"Sharing Management Experience"

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Bridging Cultural Differences - Global Transfer of Management Knowledge

Summary

Management theory and practice have to be seen in the context of cultural history and the social structures that have developed within a particular cultural tradition. The "universe of structures" of the artificial world represents the reified, implicit knowledge developed in any society. The way people believe, think, act, behave, and cooperate is related to the external world of artifacts and the role they play in instructing (guiding, regulating, forcing) individuals how to think and interact. This is the basic assumption behind our discussion of cultural constraints in the transfer of management knowledge.

A summary of Japanese history serves to illustrate how intellectual concepts are embedded in the specific way of life of any community. In order to understand what people in other cultures claim to be "true knowledge" and base their decisions on, one has to experience life in that culture. However, personal experience is not restricted to the way a person's own cultural tradition is internalized and becomes an integral part of their identity, it also enables them to perceive the underlying, inherent cultural differences. Shared life experience creates the bridge between these differences. The examples given are taken from the authors' own experiences in the US, UK, Japan, Taiwan, and Russia and highlight the importance of first-hand experience for understanding and establishing the "trust" needed to cooperate with "strangers" in a respectful, mutually beneficial way.

Sharing Management Experience
Accepting and Respecting Differences – Experience versus Theory

1. Transferring or sharing "management knowledge"?

When we told our friends and colleagues that we were planning to write an article on the "transfer of management knowledge", we received mixed reactions. "What gives you the right or makes you qualified to tell other people what is best for them?", they asked. "Is that not imperialistic colonialism? You would do far better to think about what you could learn from others and then share that knowledge with your peers."

Of course, we had to agree with this opinion: It is noble, humanistic, and respectful. This is what we learned to be the right way to behave and treat other people and – we assume – forms one of the basic rules of a democratic society. An undisputable fact, at least among intellectuals and those who believe that we are all equal "in the eyes of god".

However, do our bosses treat us the same way? Do we as managers treat our "subordinates" accordingly? How do we behave when we go off to work abroad as representatives of a powerful organization from a richer country? Do we realize that our ideals and beliefs are not always consistent with our actions and might conflict with those living in other parts of the world?

We have met many managers who talk about "learning organizations", mutually beneficial cooperation, partnership, participative decision-making, empowerment etc. and obviously believe in these principles, yet when they have to make a "tragic decisions" in critical/difficult situations, they often behave and act like slave owners or military commanders.

In a global context, we see western companies imposing their rules and ways of doing things on societies in under-developed, poor regions around the world starting from the undisputable "fact" that 2 plus 2 makes 4 to the idea that "we are all equal, except some people have money, and some don't." (Some people have the money to buy machine guns and tell other people what is the truth; Some people own machine guns legally and force other people to >behave<; Others don't. Where is the difference? Insiders or outsiders?)

a. What is "management knowledge"?

Defining "management" as the art or "*process of getting things done through the efforts of other people*"[1] raises the question of how this art can be learned. Can we develop a general (theoretical) concept of >good and proper management< by observing management practices and then teach this concept to managers for guidance and use in practice: Knowledge for Action.[2]

Observation shows us that a "manager" is a (male) person, who seems to stand above or outside what he (she) is dealing with, using instruments to steer, organize, program, and control a machine and at the same time intervening in social communication processes by talking to people. To make effective use of appropriate (technical) instruments, a manager should study "business administration and economics"; for social intervention, he should have some knowledge of social/psychological sciences or even philosophy.[3]

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[1] Mondy (1986) p 6 ; See also: Koontz/Weihrich (1988) p 4: *"We define management as the process of designing and maintaining an environment in which individuals, working together in groups, accomplish efficiently selected aims."*
[2] In the sense of (European) modernistic enlightenment and the biblical "Go forth and conquer the earth!" However, some manager friends say that they had to forget everything they had learned at university and start from the very beginning, making their own practical experiences.
[3] Our own experience of working for many years as managers in different organizations and countries suggests that managers spend most of their time by talking to people. They act on their own "state of mind" yet they can be overruled by the logic of the machine and forced to make "tragic decisions" in order to survive. See: Schneider, U. (2003)

From studying management literature, we know that many of the well known publications are written by practitioners[4] with differing levels of background in economics and business studies, however most management bestsellers stem from (social) scientists or at least use social sciences paradigms.[5]

Practitioners write about what they consider to have been the reasons for their success and the lessons others could learn from their insights. But do these insights really reflect what they did in practice? Is what they say (and believe) consistent with what they actually do? To what extent have they absorbed the ideas circulating in the academic world without fully understanding their theoretical background and implications?

Conversely, the scholastic findings of leadership theorists, who observe and project their own "mental models" on what they assume to be reality, also give plenty of reason for skepticism (Systems Theory, Cybernetics, Bio-informatics, Chaos/Game theory, etc.).

The key question here is: How can practice best be turned into useful management knowledge, written down, generalized and used to learn from each other?

The need to and difficulties in providing an answer to this question have to be seen in the context of the following four interlinked phenomena:

> Globalization and the need to bridge cultural diversity: How can we think and act "globally" when we all have our own culture-specific perception/interpretation patterns? (Westernizing the world into a "global village" or respectfully integrating all the differences into a new world culture.[6])

> Structural changes in societies caused by new technologies (ICT): Are we heading towards a "knowledge society", in which the framework of rigid structural regulations is dissolved into dynamic, complex networks of mobile knowledge workers? (The age of uncertainty and discontinuity or a new world order of "flow".[7])

> Loss/lack of an integrative "meta science" (philosophy): Is the fact that with the help of the mathematical and technical sciences we can now create "artificial intelligence", manipulate life and could even destroy everything on earth "the law of nature" without alternatives? (The age of questioning the sense of technical design of nature or the reinvention of the "lost paradise".[8])

> Loss/lack of globally accepted economic behavioral "morals": Can we create a basic normative framework (consensus/regulations) for exploitation and distribution of (human/natural) resources and how can we agree on what should be the future of mankind in the world we live in? (The age of competition and crisis of traditional belief/sense-systems; – "everything goes" post modernism or globally accepted "morals".[9])

b. Riding the horse: The crucial points of management theory

> Management is not the same as "management": The size and internal differentiation of organizations require/develop different structures; different structures force managers to act in different ways (top, middle, front-line managers, etc.)

> Different enterprises and organizations are linked with/dependent on other organizations in different ways/levels of intensity and therefore force managers to submit to the rules established by other decision makers/managers (influence of external structures) within the specific legal context of a particular "sovereign nation

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[4] F. ex.: Tom Peters, Bill Gates, Michael Dell, Gary Hamel, et al.
[5] F. ex.: P. Drucker, M. Porter, E. de Bono, J. Collins, P. Senge, I. Nonaka, U. Schneider, H. Willke, G.J. Probst, et al.
[6] See: Harrison / Huntington (2002): the struggle for values
[7] See: Castells (1996): the space of flow
[8] See: Drucker (1993) / Popper(1985) : the openness of future
[9] See: Giesen (1991):: the domination of the code of reflection

state". Companies that operate solely in their domestic market develop different structures and styles of "leadership" than those involved in inter-, multi-, transnational or global activities.[10]

➢ Different enterprises and organizations deal with different "objects". A car manufacturer cannot be easily compared with a police force, hospital, university, or NGO. The >object-inherent logic< requires different ways of managing relevant processes.[11]

➢ Managers do not think and act in a consistent manner (the same applies in principle to all people): They might believe they are acting and behaving in accordance with specific principles, yet other managers who also claim to adhere to the same principles in fact act differently in similar situations. Acting and thinking do not necessarily fit together (from the point of view of an independent observer) especially when we are forced to act under pressure and have to find a solution to a difficult situation.

➢ People (managers and subordinates) are human beings. They have grown up as individuals (with their own life histories) and been educated in the context of specific cultural traditions. The way an individual develops his own personality (kindness, aggression, egoism, altruism, fear and desire, strength and weakness) within the framework of this cultural[12] regulative is relatively open (vague). This means that regulations can at the same time be both very rigid and very indifferent (they are in fact not very efficient)[13].

➢ Managers (in principle every person) grow up and are educated with culture-specific "blind spots" (filters). In other words, they are not consciously aware that they behave and act in a specific way or why they do so (reflection requires distance!). This is also true for management concepts/theories[14] - they generally reflect the values of western culture (US) and are blinded by "ethnocentric mental models".

2. The backbone of cultural history and its influence on practice and theory

The following stories serve as the basis for analysis and theoretical conclusions (assumptions) that should either support and modify the (above) mentioned suppositions or lead to alternative proposals.

a. Japan: The observations of an outsider

When I look back on the years I spent living and working in Japan, two scenarios come to mind in the context of managerial behavior.[15]

An employee of a medium-sized company stood in the rain on the street in front of the main company entrance. His head was bent towards the ground as he cried "forgive me", while a manager (probably a middle manager or the owner of a small enterprise) watched him without expression. This went on for almost an hour until the boss finally called him back in. Similar >humiliating< scenes have been documented from all over Japan and can also (as I experienced) be observed in the context of subordinate relationship in the public education system or metropolitan administration offices. When I applied for a new position at a university in Kyoto (in the south of Japan) and was finally invited to negotiate conditions and my moving date, my boss

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[10] See: Child.(1981) / Nohria (1995): the interorganizational space

[11] See: Mintzberg (1973)

[12] Hofstede (2001): Culture is „*the collective programming of the mind that distinguishes the members of a group or category of people from another.*" (p. 9); Another minimal definition: Culture is the art of living together developed through the history of social interaction within a group.

[13] In the case of Japan the cultural regulative seem to be very effective because of the incredible pressure the education system puts on an individual starting from early childhood, from Kindergarten up to the higher educations. The "forming" to think, feel and behave as a Japanese in fact is completed after the first twelve month of life.

[14] See: Hofstede (1980); p 193; Bennis (1997)

[15] The author (JO) spent 12 years working as a professor in a number of Japanese universities.

advised me to show loyalty to my current employer: "Loyalty is extremely important and honored in Japan! You should not follow the invitation immediately." This proved to be the wrong advice: The head of the Kyoto university did not like my attitude and refused to accept my hesitation: "Subordination comes before loyalty!" I should have known that people in Kyoto think themselves superior (because of their cultural tradition) and also rank their university higher than those in the "uncivilized north".

Another irritating observation relates to the layout of large offices in university administration departments, hospitals, municipal offices, or banks. When I began working in Japan, I carefully observed how local people behaved to avoid any faux pas. When I came into the office, I saw a large desk positioned strategically to allow its occupant (the boss) a clear view of the whole room. The whole room was bathed in almost total silence, disturbed only be the occasional quiet whisper from one neighbor to another. Nobody talked to the boss, and he did not move or do anything except put his stamp on a document from time to time. Even the professors bent their heads when they passed his desk to talk to someone in the room in low voices. In all my years at the university, I never had reason or opportunity to talk to these types of boss, nor indeed did they ever talk to me. However, I was on occasion invited to talk to the >big boss<, the director of the university, where we discussed issues openly as if we were colleagues."

- **Methodological questions: Induction or deduction?**

Are such (individual) observations sufficient basis for a theory? Do they not require the support of the evaluation of the results of an empirical study? In theory, yes, since generalizations must be justified by similar observations from different observers. In the case of questionnaires, there are good reasons to doubt whether >insiders< are able to see and judge if something is the case or not. A >normal< Japanese would not think about the above scenarios in the same way as a stranger. This is, of course, also true for our own practices: We see what we want to see and "the world of an unhappy person is different to that of a happy one". Therefore, empirical surveys are not always helpful. We obtain the answers we expect and ask for, because people not only have "blind spots", they also anticipate and project the appropriate and expected answers (What answer can you give to the question "Do you love me?" What do you expect to hear when you ask a top manager about his performance and the state of his empire?)

A comparison of experiences unveil patterns of perception and a comparison of findings unveils patterns of thinking (hypothesis/mental models).

b. The role of the middle managers in Japan – Nonaka's idealistic view

We would like to illustrate this by questioning the well-known (in the West) management theory proposed by Nonaka, to bring some light into the cultural constraints/limitations of understanding and managerial action[16].

"Japanese companies struggled against international competition with dogged determination, often in the face of tough obstacles and adversities. Until recently they could not afford to relax or become complacent. The fear of losing and the hope of catching up propelled them to anticipate change and to come up with something new: a new technology, a new product design, a new production process, a new marketing approach, a new form of distribution, or a new way of serving customers. […] Continuous innovation […] has been characteristic of successful Japanese companies. […] The explanation of how Japanese create new knowledge boils down to the conversion of tacit knowledge to explicit knowledge." [17]

"Especially important is the role of the knowledge producers, the <u>middle managers</u> who are the center of the dynamic knowledge-creating process." [18]

"The following list summarizes the factors that characterize the four knowledge conversion modes."
"Factors that constitute the knowledge conversion process:

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[16] We should also draw a picture of the history of other cultures mentioned in this paper for comparison, but .
[17] Nonaka (1991)
[18] Nonaka (1994), p 64 (In: Managing Knowledge)

Socialization: from tacit to tacit:
- *Tacit knowledge accumulation: managers gather information from sales and production sites, share experience with suppliers and ....*
- *Extra-firm social information collection: managers engage in bodily experience through management by wandering about, and get ideas for corporate strategy [....]*
- *Intra-firm social information collection (wandering inside): managers find new strategies and market opportunities [.....].*
- *Transfer of tacit knowledge: managers create a work environment that allows peers to understand craftsmanship and expertise through practice and demonstration by a master.*

Externalization: from tacit to explicit:
- *Managers facilitate creativity and essential dialogue, the use of abductive thinking, the use of metaphors in dialogue for concept creation [......].*

Combination: from explicit to explicit:
- *Acquisition and integration: managers are engaged in planning strategies und operations, assembling internal and external data by using published literature [...]*
- *Synthesis and processing: managers build and create manuals, documents and databases [....] by gathering management figures [.....].*
- *Dissemination: managers engage in the planning and implementation of presentations to transmit newly created concepts.*

Internalization: from explicit to tacit:
- *Personal experience; real world knowledge acquisition: managers engage in enactive liasing activities [...] They search for and share values and thoughts, and share and try to understand management visions and values through communication with fellow members of the organization.*
- *Simulation and experimentation; virtual world knowledge acquisition: managers engage in facilitating prototyping [....] and facilitate a challenging spirit within the organization [...].*[19]

Nonaka attributes the great success of Japanese enterprises to the following three (main) reasons:

1. The Japanese way of thinking and living is deeply rooted in the *idea of the unity* of body and spirit, human and nature, self and other, individual and group/society. Therefore, Japanese managers pay much more attention to individual experience (which can not so easily explicated), whereas their western counterparts count on formalized, rational, scientific knowledge. The idea of >unity< also means that the visions, values and goals of an individual are identical with those of the organization (intellectual, emotional identification with the >group<; individual learning is collective learning; the organization knows and learns).

2. A comparison of the military structures of the Japanese and American armed forces in the second world war, reveals (according to Nonaka) that the mobile and flexible >task force< organization of the US combat units led to the defeat of the inflexible, hierarchical military machinery of the Japanese army. This indicates that a >project oriented< *network/hypertext-organization* (under the roof/umbrella of common visions, values and goals) is the best way of getting things done, because it combines the advantages of both systems to deal with the complex and ever changing elements and circumstances of given situations.

3. Middle managers assume the main role in the successful reaching of a goal. The ordinary troops (workers) have valuable practical knowledge, however they are occupied with everyday issues, tangled in chaos and unable to see the big picture. The top/senior managers on the other hand can only provide the conceptual/normative frame and point to the direction in which all efforts should be concentrated to proceed. Only the middle managers can/are able to bridge the gap between visions and reality.

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[19] Nonaka (2000), p 496 / also see: p 681 (highlighted text selected by the authors)

Nonaka's view can be illustrated by following graphic:

Four modes of knowledge conversion / Nonaka, 1996)
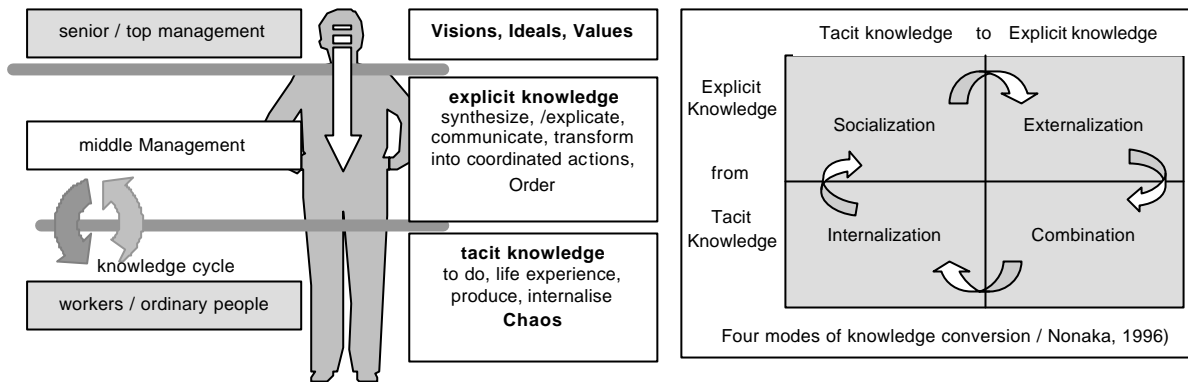
According to Nonaka, top management sets the normative frame in which middle managers and ordinary employees interact and create valuable knowledge for production. We could take this for granted and assume it is also valid for western types of management. However, the above examples indicate that the specific ways/forms of interacting and patterns of behavior (interaction and relationship between leaders and followers) seem quite different. The question is: How does a group actually work and what do "belonging to a group", "subordination" or "personality of a leader" actually mean? How do managers carry out their duties by the way they walk across a room, the tone of their voice, the words they choose to use or not to use and all other ways of indicating their position?

To better understand the way people behave and think, it is helpful to look at their cultural traditions and the history of their culture. People all around the world are raised in the "mother-milk" of their own specific cultural tradition. To illustrate this, let us draw a brief >picture< of Japanese history[20]:

c. The roots of understanding: The old land of the Sun Goddess and the implementation of a new male ideology – Buddhism and the enterprise nation

Japan's early history is characterized by agricultural forms of life. Agri-cultures are organized by three interrelated principles[21]:

a) Blood relationships / Gender relationships: Family, Clan, Tribe
b) Family land ownership, tribal ownership, inheritance laws (land as the basis of existence)
c) Fertility rituals and natural gods, spirits and demons, ancestry.

Social hierarchies reflect ownership of land and ancestry. The legitimization of dominion/ordination and social subordination is derived from family/generation relationships and ownership/possession; the richest and most powerful families claim to be of divine origin (they are entitled to establish the rules / what is true, bad and good).

The special position accorded to women is reflected in the role of the sun goddess (fertility). Warriors come from the upper levels of the aristocracy; traders and handworkers are at the bottom level of the social hierarchy: Unity of ancestry, fertility, divine truth, land ownership and political power.

The middle of the 7th century saw a fundamental change in these traditions. The whole country was more or less unified and the social-political system consolidated under the

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[20] For an introduction to Japans history see: Reischauer (1981)
[21] Is this a universal phenomenon? Compare: Schneider, S./Barsoux (2000)
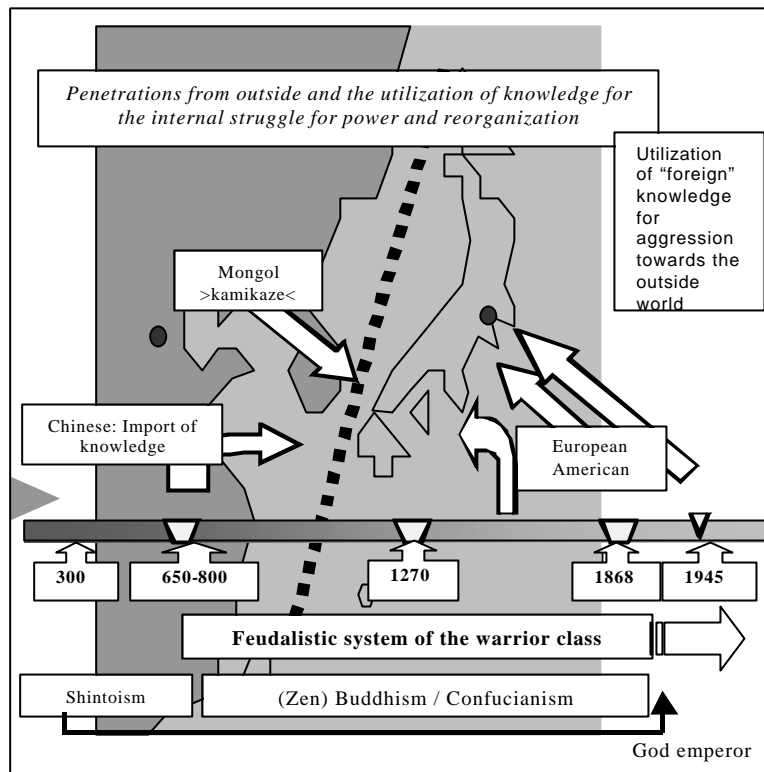
rule of the Yamoto Clan. The Soga Clan battled with them for power using imported advanced knowledge and know-how from China. (By that time, China had already developed a superior political system based on Buddhist-Confucianist principles, legalism, tax and administration system, science and arts.) The Soga Clan lost the battle, leaving the Yamoto Clan free to start the first large-scale >foreign study program< in history. They sent hundreds of scholars to China to import "superior" knowledge to Japan, thus fortifying their own position and power. The "revolution" that followed changed the whole face of Japanese society.

- The divine origin of the ruling families (according to the Shinto-Myth) was used to legitimise the role of the God Emperor (tenno). The ruling clique supported their claim for power using the divine marionette as a sign.
- Introduction of Buddhism (Confucianism) as the state religion, empowerment of the Buddhist temples to serve as the main national educational institutions and introduction of Chinese writing system.
- Installation of a central government, establishment of a centralistic bureaucratic administration, introduction of a new constitution modelled on the Chinese example.
- Introduction of the Chinese calendar and a national historiography to support the nation's normative identity.
- Division of the court hierarchy into 26 ranks, which were not related to descent. Suppression of land-aristocracy and Shintos.
- Division of the state territory in to 66 provinces with state ownership of land that was rented out on a temporary basis (land tax) and was not heritable.
- Replacement (step-by-step) of the aristocratic warriors by a mercenary army, which in principle served the God-Emperor, but in fact was commanded by military leaders who accumulated property and money (nouveau riche landlords) and were able to pay salaries (daimio / shogun).

This was the beginning of a >feudalistic< political social system that was to last over 800 years in which a fraternal (männerbündische) >warrior class< dominated and ruled the country on the basis of formalism, discipline, self-denial, absolute loyalty to the (military) leader, suppression of emotions, technical skills, bravery, submission of nature and subordination under norms ("Deru kugi wa utareru" = A nail that sticks out is hammered in). The final step was the uprising of the middle warrior class (Samurai) and the elimination of the remaining power of the aristocracy in the 13th century. (Gekkokujo)

What were the principles and driving forces of this new political-social system?
- The integrating role of the Zen Buddhist ideology of the ruling samurai class imposed as >state religion< (Confucianism, Buddhism = formalistic, legalistic / Shintoism = moralistic)
- The warrior class' struggle against >up< and >down<, i.e. ordinary people and aristocracy with their archaic belief system and structures (Shintoism/blood relationships/land ownerships, ancestry)
- The internal struggle between decadent owners of power and owners of new knowledge (middle management / the cycle of upstart and descendent)
- The struggle between periphery and center: regionalism and centralism / access to resources

Penetrations from outside and the utilization of knowledge for the internal struggle for power and reorganization

Utilization of "foreign" knowledge for aggression towards the outside world

Mongol >kamikaze<

Chinese: Import of knowledge

European American

| 300 | 650-800 | 1270 | 1868 | 1945 |

Feudalistic system of the warrior class

| Shintoism | (Zen) Buddhism / Confucianism |

God emperor

All four (resp. five) external threats were experienced as traumatic perilous events that the ruling elite had not been unable to deal with and led to their being replaced by a >middle management<. The forced opening (of the country) was

countered by the strategic import of new knowledge and internal revolution and followed by isolation[22] and internalization. The >nation< is the only real enterprise and being Japanese, belonging to an incomparable superior >race< (culture) became the >religion<, the sense and reason to live/of life.[23]

d. Japan today: the enterprise nation of the samurai managers

Nonaka writes that top management at KAO manages the company on three principles deeply rooted in Buddhism: To contribute/serve for the benefit of customers; absolute equality of humans; search for truth and wisdom. *"These philosophical principles form the tacit knowledge base for KAO. This tacit knowledge base guides the behavior of KAO's employees and serves as the key driver for its unique corporate culture."[24]* Given the background of cultural history and Confucianist ideology this could be understood as: customers = members of the male-group (brotherhood / brigade / nation enterprise); humans = the Japanese; truth and wisdom = extinguish the egoistic self.

A de facto cooperation between groups of equal importance and status is hard to imagine in Japan. Noone (be they members of another company or foreigners) can be considered as a potential partner, either in private life or on a public or business level, unless they can be linked through a vertical structure to form a greater "We" (horizontal segregation and vertical abstraction). The "We" is expressed by >ie/uchi< (the home community = the household managed by the head of the entity) and >kaisha< (the company = the community to which someone belongs, the framework in which he is >somebody<).

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[22] Isolation also means that the >outside world< can not be managed. A good example of an attempt to manage the outside is the marriage policy of the Habsburg Empire (creating allies, big families, and friends not enemies). Another form of managing the outside is of course to invest a lot of money in foreign economic systems and by this means influence their policy. The Japanese had learned this lesson after the Second World War very well. In the case of Japan, this isolation however had the consequence that Japan did not become a victim of colonialism.

[23] N. Chomsky: to serve the nation is „democratic behaviour", (criticising the American way of making politics)

[24] Nonaka (1994)

>Shared purpose< and >common goals< are not negotiated from the bottom up or on an equal level, but are rather imposed from above. This requires both an internalization of goals on the part of the subordinates and total loyalty and personal respect for the superior (top of the "middle management"). This also applies to the dependent suppliers of the large industrial flagships of the nation: Since they cannot choose their customers, they are exploited from above (mass bankruptcies among small and medium-sized companies). Employment relationships are not based on contracts of employment, but on ideals and emotional ties which individual employees cannot break for any personal reasons (lifetime employment/tie).

The management of the analogously formed groups[25] is networked in the fraternal warrior class (Männerbund) and forms the hypertext organization of the nation, led by the top managers (emperor) to serve the >idea< of the nation.
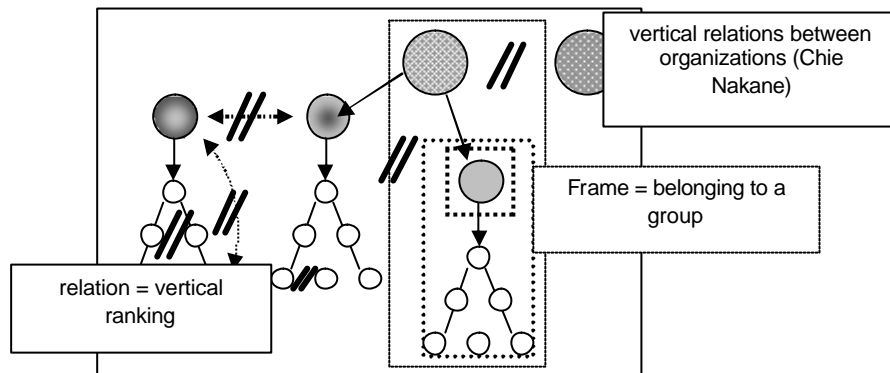
Now, one could argue that throughout the >history of a nation< there will always be more or less dramatic changes (revolutions) and history therefore does not necessarily explain and reflect current ways of thinking, behaving and leadership. However, any foreigner who has lived and worked in Japan for a longer period of time will find many examples to suggest that the >history of the nation< is deeply ingrained in modern Japanese society (as is also the case for other societies).

e. The "tacit knowledge" misunderstanding

We would also like to discuss another irritating fact. You may well have realized that Nonaka refers to "tacit knowledge" in the context of values, norms, and ideals to be internalized by the members of an organization. The internalization of social regulative in form of good behavior, honesty, reliability, respect for others, etc. is supposed necessary in all cultures, because the written laws, gates, and police alone are not sufficient for a functioning social system. However, this form of >tacit knowledge< is by no means the "tacit knowledge" referred to by Polanyi and to which Nonaka partly refers.

In Polanyi's "Personal Knowledge"[26] or "The Tacit Dimension" it is clear that he (as a natural scientist) is struggling against >ideology<, i.e. the influence of political ideologies (DIAMAT) on scientific basic research. He argues that the claim of truth of ideologies, religions and social sense/value systems is different from that of the empirical mathematical sciences: There is no direct route from biology to ideology. When he talks about "tacit knowledge", he refers to the bodily life experience of an organism that helps it to survive in a complex environment through a reduction of this complexity to "Gestalten"[27] i.e. patterns of perception/reaction (cats and dogs do the same but they don't have culture). Because this is a biological process, it cannot be translated directly into a

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[25] See: Nakane (1984)
[26] Polanyi (1962 / 1967)
[27] See: Wertheimer (1963)

symbolic code like human language ("We know more than we can say"). The transformation of tacit knowledge into explicit knowledge needs a long history of social interaction and communication (culture); explicit knowledge is codification of social practice, whereas tacit knowledge is the result of a learning process by an organism which brings some order into the biochemical, sensomotoric stimulus-response processes (the skill to ride a bicycle, according to Polanyi / tacit knowledge = bodily knowledge).

The internalization of ideals, values and norms is performed through all the cultural artifacts that force an individual to behave in a certain way within a given society. Bio- or neurosciences cannot explain social behavior, and Poppers "world three", the universe of intellectual concepts. (In this respect I disagree with Maturana, who claims that biological system-paradigm can explain everything.)[28]

Coming back to Nonaka's concepts of the role of middle managers, leads us to conclude that his examples in fact do not deal with >tacit knowledge< in Polanyi's sense at all, instead they involve observing and controlling how well subordinates follow the rules of the group (enterprise): They act as >samurais<[29] (tacit knowledge = socio-cultural meta-knowledge).
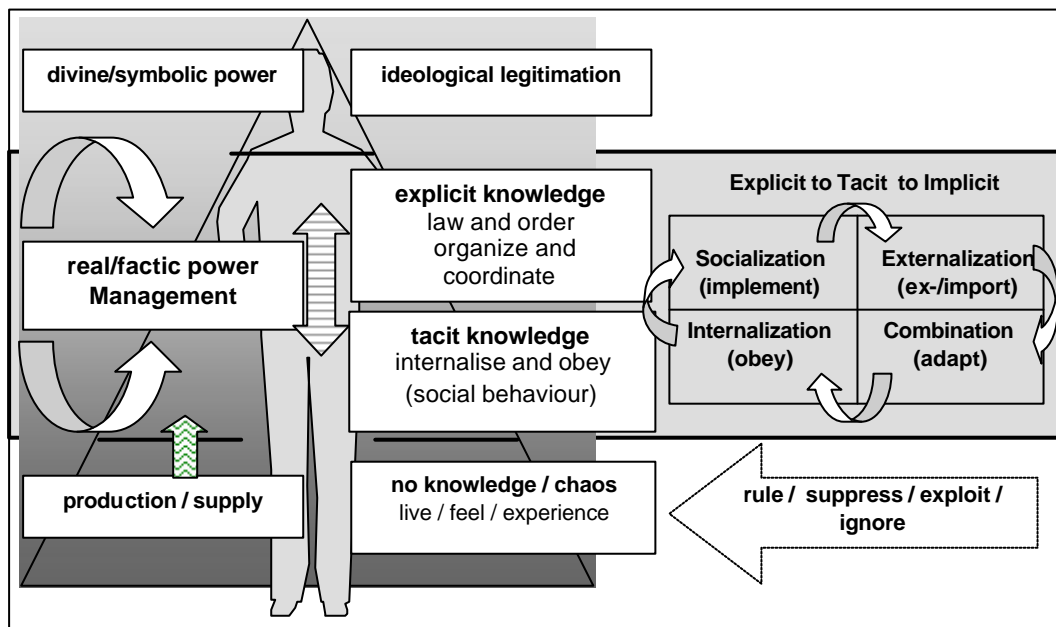
Structure of and roles in the "nation enterprise"

f. The way of life or bodily knowledge?

Management deals to a great extent with human issues as noted at the start of this article. Social interaction is performed mainly by means of internalized[30], subconscious trained patterns of behavior which are applied/performed and modified on a case-by-case basis. Rational, explicable knowledge is not enough to help us deal with the complexity of face to

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[28] See: Maturana / Varela (1984)

[29] For a review of Nonaka's concept see: Glisby / Holden (2002). Reading the practical examples given by Nonaka in his various publications (or from one's own observations/experiences), one might have the impression that Japanese managers act and see themselves according to the "good parenting" idea/concept, however to understand what constitutes "good parents" (a good father), one has to live in a Japanese family/group and compare the "real meaning" with experiences made in other parts of the world.

[30] The terms "internalization" and "tacit" say nothing about the nature, origin and quality of what has been >ingrained<. When I came back from Japan after twelve years and shook hands with someone, I found myself subconsciously bowing my head as I had been accustomed to do in Japan. I only noticed this when a friend told me I was behaving like a Japanese. A completely different story is when somebody accuses me of not telling the truth. This hurts and makes me angry because I see myself as an honest and truthful man and subconsciously act according to this ideal: It has become a part of my (subconscious) identity. Speaking a language in a grammatically correct manner is also internalised as is the manual skill of using ten fingers to type which can be acquired through training. The expression "tacit knowledge" is therefore misleading, because we are summarizing too may different things under the term "knowledge".

face (social) situations: We act and react intuitively as we learned to do from childhood. This form of "social tacit knowledge" (life experience / personality / character) is guided and ruled/shaped by culture specific meta regulative such as religion, morals, customs, manners, values, norms, rules, and laws. Meta regulative can be studied and learned by reading books (studying cultural history). The "tacit knowledge" of human interaction on the other hand has to be learned through individual (real) experience and education. Nonaka's use of the term "tacit knowledge" in fact refers to explicable (social) meta knowledge, which does not really help us to effectively communicate with other people in practice[31].

The other form of "tacit knowledge" he refers to, the "bodily experience" of craftsmanship and bodily, manual skills has also be learned and acquired by doing and training and not through observation, walking around and watching other people. This would mean that Nonaka's managers are in fact not dealing with "tacit knowledge" at all, unless they are acquiring their own individual life experience through interaction with others and practical hands-on training (for example how to play golf). Managers might know a lot about other cultures, but will still be less successful than other managers who don't, if they have not gained their own individual tacit "knowledge of human nature" through life experience. Nonaka's message can therefore be reduced to a simple statement: Our (Japanese) ideology/culture (meta regulative of social interaction) is superior! [32]

3. Trouble with "business as un-usual": Barriers against chaos

a. Russia: How to rule a nation: Titles and other markers versus personal relations

"When I had problems importing electronic equipment into Russia[33], I finally managed to talk to the head of the regional customs organization. After I had explained the situation, he answered: "I'm not going to break the law, but this law has so many different regulations/paragraphs: some work in your favor and others don't. What would it be worth to me if I were to choose a regulation that was good for you?" I was not in a position to offer him anything – and did not want to either, so I appealed to his better nature and asked him to simply be a nice person. Needless to say, my efforts failed.

Whenever I wanted to contact the top decision makers in Russia (top managers, heads of department, directors, government ministers), I needed appropriate "markers" to indicated that I was on a similar level and in a position to make "important decisions". As a stranger, the usual markers (Dir., Prof., Dr. etc.) were obviously not enough, and in most cases I needed the help of an insider with appropriate markers to open doors.[34] However once the bridge (personal relationship) had been established, it seemed that almost anything was possible. Even my employees without titles could now go through the open doors. Interestingly, my employees also insisted on having markers, because they felt much more confident with a clear indicator of their position in a hierarchy, even though this hierarchy only existed on paper (business cards). We found hierarchical structures to be more of a hindrance in our small organization than a help in establishing order in the day-to-day internal activities, but (position/function) markers were nonetheless useful for interaction with people embedded in structures in the outside world."

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[31] A foreigner can e.g. learn "in theory" to use the many different Japanese expressions for addressing a person (you) in different situations according to the social hierarchies in place, however he will continue to make mistakes until he has acquired the "right feeling" of what is appropriate in a certain situation through experience (tacit social knowledge).

[32] An illustration of this mixture of cultural history (ideology) and social psychology: When I walked through the door to the toilet in a top restaurant in Tokyo, a well dressed "salary man" passed me, grabbed my "private parts" and snarled with contempt, "Mine is bigger than yours!" May be, his boss did not treat him well, thought I were an American and remembered that Japan had lost the war.

[33] The author (JO) worked for 8 years as a region manager for the territory of the former SU. The question in this situation was: Are monitors, keyboards, printers and PCs integral parts of an electronic medical equipment or not? If not, I would have to buy them locally or pay ten times more import tax, for which the "poor doctors" would have to pay.

[34] The problem was: I had to do someone a favor, so he/she did me a favor by asking somebody else to do her/him a favor. and let me go through a closed door. See also: Ledeneva (1998)

- **Solid- versus soft structures – Internalization of meta-regulative**

It is clear that all societies, cultures (and also organizations) have developed so-called "structures"[35] to "in-struct" people how to live and work together. When we talk about structures, we can mean different >constructed things< (artifacts): the traffic and communication infrastructure of a country such as highways or telephone lines, the layout of rooms in a building, the border lines and fences, the structure of a written text, the norms, regulations, agreements, contracts, laws, and customs of social interaction with their appropriate instruments of sanction, the hierarchies and functional differentiations in corporations, the structure of education systems and sciences or the structure of a language and the logical structure of our way of thinking and arguing. Structure therefore does not equal >structure<, and different cultures, societies, enterprises, and communities develop and use different structures for different purposes. Structures can be technical artifacts, symbolic (codes) or biological, intellectual (mental models) or emotional, but they all have something in common: They reduce the complexity of the (social) world by selecting, fixing and setting up a limited amount of options (forms, ways) for behaving, acting and thinking (formation, standardization). As long as people within a society or organization believe that these instructions (barriers against chaos[36]) are working efficiently and therefore make sense, they are held to be "legitimate". If not, a "crisis" result and people begin to ask: "Why is this so? What is the benefit? Who prescribes this? Why should I do this?" Anarchy is in sight.

If people in an enterprise do not follow the instructions, it is up to management to >fire and hire< (or change the structures): The managers are the *guardians of the structures*. They co-ordinate, decide and control what should be done in which way, what is relevant and what not, otherwise we would not need >managers<.[37]

The assertion that we currently live in or are at least heading towards the age of a global "network/knowledge society"[38], in which every individual >knowledge worker< is emancipated enough to establish his own ways of living and working, negotiating with peers about temporary forms of co-operation in fields of common interests, is an illusion, unless said individuals have completely internalized all the social meta-regulations, and these external structures coincide with those that have been internalized: con-forming ways of believing, thinking, wishing, feeling, and behaving. Some pessimists claim that this is already the case, especially in Japan or the US.

The gap between "external structures" and their internalized form ("soft structures") in individuals was a big problem in the former Soviet Union (stealing things from colleagues or destroying public goods) and has become an even bigger problem since its collapse. This is of course also a problem for all kinds of >managers<, because the lack of acceptance and internalization (of these structures) on the part of the >ordinary people< can not be compensated through rigorous observation and punishment (by the >ruling elite<) in case of (destructive) disobedience. The re-implementation of rigid >military-like structures< as well as the formation of >gangs of common interests< (corruption, mafia-like communities) is contra-productive in a globalized world of international competition.[39]

There is another form of "social structure"[40] deeply rooted in Russian history and ingrained in people's minds, which is said to be an obstacle to the effective modernization of

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[35] For a more detailed discussion of the meaning (use) of the term "structure" see: Ortner (2003)

[36] More about "barriers" see: Ortner (2002a)

[37] A discussion of different management concepts/theories see: Gmür (1991); Bertlett/Ghoshal (2000); Sayles (1993) (stewardship / steering-man / saviour versus transformational leadership)

[38] Compare: Nohria (1995), Castells (2000)

[39] M. Olson (2000) describes this phenomenon in his book "Power and Prosperity" in a very impressive way.

[40] "Social Structure: The way in which society is organized into predictable relationships, patterns of social interaction (the way in which people respond to each other). These patterns etc, are to some extent independent of the particular individual, they exert a force which shapes behaviour and identity." Schaefer / Lamm (2003), See also: Berger / Luckmann (1966) p 51

economic structures: The "Blat" relationships[41]. In times of "centralized planned economy" and absolute rule by an elite (the Czarist regime and the Communist party share the fact that they both placed ideological, political and practical power in a single hand) it is good to have allies or friends based on: I do/did you a favor and I expect you to do the same for me the next time! The "society of favor" worked perfectly in times when it was difficult to get things (done) by regular means (a doctor who had saved a government minister's life could ask him for almost anything and the same doctor would treat a poor man again for free if he had received a bottle of Vodka the last time). This practice is contra-productive for a modern economy for two reasons: It undermines the established formal structures (rules, laws), and is to some extent an uncontrollable >black market<.

Consequently, managers in Russia face quite different problems to their Japanese counterparts with respect to "leadership" in organizations. The top managers in Russia (in the Nineties) I had the chance to meet tended to show two different faces: Firstly, they behaved like military commanders (according to the instructions of formal, solid structures). The formal barriers they erected around their position were so tight that subordinates would not have dared to contact them for "extraordinary" reasons.

However, when I succeeded in establishing a personal relationship with them, they behaved like close friends. Because I resisted being treated as a part of their "empire" or perhaps simply because they did not see any benefit in treating me as an insider, these "personal relationships" seemed to be a convenient way for both sides to have some influence over each other.

However, those on the middle levels of hierarchy seemed to suffer and continually struggle with the structures imposed on them and look for opportunities to escape and (secretly) gain personal profits.

When comparing experiences in Japan and Russia, we can say that "social tacit knowledge" is much more important in Russia than it is in Japan. In Russia, a "foreigner" has to break through the wall of suspicion[42] (What is he going to take away from me?) and become a familiar comrade or >close friend< to achieve his goals, whereas in Japan you have to behave as a (solid) member of the group in which you work and live. The explanation of this fact could be: Internalization of social meta regulative suppresses the guiding function of emotions in social interactions. Insufficient internalization of these meta regulative leads to a mobilization of emotional socio-regulative[43]. This might by the reason why Russians are said to be so emotional/sentimental and Japanese not.[44]

b. UK Europe: Lazy people – misinterpretation and lack of respect

"In the business environment I grew up in[45] it was laudable for employees to brag about how much vacation they had banked. They were demonstrating how loyal and vital they were to the company. You were looked down on by your peers if you took vacation.

I moved to the United Kingdom in 1992 to manage the company's European and Middle Eastern distribution channel. And I arrived to find out these 'crazy' Europeans, Scandinavians, and Brits were taking up to 5 weeks of vacation each year plus their public holidays. The message I received from this behavior: These people are just not serious about the company and what they do. What value are they adding if they are always on vacation collecting big salaries?

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[41] For more details see: Ledeneva (1998)

[42] Mutual trust is based on personal experience of the history of interaction but not on the confidence that the other has internalised the social meta-regulative and therefore will behave as a good member of the society.

[43] Sympathy, familiarity, friendship, comradeship, hostility, aggression, etc.

[44] An example for this (stereotypical) differentiation: After I had left Japan, I heard nothing from my many colleagues and friends whereas the Russians call from time to time, send seasons greetings and talk about the good times we had together.

[45] The author (RN) worked for many years in the United States before moving to London and later to other countries.

After about a year in their environment, the light went on: I was the crazy one. If one works with clear objectives and maintains a healthy, balanced life the quality of work goes up and the job gets done quicker and better because we have a much clearer focus and goal.

What I came to understand was: If I am frustrated by another culture, it means I need to be sensitive and understand their motivation in life. These frustrations cause me to lose respect for my partners, just because they "live" their lives differently. If I consider myself to be better, i.e. have less respect, then that blocks a free flow of knowledge. It blocks or squeezes the transfer of knowledge and the full potential is not realized. After all their culture has been living successfully for a lot longer than me."

- **The way of life and corporate culture**

When a representative of a foreign company visits business partners on their home territory, it is unlikely for any problems of cultural misunderstanding to arise, because both sides realize that the time they will spend face-to-face is limited (to a few hours or perhaps days). They therefore act and behave (like tourists) based on their prejudices, projections, and anticipation of what the other might expect to happen. Irritating behavior can be seen as "exotic", and ignored, overplayed or suffered (like a pain that will soon be over). Both sides see this as an "extraordinary" situation in which they do not have to show their real face.

The problem really arises when these "foreigners" have to stay for longer period of times, and masks eventually have to be stripped off (i.e. the way they had been used to "formally" interacting/negotiating via telephone or e-mail[46]), and both sides have to face and experience the realities of "real life". It can take months or even years (e.g. in the case of a visiting professor in Japan) until the culture shock actually takes place, and people realize (emotionally) that they are in fact strangers to each other.

Even when we work in the framework of an organization (company) and collaborate with colleagues, this does not mean that everything is formally agreed, written down, or defined by rules (workflow), guidelines, and regulations. The way people cooperate is (to a great extent) regulated by the internalized values and sense concepts that are specific to each community (of practice) and culture (society): "tacit social meta-knowledge". In our place of work in our home country, we are usually not even aware of these social regulatives (it is "normal") that form our patterns of behavior. They are however necessary for us to foresee and anticipate the actions and reactions of other people (social rationality). We cannot learn what is "good/bad" and what makes "sense" (in a given situation) by reading a book or through explanations: We have to experience it for ourselves, internalize it and make it a part of our personal "identity" (what we feel and believe we are in this community)[47]. Without this "experience" of the way of life in another country, people seem to us to act strangely, and we become confused, make mistakes, or try to change people.

To better understand the situation in our UK example, we have to differentiate between the general framework of explicit and implicit regulatives in a society (national culture), the established ways and forms of interaction within an organization[48] and with its environment, and the individual form of adapting and conforming (internalization) with them both (character/personality/professional habits). This means that someone can just be lazy by nature, it can be the style of a particular community, or it can reflect what is

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[46]The Austrian's have a saying: "It's easy to love god because you don't have to spend the night with him in one bed and he neither smells nor snores."

[47] Social Identity: When I got acquainted with a famous scientist, well known director of a research institute (hero of the nation) in Byelorussia, I faced enormous difficulties to get him involved in business activities in order to resolve the financial crisis of his institute: "This goes beyond my dignity as a scientist!"

[48] So-called "organizational culture" differs from company to company within the range of possibilities established by the national culture (values, belief systems, laws, constitution, customs), because the members of the organization have to work out the balance between long term interests (future growth), medium term interests (tomorrow's profits) and short term interests (today's distribution of power/access to resources) within the conceptual, normative framework established by the decision makers on a day-by-day basis.

accepted to be the norm in a society. In the story above, the internalized "organizational culture" in the company's US offices ("work hard, don't take too much vacation") seems to conflict with the "normal way of life" for workers in the UK. To resolve this conflict, it was necessary to translate the "UK way of life" back to the relevant value concepts in the US "organizational culture" ("taking vacation makes us work better/more productive").

c. Russia (RN): Riding in on my white horse - Recognizing individual impotence.

After waiting for years to have a large project in Moscow released to purchasing and getting caught in the home office's drive for more and more orders, I arrived in Moscow on a regular trip.[49] The only difference was that this time I was riding my white horse and coming to save the day. I was going to call on all of my American experience and find a way to get the order released. I tried everything I had learned in my previous 15 years in the market. Yet to no avail. None of the tricks and procedures I had learned worked. What does this tell me?

Sometimes you just can't move anything, especially a government. Some socio-political situations are simply much larger than you, unless you are a Mega Company and have those "special" relationships. We were not.

When the story came out that the bank president responsible for money transfers on the project had just transferred the dollars to a US bank to kick off the first stage of the project, the mafia got upset and shot the banker in the head because they wanted the money and it was gone. The following phases of the project then came to a standstill for months and months. What does this teach us? Some things are bigger than you. What can you do about guns and murder in business: Nothing, but hide and wait?

I threw up my hands and said, oh well, it looks like it is time to ride my horse home. The picture did unfold in the end, and the project was eventually finished. The government sorted things out and we played our part in building the prestigious Institute in Moscow."

- **Legitimacy of power structures and illegal alliances – Whose interests are better?**

Commercially active (private) organizations attract the attention of all sorts of people: both holders of political functions (agents) who are in the position to make decisions on the distribution of goods and cash and private persons (entrepreneurs) using (legal or illegal) structures to gain access to goods and cash. Whilst public servants (should) execute their powers using instruments of legal control and sanction (tax inspection, police, jurisprudence), private persons use their economic power to create an environment in which they can obtain maximal profit (buying guns or paying other people to do a "job" or make a decision in their favor i.e. bribes). State officials and powerful private people can also form a union of common commercial interests in which officials act as persons with private commercial interests (corruption). Whilst small-scale theft on an individual level is not generally a big issue for commercial organizations (and their representatives) in an uncertain political environment, the situation looks rather different when a "criminal organization" reaches a certain size and works hand-in-hand with high ranking officials. The commercial organizations are then left with only two options: either to "pay the price required" or leave the country. This is commonplace, almost trivial, but is there no other solution to this problem? What did we do?

In this critical period, we tried to hide our (minor) commercial activities under the umbrella of non-profit-oriented institutions (e.g. scientific organizations and research institutes with their specific values and norms) that served public interests (attracting public attention) and keep our major commercial activities (formally) outside the country. At the same time, we tried to intercept the links between Mafia and legal structures by establishing good

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[49] The author (RN) was responsible for the territory of the former SU as international sales manager and assisted the region manager (JO) to establish a new distribution channel on this new market.

(private) personal relationships to some of the people in power ("You should not betray or steal from a close friend!") and make them aware of the fact that we had established extensive links to the network of people serving the public interest (e.g. the scientific community).

In other words, the values and norms of social behavior in personal relationships, commercial organizations, and public institutions are not necessarily the same, and if they are, they work in different ways. "Not losing face, being kind, honest, and truthful, not harm someone" are relevant regulatory factors in private relationships, whereas "having a title, money, position, and power" are not. The problem becomes more complex when it is not clear from the situation which role a person is playing, which interests he is currently representing, and which (short/long-term) benefits he is trying to realize. How do we (as foreigners) then ascertain whether these interests or motives are real or pretend, primary or secondary? And, more importantly, are they acceptable or immoral from our point of view? Which interests do we have in common and which can be substituted or bargained?

To solve this problem, we have to distinguish between "valuating" and "procedural" socio-meta-regulative. Culture-specific value systems tell us what is good/bad, more/less valuable (priorities). One person cannot in principle tell another person that his "interest" is bad. The distinction between bad and good has to be seen as the result of the socialization process within a community/culture[50].

The problem with the "cross cultural" exchange of "socio-meta-knowledge" is that we often try to change procedures (how certain interests are realized in our "way of life"), but we are in fact implicitly aiming/trying to change the value system that is "foreign" to us ("what's good for me is/should be good for you too").

d. USA Taiwan: Who takes responsibility? Hanging in the middle between.

This story dates back to the early days of my career as an international distribution manager for a US medical equipment supplier. While I was on an extended trip, one of our ambitious salesmen worked out a deal (with the blessing of the Company President) for one of his clients. Although the order was ultimately destined for a prominent hospital in Taiwan, i.e. an international sale, I was left out of the loop until after the details and price had been agreed.

I was young and inexperienced and kept my mouth shut as instructed. Our agent in Taiwan agreed to play along with the factory. However, three months went by and the factory still hadn't shipped (a critical system component was still being designed in Japan). The customer understandably began to ask questions, and the expiry date for the letter of credit loomed. I was told to make up a story and get the letter of credit extended. The customer refused. Panic hit.

I was getting annoyed, but I believed the president would come through and get me a working product in time. I believed in his integrity. Eventually we convinced the Japanese company to ship a prototype, and we in turn shipped a "quality tested" system to Taiwan on the last day the Letter of Credit was valid. Our agent installed the system and began testing: Zero functionality - the critical component did not work! Getting support was a major problem – the service department was not trained on the prototype and our own engineers were not familiar with the component. Our distributor spent weeks at the hospital, but to no avail.

Eventually I arranged for our product manager to accompany me to Taiwan with a replacement component in our luggage, where I met our distributor for dinner. Being young and exuberant and sporting my recent responsibility as distribution manager, I asked him for his forecast for the next 3 months. His answer came quickly: "R., you are shut down and will get no orders until you fix the problem with Dr X's machine".

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[50] The way we realize our "acceptable" interests within a community is regulated by "the way the regulations are set". These can be more or less formal (rules, laws) or informal (good manner, customs). The way a certain goal is achieved can be negotiated and agreed as long as it does not violate other basic values (e.g. killing someone for money conflicts with the value of "life").

I said it wasn't my fault. I wasn't even involved in the deal and had been over-ruled by our president. The distributor repeated firmly: "R., you are shut down and will get no orders until you fix the problem with Dr X's machine!"

It got even more interesting the next day. We had a typical day seeing customers and prospects, followed by our normal end of day sales discussion in the office, which was also attended as standard practice by the service manager. Before we went to dinner, I was standing at the window enjoying the cool breeze, when the service manager came over and asked me if I wanted to jump. We were on the 10th floor. I laughed and jokingly said no, just go to dinner. The service manager's eyes turned very dark and I could almost feel his anger: I had let him down. He said: "R., I am serious, do you want to jump? I'll help you!!" It took another 4 months before we had the situation at least under control and people stopped being angry every minute of the day.

The (short-sighted) action of our president had caused big problems in our partner's sales territory and affected their ability to conclude orders. The story had spread all over the island and they were unable to do business and unwilling to extend themselves until we repaired our "face". This episode taught me that:

➢ *Business goes beyond rules, regulations, and bricks and mortar.*
➢ *The relationships and trust you build up across global boundaries are the only real things you can hang on to when working globally.*
➢ *The global partners depended on me to defend and protect them.*
➢ *We could have done a lot more business by focusing on the right issues.*

- **Conflicting interests – How to deal with heterogeneous structural constraints**

It stands to reason that managers should use the power of their position to benefit their organizations and that they act in accordance with their professional codex of "good behavior". Cost-cutting exercises and reducing staff may be necessary for company survival, but will not receive much support from subordinates ("lonely tragic decision"). The conflicting interpretations of such actions must be seen in the context of short, medium, and long-term interests, expectations, and strategies. An employee who has to leave a company has different priorities to his boss and is unlikely to agree that this was the right decision. In most cases, once such a decision has been made there is no room for discussion, however there are cases where "rational arguments" (based on commonly accepted views) seem reasonable. For example, when it is clear (both to independent observers and insiders) that a manager is using a proclaimed corporate necessity to further his own interests, or has based his decision on false "knowledge", ignorance or irrational emotions.

Do we have or can we establish working "meta-regulative" through which we are able to distinguish those cases where there is good reason to question such a decision und those which have to be accepted as they are?

In companies owned and managed by a private person, this conflict of interests rarely arises because the private interests of the owner coincide with those of the organization (self-regulation). In enterprises with a clear division between executives and share-/stakeholders and in privately owned and managed companies, the function of "control" cannot lie with ordinary employees or middle management because their job descriptions do not include interfering in top management decisions. Both are to a certain extent "self-regulating" systems, but in different ways: If a "hired" top manager makes a wrong decision, it will not necessarily have an immediate impact on his private interests. Furthermore, his "egoistic" decisions and their impact on the health of the company will not be immediately apparent to the owners. The problem lies therefore in how "transparent" the reasons behind a (strategic) decision are and the "time lag" between action and outcome. A service engineer will know at once if his "action" was right or wrong. A management decision on the other hand has to be translated and implemented all the way

down the line, and the final outcome is the result of numerous internal processes and interactions with the outside world. It takes time.[51]

The problem in this story lies in the "information flow" between the outside and the center of power: Appropriate information flow channels (from business partners and customers) had been designed, structures implemented, and positions designated to execute the processes (structure of "communication space"). However, ever-changing market conditions and the complexity of business activities force decision-makers to improvise and break the "rules". Since such case-by-case improvisations are not "regular/normal", it is difficult to foresee their effects (and side-effects), because each situation is different. Managers are only human and their ability to oversee and understand "situations" is thus limited. The validation and valuation of factors (elements) of a given (complex) situation is often "subjective", based on assumptions, suppositions, estimations, prejudices, or feelings. Everybody should have the right to make and learn from mistakes, except managers because their decisions impact the interests of other people and can have dramatic consequences. (So what should we do? Form "management teams"? A viable – if costly alternative!)

The ethnocentric, home-oriented attitude (state of mind)[52] of the president might well be an explanation for his actions (he does not really understand what life is like in the field). However, his behavior is far more likely to be the result of his struggle with the people who appointed him. In order to justify his position he has to report growth (success) and show his leadership strengths by making immediate decisions, no matter what their consequences. (He has subordinates to sort things out at the front line.) His dilemma could be that he himself is in fact a prisoner in a much bigger structure. Shareholders, investors, labor unions, political parties, mass media, and law makers set structural constraints that (sometimes) force managers to act against the well-being of their subordinates and the long-term company benefit: They (can) influence and change "organizational culture" dramatically. Furthermore, a top manager "at home" in the headquarters will find it extremely difficult for to know and understand the types of macro-structures that surround and affect his business partners in other countries and cultures.

e. Paradise lost: Who really needs my knowledge back at the "old homestead"?

I accepted the company's offer to relocate to the UK to set up and manage a regional sales office to increase business in the Middle East, East/Central/West Europe, and Scandinavian markets. I remained in this position for over two years, returning to the US in July 1994 after a couple of corporate reorganizations and a buyout by another (large) company. I was about to experience a thought provoking situation. Our new owner was pursuing growth by acquisition and wringing profits from going concerns. The corporation had changed from a spirited, friendly, helpful organization to a corporate, driven, political, cost cutting environment. It appeared that the life and spirit we once enjoyed was being wrung out of the organization, and the "we can help spirit" was a thing of the past.

Arriving home from a very successful assignment, I was unprepared for the new environment. Although some of my "old relationships" remained, I was not ready for the new politics. Before I moved to the UK, I was on very familiar terms with the old president. But he had been replaced by the new owners by an accountant, who had no prior experience in the medical business but knew how to create stress and conflict in the organization (my humble opinion).

I did find a lot of mid-level people who were glad to have me home. They were especially happy, because I could help them with many of their questions about the international situation and requirements. I found a yearning for leadership from many areas in the organization.

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[51] (Think about the ENRON, Parmalat scandal, etc.)
[52] See: Perlmutter. (2000) p 74 ff

After some time, I noticed the Fiefdoms and Power Circles. Political backstabbing was starting to raise its ugly head. In the end I did not foresee that

➢ *as my areas of responsibility started to come to fruition, I would be upsetting existing power structures (I was the one returning to their environment, armed with all sorts of new experiences and skills. My friend the president was gone.)*

➢ *years of noteworthy experience in 50 countries for the company had given me a good reputation and the trust of my international partners, and a strength that the new president didn't like.*

What did I learn? Be careful if your successes threaten those around you, especially if they are insecure and feel their kingdom (environment) may be threatened. Pick your battles and projects and be more attentive to the importance of your relationship with the president.

- **Structures, values and trust – New knowledge threatens powers structures**

Working internationally, dealing with independent business partners, and experiencing their needs, constraints and dependencies leads to a higher sensitivity to "common" interests/goals and the (culture-specific) ways of achieving these goals. It goes without saying that if an international distribution manager does not support his business partners in their battles with local competitors and struggle for power and access to resources ("help other people to play their game"), he will soon have no partners at all. In this position, he has to see/deal with local hierarchies, structures, barriers, rules, and laws as something almost "virtual", that changes from country to country, and from situation to situation: He is participating in the game (as an outsider), and although the outcome will have an impact on his goals, he is not a "real" part in these games.

Back home, the situation is quite different: Here he is treated like a king, rook, knight, or pawn in a "chess game" – with very real consequences for him personally. His sensitivity to the arbitrariness of the rules of the games makes him vulnerable and critical of the slope/incline of power distribution between top and middle management and the transparency of the reasons behind decisions (at home office). As a result, suspicion ("What does the big boss really have in mind? What game is he playing?"), uncertainty ("What will he decide/do next and how will he do it?"), and resistance ("Watch out, wait and see what happens!") spread, and middle management is replaced by those who show loyalty to top management. When bridges collapse, valuable knowledge and experience become a burden on the shoulders of their owners.

Are there country-specific differences in the attitude of top managers towards "imported" (rival) knowledge and the way the conflicts that arise are played out/resolved? Is the number of foreigners in higher positions in an enterprise indicative of an acceptance of "foreign knowledge"?

It is a well-known fact that Japanese who return home after long periods abroad have considerable difficulties in pursuing careers in (large) Japanese enterprises (and of course public institutions). It is also extremely rare for foreigners to hold top positions in Japanese companies. Imported knowledge is valued highly, as long as it does not interfere with top management decision makers: They have to represent the national (cultural) identity of the firm. (The same is said to be true in Russia. However, this does not seem to be the case in EU countries, at least within the EU.)

Empirical studies show that being part of a company (identification) with a strong reputation can be a factor that motivates people to do more than they are paid to do. This "affiliation" is an important part of a person's identity and also adds weight to their statements and actions. There is also a big difference in whether I consider myself a member of the community of scientists, software developers, armed forces, politicians, entrepreneurs, or "salary men".[53] The same can be said for nationality. It makes a

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[53] See: Ortner (2003a)

difference if a person is an American working for an American, Swiss, or German company, or is a Nigerian working for a Cuban company. The extent of the role played by nationality in personal identities and its effect on motivation, interpersonal relations, and managerial attitudes depends on the environment and the nation's position within the "community of nations" (geopolitics).[54]

4. Bricks and mortar for "management knowledge management" - Cornerstones of the exchange of management experience

Before we can draw a conclusion, we should summarize the discussion of the previous chapter. The purpose of this discussion was to illustrate the necessity to look at what we call "social space" from the point of view of "structures" and to introduce some differentiations for the commonly used terminology (knowledge, internalization, structure, trust, etc.). The "bullet points" are the following:

- The economy (in general) cannot be described and explained using theorems and paradigms from mathematical-natural sciences (appropriate for "trivial machines"), because it is the result of human (inter-)actions. Managers play a key role in economic processes and they are no machines either. The paradigms applied in our investigation (interpretation of stories) are (commonly) used in social, human sciences (epistemology, socio-psychology, cultural anthropology, social systems theory). The basic assumption behind these paradigms is the notion that people are imprisoned in the social spaces they grew up and live in. There are as many "prisons" as there are national-cultural traditions, and each prison is a building with many rooms. In this metaphor, the (external) structure of each prison, its floors, different rooms and their interiors is mirrored in the internal mental, psychological, behavioral "structure" of people (they are more or less internalized, i.e. subconsciously active). Whereas the external structures are (for good reasons) rather stable, the internal ones are not. When people move from one building, sector, room to another they carry all internalized structures (their mentality, character, education, life experience, identity, etc.) with them, activate and use some parts of them primarily, and suppress others. When people come home from work, meet friends in a bar, play football, visit other countries as tourists, or change profession, they "shape" their "personalities" in different ways to suit the new environment. Some elements can be changed, whilst others cannot. In fact, what we refer to as *"personality"* is not a fixed, stable set of internalizations (habits) and constants (gender, shape, age, etc) but rather the extent to which an individual is able to change the puzzle of different elements and adapt to different environments. Admittedly, this metaphor is very vague and can only really serve for orientation purposes. The problem we face is that it seems almost impossible to tell exactly what is rooted in national, cultural traditions, in the so-called culture of a community of practice, the habits of a certain profession, or an individual life history when we try to understand a persons actions/behaviors.

- The differentiation between knowledge and experience (explicit knowledge / tacit knowledge) does not suffice to explain/understand what happens when people communicate with each other and behave and act (consciously or subconsciously) in a particular way.[55] Instead of adding another knowledge scheme, we tried to resolve the problem by using the term "structure" (constructed to instruct) as ways/forms of regulating, standardizing, codifying, coordinating, and simplifying processes (pattern

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[54] In the 1990s, it was far easier to work in Russia as a representative of an Austrian company than as a representative of a German or an American company.
[55] The many distinctions (wisdom, knowledge, procedural, factual knowledge, know-what, know-why, know-how, skills, experience, right feeling, intuition, etc.) seem to bring more confusion than light to the matter. The same can be said for the definition "knowledge = justified true believe", because this definition introduces three even more vague terms.

creation to establish order in chaos). As there are many different processes (knowing, recognizing, talking, demanding, agreeing, taking, giving, exchanging, traveling, producing and managing, etc.) there must be different type of structures to instruct ourselves and others how these processes can be carried out, repeated, compared (codified), and thus understood, expected, and foreseen by the members of a community. It is also necessary to distinguish between internalized (in-trained, remembered) and external (boundaries, barriers, reifications, fixations) structures. Socio-cultural meta-regulative are structures that have been developed throughout the history of a community (nation) as a (minimal) common guideline for all types of interaction games[56]. The *interrelation between external and internal structures* can be exemplified by the skill to ride a bicycle: This is a skill that has to be "in-trained" by every individual, but the way it can be done is reified in the design of the apparatus - it forces everyone to ride a bicycle in a certain way (the learning history of how to ride it successfully is built into the structure of the artifact = implicit knowledge). The way we live together in peace and resolve conflicts of interests is reified in the courts, police, army, churches, fences, safes, contracts and legal documents, which force people to behave in a certain (commonly acceptable) manner.[57]

- As people communicate with each other and "exchange" their knowledge in the medium of symbolic code systems (language, signs) all the structures must somehow be inherent in languages we use. Without going into the details of this complex matter we can say, that communication and understanding each other is possible only on the base of internalized social structures. The meaning of an outspoken sentence ("I am a manager of company X and want to…") can only be understood, if a listener has internalized all kind of social structures which constitute the practice of managing a commercial organization by a person who is entitled to instruct other people and decide, and of course he has to learn the lingual instructing codes. Speaking to another person in fact means to induce (ask, invite, request, force by means of codified "signals") somebody to create a certain assembles out of what he has experienced, learned and can remember (reactivate), a pattern or picture, that (assume-ably) could correspond with what the speaker is thinking of. The saying, we exchange our knowledge, is in fact misleading, - we do not exchange but rather *appeal* to somebody to sort out what he already has learned and make a reference to the in-structions of his social environment: To communicate means to "appeal" and not to exchange (knowledge).[58] The classification of relevant processes of knowing and communicating according to the ever changing "content" we are dealing with in different situations can be endless, the type of structures are not.[59]

- Much research has been done about cultural difference and cross-cultural communication[60]. Our findings and conclusions in this respect are not based on empirical statistical surveys but on personal experience. They can be cut down to a single statement: We have to find or build *"bridges" for sharing* what so ever. The crucial point of economic, social interaction is how to file the purposes of interaction into a time frame: yesterday, today, tomorrow, next month and coming years. Because every economic activity is aimed to maintain a current situation, to change it to the

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[56] Religion, morals, constitution, institutions, education system, arts, historiography, border lines, etc. as external, reified structures; beliefs, thoughts, manners, identities, ideals and values, body language rituals, etc. as internalized structures.
[57] See: Rothman/Friedman (2003) p 585 ff
[58] See: Ortner (2002); This is the crucial point in Nonaka's misunderstanding: When we talk to each other, we in fact refer to the learned instructions (social structures) on how to configure patterns of (already calibrated) "elements" in our mind and respond in stereotypical ways. And, appealing another person to do what we expect him to do will not work, if there is no "power" whatsoever behind that appeal.
[59] For ex. there is a limited number of ways, how a dialog with an unknown person can be initiated: Hallo, how are you doing, what is your name….? The same is true for the sequence of w ords, sentences, arguments in this text or the construction of the graphics in chapter 2 of this text.
[60] See: Hofstede (1980)

better and grow, make profit, get return on investment in the future, the only way to make those activities successfully happen is to establish confidence and trust, - solid, reliable bridges from today to the future. On what can trust and confidence be based on, - what are their roots? There is a single answer: "Structures" and shared life experience (history). To have confidence in the reliability of social and reified structures (in short: laws and walls)[61] can by justified (for ex. when we install a "firewall" or go to court (seeking justice) against a business partner who broke the law), however there are cases everyday that seem to prove the opposite: The structure of the bridges are/were not solid enough. Personal relationships based on shared life history (good common experience as the "structure" of remembrance) can be a much more reliable "*bridge to the future*" (i.e. trust), because life history is the essence of a persons identity. To lose ones identity/face is much more painful than to pay penalties or even to be imprisoned. We should or cannot trust another person only because he/she looks nice, has sex appeal, is old enough or is born in Sweden. Sympathy, the code of body language can help to start a history of common life experience, however only real experience can prove whether they were misleading or not.

The stories presented here suggest that managers mainly deal with people issues. Because people are very "complicated things", all the mentioned psychological, rational, cultural and structural aspects are of relevance. In a culture where there is a strong common background of "good social behaviour" (discipline, politeness, avoidance of conflict and uncertainty) like in Japan, a manager can rely on that internalised norms and does not always have to use the power of his position to sort things out (conflict of interests[62], misunderstandings, betrayal, rivalry, etc.) to make the company run smoothly and maintain good relations with business partners.

Yet there is another type of managerial activities which are said to be more rational (based on logic and mathematical calculations): Decisions in what to invest, what processes are efficient and what measures are effective, how to improve the relation between input and output, and so on. Using the appropriate tools and methods a manager should be able to do and achieve what can be done and achieved under the given circumstances. However when we have a closer look at those activities we come to the conclusion that they are not as rational as they seem to be.

Decisions to invest in the development of a certain new product, to establish new distribution channels or to acquire/buy another company is of course based on calculations and rational cause-effect considerations to some extent (justifiable/justified views of what is the case), but to a much greater extent on estimations, projections, expectations and anticipations about how other players in that game (investors, competitors, business partners, customers, internal personnel or environmental activists) could see a given situation (data need interpretation), could/will react, and estimations on what others could think and expect, what I am going to do next, - how worth-full, needed, desired something could be for another player and what he could be willing to give in exchange (this for

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[61] People also can show some kind of "trust" in each other on the base of markers (symbols) which indicate that somebody belongs to a certain community and therefore has (internalised) similar values (He/she is a doctor. The value system of his profession is to help/cure other people. He is unlikely going to kill anther person. Or: He is a priest and will not likely tell me a lie.) Or they believe to know for sure, that another persons actions will be punished immediately by the established social (regulatory) structures (police, supervisor, inspector, security systems). In these cases they don't really trust other people but rather have confidence in a "reliable social system". (That could sometimes lead to a very painful wakeup: ENRON / Parmalat) This is the reason, why business people in Russia (in the 90s) did not trust each other especially not foreigners because they had bad experience with Italians or Americans and the own legal system did not really work: Foreigners take my money, disappear and I can not do anything about it!.

[62] Concerning the "Conflict culture" in different countries I remember when I was discussing about how to proceed with editing a book with my Japanese colleagues for weeks they finally shut the door by saying: "Japan is an island and there is no bridge to the continent. Your are a foreigner and you Europeans never will understand Japanese mentality!" Carrying out a conflict openly is not "allowed" in Japan: Behave or the bridges are cut off! (Or you have to commit suicide: Harakiri) In the case of Russia I many times experienced offensive threats when there was disagreement on what is the right way to see things and act accordingly. (Remember, these are my personal experiences!)

that).[63]. So again, this is not solely a matter of "bean counting" but a people issue (Should - and if, how can I add value to my company's and to my life by adding value to other peoples life? What if I don't want to add value to a persons life I don't like?). And again there are cultural differences we have to take in consideration in order to be successful.

Whenever people communicate with each other and have experienced sequences of successfully anticipating the others (re-)actions they create a history of understanding each other: They have developed "trust" that future interactions will not be dramatically different than they were in the past (supposed of course the circumstances are alike). Trusting in each other is therefore first of all based on (personal) experience[64]. Because business activities (especially on a global scale) do not run like a "wagon on a rail" (new opportunities and threats, new products, business partners and customers), there is always a "starting point" for a new history of interaction, in which managers have to "invest" (in advance) and take the risk that a just starting history could be interrupted by an unexpected unpleasant action of a new player. "Risk taking" and building bridges to the future is therefore the "daily bread" of a manager's life.

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[63] For example: In the early 90s it was much more important/worth-full for Russian doctors to travel abroad and get access to the international community of medical scientist or to have a copy machine than to get a new car or good food.

[64] Reading this paper you might well have received a feeling of resignation. The message of our story is: Go out and make your own experience! However when you are imprisoned in the structure of financial systems (for ex. shareholders interests) or appointed to bring changes on the way right now, experience and (social) knowledge is not always appreciated in stead rather simple minded straight forward (high performance) approaches. (This of course reflects our own experiences and is not in compliance with the "American way of thinking".)

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