Cultural Values and the CEO: Alluring Companions?

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A hundred fifty years ago, William Procter and James Gamble delivered their handmade candles and soap by wheelbarrow. Their emphasis even then on innovative marketing, competitive strategies, and uncompromised honesty are hallmarks of the multinational Procter & Gamble Company today. IBM's Tom Watson, Jr. believed in constructive rebellion, claiming, "You can make a wild duck tame, but you can't make a tame duck wild again." Today the wild duck is a symbol of IBM's unwavering respect for creative nonconformists — that is, as long as they fly in the same direction. A founder of more recent vintage, Apple Computer's Steven Jobs is the quintessential rugged individualist whose fresh approach, willingness to take risks, and originality are evident in the company's name, as well as every product it makes.

These descriptions illustrate how a founder's values permeate a corporation and affect its direction. When leadership changes, the new leader often carries on traditions while bringing along a new set of values that are also gradually integrated into the company's culture. An awareness of different companies' values can facilitate a firm in its business transactions and help stave off conflict. The abundance of such corporate raiders as J. Boone Pickens and Carl Icahn, and the impact raiders have had on Phillips Oil, TWA, CBS, Gulf Oil, and other companies' human resources, are clear evidence of a clash of values.

The current emphasis on corporate culture both in academic journals and the popular press underscores the need for practicing managers to appreciate its influence. Yet little attention has been paid to the influence of national culture on corporations outside the United States. Viewing the world as "global village" requires that managers become more knowledgeable about international business — yet many managers simply conduct international business as though they were dealing with fellow Americans. Culture shock, not to mention lost business, has often been the result. This article presents a framework for anticipating societal values that ultimately impact the behaviors of chief executive officers. Analyses of CEOs from five different cultures will illustrate how the framework can be used by managers involved in international business.

Although biographies, stories, and legends about company founders are abundant, surprisingly little consideration has been given to the importance of the current CEO to the firm. What has been written usually focuses on CEO succession or demographic statistics. Clearly, other variables — including personality characteristics, organizational design, environment, and business strategy — influence CEO behavior, but it is our contention that value systems necessarily come first and may actually determine these other factors and govern their impact on the CEO.

The potential for cultural differences among organizations is well known. The dominant values of a particular national culture are reflected in the constraints imposed on an organization by its environment (e.g., government, customers, and suppliers). In addition, the founders of an organization impose certain learned, cultural values on the organization from its beginning. Finally, organization members other than the founders behave in a manner consistent with the values of the "dominant elites" (the founders or current CEO).

Culture and value systems are closely related. Individuals learn such values as respect for privacy or freedom of speech from their society. Although individuals differ in how they translate these values into action, in general we can begin to understand the behavior of CEOs by understanding the values their cultures hold dear.

Cultural Values

A Dutch social scientist, Geert Hofstede, has proposed a paradigm to study the impact of societal culture on individuals. To develop his classification system, he studied the values and beliefs of 116,000 IBM employees based in 40 countries around the world. He has been criticized for not including various types and sizes of firms. Critics point out, for example, that because IBM has a culture of its own, it is difficult to discern whether a German CEO's behavior is characteristic of the German culture or of the culture of IBM. Yet his framework has held up surprisingly well when generalized to other contexts.
Hofstede’s typology includes four cultural dimensions along which societies can be ordered: power distance, uncertainty avoidance, individualism-collectivism, and masculinity-femininity. Each dimension lies on a continuum ranging from low to high. The first, power distance (POW), refers to the extent to which a culture encourages unequal distributions of power among people. In low power distance societies like the United States, Sweden, and Austria, more interaction takes place among people of different social classes and members of lower status can more easily move into higher-status positions. High power distance — or elitist — societies, such as the Philippines, Mexico, and India, force people of lower status to keep their distance from those of higher status, and hinder their advancement into the upper classes. Although an unequal distribution of power between managers and subordinates is the essence of organization, the processes by which these differences are manifested vary widely. In low power distance societies, managers and subordinates are highly interdependent and prefer a Theory Y style of leadership. Status differences between them are minimized. In high power distance societies, a more autocratic management style is not only more common; it is expected by subordinates because it accentuates the differences in business relationships.

Hofstede’s second dimension, uncertainty avoidance (UNC), refers to the extent to which people of a society feel threatened by unstable and ambiguous situations and try to avoid them. Hofstede contends that cultures use techniques to cope with uncertainty in much the same way organizations do. According to Hofstede, differences between companies operating in low and high uncertainty avoidance societies are quite pronounced. For example, in a low uncertainty avoidance society, organizations have fewer written rules and procedures, impose less structure on the activities of employees, encourage people to be generalists rather than specialists, and attract managers with a propensity for risk taking. In high uncertainty avoidance societies, the opposite is true.

Individualism-collectivism (IND) is the third continuum in Hofstede’s scheme. Individualist societies like Canada, New Zealand, Great Britain, and the United States are loosely knit social structures that expect people to take care of themselves and their immediate families. People are masters of their own fate. Collectivist societies like Mexico, Turkey, and Japan are more tightly knit and emphasize in-group loyalty and dependence on others. People expect that the group (their clan, organization, or extended family) will protect and care for them. A strong spirit of cooperation characterizes collectivist societies, “every man for himself” might be a precept of the individualist society.

The level of individualism or collectivism in a culture will affect an organization’s members in a variety of ways. Managers operating in cultures that place a high value on individualism frequently move from company to company. They believe that the corporation is not responsible for the welfare of its employees, they engage in networking activities, and they generally believe that individuals, as opposed to groups, make higher-quality decisions. In cultures that value collectivism, people are attracted to larger companies. They attach importance to structure rather than autonomy. They value team rather than individual achievement, and they consider the organization to be like a family.

The fourth dimension, masculinity-femininity (MAS), refers to the extent to which a culture values assertiveness, competitiveness, and the acquisition of tangible things as opposed to passivity, cooperation, and an emphasis on feelings rather than goods. In masculine societies like Japan, Austria, and Italy, people believe that a job should provide opportunities for growth, challenge, recognition, and advancement. Feminine cultures like Sweden, Norway, and Portugal, accentuate good working conditions, security, the open expression of emotion, and the use of intuition rather than hard facts as a problem-solving mode. Masculine societies are characterized by fewer jobs for women and more industrial conflict. Work, as opposed to family, is the central life interest. Exhibits 1 through 4 summarize the main points on each continuum.

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**Exhibit 1**

**The Power Distance Dimension (POW)**

<table>
<thead>
<tr>
<th>Low (Austria, Israel, Denmark, Sweden, Norway)</th>
<th>High (Philippines, Mexico, Venezuela, India, Brazil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Less centralization</td>
<td>• Greater centralization</td>
</tr>
<tr>
<td>• Flatter organization pyramids</td>
<td>• Tall organization pyramids</td>
</tr>
<tr>
<td>• Fewer supervisory personnel</td>
<td>• More supervisory personnel</td>
</tr>
<tr>
<td>• Smaller wage differentials</td>
<td>• Large wage differentials</td>
</tr>
<tr>
<td>• Structure in which manual and clerical work are equally valued</td>
<td>• Structure in which white-collar jobs are valued more than blue-collar jobs</td>
</tr>
</tbody>
</table>

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40
**Exhibit 2**

*The Uncertainty Avoidance Dimension (UNC)*

- **Low**
  (Denmark, Sweden, Great Britain, United States, India)
  - Less structuring of activities
  - Fewer written rules
  - More generalists
  - Variability
  - Greater willingness to take risks
  - Less ritualistic behavior

- **High**
  (Greece, Portugal, Japan, Peru, France)
  - More structuring of activities
  - More written rules
  - More specialists
  - Standardization
  - Less willingness to take risks
  - More ritualistic behavior

**Exhibit 3**

*The Individualism-Collectivism Dimension (IND)*

- **Low**
  (Venezuela, Columbia, Taiwan, Mexico, Greece)
  - Organization as “family”
  - Organization defends employee interest
  - Practices are based on loyalty, sense of duty, and group participation

- **High**
  (United States, Australia, Great Britain, Canada, the Netherlands)
  - Organization is more impersonal
  - Employees defend their own self-interests
  - Practices encourage individual initiative

**Exhibit 4**

*The Masculinity-Femininity Dimension (MAS)*

- **Low**
  (Sweden, Denmark, Thailand, Finland, Yugoslavia)
  - Sex roles are minimized
  - Organizations do not interfere with people's private lives
  - More women in more qualified jobs
  - Soft, yielding, intuitive skills are rewarded
  - Social rewards are valued

- **High**
  (Japan, Austria, Venezuela, Italy, Mexico)
  - Sex roles are clearly differentiated
  - Organizations may interfere to protect their interests
  - Fewer women in qualified jobs
  - Aggression, competition, and justice are rewarded
  - Work is valued as a central life interest
Because of the difficulties in representing the various combinations of these four value dimensions in a single diagram, Hofstede constructed “cultural maps” of the 40 countries, forming “country clusters.” The clusters are summarized in Exhibit 5. This exhibit reveals, for example, that the United States (Cluster 7) is characterized by lower-than-average power distance and uncertainty avoidance values, higher-than-average masculinity values, and high individualism. In fact, the United States was the most individualistic culture in Hofstede’s study. Some of today’s American management heroes, such as Lee Iacocca of Chrysler, H. Ross Perot of EDS and GM, Sam Walton of Wal-Mart Stores, John Opel of IBM, Steven Jobs (formerly of Apple Computer), John Emery of Emery Air Freight, and John Byrne of GEICO Corporation reflect these values through their emphasis on the individual as problem solver (or wild duck) and their willingness to work side by side with their employees, take measurable risks, and provide employees with challenging and fulfilling work environments.

Managerial Roles

To use Hofstede’s four dimensions in analyzing how CEOs behave, it is helpful to delineate specifically what a CEO does. Henry Mintzberg proposed that managerial roles can be divided into three major groupings: interpersonal, informational, and decision-making. The interpersonal role set, arising directly from a manager’s formal authority, includes three roles: (1) the figurehead role, which involves representing the organization in formal ceremonies; (2) the liaison role, which involves interacting with those outside the organization who may affect its success, and (3) the leadership role, which involves directing and coordinating the activities of subordinates. These interpersonal roles provide a foundation for the informational set of roles.

Exhibit 5

Country Clusters and Their Value Systems

Cluster 1
High power distance
High uncertainty avoidance
Medium to high individualism
Medium masculinity
—Belgium, France*, Argentina, Brazil, Spain

Cluster 2
High power distance
High uncertainty avoidance
Low individualism
Low or high masculinity
—Columbia, Mexico, Venezuela (high masculinity)
—Chile, Peru, Portugal (low masculinity)

Cluster 3
Medium power distance
High uncertainty avoidance
Medium individualism
High masculinity
—Japan*

Cluster 4
High power distance
Low to medium uncertainty avoidance
Low individualism
Medium masculinity
—Pakistan, Taiwan*, Thailand, Hong Kong, India, Philippines, Singapore

Cluster 5
High power distance
High uncertainty avoidance
Low individualism
Medium masculinity
—Greece, Turkey, Iran

Cluster 6
Low power distance
Medium to high uncertainty avoidance
Medium individualism
Medium to high masculinity
—Austria, Israel, West Germany*, Switzerland

Cluster 7
Low to medium power distance
Low to medium uncertainty avoidance
High individualism
High masculinity
—Australia, Canada, United States, New Zealand, Ireland, Great Britain

Cluster 8
Low power distance
Low to medium uncertainty avoidance
Medium to high individualism
Low masculinity
—Denmark, Sweden*, Finland, Norway, the Netherlands


*Countries examined in this article
### Exhibit 6

**Mintzberg’s CEO Roles**

<table>
<thead>
<tr>
<th>Interpersonal Roles</th>
<th>Informational Roles</th>
<th>Decision-making Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Figurehead</td>
<td>1. Monitor</td>
<td>1. Entrepreneur</td>
</tr>
<tr>
<td>2. Liaison</td>
<td>2. Disseminator</td>
<td>2. Disturbance Handler</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Negotiator</td>
</tr>
</tbody>
</table>


Informational roles include (1) the monitor role, which involves scanning the environment for information the organization may need, (2) the disseminator role, which involves sharing information with and distributing it to subordinates, and (3) the spokesperson role, which involves transmitting information to others in an official capacity. This ability to gather and transmit information provides the manager with the resources needed to make decisions, the third role set.

Through these decision-making roles, the manager commits the organization to action. The manager is (1) an entrepreneur, when initiating innovative products or ideas; (2) a disturbance handler, when responding to threats and conflicts that are usually beyond the company’s direct control; (3) a resource allocator, when deciding who will get which resources and how much they will get; and (4) a negotiator, when dealing with others to obtain competitive advantages for the firm.

Exhibit 6 illustrates the way these roles may encompass the complete managerial experience.

Mintzberg’s intention was to classify the activities of managers by identifying closely related behaviors. The roles are essentially sets of interrelated behaviors characteristic of all managers. Individual managers will enact and interpret them differently, depending on their personalities, the structure of the firm, its strategy, the competitiveness of the environment and, we contend, societal values. Our major thesis is that societal values are reflected through the expression of CEO roles as classified in Mintzberg’s scheme.

### Collecting the Evidence

We collected anecdotal evidence of the potential relationships between cultural values and CEO roles, as available in published sources between 1977 and 1986. To do this, we conducted two computerized searches. First, we scanned articles printed in English during those years that contained the terms “CEO,” “Director,” or “President” in their titles. This search generated more than 150 articles, many of which were too brief to provide rich enough information.

Since it was neither practical nor possible to gather data from all 40 countries, we chose one country within those clusters whose value systems were the most pronounced: that is, countries ranked among the upper or lower ten countries on each of the four value systems. For example, Japan ranks as the society highest in masculinity and fourth highest in uncertainty avoidance. Thus, we chose to study Japanese CEOs to show how those particular value systems were manifested through the CEOs’ various roles. We eliminated from consideration those countries whose value systems are in a state of transition (like Finland, Iran, Italy, and South Africa), since their values are constantly changing. To establish validity, we also stipulated that data had to be available from at least two sources. We then consulted Ward’s Business Directory to determine which companies from those countries had the highest sales in 1985.

Finally, we conducted another search on those top companies and their CEOs. We assumed that published data would be available about the CEOs of the largest companies but that information about smaller companies would be difficult to acquire, given our requirement that the articles be in English. Although the result is that our examples favor large corporations and the information about their CEOs reflects neither all of Hofstede’s values nor all of Mintzberg’s roles, we feel they provide a fascinating illustration of our general thesis. Sometimes, however, a CEO’s behavior was inconsistent with the cultural values of his nation. This underscores the point that culture is not the only determinant of behavior.

Ultimately, we examined cultural values and CEO roles in five countries, each from a different cluster. Examples of countries from Clusters 2 and 5 were not available, given the limitations discussed above. We also chose not to analyze a country from Cluster 7. The latter contains the United States, from which examples are drawn throughout the article.
France: Unions, Socialism, and Falls from Grace

France (Cluster 1) was classified by Hofstede as high in power distance and uncertainty avoidance, medium to high in individualism, and medium in masculinity. The literature search of CEOs in France uncovered information about Bernard Hanon of Renault and Jean-Paul Payre of Peugeot SA. Both were CEOs of their respective companies and were ultimately forced out of their positions when the Socialist government imposed national austerity measures as a result of a general recession.

Hanon began his term as CEO of Renault in 1981, having been with the company for 26 years. He assumed the top position when Renault (along with the entire French auto industry) was faltering. During his regime, conditions at Renault worsened, as the company fell from first to sixth place in sales among European automobile companies. In 1985, he was unceremoniously dumped when France’s Socialist government decreed that his leadership was not going to pull the company out of the mire.

Hanon’s leadership of the state-owned company was tough-minded and autocratic (high POW), but as a decision maker he was extremely conservative (high UNC). For example, Hanon supported designing the new R-5 small car along the lines of the old model. The changes in the car would be mostly under the hood where the buyer could not see them. The subsequent launch of the Supercondor was unsuccessful because it was not sufficiently different in image or styling from the original. His decision to redesign conservatively the Supercondor exemplified the cultural value of uncertainty avoidance. In his decision-making role, his unwillingness to take a risk was also consistent with the uncertainty avoidance value. These decisions cost Renault billions of francs. Hanon did make an effort to show some spunk when he tried to reduce costs by cutting his labor force by 9,000 jobs, but he was thwarted by the government and France’s strong unions.

When he was forced to resign as CEO of Renault, his supporters argued that he was made the scapegoat in a situation largely beyond his control. In an atmosphere of political unrest, he tried to perpetuate Renault’s image as a model of industrial relations (high UNC) as well as take steps (including cutting staff) to reverse its downward trend. As “disturbance handler,” then, he was less than effective. But his downfall was at least partially attributed to the power of France’s labor unions, which opposed his attempts to reduce the number of jobs at Renault so drastically. In fact, strong labor unions, which thrive in a we-they atmosphere, epitomize the cultural value of high power distance.

While Bernard Hanon’s administration was high in both power distance and uncertainty avoidance, Jean-Paul Payre seemed to thrive on risk and uncertainty. When Payre took over Peugeot in 1977, he was the first person to hold the CEO post without being a family member or long-time employee of the company. A respected civil servant before joining Peugeot, Payre was the very image of the French technocrat: urbane and self-assured (high POW). His eventual demise as CEO was, like Hanon’s, partly a result of his power struggle with the French labor unions (high POW), which came about when two of the acquisitions made under his influence (Citroën and Chrysler’s European operations) suffered large financial setbacks. Yet during the Citroën takeover, Payre boasted that he was responsible for decentralizing its management structure (low POW). The incongruity between the French value of high power distance and Payre’s decision to decentralize may have contributed to the difficulties in making the acquisition successful.

However, this low power distance decision seems to be an anomaly. One of the reasons for Payre’s rapid rise in government was his appetite for power. For instance, in his first job as a highway engineer, Payre was asked to join the staff of a politician who later became France’s prime minister. Because of his managerial acumen, he was later asked to join the Ministry for Industrial and Scientific Development, specifically to head the department overseeing the automobile sector of the economy. Payre’s extraordinary performance as spokesperson and negotiator so impressed the Peugeot family that they asked him to leave government service and join them. Only by the time he began his automotive career, he rose quickly to the top. He was appointed CEO at the age of 40, to appoint a man so young to the key position of such a traditional company was unheard of. That he eventually fell from his perch was unfortunate and perhaps due more to the situation than to the man.

The administrations of Hanon and Payre reflect the cultural values of France in many ways. Clear evidence of high power distance in French society is demonstrated by the active involvement of labor unions in both eventual departures. In their interpersonal roles, both men confirmed this high power distance value through their tough-minded and autocratic styles. High uncertainty avoidance was evident in Hanon’s hesitation in introducing the changed automotive styling. However, while Hanon’s personal style was very much in line with the French cultural profile, Payre’s was not. From accounts of his boldness and risk-taking nature, his behavior was probably influenced more by personality characteristics than by cultural values. One could argue that those instances in which his personality clashed with the French value system were the very ones that contributed to his demise.

Germany: Don’t “Malibu” the Beetle

The Federal Republic of Germany was our chosen country from Cluster 6. This cluster has a value system of low power distance, medium to high uncertainty avoidance, medium individualism, and high masculinity. Carl H. Hahn of Volkswagen, Karlheinz Kaske of Siemens, and Heinz Nixdorf of Nixdorf Computer, A. G., are our CEO examples.
According to VW's determined boss, Carl Hahn, the company's competitive edge comes from its strong German engineering tradition. Under Hahn's leadership, VW plans to stick to its practice of changing styling only when needed (high UNC). He believes that VW's history of producing cars with high quality, ease of handling, and longevity is its major selling point. Hahn attributed VW's $144 million loss in the United States in 1983 to "Malibuving" the Beetle. Others in the company attributed the loss to Hahn's "screwing around with the Mona Lisa"—a good example of how CEO behavior that contradicts the German cultural value of high uncertainty avoidance was seen as inappropriate.

To ensure its competitive edge, VW invested more than $194 million to build one of the world's most highly automated final assembly plants in Wolfsburg. The plant was designed according to tight engineering specifications. There are few wage differentials between hierarchical levels (low POW).

To encourage VW's growth internationally, Hahn's strategy, as resource allocator, was to visualize the company (to include the upscale Audi division) so that it would not be overly dependent on any one car and could withstand sudden currency changes (high UNC).

When VW decided to manufacture its "Golf" car in the United States, it purchased and refurbished a Chrysler plant in Westmoreland, Pennsylvania. VW chose this strategy because it feared currency devaluations and possible U.S. protectionist policies. Although the plant was losing money, Hahn announced that the company would phase out production at parts plants in other U.S. locations and centralize all U.S. operations in the Westmoreland plant. Another decision—to build cars in Spain—hinged on whether or not the Spanish-built cars could be manufactured to the rigorous German quality standards (high MAS and high UNC). A master negotiator, Hahn has plans to expand and modernize production facilities as far afield as China and the Soviet Union (high MAS).

Siemens, A. G. is West Germany's second-largest company and the world's fifth-largest high-tech electrical and electronic equipment manufacturer. Siemens's president, Karlheinz Kaske, runs the company with typical German engineering thoroughness and a pedantic approach to management. Even though the company is diversified, with six relatively autonomous product groups, Kaske has developed a highly centralized organization (high POW). The company produces a myriad of products, including microcomputers, telecommunications equipment, industrial and office systems, and medical electronics, yet many of its products are low volume, and sales outside Germany are slow. Identifying and weeding out marginal performers while concentrating on the most salable products are two of Kaske's priorities. To compete in the office-automation market, Kaske has merged his telecommunications and computer divisions. Yet, according to outsiders, the company's major problem is its stubborn conservatism, which borders on inflexibility, coupled with a reluctance to take risks (high UNC). In addition, Kaske discourages his managers from making major decisions or questioning his judgment (high POW). Kaske, trained as a physicist, tenaciously clings to old managerial practices. The company's inability to translate technology into salable products reflects its obsession with perfection and product overdesign (high UNC). For example, in the computer-aided tomography (CAT) scanner market dominated by GE, Siemens took so long to get a prototype to production, the product arrived late in the marketplace. Siemens was also a pioneer in the ultrasonic imaging market, but lost its edge when it tried to engineer the product to meet every possible exigency (high UNC). Although Siemens is better off today than it was five years ago, it is still a bureaucratic monster that squanders more capital than it invests. Kaske's leadership style (high POW) is in direct opposition to the German value system, which again may be a partial explanation for some of his difficulties.

On the other hand, Heinz Nixdorf, founder of Nixdorf Computer, is more in tune with the German low power distance value. Nixdorf's leadership style is reflected in the belief that all employees are treated equally (with no status distinctions between managers and workers), they bring much needed stability to the company, which makes for good relationships with customers. He hates status symbols, so everyone has the same office furniture (low POW). He also believes that one of the best features of German industry is its ability to train workers (high UNC). Every year he hires about 500 new apprentices for a three-year training program, which costs approximately $20,000 per apprentice. This indicates that in his resource allocation role he believes his employees are his most important asset. Most of Nixdorf's employees—even trainees—work a 38.5 hour week and get paid to spend two of those hours in the company sports center. Only 9% of the more than 20,000 employees are unionized, which may reflect the country's low rating on power distance.
Customers are equally important. Nixdorf’s strategy is to provide tailor-made problem-solving packages for clients in the high-tech market through state-of-the-art telecommunications equipment and point-of-sale terminals. In the next four years, he predicts the company will double its sales and eventually become Europe’s leading computer company, employing over 70,000 people. To accomplish these goals, he will have to sell some equity, but he has little intention of relinquishing control of the company (high UNC). Investors will be able to buy only nonvoting shares.

Several commonalities in these three CEOs’ behaviors reflect German values. First, they each have an unambiguous leadership style. Extensive rules and regulations have been developed to cope with any exigency (high UNC). Second, the managers who report to them have well-defined job responsibilities and are held accountable for financial results. Success is determined by career advancement, challenging jobs, and opportunities for recognition as a leader in the field (high MAS). Third, the German tradition of decision making based on demonstrable facts is manifested in their reliance on engineering principles and their search for the “one best way.” Finally, their emphasis on stable employment, educational training, and the firm’s performance standards directly reflects German society. The only apparent anomaly was Kaske’s relatively high power distance as manifested in his centralization policies and autocratic leadership; as in the case of France’s Parayre, Kaske may be influenced by other factors that outweigh cultural values.

**Sweden: From Groceries to One-armed Robots**

We chose Sweden to represent Hofstede’s eighth cluster. The nation scores at the extremes of each of the four value dimensions: high in individualism, and low in power distance, uncertainty avoidance, and masculinity (it was the lowest for masculinity of the 40 countries in Hofstede’s sample). Pehr Gyllenhammar of Volvo and Percy Barnevik of ASEA, a manufacturer of electrical equipment, exemplify these values.

In his leadership role, Pehr Gyllenhammar is highly individualistic. His response to a 1983 board rejection of his proposal to sell Volvo stock in the United States directly demonstrates this: he replaced three of the outside directors with Volvo executives (high IND). His aggressiveness is also apparent in his emphatic “No!” when asked whether he was discouraged after his company suffered large losses because of the oil market decline; he doesn’t believe in short-term thinking.

This attitude has been well received in Sweden, a country of fairly high individualism and low uncertainty avoidance. Gyllenhammar led Volvo through a steady period of growth through automobile sales and, at the same time, directed the company into diverse markets, ranging from groceries to high tech. Although the car business is the cash cow responsible for 90% of profits, he considers the market peaked. The real profits, he believes, will come from diversification (low UNC). His latest efforts have been in the biotechnology industry, although it is there that Gyllenhammar suffered one of his greatest setbacks. A month after he negotiated a $528 million joint venture with Fermenta, a Swedish biotech and chemical company, the CEO of that company resigned in disgrace. Volvo cancelled its plans with that company, and was obligated to pay $35 million of debt to the former CEO because of an outside agreement. Gyllenhammar continued to try to erase this blow to his prestige through other biotech acquisitions.

Despite Gyllenhammar’s forcefulness, he maintains a people-oriented leadership style (low MAS). His experiments, designed to eliminate the boredom of assembly line work, are known worldwide, although the resulting reduction in efficiency has created cost problems. His job enrichment program at Volvo’s Kalmar plant in the early 1970s resulted in the flattening of the organization’s hierarchy, the reduction of status differences between levels of employees, and increased decision making at lower levels within the company. These achievements are consistent with the Swedish values of low power distance and low masculinity. Gyllenhammar’s popularity seems to stem more from the company’s generous labor settlements than from its increasing profits, an indication of the country’s low masculinity value.

He enjoys celebrity status and regularly appears on television (fulfilling his figurehead and spokesperson roles), and some reporters have suggested that he is gathering support to run for political office. In general, Gyllenhammar conforms well to Swedish cultural values of individualism, risk-taking inclination, and concern for others. As evidence of his instinct for survival and willingness to take risks, he has been dubbed the “emperor” by certain Volvo insiders.

The other Swedish CEO we studied was Percy Barnevik of ASEA, which recently received international attention for its leadership role in the field of robotics. In 1982 when the company inaugurated its new plant in Belgium, the ribbon-cutting ceremony was performed by a one-armed robot. When the robot reached for a bouquet of flowers to present to the official, it knocked over the vase. Barnevik countered that such an incident will never happen again because now his robots can “see” by laser.

Prior to the high-tech era in ASEA’s history, the company was a conservative manufacturer of electrical equipment. With Barnevik as CEO, a new strategy has emerged that emphasizes change (low UNC) and aggressiveness (high IND). Strategically, Barnevik has ruthlessly streamlined the company’s Swedish holdings, getting rid of several unprofitable businesses while making others autonomous profit centers. A mere six weeks after becoming CEO, he changed the structure of the company, converting it from a directionless, top-heavy conglomerate into 40 separate profit centers. He also decentralized responsibility for accounting and profits (low POW).
Barnevik made another integrative and progressive move for ASEA into the high-tech specialty area of long-distance power transmission of high voltage direct current (HVDC). As a result of its aggressive policy in this area, ASEA has acquired 53% of the world's market for HVDC technology (high IND). Because of its use in long-distance cables, industry specialists predict rapid growth for HVDC, which now accounts for only 2% of power line sales worldwide.

Available evidence concerning CEO roles in Sweden is consistent with Hofstede's conclusions about Sweden's individualism and uncertainty avoidance. The strategies of both Gyllenhammar of Volvo and Barnevik of ASEA reflect individual initiative (high IND) and high risk taking (low UNC). Although there was no evidence indicating the masculinity value in Barnevik's case, it is clear that Gyllenhammar manages with a people-oriented style (low MAS). Barnevik's decentralization policy is evidence of low power distance. Gyllenhammar built his reputation largely through his efforts in job enrichment, a program also characterized by low power distance.

Taiwan: The Billionaire Buddhist

Taiwan represents Cluster 4. In general, Cluster 4 countries have high power distance, low to medium uncertainty avoidance, medium masculinity, and low individualism. Since Taiwan has particularly low individualism, we will focus on this value system.

Naratives, while limited, were found for Y.C. Wang, founder of Formosa Plastics Group, who is Taiwan's leading industrialist and one of the world's wealthiest men. He made the majority of his fortune producing polyvinyl chloride (a relatively old type of plastic). Most of it is exported.

In keeping with traditional Buddhist culture, Wang and his family are a close, collective unit. This close unit extends beyond the immediate family and into the business realm. Wang and his family's share of his three largest companies is worth about $550 million (other holdings place him well into the billionaire category) but he places a high value on traditionalism. He is proud of his humble beginnings and tells stories about his meager childhood. He is orderly, hard working, and gives unrelenting attention to detail, and expects his executives and production workers alike to emulate his example of hard work and long hours. Wang has never lost his entrepreneurial spirit and makes a point of knowing every detail of his operations, "breathing the same trench air that his troops breathe." This attitude is the very essence of low individualism: the CEO and his organization are highly dependent on one another.

Taiwan's people espouse the jen philosophy. While the United States perception is that personality is separate from society and culture, the jen philosophy states that to describe a person, one must describe not only the personality but the intimate social and cultural environment that makes his or her existence meaningful. Wang is devoted to this philosophy. In fact, in a 1983 speech at the Wharton School, he expressed concern over the "moral decadence"

of the West. He said, "It is most alarming that one tends to relax his determination and hardworking habit after one has reached a certain degree of comfort in life.

Wang's business strategy centers on vertical integration. He is expanding his companies methodically, acquiring businesses that extend from those that already exist. For example, the initial chemical the company produced, polyvinyl chloride, is used to produce PVC pipe, and Wang's group is now the world's largest producer and processor of PVC.

Taiwan's culture is characterized by a collective identity (low IND) where individual views are sublimated to those of the collective whole. Wang's emphasis on tradition, family, company, and his organizational conglomerate is entirely consistent with this jen philosophy.

Japan: Patience and Perseverance

Japan stands alone in Cluster 3. Its values include medium power distance and individualism, high uncertainty avoidance and masculinity. It was, in fact, the most masculine country of those surveyed. The fascination with Japan regarding its extraordinary ascent in the world economy since World War II has produced a wealth of literature, including considerable information about Japanese CEOs. One study compared 229 American and 291 Japanese CEOs on a variety of managerial issues, including the management of their environments, production technology, management strategy, and organization structure. Interviews are also available with a wide variety of CEOs, including Ichiro Isoda of Sumitomo Bank, Takashi Ishihara of Nissan, and Yoshihiro Inawama of Nippon Steel. We will use these three CEOs as primary examples, but instead of highlighting them individually we have summarized their behaviors and considered them in light of the Japanese cultural values of high uncertainty avoidance and masculinity.

Japanese CEOs are infinitely patient, choosing to spend resources on strategic rather than tactical planning. In decision-making roles, their attitude is that it is better to take no action at all than to risk failure (high UNC). In fact, Japanese CEOs would rather increase market share than emphasize short-term profits. For example, Ishihara has said that the accumulation of resources over the long term was what enabled Nissan to become a major competitor in the automobile industry.

The Japanese culture rewards perseverance. Many products have 12- to 20-year life cycles. Of course, new product ratios, and the ability to adapt to changes in the environment, are competitive realities. As a result, Japanese CEOs collect a large amount of information, which is then used in group decision making. Since information is widely dispersed in large Japanese companies, the role of the CEO as disseminator of information, both formally and informally, is believed necessary for quality decisions. While decision making by consensus and promotion by seniority permit CEOs to know their business intimately, they can also lead to inflexibility and a lack of imagination. This has sometimes hindered Japanese companies operating in unstable environments, such as securities markets.
Lifetime commitment is also highly valued in Japan (high UNC). Most CEOs have spent their entire working lives with the same company (Ishihara and Inayama have each been with their companies for about 50 years, and Isoda has been with Sumitomo Bank for 35 years). They are dependent on their companies not only for their working lives, but for their leisure pursuits as well (high MAS). Because of their long tenure, most CEOs have worked in a variety of capacities for their companies, and work becomes a central life interest. This commitment to work reinforces organizational goals, values, and the ability to think multidimensionally.

In his leadership role, Isoda believes in giving his managers latitude while requiring strict accountability (high MAS). For example, when he assumed the CEO position in 1974, the bank was in serious financial trouble. One of its major customers, Ataka (a large trading company), was on the brink of bankruptcy. Isoda went to another large trading company and helped arrange a friendly merger, but had to absorb a $1 billion loss. Similarly, when Toyo Kogyo (manufacturer of the Mazda) experienced a major sales slump in the 1970s, Isoda sent in senior managers from his bank to occupy key managerial positions until a technical tie-up with Ford Motor Company could be reached. Isoda’s decisions in these two instances were aided by members of his executive council. He has said that he requires his executive council to know more about the company than he does. He ensures that they do through relentless questioning about all aspects of the bank’s functioning (high UNC).

Japanese CEO behaviors reflect both high masculinity and high uncertainty avoidance. Masculinity is reflected in their great interest in work and emphasis on excelling, the establishment of clear lines of authority and responsibility, decisions supported by a great deal of information, and the intrusion of the company into the personal lives of employees. Uncertainty avoidance is evident through the use of groups in making strategic decisions, the discouraging of conflict and competition within companies, and through rites and rituals.

University of Southern California management professor Warren Bennis has said that “the CEO is the single most important factor in a company’s stock price.” Although to some this may be a classic overstatement, the fact remains that the “CEO factor” must be reckoned with when one is dealing with companies, especially those of other cultures. Yet figuring out the “CEO factor” is such an imprecise process, some analysts dismiss it altogether as too philosophical. Too many intangibles, such as personality, presence, ability to communicate and inspire loyalty, and even physical appearance factor into the equation. Perhaps these intangibles are the reason why we see so little comparative research on CEOs.

Despite the imprecision and inevitable inconsistencies between CEO roles and cultural values, we believe that each culture embodies distinctive attributes and that these are manifested in the behavior of CEOs. We recognize that other factors may be as important as culture in determining the behaviors of specific individuals; our intent was simply to highlight the cultural values as one of the most important forces.

To the extent that behaviors reflect values held by members of a society, an understanding of these values can aid our interpretation of critical CEO actions. For example, some have suggested that the decade of the 1990s in the United States will be one of increasingly transient employment. In response to this situation, Paul Hirsch forecasts that American CEOs will act as free agents. Since the United States is a society high in individualism and low in uncertainty avoidance, free-agency status for CEOs is consistent with the society’s cultural values.

National cultural values could affect our understanding of alternative forms of organizing, a major decision-making role performed by CEOs. The rise of Chaebols (conglomerates that are owned and managed by families) in Korea reflects values indigenous to that culture. The Korean value of strong family involvement is reflected in the large percentage of blood relatives who have top-management positions in Chaebols of family origin. This is in contrast to the Japanese, whose conglomerates, though much like the Korean Chaebols, assign elites who are not necessarily blood relatives to departments of importance. A strong sense of loyalty and dependence on those in authority is reflected in the close relationship between the Chaebols and government. This relationship is not actually a partnership; it is characterized by the government’s using a firm hand to set the policies that management follows.

Our discussion may also provide insight into the kinds and types of information multinational corporations need for strategic planning. Strategic plans formulated at headquarters may not be well understood by managers in different countries because these managers interpret information through different perceptual filters. Headquarters’ concerns for information systems designed to foster cooperation and integration may not be consistent with the national values of the CEO in the local firms. Important information may be ignored at the local level or not transmitted to headquarters simply because CEOs at the local level make different assumptions based on their values.
Finally, one of the CEO's major decision-making roles involves the art of negotiation. An important aspect of negotiating is understanding how issues are interpreted. Since effective negotiators have the ability to see the world through the eyes of other parties, they must deal with foreign companies in a way that is congruent with the cultural values of the country. To plunge headlong into a country with different value systems without proper insight into those differences can result in strategic blunders. One way to ease the tensions created by such potentially explosive conditions is to understand and adjust for the impact of cultural values on chief executive officers.

Endnotes

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4 The "CEO factor" is discussed in S. Janson's "How CEOs Affect Their Companies' P-E Multiples," Institutional Investor, December 1984, 99-104.


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