructs, solving the problem of not understanding the process of knowledge transfer in corporate governance across national boundaries. To transfer knowledge, there must be proficient ownership through knowledge vision that clearly expresses the owner's will in the form of an ownership strategy (Wahl, 2015). There is a monotonic association between an organization's performance and the owner's proficiency. The transfer of knowledge is understood as the moving of knowledge from lower to higher agency levels in explicit or tacit forms. Therefore, this outcome expands the significance of knowledge vision, while also increasing insights from the owners' knowledge.

5. CONCLUSIONS

This chapter provides a summarized overview of the authors' conclusions based on the study described throughout.

The overall value of the study was acquired by solving the research problem and fulfilled all stated tasks in the five research stages as follows:

- First, this study shows the presence of values in corporate governance.
- Second, this study contributes to the conundrum of ownership values, which explained owners' motivational bases of attitudes and ownership behaviour.
- Third, this study contributes an integrated and up-to-date taxonomy of corporate governance that includes values (i.e., the new typology). The research process shows how to use explanatory corporate governance and values research and successfully integrated Kluge's (2000) "model of empirically grounded type construction".
- Fourth, this study empirically examined the influences of values on corporate governance systems and contributes the best possible corporate governance system type that includes values towards mitigating conflicts of interest.
- Fifth, through this study, the significance of knowledge vision is expanded while increasing insights from the owners' proficiency.

The contribution of this study is threefold with theoretical, methodological, and practical implications that are described as follows:

5.1. Theoretical Contributions

In terms of theoretical contribution, this study developed a novel theory, namely, a typology of corporate governance systems that include values. This theory contributes towards the taxonomies of corporate governance systems.

Finally, considering the constructed typology as knowledge, this study theoretically enlightened the available knowledge towards proficient ownership. If that knowledge is incorporated into course curriculum and used to engage students and organizations, academic institutions' ability to attract and retain high-quality students and to promote themselves in the business community more broadly will increase.

5.2. Methodological Contributions

Concerning the methodological contribution, the chosen research methodology captures the most up-to-date concepts in the differences among corporate governance systems. The development of the methodology consists of developing a research process for postulating the new typology of corporate governance systems that include values. The research process shows how to use multiple case studies as a research strategy, choose multiple quantitative research methods, and successfully integrate Kluge's (2000) "model of empirically grounded type construction" for use in explanatory corporate governance and values research.

This study effectively combined both quantitative and qualitative data collection and analysis methods. The procedures applied can be exchanged; the result is more reliable and stable. The results indicate that analytical type generation has succeeded, since meaningful structures and patterns were found and described in the subject's research domain.

5.3. Practical Contributions

This study has provided some managerial implications towards improving corporate governance practice. The new typology is a useful tool for owners to employ prior to postulating a growth-oriented ownership strategy and implementation plan.

This study practically contributes to an understanding that values are key factors behind conflicts of interest and differences in corporate governance systems. From this study, owners will understand the important roles of values in corporate governance and which ownership values achieve long term sustainability for a successful corporation under different corporate governance systems. This study found the best type possible in terms of conflict of interest mitigation.

5.4. Limitations of the Study

The following limitations of this study must be considered:

- The first limitation is related to the dataset for identifying the ownership values that was collected during a pilot study in Estonia and India; it can pose some limitations for generalization of the results.
- Second, to construct the typology of corporate governance systems that include values, the number of explored countries (28) is limited and the scientific analysis of this study is partly based on unprecedented corporate

governance data published by the Organisation for Economic Co-Operation and Development (OECD) based on member countries submission to OECD and the OECD law and corporate governance database in 2004. This approach was deliberately selected to research the conundrum of operationalizing corporate governance.

- Third, in terms of research methodology, this study reduced the risks of analysing multiple case databases. Throughout the study, multiple levels of data analyses were exploited. Despite these limitations, this study revealed findings that have both theoretical and practical value.

5.5. Scope for the Future Research

Considering the future direction of the research, developing a new concept about how the constructed typology of corporate governance systems that include values (consisting of the three ideal types of Missionary, Visionary, and Actionary) will help owners to implement their collective will in the form of an ownership strategy could be a future scientific problem to solve. Owners are distinctive, continuously seek knowledge, and have their own will, i.e., their own ownership strategy. It is stated that beyond functional, competitive, and corporate strategy there is a fourth dimension, a level of an ownership strategy that clarifies what owners want in terms of rights, resources, risks, responsibilities and returns. (Collin, 2001; Luoma, 2011; Wahl, 2015) In this field, it would be great to pursue the recommendations for future research to contribute in the area of available knowledge.

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Chapter 9

Culture From a Value Systems Perspective: A Study of CATCH, an Interdisciplinary Research Project in Fisheries and Aquaculture in Norway

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ABSTRACT

International interdisciplinary projects (IDR) are a microcosm of multicultural landscapes. Through a culture theories perspective, in particular, viewing culture as a system of explicitly and implicitly coded values, this chapter conveys the processes and results of a study that investigates and uncovers the management strategies of an IDR project, CATCH. The study of culture from a value systems approach enables a more subtle and nuanced approach to the analysis and framing of cultural heterogeneity in the context of an IDR project, beyond the often dichotomous, cultural dimensions construct. Due to the multiple actors in an IDR project, the example of CATCH illustrates a more nuanced view of cultural filters that arise from each academic discipline. Using the culture as value systems perspective, this chapter shows how multicultural landscapes and different resulting knowledges can be leveraged towards an integrated worldview when solving challenges in a globalized world with limited resources.

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INTRODUCTION

This chapter addresses the call in this book for new (post-cultural dimensions) perspectives in culture theories. It highlights thematically, the complexity and importance of human relations when working across cultures in the context of Industry 4.0. The example of an interdisciplinary research (IDR) project is used in this chapter, to illustrate how co-dependent relationships are navigated and managed towards a common project goal. An IDR project, in particular one that has university-industry collaborators, is a cognitive, sometimes geophysical spatial intersection of actors and stakeholders who have come together for the purpose of solving a real-world challenge. The processes are necessarily heterogeneous landscapes of cultural filters and constructs of its various actors (individual and institutional). We use an IDR project context as an example of talking about culture as a system of values because an IDR project can be viewed as a multi-cultural microcosm of its own. It offers a unique opportunity to investigate and model a theory of culture that is beyond the current dominant cultural dimensions construct that is usually bounded by a national cultures approach. We aim to illustrate in this chapter, how groups of individuals, each in their own capacity of forefront knowledge and expertise in their field and industry sector, leverage upon the inherently heterogeneous cultural fabric of the IDR project in order to facilitate collaborative effort and action towards a common goal. This chapter views cultural values from a more organic perspective, that of nonlinear dynamics and complexity theory (Capra, 1985; Capra & Luigi, 2014).

Culture as ‘System’

Systems thinking began in the 1960s in the field of power engineering when technology was not thought as any single machine but systems, and an assemblage of components originating in heterogeneous technologies (von Bertalanffy, 1968). These ideas took an organic, more ecological turn during the 1980s when applied to the study of emerging ecological paradigms in the fields of biology, behavioural and social sciences.

Advances in technologies shapes our socio-cultural ecological systems, influencing how we live and socialise with each other. The first aspect of systems thinking concerns the relationship between the part and the whole. We are individuals as human beings, yet we belong to various circles (or wholes) of activities and acquaintances in our lives. Language, which is part of human culture and communication for example, is one means of how we create meaning in the different types of activities in which we engage:

Individuals are organized in many potentially different ways in a population, by many different (and cross-cutting) criteria... The more complex and differentiated the social system, the more potential groups and institutions there are. And because each group of institution places individuals in different experiential worlds, and because culture derives in part from this experience, each of these groups and institutions can be a potential container for culture. Thus no population can be adequately characterised as a single culture or by a single cultural descriptor. (Avruch, 1998, p. 17-18)

What can be noted in the various conceptualizations of culture by culture theorists through the decades of work, is how culture can be perceived human socio-ecological system. Whether conceptualising culture as a system of meaning-making (Spencer-Oatey, 2008), or core traditions with attached values (Kroeber & Kluckhohn, 1952) or a type of 'mental programming' that calls to mind culture as 'system' (Hofstede, 1991), what is fundamental to all descriptions is how culture is a living entity that evolves with the people who create and perpetuate its form in the context of use.

Interdisciplinary Research Projects: A Multicultural Context of Work

The past thirty years have seen an increasing awareness and interest in both interdisciplinary research (IDR) between different academic disciplines (Brown, 2018; Metzger & Zare, 1999; Lemaine et al., 1976), and university-industry research collaboration for applied sciences (Banal-Estanol, Macho-Stadler & Perez-Castrillo, 2018; Mascarenhas, Ferreira & Marques, 2018; Scandura, 2016; Dooley & Kirk, 2007; Lee, 2000). IDR refers to the integrative effort in assimilating and using methods, data, tools, concepts and theories from separate disciplines towards a common understanding of a complex socio-ecological challenge, where some scholars tend to equate IDR with transdisciplinary research (TDR) efforts (Stokols et al., 2008; Stokols *et al.*, 2003). This developing interest in IDR as a subject of research is due to realisation that the increasingly complexity in solving global developmental and environmental challenges requires a holistic approach. IDR literature indicates that IDR is viewed as means to the emergence of new disciplines, as well as new knowledge production (Darbellay, 2015; Olsen et al., 2013a; Wesselink, 2009). Still, a continuing challenge to the study of IDR as a field of its own is indeed its multifaceted form (Huutoniemi *et al.*, 2010; Qin, Lancaster & Allen, 1997) with inherent multi-levelled epistemological, structural and affective tensions (Turner *et al.*, 2015), thus, different cultural understandings/approaches to research and research design, and different values. Working processes and academic reporting styles differ between disciplines. Whilst natural sciences could potentially have a one-page report on the results of an experiment, a social science discipline would

prefer a twenty-page article that makes valid argumentation for a certain perspective in a study.

While there exists a body of literature that focuses on the evaluation and measurement of the effectiveness of IDR (Fazey *et al.*, 2014; Wagner *et al.*, 2011; Klein, 2008) with various frameworks for structuring IDR (König *et al.*, 2013; Dewulf *et al.*, 2007), what remains under researched is an integrated perspective of IDR studies that leverages on the cultural heterogeneity of the team of researchers who work towards a consolidated worldview (Capra & Luigi, 2014; Francois, 2006). Scholars have also called upon an increased effort in formulating a coherent research framework for IDR. This is due to that a broadly accepted and utilized research framework with consistently defined terms, concepts and language is yet to be developed (Jahn, Bergmann & Keil, 2012).

Fisheries and Aquaculture Research as a Salient Field for Interdisciplinary Research

The subject of sustainable global food consumption in relation to the fisheries and aquaculture industry sector is particularly salient for IDR framing much due to the fact that global fish consumption is projected towards a 1.5% increase per year in the next coming decades, with global fish production and consumption projected to increase 20% by 2030 (FAO 2018). This study takes the multi-stakeholder IDR project entitled CATCH, set within the context of the fisheries and aquaculture research and business sector in Norway in illustration of how a ‘culture as systems’ perspective can be used to unfold the multiple stakeholder perspectives encompassed within such an IDR project. It offers a visual conceptualisation of the management of CATCH, an applied sciences industry-university collaboration towards higher quality yield of capture-based aquaculture for cod, towards a pedagogical model of understanding and management of an IDR project in general.

This study addresses the knowledge gap in a unified theoretical framework for the field of IDR studies from a theory of culture perspective. The contribution of this study is twofold that includes, (i) consolidating the theoretical foundational knowledge of IDR through various cultural theories, and by using an empirical example of a project timely situated in a field that is inherently interdisciplinary in nature, with close industry collaboration, (ii) develop deeper insights into the management processes and strategy of an IDR project from a post-cultural dimensions construct theory of culture perspective. The research questions (RQ) addressed in this study spiral (and build) upon each other:

RQ1: How can a post-cultural dimensions construct of culture theory be used to help frame / understand the management processes of an IDR project?

RQ2: Likewise, how can a study of an IDR project help frame a post-cultural dimensions construct of culture theory?

RQ3: By using CATCH as project example, what applied impacts on IDR research can be observed from framing IDR project management strategies through a theory of culture perspective?

Structure of Chapter

The chapter is structured as follows. A general literature review of theories of culture is presented, followed by details of the case example of CATCH as an IDR project. Using elements from CATCH as an IDR project example, the methods section expands on how a post-cultural dimensions construct might be framed towards integrating and leveraging upon cultural heterogeneity towards smoother IDR project management. The methods section is then followed by a discussion of findings / results, its implications for future IDR project management and avenues for future academic research in the field of IDR from a theory of culture perspective. The limitations of the study will also be discussed in the concluding section.

LITERATURE REVIEW: AN INTEGRAL SYSTEMS THEORETICAL PERSPECTIVE TO INTERDISCIPLINARY RESEARCH

We have in the previous section, established how scholars saw culture as a type of system, a values-based system. The culture as system discourse is confluent to the scientific paradigm shift towards the increasing influence of systems thinking that began in latter half of the 1900s as a response to the limitations of Descartes's analytic reason (Capra, 1985; von Bertalanffy, 1968). It was also during the 1960s, with the launch of Rachel Carson's 1963 book, *Silent Spring*, that scholars began to try to conceptualise the interconnectedness of current and future social-ecological challenges. Strong systems thinking influences saw scholars shift their perspective from viewing the parts to viewing the whole as an open adaptive system, where it is also understood that the whole is greater than the sum of its parts (Capra & Luigi, 2014; Floyd, 2008; Capra, 1997). As such, an integral systems theoretical perspective to IDR inherently incorporates the culture as system conceptualization, where culture as system is seen as part of the larger systems thinking movement in scholastic discourse/thinking.

As example of that the sum is greater than its parts, fisheries and aquaculture research is inherently interdisciplinary and pluralistic in theoretical methods, the purpose of the research findings of which are usually intended to be applied to business sector practices. Challenges set in the context of the fisheries and aquaculture industry are inherently socio-ecologically complex, with a need to balance between socio-ecological and economic resources. Although many business enterprises within fisheries and aquaculture in particular the Norwegian context are born globals, being multinational enterprises, their business narratives continue to be marginal to the international business (IB) community of scholars whose theories focus much more on traditional manufacturing enterprises (Vahlne & Johanson, 2017, 2013; Gibbons, 2005; Grossman & Hart, 1986; Coase, 1937). Different from IB studies, fisheries and aquaculture international business (FAIB) has the task of considering carefully, the social contract between an enterprise and society (Thompson & Valentinov, 2017; Lam, 2016; Villasante et al., 2011).

Several studies that focus on the specific challenges that IDR research face, particularly IDR in the context of sustainability science have shown five key challenges that need to be addressed when doing IDR and university-industry collaboration. The first is (i) the lack of a coherent shared cultural values system is perhaps an inherent challenge for IDR where scientists and practitioners are brought to the project for the very reason of their differing disciplinary heritage, knowledge and discipline background (Pischke et al., 2017). The second is (ii) the lack of an integration of methods between disciplines. Method integration would lead to new knowledge formation at the intersections of society and science in which sustainability challenges can be viewed in novel perspective and perhaps solved through applied innovation (Clark et al., 2017; Szostak, 2015). The third challenge to IDR is (iii) mapping the ongoing research processes and knowledge production so that it can be implemented in context.

Scholars have identified and characterised three types of knowledges in IDR that include, *systemic* (gaining a broad overview of root causes and possible solutions to a socio-ecological challenge), *specific* (such as targeted towards problem solving in context) and *transformative* (knowledge acquired that can change the course of future action towards solving a current challenge) (Adler et al., 2018). What remains is a deeper understanding of how these types of knowledges can be implemented in practice and effectively shared across disciplines (Adler et al., 2018). Perhaps part of challenge to the effective transfer of knowledge not only between IDR scholars but also from scholars to practitioners, could be attributed to challenge (iv), the degree and intensity of practitioner engagement (Pischke et al., 2017). Practitioner contributions to an IDR project might range from *consultant / adviser* (outlining a context-based socio-ecological problem currently faced) to *beneficiary* (if for example a new prototype product is built). The different practitioner roles and industry

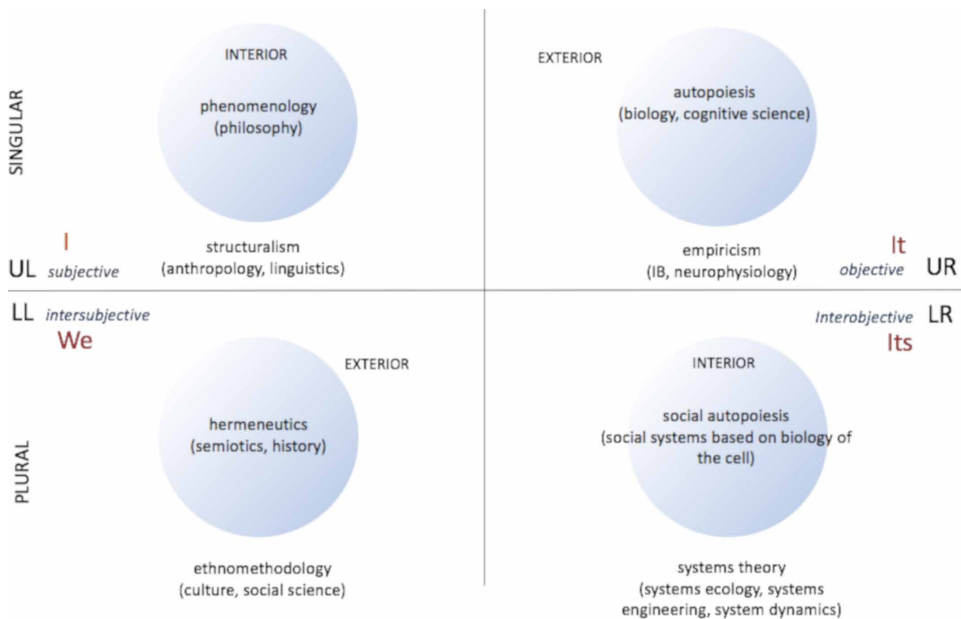
expectations would mean varying degrees of project participation at different stages of the project. The final challenge characterised in IDR is (v) creating of social impact, where the fabric and landscape of sustainability sciences for example, is so nuanced that what research findings and outcomes intended originally for a broader global reach, is eventually confined to context specific solutions (Mårtensson et al., 2016; Rau et al. 2018).

Whilst there might some ways to go before IDR challenges are resolved, inherent in an integral systems approach to IDR is the capacity to frame perspective relativity. Relativity in perspective is inherently structured in the lexico-grammar (architecture) of almost all human languages (Halliday & Matthiessen, 2014; Chomsky, 2011). In the English language, perspective is reflected in the deictic (pointer) pronoun referencing system of the *singular subjective* (I-perspective), *plural intersubjective* (We-perspective), *singular objective* (It-perspective) and the *plural interobjective* (Its-perspective) (Halliday & Matthiessen, 2014). The grammatical function of pronouns, “I”, “We”, “It” and “Its” translates into four perspectives that render four different types of knowledge zones (Bowman, 2012; Wilber 2000). It is this four quadrant perspectivising that is the integral systems approach to IDR, reflecting an integral worldview characterised by plurality in perspectives. For each of these perspectives, reflected in Figure 1, there is a further possibility to reference *interior* (I/We/It/Its perspectives) and *exterior* (You/They/It/Its perspectives) views even if in the English language, the reference words remain as It/Its for singular objective and plural interobjective views. Language in use both reflects and constructs our reality (Whorf & Carroll, 1974). Knowledge zones are created when research studies consistently have as investigative focus, one of these perspectives. As such, Figure 1 also maps 8 major research methodological perspectives (Esbjorn-Hargens & Zimmerman, 2009; Wilber, 2006, 2000).

The perspectives visualized in the quadrants in Figure 1 can be seen as holons, moving from narrower to broader perspectives, with each broader perspective encompassing the narrower perspectives. Figure 1 also illustrates examples of dominant type methods of inquiry if consistent scientific inquiry were to be made from the perspectives of *I*, *We*, *It* and *Its*. The *singular subjective* perspective is expressed in the Upper Left (UL) quadrant which are *I (interior) / You (exterior)*. In the UL quadrant, phenomenology, which is the study of consciousness, experience and intention as viewed from the first-person perspective directed towards an object/entity could be said to be an example of a consistent method of investigation employed in order to uncover knowledge in this quadrant. Also, from the *I* perspective but with an understanding that phenomena of human life have meaning only through interrelations is reflected in the exterior view of *I*, where in some cases the pronoun *You* can be used to make a deictic distinction. Structural anthropology for example, which is the study of human behaviour and societies as having structural patterns and

Culture From a Value Systems Perspective

Figure 1. Integral four-quadrant model illustrating the English language deictic pronoun referencing system, mapping the 8 primordial perspectives and 8 major research methodological perspectives (Wilber, 2006)



organization is an example of a type of knowledge that can be characterised in the UL quadrant. The *plural intersubjective* perspective is expressed in the Lower Left (LL) quadrant with the pronouns *We* (*interior*) and *They* (*exterior*). In the LL quadrant, a dominant theory and method of investigation for the interpretation of collective texts from society's perspective is hermeneutics, whilst an exterior view of *We* in the study of culture could employ methodologies such as ethnomethodology and discourse analysis of group interactions. Knowledge on in-group and out-group behaviour is characteristic of the LL quadrant, where relationships between social groups are studied and mapped. Going diagonally across Figure 1 from the LL quadrant, the *singular objective* perspective is expressed in the Upper Right (UR) quadrant with the pronouns *It* (*interior*) and *It* (*exterior*). While the English language does not make a spelling distinction between the two reference points, these reference points are nonetheless defined when studies are designed, and reflected in their choice of methodology. In the UR quadrant an example of a methodology to acquire knowledge of an interior view of *It* would be where the system is capable of reproducing and maintaining itself are studies on autopoiesis in the fields of chemistry and biology. An exterior view of *It* would employ methods of empiricism where you can observe the entity in part or as a whole, from outside of it.

Most of the western scientific paradigm could be argued to have foundations in empiricism. The knowledge that characterises the UR quadrant is empiricism, and entity autopoiesis. Many statistical empirical studies in the field of IB studies for example, would fall in this quadrant in research design and framing. The combined effects of elements from the UL and LL quadrants in terms of human behaviour exhibited in relation to their environment is also reflected in the UR knowledge zone. The *plural interobjective* perspective reflects knowledge from network behaviour and system studies. This knowledge zone is framed in the Lower Right (LR) quadrant. Investigating system-of-systems, social autopoiesis, network theory and methodology could be said to be dominant methods of inquiry including systems theory. FAIB and sustainability science would for example, be a field of study that consistently employs system/network theories and theories on global governance in their research design and framing. Perspectives and knowledge that characterises the LRL quadrant are necessarily broadest in perspective, encompassing / amalgamating all other perspectives. Figure 1 is an illustration of how the body of scientific knowledge as a whole is built and/or acquired. In terms of IDR research, the integral systems perspective can help situate / locate the expertise base of the individuals involved in the IDR project, and where for example, their knowledge can be complementary to another field, or applied in a practical context towards problem solving. As such, Figure 1 has two applications. The first is as an IDR mapping tool in order to identify gaps in expertise needed for a context specific IDR project. The second is that it serves as a post-cultural dimensions construct of culture theory, that unfolds the complexity of culture into specific perspectives and environments / circumstances.

CATCH: AN EXAMPLE OF AN INTERDISCIPLINARY PROJECT WITHIN FISHERIES AND AQUACULTURE INTERNATIONAL BUSINESS

Atlantic Cod is a key species in the Norwegian seafood industry. In the years prior to the CATCH project, the share of cod in the total Norwegian export value of all wild-caught fish except mackerel and herring was 43% (NOK 5.6 billion) (Directorate of Fisheries, 2014). Cod is processed into many different product forms (e.g., fresh and frozen fillets and whole fish (headed and gutted), stock-fish, as well as salted and dry-salted cod, i.e. clip-fish) and is exported to a wide range of nations and market segments. The Norwegian domestic market for cod is also important, especially for fresh cod fillets. A key challenge for the cod industry is that many products such as frozen fillets/blocks and salted cod are produced and sold according to well-known specifications and can be characterised as commodities that are sold in spot markets where price-based competition prevail (Asche, Menezes & Dias, 2007). The

Norwegian cod industry faces many challenges not in the least the seasonal variability of the quality of cod, and its availability (Hermansen & Eide, 2013). This in turn creates large variations in the price of cod and cod products. The Norwegian cod quota had increased by 142% to 472 thousand tons from 2008 to 2013. In the same period the average price (in round weight) to fishers has been reduced by 110% to less than 8 NOK/kg (Norwegian Seafood Council, 2017). Fishing and processing large quantities of cod in a short time often lead to poor quality, which may affect the reputation of Norwegian cod negatively, a key dimension for competitive advantage (Dreyer et al., 2008).

CATCH (2014-2018) is a Northern Norway founded IDR project funded by the Research Council of Norway that has as main objective to “catch” the maximal sustainable value of wild Atlantic cod based on live storage. The project is founded on the premise that cod products based on live storage have the highest potential to optimize the value of at least some parts of the cod resource. By keeping cod alive after capture, the long-standing and substantial logistical challenges associated with variations in supply volumes and quality (Ottesen & Grønhaug, 2003) can be overcome (Olsen et al., 2013b; Dreyer et al., 2008). This opens up completely new possibilities for market-oriented and sustainable value chains for wild cod (Hansen et al., 2007).

The repeated lack of success in both research and business initiatives of live storage of cod in the past 20 years has been attributed to a non-systemic overview of technological bottlenecks related to fish capture and handling. Technological bottlenecks within the FAIB is serious due to that emerging industries such as that of capture-based cod aquaculture in Norway face complex challenges in terms of acquisition of expert knowledge and value-chain integration of processes (Vanpoucke et al., 2017; Porter, 1998). Thus, to exploit the substantial advantages of this market-oriented concept, a substantial and interdisciplinary research approach is required where natural and social sciences are closely integrated. The focus on differentiated products of high quality is also highly relevant in light of the increased competition from cheap substitutes to cod such as pangasius and double frozen cod products filleted in low cost countries such as China and marketed as chilled/fresh fillets in European supermarkets (Altintzoglou et al., 2012; Asche et al., 2009). In order to optimize research relevance and practical application, CATCH is inspired by actual value chains with highly motivated and committed industry partner (Ottesen et al., 2002).

Table 1. Institutional and industry collaborators in CATCH

Industry Partners		
No.	Name	Core business
1	Ballstadøy AS	Shipping vessel
2	Coop Norge SA	Cooperative supply chain in (mainly) food trade
3	Halvors Tradisjonsfisk AS	North Norwegian coastal fishing fleet and supplier of fish
4	Multivac AS	Packaging equipment supplier
5	Myre Havbruk AS	Capture-based aquaculture enterprise in Northern Norway
6	Nergård AS	Integrated fishery group founded in Northern Norway
7	Nic Haug AS	Producer, white fish products
8	Tommen Gram AS	Food packaging
Research/University partners		
	Name	Country
9	Aarhus School of Business	Denmark
10	Duke University	USA
11	Handelshøyskolen (Business School), The Arctic University of Norway (UiT)	Norway
12	Norges fiskerihøgskole (College of Fishery Science), The Arctic University of Norway (UiT)	Norway
13	<i>The Norwegian Institute of Food, Fisheries and Aquaculture Research (NOFIMA)</i>	Norway
14	University of Stavanger	Norway
15	Zurich University of Applied Sciences	Switzerland

CATCH: AN INTEGRAL CULTURE AS ‘SYSTEMS’ APPROACH TO PROJECT MANAGEMENT

Table 1 lists the research institutions and industry partners in CATCH. There was a total of 15 institutional and enterprise collaborative partners in CATCH, of which 8 were from the Norwegian FAIB industry. Each institution/industry partner had a core team of individuals dedicated to the project, depending on knowledge expertise. Although with a specific focus on cod, the brief profiles of the stakeholders still illustrate the breadth of scope reflected in the coverage of its value chain and multiple stakeholder cultures (value systems and ways of working across the value chain).

The following section will outline the various fields of research for CATCH, where the subject / themes of research are divided into 8 work pages (WP). These work pages are labelled WP1 to WP8. The WPs are situated in an integral systems model for IDR project in Figure 2. These WPs were led by individuals from diverse disciplinary backgrounds that in turn, constituted the myriad disciplinary cultures in this project.

Fields of Research for CATCH

WP1 Process Technology: Harvesting Methods in Relation to Fish Physiology

This WP was led by Nofima researchers Kjell Midling, who has an academic background in biology and Sjurður Joensen, who has an academic background in economics and processing technologies. Apart from the biological rhythms of cod physiology through the seasons that affect muscle properties, the quality of wild-caught cod is affected not in the least by the fishing gear and on-board handling methods during harvest (Esaiassen, Akse & Joensen, 2013; Joensen et al., 2005, 2004). When cod is kept alive after catch, inappropriate on-board handling, poor bleeding techniques (Olsen et al., 2013b) and pre-slaughter stress (Olsen et al., 2008) can be reduced or eliminated. Live stored cod will have natural variations in muscle properties throughout the year due to fish size, seasonal feeding patterns and spawning activity. Such variations in muscle properties have consequences for how the raw material will perform during processing, contributing towards the quality of the final products. As such the overall objectives for WP1 is to optimize the slaughter process towards the more humane treatment of cod.

WP2 Process Technology: Storage Methods

This WP was led by Nofima researcher Leif Akse who has an academic background of processing technologies. Live storage of cod makes pre-rigor processing possible. This has advantages such as less fillet gaping and improved texture (Hultmann et al., 2016; Olsen, 2013b; Hultmann et al., 2012). Pre-rigor filleting also improves logistics and reduces cost at the processing plant as there is no need for raw material storage in wait of processing. Another pre-rigor challenge of cod addressed in WP2 is the substantial shrinkage of fillets during storage, giving fillets an unusual, thicker shape. Inspired by research on salmon fileting (Skjervold et al., 2001). The overall objectives of WP2 is to optimize quality and yield of chilled fillet portions, fresh as well as thawed.

WP3 Bio-chemistry and Fish Physiology

This WP was led by Nofima researcher Anlaug Ådland Hansen who has a doctoral degree in bio-chemistry, particularly in food packaging. Due to the freshness of the raw material and low microbial activity, pre-rigor processed fillets are an optimal starting point for further extension of product shelf life for chilled ready-to-use consumer products (fresh/thawed). Raw fish products are open for contamination by a diverse mixture of bacteria during harvesting and processing, but little is known about the total microbial flora (Cambon-Bonavita et al., 2001) and how it may affect product quality and shelf life. It is also reported that bacteria can be inactivated by freezing (Bøknæs et al., 2000). Modified atmosphere packaging (MAP) by use of carbon dioxide (CO₂) has been shown to inhibit bacterial growth and negatively associated odour attributes during chilled storage (Rotabakk, Sivertsvik & Birkeland, 2009; Hansen et al., 2007, 2009). As such, WP3 will conduct experiments at both laboratory and commercial scale with industry partners towards a deeper understanding of the cod live storage processes.

WP4 Marketing, Product Segmentation

This WP was led by marine economist Professor Frank Asche from the University of Stavanger, Norway. Seafood assortment and pricing at supermarkets reveals a lot about product competition and differentiation within a given food category. For example, detailed information about product/attribute assortment can reveal who the competitors are and what product attributes they emphasize in attempts to differentiate their offerings (Sogn-Grunvåg & Young, 2013). It can also reveal whether unique attributes and price premiums for individual product attributes exist (Roheim, Gardiner & Asche, 2007). The overall objective for WP5 is to deeper understand the perceived quality, satisfaction, willingness to pay, and buying behaviour for different product forms, packaging formats/technologies and product information (Tonkin et al., 2015; Grunert, 2002).

WP5 Marketing, Consumer Behaviour

This WP was led by consumer behaviour Professor Svein Ottar Olsen from the University of Tromsø, Norway. In the area of marketing and consumer studies, the influence of extrinsic information on consumer choices such as brand name, price, country-of-origin, packaging, labelling, ethical and health information has been a research area for years (Wardy et al., 2018; Tudoran, Olsen & Dopico, 2009; Maute & Forrester, 1991). In recent years, multi-sensory marketing (Wiedmann et al., 2013; Hultén, 2011) has become a growing research area in consumer behaviour.

Culture From a Value Systems Perspective

Product experiences involve several sensory cues or types of information (Haase & Wiedmann, 2018; Hartman, 2016; Selnes & Howell, 1999). Knowledge acquired in WP5 will contribute to current literature on how intrinsic and extrinsic attributes in food affect product evaluation (Wardy et al., 2017; Shifferstein, 2010; Oliver, 2009).

WP6 Global Value Chain

This WP was led by researcher Bent Dreyer at Nofima, who has an academic background of industrial economics. Live storage has to compete with the traditional value chains based on different capture technologies such as trawl, gillnets, long-line and Danish seine (Ottesen & Grønhaug, 2003). In order to succeed, the live storage concept must perform better than these value chains in terms of ecological, economic and social sustainability (Eggert & Tveterås, 2013). The overall objective for WP6 was to map the sustainability – and areas for improvement – for live storage of cod. It will also explore how public management may hinder/stimulate the live storage concept and how this may influence the three dimensions of sustainability.

WP7 Learning Impact: Society-Science / University-Industry Interface

This WP was led by researcher Geir Sogn-Grundvåg from Nofima, who has an academic background in marine economics and management. He is also the overall project leader for CATCH. An IDR project inherently interfaces between society and science, research and applied practices. The key responsibilities of WP7 are to “pull together” implications of the findings from the different WPs by developing strategic recommendations for the seafood industry and to facilitate interdisciplinary learning both (Bruce et al., 2004) within the CATCH consortium and international researchers/ institutions working with live storage of fish. Recommendations of how to overcome learning barriers in interdisciplinary research will be made. A crucial task in this respect is to encourage and stimulate participating researchers to value research diversity and to be sensitive to the dynamics when different research cultures and disciplines interact (Wall-Bassett, 2018; Reich & Reich, 2006). This will be given explicit attention at workshops and joint project meetings. Other means to overcome communication barriers include frequent face-to-face meetings and video-conferences (Lync), particularly at the start of the project and at certain milestones when decisions need to be made (Lyll & Meagher, 2007; Grønhaug & Haukedal, 1997). The route from research results to practical application is a rather cumbersome one. This is particularly so for social sciences which usually contribute with conceptual knowledge that can be more difficult to adopt and use

by the industry than the instrumental knowledge typically emerging from natural sciences (Grønhaug & Haukedal, 1997).

WP8 Knowledge Dissemination and Communication of Results

This WP was led by research and communications director Morgan Lillegård from Nofima, who has extensive background in communications, journalism and media marketing. WP8 is devoted to disseminating the results from CATCH to relevant users of the results. This includes targeting academic and industry seminars, attending both academic conferences as well as trade fairs. A key premise will be that communication is directed at targeted user groups with appropriate media channels.

FINDINGS AND DISCUSSION

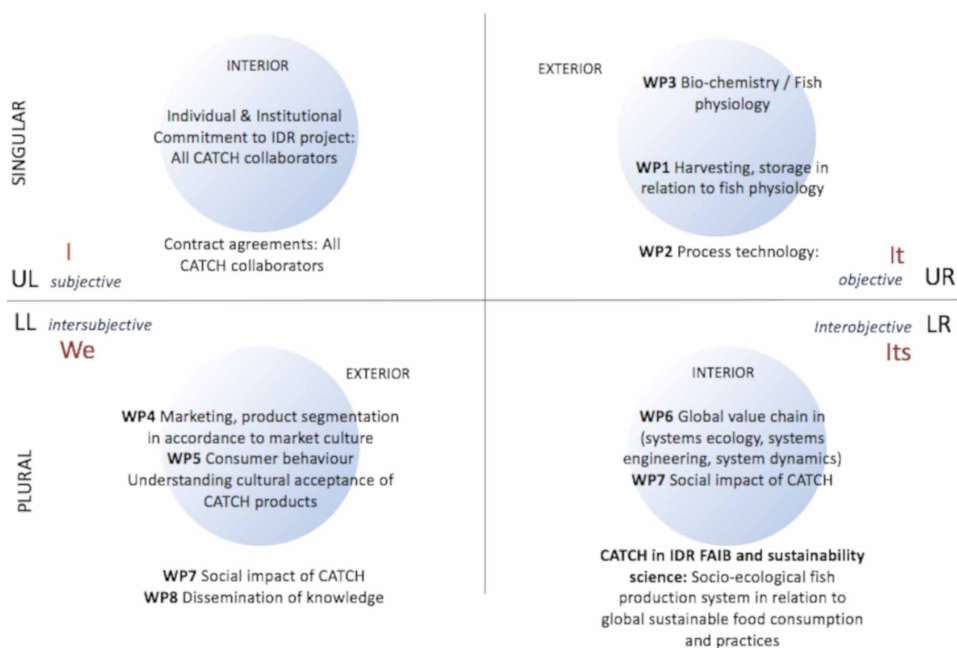
CATCH is an IDR project that is situated in the broader field of FAIB and sustainability science in an era of Industry 4.0. It addresses challenges at the interface of advancing technologies, society and science, in close collaboration with the Norwegian fisheries and aquaculture industry sector. The research findings are intended to create change within industry practices, and in a longer-term perspective, to create a behavioural change within the consumer market. Methodologically, its main method of analysis is empiricism and systems theory of science, reflected in the UR and LR quadrants. The common cultural denominator of the value system in this IDR project could be said to be the process of scientific inquiry. In this case, it is an object in biochemistry, fish physiology or process technologies, with the dominant perspectives used reflected in the pronouns *It* (*singular objective*) and *Its* (*plural interobjective*). Figure 2 illustrates the various fields of research for CATCH and the knowledge zones utilized in order to address the FAIB challenges outlined in the project.

Returning to the research questions and in answer to RQ1, Figure 2 illustrates how a culture as system perspective can be used to unfold the complementary knowledge zones that characterises an IDR project. To have WPs 1 to 8 in address to the various units of analysis, from smaller to larger units of analysis is part of the inherent holonic, multi-perspective, multicultural and multi-layered structure of an IDR project.

Most projects involve normative forms of communication between collaborators. Face-to-face meetings, virtual meetings, field studies, seminar exchanges and project phrase follow-ups between the collaborators are some examples of the types of meetings and activities that have taken place during the research processes of CATCH. Some qualitative interviews conducted for CATCH are reflected in this

Culture From a Value Systems Perspective

Figure 2. The work packages in CATCH and their knowledge zone contextualisation from an integral systems perspective (authors' own)



section. The qualitative interviews, a series of 17 videos, can be found on the CATCH project webpage (CATCH, 2018).

A crucial project management strategy for CATCH, and in answer to RQ2, is that CATCH had all collaborators onboard the project from the very beginning. This highlights the aspect of the need to communicate ideas across cultures. A post-cultural dimensions construct of culture theory necessarily incorporates an investigation into the capacity and ability for the different academic and corporate culture groups to communicate in a multilingual landscape. One way to mitigate miscommunication is to ensure that all collaborators are onboard the project as early as possible, if not from the very beginning. The commitment of all collaborators in CATCH is reflected in the UL quadrant, where individual and organization commitment is highlighted. While committing to an IDR involves a sense of inner conviction, this inner conviction and philosophy is further materialized in the form of written contracts between all collaborators so that each participant and participating institution/enterprise knows explicitly (in writing), what is expected of them in terms of degree of involvement in CATCH, and delivery of results for CATCH. While some scholars have argued that the very process of committing to certain deliverables from the beginning would inhibit the very creative processes

of an IDR (Holmes et al., 2018), concretisation of a vision through writing could also be argued as a means of working towards actualisation.

A second observation for CATCH that answers RQs 1 and 2 is that the work within CATCH work packages themselves are cross-disciplinary, tapping into more than one type of knowledge and academic/industry culture zone:

CATCH is a good example of how research institutes can work together with industry. - Elisabeth Aspaker (Fiskeriminister, Norway)

WP7 on the learning impact of CATCH at the interface between society and science, university and industry can be placed in knowledge zones in the LL and LR quadrants. Because learning takes place at the boundaries of where individuals meet and exchange views, those boundaries can be found at group level as well as system level where systems are inherently interactive. Other work packages that can span different types of knowledge zones include WP4 where consumer behaviour (*We/They*, plural intersubjective perspectives) is studied in relation to product segmentation (*It*, singular objective perspective).

Finally, in answer to RQ3, the social and pedagogical impact of IDR is not often times easy to measure. Still, for collaborators of CATCH, the value of participating in an IDR is to gain insight into a field that on normative basis, one has little or no access to. Participating in an IDR project with a heterogenous cultural landscape seems to deliver positive social learning experiences, and industry practice influences:

The Norwegian Fishermen's Sales Organization needs to know what is happening in the industry. Capture-based aquaculture is a fairly new industry and much work needs to be done there. - Charles A. As (Advisor Råfisklaget Norge, The Norwegian Fishermen's Sales Organization)

For me what CATCH has done is to help me understand the Norwegian market for fresh cod and how people would like to buy and consume cod fillets. The results from CATCH show how we can deliver high quality cod fillets, rendering new market knowledge, and knowledge from micro-biology to live storage of cod up to slaughter techniques and packaging of fresh cod. - Morten Heide (Researcher, Nofima)

While some influences or impacts of CATCH as an IDR remain unmeasurable, reflected at best in qualitative interviews with individual collaborators of the project, an integral (culture) systems perspective of an IDR project such as CATCH helps collaborators and project managers map complementary knowledge zones. Figure 2 for example, can help identify knowledge gaps within the IDR project even prior to project commencement. It can also help steer the project using a systems overview of the project progress.

CONCLUSION

This chapter conveys the processes and results of a study that investigates and uncovers the management strategies of the project CATCH through a culture theories perspective. It illustrates a more nuanced approach to the analysis and framing of cultural heterogeneity in the context of an IDR project in a context of Industry 4.0. The contribution of this study has been twofold, including (i) consolidating a culture as system theory by using an empirical example of an IDR project, CATCH, which is a project timely situated in a field that is inherently interdisciplinary in nature, with close industry collaboration. It (ii) develop deeper insights into the management processes and strategy of an IDR project across differing academic disciplines and industry backgrounds. The project CATCH draws upon the expertise knowledge of a total of 15 affiliated partners, both from industry and university sectors, in working towards broadening our understanding of preserving, if not enhancing cod products based on live capture and storage before slaughter.

The critique of the integral systems view to conducting IDR projects are similar in foundation to that of the study of natural phenomena. Due to that it is not possible for any one human mind, even a specified group of expert individuals, to understand all phenomena in its entirety, the IDR management process four-quadrant model reflected in Figures 1 and 2 are conceptual models. In that sense, they reflect an approximate knowledge and understanding of reality. Approximations in knowledge when applied to other working contexts can prove useful in the means in which the model can be adapted and render new insights into different IDR working contexts. Not explored in this chapter are the possible cross-cultural or intercultural communication strategies used in CATCH, an insight of which could prove useful in strengthening a systems perspective to the management of culture in a multilingual / multicultural IDR project landscape.

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KEY TERMS AND DEFINITIONS

CATCH: CATCH is a 4-year (2014-2018) interdisciplinary research project set within the context of the fisheries and aquaculture research and business sector in Norway. CATCH, an applied sciences industry-university collaboration towards higher quality yield of capture-based aquaculture for cod.

Cultural Dimensions Construct: The cultural dimensions construct of culture theory is often reflected in applications of Hofstede’s national culture dimensions (Peterson & Hofstede, 2003; Smith, Dugan, & Trompenaars, 1996).

Fish: The term ‘fish’ is used in accordance to the Food and Agriculture Organization of the United Nations (FAO 2018) definition referring to fish, crustaceans, mollusks

Culture From a Value Systems Perspective

and other aquatic animals. The term excludes aquatic mammals, reptiles, seaweeds and other aquatic plants. The term ‘fish’ is also used in synonymous exchange with the term ‘seafood’.

Holon: Used in accordance to Koestler (1967), referring to an entity that is simultaneously a whole and a part.

Integral Theory: Integral theory can be seen as a form of systems theory. Its ideation founder is Ken Wilber, an American transpersonal psychologist, who studied and formulated a framework for a “theory of everything”, the living “totality of matter, body, mind, soul and spirit”. Integral theory draws from a number of different scientific paradigms on human-cognitive development, putting them together in a single framework whose applications are useful due to its breadth of scope and capacity to accommodate a multitude of contexts.


Interdisciplinary Research Project (IDR): For the purposes of this chapter, the term IDR is used to refer to both academic interdisciplinary research as well as industry-university research collaboration.

Systems Theory: Systems theory is an interdisciplinary theory about the nature of complex systems in nature, society, and science. It is a framework by which one can use to study, investigate and describe any group of objects that work in collaboration towards a common purpose/goal. Systems theory can be applied to both organic as well as inorganic (informational artifact for example) organizations. The science of systems began with Ludvig von Bertalanffy’s 1968 General System Theory (GST).

Chapter 10

High-Performance Work Systems in a Cross- Cultural Context: A Comparison Between Sweden and Brazil

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ABSTRACT

The strategic human resource management field has increased the contributions, comparing cross-cultural aspects, mainly involving the East and West cultures, but there is a gap regarding on knowing how the implementation practices impacts and how they are impacted by cultural differences. Through a qualitative contribution, this research was developed in a multinational company in Sweden with a subsidiary in Brazil. The focus is to answer the questions: How high-performance work systems are applied in different cultural contexts? How do cultural dimensions affect

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High-Performance Work Systems in a Cross-Cultural Context

high-performance work systems' adaptation? The findings have shown that strong organizational cultures could overlap country differences, but adaptations could allow innovative exchanges and raise employee commitment and participation. High-performance work systems are practices that could be used in cross-cultural territories, but not without considering cultural and local adaptations. After institutionalized, the local adaptation could be able to enlarge organizational performance.

INTRODUCTION

The international economic environment and competition requirements have made inter-country mobility an imperative (Freitas, 2009). This requires organizations know how to cope with the adaptation of both individual and corporate practices. In this sense, intercultural practices of multinational companies (MNC) are a relevant topic within strategic management. These practices may represent difficult to imitate resources and contribute to develop sustainable advantage (Penrose, 1959; Wernerfelt, 1984; Barney, Ketchen & Wright, 2011).

The current social landscape brings with it new perspectives like social networking, human mobility, and cross-cultural influences (Hobsbaum, 2000; Baumann, 2001). Interculturality has gained prominence in academic studies. Besides globalization and its economic influence, open information access has made the world closer (Freitas, 2009). On one hand, these different possibilities could foster creativity, innovation, diversity and improve performance; on the other hand, such differences could serve as a constraint factor (Dawidziuk, Boboryko-Hocazade & Mazur, 2012).

There are many studies comparing distinct cultural values of MNCs (Chang, 2003), however, how organizational practices are applied to different cultural contexts is not sufficiently explored. Not only the adaptation to the local culture matters but also the impact of implementation and institutionalization of managerial practices and both consequently have their impact on organizational performance (Rabl, Jayasinghe, Gerhart & Kühlmann, 2014). There are criticisms regarding the differences between countries in terms of the environment for management, and management practices need to take these differences into account (Gerhart & Fang, 2005; Gerhart, 2008). For example, differences in regulation and values (like predominance of collectivism or individualism), characteristics of the labor force play its role.

The human resource management (HRM) field has increased the contributions on a quantitative approach, comparing cross-cultural aspects, mainly involving the East and West cultures (Tung, 2008, Chen & Miler, 2010; Chang, 2003). But qualitative studies regarding on the impact of implementation practices and how they are impacted by cultural differences remains underexplored. In particular, South

American differences, as well as from undeveloped countries, are not sufficiently explored if compared with more developed cultures (Tanure, 2007; Freitas, 2009).

This study presents a qualitative contribution to serve as a counterpart to quantitative approaches, describing how HRM practices planned in the headquarter of a Swedish MNC was applied and with what kind of adaptations in a Brazilian subsidiary, in Curitiba, Paraná. To understand how company practices were implemented we adopted Posthuma's high-performance work systems (HPWS) taxonomy and for capturing the cultural differences we used Hofstede's dimensions. To develop theory addressing these themes we formulated the following research questions:

1. How are HPWS applied in different cultural contexts?
2. How do cultural dimensions affect HPWS's adaptation?

Understanding how organizational culture can be adaptable to a new national culture could improve strategic management. According to our findings, HPWS practices could be used in cross-cultural territories, but not without considering cultural and local adaptations. Using as a reference to Hofstede's dimensions, the main adaptations involved cultural aspects like individualism/collectivism and short-term vision/long-term vision dimensions. With this comprehension it is possible that practitioners could avoid constraints and have more effective decision-making process and in parallel, thus the importance of the understanding the cultural impact on strategic practices across the globe.

BACKGROUND

Authors have published numerous papers using expressions such as 'high-commitment management', 'human resources best practices', 'high performance work practices', 'high performance work systems', among others (Wright & Boswell, 2002; Delery, 1998; Ichniowski, Shaw & Prennusch, 1997) to refer to human resources best practices. For clarity this article will use the expression high-performance work systems - HPWS, considering its common use in the field. We will also adopt the framework proposed by Posthuma, Campion, Masimova and Campion (2013) and their definition of HPWS as a set of HR practices which could enhance firm performance.

High Performance Work Systems - HPWS

Research involving HPWS has seen an upward trajectory since 1996. On databases such as Web of Science and Scopus, the theme had listed more than 270 studies,

from 1996 until 2019. But the research linking HPWS and cultural elements is not frequent. Qualitative studies remain underexplored and Brazilian culture was not represented.

HPWS are HRM practices that increase the performance of employees, leveraging their technical skills and behavioral aspects (Shin & Konrad, 2014). These practices can promote employee engagement with its activities and corporate strategy or even improve corporate financial performance when applied in a dynamic and integrated system (Subramony, 2009).

According to Huselid (1995), HRM practices have expanded from technical and bureaucratic functions of hiring, payroll, and others, to account for providing workforce performance and improvement in employees' initiatives, attitudes, and motivation. That author also states that return on investments (ROI) is substantial since HPWS (or High Performance Work Practices as he called them) is applied in a coordinated manner. Subramony (2009) justifies that such practices are a catalyst acting with synergistic effects on performance. However, research shows that there is no standard model for HPWS implementation, nor one that indicates practices that generally influence companies results (Posthuma et al., 2013) nor practices that are culturally adapted. Different studies point to distinct HRM practices such as training and development aligned to strategy, performance evaluation, incentives, flexible labor policies, quality circles among others (Combs, Liu, Hall & Ketchen, 2006; Pak & Kim, 2018; Shin & Konrad, 2017).

Researchers in this field generally choose a set of best HRM practices and quantitatively compare them to some organizational performance variable such as employee turnover, quality scores, productivity, customer satisfaction, financial results, or even capital markets (Huselid, 1995; Sung & Ashton, 2005; Fu et al., 2017; Garcia-Chaz et al., 2016; Guthrie, Flood, Liu & Maccurtain, 2009; Han et al., 2018; Caniëls & Veld, 2016; Shin & Konrad, 2014, 2017; Wood & Menezes, 2011; Mahmood et al., 2019; Zhou, Fan, Son, 2019). However, the practices considered as 'high performance' in these studies are not uniform and vary depending on the year (with practices 'in and out' of fashion) and geographical regions. Posthuma et al. (2013) conducted a review of the last 20 years' publications to check the most commonly used practices that resisted the test of time and with greater use in the various regions of the world, which results in a set of more commonly used practices. There remains, however, understanding how companies really apply these practices, especially in international firms.

Wright and Sherman (1999) proposed the term 'High-performance architecture in Human Resources' to represent a hierarchical relationship between aspects in HRM structures for firm's strategy implementation, which outlines the need to cascade HPWS to different levels and to establish a governance tool to manage those practices. Posthuma et al. (2013) suggest that those hierarchically related elements

Figure 1. Core HPWP

HPWS group	HPWS central practices
1 Job and Work Design	Decentralized participative decisions Job rotations/cross-functional utilization
2 Recruitment and Selection	Hiring selectivity or low selection rate Specific and explicit hiring criteria
3 Training and Development	Training extensiveness Use of training to improve performance Training for job or firm specific skills
4 Compensation and Benefits	Pay for performance Formal appraisal for pay External equity for payment and competitiveness Incentive compensation Profit or gain sharing
5 Relationship with Employees	Job security/emphasis on permanent job
6 Communication	Formal information sharing program

Source: Adapted from Posthuma et al. (2013)

are ‘principles’, ‘policies’, ‘practices’, and ‘products. In addition, Sung and Ashton (2005, p. 71) say that as performance is linked to a long-term view, HPWS practices need time to settle, adapt to the context, be adjusted and improved. However, after internalized into the company culture they may result in several benefits, ranging from reduced turnover, higher levels of innovation, better product and service quality and increased competitiveness.

Posthuma et al. (2013) proposed a systematization of the HPWS construct. They analyzed 193 publications from 1992 to 2011 in order to map predominant HPWS practices (or high-performance working practices - HPWP). That analysis resulted in a categorization of 61 practices, classified into central, broad, or peripheral. To classify those practices, they considered: practice’s overall frequency; the practice should be either stable or growing in its use in the literature; it should be reported in the top 30 most cited practices in four or five regions of the world (the study considered five regions: Anglo, Confucian, Latin Europe, Southeast Asian and Eastern Europe). Thus, they organized core practices in six groups, shown in Figure 1.

Posthuma et al. (2013) registered the culture of the region where HPWP were applied in the reviewed studies: 51% of companies surveyed came from Anglo-American countries (Australia, Britain, the United States and New Zealand) and

49% of countries grouped in Confucian (China, Taiwan), Southeast Asian (India, Thailand), Latin Europe (Spain, Italy), Eastern Europe (Russia). Studies in Latin America, particularly Brazil, were not identified in this review. According to their findings, the core HPWP more common in all publications was ‘decentralized and participative decisions’, followed by ‘training extensiveness’ and ‘pay for performance’. The practices ‘pay for performance’ and ‘job rotation/cross functional utilization’ were the most cross-cultural practices: they were cited in the top 30s practices in each region. They also point practices less applied, such as succession planning, public recognition or non-financial benefits, recruitment, and selection related to business strategy, stability and safety, and turnover in strategic levels.

The use of HPWS practices was also identified by other authors, like Nadler and Gerstein (1992), which highlighted a tendency to use HPWS practices in corporate America. Farias and Varma (1998) also drew an overview about the systematic use of these practices, examining particularly systems that provide individual and group performance increase, like quality circles, variable compensation programs, and continuous learning practices.

Posthuma et al. (2013) have considered the relevance of cultural influence when designing their HPWS taxonomy. Companies operating in different countries may have an extremely refined selection of HRM practices, but if they are far removed from the predominant cultural values, the effectiveness of these practices will be lost (Posthuma et al., 2013; Carl, Gupta & Javidan, 2004). As mentioned in their findings, Posthuma et al. (2013) pointed the practice ‘participative and decentralized decision’ had a great presence in four of the five regions studied. However, Southwest Asian did not show the use of this practice which may be due to values of authority and power distance and long-term orientation that is specific to that region, and may play a role in the implementation of HPWS. These results highlight the importance of studying culture and HPWS practices. As Posthuma et al. (2013) suggest HPWS implementation can vary according to centralization of decisions, pay for performance and meritocracy, job rotation, egalitarianism, long-term vision, the country’s stage of development (developed or developing), search for self-achievement or focus on primary needs (Maslow, 1954), achievements versus assignment – which relates to accepting of feedback or not.

Culture

Studies on cultural diversity have increasingly contributed to understanding the influence of culture on management. Effects of HRM practices on organizational strategy may be strong or weak, depending on contingency and contextual factors (Wright & Sherman, 1999; Boxal & Purcell, 2003; Gerhart & Fang, 2005). There are differences between countries in terms of the environment for management that

need to be considered. For example, regulation and institutionalism in the country, workforce characteristics, collectivism, or individualism, as well as the centrality of markets. National culture provides an important explanation for the variance in the use of different practices in different countries (Gerhart, 2008). Although policies and practices for management are a managerial assignment, national culture has a significant influence; however, it cannot be overestimated: generally, empirical research finds little effect attributed to national culture (Gerhart, 2008).

The impact of culture on organizational boundaries was analyzed by Hofstede's work. According to Hofstede, culture consists of "standardized ways of thinking, feeling, and reacting, constructed, and transmitted by symbols, constituting the distinctive achievements of human groups" (1981, p. 23). In this sense, he highlights that culture is the unwritten rules of the social game. It is the "collective programming of the mind that distinguish the members of a group or category of people from others" (Hofstede, 2005, p.3). Initially, he had proposed four dimensions for a culture: individualism versus collectivism, power distance, uncertainty avoidance, and masculinity versus femininity. Later, he added long-term orientation (Hofstede, 1993) and, finally, indulgence versus restraint dimensions as a measure of how people enjoying life (Hofstede, Hofstede & Minkov, 2010; Hofstede, 2011).

Alvesson (1987) and Freitas (1991) see organizational culture as a powerful control mechanism directing the ways upon which individuals and groups behave, and as a tool to create homogeneity in the interactions among such individuals. Schein's (2004) concept highlights an organizational culture element: the subjacent assumptions. These unconscious assumptions determine how members perceive, think, and feel, how and why they behave in a manner, and why certain values are taken for granted. In this sense, culture, and intercultural management could be considered an abstract way of interpreting ordinary phenomena occurring in an environment, formally built or not. These forces of social interactions produce elements like attitudes and perceptions (Schein, 2004). While cultural and national differences need to be better understood, their influence on organizational culture needs to be analyzed in more contextual terms (Gerhart & Fang, 2005; Waarts & van Everdingen, 2005; Jago, 2016). Recently, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research project, suggested nine variables for characterizing a culture (House, Hanges, Javidan, Dorfman & Gupta, 2004): those from Hofstede (though expressed in different terms), added to other dimensions – performance orientation, humane orientation, institutional collectivism, and in-group collectivism.

National culture performs a role in building an organizational culture: firms tend to absorb values from their home countries. Besides, managerial practices (HRM practices among them) are conceived in tune with an organizational setting and values. As Schein (2014) states, they are artifacts of a culture. So, how could a company

apply practices embedded in one cultural context to different circumstances? This is the main issue in the planning and implementation of HRM architecture (Wright & Sherman, 1999): the only alignment with organizational strategy is not enough to better results (Subramony, 2009; Shin & Konrad, 2014; Kaufman, 2015). Therefore, culture, intercultural and transcultural issues may play an important role to understand HPWS implementation (Posthuma et al., 2013). From research conducted in several countries, Dawidziuk; Boboryko-Hocazade and Mazur (2012 p.117) concluded that, for global companies to maintain superior performance in culturally diverse working groups, they must cope with some variables that increase barriers against high-performance: the increasing size, complexity, and geographical reach of global firms; moreover, for managing cultural diversity intercultural competencies, such as dissimilarity openness, emotion management skills, intercultural communication competence, tolerance for ambiguity, cultural understanding, information processing skills and cultural management skills are required.

Therefore, according to Gerhart (2008), national culture impacts organizational culture. However, caution is required when presuming that culture is an explanatory factor for elements not fully evidenced. The author sustains that an organization or a manager could determine the management preferences for specific groups of employees to be covered by HRM practices and recommends avoiding overvaluation of the effects of the country's culture. The organizational culture that does not portray isomorphism with the national culture allows greater management agency, allowing an HRM system more adaptable to intra-country variation.

In Brazil, studies involving HPWS cultural adaptation are not common. The closest to it considers not HPWS particularly, but management practices in general. For instance, Balbinot, Minghini and Borim-de-Souza (2012) found that global practices from multinational companies when applied to Brazil are still subjected to cultural aspects of the country, like formalism and personalism. Tanure and Gonzalez-Duarte (2009) also analyzed people management practices and its strategic impact on mergers and acquisitions in Brazil, considering Hofstede's dimensions. They conclude that cultural issues matter in the way that a practice is applied during those processes, and the adoption of people management practices acts strategically for success and adaptation to a new time.

The purpose of this research is to understand the aspects that affect management in intercultural environments. The research proposal is to understand how HPWS practices are implemented in locations with cultural characteristics different from the environments in which they were designed. To minimize this gap, our aim in this paper is to analyze the application of cross-cultural HPWS in a Brazilian subsidiary of a Swedish multinational, using the taxonomy proposed by Posthuma et al. (2013). As a result, it will be possible to perceive the grip of a planned model and what sort of adaptations to local reality are performed.

METHODS

With a qualitative approach, where questions are posed to analyze how social experience is created and given meaning (Gephardt, 2004), we have opted for a case study method. While laboratory experiments isolate the phenomena from their context, case studies emphasize the rich, real-world context in which the phenomena occur (Eisenhardt & Graebner, 2007). This choice is reinforced by Yin's view (2014) on how case studies are most appropriate for studying contemporary events where the relevant behaviors cannot be manipulated and wherever it is possible to entail direct observations and systematic interviews.

The comprehension of specific experiences was the most important aspect on chosen purposive sampling, as stated by Stake (2010 p. 57):

“A qualitative researcher tries to report a few, usually not a vast number of, situational experiences [...] activities and contexts that provide opportunity to understand an interesting part of how the thing works. The range and completeness of experience studied is not as important as picking experiences that can be said to be insightful revelations, a good contribution to personal understanding”.

Starting from this premise, this case study followed an exploratory approach, centered on the empirical analysis of HPWS's practices in a multinational company. We also highlight an investigation of a social construction process, which emphasizes understanding how interactions take place whitening the implementation process. We chose a sectional approach to data collection. Our focus was to understand the various practices of human resource management utilized by the company, grouping them according to Posthuma et al.'s (2013) taxonomy and by comparing its implementation and application in plants in Brazil and Sweden following Hofstede's (1980, 2010) dimensions.

Research Setting

For the purposes of this research, we chose a multinational with its headquarters in Sweden and subsidiaries in Brazil in order to compare how practices were implemented in both Brazilian and Swedish plants and how the cultural differences have affected the local adaptation.

The Volvo Group in 2018 has grown into the world's second largest manufacturer of heavy-duty trucks and one of the largest manufactures of buses, coaches and construction equipment The Volvo Group was founded in 1927, its headquarters is in Gothenburg, Sweden, employs about 105,175 people (Volvo Report December 2018), has production facilities in 18 countries and sells its products in more than 190 markets. The group is characterized by its emphasis on HRM practices.

South America represents 6% of the total of the employees with 5,228 employees with a Net Sales around SEK 21,138 m (2018). The subsidiary analysed, 'Volvo do Brasil' (VdB), is located in Curitiba since 1977. It is Volvo's third largest plant, producing trucks, bus chassis and construction equipment, and exporting 13-litre motor blocks to the United States, and truck cabs to Europe, Middle East, South Africa and Australia. It is considered one of its most efficient units: in 2016 VdB won the Volvo Group's Worldwide Quality Award. The Brazilian unit has been included for a decade among the top ten "Best Companies to Work for in Brazil", a directory published by Exame Magazine (Editora Abril) and reached the first position four times. The actions of HRM in all the Volvo's Group, are inspired by the document "The Volvo Way", which concentrates and aligns the vision, values, and standards upheld by the company in several continents.

Data Collection, Analysis & Procedures

To understand the phenomenon as fully as possible (Minayo, 1998), data was collected through semi-structured interviews (face-to-face with managers in Brazil, and by videoconference with managers in Sweden); and analysis of organizational documents was conducted.

The first step was to become familiar with the company through document analysis, understanding its premises, values, and vision. The manual "The Volvo Way" brings most of these aspects to light. In order to learn more about the company practices, we carried out a pilot semi-structured interview with the Human Resources Vice-President in Brazil. This interview served as the basis for the next step, in which we interviewed other Volvo managers, examining how they perceived the various HRM practices, following the Posthuma et al. (2013) taxonomy.

The criteria for the choice of interviewees were based on purposive sampling and using key informant interviews, considering their experience in HRM practices implementation in the contexts of the two countries analyzed, Brazil and Sweden. Basically, we opted for senior HR managers in both countries.

The interview guide addressed the six core topics of the Posthuma's et al. (2013) taxonomy and the five dimensions of Hofstede (1980) study. Thus, each interviewed related the HRM practices developed and applied by the company, and his/her perception of the cultural dimensions in the Brazil unit compared to the same practices applied in the cultural context of Sweden. The interviews were done in the period between June and December 2016. Three researchers conducted the six face-to-face interviews, with the managers responsible for implementing practices in Brazil and one in Sweden. Each took around two hours for a total of 12 hours recorded, and the transcript were verbatim, with the consent of the participants.

The number of interviews can be representative in this context by taking the uniqueness of experience on practices implementation, reported by cross-cultural experienced interviewees, who occupied high management positions, accordingly to Stake (2010 p. 195) “The study of human activity often loses too much value for practitioners when the reporting primarily tells what is common among the several and universal across the many and too little of the individual and personal”. In this case the interviewees led the implementation of the main projects involving people management practices in the company, having followed the preparation of proposals and implementation in the subsidiaries. Thus, the number of respondents was enough since these people had represented the comparison of the conception and subsequent implementation of the practices, they are directly responsible for the planning and follow up of the application of the practices. This statement is also based on the discussion paper of Baker and Edwards (2012), where various experts discussing ‘How many qualitative interviews is enough’. Between them, we highlight: Passerini ‘there is no one number that can define successful qualitative interviews’; and Sandino, ‘there are ways in which one interview is valid within oral history and how single qualitative interviews can produce rich accounts of subjectivity’. Finally, also Brannen (2013) considers that a single case can be sufficient and cannot be compared.

All collected data followed the process recommended by Bardin (2016), that is, pre-analysis, exploration of material, treatment of results, inference, and interpretation. According to Bardin (2016), there is no ready model to use for methodology analysis, requiring a ‘reinvention’ in each new research, but always respecting the intended goals, except for “uses simple and widespread”. In this study, we analyzed the interview considering the presence of the core HPWS according to global policy, and how they were applied in each unit. Three researchers conducted the analysis and after discussion and consensus about the main results, it was consolidated into a single spreadsheet that summarized respondents overview, as perceived by researchers.

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In terms of archival data, we had access to job descriptions; human resources' policies; self-managed teams' institutional presentations; internal reports; press coverage, company's manuals (Code of Conduct, The Volvo Way, Health and Safety Policies, Environmental Policies, Leadership Competences, Leadership Pipeline); internal communications such as magazines and other publications detailing their HRM practices; and a book written by the HR Vice-president (VP), presenting his view about Volvo in Brazil. These materials allowed analyzing the cultural organizational guidelines and how the practices represent the same line in some subsidiaries, as well as to understand if some aspects were organizational or national culture traits.

RESULTS AND DISCUSSION

We have organized this section in three steps. For the first step, to understand the cultural interfaces of a management model, it is important to know the guidelines and policies that are set for the corporation; then, we present the guideline of HRM practices for the Volvo Group. In the second step, we discuss the adaptations to Brazilian culture and the learning over time, it is important to note that Volvo has been working in Brazil since the end of 1970's. Finally, we present a comparative HPWS practices from Brazilian and Swedish units of Volvo.

Guidelines of Volvo Group HRM Practices

Volvo sets and aligns its management model in the manual 'The Volvo Way', where three macro concepts for HRM are established: 1) internal coherence in human resources practices, 2) consistency in HR policies and 3) constancy of purpose. These principles are also thought to measure and deliver HRM results.

"Our culture is the way we work together with energy, passion, and respect for people. It is related to involvement, open dialogue, and 'feedback'. Highlights the diversity, teamwork, and leadership. It's the way we create trust, focus on customers and promote change" (The Volvo Way Manual).

According to the Brazilian HR VP: "*By this way, the company prints a strong culture based on values and disclosed by all units.*"

The main features of this management model highlight fairness, shared decisions, self-managing teams, attractive and above the market average salary and benefits, and close relationship with employees through constant communication and feedback, ensured by company's practices. This is also emphasized in Volvo's Leadership Competency model, and the Leadership Pipeline model, which establishes

responsibility and expected contributions from leaders according to their work levels – consisting of emerging leader, leading people, leading leaders and leading business. Both models are disseminated throughout its subsidiaries in the world. The shared decisions show up in practices like ‘performance analysis workshops’ (run after the Climate Survey finishes) in which management and employees will jointly compose the business plans, to align business and personal goals, which will define the profit sharing. Another quite common practice for shared decision is the Plant Committee which discusses and propose improvements in the company processes.

Another example is the self-managing teams or autonomous work groups. Volvo pioneered these groups at its Kamar plant in the early 1970s. The company used work teams with around 20 workers to assemble entire car units, including engine or electrical systems (Lohr, 1987). This practice is still present today in many plants across the world and represents the employees’ participation in planning activities and implementing improvements.

According to the Brazilian HR VP, communication processes, that take place at various levels, support the shared decision processes. Communication processes address operational issues, strategic plans, and form values and organizational identity.

“Using various channels, Volvo addresses that you need to understand how the company makes money and what each employee has to do with it. The company demonstrates perseverance over the decades between its principles, which is well regarded by the employee” (Brazilian HR VP).

The Volvo Way Manual praises the teamwork and these communication processes: “*We have decision-making power. We all participate in the goal setting and delivering on commitments. We all contribute toward common business goals, working in teams*” (*The Volvo Way Manual*).

However, this communication process seems to be different across the regions: “The process of communication and especially feedback is very different. For Swedish, the conflict is not accepted and it is avoided. Therefore, the individual conversations and alignment before the meetings are very important. We call it here alignment in the breakfast room, in an informal way” (Executive 5, Sweden).

The document Volvo Way suggests a sort of collectivist style, which aims to print the self-consciousness of autonomy with accountability. This collectivist style, tempered with justice and fairness, which seems to be a characteristic of Swedish culture and its ‘welfare state’ (Hofstede et al., 2010) also show up in HR practices exported to Brazil. For instance, following Swedish laws, Volvo provides (six) 6 months of maternity leave, while Brazilian law provides (four) 4 months. It also

offers home office part-time, flextime and teleworking, practices quite uncommon in Brazil business environment. All these aspects have allowed the company to high employee attractiveness and retention rates, especially in Brazil. As those practices are not common, it seems to reinforce the engagement of employee and their performance, to correspond to company's 'generous' benefits.

"Our turnover indicators, self-managing teams, empowerment in-floor factory has served as a model for other units in the world" (Brazilian HR VP).

"The Expertise Centre for Human Resources was a valuable experience for the company, people learned that best practices could be more strategic, but it took much effort to be assimilated in the company mainly due to internal resistances and routine sedimentation" (Executive 1, BR).

Another interviewee agreed: *"People have a pride of working at Volvo, this is common to many multinationals, but in Volvo, it is stronger, thus it is quite uncommon for people to leave the company. The compensation is not the determining factor"*. (Executive 2, BR).

"In Sweden, professionals are disputed by a similar level of companies. In Brazil, Volvo has a much more attractive profile". (Brazilian HR Manager, BR)

"There is a great respect for the individual and the collective work. The manager becomes a member of the group in the role of a developer". (Executive 6, Sweden)

Then, it is possible to conclude that a clear and straight direction can guide a stronger organizational culture that fits for the organizational guiding local perspectives.

As established by Posthuma et al. (2013), the 'core' practices considered in this study are compensation and benefits, job descriptions, training and development, recruitment and selection and employee relations and communications. In Table 1, we present the global guideline from Volvo, and how they are applied to Sweden and to Brazil units. The practices were analyzed and categorized according to Posthuma et al. (2013):

The analysis based on Volvo's HRM system showed that the more common practices pointed by Posthuma et al. (2013), 'decentralized and participative decisions', 'training extensiveness' and 'pay for performance' were used and took contributions on organizational routine. Moreover, the most cross-cultural practices 'pay for performance' and 'job rotation/cross functional utilization' almost did not need adaptation. 'Pay for performance' and 'job rotation' was more suitable, however, the practice that needed higher cultural adaptation was 'decentralized and participative decisions', that took time to be understood and utilized in Brazilian context.

The managers needed additional tools and channels for effective communication. Invest in the process for involving people it was an important phase and left good results for both, company, and individuals.

High-Performance Work Systems in a Cross-Cultural Context

Table 1. Interview analysis: practices according to Posthuma et al. 2013

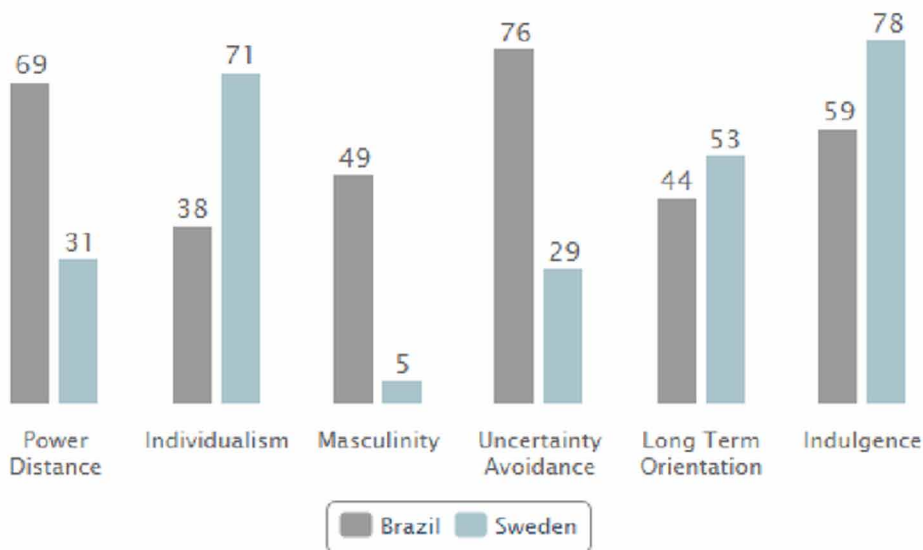
	GLOBAL POLITICS	BRAZIL	SWEDEN	
1. Compensation and Benefits	Attractive remuneration for operational functions and medium-sized and less attractive for executive functions in relation to other sectors (financial, manufacturing)	Equitable remuneration from top to bottom, but more attractive than other local companies.	Pay equity, like other companies.	
	Similar benefits for all functions. Earnings between top and bottom is not far.	Higher value perception attributed to benefits.	Values perception and soundness of company are most important.	
	Compensation to suit local laws and culture (13 salaries Brazil)	Remuneration is above the market average.	In Sweden, it is one more company among many with levels of excellence.	
	Company image (practices and values) be more attractive than the remuneration	Climate survey. Performance evaluation based on performance indicators (90%). The company is valued and attractive. High sense of pride.	The sense of pride in the headquarter is good, mainly related to innovations.	
	Clear and objective performance evaluation, measured by indicators (90%) with little subjectivity or judgment of management	The benefits from the company had to support the lack of country structure, such as health and education.	Practices and remuneration are more compared to world level companies.	
	Use of a Survey to equalization of wages with standard references and other	Parameter "purchasing power" is important to analyze salary	It takes references with other companies. Profit sharing goes up to 50% of salary.	
	Evaluation with general guidelines, only with regional adaptations	Being a leading company, we analyze a broader context, for example, the relationship with unions	The values are considered	
	Large benefits for all subsidiaries, allowing adequations for each country	To have a designated car is valued more in Brazil than in Sweden	It is not important to have designated car; the values of the company are more valuable.	
	General guideline of profit sharing of up to 50% of salary	Profit sharing gave up 10 bonus wages	Follows the guidelines	
	2. Job and Work Design	Participative work, not autocratic style, search neutrality	It was assimilated the culture of headquarter, responsibility, participative decision	Natural participative culture, not autocratic
There is autonomy; the levels are clear and only established for budget decisions.		More autonomy because of the headquarter distance	Neutrality and obedience of guidelines	
For other decisions, autonomy is negotiated.		Headquarter monitoring (Improve, Move, Remove)	The culture of accountability is in the Swedish people, not only in Volvo	
Depending on the circumstances there is less autonomy (crisis times)		Brazil has progressed, talk of empowerment today is different there 20 years ago. The fact of the physical structure is more unity facilitates decision-making and communication.	Decision making by negotiation.	
In meeting just predominating the culture of the company, especially if the leader is Swedish		The implementation of the management model was influenced by the model of Belgium and improved. There are more discussions and less function mobility.	The job rotation is more flexible by the company size.	
Job rotation for improving managerial performance.		It is less permeable traffic between functions.	Job rotation possible and normal.	
Job description is important for all countries.		The name of the function is valued, HR professionals originally occupied with more operational aspects and have been evolving for more strategic participation, generating initial resistances	Lower valuation of job titles and positions.	
Wage concept is a global guideline (IPE - International Position Evaluation System)		The hierarchical position, securities, number of people are greatly exaggerated	The perception about signs of status is less important.	
Strategic participation of HR Business Partner - responsibilities directly with the business areas		implemented with some resistance	Proposal planning.	
3. Training and Development		Greater emphasis on technical education training	Brazil is a reference in training by improving the corporate programs	Follow the global training
	The environment of a multinational naturally improves people (languages, mobility, independence, internal interaction)	Program "Eye on the future," has only in Brazil, retirement planning. Support for formal education, post, MBA.	It is not necessary to invest in some items, formal education, for example, by the county's stage of development.	
	Training programs traditionally more mechanic, fewer development activities, increasing every year	Brazil offers more training by necessity, is complemented with local needs.	Less technical training, more strategic	
	Less focus on Development (long-term, human factor)	Investment in Training that generates more homogeneity	Improving focus on Innovation	
	Many hours of training, more than other local companies, but lower financial value reported by other world-class companies	Training programs stands out for its creativity and flexibility, serving as a reference to other units.	Global Training, Volvo Group university	
	General guidelines, vacancies are offered to the world, by computer system	Higher selection criteria by the local attractiveness	Opportunities in all the company.	
	The criteria and parameters are different in each unit.	Headquarter interference for more participation of women	Less attractive. In Sweden for example, the young man asks, "why to work in a company that pollutes"	
	Stimulation of the internal career, even in other countries.	Possibility for career advancement. Imposition for women in leadership positions	The attractiveness is less face the existence of other world-class companies.	
	External recruitment to oxygenate and bring new thinking.	Brazil gets relevance by the level of competence of professionals, it is exported.	Efficient but traditional performance	
	They do not usually seek executive positions in the market. It is a company to start at the bottom, a career plan.	Seeks to internal promotion. Configures good opportunities. Resistance from quota-based promotions	Focus on internal promotion Egalitarianism.	
4. Recruiting and Selection	Do work with values and citizenship, leadership by example	Lean Manufacturing is a reference for other units by the commitment that achieved.	Focus on standardization of factories worldwide.	
	The practice of values and principles is real and better than in other companies	The infrastructure, for example, Viking club, is well seen in other units	The emergence of the Volvo Way	
	Emphasis on fairness in relations and aspects of "compliance"	The unit is a reference in results	Close relationship of the local culture, with more natural and less molded	
	The shares are close to what is preached, the gap between discourse and practice is lower than in other companies	Partnership with the National Quality Program practices - PNQ	The cultural style is natural according to the national culture.	
	Education for citizenship and focus on business	In Brazil remains occasional difficulties in business vision, mainly involving unions.	Have business vision is more natural	
	Open and transparent communication	People talk less openly	In Sweden, things are less questioned "it is to do, we will do"	
	5. Employee Relations	The practice of communication is consistent, "the principle that people are good and reliable"	Reinforcing necessities communicating with newspapers and magazines, involving family.	Take responsibility in natural. Difficult to understand the dynamics of communication in Brazil due to sharing of interdepartmental responsibilities.
		Financial and strategic information shared	Are used communication by the leaders, with guides for clarifying the information	Transparent Communication
		Importance of feeling comfortable talking with superior	Factory Commission engages in communications	Communication by negotiating
		Exchange between managers of various global plans for information sharing and exchange of expertise purposes	Emphasis on new technologies like Watts App	Not mentioned
The level of education makes a person more willing to question anything		Each leader must talk additionally, must involve family	Good level of communication and transparency	
6. Communication				

Adaptations to Brazilian culture and the Learning Over Time

For Volvo’s managers, learning that the Swedish practices need to be revised for the Brazilian reality became evident with the passage of time. Some cultural adaptations needed to be considered. Routine actions in Sweden were implemented in the same way in Brazil in the beginning, around the 1980s. For example, the employee did not need to request for photocopying, telephone calls, office supplies or run his own need for overtime. The principle was to use ‘freedom with responsibility’. However, in some parts of the company this liberality lead to abuses and misuse of resources. Therefore, contrary to its ‘natural instincts’ (to avoid conflicts), the company had to lay off and cut costs aggressively. “Then cost reduction actions were seriously taken”, said the Brazilian HR VP.

Another kind of ‘abuse’, according to HR VP, is strikes. The company is well known for paying bonuses to all employees according to firm’s performance and in an equalitarian way. For instance, in 2013, when the company in Brazil had good results, the bonus represented to a factory floor employee around ten times his/her monthly wage – and roughly two monthly wages to an executive. In 2014, with a crisis in Brazil, the bonus decreased sharply, according to the established formula. Instigated by Union, there was a strike – which many employees did not agree with but had no alternative but to accept, because the union blocked the gates of

Figure 2. Comparison between Brazil and Sweden according to Hofstede dimensions



the company. After three weeks, the company did not change its proposal, many employees decided to break through the union's barriers, and the strike was over. As the HR VP put it, *"it is a kind of strike that is not common in Sweden!"*

These cultural differences are explained by Hofstede (1997), applying the dimensions to Brazil and Sweden, represented in the Figure 2, help to interpret those results.

1. **Power Distance:** Brazil scores 69, which reflects a society that believes hierarchy should be respected and inequalities amongst people, up to a high limit, could be acceptable. Sweden scores 31, power is decentralized and managers count on the experience of their team members. Swedish style: equal rights, superiors accessible and coaching leader.
2. **Individualism:** Brazil scores 38, people from birth onwards are integrated into strong, cohesive groups which continue protecting its members in exchange for loyalty. Sweden scores 71, there is a high preference for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families only.
3. **Masculinity:** Brazil scores 49, very intermediate, the fundamental issue is what motivates people, wanting to be the best (masculine) or liking what you do (feminine). Sweden scores 05, high feminine, the dominant values in society are caring for others and aiming quality of life. A feminine society is one where quality of life is the sign of success.
4. **Uncertainty Avoidance:** Brazil scores 76, which shows a strong need for rules and elaborate legal systems in order to structure life. Sweden's 29 score suggests it maintains a more relaxed attitude in which practice counts more than principles and deviance from the norm is more easily tolerated.
5. **Long Term Orientation:** this dimension describes how every society must maintain some links with its own past while dealing with the challenges of the present and future, and societies prioritize these two existential goals differently. At 44, Brazil scores as intermediate in this dimension, while Sweden (score 53) is seen to not express a clear preference on this dimension.
6. **Indulgence:** Brazil's high score of 59 marks it as an Indulgent society. People in societies classified by a high score in indulgence generally exhibit a willingness to realize their impulses and desires with regard to enjoying life and having fun. They possess a positive attitude and have a tendency towards optimism. In addition, they place a higher degree of importance on leisure time, act as they please and spend money as they wish.

Figure 3. Dimensions and cultural adaptations for Brazil

Dimension	Requirements that needed adjustment in Brazil
Power distance	The hierarchical and relatively submissive culture of Brazil demanded more investment in skills such as leadership, to foster organizational values through communication tools aimed at forming citizenship and autonomy. The Brazilians appreciate cultivating status icons, reinforcing the power distance, in contrast to a more egalitarian Swedish culture.
Uncertainty Avoidance	Adaptations require more effort to be deployed in the subsidiary of Brazil. It is required more time to convince and engage people and additional supervision of the project's phases. However, when the adhesion is generated, the commitment is higher than in other company units.
Individualism x Collectivism	The collectivist culture of Swedish is not totally assimilated in the actions of the unity of Brazil. Awareness actions, feedback, and skills development seek to expand this aspect.
Masculinity x Femininity	Brazil has more assertiveness traits and acts to the "things" (masculinity), in the opposite of the quality of life view of Swedish (femininity).
Long-term x Short-term Orientation	The short-term view of Brazil is still noticeable in union negotiations, organizational routines, and immediate benefits, Swedish considers a more wide and extensive thought.
Indulgence x Restraint	These aspects are closer in both countries and the openness from Sweden allow Brazilian units to create a well succeed employee association, as the Viking Club, which is a benchmark for other units.

However, it is possible that cultural differences occur within the country. Hofstede et al. (2010) investigated the cultural aspects of five Brazilian regions and related them to the business context. Some variations were found as: the south of the country was considered less ‘indulgent’ and ‘more masculine’, while the northeast region was the opposite - ‘less masculine’, more hierarchical and ‘indulgent’. It is worth to mention that Volvo’s Brazilian’s plant is in the south of the country.

Following the Hofstede (2010) dimensions, the most evident differences between Brazil and Sweden are masculinity and power distance. The closer aspect is long-term orientation. These cultural differences may influence in the way people see the hierarchy (power distance), causing constraint situations or requiring managerial actions. People are used to obeying authority in Brazil and do not feel comfortable to question it openly to present their viewpoint. Then, it is common that managers use their power to make things happen.

“In Brazil, the hierarchy is most valued, people are less questioning and not openly say what they think. Fear of losing their jobs also shows difficulty in power relations”. (Executive 3 BR).

It seems to be different in Sweden. “*In my experience here in Sweden, expatriates’ managers who use a more hierarchical culture find it difficult to manage their team. In a discussion, everyone should be heard and shared decision, seeking consensus. When this happens, not often seen as professionals committed to the quality of*

the result. On the other hand, decision unilaterally by the manager can hardly be implemented successfully". (Executive 5, SW)

With the objective to show the cultural dimensions of Hofstede (1980) following our findings with the adjustments that were necessary, was created the Figure 3.

The cross-cultural adaptation can be analyzed under the following areas:

1. **The Cultural Difference Itself:** Personal characteristics, self-reliance, individualistic tendencies and even a certain individual opportunism needed to be molded to the corporative culture.
2. **Legislation Differences:** They tend to influence the compensation programs, for example.
3. **Labor Relations:** Adjustments from union panoramas, business vision, freedom, responsibility need to be aligned.
4. **Differences in Business Maturity:** Time and learning experience that was used to align the culture, including generating extrapolated results in some cases.
5. **Differences in Local Business Maturity:** The attractiveness of the company contributes for selecting, maintain and align individuals to the corporate culture.

The hiring process contributes to smooth the implementation of the cultural aspects. The hiring process provides a sort of global homogenization that allows practices to be applied in other countries without so much trouble, independently of business and environment maturity in the subsidiaries.

The Volvo HPWS Practices in Brazilian and Swedish Units

In Figure 4 we propose some topics that must be considered when trying to apply those practices in HPWS cross-cultural studies.

Notwithstanding, besides variation in what is considered a HPWS in both countries, we notice that in this case, as the company has such a strong culture and emphasize it through its processes and tools all over the world, HR practices have similar appeal in different countries. In other words, organizational culture functions to homogenize workers' values, which means people has similar values in the company independently of where they are. Therefore, organizational practices (which includes HR practices) perform a double role, both to reinforce organizational values and to attract people to whom those organizational values are appealing. That ability of attracting people with similar values is reinforced by the fact that in Brazil the

High-Performance Work Systems in a Cross-Cultural Context

Figure 4. Requirements adaptations- core practices of Posthuma et al. (2013)

Core Practices	Adjustment in Brazil
Pay for performance	The criteria for profit sharing needed clarity and objective metrics. The cost reduction target needed further guidance and reinforcement.
Formal appraisal for pay	Feedback and formal evaluation systems were assimilated but needed additional reinforcement for demonstrating transparency and fairness through the process.
External pay equity and competitiveness	In Brazil, the company is more attractive than in Sweden and pays more than the local market. Internally there is equity in salary levels.
Incentive compensation	Incentives that are valued in Brazil are different than those of Sweden, which is why the benefits are adapted locally.
Profit or gain sharing	The profit-sharing plan is linked to the individual, departmental and organizational performance. The assimilation of this concept needed to be reinforced in Brazil and was strengthened with the National Quality Award.
Decentralized participative decisions	Work freely and responsibly ordered the Brazilian decades for learning, different from Swedish style. Self-managed teams and works council were actions which required training, and monitoring to achieve results as aimed and are today model.
Job rotation/cross-functional utilization	Did not require broader adjustments. The headquarter patterns fit in Brazilian unit.
Training extensiveness	Additional training of organizational values needed more reinforcements.
Use of training to improve performance	Operational training has obtained higher results than expected.
Training for job or firm specific skills	The headquarter pattern fits in Brazilian unit. Leadership preparation program gets the same return in Sweden
Hiring selectivity or low selection ratio	The hiring levels are equivalent to those of other units, but the attraction and retention in Brazil are higher.
Specific and explicit hiring criteria	By attracting more labor-skilled workers, the selection criteria in Brazil are more demanding.
Job Security /Emphasis on Permanent Jobs	Stability in the company is a tradition in Brazil, programs for preparing for retirement are performed.
Formal information sharing program	The communication process required an additional approach and additional channels for reinforcement.

company is perceived a ‘great place to work’, which means Volvo’s recruiters can carefully choose people they want to hire.

CONCLUSION AND RECOMMENDATIONS

The research questions that drove that paper were: (1) How are HPWS applied in different cultural contexts? (2) How do cultural dimensions affect HPWS’s adaptation? According to the first question, we found that HPWS can be applied as a way to reinforce corporate culture and values in all MNC subsidiaries throughout

the world. HR practices not only aims coordination and efficacy but also carry values and messages on what is acceptable or not. However, HPWS do not operate in a one-way direction. The answer to the second question suggests that adaptations are needed for local subsidiary to internalize parental values and, besides, these adaptations may represent opportunity for organizational learning in order to cope with similar situations both at headquarters and another subsidiary. In other words, the findings showed that strong corporate culture could overlap country differences, but adaptations could allow innovation and raise employee commitment and participation.

Therefore, HPWS can be applied to reinforce corporate culture in all MNC subsidiaries throughout the world. In this research, Brazilian Hofstede's dimension differ from Swedish one's (and Volvo's) in elements like masculinity, power distance, individualism, uncertainty avoidance and indulgence, and with minor difference in long term orientation. However, as the company holds a strong organizational culture (close to Swedish values), HR practices work to reduce those differences. In other words, HR practices (or HPWS) functions to reinforce organizational culture and values and, consequently, a way to homogenize people in the company all over the world. Therefore, hiring practices carry and transmit values that are attractive or appealing for people who decided to join the company (though, even living in Brazil, with similar values to the company); performance appraisal, training and development, career and paying systems reinforces this adjustment between organizational and personal values. It is possible to conclude that organizational values and culture, to a certain degree, overlap general national values, and HPWS are strong drivers in this direction.

One particular case refers to management style. Leadership positions implies greater adherence to organizational culture, and these are reinforced by mentioned framework like Leadership Competences and Leadership Pipeline, which turns management style even more similar across different countries.

We also noticed that applying HPWS in different cultural contexts demands looking for the 'integration' between host and parental countries. In this case, the HPWS were implemented using local adaptation regarding legal aspects and local vicissitudes, but always negotiating with parental values. Practices like Factory Committee, aimed to diminish power distance, were well accepted by employees, maybe due to emerging values in Brazilian society towards egalitarianism. This emerging egalitarianism on making decisions and good communication process allows decreasing uncertainty avoidance. However, one side effect (at least from the company viewpoint) of these value changes are the emergence of strikes. Other adaptations involved legal, social and cultural aspects regarding adequate individualism x collectivism and long-term

x short-term vision – this last one supposedly not so difficult to conciliate due to Brazilian and Swedish cultures similarities in this regard. Managerial actions were used to enhance employee's strategic thinking; feedback processes, Plant Committee practices and intensive training allowed developing long-term vision and team working, reinforcing collectivist behavior and group autonomy, reinforcing Volvo's corporate culture.

Findings also point to the advantages of adapting HPWS to local culture, without missing its core elements, which may result in improvements both to headquarters and other MNC units. The acceptance of local cultural perspectives allowed the advances and innovations developed in Brazil to be applied in other countries. Respecting and understanding local culture may provide a competitive advantage, as a way to stimulate non-convergent thinking and new ideas. In this sense initiatives such as the Viking Association and the Retirement Program were practices that have been exported to other Volvo's plants.

FUTURE RESEARCH DIRECTIONS

To sum up, we can draw from this study for further analysis in future research, that companies with a strong culture may have little need to adapt its core HR practices as they are applied to people with similar cultural standards, even living in countries that are far away not only physically, but also culturally. These phenomena become easier as similar cultural standards are diffused because of globalization process. Organizational culture also plays a role in homogenizing employees' profile, facilitation the implementation of practices and routines. Recursively, HPWS reinforce desirable behaviors and consequently drive organizational culture. However, emphasis on HPWS implementation may not blind a company to notice and use local differences to conceive new practices that can be used both in headquarters and other subsidiaries. These ideas carry implication for future research and practioners, as these lasts are responsible for observing which HR practice to maintain and which they must adapt.

We suggest further research to check these aspects in other cultures or other industries, especially to verify if companies with a strong culture can adopt similar practices in different regions. Another possibility is also to check units of the same company showing very different results. In these cases, it would be interesting to compare the use of HPWS practices and to ascertain if the cultural difference is overriding to affect organizational results.

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Chapter 11

National and Organizational Culture and Its Impacts on the Negotiations Between United States and Mexico in the Case of USMC–TEMEC

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ABSTRACT

The organizational culture at the nation level is integrated by values, attitudes, workforce, loyalty, interpersonal relationships, etc. of its members. In the present investigation, the key to the business success of Mexico and the United States taking into consideration an element of analysis for its achievement is explained, making a comparison between both countries. There is a national culture with greater impact on organizations in the US than in Mexico. The methodology used was qualitative, exploratory, descriptive, and comparative. This research shows that the national culture affects the ways of acting of the members of the companies. The study was qualitative using only secondary sources for the investigation.

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INTRODUCTION

People are integrated into groups for the achievement of their business objectives, but it requires a body to lead them. This has a style to handle the power and leadership that is reflected in the work culture of each of the members of the company, the realization of their activities.

History in the United States of America, neocapitalism focused on surviving in a hostile environment has had a great influence on the organizational style of companies, where codes of conduct and formal processes lose their legitimacy which is reflected in erosion in labor relations among its members (López, 2010). On the other side, the existing crises in the companies established in Mexico in terms of social insecurity, politics, poverty, technological backwardness, international competition in the markets, etc. they have negatively influenced the motivation of the employees for the development of their jobs causing negative consequences in the productivity and the increase of the unemployment, in addition it is worsened by the economic uncertainty (López, 2010).

The objective of the present investigation is to explain the key to the business success of Mexico and the United States taking into consideration a key element for its achievement the organizational culture of the country where the company operates, a finally making a comparison between both countries.

In the first instance, an extensive review of the theoretical framework regarding the organizational culture is made, starting from the definition of culture and organization, the concept of organizational culture according to the typology and what is specified by the different authors of the topic, the types of organizational culture and their characteristics.

In the second point, the instrument for evaluating the organizational culture, its basis for business strategies and its usefulness, benefits and limitations for companies are presented.

Finally, it is developed the analysis of organizational culture in companies in the United States and Mexico, evaluating their styles and differentiators to know the level between the two, demonstrating as a hypothesis that in a developed country there is a greater national culture than it has a greater impact on the organizational culture as opposed to a developing country.

BACKGROUND

The theoretical - conceptual framework on which this article is based is constituted by the diverse perspectives of the culture, the concept of the organization, the conceptualization and the types of organizational culture, the types and characteristics of the organizational culture, the organizational culture from the perspective of one of its main exponents, the different approaches in the study of culture in companies, its participation in the business strategy, its usefulness, benefits and limitations, and finally an analysis of the difference between the organizational culture in the companies of Mexico vs United States of America taking into consideration their communication and leadership.

LITERATURE REVIEW OF ORGANIZATIONAL CULTURE

According to Sánchez (2010) the concept of culture can be identified from different perspectives:

- **Anthropology:** It is defined by Malinowski (1989) as the integral set constituted by the utensils and goods of consumers, by the body of rules that govern the various social groups, by ideas and crafts, beliefs and customs. It is considered a very simple and primitive culture or an extremely complex and developed, is in the presence of a vast apparatus, partly material, partly human and partly spiritual with which man is able to overcome the specific and specific problems that face.
- **Sociology:** It is conceptualized by Rocher (1979) as an interlocking set of ways of thinking, feeling and acting more or less formalized than learned and shared by a plurality of people who serve in an objective and symbolic way at the same time to constitute these people in a particular and distinct community.
- **Psychologist:** It is specified by Schein (1998) as a model of basic presumptions, invented, discovered or developed by a given group as they learn to deal with their problems of external adaptation and internal integration, which have exercised enough influence to be considered valid and consequently be taught to new members as the correct way to perceive, think, and feel those problems.

Organizations

The organizations are described by Sánchez (2010) as the distribution and organization of the tasks to be performed to improve and optimize the performance and thus achieve the satisfaction of human needs, arising from the social condition of the man that forces him to order the activities of people in order to meet efficiently and adequately the needs of the group.

The attributes by which organizations are distinguished according to Sánchez, (2010) are:

1. Purposes, objectives and purposes that guide the activity.
2. Group of people with orderly interpersonal relationships.
3. Performance of functions that seek specific purposes.
4. Search for efficiency and rationality.

Organizational Culture Concept

To understand the importance of organizational culture, Diez (2001) describes its functions according to its typology:

- **Epistemological:** Function of culture as an epistemological mechanism to structure the study of the organization as a social phenomenon, describing the influence on organizational processes to have a better understanding of companies through culture.
- **Adaptive:** From its mission, a common understanding of the problems to survive in an unpredictable and changing environment is achieved, so it must make modifications for its adaptation.
- **Legitimator:** By justifying the meaning and value of the company, it reinforces its orientation and purpose, providing a solid base of behavior as understandable and meaningful, to convey the sense of identity among its members.
- **Instrumental:** Through the manipulation in the hierarchical techniques, effective management in a company is achieved; aligning the commitment of its members with negotiation and consensus on the objectives, goals, means and instruments.
- **Regulatory:** Culture allows creating a stable environment by being an informal guide of behavior.
- **Motivator:** Shared values produce a greater commitment to the company in the members.
- **Symbolic:** Represents the social values and ideals of the members.

Table 1. Fundamentals of organizational culture

		Anthropological	Sociological
Semiotics	Focuses	Individual knowledge	Individual knowledge
	Investigate	It does not remain neutral, it is native	It does not remain neutral, it is native.
	Observe	Participatory immersion	Participatory immersion
	Variable	It depends on the culture	Independent of culture
	Assumption	Organization are culture	Organization has culture
Functional	Focuses	Collective behavior	Collective behavior
	Investigate	Diagnosis remaining neutral	Diagnosis remaining neutral
	Observe	Objective factors	Objective factors
	Variable	It depends on the culture	Independent of culture
	Assumption	Organization is culture	Organization has culture

Source: Cameron, K. and Quinn, R. (1999). *Diagnosing and Changing Organizational Culture*, Michigan: Addison-Wesley.

Summarizing the epistemological foundations in the two main disciplinary roots by observing the organization as culture (anthropological) and culture as an attribute (sociological) and its individual (semiotic) and collective (functional) approach, to define the organizational culture. The concept to be used in research is integrated by the set of perspectives. (See table 1):

The organizational culture is defined by different authors as:

- Ouchi (1982) points out that the culture of the organization consists of a series of symbols, ceremonies and myths that communicate to the staff of the company the most ingrained values and beliefs within the organization. These rituals specify what would be vague and abstract ideas, making them come alive and meaning so that a new employee can perceive their influence.
- Leal (1991) mentions that the organizational culture characterizes the set of traditional and habitual ways of thinking, feeling, deciding and reacting to threats, opportunities and problems that an organization faces. Organizational culture is also an emotional bond that unites the organization, which unites it. It is rooted in the foundations forged by the founders of the organization, feeds on its heroes and myths, its metaphors and its symbols, and forms a collective memory that feeds on the successes and failures of the organization in the past and in the present, the present of its strategy.

- Llopis (1992) describes the concept of organizational culture as the set of values, symbols and rituals shared by members of a particular company, which describe the way things are done in an organization, for the solution of internal management problems and those related to customer, suppliers and environment.
- Organizational culture is defined by Schein (1998) as the model of basic assumptions - invented, discovered or developed - by a given group to discover their problems of external adaptation and internal integration, which have exercised enough influence to be considered as the correct way to perceive, think and feel those problems.
- On the other hand, Schein (1985) points out that the paradigms of the culture of an organization have an important cultural link, which is why one must have knowledge of the conditions to make relations with the culture of different countries.

Types of Organizational Culture

The most important types of organizational culture according to Falcones (2014) are:

- **Culture of the Power-market:** The culture of power is based on the values of the scientific community and is related to the culture of achievement, with the purpose of productivity and efficiency. Support people based on their skills and competence, training them to cope with the demands of the business. Organizations that have this type of culture are focused on achieving results.
- **Culture of Function:** Hierarchical. Sustained in the importance of the hierarchical level of the position they perform. The responsibility for operations is centralized in the person with the highest hierarchical position. Decisions are made in descending order so there must be a defined hierarchical structure.
- **The Culture of the Task – Clan:** Known as the global culture, focuses on the development of the individual, ensuring that not only generate organizational results also ensures compliance with their plans, defining team goals to achieve the goals individually through teamwork.
- **Culture of the Person – Androcracy:** It is an organizational structure composed of qualified professionals so that technical capacity is the origin of empowerment. It has the ability to resolve conflicts due to the professionalism of its members who seek to optimize processes by constantly implementing improvements in strategic situations. Its organization is a strong structure and defined by what people know their roles and expectations as collaborators.

Characteristics of the Organizational Culture

The characteristics of the organizational culture according to Robbins (1993) that represent its essence:

- Identify the members of an organization that are integrated into the company as part of a whole.
- The work tasks are structured based on the strength of the group.
- Decision making by managers is oriented towards the consequences they may have on people.
- Unification of the company to operate independently and harmoniously.
- Control the behavior of members through regulations, procedures and supervision.
- Possess flexibility to the risk that allows its members to be creative and daring.
- Rewards, increases, salaries, promotions are assigned according to productivity, seniority, or other factors of the employee.
- The administration focuses exclusively on the achievement of the goals and not on the processes.
- The organization reacts to external changes through an orientation towards an open system.
- The company encourages its members to expose their conflicts.

Organizational Culture of Edgar Schein

Schein (1998) propose three basic levels for the analysis of the organization:

- **Artifacts:** The visible aspect of an organization in terms of structure and processes, considering the physical environment, is easily observed, but its description has a degree of complexity. The difference between organizations is given by the type of predominant culture in their leaders to be the basis in the values and visions of the organization.
- **Values Accepted and Declared:** They are the objectives, strategies, philosophy, norms and rules that govern the organization. Values are ethical incidences in the behavior of their members that teach how to do things.
- **Basic Assumptions:** Are the laws of the organization that are not subject to change or questioning, considered as the psychological and cognitive mechanism for the operation of the organization.

National and Organizational Culture and Its Impacts on the Negotiations Between United States

- Schein (1998) conducted a study to improve organizations at the individual level as a group through the presentation of skills and work skills to perform in different evaluation units (Donald et al., 2003).
- **Economic Rational Model:** The people are motivated by the economic interest, the resources, being used by the companies for the fulfillment of the goals.
- **Social Model:** The motivation of the work goes beyond the material, besides the productivity and efficiency depend on the working groups and not on the high hierarchical levels.
- **Self-realization Model:** It is based on the breakdown of tasks in sub-tasks, processes in sub-processes of activities for the outlining of activities, resulting in self-realization of people by finding the meaning of what they do, i.e. In routine work people feel little motivated and without a promising future.

The other variables that Schein (1998) considers in his model are:

- Organizations have a psychological contract that is the expectations of employees with respect to the organization, and depending on the inferences, the degree of staff motivation is determined. These psychological expectations are divided into three dimensions necessary for productivity and fidelity, which are: the expectations of the individual, the superior, and the organization.
- Capacity and competence of the directors of a company to carry out the diagnosis in an effective and truthful way.
- Time that an executive belongs to the position of the company or its change of position is related to maintaining the values, modifying the practices and procedures.
- Anchor of career are the aptitudes, expectations, needs, motives and attitudes developed by people in relation to their experiences.
- For the promotion of an organizational culture, the company must focus quality human resources on positions that serve to energize the organization's personnel, achieved through the leadership directed.
- Preventive diagnoses are the procedures recommended by managers to obtain an explanation of the facts with a negative approach to the company.

Table 2. Instrument for the measurement of organizational culture in companies

Instrument	Characteristics	Scale	Strengths	Limitations
Inventory of organizational culture	Thinking styles of members in a group: humanistic-helpful, subsidiary approver, conventional, dependent, elusive, opposite, oriented to power, competitive, perfectionist, achievement oriented, Auto-update. These are analyzed based on the factors of the culture oriented to the person, satisfaction and task.	Likert 5 points	Validity adequate, widely experienced, solid psychometric basis, translation of the results in graphics.	Analysis of results limited to cultural factors.
Organizational culture research	Describe the culture based on the dimensions: Customer orientation, orientation to employees, coherence among stakeholders, impact of the mission, managerial maturity, decision making, communication, human scale, motivation, cooperation vs competition, organizational coherence, production under pressure, Theory S / Theory V	5 points	Qualitative work for its development.	It has only been used by directors in the USA.
Questionnaire	Dimensions considered: values, curriculum, task assignment, intervention in work dynamics,	It is divided into: 1.- 12 items of the dimension	Theoretically based, high reliability index, in the educational context.	Limited types of organizational culture.

Organizational Culture in Companies

Instrument to Measure Organizational Culture in Companies

The different instruments used to measure the organizational culture in companies for efficient evaluation are described in the following table: (see table 2)

Functions of the Organizational Culture as the Basis of the Business Strategy

The organizational culture as a factor of adaptation of the environment facilitates the practice in the processes and strategic objectives (Lucas & García, 2002). Culture is necessary in a company to achieve its objectives by stimulating the motivation of employees to obtain it.

The strategic variables of the organizational culture that are linked to the objectives of economic activity, mentioned by Rodríguez (2001), which are:

- Innovation and adaptation to risk.
- Attention to details.
- Orientation to results and growth.
- Team orientation.
- Entrepreneurial character.

For the optimization of the efficiency in the organization there must be a match between the culture, strategy and organizational structure, by accepting the strategic vision in the values of its members, by focusing on the definition of specific objectives in a company. In addition, there must be a culture that is integrated into the organizational process, supporting itself to endorse the organizational identity and the transmission of beliefs, norms and procedures so that the behaviors are consistent with the overall management strategy (Rodríguez, 2004).

Essential feature described by Denison (1991) that has a successful business is its culture because it helps its members to adapt to the environment, orientation of their actions and the reinforcement of their goals. In addition, it proposes principles called hypotheses as a basis in the relationship of culture and efficiency:

- **Participation Hypothesis:** The effectiveness of a company depends on the participation and commitment of its members, are directly related to the sense of responsibility.
- **Consistency Hypothesis:** Culture has a positive impact on effectiveness. In addition, in labor practice, the systems of values, beliefs and symbols shared by the members have a positive implication.
- **Adaptability Hypothesis:** It is pointed out how the relationship of the company with its environment, aspects that have an impact on efficiency are the ability to perceive and respond to the external environment, respond to internal interests in the corporate structure, the restructuring of behavior for adaptation in the company.
- **Mission Hypothesis:** Definition between the function and purposes of the organization, offering clear goals of the course of action of the members and the company.

Usefulness of the Study of Organizational Culture in Companies

The usefulness of the study of organizational culture for efficient management according to Husenman (1987) is:

- Understand the consequences of the implementation of strategies for development in a company, which must be related to the culture assumed.
- It allows a better response to a phenomenon in the modification of the internal organizational culture.
- By specifying the type of social link between the members of a company, it is possible to determine the social climate.
- Understanding the effectiveness of a company allows you to incur the culture guidelines consistent with the rewards system.
- In addition, Schein (1998) provides reasons to understand the organizational culture:
- The corporate culture impacts organizational dynamics because it is a visible and tangible phenomenon.
- Culture affects business efficiency and individual performance, influencing the adoption of strategies for corporate development, adoption of new technologies and productivity processes.
- It is necessary to delimit it to have a common reference for its analysis and use.

Benefits and limitations of organizational culture in companies. The benefits according to (Thevenet, 2012) are:

- **Identity Before a Universal Model:** Differences in the identity of a company preceded by management models, conceived by the effective logical foundations of management systems.
- **Consistency with the Norm:** Modification of the criteria of appreciation in the search for solutions and evaluation of results for the delineation of quality standards, so there is coherence between human development strategies and management.
- **Culture and Immobility:** The culture is constantly evolving in its learning based on the reactions of the company to the context of the environment that evolves continuously.

The Limitations According to (Thevenet, 2012) are:

- **Insulation Risk:** In the isolation of the culture and the goals of the production, for what complicates are the processes of adaptability to the environment.
- **Risk of Egocentricity:** Do not recognize the defects of the company that correspond to your non ideal image.
- **Solid Culture:** With this culture, it will allow the company to face its problems of internal integration and external adaptation, facing the resolution of challenges.

METHODOLOGY

Methodology Used in the Research

The elements for the description in the research process are the following:

Qualitative Research: It is defined by Cid, Méndez & Sandoval (2011) as those properties that are not susceptible to numerical valuation, it seeks to understand a certain phenomenon and how one aspect relates to another. The method used in the present investigation is of a qualitative nature because only secondary sources were used to carry out the research.

Exploratory Investigation: Initial exploration of a set of variables at a specific moment, facilitates knowing the relationship that exists between the internal and external environment in which the research problem occurs (Baptista et al., 2006). A general reference of the subject in the research was provided.

Table 3. Organizational culture of Mexico vs USA. Appearance Mexico United States

Aspect	México	United states
Values system. Work / Pleasure	Work is considered a necessity to survive, but the balance between personal and work life is more important. The work seeks a combination between work and pleasure in the social field.	The work has a greater degree of importance, so there is a lower balance between work and personal life, since this is only acceptable after the workday and is often sacrificed.
Theoretical approach vs practical approach	Although there is ample capacity to theorize global concepts, there is difficulty in translating them into practice.	Analytical capacity developed for the solution of conflicts
Work meetings	Work meetings are held to find out what the boss decided.	Work meetings are held to discuss labor problems.
Direction / Supervision	Traditionalist approach to respect for authority, vs. the new approach of young executives who demand responsibility and authority.	They question the decisions made by superiors.
Control	Introduction of control and verification systems in large companies.	Highly developed control and verification systems.
Decision making	The director of the company makes the decisions.	The decisions are made in first and second level.
Hiring of personnel	High proselytism in the contraction of family and friends, but begins to see an evolution by large companies to hire external personnel.	Family members are usually excluded, by favoring universal outsourcing.
Subordination	Horizontal relationship of camaraderie, vertical relation of authority.	Relations with subordinates are distant.
Loyalty	The loyalty of the worker is towards the immediate superior not to the institution, but there is a gradual evolution towards loyalty towards oneself.	Predominant self-loyalty due to considerable executive mobility among companies. Loyalty is relative.
Executive development	The young graduates are hired for existing positions and in the big companies the promotions are based on achievements.	The young graduates are integrated into the structured rotating management training program that includes performance and attitude evaluations.
Commitment.	High commitment with the heads	Short-term commitment with the company.

Comparative Research: This type of study is used to evaluate the similarities and differences of thought currents, authors and theories (Baray, 2006). A comparison was made between the organizational culture of companies in Mexico and the United States of America.

Descriptive Research: It is responsible for describing and measuring as accurately as possible the attributes of the phenomenon independently, for which it uses research techniques that will allow the collection of information (Baptista et al., 2006). The culture, the organization, the organizational culture and its relation with the companies were described.

ANALYSIS OF RESULTS

Organizational Culture in Companies in the United States and Mexico

The Organizational Culture in Mexican Companies Compared to Those of the United States

The following table shows the main differences between the organizational culture in companies in Mexico and the United States (See table 3).

ORGANIZATIONAL CULTURE IN THE UNITED STATES

The Leadership

Attitudes on the part of the manager can be differentiated by their personality, social and cultural stratum. With business management based on analytical rationality, rapid decisions and focused on the achievement of results. For executives to perform in a leadership position must have presence, personality, aggressiveness, without neglecting the competition, but mainly their effectiveness is linked to the skills they have to get and maintain interpersonal relationships, maintaining a balance between delegated activities because it is considered by them as a loss of power, so their loyalty is to themselves. Its reward is divided between labor recognition, and remuneration and promotion (Stewart et al., 2006).

Work and Organizational Style

The organizational culture that prevails in US companies by their employees, they are independent, aggressive, ambitious, tenacious, demanding, curious intellectually, daring, committed, decisive, pragmatic, disciplined, perfectionist and discourteous (Rothaermel, 2015).

There is a hierarchical organization focused on the boss being the main decision maker, with a high level of competitiveness and specialization among the members who play different roles in the organization with a high rotation of positions because human resources are considered as replaceable. They have established working hours focused on achieving their goals and objectives. The link with co-workers is outside working hours and is selected to a greater extent for their usefulness than personal affinity. There is a lack of balance between personal and work life because the employee must be available 24 hours a day, and money becomes an end and not a means to pleasure (Landy & Conte, 2016).

Businesses require a cold and rigorous mind which causes a lack of empathy in the work, affecting standards of etiquette, courtesy and diplomacy in basic aspects such as greeting. With a high individualistic culture, he achieved the achievement of personal merits for his job promotion, competing even with bosses and subordinates to obtain those (Cummings & Worley, 2014).

The successors are few and only work in positions of high hierarchy, but before occupying them they are examined and placed in different strategic positions; that is, because there is a high tendency to look for candidates in an open competition based on the objectives of the position, which have aggressive characteristics such as hardness and energy to separate emotions from business (Vroom & Jago, 1990).

The Communication

The communication is transmitted through hierarchical lines in a concise and direct manner, with an aggressive, imperative, cutting, affirmative and demanding language for the fulfillment of activities, which stimulates rivalry among the same work team due to the fear of humiliation or even losing your job. The decisions taken are based on the achievement of the organizational objectives, planning in the long term to obtain the success of an organization (Castells, 2013).

Organizational Culture in Mexico

The Leadership

The attitude of the Mexican toward leadership is of rejection because of the lack of distrust in the intellectual capacity of the leader, the increase in responsibility, and the distrust that the work team does not perform the assigned tasks; so there is a shortage of democratic and participative leaders, due to low expectations for achievement, recognition and self-esteem. The worker who is subjected to autocracy repeats patterns of behavior when promoted to a managerial position; this problem is generated by human relationships and the attitudes of people (Orellana & Portalanza, 2014).

The Work Style

Work is considered as a means to obtain the money that will allow enjoying family and friends, with salary being a factor with a high degree of importance when choosing a job. In addition, there is a high degree of importance in the balance between personal and work life, prioritizing the first. The worker has a high respect towards the authority that is demonstrated in the follow-up of the orders issued by the boss regardless of whether they are correct or incorrect, so the leadership style is autocratic authoritarian demonstrating in the close supervision of the boss towards the workers. The loyalty of the worker evolved from a paternalistic devotion to a self-loyalty aimed at changing jobs for the increase in economic remuneration and increase (Calderón et al., 2015).

Mexicans are more theoretical than practical because despite having a conceptualization and perception of the problems in global terms, their capacity for analysis in the practical aspects for the resolution of conflicts lacks amplitude reflected in the disinterest in applying programs presented, the promises not met, and the reduction in productivity caused by the lack of conflict resolution (Herrera, 2017).

The executive is not competitive with colleagues because he or she prefers a pleasant environment to work avoiding conflicts. The promotion of work has a greater dependence on influences than work on its own merits. Previously in family businesses, the address passed from parents to children, now it has been evolving to the outsourcing of family members to qualified personnel that meets the characteristics of the position (Mafud et al., 2015).

Time is not a determining factor in the fulfillment of commitments, since it is considered relative for the realization of activities. There is a lack of long-term planning due to the unpredictability of the country's economic and political situation (Calderón et al., 2015).

Opportunities

The United States, Mexico and Canada Agreement (USMCA-TEMEC) renegotiation offer a unique opportunity for economic analysts to investigate, analyze and contrast the issues related to SMEs that have motivated the economic integration process in North America. SMEs have a large stake in USMCA-TEMEC renegotiation because they have a very significant market of products and services. A renegotiation of USMCA-TEMEC is a new opportunity for SMEs to assess cross-border market conditions and opportunities for improve trade related to labor and environmental collaboration.

The renegotiation of USMCA-TEMEC could provide an opportunity to modernize certain related issues to SMEs exports and imports. Small and medium-size enterprises is an issue for USMCA-TEMEC renegotiation that could be modernized using as a reference other more recent agreements such as the TPP, considering recent technological and scientific developments, managerial and regulatory practices. Modernization of USMCA-TEMEC building on shared interests, commercial and security ties requires to SMES to update technological developments and agree on new rules of governing digital flows, financial services, e-commerce, export of digital goods and services, energy, etc., to take full advantage of new opportunities. For that, it is also required protection of intellectual property on digital contents.

The renegotiation of USMCA-TEMEC offers the opportunity to governments of the three countries of North America to create fair trade for SMEs and protect their local interests in accordance to the business communities in order to build relationships of cooperation and harness the benefits of the agreement. Also, USMCA-TEMEC renegotiated could contribute to create new opportunities for investment and trade for small and medium-size enterprises in North America, having a positive effect on employment.

The renegotiation of USMCA-TEMEC has the opportunity to make it more progressive by strengthening among other provisions, the ones related to SMEs, labor and environment. International trade when expanding the export markets must benefit the three countries members of NAFTA, ensuring that exports and imports of products and services for small and medium sized companies can be done easily, with cost efficiency, thus benefitting consumers and SMEs.

The opportunity cost of low-level achievements and commitments in USMCA-TEMEC is higher due to the existing deep integration among the three national economies and markets. A set of negotiating objectives to update USMCA-TEMEC provisions could prioritize fair free trade of goods and services of SMEs, inclusive and responsible by incorporating mechanisms of cooperation related to labor environment standards, energy security, transparency and anticorruption, etc.

Among the USMCA-TEMEC negotiating objectives should be included provisions on government anticorruption (Corchado, 2017). Also, trade relations should not remain separated from security cooperation in the relationship (Wilson, 2017).

The governments of Canada, the United States and Mexico agree on the inclusion of a small and medium sized business chapter in the renewed agreement, even amid the uncertainties of the renegotiation process of NAFTA. However, the awareness of the renegotiations of USMCA-TEMEC remains low, but interest in partnering with small and medium companies among the parties as an opportunity to develop in international markets is high. The Canadian and Mexican governments have committed to modernizing USMCA-TEMEC by staying at the negotiating table, although the renegotiation is unclear.

The modernization of USMCA-TEMEC requires to update the new labor, digital and environmental developments strengthening data privacy and intellectual property rights. Renegotiation of USMCA-TEMEC offers an opportunity to address the issues of efficient environmental regulations and SMEs trade and environment dynamics to establish goals, programs, procedures, and institutional arrangements toward a more sustainable future (Rockstrom & Klum, 2015; Sachs, 2015).

For every one small and medium sized business harmed by free trade under NAFTA, there were five that came out ahead and got insulated from international competition (Canadian Federation of Independent Businesses, 2018). Also, SMEs owners born in foreign countries are more likely to export despite that they may have less opportunities compared to national – born owners (Orser et al., 2010). A small or medium business owner being born outside the country of citizenship might make it more likely to seek international opportunities but it might make it harder to grow a business, a key components of exporting. More education, experience and being born in foreign country are factors that lead to greater export opportunities.

U. S. small and medium business leaders would like to expand USMCA-TEMEC as an objective of an opportunity to grow U.S. exports in both Canada and Mexico, the neighboring and partner countries, but the trade tariffs recently imposed are complicated and are a large burden for the renegotiation.

Small and medium firms are up to the challenge of building relationships with local and foreign business communities to harness the benefits of renegotiated NAFTA. The cross-border growth of SMEs is lagging behind, missing business opportunities on their contributions to local marketplaces and economies, mainly for not having full access to infrastructure, credit, knowledge, regulatory expertise and competitive technology (Gasiorowski-Denis, 2015). A regional vision on small and medium sized business opportunities could help ramp up infrastructure of all the three partners.

PROPOSALS OF CHANGES AFTER RENEGOTIATING NAFTA

Any change on USMCA-TEMEC should affect small and medium business as different, varied and broad as the nature of business itself. Renegotiations of USMCA-TEMEC have an impact on manufacturing and services SMEs not only determined by industry and location while potentially affecting by benefitting those of one country and harm others from the other countries, such as the case of textile manufacturers and clothing retailers.

A fair trade deal for SMEs must have reciprocal duty-free access for goods and services and trade balanced to expand competitive market opportunities for the three USMCA-TEMEC partners.

Mexican SMEs have great limitations that restricts integration and position themselves at the lowest levels of the value chain, mainly due to competition of US and Canadian SMEs. Thus, the technological transfer and economic impact is not the best for the regions where the SMES are settled. Mexican SMEs explore possibilities to get involved and integrated into international investment, production, logistics and trade flows, as it has been reported by the analysis of Hernández and Carrillo (2018) on aeronautics companies taking advantage of strategic global market location, availability of resources and capabilities, favorable public policy and administration and local integrators.

However, local SMEs to get insertion and integration into the value chain of the aeronautics sector require to meet several factors (Hernández, 2015) and to overcome barriers related to a vertical integration (Carrincazeaux & Frigant, 2007) large investment, dynamics of production and quality issues.

In Baja California, some SMEs counting on access to required resources and capabilities entered the aerospace sector. The study of Hernández and Carrillo (2018) found that SMEs holding a certification may have the capacity to supply at different levels of the value chain after overcoming the obstacles of meeting the requirements of production and facing the complexity of management.

USMCA-TEMEC affects employment and jobs in small and medium-sized enterprises that rely on high-volume trade with neighboring partner countries. The death of USMCA-TEMEC may result in potential vanquish of jobs at the small and medium-sized businesses that rely on trade between the country members. In other words, among the benefits, the SMEs create the needed employment. To address employment, jobs and wages challenges posed by technological developments and macroeconomic policies to EMS, it is not through protectionism but through restraining a robust social safety net through provided by better regulations and strong enforceable labor laws.

SMEs in dynamic industrial sector offer diversification of products and services for potential and real international markets. However, USMCA-TEMEC renegotiated should not include increased levels of protection and strengthen the rules of origin by increasing contents requirements for one partner.

The proposal on the rules of origin should be based on North American content to avoid contentions among the countries.

SMEs need to adapt to whatever the changes of the renegotiation details might be which may involve a disruptive flurry of activities. Changes on USMCA-TEMEC normal as the result of negotiations will affect profoundly the business models of SME due to disruptions on reserves and redundancies to protect against interruptions on the value supply chain. Suppliers supporting the activities of SMEs are being destabilized by the ongoing trade renegotiations giving rise to speculations and doubts on trade policy. To emerge from this period of trade and economic destabilization, SMEs need to have and maintain a strong resolve as well as the capacity to nimble respond managing change out of this tumultuous chaotic situation (Galarneau, 2017)

After renegotiations of NAFTA, the SMES will need to identify their new consumer markets and to design new business models, new suppliers, logistics and transportation modes of goods, etc.

Stakeholders and public-private partnerships could be involved in the formulation of public policies and influence SMEs regulations to improve and make easier cross-border trade. Public-private partnership is a model that can serve to SME for knowledge sharing and make information accessible such as the partnerships between MasterCard and IDB Export-Import Bank and the International Trade Commission.

Small and medium-sized businesses are optimistic about the renegotiations of USMCA-TEMEC despite that prospects turn around their upbeat attitude due to escalating disputes between the proposals of partners. SMEs remain as hot commodities to be sold as they should expand their current business while buyers are willing to pay more. Thus, SMEs to be sold are growing and increasing the median revenue in the marketplace.

On the USMCA-TEMEC renegotiations an issue that is a priority for Mexico is the inclusivity of SMEs. Negotiated USMCA-TEMEC could encourage greater participation by SMEs in trade and boost the competitiveness. Transparency for SME and macroeconomic knowledge are potential issues to be developed. A core values of the renegotiated USMCA-TEMEC should be transparency and accountability of market regulations to expand opportunities of SMEs for public institutional engagement with a proper governance system arrangement to set up the new agreement.

The USMCA-TEMEC renegotiation should address the effects of the potential impacts of trade on environment, labor and associated social conflicts such as the proposed environmental reviews of trade agreements (Salzman 2001). The renegotiated USMCA-TEMEC could state that each country's environmental laws, regulations and standards must reflect national priorities and preferences to be considered NAFTA-consistent unless a challenge can demonstrate the contrary, with convincing evidences. Therefore, local environmental challenges can remain in all three countries and must be nondiscriminatory. USMCA-TEMEC renegotiation should draw from the experience of the model developed by the European Union.

USMCA-TEMEC RENEGOTIATION SCENARIOS AND PROPOSALS

Canada and Mexico are already preparing for a post-USMCA-TEMEC scenario, waiting for some conciliatory signal from the other partner in NAFTA, United States, after the threat of withdrawing from the agreement, but still in a dialogue. In fact, both countries are launching to seal new business alliances and negotiating with the Trans-Pacific partnership and with nine other markets.

Mexican and Canadian small and medium sized business need to prepare to an eventual break up of NAFTA. However, trade ministers of the three partners have stated to be committed to “an accelerated and comprehensive negotiation process that will upgrade our agreement and establish 21st century standards to the benefit of our citizens”. (Office of the USTR 2017).

One possible scenario for Canadian SMEs if USMCA-TEMEC dies, is the resurrection of the Canada-U.S. Trade Agreement while the scenario for Mexican SMEs is to move to World Trade organization (WTO) tariffs. In the scenario of ending the NAFTA, Canada have the option to apply the bilateral free trade agreement between Canada and United States. Resurrecting the Canadian-U.S. bilateral free trade agreement is a limited option for SMEs of both countries since it still requires action from Canadian Parliament and U.S. Congress. It is hardly to imagine passing

on an opportunity for SMEs. Mexico has the option to pursue a bilateral agreement with Canada and United States.

For small or family owned business that not have the resources and capabilities to develop some business strategies to survive and growth under the scenario of the USMCA-TEMEC withdrawal. It is important for SMEs to find ways and establish initiatives for strategic alliances and partnerships to complement business efforts with collaboration among other institutional public and private organizations to maximize competitiveness and efficiency.

In a scenario in which USMCA-TEMEC continues as an agreement between Canada and Mexico, SMEs from both countries, exporting or importing could operate under the actual tariffs and rules and the challenge could be the transshipment of products and services between Canada and Mexico through the U.S. territory. In this scenario, U.S., could impose non-tariff barriers, longer inspections at the borders, etc., just to make trade between Canada and Mexico more complex and difficult. U. S. has mused about imposing 20% tariff on imports from Mexico aiming to fund construction of a border wall.

SMEs should design scenarios in front of the potential USMCA-TEMEC withdrawal and their differentiated impacts on trading among the parties. The scenario should prepare SMEs for the potential end of NAFTA. One of these scenarios, “Just in case Plan” has been designed for the Small Business in Western Canada establish a committee to promote government procurement and identification of opportunities for training, business interested in becoming trading partners, development of data bases, consultations and other activities related.

Granting access to Canadian sub federal procurement, US federal government procurement and Mexican government procurement system is beneficial for SMEs suppliers and providers of goods and services. This granted access to government procurement would provide business opportunities for SMEs, increasing transparency y reducing institutional corruption.

Entrepreneurs and business managers of SMEs will need to design and implement a long term strategy with short term alternatives to ultimately achieve success in this new world order of trade protectionism (Galarneau, 2017). SMEs have to source the best available data and information to design and implement strategic decisions to face uncertainties.

Regarding the USMCA-TEMEC renegotiation issues on agriculture-related objectives should be the proposal to establish new regulations for seasonal and perishable products with the corresponding separate domestic industry provisions in antidumping and countervailing duties proceedings Decisions on antidumping and countervailing duties can be challenged through a mechanism to review determinations before an extraordinary challenge committee (ECC).

A major issue for USMCA-TEMEC renegotiation is the mechanism of Investor State Dispute Settlement (ISDS) to afford greater protection to domestic and foreign investors. USMCA-TEMEC renegotiation proposes effective and adequate protection of intellectual property rights.

The proposals for USMCA-TEMEC negotiations include government procurement practices and opportunities for government contracts to U.S. firms, severely restricting opportunities for Mexican and Canadian companies. Currently USMCA-TEMEC prohibits preferential treatment and gives equal access to the three partners companies. Foreign SMEs firms and domestic SMEs have the same rights, protections and benefits which require national governments to give “fair and equitable treatment”, compel fair compensation for expropriated property (Hufbauer 2016) and challenge discriminatory treatment.

Institutional comprehensive programs and policies are needed to support SMEs to achieve and upgrade potential capacities and develop organizational and technological capabilities, which may be aimed to facilitate access mechanisms that allow them to insert in the integration and internationalization processes of value added chains. Financial and other programs aimed to strengthen the international trade processes of SMEs are necessary to support these companies that provide important benefits to the economies of the country members of NAFTA.

Workers would like to have higher wages in the case of Mexico, but government considers that the labor policy is a domestic matter and should be excluded the discussion in renegotiations of USMCA-TEMEC (Quinn & Martin, 2017).

Entrepreneurs and business managers of SMEs will need to design and implement a long term strategy with short term alternatives to ultimately achieve success in this new world order of trade protectionism (Galarneau, 2017).

The renegotiated USMCA-TEMEC should be more flexible than the original one in many provisions related to SMEs, including on rules of origin that could soon become obsolete. The new USMCA-TEMEC has the opportunity to fully take into account the potential development of vertiginous technological change.

To make an analysis of the main factors involved in the process of USMCA-TEMEC renegotiation to help the decision and policy makers to meet the challenges posed to SMEs by the recent developments in economic process of globalization, political power, regional market, fair trade, investment, technological changes, etc., all the stakeholders must be engaged in the design of policy solutions to the difficult and complex challenges confronting the SMEs in the renegotiated NAFTA.

CONCLUSIONS

The organizational culture in companies is affected by the national culture, which becomes visible in the characteristics of the organizations. In the United States of America, culture is described as individualistic, independent, work is paramount and the family takes second place, follows the rules, and focuses on the achievement of goals.

In contrast, the culture in Mexico is pointed out as the high dependence on the family, so the work goes to the background, lack of commitment to work schedules, and high loyalty to the bosses.

Understanding the human element is one of the most important factors in achieving the goals and objectives of the company. A positive organizational culture influences the climate that affects the degree of commitment of its members, being necessary the development of work teams that work as a unit.

USMCA-TEMEC renegotiation is a good opportunity to realize the economic cooperation relationships among the SMEs of partners as a new habit of fair trade strategic partnership in order to take full advantage of all the economic opportunities it has created. The renegotiated USMCA-TEMEC must facilitate trade by small-and-medium-sized enterprises, considering that these SMEs constitute a majority of exporters in U.S. and Canada.

USMCA-TEMEC as the North American free market has given SMEs an unprecedented amount of opportunities and choices that have enabled to realize the critical components of trade liberalization. USMCA-TEMEC has been largely beneficial to the three country members and should be renegotiated, modernized to reflect developments and maintained, because it is a valuable opportunity SMEs to embolden the gains provided by NAFTA. Focus on issues that sidestepping controversy that make a positive difference for SMEs in the renegotiated USMCA-TEMEC could create more jobs of quality and provide the workers more security.

Business leaders, politicians, government officials, business organizations, communities, companies, employees, etc. all should be concerned on the processes of USMCA-TEMEC renegotiations to expand opportunities on fair trade and environmental sustainable development.

Provisions in USMCA-TEMEC renegotiation could be used to modernize it through the deepening of commitments and further cooperation of SMEs addressing all the challenges. All the options should be on the table for modernizing USMCA-TEMEC through a process of renegotiation, to boost North American competitiveness of SMEs and better address the conditions of international trade, commerce and investment, challenge regulations for liberalizing and reforming the agreement.

Renegotiation of USMCA-TEMEC should further advance trade liberalization of SMEs goods and services instead of protecting national trade interests and avoiding regulations that reduce trading opportunities such as more restrictive rules of origin or public procurement requirements.

DISCUSSION

According to the ideal of the organizational culture exposed by Edgar Schein, it is necessary in Mexico to improve both the individual and national aspects to achieve a cultural development of its own that allows the growth of organizations in the country, avoiding the mistake of adopting models of other nations products of its history, which has the same concepts but with different parameters.

Study Limitations

The study was qualitative focused on research in secondary sources.

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KEY TERMS AND DEFINITIONS

Business Strategy: The plan that is designed and implemented to guide the use of resources available to a business based on the variables of its environment and context with the mission of achieving certain specific long-term objectives.

Culture: Set of values, traditions, customs, rituals, artifacts, knowledge, ideas, etc., that characterize a people, a social class, a time, etc.

México: Mexico or the United Mexican States is a country located in the southern part of North America, in the southern United States of North America and in northern Guatemala and Belize.

National Culture: The behavior of the inhabitants of a nation is shaped by the values, beliefs and cultural traditions that are common to them and which differ from other nation-states.

Organization: An organization is a social system, formed in order to achieve the same common goal.

Organizational Culture: Organizational culture is an idea in the field of organizational studies and management that describes the psychology, values, attitudes, experiences, beliefs, and personal and cultural values of an organization.

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Index

A

Alliances 94-95, 98, 103, 107, 109, 287-288
 Assemblages 94-96, 106-107, 109, 115

B

Behavioral Dimension 73, 76, 93
 Biases 65-66, 71, 75, 77-79, 93
 Business Strategy 243, 269, 276, 295

C

CATCH 208, 211-212, 216-219, 221-225, 236
 Circuits 94-95, 97-98, 100, 103-104, 107, 109
 Cognitive Dimension 73, 76, 93
 Cognitive Dissonance 66, 75, 79
 Complexity 28-30, 66, 74, 96, 103, 108, 110, 115, 151, 209-210, 216, 245, 285
 Conflicts of Interest 175-178, 180, 184-185, 192, 194, 198, 200
 Constructivism 1, 10, 22
 Corporate Governance Systems 175-184, 186, 188, 196-197, 199-201
 Cross-Cultural 1-9, 11, 14-17, 22-24, 31, 33, 65-69, 71-75, 80, 82, 95, 225, 238-240, 243, 245, 248, 251, 256
 Cross-Cultural Management 1-3, 5-6, 8-9, 14-17
 Cultural Dimensions 5, 23-24, 27, 208-209, 236, 238, 247, 256-257
 Cultural Dimensions Construct 208-209, 236

Cultural Diplomacy 49, 51, 53-54
 Cultural Distance 24, 32, 39
 Cultural Intelligence 65-67, 69, 72-73, 75-79, 84, 93
 Cultural Management 245
 Cultural Policy 120, 122
 Cultural Profiling 65-66, 75, 80, 82, 84
 Cultural self-awareness 65, 71, 74-75, 84
 Culture Map 66, 81
 Czech Republic 46, 48-49, 51-62, 191, 197

D

David Thorsby 122
 Differentiation 220
 Digital Platforms 131, 133, 135
 Digital Technologies 118, 127, 129, 136
 Dubaization 100-104, 110, 115

E

Emic 1-2, 7-14, 16-17, 22
 Empowerment 143, 148-150, 152, 158, 160, 251
 Epistemic Cultures 97, 99-100, 103, 110, 115
 Epistemology 9-11, 22, 30, 107, 185
 Etic 2, 7-10, 13-14, 16-17, 22

F

Fisheries and Aquaculture 208, 211, 213, 216, 222, 236
 Frankfurt School 120-121

Index

H

Hermeneutics 1, 11-12, 22, 215
High-performance Work Systems 238-240
Hofstede Dimensions 253
Hofstede Models 4-5, 8, 10, 12-13, 16, 22
Holacracy 141, 145-148, 150-151, 153, 155, 158-160, 164
Holism 115
Holon 237
HPWS 240-243, 245-246, 248-249, 256-259
Human Resource Management 238-239, 246
Hybridization 96, 106, 110, 115

I

Ideal Type 188, 197-198
Industry Collaboration 211, 225
Integral Theory 237
Integrated Presentation 53-54, 56-58, 61-62
Intercultural Research 94-104, 107, 109-110
Interdisciplinary Research 208-212, 217, 221, 236-237
Interdisciplinary Research Project (IDR) 237
International Business 32, 65-66, 69, 71, 79, 213, 216

M

Maslow 156-157, 162, 243
Metacognitive Dimension 73, 76, 93
Millennials 141, 154, 158, 160-163
Mixed Methods 13, 186
Motivational Dimension 73, 76, 93
Multinational Companies 239, 245

N

Nation Branding 46-54, 58-62
National Culture 4-5, 72, 80-82, 176, 183, 236, 240, 244-245, 249, 267-268, 290, 295
Non-Hierarchy 143

O

Ontology 9-10, 22, 95, 107
Organizational Culture 71-72, 240, 244-245, 251, 256, 258-259, 267-273, 276-278, 280-282, 290-291, 295

P

Participatory Urbanism 95, 98-100, 102, 109-110, 115
Piracy 119, 127, 137
Practitioners 1-6, 8-9, 14-17, 95, 118, 176, 183, 213, 240, 248
Project Management 107, 212, 218, 223
Psychological Distance 23-24, 31-33, 35-36, 38-39
Public Diplomacy 46, 49-50, 52, 58

R

Research Methodology 179, 186, 200
Returnees 36-37, 39

S

Self-Management 141, 144-147, 156, 160, 164
Self-Organization 144, 164
Semiotics 22
Social Learning 96-97, 115, 224
Socially Embedded Knowledge 27, 30
State Actors 46-47, 49-50, 58, 60
Systems Theory 216, 222, 237

T

Tacit Knowledge 24-30, 33, 185
Theodor Adorno 120
Theory Z 157-158
Transdisciplinarity 95-96, 108, 110, 115
Typology 175, 177-179, 183-184, 186, 188,
196, 198-201, 268, 270

U

UNESCO 122-123, 126
Urban Policy Travels 100

V

Virtual Organization 154