

Christoph I. Barmeyer

Eric Davoine

**International corporate cultures?
From helpless global convergence to constructive
European divergence**

In: Scholz, C. / Zentes, J. (Hg.): Strategic Management - New Rules for
Old Europe. Wiesbaden, Gabler, 2006, S.227-245.

Christoph I. Barmeyer and Eric Davoine

International Corporate Cultures: From Helpless Global Convergence to Constructive European Divergence

1. Overview
2. From Convergence to Divergence: The Context and the Challenge
3. From Monoculture to Multiculture: The Concept of Corporate Culture and International Transfer
4. From Theory to Reality: Case Studies of Corporate Values and Codes of Conduct
 - 4.1 Overview
 - 4.2 Corporate Values
 - 4.3 Codes of Conduct
 - 4.4 Findings and Reactions
5. From Bad Practices to Good Practice

References

1. Overview

In the process of internationalisation, companies are faced with the challenge of harmonising corporate culture. The widely held idea is that a strong global corporate culture will strengthen the company's identity and image, and reduce costs. This frequently means that the corporate culture of the parent company is transferred to the subsidiary. An overly ethnocentric approach by the company's headquarters often complicates the reception of the new corporate culture in the subsidiaries, and creates misunderstandings and conflicts.

In this article we first present the context of internationalisation, and then show elements of corporate culture and international transfer. We then apply these to company case studies, which illustrate the international reception process of corporate values and codes of conduct transferred by the North American headquarters of a company to the European subsidiaries in France and Germany. In conclusion, the article presents a set of good practices, which can facilitate the successful implementation of corporate values and codes of conduct.

2. From Convergence to Divergence: The Context and the Challenge

Since the early 1980s, mergers and acquisitions have increased considerably, both in a European and a worldwide context. After the impressive rise in the number of mergers and acquisitions in the latter part of the 1980s, a rapid progression of cross-border merging, as well as a significant increase in the value of transactions, marked the 1990s and the first years of the new millennium.

For several decades now, research on cross-border merging has focused on the question of convergence or divergence. This is mainly because it is research that, to a large extent, determines strategic alliances (Scholz 2000, Adler 2002). One strategy that has its roots in the convergence hypothesis advocates distribution, and even encourages strong harmonisation between different systems. This view holds that, as the differences between corporations and managers are not very important, they will approach one another via a "common culture" and find a "compromise" so that the newly formed company can function properly. In contrast, the strategic approach based on the concept of divergence takes into consideration cultural plurality and the stability of particular systems. Based on that perspective, the diversity of cultures persists, even if the experience of effective internationalisation deepens. According to this approach, it is therefore essential to manage the different cultures. Table 1 illustrates the two concepts.

	Convergence	Divergence
Contender	The differences will disappear.	The differences remain or increase.
Consequence	Cultural homogeneity.	Cultural heterogeneity.
Risk	The negation of culture may cause misunderstandings and conflicts.	An over-emphasis on culture can become the principal element of conflict.
Management	Management methods are universal and can be transferred and applied in different contexts.	Management methods are principally marked by their culture of origin and encounter resistance in their application in other contexts.
Corporate cultures	Cultures will become entangled and be diffused. Consequently, the stronger culture will have more influence and will therefore be applied.	Cultures resist change. Consequently, adjustments and intercultural compromises need to be made.

Table 1: Convergence and divergence in international management (Barmeyer 2000, p. 38)

The dialectic of convergence vs. divergence in international mergers and acquisitions concerns itself with three areas in particular: organisation, corporate culture, and human resources management. In the following contribution, we will focus on corporate culture aspects, and question the naive belief in a harmonised global culture: How do corporate values and codes of conduct reflect the corporate culture? In which way are they influenced by the national culture of the parent company? Can the corporate values and codes of conduct be useful tools for creating a homogeneous and stable global corporate culture? What distinguishes them from the national culture of the subsidiaries? What are examples of incomprehension and resistance by the local managers concerning these values and the code of conduct? These questions reflect the challenges faced by companies operating on a global scale. How can different corporate cultures be harmonised to secure the identity and cohesion of the organisation without offending the local cultures of the subsidiaries?

3. From Monoculture to Multiculture: The Concept of Corporate Culture and International Transfer

Corporate culture, or organisational culture, has been a fashionable topic in management literature since the early 1980s. Corporate culture is understood as a system of shared actions, values, and beliefs that develops within an organisation and guides the behaviour of its members (Schein 1986, Scholz/Hofbauer 1990, Scholz 2000, Hofstede/Hofstede 2005). Corporate culture fulfils an important function in organisations. It promotes a shared identity of its members, *provides orientation* for decision-making and action in general. It is a soft, holistic concept with hard consequences: From the business perspective on performance, it is important that the corporate culture contributes towards the creation of added value (Peters/Waterman 1982). This can be aided by a “strong” corporate culture that is distinguished by a high level of *coherence* in its shared basic assumptions, values, and artefacts (Thévenet 1986, Schreyögg 1990, Scholz 2000). Measures for creating a strong corporate culture include the introduction and “application” of uniform codes of conduct on a visible level, and the introduction and “application” of corporate values on a more intrinsic level. These two elements will be examined in the practical part (3).

According to Schein (1986), organisational culture addresses two important survival issues. On the one hand, there is the aspect of external adaptation: What precisely needs to be accomplished, and how can it be done? It involves reaching goals and dealing with outsiders. On the other hand, there is the aspect of internal integration: How do members resolve the daily problems associated with living and working together? It involves the creation of a collective identity, and finding ways of matching methods of working and living together. Internal adaptation is particularly important for the creation and the transfer of a global corporate culture.

In the process of internationalisation, companies are faced with the challenge of harmonising corporate cultures. Frequently this means that the corporate culture of the parent company is transferred to the subsidiary – in most cases in an ethnocentric way (Perlmutter 1965). This is a somewhat monocultural approach, with the transfer occurring through transfer processes. Transfer processes principally concern the transfer, mediation, and adjustment of cultural artefacts and practices or even the values of one system (e.g. of an organisational culture or a national culture) to another (Weber 1997, Stein 2000). Transfer processes in management occur regularly, for instance when management methods are transferred from one company to another. Frequently, however, there is an asymmetrical transfer of knowledge and know-how, generally from the parent company to the subsidiary (Barmeyer/Davoine 2004).

Various significant systemic elements can be identified in the international transfer processes between parent and subsidiary companies: the actors, the parent company with its subsidiaries and their staff, and the relationships they have to each other. The classic example is the transfer of strategy, information, IT and management methods or reward

systems from the parent to the subsidiaries in other countries, but also the transfer of elements of corporate culture such as basic values or codes of conduct.

Lüsebrink (2001, pp. 215-216) generally distinguishes three processes of culture transfer: selection, mediation, and reception. The reception process is of particular interest for the present research question, namely to what extent the values of the corporate culture of the parent are accepted and adopted by the foreign subsidiaries. Reception processes have received little attention up to now – perhaps because of the ethnocentric strategies of most parent companies (Scholz 2000).

Reception processes are implemented differently and lead to different reactions among the subsidiaries (D'Iribarne 2002; Barmeyer/Davoine 2004). How can the reception of the parent company's corporate culture in foreign subsidiaries be categorised into frequently occurring patterns? Based on our research, we distinguish three typical reaction patterns (figure 1):

- Resistance: The employees resist the elements of corporate culture, and do not implement them.
- Adaptation: The employees adopt and integrate elements of the corporate culture after modifications in substance or language to take account of the national culture.
- Acceptance and integration: The employees adopt and integrate the elements of the corporate culture, such as practices and values, without question or conflict.

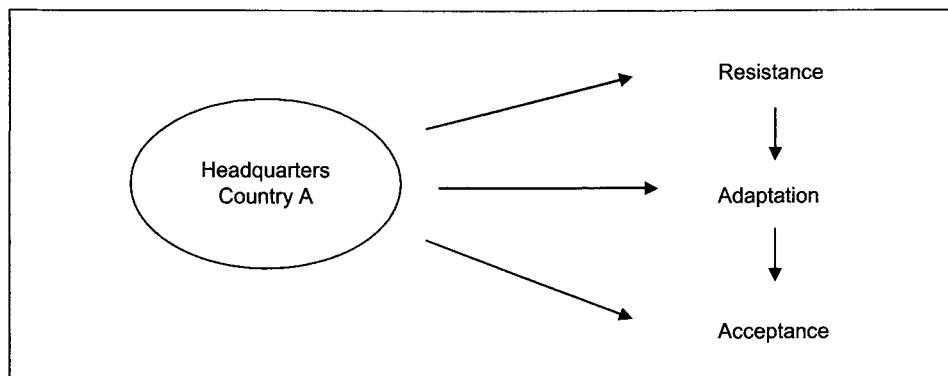


Figure 1: Reception patterns in international transfers

The three patterns described here are not rigid but can represent stages of a development. When the employees of a subsidiary display resistance, this is not necessarily a permanent situation. Depending on the circumstances, resistance can change into adaptation or even into acceptance and integration. Organisational development measures and the involvement of the human resources department can help to facilitate the implementation of headquarters' corporate culture to its subsidiaries, as we will show in the last part (4) of this contribution.

4. From Theory to Reality: Case Studies of Corporate Values and Codes of Conduct

4.1 Overview

Working on this conceptual basis of international transfer, the following case studies illustrate how the international reception of corporate values and a code of conduct occur in reality, and what consequences result from this.

Our case studies concern the reception of elements of corporate culture transferred from two important North American parent companies to their German and French subsidiaries.

Firstly, we briefly describe the values and codes of conduct concerned. The data was collected from official documents of two companies, one in the USA and the other in Canada. Both companies have had subsidiaries in France and Germany for many decades. For confidentiality reasons, we cannot name the companies. We call the American Company AMY and the Canadian company CANY. In their sector both companies are among the three largest companies in the world and have development, production, and sales operations in more than 40 countries. The companies are known for their innovative quality products. Both were founded at the beginning of the 20th century, but grew in the 1990s through mergers and acquisitions. In Germany and France, they came into being through takeovers but also foundations.

Secondly, we go on to present some results of a survey of managers on the reception of the corporate values and the code of conduct in their subsidiaries. Information about the transfer process was collected through interviews with 30 French and German managers. The managers interviewed come from the areas of corporate and HR development, sales, research and development. They work in France and Germany and have been involved in the implementation of a global corporate culture. In what follows, we have decided to remain on a descriptive level, as an intercultural analysis of the case would clearly go beyond the scope of this article.

4.2 Corporate Values

The first element of the global corporate culture consists of corporate values. In general, values are defined as “broad tendencies to prefer certain states of affairs over others” (Hofstede/Hofstede 2005, p. 8). They are acquired unconsciously early in life. Corporate values, however, are “learned” or accepted in a later stage of life, according to the way employees have been socialised by their work organisation. Corporate values fulfil the same function as values in general, but they are much more conscious. What values are supposed to characterise the two companies (tables 2 and 3)?

AMY in the US	AMY in Germany	AMY in France
<i>Respect for people</i> that includes our concern for the interests of all people who touch – or are touched by – our company: customers, employees, shareholders, partners, suppliers, and communities.	<i>Respektvoller Umgang</i> mit allen Menschen, insbesondere mit denen, die weltweit direkt oder indirekt von unserem Unternehmen berührt werden: Patienten, Ärzte, Kunden, Mitarbeiter, Aktionäre, Partner, Lieferanten und Einwohner unserer Standortgemeinden.	<i>Le respect d'autrui</i> , qui comprend le souci que l'on a pour intérêt de tous ceux qui, dans le monde entier, sont touchés d'une manière ou d'autre par notre société: les clients, collaborateurs, actionnaires, partenaires, fournisseurs et communautés.
<i>Integrity</i> that embraces the very highest standards of honesty and ethical behaviour.	<i>Integrität</i> , die durch Ehrlichkeit, ethisch korrektes Verhalten und beispielhaften Charakter gekennzeichnet ist.	<i>L'intégrité</i> , qui englobe les principes les plus strictes sur l'honnêteté, le comportement éthique et le caractère moral.
<i>Excellence</i> that is reflected in our unsurpassed focus on quality and a continuous search for new ways to improve everything we do.	<i>Hervorragende Leistung</i> , verbunden mit der ständigen Suche nach noch besseren Ergebnissen.	<i>L'excellence</i> , qui est reflétée dans notre recherche constante de nouveaux moyens d'améliorer la performance de notre société afin de devenir le chef de file dans notre domaine.

Table 2: Corporate values of AMY

CANY in Canada	CANY in Germany	CANY in France
<i>Integrity:</i> We believe in operating with integrity in all our business dealings. We conduct ourselves in a responsible fashion as outlined in our Worldwide Code of Employee and Business Conduct, which also applies to our contractors, consultants, and suppliers.	<i>Integrität:</i> Integrität ist unabdingbar bei der Ausübung sämtlicher Geschäftstätigkeiten. Die Verpflichtung zu verantwortlichem Handeln ist ausführlich dargelegt im Weltweiten Verhaltenskodex für Mitarbeiter- und allgemeine Unternehmensangelegenheiten von CANY, der auch für unsere Auftragnehmer, Berater und Zulieferer verbindlich ist.	<i>Intégrité:</i> Nous croyons fermement que l'intégrité doit marquer toutes nos opérations commerciales. Nous nous conduisons de façon responsable, conformément à notre code de conduite mondial des employés et de l'entreprise, qui s'applique également à nos sous-traitants, à nos consultants et à nos fournisseurs.
<i>Accountability:</i> We also strive to be openly accountable and willing to align decision-making power with responsibilities at all levels of our organization. For CANY employees, accountability entails honouring commitments and accepting responsibility for our actions and behaviour.	<i>Verantwortungsbewusstsein:</i> CANY ist bereit, auf allen Ebenen unseres Unternehmens die Übertragung von Verantwortung mit den entsprechenden Entscheidungskompetenzen zu verbinden. Wer Verantwortung übernimmt, muss seine Verpflichtungen erfüllen und über sein Handeln und Verhalten Rechenschaft ablegen.	<i>Responsabilité:</i> Nous nous efforçons aussi d'assumer ouvertement la responsabilité de nos actes et nous voulons aligner le pouvoir décisionnel sur les responsabilités à tous les paliers de notre organisation. Pour chaque employé de CANY, il s'agit d'honorer ses engagements et d'assumer la responsabilité de ses actes et comportements.
<i>Trust and transparency:</i> At the core of all ethical business dealings, there must be trust. Trust that others will do as they say, and trust that we will live up to our commitments. To accomplish this, we must also be transparent in the way we communicate with others, providing timely and accurate information.	<i>Vertrauen und Transparenz:</i> Vertrauen ist das Kernelement ethischer Geschäftsführung. Dazu gehört, dass Geschäftspartner ihren Verpflichtungen gegenseitig nachkommen. Eine wesentliche Voraussetzung für gegenseitiges Vertrauen besteht zudem in der Transparenz des eigenen Verhaltens und in offener Kommunikation.	<i>Confiance et transparence:</i> Toutes nos relations d'affaires doivent être fondées sur la confiance, soit l'assurance que les autres respecteront leur parole et que nous en ferons autant. Pour parvenir à établir un climat de confiance, nous devons communiquer de façon transparente avec les autres et leur fournir des renseignements exacts et opportuns.
<i>Teamwork:</i> We believe in leveraging the abilities of our employees, suppliers, contractors, and customers – our many stakeholders – through a cooperative team approach to problem solving and project implementation. Interaction with other group and team members is a vital part of everyone's job.	<i>Teamwork:</i> Wir müssen die besonderen Fähigkeiten unserer Mitarbeiter, Zulieferer, Auftragnehmer, Kunden – also unserer verschiedenen Anspruchsgruppen – gezielt einsetzen, um im Team Probleme zu lösen und Projekte zum Erfolg zu führen. Der Dialog mit Kollegen aus anderen Unternehmensbereichen oder Mitgliedern anderer Teams gehört zu den Aufgaben jedes Mitarbeiters.	<i>Travail d'équipe:</i> Nous croyons que nous devons miser sur les compétences de nos différents partenaires – employés, fournisseurs, sous-traitants et clients – en adoptant des méthodes de résolution de problèmes et de réalisation de projets fondées sur la coopération et le travail d'équipe.

Table 3: Corporate values of CANY

What are the opinions and reactions of European managers concerning the corporate values? As an example, we would like to quote some statements here:

“In order to understand the corporate culture of AMY, it is necessary to know the historical and cultural context of the company. AMY was founded in the 18th century in the Midwest of the USA. To the present day, values like pragmatism, tradition, and honesty, as well as a high work ethic prevail there. These values have been upheld to this day, and have strongly influenced the corporate culture of AMY.” (G)

“The corporate values are truly lived here, albeit in different forms. The corporate culture is the unifying element of the global company. This similarity can be sensed in other subsidiaries all over the world.” (G)

“Employees identify themselves strongly with their company. The corporate culture attracts employees with particular kinds of values and recruits employees with particular kinds of values. The corporate culture influences strategy and interaction within the company.” (F)

The European AMY managers commented that the corporate values appeared to be followed almost like a religion in the US parent company. For both groups, the values are an important reference and orientation system in day-to-day dealings on important decisions with all stakeholders. They are found on posters in almost every office in the company's headquarters. As the corporate values are relatively universal, most French and German managers generally accept them. Some managers indicated, however, that these written corporate values, “approved” by the company's headquarters, influence their actions less than their own “natural” national values.

Both the French and the German managers repeatedly described the problems connected with the translation of company documents, which frequently lead to misunderstandings and misinterpretations. American texts are translated into French and German at the company's headquarters. Headquarters has decided that this is the best way to guarantee coherence and to keep interpretation to a minimum. However, the documents are sometimes translated and formulated in such a way that they are scarcely comprehensible and make little sense. Every year when new strategies, missions, and visions are generated by headquarters, problems are inevitable. The German and the French HR departments revise the documents and send them back to headquarters. The parent company frequently reacts with confusion and anger because such behaviour is regarded as disloyal and rebellious. There is little understanding in the parent company about why the first version was not accepted. One French HR department has now started to make modifications without informing the parent company. A literal translation into the local language appears senseless or even ridiculous, as the following example demonstrates.

4.3 Codes of Conduct

The second element of the global corporate culture is the code of conduct. “A code of conduct is a statement that lays out corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment or any other aspects of society external to the company” (Schneider/Barsoux 1997, p. 247). It stipulates the rights and the obligations both of the company and the employee in many areas of activity and daily work, such as dealing with conflicts of interest, corruption, confidential information, health and safety, colleagues, etc.

AMY	CANY
<p>The Code of Business Conduct provides standards for conducting business consistent with the company's legal obligations, global policies, and core values.</p> <p>Each section discusses the basic principles of our global policies and includes examples to assist you in applying the policies to your job. You must read and comply with The Code of Business Conduct. The Code of Business Conduct often reflects a blend of U.S. legal requirements and those of other countries in which the company operates. If your local country laws are more restrictive than The Code of Business Conduct provisions or global company policies, you must conduct your activities in accordance with those more restrictive local requirements.</p> <p>Beginning with this edition of The Code of Business Conduct, you must participate in Code of Business Conduct training to ensure understanding of The Code of Business Conduct obligations. At the completion of your training, you will be asked to certify that you agree to comply with the principles contained in Code of Business Conduct.</p> <p>Failure to complete the training and certification may result in disciplinary action.</p>	<p>At CANY, we have always understood that our success is possible because of our values, which include integrity, accountability, trust and transparency, and teamwork.</p> <p>CANY updated a <i>Worldwide Code of Employee and Business Conduct</i>, which supports and reinforces these values.</p> <p>The Code requires that we exercise the highest degree of ethical conduct in all our dealings with or on behalf of CANY.</p> <p>Despite the fact that this principle is entrenched in our culture, it is understood that in our working lives we often experience situations where the “right thing to do” is not immediately apparent. The interests of CANY and those of fellow employees, customers, suppliers, families, communities and ourselves may seem to conflict at times. When we are faced with such complex situations, it can be difficult to decide just where the ethical path lies.</p> <p>I encourage you to take time to read this important document. The principles that it contains are intended as a guide to making the “right choice”. When in doubt about any matter that may have ethical implications, you should seek guidance. This Code identifies the channels and procedures that we have established to help answer your questions or address your concerns.</p> <p>Compliance with the Code is essential to preserving and enhancing CANY’s reputation as a responsible corporate citizen and ultimately to maximizing shareholder value. Violation of the Code is a serious matter that could subject you or CANY to legal liability. To me, it is all a part of “doing the right thing”!</p>

Table 4: Letter from the CEO on the code of conduct

The code of conduct serves as the basis for decisions and behaviour of managers and employees. It is provided for all employees in the form of a booklet of about 40 pages which has to be signed on the last page by everybody. It starts with a letter from the CEO and then treats various aspects of ethical behaviour (social responsibility) and making profit (table 4). Over and above the employment contract, it represents an additional "moral" contract. In this way, it exemplifies the stated corporate values.

As stressed in the letter of the CEO, compliance with the code of conduct is an important element. It is measured by audits, which include a review of reporting procedures and training programmes. What are the main aspects of a code of conduct? Table 5 shows a list of aspects. In general, they are quite similar, independent of the industry or the corporate culture.

AMY	CANY
<ul style="list-style-type: none"> ■ Integrity ■ Fair dealing with suppliers ■ Fair and open competition ■ Dealing with government officials and political parties ■ Conflicts of interest ■ International trade controls insider trading ■ Excellence ■ Drug, device, and biological laws and regulations ■ Product promotion and ethical interactions with providers ■ Communications with the public ■ Asset protection ■ Books and records ■ Records management ■ Respect for people ■ Privacy ■ Fair employment practices ■ Health, safety, and the environment 	<ul style="list-style-type: none"> ■ Application of the code to non-employees ■ Books and records ■ Competition issues ■ Confidential information and intellectual property ■ Conflicts of interest ■ Drugs, alcohol impairment, and firearms ■ E-mail and Internet usage ■ Employee use of company property ■ Environment, health, and safety ■ Government relations ■ Human rights and the workplace ■ Improper payments to officials ■ International business ■ Marketing and sales ■ Political activity ■ Securities law and insider trading ■ Sexual harassment, workplace harassment, and violence ■ Shareholder, media, and community relations ■ Workplace security ■ Compliance with the code

Table 5: Subjects and content of code of conduct

4.4 Findings and Reactions

We now present some empirical findings: The reception of the code of conduct by the European managers in France and the reactions of European managers concerning the code of conduct are diverse. In our enquiry, the French managers were much more critical towards the formulations than the German managers:

“The code of conduct and the corporate values form the basis for important decisions. And they are abided by. This means that in many cases employees no longer need to consult their superiors. It makes day-to-day business easier.” (G)

“I constantly review my behaviour on the basis of the code of conduct. It gives me a sense of security and orientation. It also creates awareness of one’s actions. It should not, however, be an instrument for controlling behaviour.” (G)

“I don’t agree with everything. There are so many romantic ideas about an ‘ideal world’. I find it unrealistic not to allow contact with colleagues from the competition. Just as I find it unrealistic that we should not accept gifts. We sometimes seem more Catholic than the Pope.” (F)

“There are too many American examples. And all these obligations and the checking to ensure that everyone is complying: That almost seems a little totalitarian to me.” (F)

What especially struck the French and German managers about the code of conduct was its explicit and binding nature – which almost reminded the reader of the “Ten Commandments” contained in the Old Testament – expressed by the frequent use of “you should ...” or “you should not ...”. Generally, acceptance of the code of conduct was less problematic in Germany than in France. However, many German and French employees sign the declaration without reading it in detail. (Implicitly, the concept of values, rules, and behaviours which are shared by a given community and which represent shared ethics have a religious element. It is even a sign of the Protestant work ethic, which encourages a person to achieve set goals using an instrumental approach and the hard work of the individual (Weber 1905). Work is considered in the Protestant work ethic to be the means to redemption, whereas in the Catholic church, other people mediate between the individual and God.) In contrast to the relatively neutral and universal corporate values, the code of conduct consistently displays limitations. In reality, the code of conduct is “interpreted” by individual managers, a case in point being the prohibition of payments (“bribes”) to clients in order to obtain large orders (table 6).

AMY	CANY
"Conduct business fairly, relying on the merits of products, services, and people. [...]. Do not accept gifts, entertainment, or payments from parties doing or seeking to do business with AMY (see Conflicts of Interest). Do not make a bribe or offer a payment or gift directly or indirectly to an employee of a supplier." (12)	"It is our policy to demonstrate the highest standards of integrity in all aspects of CANY's business and to do business fairly and equitably. In marketing and sales, we must: [...] never give or receive improper payments or gifts to or from anyone in connection with the sale or purchase of products or services even at the cost of foregoing business opportunities [...]." (8)

Table 6: Prohibition of bribes

The European managers interviewed said that deals in certain countries were mainly won through gift-giving or bribes. Sales managers are obliged to generate turnover and profit. If they strictly followed the code of conduct, a lot of business would be lost, which could endanger the continued existence of the company. "Are we now supposed to be 'excellent' and create value or to show 'integrity'?", one French manager quipped. The dilemma between value creation and ethical behaviour becomes evident.

A further problem is that of the individual employee taking on responsibility for the aims of the company, something which the code of conduct stipulates as a written and binding obligation. As is usual in many American companies, the employees of the company's headquarters are expected to report misbehaviour, irregularities, and infringements of the code of conduct to a superior or even via an anonymous telephone number in the USA and in Canada. Both the German and the French employees are very surprised by this. Who would dream of ringing up a stranger in the company headquarters far away, and in English? Particularly amongst the French managers, resistance is great. In France, it is unthinkable to denounce somebody in this way. The reactions of the French staff on this point were very emotional and the rejection very strong. This regulation was regarded as an attack on one's personal freedom, and a conflict of values. How could one denounce a colleague and thereby endanger personal relationships in order to serve the anonymous organisation? The American managers of the company's headquarters concerned with ensuring adherence to the code of conduct cannot understand this behaviour and are annoyed. After all, the point of the anonymous telephone number is precisely to protect the employee who makes a complaint.

What is particularly striking about the reception process in France is the search for the apparent point of implementing the corporate values and the code of conduct. French employees resist having to uncritically follow standards and regulations set by the American parent company without understanding their sense. To many employees, some aspects of the code of conduct concerning employees' behaviour appear naïve, almost childish. They are sometimes not all adapted to the European context, as the following rule in the code of conduct of the Canadian company CANY shows: "Firearms are permitted only in those areas and circumstances expressly authorised by management"

(CANY, p. 8). For that reason, these rules are received with a great deal of irony, and are freely adjusted and “interpreted”.

The co-existence and concurrence of national law and the “company’s law” (code of conduct) is of special interest. A long tradition of more than 2000 years of Roman Law in Europe has shaped the legal context there into something completely different from the North American system, based on Common Law. Owing to the principle of subsidiarity, national law is still more important than private (company) law in Europe, as shown in the following case, which also refers to an important element of French culture: food and quality of life. Shortly after the Canadian company CANY bought a big French competitor, they introduced the international code of conduct to the French headquarters and its 30 subsidiaries in France. The code of conduct states that the consumption of drugs and alcohol is not allowed at the workplace:

“It is forbidden to possess or consume illegal drugs while working on CANY premises. To remain competitive in today’s business environment, it is essential that we make the best decisions; therefore, we expect that all our judgments be clear and unimpaired by drugs or alcohol. These restrictions are established for the well-being and productivity of our employees and our company.” (CANY, p. 8)

As is common in France and other Latin European countries, French employees and managers are used to enjoying a glass of red wine with their lunch. Canadian managers on a visit to the French subsidiaries were quite astonished and puzzled to observe how many of their French colleagues drank alcohol during the meal, and then returned to work. Initially, the Canadians demanded that the company managers apply the code of conduct fully and forbid serving alcohol in the restaurant. The French employees were not amused and threatened to go on strike. The Canadians then made a complaint to headquarters, clearly challenging the behaviour of their French colleagues. The French human resource department was asked to mediate between headquarters and the French subsidiaries. The outcome of this dispute was that the French employees continue to drink wine – in fact, they have every legal right to do so: An article of the influential *Code du Travail* (labour law) of 1973 prohibits the consumption of alcohol during work hours, *apart from* wine, beer, and cider! (*Code du Travail: Loi L232-2 (Inséré par la Loi n°73-4 du 2 janvier 1973 Journal Officiel du 3 janvier en vigueur le 23 novembre 1973):* “Il est interdit à toute personne d’introduire ou de distribuer et à tout chef d’établissement, directeur, gérant, préposé, contremaître, chef de chantier et, en général, à toute personne ayant autorité sur les ouvriers et employés, de laisser introduire ou de laisser distribuer dans les établissements et locaux mentionnés à l’article L.232-1, pour être consommées par le personnel, toutes boissons alcooliques autres que le vin, la bière, le cidre, le poiré, l’hydromel non additionnés d’alcool.”)

Another aspect concerns diversity and respect, which are important elements of the company’s social responsibility. They are covered in the chapter “Fair employment practices” at AMY:

"In your daily work activities, observe normal standards of courtesy and consideration when interacting with other employees and people with whom the company has business dealings. Do not harass another employee or person who has business dealings with our company. Some examples of harassment are:

- racial or religious slurs,
- racial or religious stereotyping, intimidating or aggressive acts or words based on gender,
- unwelcome physical or verbal conduct (such as negative comments or humor) of a sexual or racial nature - derogatory jokes, gestures, or stereotyping related to sexual orientation." (AMY, p. 26)

For purposes of illustration, the problem is further analysed – like many subjects – with the help of a little question, posed by the employees and answered by the code of conduct. In this case, concerned employees who need help can also call a "Compliance and Ethics Helpline" in the United States:

Example of Question/Answers of the code of conduct (AMY, p. 26)

Question: "My boss frequently comments on the way that I look or dress and tells me that I look 'hot'. I'm very uncomfortable with this. Is this sexual harassment? What should I do?"

Answer: "Sexual harassment may include unwelcome verbal or physical conduct that creates a hostile or offensive working environment, requests or demands for sexual favors, sexual advances, sexually explicit jokes or pictures, or unwelcome touching. Contact your human resources representative or a member of supervision. If you wish, you may call the Compliance and Ethics Helpline at 800.815.2481."

Many of the French managers that were interviewed (both male and female) think that this passage is extremely exaggerated, even ridiculous. Day-to-day business life is based on interpersonal communication and relationships. Especially in Latin cultures like in France, the emotional level of interaction – even at work – is very important. It is much less formal than in northern European cultures. The emotional level concerns the expression of feelings such as anger, but also humour, jokes, comments, and compliments, etc. The assumption is that human beings are not robots and have a right to show their feelings. It is common for both men and women to comment on clothing, and this is still considered "normal" and even a sign of consideration and esteem in most cases. (In the French version, the word hot is translated as 'sexy', which is frequently used not only for persons but also for projects, stressing the interesting and challenging aspect: "C'est un projet sexy".)

Another point of confusion was frequently mentioned. The code of conduct has to be signed by every member of staff, and then has to be sent to the parent company. We

learned in the course of our survey that many French and some German senior managers refused to sign the code of conduct after the takeover of their companies by the American parent. Some of the recurring statements were: "I can't sign that sort of thing", "We have more important problems", "This is a private matter and does not belong in the work-place". A few weeks later, the managers who had not signed the code received a personal e-mail from the CEO. This surprised the managers and made a considerable impression on them. The CEO wrote that he was surprised and angered that the code of conduct had not been signed. Everybody who belonged to the "company family" had to accept these values and obligations because the attitudes and behaviour of the managers had to be in accord with the company's values and code of conduct. The document had to be signed, or sanctions would follow. The e-mail proved effective. Most of the German and French senior managers signed disapprovingly, but a few left the company.

These examples illustrate that the foreign subsidiaries display a pattern of resistance to the new code, which occasionally develops into acceptance (see Figure 1). North American parent companies frequently fail to achieve their objective of creating a coherent, homogeneous and harmonised corporate culture for the purpose of achieving the company's goals more efficiently. This can be attributed to the fact that their strong ethnocentric approach does not take sufficient account of the prevailing cultures in the foreign subsidiaries.

5. From Bad Practices to Good Practice

The reactions of managers in the French and German subsidiaries clearly show that cultural harmonisation with the help of corporate culture, as desirable as this may be from a management point of view, is far from being achieved. The thought and behaviour patterns of the employees and managers in Europe still seem to be marked more strongly by their national culture internalised during their *primary* socialisation than by the American corporate culture "acquired" in their *professional* socialisation.

Corporate culture is intended to create coherence, also internationally, but the generally hesitant and problematic reception process indicates that precisely the attempt at homogenisation is the cause of fresh disagreement. Again, it seems important to adapt global strategies to local contexts.

Our empirical research has led us to identify the following factors, which may serve as the basis for formulating problem-oriented research questions and for establishing solution-oriented *good practices*:

- It is important to bear in mind the history and the context of the companies involved. This is particularly relevant with regard to the respective local subsidiaries: Are we dealing with a newly founded subsidiary or with the takeover of a company within the framework of a merger? The transfer is smoother in the case of internal company

formations. In contrast, takeovers often see a clash of not only different national cultures, but also different corporate cultures. Conflicts of interest and power struggles may also arise.

- In the case of a takeover, it is necessary to investigate the strength or weakness of the particular local corporate culture, i.e. the subtle coherence and identity between the organisations: A strong corporate culture that differs from the corporate culture of the foreign parent company will invariably hinder the implementation.
- What can be said about the duration and the intensity of the transfer from parent to subsidiary so far? How long has this relationship already existed? This is particularly important with regard to familiarisation and acceptance of the transfer. By the same token, it takes time to assume the corporate culture of the parent company. After all, it is clearly an instance of a change management process.
- What is the quality of the relationship between the parent company and the subsidiary? Is the subsidiary seen merely as a (possible) “cash cow”? Does it present a financial burden for the parent company, or is it a driver of change that creates added value for the entire company?
- What can be said about the cultural proximity as opposed to the distance of the affected national cultures of the parent company and subsidiary? Studies on the subject up until now have referred to a – historically founded – mutual cultural proximity of Anglo-Saxon/German-speaking countries or countries that speak one of the Romance languages. Thus, for example, there are more cases of “opposition” to cultural transfer from the USA to France than from the USA to Germany. The concept of cultural coherence, “cultural fitness”, becomes important here.
- How great is the understanding and the knowledge of the cultural characteristics between the parent company and the subsidiary? What philosophy dominates, ethnocentrism or cultural relativism, i.e. is the foreign culture seen as a threat to one’s own culture or as an opportunity to learn?
- As with all intercultural processes, interfaces and intermediaries who act as “cultural translators” (by interpreting and adapting cultures) play an important role in minimising conflicts and misunderstandings that result from different ways of thinking, communicating, and working. A number of American parent organisations have called non-American, e.g. European or East Asian, managers to the head office and have given them strategically important roles. For example, a French manager, acting as an interface, might be put in charge of more and more projects that concern the subsidiary in France. In this way, the classic misunderstandings and problems between the Americans in the parent company and the French in the subsidiary can be reduced.
- To what extent are managers and employees actively involved worldwide in formulating the company values and codes of conduct? The objective must be to involve

employees from many different cultures in order to take account of the cultural diversity of international companies, and to achieve as great an acceptance as possible among the foreign subsidiaries.

- Are local managers and employees involved in implementing the corporate culture? Is the chosen approach defined by cultural relativism, rather than by ethnocentrism? Do the subsidiaries conduct social audits to obtain information about how local employees accept and apply new tools?
- In the end, human resources development, especially professional training, plays a crucial role. A particularly effective method during training aimed at informing and implementing the corporate culture is the integration of an intercultural approach. It is not enough to present and train the elements of corporate culture as a "simple" directive from the parent company. Rather, participants taking part in such a training measure should first be familiarised with the fundamental assumptions of the national culture of the parent company. These should then be placed into relation with the fundamental assumptions of the national culture of the subsidiary. The three cultural levels described by Schein (1986) should be used as a basis for this type of training. Then the national cultural values as well as the corporate cultural values can be put into perspective. Only then can the practical issues such as the code of conduct be dealt with. Therefore, we are concerned here with an intercultural approach that creates an understanding for diverging values, differing ideas, different ways of thinking and behaving, and misinterpretations, all of which regularly lead to conflict and misunderstanding. This intercultural approach forms the basis for a successful implementation.

Both on the practical and empirical level, but also on the academic and conceptual level, research into the international transfer of corporate cultures has not progressed very far. Implementing corporate cultures successfully on an international level can be achieved through an intercultural approach. Companies' attitudes and strategies concerning corporate cultures will then move from helpless global convergence to achieving constructive European divergence.

References

- Adler, N. (2002): International dimensions of organizational behavior, Cincinnati, OH.
- Barmeyer, C. (2000): Interkulturelles Management und Lernstile, Frankfurt a.M.
- Barmeyer, C.; Davoine, E. (2004): Chartes de valeur et culture(s) de l'entreprise internationale: les limites du transfert de valeurs globaux aux filiales locaux, in: IAS: Audit social, responsabilité sociale et développement durable: Vers une convergence Européenne?, Luxembourg, pp. 102-111.

- D'Iribarne, P. (2002): La légitimité de l'entreprise comme acteur éthique aux Etats-Unis et en France, in: Revue Française de Gestion, Sept.-Oct., pp. 23-39.
- Hofstede, G.; Hofstede, G. J. (2005): Cultures and organizations: Software of the mind, New York, NY.
- Lüsebrink, H.-J. (2001): Kulturtransfer – methodisches Modell und Anwendungsperspektiven, in: Tömmel, I. (Ed.): Europäische Integration als Prozess von Angleichung und Differenzierung, Opladen, pp. 213-226.
- Perlmutter, H. V. (1965): L'entreprise internationale: Trois conceptions, in: Revue Economique et Sociale, Vol. 23, No. 1, pp. 151-161.
- Peters, T. J.; Waterman, R. H. (1982): In search of excellence: Lessons from America's best-run companies, New York, NY.
- Schein, E. H. (1986): Organizational culture and leadership, San Francisco, CA.
- Schneider, S.; Barsoux, J.-L. (1997): Managing across cultures, London.
- Scholz, C. (2000): Personalmanagement – Informationsorientierte und verhaltenstheoretische Grundlagen, München.
- Scholz, C.; Hofbauer, W. (1990): Organisationskultur – Die vier Erfolgsprinzipien, Wiesbaden.
- Schreyögg, G. (1990): Unternehmenskultur in multinationalen Unternehmen, in: Betriebswirtschaftliche Forschung und Praxis, Vol. 42, No. 5, pp. 379-390.
- Seidel, F. (Ed.) (1995): L'Ethique des affaires et de l'entreprise, Paris.
- Stein, V. (2000): Emergentes Organisationswachstum – Eine systemtheoretische "Rationalisierung", München-Mering.
- Thévenet, M. (1986): Audit de la culture d'entreprise, Paris.
- Weber, I. (1997): Unendliche Welten – Die Science-Fiction Serie Star Trek als Entwurf von Kontakten mit dem Fremden, Frankfurt a.M.
- Weber, M. (1905): Die protestantische Ethik und der "Geist" des Kapitalismus, in: Archiv für Sozialwissenschaften und Sozialpädagogik, Vol. 20, No. 1, pp. 1-54.