FROM THE EDITOR

Mrs Truida Smit edited this issue, due to illness of Professor Venter.

DIFFERENCES IN NATIONAL CULTURE — THEIR IMPACT ON MANAGEMENT

There is a growing consciousness of the importance of organizational culture as a factor in management. There are many ways in which values and attitudes among both management and workers, and traditions and situations in individual organizations and in different industries affect strategy, action and results.

In South Africa there are striking differences even among businesses within the same industry, for example in retailing, in banking and in the tobacco industry. In considering these, numerous factors spring to mind which could be cause or effect of the differences, or both: The history and growth of the firm, the personality and goals of the top executive or top executives, whether the firm is either capital- or labour-intensive, financial structure, and market or product emphasis.

Besides these relatively visible determinants of cultural differences among organizations, there are other more subtle but deepseated differences among firms: On account of language or political alliance of the firm in general and of top management in particular; international associations, either as a subsidiary of a foreign firm, or due to close import-export dependencies and contacts; and in terms of geographical distinction between various regions, provinces, and lately also homeland areas.

If cultural differences are noticeable among businesses within one country, they are even more striking when cultures in different countries are compared. Recent research by Geert Hofstede* on the implications of "Lions' cultures and Foxes' cultures" for management refers to cultural differences among matched samples of employees of an international business organization in 40 countries and indicates that these differences "affect the types of political and organizational solutions feasible in countries, and that exporting solutions from one country to another is not warranted without adaptation."

He uses the distinction made by Machiavelli in 1517, that there are "lions' cultures" in which power is exerted mainly by force, and "foxes' cultures" in which power is exerted mainly by cunning, and relates this to the results obtained in his analysis of the norms and values of some 115 000 respondents in 40 countries working for the same multi-national company. Four main dimensions of difference among countries were distinguished: Individualism, Sex Role Differentiation, Uncertainty Avoidance (i.e. attitudes towards risk) and Power Distance (between people in a hierarchy, denoting degrees of autocracy). The last-mentioned two were regarded as being particularly relevant to the issues of participative management and decision-making, and here South Africa was close to the United States, Canada, the Netherlands, Australia and New Zealand with a relatively small uncertainty avoidance index, but with a larger power distance index (lions' culture) than its culturally-related countries. Anglo and Scandinavian countries and the Netherlands cluster together as having small power distance and small uncertainty avoidance indices; while German-speaking countries and Israel have small power distance and large uncertainty avoidance indices. Both these groups are classified as foxes' cultures.

On the lions' cultures side, with large power distance indices, the South-East Asian countries are low on uncertainty avoidance; while Latin, Mediterranean, Islamic and some other Asian countries and Japan have both large power distance and large uncertainty avoidance indices.

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shift of emphasis means and what it does not mean. It does not mean throwing caution to the winds and "spending for prosperity". It does not mean showing the green light for all sorts of public and private sector expenditure or for large wage and salary increases. It does not mean general tax reductions. But it does mean gradually relaxing the restrictive monetary and fiscal measures to the extent necessary to reverse the downward tendency in real gross domestic expenditure, and to ensure an adequate but not excessive increase in the money supply.

The precise way in which the economy is to be stimulated, is still under discussion. But in his policy announcement in August 1977 the Minister did mention various possibilities, including the selective stimulation of expenditure on housing in non-white residential areas and on schemes such as the electrification of Soweto, even if this involved the creation of some additional bank credit in the form of bridging finance. The Minister also referred specifically to the possibility of further export promotion. Moreover, in view particularly of the existence of considerable surplus capacity in manufacturing industries, he expressed support for the recent efforts of the private sector to encourage import replacement in respect of capital goods and intermediate goods, provided this was done on a sound economic basis.

What about inflation? Of course, inflation remains a serious problem. And it goes without saying that it remains a primary objective of official economic policy to reduce the rate of inflation below its present level of about 11%. But our inflation in recent months has not been the result of excessive money creation or spending. Nor has it been the result of excessive wage and salary demands by irresponsible trade unions. The shift in policy emphasis should accordingly not be inflationary in any sense. On the contrary, although the price indices have not yet fully reflected this, considerable progress is being made in removing the basic causes of inflation in South Africa, and there are grounds for believing that the rate of inflation will decline gradually in the period ahead.

To sum up, it is largely a question of balancing policy objectives. We need to strengthen our overall balance of payments further and to rebuild our gold and foreign exchange reserves to a more satisfactory level. We also need to reduce the rate of inflation to well below the present figure. To this end we have applied restrictive monetary and fiscal policies, and these have produced exceptionally good results in the form of a substantial improvement in the balance of payments on current account. Against this, the net inflow of capital has declined. To deflate the economy further would tend to be counterproductive. It would probably weaken rather than strengthen the capital account and would tend to erode the tax base. For this reason the recently announced shift of emphasis in official economic policy is in South Africa's best interests. The objective of official stabilisation policy now is to move with caution, but also with determination, to ensure that the new economic upswing gets under way in a manner which is not inflationary and which will assist in improving the capital account of the balance of payments.

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Numerous other studies have similarly indicated important national differences affecting management. In a *Business Management* article in 1977, vol. 8:1, Cummings, Schmikl and Blackburn also reported on differences relating to risk-taking propensity and to conciliatory versus belligerent attitudes.

It is essential that South African managers realize (as many of course do) that managerial approaches and solutions which may work well in other countries should not be transferred to South Africa without thorough consideration of cultural aspects which are bound to determine feasibility and success (or lack of these) here. This does not rule out benefitting from new approaches and insights in other countries. South African managers could learn much from their counterparts in countries such as Japan, Germany, the United States and France — but adoption of such approaches must be analytical rather than imitative.

Much more important than the understanding of these cultural differences by South African managers is, however, that multinational corporations, foreign investors in South Africa, and particularly governments in other countries, realize that solutions which work (or frequently don't even work) in their own countries cannot simply be transferred to South Africa. Whether they relate to business management or to politics these foreign solutions could easily be counter-productive.

To this day, few people have understood and adapted their behaviour to Blaise Pascal's insight (in the 17th Century) into the relativity of cultural norms, expressed in his dictum "Truth on this side of the Pyrennees, error on the other side".

* Hofstede, Geert: "Lions' cultures and foxes' cultures and the feasibility of self-management". Working Paper 77–22, European Institute for Advanced Management Studies, Brussels, October 1977.