

Paper Title

Toward the “Cross-Cultural Stakeholder Management”: A Preliminary Study

1. Introduction - How the Management Studies Have Been Contributed the Cross-Cultural Conflict?

Nowadays, no company operates without international dimensions (Adler 1991, Hendry 1999 etc.). And with the international expansion of company, numerous cases can be mentioned in which the behaviours of the companies in the culturally different context, mostly overseas subsidiaries of multinational companies, receive negative reactions from their local stakeholders (Hendry 1999), such as the protest activities against the groundwater contamination problem caused by Coca-Cola in India in 2004-05ⁱ, a religious trouble in Indonesia caused by Ajinomoto^{ii iii}. Such non-economic conflicts sometimes cause negative impact on their subsidiaries, they may cause difficulties in companies’ activities and in some cases they are one of unstable factors to entire company.

Almost studies (Donaldson 1989; DeGeorge 1993 etc.) clarified that companies do not cause all such conflicts and there are uncontrollable factors such as political and diplomatic factor that is hard to solve alone for a private company. The latest case that protest activities in European and Arabic countries against cartoons of the Prophet Muhammad published in Danish and other European newspapers shows that such uncontrollable factors jeopardise their activities in the culturally different context^{iv}. Even so, many conflicts induced by the company can be observed and the studies have been challenged to resolve such difficult problem.

As a tool to resolve and explain such problems, cross-cultural management studies contribute

to treat such conflicts as unpredictable factor. This field evolves from the comparative management studies that investigate into superiority, inferiority, universality or transferability of their own management practice (e.g. Crozier 1964; Dubin 1970; McMillan, Gonzalez and Erickson 1964; etc.), according to the internationalisation of the company (mostly U.S. multinational companies). Recently, current competitive strategy studies intend to minimise the impact of the local stakeholders in the culturally different context on their own company, and to use it as managerial resources (especially human resources^v).

Furthermore what is to be emphasised as characteristics of “competitive” strategy studies is that the concept in the competitive strategy, which attach importance to internal efficiency. It has been broadly criticised as its static concept that cannot explain the dynamic change of external environment (Priem & Butler 2001). And the studies that the concept uses tend to fall into “unintended ethnocentrism (Hendry 1999)”. However, Buller, P.F. & McEvoy, G.M. (1996) explains that ethical capability in the culturally different context is a sustainable resource to competitive advantage, by using the concept of “dynamic capabilities (Eisenhardt & Martin 2000; Teece et al. 1997 etc.)”.

Figure 1: Typology of cross-cultural management studies

	Naïve-comparative	Culture-comparative	<i>Competitive strategy</i>
Research focus	Nation	Culture	<i>Organisation (company)</i>
Content	Comparative study of transferability and universality of management practice	Comparative study on cultural difference and similarity	<i>Analysis of influence of culture and cultural diversity on organisation</i>
Studies	Dubin (1970)	Hofstede (1980, 1991)	<i>Trompenaars (1997), Adler (1991)</i>

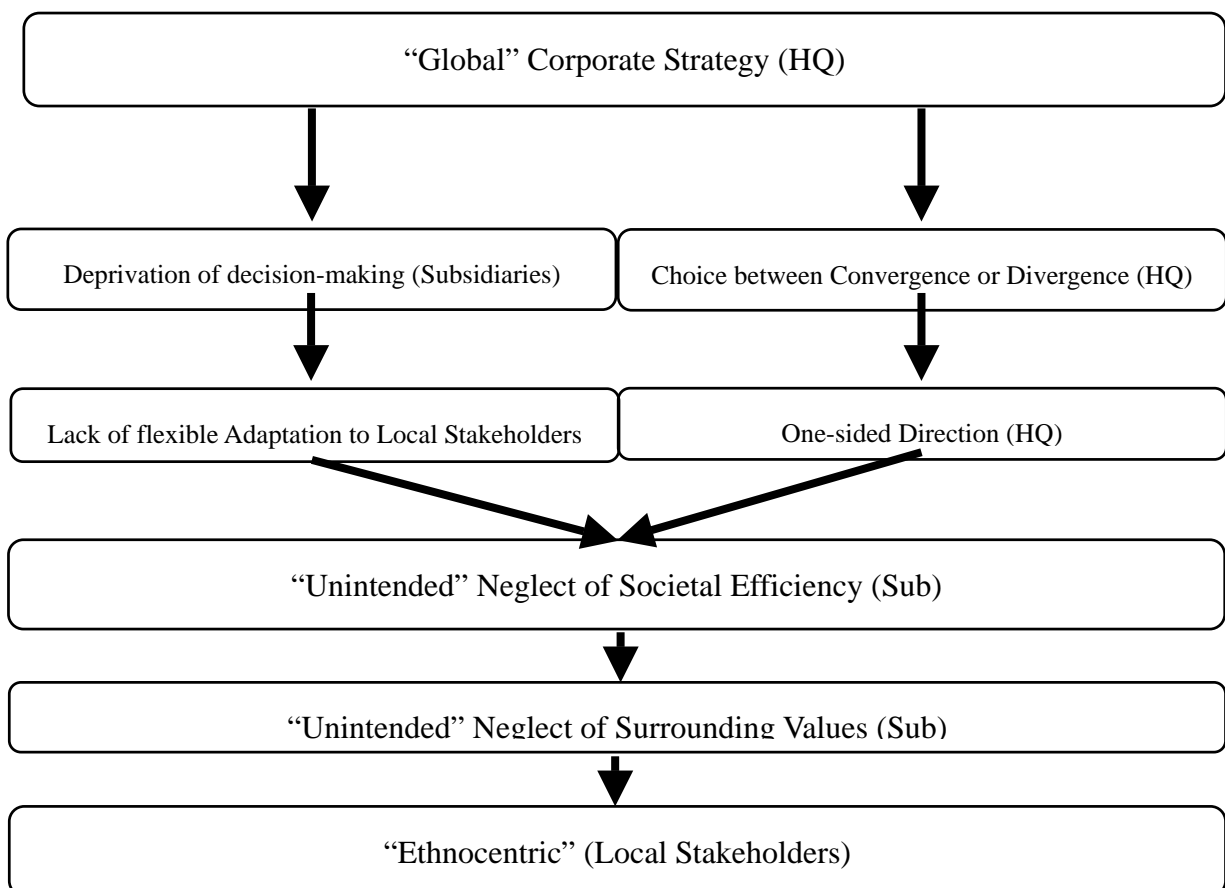
Source: Takahashi (2003)

Thus, many competitive studies in this field focus on the impact of external environment

(other “embarrassing” cultures) on company. What this tendency means is that studies do not take into account the impact of the company (not only company’s national culture but also corporate culture) on the local stakeholder. As a consequence, it would be had to say that studies treat negative impact from stakeholders as unpredictable risk. Takahashi (2003) points out that the competitive strategy studies are dedicated to manage the impact of other cultures on companies, by the typology of this field (see Figure 1).

2. Limit of the Competitive Strategy Studies in Cross-Cultural Management

Figure 2: Trap to the Ethnocentrism in the Competitive Management



Source: Drawn by Author

Though we can always observe that company in the culturally different context that causes the conflict with their local stakeholders, we don’t know yet how the conflict has provoked in their relationship, and we still neglect to take into account the reciprocity of their influences

in the argument in this field. If cross-cultural management studies might be ethnocentric and be a ruffler in such environment as consequence of such practices, it might be highly ridiculous. As Alvesson and Willmott (1992) point out that the management studies that don't take social issues into consideration are politically unsophisticated, these studies might not be given *raison-d'être* if we don't deal such social phenomena in it.

In this chapter, we attempt to explain limit of the competitive strategy in cross-cultural management, by proposing the hypothesis about the process of the trap to ethnocentrism by the practice of competitive management that means the explanation of how it provokes the neglect of the influence of the company on its local stakeholders, and the conflict between them.

Firstly, as the Figure 2 shows, the process begins by the “global” corporate strategy. That is why it is the source of all of their behaviours, off course including their subsidiaries. Many cases show that the global corporate strategy in nowadays is charted and directed by the corporate headquarters (HQ) in home country. Such strategies are essentially charted and directed from the basis of the home country's value. Even the company stresses that it can be universally acceptable no strategy can be charted without any specific value. It must be pointed out that the global corporate strategy potentially induces the strong control of HQ, so that it strongly influences the home country's value on subsidiaries. That means that the enforcement of application of its own strategy are required to their local subsidiaries, and subsidiary's decision-making is restricted by the global corporate strategy.

But it is natural that the limit of the application of the home country's corporate strategy without arranging. This was the birth of the argument between convergence and divergence in the international management. It appears that this logic is so comprehensible that it is still broadly argued. But it is difficult to make decision as a practice matter because (1) it cannot arrange a compromise between two extremes and (2) the decision must be made on a case-by-case basis. So the flexible adaptation to Local Stakeholders in subsidiaries become difficult, and it leads that subsidiaries start to put the global corporate strategy before the

local efficiency. The more HQ's one-sided direction, the more subsidiaries' neglect of local societal efficiency and the more neglect of local values. If once the local stakeholders find such sign or behaviour, they might regard the company as ethnocentric, and they might have a negative view for the company. And if they regard that the company cause tangible damage to themselves, the company's activities might be in the grave difficulties.

As Hendry (1999) points out, it is interesting that this series of "ethnocentric" behaviours are intended. But it is surrounding stakeholders who define whether their behaviour is ethnocentric or not. If they define that the company's behaviour is ethnocentric from their point of view, they are ethnocentric.

Here we have to consider the reason why they define the company's behaviour as ethnocentric. It must be pointed out that there is the absence of the reciprocity not only between HQ and subsidiaries by the application of the competitive management in cross-cultural management, but between the company's HQ and its local stakeholders. Hence the company (both HQ and its subsidiary) is not capable of the management of its own influence on stakeholders, especially in the culturally different context, because of the ethnocentrism induced by the "competitive" global corporate strategy at least theoretically.

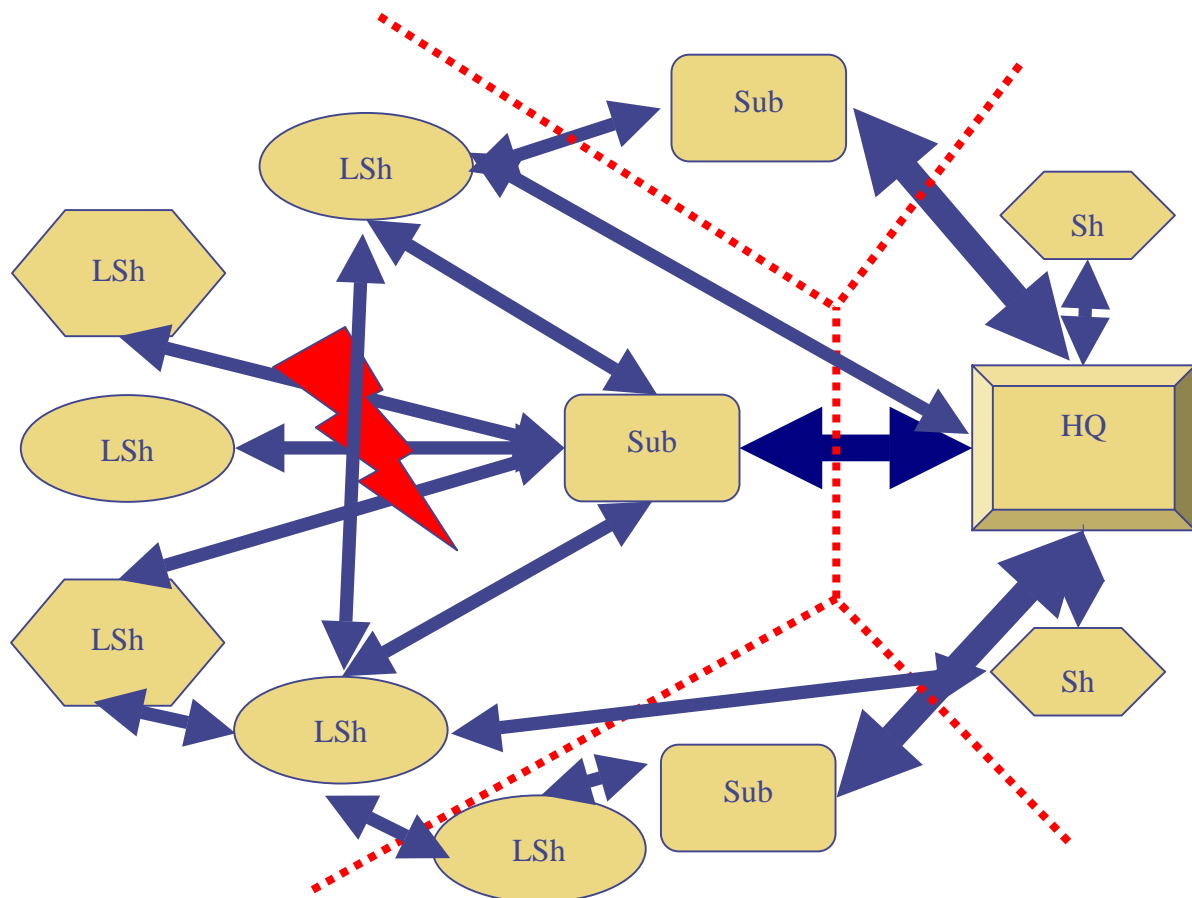
The absence of the reciprocity means that though the multinational companies require the advance of interdependence across the culture (country), they can't do it as they want. To make up the lack of the explanation of the reciprocity of influence between them in the studies, we have to borrow some concept in the place of the competitive studies. To be exact, the lack of reciprocity means that the lack of the viewpoint of the company's influence of value on local stakeholders, so that we have to borrow the concept the concept that can take into consideration the relationship between them such as stakeholder management.

Tentatively we borrow the concept of stakeholder management to establish the reciprocity between the company in the culturally different context and their local stakeholders.

3. Toward the Borrowing the concept of the stakeholder management in Cross-Cultural Management

Stakeholder management studies already step into cross-cultural dimension of management but some studies are still ethnocentric because of the effect of competitive management. Buller et al. (1997) suggest that the practice to resolve cross-cultural conflict by the choice from alternatives such as “neglect” or “avoid” as to priority of the operation. These alternatives and the “priority” as criterion are too explicit because the neglect and avoid of the dialogue with local stakeholders are suggested, and it is too opportunistic and short-term view to the relationship with their stakeholders.

Figure 3: The Relationship and the network Across the HQ, Its Subsidiaries and Stakeholders



Legend: HQ=Headquarters, Sh=Stakeholders of Headquarters, Sub=Foreign Subsidiaries,

LSh=Local Stakeholders of Foreign Subsidiaries, Dotted Line=(Political or Cultural) Boundaries, Thunder=Conflicts between Foreign Subsidiaries and their Local Stakeholders.

Source: Drawn by Author

As Figure 3 shows, there are so many networks among the relationship of the HQ and its subsidiaries of multinational company. It is needless to say that so many stakeholders and their relationship surround multinational company's relationship, and they act beyond the boundaries as multinational company does.

The relationship across stakeholders beyond boundaries is nowadays very influential because we cannot choke off the flow of information any more grace of information technology. If one stakeholder defines negatively the company in the culturally different context, bad news travels fast and this is shared among stakeholders.

On the other hand, it must not forget that there is conflict of interest among stakeholders. Because the HQ and its subsidiaries are required to represent interests of their stakeholders but all of subsidiaries cannot represent interests of their local stakeholders. This point generates further discussion but it will be an issue in the future.

It must be emphasised that the companies should not and cannot neglect or avoid the dialogue with their stakeholders, because of the existence of the "multinational" network of their stakeholders, and that it must pay attention to the conflict of interest among its stakeholders.

4. The Case Study

In May and December 2005, the author had two times of interviews with executive advisor of a Japanese automotive parts supplier in France. These were in-depth interview with an attempt to extract the cross-cultural conflict of Japanese multinationals in France and Europe.

"Japanese companies repeat the failure on the personnel in overseas expatriates", he says,

“that means that their expatriates have no capability to make decision without the direction of HQ”.

According to the hypothesis mentioned above, this testimony involves two means: that the deprivation of empowerment to subsidiary, and Japanese multinationals has no capability on the personnel. And their behaviour inevitably leads to the “unintended” neglect of local stakeholders. Japanese subsidiaries in France are small in comparison with the local companies and almost of them operate for Japanese clients and customers so that there is not many situations that they get touch in local stakeholders. And it must be also pointed out that he said that many expatriates are in rotation and they have to leave there before adjust on the environment. That means that the Japanese multinationals subconsciously neglect to establish the long-term relationship with their local stakeholders.

5. Conclusion

This paper stressed the limit of the cross-cultural management studies involving the competitive strategic management, by explaining the forgotten dimension in this field that is the reciprocity and the lack induces the ethnocentrism, and provokes conflict. To resolve the lack we suggest borrowing the concept of stakeholder management in this field.

The composition of stakeholders of company in culturally different context is complex because of their cultural diversity, and their expectation and inclination, which differ in each company. And its complexity derived from the existence of headquarters must be emphasised. Hence, it is necessary to consider that it would subconsciously involve the factor, which causes the problem. “Unintended” ethnocentrism is the very factor that causes the problem. If that is the case, local stakeholders’ reactions might be very severe, because they might regard it as not guest but as “goodwill ambassador”, their reactions might not end up staying in a mere problem only for a private company.

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ⁱ Vandana Shiva(2005), “Les femmes du Kerala contre Coca-Cola”, *Le Monde Diplomatique*, mars 2005, p20-21.

ⁱⁱ Announcement on the official homepage of Ajinomoto, (http://www.ajinomoto.co.jp/press/2001_01_06.html, accessed in 10 September 2005).

ⁱⁱⁱ Klein (2000) mentions similar cases some sensationally.

^{iv} The Egyptian franchise of the French hypermarket “Carrefour” decided not to sell Danish product at their stores. (From the French newspaper website “La Croix”, <http://www.la-croix.com/afp.static/pages/060203154825.cbkb9u3y.htm>, accessed in 6 February 2006)

^v e.g. Adler, Nancy, J. 1991; Trompenaars & Hampden-Turner 1998.