The political dimension: added value for cross-cultural analysis

Nozawa and Smits, two CEO's and their public statements

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The Political Dimension: Added Value for Cross-Cultural Analysis. Nozawa and Smits, Two CEOs and Their Public Statements

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ABSTRACT. Work-related cultural differences, which were familiarized by scholars such as Hall and Hofstede, offer important concepts to help us understand various forms of cooperation and communication. However, the predominant focus of cultural analysis on collectivistic harmony prevents us from gaining an understanding of strategy and conflict. In an attempt to grasp how conflicts are handled, a political analysis can provide new insights. This is illustrated by a comparative study of two CEOs who gave public statements concerning management failure: Shouhei Nozawa of Yamaichi and Paul Smits of KPN. Their statements were strikingly different in several ways, but the classical insights of cross-cultural analysis can only partly explain the differences. This is where political analysis comes in, focusing on interest relationships, responsibilities and virtues, tactics and strategy.

KEY WORDS: cultural differences, political analysis, public statements, responsibility, *makoto*, *spijt*, CEO, Nozawa, Yamaichi, Smits, KPN

Introduction

The study of national cultural characteristics tends to assume that the culture and organization it is looking at are collectivist and harmonious in nature. In real life, however, cultures and organizations experience conflict. Work-related cultural differences, which were formulated by Hall, Hofstede and other scholars, offer concepts that are crucial to understanding different forms of cooperation and communication. These concepts shape our expectations of organizational behavior and an organization's key representatives and communicators in particular. Though

work-related differences certainly have some validity at a national scale, they do not account for forces that come into play at a micro-level. Those who use cross-cultural analysis to understand organizational behavior in different cultures need to go further than the collectivistic harmony model and consider the factors at play in times of conflict. This is where political analysis can prove its worth.

Nozawa and Smits

In the past two decades, it has become fairly commonplace for CEOs to account for management failures directly in front of television cameras. Although these situations tend to share many features, they can also differ sharply in attitude and presentation. Two such public statements show enough similarities and differences to warrant comparison: a 1997 statement by the CEO of Yamaichi Securities in Japan and a statement given in 2001 by the CEO of KPN in The Netherlands. We shall begin by examining the similarities between the two companies.

Both Yamaichi and KPN were over a 100 years old, well-established and well-connected with government. In the period preceding the press conferences, both had made investments that proved unprofitable – partly due to market developments. Their troubles had been relatively sudden. Confronted with the threat of a KPN bankruptcy, the Dutch government and banks decided to throw the company a lifeline. In Yamaichi's case, however, neither the state nor money lenders would help. Both companies had to deliver the same bad news: due to management blunders, hundreds of

employees would have to be sacked. KPN and Yamaichi both opted to call a press conference so they could deliver the news to their employees and the media.

This is where the main differences begin. On 24 November 1997, Shouhei Nozawa stood before a crowd of journalists, bowed frequently, took the blame and publicly wept. He apologized to a wide audience and accepted full responsibility for the management failure. At the other press conference, on 25 October 2001, KPN's Paul Smits sat down, read his statement, and rounded off with his expectations for the near future. He seemed unmoved, and took no responsibility at all. Neither of the two CEOs behaved as one would expect based on the cultural difference theories of Hall and Hofstede. These apparent exceptions deserve further analysis and explanation.

Our argumentation is three-tiered. First, we will use Hall and Hofstede's concepts to analyze the general behavior of the Japanese and the Dutch. This will enable us to give an initial interpretation of Nozawa and Smits's statements, although some questions will remain unanswered. Next, we will switch our focus to the political playing field: the promotion of interests, the responsibilities and virtues involved, and the criteria for appropriate strategic action (Morgan, 1986; Mumby, 2000). This leads us to an explicitly political (and to a degree ethical) analysis of the CEOs' behavior. In closing, we will argue that political analyses can be a valuable supplement to cross-cultural understanding.

Cultural analysis 1: Hall's work-related concepts

As shown by Hall's anthropological research in 1976 and confirmed by Ting-Toomey in 1999, three cultural concepts are of key importance to work-related interaction: context communication, awareness of moral misbehavior and face.

Broadly speaking, human interaction can be divided into Low-context and High-context communication. In Low-context communication, intention or meaning is expressed through explicit verbal messages: ''200 people will be fired!'' In High-context communication, meaning or intention is conveyed through social roles and non-verbal gestures, such as silences, pauses

and tone of voice. High-context is indirect, so the message can be found in what is omitted: ''We'll have to find new arrangements in which the costs of labor are reduced …'' The Dutch are well-known for their Low-context communication style; the Japanese for High-context.

Inappropriate or immoral acts can be called moral misbehavior. When the actor becomes aware of this behavior, he experiences this in one of two ways (Benedict, 1946). In a guilt culture an individual is thrown back upon himself and questions his own conscience: 'What have I done?' This leads to individual deliberation, the outcome of which may be repudiation, repentance or regret. In a shame culture a person is directly linked to others in the in-group: 'What will they think of me?' Because the entire family, group or organization is shamed, the wrongdoer is likely to be subjected to social sanctions. Most Western European cultures are guilt cultures. East Asian cultures are predominantly shame cultures.

The term 'face' links issues of respect to identity. Face is a claimed sense of social esteem or regard that a person wants others to have for her. As her source of identity, it is vulnerable, easily threatened or undermined; she will not always be accorded the esteem she had expected. Especially in organizational interaction across cultures, it takes moral sensitivity to honor others' face and to help others save face. This sensitivity is strong in Japan, but poorly developed in The Netherlands.

In Table I these three classical concepts are applied to each country.

Cultural analysis 2: Hofstede and Hofstede's dimensions

Based on his extensive company research data, Hofstede (2001 [1980]) and Hofstede and Hofstede (2005) first constructed four dimensions of cultural difference. These dimensions are called: masculinity vs. femininity, uncertainty avoidance (from weak to strong), power distance (from low to high) and individualism vs. collectivism.

Masculinity refers to a set of values and practices associated with the traditional male gender role. The basic terms are: assertiveness, competitiveness, ambition and wealth. Conversely, femininity refers to values and practices associated with the female gender role.

TABLE I

Classical work-related anthropological concepts

Concepts	Japan	The Netherlands
Context communication	High	Low
Awareness of misbehavior	Shame culture	Guilt culture
Face saving	Strong	Weak

Here the basic terms are: relationships and quality of life. Cultures can be characterized as more prevalently masculine (Japan) or feminine (The Netherlands).

Uncertainty avoidance reflects the level of anxiety about the future. In cultures where this level is high, people tend to experience a higher degree of stress and develop strategies that provide them with a sense of certainty. Well-known strategies to create certainty are: clearly rule-guided behavior and saving money as opposed to spending (Japan). If the level of uncertainty avoidance is low, these strategies are of less importance (The Netherlands).

Power distance refers to the extent to which less powerful members of institutions and organizations in a given culture expect an unequal distribution of power and accept this distribution. Institutions in this context are the basic elements of society: the family, school, community, etc. Organizations are the places where people work. In terms of power distance, there is little difference between the Japanese and the Dutch.

In cultures strong in individualism, individual identity and rights are given greater emphasis than the identity and rights of the group. The culture focuses on individual responsibility and personal autonomy (The Netherlands). In collectivist cultures, the we-identity is seen as more important than the I-identity, and the in-group's needs outweigh individual needs. The central focus is on interdependence, harmony and in-group collaboration. Japanese culture is somewhere between individualism and collectivism.

Ongoing research has shown that these four dimensions do not adequately reflect all the cultural differences between West and East. Following earlier research by Bond, Hofstede and Bond in 1988 introduced a fifth dimension they initially called Confucian dynamism. They discovered that countries

like Japan are especially strong in future orientation, adaptation and perseverance. The opposite of this is a focus on short-term orientation: focusing on the past and present, adhering to tradition and seeking fast results. This dimension is now known as Long- and Short-Term Orientation. The Dutch score moderately on this scale.

In Table II, the Japanese and Dutch scores on all five dimensions are presented according to updated research (Hofstede and Hofstede, 2005).

Applying Hall and Hofstede to the public statements

What does the cross-cultural research of Hall and Hofstede tell us about the public statements made by the Japanese and Dutch CEOs?

Based on Hall we would expect Nozawa to use High-Context and strongly non-verbal communication, explicitly referring to social roles. His organization had been shamed, so social sanctions were in order. In order to save the organization's face* he would be expected to seek a public form of ritual purification, if necessary at his own expense. We would expect Smits to use very Low-Context communication based on explicit messages. As the individual responsible for mismanagement, he needed to make clear whether or not he felt regret. Saving face would be of little concern to him. Buruma (2003) was probably right to caution against the notion of a clear division between shame and guilt cultures since such a sharp split is seldom found. However, the division is clear in the Nozawa–Smits comparison, although Nozawa confirms his sense of shame, while Smits seems to suppress his guilt. Hall's three classical work-related concepts appear to hold water so far.

Based on Hofstede, we would expect Nozawa to play the traditional masculine role: competitive and assertive action. He would act to reduce uncertainty through rule-guided behavior. The power distance in his actions would be moderate as well as the level of individualism. His orientation would probably be long term. Instead, what we witnessed was a CEO who publicly expressed regret for the shame he had brought upon his organization. Nozawa stood up, bowed, wept and apologized. In so doing, he was attempting to win back society's esteem for his organization. Acting neither competitively nor assertively,

TABLE II

Dimensions of cultural differences for Japan and The Netherlands

Dimension 1–4	Japan Rank (0–74)	The Netherlands Rank (0–74)
Femininity (vs. masculinity)	2	72
Uncertainty avoidance	12	53
Collectivism (vs. individualism)	34	6
Power distance	50	61
Dimension 5	Japan Rank (0–39)	The Netherlands Rank (0–39)
Long-term orientation (vs. short-term)	4	14

he displayed unusual behavior for a CEO. The power distance was reversed. His self-sacrifice went hand in hand with an appeal to collectivism. All of his behavior was oriented towards a long-term goal.

Hofstede's ideas would lead us to expect Smits to play a feminine role, to nurture existing relationships through gentle and considered action. Uncertainty avoidance and power distance would probably be moderate, while individual responsibility and personal autonomy would be strong. He would be expected to focus on the mid-term future. What we saw, however, was a CEO who publicly announced the bad news. Smits sat down, seemingly unmoved, and read out his statement. He was neither gentle nor careful. He avoided uncertainty by sticking to rule-guided, safe behavior. Like a stereotypical authority figure, he remained sitting behind his desk, avoided personal eye contact, spoke monotonously and expressed a high power distance. In neither word nor deed did he accept responsibility. He simply stated facts and announced decisions.

Smits confirmed the expectations of long-term orientation, but also defied some of the expectations based on the original four dimensions. See Table III for comparison.

Of course, the dimensions are averages from which individual cases always deviate to some extent. Therefore, there are always some differences between expectations and reality. In this case, however, the differences are striking. This is not just an exception that proves the rule. Hofstede uses a concept of culture that assumes consistency and homogeny. There is little room for social variation, diversity and power struggle. As Holden (2002) pointed out, culture is as much about ways of handling conflict as it is about harmony. The way a culture handles conflicts can be grasped by focusing on politics: on the way people try to negotiate a viable course of action (van Es, 1996). We must therefore return to the comparison at hand and expand it by considering other factors: individual and group interests, status, responsibilities and strategies (Clegg et al., 2006; Mumby, 2000).

Strategies and governments

In the late 1990s, it was KPN's ambition to become one of Europe's top three mobile communication providers. The company made large investments in licenses, shares and takeovers. In 2 years' time, KPN ran up large debts, putting itself in a vulnerable position when the telecom market hit a crisis in mid-2001. As one of the largest shareholders, the Dutch state was entitled to appoint three of the six commissioners on the board. The government had had a substantial influence on the company's strategic choices and felt obliged to help. Paul Smits had joined the board of directors in 1998 and risen to chairman in 2000. As such he was accountable for the decisions taken to help KPN achieve its goal. Although Smits was an important factor in the company's management failure, he did not take personal responsibility for it at his press conference (Pels, 2002).

In the early 1990s the major Japanese securities dealers decided, after consulting with the Ministry of

TABLE III

Expected behavior (E) and actual behavior (A) of both CEOs

Concepts	Nozawa	Smits
Context communication	E: high	E: low
	A: high (non-verbal)	A: low (only verbal)
Awareness of misbehavior	E: shame	E: guilt
	A: explicit shame	A: none, possibly suppressed
Face saving	E: strong	E: weak
	A: strong (at personal cost?)	A: weak

Dimensions	Nozawa	Smits
Masculinity vs. femininity	E: assertive	E: non-assertive, careful
	A: non-assertive, careful	A: assertive and indifferent
Uncertainty avoidance	E: strong – following rules	E: modest
	A: weak – taking the blame	A: strong – following rules
Individualism vs. collectivism	E: middle ground	E: middle ground
	A: collectivist	A: individualist
Power distance	E: moderate	E: moderate
	A: low	A: high
Long-term orientation	E: strong	E: middle
	A: strong	A: middle

Finance, to directly compensate losses suffered by their key clients. The Finance Ministry feared that major losses by these clients – Japan's largest firms – would drag down the Japanese market (Yoshimura and Anderson, 1997, p. 96). The securities dealers could even deduct some of the cost of paying this compensation from their taxes (Fennema, 1996). Smaller clients were not compensated, and when the policy became public knowledge, the Ministry of Finance denied playing any role. Yamaichi introduced an illegal Tobashi scheme in order to continue compensating its key clients. In the mid 1990s, this scheme dealt a major blow to the company's financial position. Nozawa was hired as CEO just a few months before his press conference. In this period he discovered that aside from Yamaichi's declared debt, there was also a huge hidden debt. He decided to ask the Ministry of Finance for help. Normally the ministry would permit a company like Yamaichi to adjust its accounting procedures while arranging a 'rescue' by a strong bank (Amyx, 2004, p. 162). But because Yamaichi was involved in an illegal scheme, the request was turned down. Although Nozawa had not been to blame, he took full responsibility for Yamaichi's bankruptcy at his press conference.

Status, position and decisions

Both Yamaichi and KPN were well-respected companies when their CEOs gave their press conferences. The CEOs were powerful people, yet they had to live up to specific expectations concerning status and decision making. In The Netherlands status is based on education and income, but also on being a team player. As a figurehead, a Dutch CEO promotes the interests of the company and especially of its management team and stockholders. The hierarchical structure of Japanese firms is often described by using the metaphor of the family. Status in a company or family is based on age and experience. A Japanese CEO, as the figurehead of a non-genetic or extended family, to a great extent also promotes the political, economic and sociological interests of the family outside the company. Caring for the individual is not a central value of the extended family.

In Japanese culture, avoiding social embarrassment is of the greatest importance (Yoshimura and Anderson, 1997, p. 46). The Japanese manager knows who belongs to the inner circle. He understands whose expectations must be met to avoid social embarrassment. He does not prescribe the personal decisions and behavior of the insiders. He does not tell them what to do, he only tells them what he himself would do in their situation. In the end they have the freedom to make their own decisions. In practice, deviation is possible, but not likely. If the process is conducted appropriately, this will be reflected in the results.

The Dutch justify their process of decision making by focusing on the expected results. Personal decisions and behavior are influenced directly by colleagues and by relatives. Individuals are told, in a reasonable way, what is expected of them. Others assume they know what is good for every individual. Sooner or later everyone is expected to conform, although slight deviation from the norm is tolerated. Paul Smits, KPN's figurehead, was expected to set clear targets; he was not expected to define the process.

The locus of responsibility

To have a moral responsibility means feeling obliged to justify decisions before all relevant stakeholders, i.e., everyone who will directly benefit or suffer from these decisions. Actors have different attitudes towards moral responsibility, ranging from denial to anticipation (van Es, 2004). While Nozawa explicitly took responsibility, Smits implicitly denied responsibility. Not surprisingly, these opposing positions are linked to different frames of mind.

The Japanese tendency to follow the appropriate process is in line with the culture's perception of morality. According to Carter (2001, p. 126), Japanese ethics does not distinguish between the individual as a solitary being and the individual as a social being: they are both operative at the same time. Therefore, a distinction is rarely made between domains of ethics (such as personal and professional). The positions of people within the network, and their responsibilities, are in line with the unwritten rules of this reference group or quasi kinship social organization (Miyanaga, 1991, p. 126). Within this

group, everyone performs a task that helps order the social space. The social system survives even when an economic structure collapses. If a company ceases to exist, former colleagues still show each other the same formal respect. Responsibility mainly exists, and is justified, within the context of the social system and its processes. For Nozawa, this social system comes first.

The tendency of the Dutch to justify their behavior by focusing on the desired result leads them to make distinctions between personal, professional and public ethics. Responsibility primarily rests on the shoulders of the individual. The Dutch use formal job descriptions to link specific duties and responsibilities to the individual. Smits was ultimately responsible for the entire workforce, but only indirectly. In Dutch culture, the political–economic system is the basic force that keeps the company alive. As soon as this system breaks down, the social system usually collapses too. Therefore, Smits was primarily responsible for preserving the political–economic system inside and outside the organization. This comes first.

Makoto and *spijt*

Nozawa and Smits are about the same age. They both received their basic moral education in the 1950s and early 1960s. To understand how they behaved we need to understand what virtues are important to people of their generation. In everyday life in Japan, responsibility is inclusive. People have a moral obligation to promote the legitimate interests of those who belong to the same reference group. This does not stop at the gate or after working hours. Members of the same group share responsibility for each other. When a person is partly accountable for any wrongdoing, he is willing to take overall responsibility and expects others to do the same (Akiyama, 1984). Cooperation generally consists of defining an appropriate process to deal with a given task. If that process is executed sincerely and honorably, the person who carried it out will not be blamed for any unexpected poor results (Yoshimura and Anderson, 1997, p. 51). Perseverance, persistently maintaining a point of view that was once endorsed by the group, is a virtue known in Japanese as *makoto*; it is a mark of sincerity and honor.

Therefore, the Japanese regard nuances or shades of grey as undesirable and dishonorable.

In everyday life in The Netherlands, responsibility is exclusive. People are morally obliged to promote the interests of their relatives. Individuals are responsible for doing their job, and all citizens are expected to obey the law. People feel responsible for family and close friends and for doing a good job. Group identity is limited, and relatively few people feel responsible for society as a whole. When a person is partly accountable for a wrongdoing, she will not feel accountable for the whole, but only for the specific part she played. She will expect others to feel the same. For most Dutch people of Smits's generation, moral behavior is based on virtues and vices. A basic moral virtue would be *spijt*, or regret, the feeling of having neglected duties. A willingness to deviate from a once-preferred point of view is interpreted as sincere and modest. Therefore, the Dutch regard shades of grey or nuances as reasonable and desirable.

Statements, scandal and tactics

Five factors usually turn a news item into a scandal (Thompson, 1997, p. 39): the violation of moral codes, the awareness of these codes by non-participants, the disapproval of this violation by these non-participants, the expression of their disapproval to a wider audience and the harmfulness of this revelation to the reputation of the violator. Nozawa and Smits knew what they were doing. In preparation for their press conferences, both CEOs thought about what they would present and how. Nozawa, in fact, openly referred to all five factors and created a scandal, while Smits invoked none of them and tried to avoid a scandal.

A typically Dutch reaction to scandals is to employ a dual defense mechanism (Van den Berg, 1997, p. 181). The first part of this mechanism is to deny the existence of a scandal, which leads to lengthy investigations. The second part is to call attention to the shades of grey in the findings of investigations, as if to tell us things are not as bad as they originally seemed. So by denying the scandal, Smits was displaying common Dutch behavior. He knew the KPN failure had been at least partly due to his own mismanagement, but he drew a sharp distinction between himself and KPN. He was only partly responsible for the decision

making. Therefore, showing regret was not an option. If Smits had admitted his own failure, the principle of being partly responsible would be held against him and his colleagues. The media would then have asked: 'What about the others? Shouldn't you all bear the consequences?' By totally avoiding the question of responsibility, they could all keep their jobs. KPN decided to handle its failure by presenting facts and decisions in a purely rational and cool manner. In the end, Smits acted in the interests of his management team, the stockholders and his immediate family.

Creating a scandal to manipulate public opinion is a Japanese way of putting an end to a practice that is no longer beneficial to the extended family. The scandal brings pressure to bear and increases the need for change. New power structures come into being, and new expectations can be formulated (Fennema, 1996, pp. 149–151). By creating a scandal, Nozawa showed common Japanese behavior. The Yamaichi failure was caused by his predecessors, but Nozawa took full responsibility nonetheless. He made no distinction between himself and Yamaichi. He continued to carry out his work as CEO and in so doing showed sincerity and honor: *makoto*. A rapid reorganization was now possible, and the people who caused the problem would recede into the background. Nozawa eventually lost his position as CEO. But showing *makoto* and creating this opportunity for a new balance of power gained him great respect from the people of Yamaichi. They felt deeply indebted to him. Nozawa had acted first and foremost in the interests of his extended family.

The added value of political analysis

Nozawa's public statement was an example of a senior CEO taking care of his extended family business. Although he was not to blame for the management failure, he took full responsibility and demonstrated *makoto*. For this, his extended family was indebted to him. The scandal paved the way for a rapid reorganization, removing the real causes of the management failure. It allowed the company to find a new balance of power. Smits's public statement was an example of a CEO protecting the economic interests of his management team and his company. Although he was the cause of the management failure, he took no responsibility and demonstrated no *spijt*. His management

TABLE IV

Political analysis of Nozawa and Smits's behavior

Point	Nozawa	Smits
1. Responsibility	Takes responsibility explicitly, but is not the cause of failure	No responsibility is mentioned or taken, even though he is the cause of failure
2. The individual and his criterion for action	The individual feels part of the extended family: therefore, he promotes its interests	The individual is on his own, but part of the management team: this is his criterion for promoting the company's interests
3. Status indicators	Age and experience	Education, income and team player
4. Appropriate virtue	*Makoto* is demonstrated by continuing his task as a CEO (link with 2 and 7)	*Spijt* cannot be shown because it would threaten his MT (link with 2 and 7)
5. Goal of public statement	To create a scandal	To avoid a scandal
6. Tactics	Rapid reorganization	Dual defense mechanism
7. Strategy	New power balance	Stay in control

team and immediate family owed him deeply. By avoiding a scandal through the dual defense mechanism, Smits ensured that negative publicity would soon subside, leaving his management team in place after learning their lesson the hard way.

The analysis presented above can be summarized by comparing Nozawa and Smits's behavior on seven points (see Table IV).

These two management styles, which at first glance seem to be quite different, turn out to be quite similar examples of professional behavior by CEOs operating in different cultural contexts. In Japan, the professional manager takes care of the social system first, because this normative support system carries both himself and the organization at the same time. In The Netherlands, the professional manager takes care of the economic system first, because this normative support system carries the organization and his future career. Despite the striking differences in how they fulfilled their public responsibility, both CEOs acted as highly professional managers within their own culture. The context dictated how they acted, but their professional intentions and awareness of the normative support systems were by and large the same.

Conclusion

If so much depended on political fine-tuning, we might ask whether it worked. For Paul Smits and KPN, it did. The 2001 reorganization of KPN's telecom division was successful. Smits was replaced as CEO in 2002, but went on to become CEO of KPN Mobile. Shouhei Nozawa also took the right approach. Not long after his press conference, seven former Yamaichi employees and a group of lawyers started an investigation. In their report, Nozawa was cleared of mismanagement. Highly praised for his role, he was soon rehabilitated. After working for a few years in a low-profile position at Yamaichi, he retired with honors. So in both cases, the normative support system was satisfied and paid back.

Hall and Hofstede's cultural analyses provide us with a rough sketch that is useful for initial orientation. Actual work-related practices within (and between) organizations can follow quite different patterns, as we saw in the Nozawa-Smits comparison. Expectations based purely on Hofstede's dimensions can lead us astray. Political analysis offers important additional insights into cross-cultural organizational behavior.

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