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Capitalizing on Cultural difference: A Cross-Disciplinary Outlook from Social Psychology to International Business

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ABSTRACT

Drawing upon social psychology and international business literature the aim of this paper is to raise international managers and entrepreneurs' awareness on the opportunity to capitalize on cultural differences and diversity in international business settings. Following our quantitative and qualitative data collection based on managers' perceptions on cultural differences, we propose and illustrate the *sociocognitive* value of a group cultural laboratory as a potential "structured business practice" which enables to overcome the failing ethnocentric view in cross-cultural business contexts and leverage inter-individual/collective rather than intra-psychic construction of knowledge. We focus on opportunities rather than distance.

Keywords: cultural values, convergence of cultures, cross-cultural management cultural differences, awareness of opportunities generating from differences, group cultural laboratory

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1 - Introduction[1]

> *"An Anglo man visits a grave with some flowers. He notices a Chinese man placing a bowl of rice respectfully before a grave. Curious, the Anglo man walks up to the Chinese man and asks, "When do you expect your friend to come up and eat the rice?" The Chinese man replies with a smile, "The same time your friend comes up to smell flowers".*

Internet joke, with some modification
(Besemeres & Wierzbicka 2008: 70)

Drawing upon social psychology and international business literature the aim of this paper is to raise international managers and entrepreneurs' awareness on the opportunity to capitalize on cultural differences and diversity in international business settings.

By contributing on the debate on diversity and cultural differences perceived at management level, we illustrate the sociocognitive value of a group cultural laboratory as a potential structured business practice which enables to overcome the failing ethnocentric view in cross-cultural business contexts. We focus on opportunities rather than homologation offered by cultural differences.

1.2 Diversity as an opportunity

Diversity is likely to be beneficial rather than challenging or harmful under certain circumstances. This is the reason why a specific education to approach diversity free from rigid cognitive schemas and proactively is crucial for international business practices in light of the growing intra-national heterogeneity in many countries following the globalization of the world economy. When dealing with home and host country, differences are a fact, they cannot be ignored, therefore, we should get the best out of them. Diversity and differences lead to successful achievements and performances in international business if approached and managed with lenses free from that univocal view of the world that impedes integration. The fact that diversity fosters and stimulates the working and research environment is confirmed by recent publications in the social psychology research area. For example, diversity is a pillar in CERN (European Organization for Nuclear Research) (Cattaneo, 2014; Guretl, 2014, Phillips 2014; Plaut, 2014). A heterogeneous research environment fosters creativity as confirmed by cognitive psychologists (Cattaneo 2014).

Generally speaking, the skill and the opportunity to change cultural reference is an ingredient for creativity along with science, which is a creative activity of the human intellect *par excellence*. Working in a heterogeneous environment in which confrontation with people with different cultural backgrounds is not only a privilege but also an opportunity to widen one's own horizons trigger new ideas (Cattaneo 2014). Guterl (2014) confirms that the central role of diversity in working and research environments by arguing that diversity is the heart of efficient research and innovation. Working groups benefit from diversity because we react differently to whom is different from us. If the final objective is excellence, then diversity is a fundamental ingredient. Nevertheless, problems are not far from this issue since collecting reliable data on ethnic groups or social origin represent in impediment (Cattaneo, 2014). We are keen to measure diversity or distance though.

Human scientists collected a wide number of data at international level in order to measure perceptions of diversity, differences, "cultural distance", "psychic distance" of individual managers operating abroad (e.g., Hofstede, 1980; Kogut & Singh 1988, Child, Rodruigues,& Frynas, 2009) and they successfully contributed to the international business literature by increasing the resources about distance issues. Those studies are pillars in such discipline areas as international business, cross-cultural management and social psychology. However, they did not deal with the upside of cultural differences. Whereas, this article sheds light on the opportunities generated from cultural diversity and differences within an international-oriented company. In particular, it focuses on individuals who operate abroad (e.g., country managers, international entrepreneurs, agents).

1.3 Integrated perspectives of analysis: social psychology and international business

Before moving on to the content of the article, we will give you a general outline of the study. First, this article concerns the individual perceptions of differences and distance between home and host country, that means the degree of familiarity or unfamiliarity perceived by an international manager when working abroad, on site. Such terminology as "psychic distance" and "cultural distance" belongs to the international business area, while social psychologists generally use the expressions "cultural differences" and exclude "psychic distance" (Mantovani, 2006, 1998; Hannerz, 2001; Sciortino, 2003; Ambos & Håkanson, 2014, Johanson & Vahlne 2009, Shenkar 2001, Zaheer et al. 2012). We draw upon the research areas of international business and social psychology.

Second, the managers' perceptions analysed in this article concern the geographical areas of Europe and China and the entry mode of FDI, foreign direct investment. China is not only one of the most targeted countries as far as FDI inflows are concerned, but also has become dramatically active as a source of investments, generating FDI outflows for about 120 billion dollar, according to Rhodium Groups's estimation (Hanemann, 2014; UNCTAD, 2014). China's importance as a fruitful market of opportunities is also confirmed by the number of European funded projects involving its relationships with the West, especially Europe (e.g, European Union Seventh Framework

Programme, Horizon 2020). For example, according to the literature in the environmental industry, China's investment in Europe have been mostly attracted by France, the UK, Germany and Sweden and the Netherlands over the past few years, in terms of largest recipients of Chinese ODI and of number of deals (Cucino, Rodemer, & Bouée, 2013). Accordingly, the top management of the companies operating between Europe and China constitutes our target.

This article is structured as follows. The first section illustrates our theoretical background on diversity and "culture". The second section shows our quantitative and qualitative data, the third section discusses our results and our proposal regarding the group-cultural laboratory. Finally, we move to the conclusion.

2 – Theoretical background

The Russian scholars are considered the pioneers of the studies on culture, starting from Vygotskij (1934, 1978), who is one of the main pillars in social psychology. He considers culture as a source of generation of thoughts and knowledge. He paves the way to his followers on the topic, which is further developed by other colleagues, such as Anolli (2004), Mantovani (1998, 2006, 2007) and Van Dijk (2008), to name the most recent scholars.

We draw upon Mantonavi's (2006) and Vygotskij's (1934, 1978) dynamic definition of culture, thanks to the contribution of cultural psychology. Accordingly, it is about mediation systems enabling human beings to interact between them and within a specific physical environment. This implies that we cannot identify a specific moment in the past when culture was created because culture has always been with us, it is our way of living. On the basis of this perspective, the practice of mediation in intrinsic, even before speaking about conflicts, potentially occurring while communicating. Culture means participation, "sharing" (Anolli 2004), we are all plunged in a specific culture and in turn, we contribute to build it (Cole 1996, Mantovani, 2007). Every culture finds its expression through beliefs, individuals' conducts, every day practices, forms of expressions such as language or art. They are all artifacts (Vygotskij 1978, Cole 1996), meaning instruments used to implement individual activities, such as, a computer, a book (material artifacts) as well as such institutions as education and family (immaterial artifacts). According to Mantovani, (2006), these instruments enable individuals to get through reality.

There are two different interpretations of culture, which go hand in hand with each other (Mantovani 2006). The "reification" and the "narrative" view of culture. Reification is the most rooted interpretation and leads to distance perceptions. Accordingly, cultural differences have to be homologated. This is an ethnocentric, closed and static view of culture (e.g., investors exporting their company business model to the target market and they consider it the right way to approach it). The narrative view is more difficult to understand compared to the former, it is also more difficult

to carry out and accept. The narrative view highlights positivity, fosters a symmetric encounter between two different cultures, furthermore, leads to appreciate the benefits of diversity and differences in order to generate value from them. This is an open view of culture (e.g., investors who are open to confrontation and discussion with their target market counterparts).

Baerveldt and Voestermans (2005) refer to the concept of "sharing" - the same language, knowledge, practices, norms and values, Van Dijk (2008) sheds lights on the "context", proposing to avoid the term "culture". It is necessary to narrow the boundaries of its meaning in order to grasp the concept, this is the reason why he tends to avoid the wider and indefinite concept of sharing, referring to more specific features and levels, such as context, and language. Lewin (1951) supports the importance of the context, too. Accordingly, behavior is a joint function of a person and environment.

Anthropologists has developed an more dynamic definition of culture over the years, shedding light on such concepts as contamination, re-composition, differentiation, meant in a profitable and proactive way. After examining at least 150 definitions of culture, Kluckhohn and Kroeber (1952) developed a wider definition containing a variety of nuances characterizing cultural processes, especially the creative and selective skill of the human being. Accordingly, culture is a series of models - implicit and explicit - of behavior and for the behavior, which are received and conveyed through symbols. These symbols includes artifacts, that is, the materialization of symbols.

3 – Data analysis

Managers' perceptions of diversity and differences were collected across two phases, combining quantitative and qualitative data. The first phase of data collection (18 respondents) determined the second one, which was enabled us to conduct an in-depth analysis regarding the concept of culture (7 respondents).

3.1 First stage: quantitative research

Drawing upon international business research area, we used Child and colleagues' model (Child et al. 2009) to measure managers' perceptions through a 5 point Likert scale. Our target is composed by a number of European managers operating in China and met personally during my visiting research period in Beijing earlier this year. We reached our contacts thanks to international fairs on site and through European and local associations in China as well as European embassies. Due to the reason mentioned in the introduction by Cattaneo (2014), the small target is due to the difficulties experienced in the field in terms of data availability and a general skeptical attitude toward studies conducted by universities and research centers. Next to the international fairs and to the European embassies, our contacts were firstly approached by e-mail sent before traveling. The

embassies enabled us to have a trustful reference when interacting with the companies on site, in order to first explore their willingness to participate in the survey regarding our project aimed at analyzing FDI flows between Europe and China mainland in the environmental industry. Once becoming familiar with the local context and networks we acquainted and spoke with European investors willing to participate in our academic survey. We also approached managers providing services for environmental industry, such as IT services and which also have a "green" business concept.

Child et al. model (2009) is based on a series of factors regarding the cultural dimension, which are as follows: geographical distance, culture, language, level of education, level of technological development, level of economic development, logistics infrastructure, political system, legal system, regulations, accepted business practices and business ethics. On the basis of these features, the respondents were asked to evaluate firstly, their perception of difference between home and host country and secondly, the extent to which every single feature affects their business with the target country. Results showed that culture is the most relevant factor followed by language and geographical distance.

3.2 Second stage: qualitative research

The second step enabled us to conduct an in-depth analysis of the most relevant factor perceived by our respondents (culture). We submitted an open ended question regarding the meaning of "culture", according to their opinion and experience, which was analysed under a social psychology perspective.

The general definitions of culture provided by our respondents include the following: a "*common way of thinking of a group of people*", "*how people see and interpret the world*", "*how they behave to pursue their own values*", "*individual/collective values and practices*", "*communication and codes*". Such features as "*personal beliefs*", "*habits*", "*cultural practice*", "*religion*" and "*knowledge acquisition before traveling*", show that an individual shares some cultural knowledge with the host culture. "*Achievements through time and history*", "*society aspects (e.g., casts in India*), *economical aspects*, *age*, *hierarchical position and family (e.g., in Egypt*)", contribute to the meaning of culture. We can see that some cultures have specific priorities in terms of features, for example, as about values, we speak about the dualism between career and family. Also "*hobbies*" and "*own interests*" emerged.

Two of our respondents share the same view in referring to "*time and history*" when defining culture, for example the "*big achievements of a country*", *"the natural or man-maid disasters",* as well as "*religion and doctrines*". Culture has a specific position in time and space and depends on the nature and human being behavior and relationships.

One of our respondents highlights the importance of the education system and international schools for children: they got accustomed to the idea that there are many valuable cultures in the world and *"they live better thanks to this"*. These early stage intercultural interactions in life are fundamental in terms of openness toward other cultures.

We were provided with definitions containing Chinese culture-bound terms and references to local habits and customs as well as believes. For example, the presence of a little Buddha or the use of numbers meaning "good luck" is a must in the office as well as *feng shui*, which is related to the design of the office or the factory. In addition to this, *Guanxi* (关系) is another Chinese culture-bound term describing the basic dynamics in personalized networks. At last, *"for Chinese, culture is very important in international business relations"*.

Culture was also described as follows: *"a way of viewing things that happen around us and how we react to them"*, *"a common behavior to be held in common situations"*, *"not a compulsory rule but a wide accepted and recognized manner*s", *"a set of habits as something in which we are born"*. The same respondent applied the meaning of culture to a wide range of spheres going beyond the business context, such as, *"food, drinks, interpersonal relations, sport, education"*.

The concept was also referred to a specific level: *"national level, specific regions and provinces or larger areas"*, such as *"Europe"*, *"Middle East"*, *"Western and Eastern cultures"*. Our respondents referred to Child and colleagues' model (2009) in their meaning of culture, including such features as *"language"*, *"communication with the counterpart"*, *"business practices"* and *"business ethics"* in their provided definition.

"Knowledge of and attention to the cultural differences of the approached market" constitute the meaning of culture, too. Knowledge of the different values, behavior models, different business practices and styles as well as management practices and styles, adaptation of our own models to new markets. Knowing the markets is crucial to manage intercultural issues on site. Lastly, we were also provided with a lexicographic definition of culture, referring to a set of intellectual and cognitive knowledge acquired through studies and experience. This knowledge is personally re-elaborated at cognitive level and applied to the situation in context. Referring to the business activity, culture concerns the study of products, production quality and internationalization in terms of education to intermediates and agents working in the field on behalf of the entrepreneur. As about strategic culture, for example our respondent highlights the fact that is necessary to share the business model with the counterparts in order to confront it with the local culture and enrich it instead of keeping it for oneself.

We can see that all the meanings of culture provided by our respondents show their high level of awareness which brought them to be successful in the host culture in terms of achievements and good performances in their business relations. The highest awareness demonstration on intercultural communication issues was given by one of the respondents in terms of free cognitive schemas and

relative observation of reality: *"Being French, which is, unfortunately truly, often a meaning of arrogance and only self interest, I need to be even more careful"*.

4 - Discussion

Starting from the features included in the model, we moved between data and literature to identify coherence and consistency in the replies and we tried to answer to the following questions: what does the provided meanings of culture have in common? What is there behind the successful integration in the Chinese market by the European respondents? We could therefore identify a set of skills and knowledge that a successful international manager working in the field should posses.

Scholars built the following concepts on "culture", namely, "cultural competence", "cultural knowledge", "cultural sensitivity", "cultural intelligence", "contextual intelligence" (Johnson et al, 2006; Earley, 2002; Khanna, 2014; Thompson, 2002), which are key ingredients to fill the gap between home and host country. Our replies show that respondents have acquired those skills and tools by experience in the field and by prior and personal knowledge which lead them to success in the host culture.

Behind this varying terminology we can find some common constructs, such as, cognitive, affective, motivational, behavioral constructs, which perform together to develop cross-cultural skills and the needed knowledge to function effectively in the target country. Johnson, Lenartowicz, and Apud (2006) refer to "cultural competence", which is determined by a set of skills, knowledge and attributes. Cultural competence is influenced by "ethnocentrism" and "cultural distance" in business contexts. Ethnocentrism has a negative effect on an individual's ability to respond appropriately to cultural differences in the workplace, for example, Hofstede (2001) refers to "institutional ethnocentrism", which can be discussed at individual level of analysis and at organizational level. In international business corporations it is defined in terms of imposing on affiliates abroad the headquarters' "ways of working". It represents the persistence of structures, processes and management mentalities imposed by the parent organization, even when it is not appropriate to do so. Cultural competence can be defined as a measure used to assess the appropriate and effective use of cross-cultural knowledge, skills and attitudes in an international business situation. Still, Earley (2002) argue that cultural knowledge and cultural awareness are necessary but not sufficient to perform effectively in a cross-cultural setting, since an individual should have the motivation to use the knowledge available. The motivational factor is a common shared feature possessed by our respondents and can be identified as the gear of the cross-cultural interaction and integration.

Nevertheless, reliance on the number of years of international business experience is not necessarily a good surrogate for cultural sensitivity. In this regard, training, workshops focusing on such skills

as adaptation and monitoring may be more important. Furthermore, training programs need to incorporate the range of knowledge that exists for host countries (Loyd, Wang, Phillips, & Lount, 2013). Alike cultural competence, which focuses more on performance (doing) rather than on a set of knowledge, abilities an skills (knowing), cultural intelligence reflects a person's capability to adapt as s/he interacts with others from different cultural regions. It is about how to learn and implement cognitive skills that allow to function effectively in a new culture, the motivational boost to adapt to a different cultural environment and the ability to engage in adaptive behaviours (Earley & Ang, 2003). Along with Gertsen's "cultural competence" (1990) the literature shows other examples of sets of competences, such as "global" and "transnational" competence (Adler & Bartholomew, 1992; Adler, Graham & Schwarz Gherke 1987). Hofstede (2001) and LaFromboise, Coleman, and Gerton (1993) refer to a process of intercultural communication competence. According to Hofstede (2001) it involves awareness, knowledge and skills and personality factors also affect the intercultural competence and LaFromboise et al. (1993) go deeper, proposing a series of specific competence to possess, such as negotiating the institutional structures of that culture, maintaining active social relations within the cultural group, communicating clearly, displaying sensitivity, knowledge of the beliefs and values. Achieving this cultural sensitivity depends on developing both shared frames of meaning and different forms of trust, enablling to negotiate a common understanding which is of significant strategic importance (Shapiro, Ozanne, & Saatcioglu, 2008). Finally, "cultural confidence" can be defined as the ability to understand and master cross-cultural business situations, persevere and do the right things when needed (Earley & Mosakowski, 2004). In short, it represents the set of skills to be provided to our target of international managers and entrepreneurs in our proposed group cultural laboratory, which is described in detail in the next sessions.

4.1 The sociocognitive value of the group cultural laboratory

On the basis of the extant literature and the support of our data, we propose a cultural laboratory addressed to international managers aimed at re-thinking diversity and capitalizing on cultural differences. The idea is to structure the laboratory on a group basis. Studies supporting cultural trainings started more than ten years ago, for example, Leiba-O'Sullivan's study (1999) on the efficacy of cultural training shows that it improved expatriates performances since it enables the individual to learn contents and skills that will make cross-cultural relationships easier by reducing misunderstandings and inappropriate behaviors. We can also find detailed contributions in the research area of social psychology. In many theoretical perspectives social interaction - in terms of development of cognitive, relational and personal competences - plays a crucial role, despite our *individualistic* culture (Triandis 1995), which supports the *do it on your own*-way rather than the *do it with the others*-way. As a matter of fact, scholars such as Lewin (1951), Bion (1961), Lai (1963),

are some of the pillars on group dynamics as an instrument to teach, learn and educate for the sake of the social construction of knowledge. They support the social interaction and the communicative exchange in the learning process (Quaglino, Casagrande & Castellano, 1992). Vygotskji (1934) was one of the first supporters of the sociogenesis in the learning process followed by Mugny and Carugati (1987) on *sociocognitive* conflict and other scholars such as Pontecorvo, Ajello and Zucchermaglio (1991) on the role of discussion in the construction of knowledge (Galli, 1976; Pojaghi, 2000a, 2000b, 2002, 2008).

The "change" that occurs in interpersonal relations has a crucial and positive value in terms of group dynamics and this is one of the reasons we have chosen to work on a group basis. Such opportunities as benefiting from each other's skills and qualities of each member as well as constructing a well-structured knowledge from confrontation, discussion and conflict give added value to a group cultural laboratory (Nicolini & Pojaghi, 2000; Pojaghi, 2000a, 2000b).

World and social knowledge is the result of our cognitive system along with culture and social influences. Despite its inexplicable intricacy and sophisticated mechanism, our cognitive system is fallible due to our need to manage multiple stimuli and not all of them can be easily understood and deciphered. In order to raise awareness on how to manage the learning process by selecting, controlling and verifying strategies (Billing, 1996) it is crucial to untie and re-think the cognitive and socio-cultural models we use. To this purpose, an integrated approach - combining an individual and a multiple approach - is essential to construct one's own knowledge according to a critical method which is necessarily free from rigid schemas.

The group based work goes beyond the intra-psychic learning dynamics fostering dialogue, hence, it is an effective inter-individual learning process along with the opportunity to work on how we construct our knowledge, how we interpret and judge the world thanks to confrontation and conflicts between members. In this way we foster a critical knowledge aimed at adopting a relative rather than an absolute point of view, negotiating our perspective with the one of the other members, therefore we are able to construct a new collective knowledge in a dynamic way.

"Conflict" in this context deserves particular attention. Generally speaking, conflict is considered something to avoid but at the same time we are also skeptical about reaching consensus and cohesion in negotiations and deals. Scholars demonstrate that the term conflict has a double interpretation and usage. Not only it is a synonym of crisis, breaking up, but also entails an opportunity for dialogue, change, creativity and space for new ideas. Due to the fact that we fear diversity and conflict and because we approach them according to rigid schemas, we land up in compromise or conformism attitudes.

In short, the effectiveness of the group cultural laboratory resides in the inter-individual activity. It enables to raise managers' awareness on adopting a relative rather than an absolute view of the world thanks to the opportunity of confronting it with the other group members. Confrontation,

room for change, capitalizing on differences rather than homologating them, paying attention to listen to the others, explaining and discussing one's own viewpoint by using an appropriate language and being able to "lose" something can be the core strengths of the group work.

In order to take advantage of the *conflict* it is necessary to explain, re-structure one's own thought and make it understandable and arguable. Finally, the group's objective can be reached thanks to the contribution provided by every single member, that is, what we call awareness of *interdependence*. In this way, the individual gets accustomed to the peer-to-peer cooperation and fosters the construction of knowledge.

Critical knowledge, sensitiveness in adopting a relative point of view, negotiation, shared construction of knowledge in a dynamic way occur when interactions turn to integration they result (Moscovici & Doise, 1991; Quaglino et al. 1991). Accordingly, developing such a filter and relativity as well as awareness, enables to read the reality, elaborate social stimuli, understand how the world can be represented, interpreted and sometimes deformed by using effective strategies to prevent such social dynamics as prejudice, stereotype and categorization.

4.2 Cultural laboratory syllabus

Our laboratory which represents a potential for change in its method, is meant to develop in two phases and contain several tools. We suggest it should be managed by a person with the following characteristics: group leadership and coordination skills, good command of intercultural issues and free cognitive schemas when approaching cultural differences and diversity.

The first phase is aimed at sharing the group objective and method. Break the cognitive and socio-cultural schemas in the relationships with the other individuals is the aim of the cultural laboratory, in particular. The second phase is based on the co-construction of elements representing the cultural difference. Through free associations and multimedia material participants try to raise their awareness on a series of issues, such as the co-existence of numerous ways to interpret reality and business dynamics along with the opportunity to integrate rather than choosing according to a cooperative versus competitive logic.

5 - Conclusion

This study shows how the integration between international business and/or economics and social psychology is important, in order to understand and overcome ethnocentrism successfully as well as the difficulties that the international managers and entrepreneurs face in different cultural settings. The inability of the firms and their managers to adjust to the demands of the international business environment has been advanced as one of the primary causes of international business failures due to the inability to appreciate and leverage the many cultural challenges of doing business abroad.

The group cultural laboratory which we proposed may be a practical tool and suggestion in terms of becoming a "structured business practice" within the cultural organization of the firm.

We argued that "difference" and "diversity" are like a coin with two sides. For example, not only difference stands for what mainstream studies call "distance" but also stands for "opportunity". It is necessary to think outside the box, free from our own cultural schemas in order to appreciate diverse cultures. In this regard, a tailored group-laboratory plays a crucial role in a business cultural organization because helps to raise awareness on the limits deriving from an absolute and univocal vision of the world – in economics, politics, and relations. The proposed group cultural laboratory enables early-stage international managers to perform effectively in a cross-cultural setting. Thanks to the inter-individual and combined approach, the acquired awareness in boosting cultural differences and diversity will lead them to re-think and re-structure their cognitive schemas according to the new business setting. Such dimensions such as knowledge, skills, abilities and behavior are key ingredients for an effective approach and to work in the foreign environment. To conclude, one of the limitation of this study resides in the difficulties to collect a higher number of quantitative and qualitative data, as mentioned in the introduction of this study.

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