

Silvio M. Brondoni (ed.)

IMPRESA ECONOMIA COMUNICAZIONE

Collection edited by Silvio M. Brondoni

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*Global managerial economics imposes worldwide interrelated organisations (networks). These complex structures favour managerial capabilities and outsourcing relations with co-makers and external partners (competitive alliances). The corporate culture of global corporations therefore evolves into cross-cultural management, designed to overcome the physical limits of competition (market-space management) and to outline sophisticated competition boundaries with a matrix, in which space and time all contribute to the creation of the competitive benchmark.*

# MANAGERIAL ECONOMICS AND GLOBAL CORPORATIONS

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*Global Managerial Economics is characterized by: complex competition contexts; competitive alliances; markets globalization (for operations, finance and sales); mass media connection; digital and analogical communication; primacy of de-materialization; dominance of corporate and product intangible assets.*

*In global hypercompetitive markets, corporations shape innovations and imitations by breaking the traditional static competition rules and introducing a systemic competition through the market-driven management. A global competitive landscape, where the demand is instable and where the competitive confrontation is direct, continuous and not infrequently also collaborative.*

*The studies and the researches accepted on the Collection of the Global Managerial Economics (ECONOMIA IMPRESA COMUNICAZIONE) are focused on a modern managerial economics culture. The aim of this Collection, which is inspired by the most advanced managerial and entrepreneurial experiences, is to provide conceptual models, coherent with the significant transformations occurring in competitive dynamics.*

*The Collection Editor.*

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# *Global Corporate Culture and Cross-Cultural Management*

Federica Codignola \*

## **1. Cultural Context and Global Firms**

Companies facing the process of globalization must confront varying environmental context. Each of them demands a specific approach and code of interaction. This said, often one does not consider that amongst the different variables that define the environmental context it is the dominating culture that plays a fundamental, determining role. Hence, a study of the cultural variable could be an effective tool that supports strategic analyses carried out by businesses today. An in-depth knowledge of the dominant cultures featuring in different environmental contexts can in fact help businesses to reduce the prevalence of uncertainties originating in approaches to unfamiliar markets; furthermore, it can facilitate the identification of the best suited solutions in the resolution of conflicts that can arise during inter-organizational relations. In this regard, it must be noted that the importance of cultural differences is often more evident during the implementation phase of international alliances: when different cultures first meet and can provoke a form of cultural trauma. In turn, this trauma has a wider ranging impact when the cultural orientation of the subjects involved varies significantly. As a trauma, this could potentially provoke negative consequences for the organization's involvement, the business environment and the *performance* of the partners.

In fact, being competitive in a globalized environment means - even from a purely managerial point of view - that one can no longer focus solely on earning capacity and profitability, but one must also concentrate on research and knowledge. In order to implement significant changes on

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one hand while acquiring greater competitiveness on the other, one must be able to “know”; this signifies not only knowing how to acquire information, but also knowing how to manage and interpret it optimally, especially in a global context. In this context, knowledge and profitability are two interdependent variables in that knowledge creates the premise that allows one to reach a higher degree of efficacy and efficiency on an entrepreneurial level, while profitability increases and in so doing acquires an advantageous position in terms of the business’ competition.

One must note that, on the basis of three factors implicit in the reality of globalization, the external environment must be considered as an unstable element that is exposed to variations over the course of time. The first factor involves new technologies, which on one hand have reduced the initial obstacle; however, on the other have increased competition between businesses, and in so doing – in terms of volume and intensity – the demand. The second factor concerns new materials <sup>1</sup> and the high level of customization on offer: in this case the results are seen in the growing number of rival or equivalent products. Finally, the third factor concerns both the growing number of export markets, the distance between them and the financial difficulties and exchange rate complications posed by different countries <sup>2</sup>: the combination of similar variables has increased the existing number of barriers between companies working on an international level. These barriers can only grow when cultural asymmetries prevail between nations and relevant organizations.

Globalization would therefore appear to modify the role of culture and cultural evolution within society, however, while some literature speaks of *conflict between cultures* <sup>3</sup>, perhaps it is fundamental that one concentrates on the manner in which different cultures can learn from one another, or even provide inspiration so as to render these differences productive when two or more cultures meet <sup>4</sup>. Other authors have asked whether the

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<sup>1</sup> Let us take the example of bioplastics and the multiple, varying consequences of the introduction of a similar materials to global markets.

<sup>2</sup> In particular, reference is made to the financial crisis of 2009 in the USA and of some European nations – namely Greece, Spain and Ireland – during 2010.

<sup>3</sup> See also: L.E. HARRISON, *The Central Liberal Truth: How Politics Can Change a Culture and Save It from Itself*, Oxford University Press, New York, 2006; L.E. HARRISON-S.P. HUNTINGTON, *Culture Matters: How Values Shape Human Progress*, Basic Books, New York, 2000.

<sup>4</sup> See also: A.M. SODERBERG-N. HOLDEN, *Rethinking Cross Cultural Management in a Globalizing Business World*, in *International Journal of Cross Cultural Management*, 2 (1), 2002, pp. 103-121.

emergence of a *worldwide culture*<sup>5</sup> or *global culture*<sup>6</sup> is not slowly canceling out, or at very least altering, the existence of national cultures.

Introducing the theme of cross cultural management into a globalized situation in which the businesses operating are *market-driven oriented*<sup>7</sup> makes the question of culture in the environmental context extremely important. Environmental culture thus assumes strategic relevance in view of business culture.

## 2. Culture and Cross-Cultural Management

From one point of view, cross cultural management observes and analyses the behavior of individuals from different cultural origins in companies, while from another perspective it compares and examines cultural disparities that exist between companies from differing cultural contexts.

Studies on the subject of cross cultural management began and are constantly being expanded as a result of the process of globalization in markets, businesses and competitive developments. At a managerial level, for example, this reality has brought top level company players to deal and dialogue with individuals from cultures that differ from their own; for this reason they have had to and will have to continue to develop their personal ability and strategic capacity in order to interact with subjects whose behavior is conditioned by different cultural priorities. Peterson maintains that business culture in a globalized context cannot be separated from the necessity of creating executive figures who are capable of maneuvering in this reality, however he also indicates the limits of a purely theoretical training in relation to the true value of actual experience and knowledge gained "in the field" - or working in close contact with individuals from different cultures and above all learning to tolerate or recognize the other

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<sup>5</sup> See also: F.J. LECHNER-J. BOLI, *World Culture: Origins and Consequences*, Blackwell, Malden, MA, 2005.

<sup>6</sup> See also: A. BIRD-M.J. STEVENS, *Toward an Emergent Global Culture and the Effect of Globalization on Obsolescing National Cultures*, in *Journal of International Management*, 9 (4), 2003, pp. 395-407.

<sup>7</sup> Cf. S.M. BRONDONI, *Mercato Globale, risorse immateriali e spazio competitivo d'impresa*, in *Symphonya. Emerging Issues in Management*, n. 1, 2002; J.J. LAMBIN, *The benefit of globalization*, in *European Business Forum*, [www.ebfonline.com/main\\_feat/trends/](http://www.ebfonline.com/main_feat/trends/), 2000; J.J. LAMBIN, *Market Driven Management, Strategic and Operational Marketing*, MacMillan, London, 2000.

party's priorities at the moment in which common goals are set <sup>8</sup>. In fact, forcing individuals from different cultural backgrounds to conform to one's own standard is not only difficult but above all, counterproductive. In one of his studies, Griswold – using the lessons learned from the history of colonialism as an example – reminds us how all great powers attempted to impose their own behavioral norms on existing standards, and how the result of this approach was always a failure. Likewise, an organizational or business culture that attempts to impose its own cultural rules on its employees, *co-makers* or interest holders who already have their own norms could easily meet with grave difficulties <sup>9</sup>.

Research on the topic of cross cultural management therefore shows a sort of rebellion against the technological paradigms that dominated until the end of the Seventies and has since been directed towards the comprehension of the particularities that influence the responses of a certain social group to external factors. To be more precise, in terms of business management, cross cultural management studies and describes both the behavior of individuals hailing from differing cultural backgrounds within the internal context of a company and cultural differences that exist between organizations from dissimilar cultural contexts.

However, in order to take an in-depth look at the effects of culture on commercial interaction with the global markets, one must take a step back and observe the evolution of theories on culture. In the XIX century, Galton observed how “cultural groups” could not consider themselves independent one from the other given that the process of cultural transfusion between said groups created important, continuing relations <sup>10</sup>. Later, research focused on the concept of a more polarized but far broader culture, even though a strongly comparative approach to different cultures was maintained. In the Fifties one spoke of “cultural ecology” in a conceptualization of culture as a phenomenon that has evolved in relation to the natural environment <sup>11</sup>. During the Seventies the most important theoretical developments in *cultural research* took into consideration the studies of

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<sup>8</sup> See also: B. PETERSON, *Cultural Intelligence: A Guide to Working with People from Other Cultures*, Intercultural Press, Boston, 2004.

<sup>9</sup> See also: W. GRISWOLD, *Cultures and Societies in a Changing World*, SAGE, Thousand Oaks, 2008.

<sup>10</sup> See also: A. LINDRIDGE, *Galton's Problem*, in *The Blackwell Encyclopedia of Management*, v. IV, 2005.

<sup>11</sup> See also: J.H. STEWARD, *Theory of Culture Change: The Methodology of Multilinear Evolution*, University of Illinois Press, Urbana, IL, 1955.

Geertz – according to whom culture should be anchored to the specific context of social life<sup>12</sup> – and those of Keesing, who distinguished between the ecological theory of culture (according to which cultures are understood as adaptable systems), and the theory of ideational culture (according to which cultures are understood as cognitive, structural and symbolic systems)<sup>13</sup>. In the Eighties Hofstede’s innovative study *Culture’s Consequences* gave great impetus to empirical analyses of the concept of culture and its variables<sup>14</sup>, while, in 2001, the same author realized a second phase of this study, on which many authors would subsequently base their work<sup>15</sup>. Firstly, one finds the value of Hofstede’s observations in the fact that the concept of culture was studied in terms of simple, easily measurable elements that adopt the nation-state and national culture as the primary units of analysis. Secondly, Hofstede defined the main strategic significance of cultural values in terms of a logic based on the optimal management of managerial behavior; and finally, without doubt the author contributed to heightening an awareness of cultural differences. He defines culture as the “*collective psychological programming of people in a certain environment. Culture is not an individual characteristic, it involves a certain number of people who have been conditioned through the same education and the same life experiences*”<sup>16</sup>.

Thus, if individuals with different genes receive the same education and are subjugated to the same cultural rules, they will present – for the most part – the same ideas, values and behavioral patterns; the collective component therefore becomes an instrument that is essential to the diffusion of a sort of subconscious conditioning to which individuals are subjected.

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<sup>12</sup> See also: C. GEERTZ, *The Interpretation of Culture*, Basic Books, New York, 1973.

<sup>13</sup> See also: R.M. KEESING, *Theories of Culture*, in *Annual Review of Anthropology*, 3, 1974, pp. 73-97.

<sup>14</sup> G. HOFSTEDE, *Culture’s Consequences: International Differences in Work-Related Values*, SAGE, Los Angeles, CA, 1980.

<sup>15</sup> G. HOFSTEDE, *Culture’s Consequences: Comparing Values, Behaviours, Institutions and Organizations across Nations*, 2<sup>nd</sup> edn., SAGE, Los Angeles, CA, 2001.

<sup>16</sup> In the United States, for example, notwithstanding the fact that there is marked heterogeneity between the genetic origins of the population, the psychological programming – of which the author speaks – of the population is a common denominator, and is visible in the phenomenon of the *melting pot* in which originally different cultures amalgamate – and in this case, under the influence of the education system. See: G. HOFSTEDE, *Cultures and Organizations: Software of the Mind*, McGraw-Hill, London, 1991.



Culture could appear as a process that is invisible from the outside and is therefore difficult to define, however, the author maintains that this occurs through specific categories, and states that: “*the ability to communicate between cultures comes from awareness, knowledge and personal experience*”<sup>17</sup>.

Observing these phenomena is relatively complex firstly because many of the essential *values* are absorbed by individuals in a subconscious manner, and secondly because of the difficulties encountered in the interpretation of that which is recounted by different people. One of the primary functions of culture consists in its ability to act as a filter between individuals and the external world, thereby influencing decisions, the majority of which can hence be traced to a specific context. In this regard, alongside Hofstede’s classification of the “five dimensions”, is Hall’s definition that distinguishes the cultural context according to the *high-low context*<sup>18</sup>.

### ***3. Effects of Hofstede's Organizational Culture Dimensions on Corporate Culture***

The process connected to the above-mentioned values and preferences leads all subjects to construct a personal system that aims to assess situations differently or give different elements more importance than others. The manner in which each individual creates this system is strongly influenced by five dimensions<sup>19</sup>. Through these dimensions, Hofstede reveals the differences between cultures.

The first dimension is that of the *hierarchical distance* or *distance from authority*: here one ascertains the level of acceptance of power in institutions/organizations.

The acceptance is widespread when the individuals composing an organization accept the implementation of power even if it is not evenly distributed. Situations of this kind are more frequent in countries where a strong middle class has created stable conditions (Italy for example) or in some African countries, in which ruling power is passively accepted. In Germany and the United States the hierarchical distance in terms of au-

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<sup>17</sup> *Ibidem*.

<sup>18</sup> See also: E.T. HALL, *Beyond Culture*, Anchor Books, New York, 1977.

<sup>19</sup> See also: G. HOFSTEDE, *Culture's Consequences: Comparing Values, Behaviours, Institutions and Organizations across Nations*, cit.

thoritarian power is low if we consider the value given to the ideal of equality (anyone can reach a position of authority). Shifting this hypothesis to the specific context of a business, in a typical hierarchical system the distance from authority between a superior and his subordinate becomes the difference between the degree to which the individual with a greater degree of authority can influence the behavior of the subordinate worker and vice versa <sup>20</sup>. The measure of hierarchical distance is not only defined by the social environment of the two individuals, but also by their respective national cultures: the tendency of the stronger party to maintain or increase distances and the tendency of the less powerful individual to reduce them thus create a sort of equilibrium. Generally speaking, this results in a forced impact on the work environment and in turn, on the company's performance.

In fact, a company is mirrored by its business culture: companies with vertiginous hierarchical pyramids and polarized authority structures, in which managerial policies and the exchange of information is limited to a privileged few, or is marked by discriminatory divisions in the staff body, are typical of cultures in which a greater distance from power prevails. At the other extreme however, there are those companies in which the *leadership* management is flexible and open to discussion, the decision making structure is decentralized and information is accessible to all <sup>21</sup>.

The second dimension relates to the *control* or *negation of uncertainty* <sup>22</sup>: in this case the degree to which, and how a company or organization perceives threats originating in external situations or factors, and the manner in which it attempts to avoid them, are measured. Uncertainty regarding the future is a typical factor to affect business organizations, and if exaggerated, can cause high levels of anxiety; for this reason individuals at-

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<sup>20</sup> Mudler defined authority as "the potential to determine or direct the behaviour of other people" and distance from authority as the "degree of inequality between subjects with greater or lesser powers within the same social system". See also: M. MULDER, *Power Equalization Through Participation?*, in *Administrative Science Quarterly*, 1971, p. 31.

<sup>21</sup> For example, in cultures where there is a greater distance from authority, if a subordinate individual is victim to an incidence of a superior's abuse of authority, the subordinate party would not even consider the possibility of resolving the problem, whereas, in instances where there is less distance between authority and subordinate individuals, they are aware of the possibility of utilising specific institutional instruments to protest, even within the organization.

<sup>22</sup> The concept of negating the influence of uncertainty came into being in the research of: M. CYERT-J.G. MARCH, *A Behavioral Theory of the Firm*, Englewood Cliffs, Prentice-Hall, NJ, 1963; 2nd ed., Blackwell Publishers, Oxford, 1992.

tempt to join forces through the domain of *technology*, the *law* and *religion*<sup>23</sup>. The condition of *poor uncertainty management* is frequently seen in contexts in which there is a greater propensity to take risks and there is a strong, direct correlation between risk and performance (e.g. Scandinavian and Anglo-Saxon nations, the United States and developing countries). At the other extreme, situations of *strong uncertainty management* are found in contexts that are not characterized by an inclination towards risk taking, and in which rules play a significant role in an absolute incontrovertible vision (e.g. Japan and Latin America). Distancing oneself from uncertainties leads to the creation of a greater degree of separation from the element of ambiguity: in fact, those cultures placed furthest from the influence of uncertainty are composed of organizational structures, institutions and relations that focus on making future events foreseeable and easy to interpret. On the other hand, cultures which have a lower tolerance of uncertainty are generally characterized by a weaker sense of urgency. In a mirror image replication of the social concept of defending itself from uncertainties with the arms of technology, laws and religion, these organizations make use of *technology*, *rules* and *rituals*<sup>24</sup>. In fact, if technology assists us to obtain easily foreseeable short term results, rules can help to diminish the uncertainty caused by the unforeseeable nature of *stakeholders*; these rules only make sense when they are respected and are coherent with the values of the individuals whose behavior is subject to this form of conditioning. In fact, if similar conditions are not respected, the distance between those who create the rules and those who are obliged to follow them can only increase.

Finally, *rituals* are used in order to avoid the feeling of uncertainty when contemplating the future. In business these rituals are represented by integration courses for managers, meetings and their ceremonious aspects, language, *reports*, planning and control systems, the inclusion of expert consultants, computer simulations, etc.<sup>25</sup>

The third dimension, or that of individuality/collectivity (and perhaps the best known aspect of Hofstede's model), measures the level of interaction between individuals and an organization. Those belonging to individualistic societies, such Anglo-Saxon nations, show greater reticence to

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<sup>23</sup> With technology one is able to limit uncertainties created by nature, with laws one can control unforeseeable behavior on the part of other individuals, while in religion one finds the moral support that helps one accept the very same uncertainties.

<sup>24</sup> See also: M. CYERT-J.G. MARCH, *A Behavioral Theory of the Firm*, 1992, cit.

<sup>25</sup> See also: R. BOCOCK, *Ritual in Industrial Society*, Allen&Unwin, London, 1974.

the building of relationships, as individuals from these nations tend to give more value to their own personal time and therefore follow a purely opportunistic logic: for example, when relations or interactions with external partners are undertaken, they are almost always done so with the aim of acquiring these partners knowledge. At the opposite extreme, in a collectivist context, a strong propensity towards team work, exchange, and interaction prevails: a prime example of this reality is the Japanese concept of collectivity, in which individuals learn from one another. An individual who has received an education and cultural or social imprint of a traditionalist nature will therefore experience great difficulty in thinking of himself as an isolated element: if Western culture considers personality to be an entity that is entirely separate from society and culture, the Chinese tradition<sup>26</sup> associates the concept of the individual to the social and cultural environment in terms of an inclusive logic, that even renders its very existence significant<sup>27</sup>. In view of these facts, business logic is highly significant in relation to group decision: in Western nations, where all individuals should have the same opportunities to express themselves, each subject attempts to condition the decision to be taken by emphasizing their personal opinion; according to Confucian philosophy – which for example still dominates in Japan<sup>28</sup> –, the majority has to agree on each phase of the discussion during the decision making process, until a final consensus is reached.

The fourth dimension (*masculinity/femininity*) follows a number of behavioral models and managerial styles adopted in some organizations. In countries with a *feminine* culture (Sweden, Norway, Finland and Holland) characteristic traits manifest in certain phenomena: there is only a marginal difference between men and women's salaries, many women feature in top level executive positions, decisions are made by the group, employees

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<sup>26</sup> Regarding the influence of Chinese culture during phases of negotiation between different cultural groups see: P. GHOURI-T. FANG, *Negotiating with the Chinese: A Socio-Cultural Analysis*, in *Journal of World Business*, 36/3, 2001; T. FANG, *Negotiation: The Chinese Style*, in *Journal of Business & Industrial Marketing*, 21/1, 2006.

<sup>27</sup> See also: D. RIESMANN. GLAZER-R. DENNEY, *The Lonely Crowd*, Yale University Press, New Haven, 2001.

<sup>28</sup> Regarding the impact of Confucianism and the influence of the Japanese culture on commercial relations see: J. OCK YUM, *The Impact of Confucianism in Interpersonal Relationships and Communication Patterns in East Asia*, in *Communication Monographs*, v.55 n.4, December, 1988, pp. 374-88; F. TIPTON, *Modeling National Identities and Cultural Change: The Western European, Japanese, and United States Experiences Compared*, in *International Journal of Cross Cultural Management*, 9: 145, 2009.

do not tolerate their companies meddling in their private lives and are more oriented towards a reduction of work hours than towards a salary rise. In the end, these nations have a marked competitive advantage in specific fields such as the biochemistry, consulting and service industry sectors. In contrast, nations with a *male* culture (United States, England, Germany, Japan and Italy), place far more emphasis on decisions taken by the individual, there is a strong interference in the private lives of employees on the part of companies and their competitive strength emerges predominantly in a high degree of specialization in heavy industry.

The last, and fifth dimension is that of short and long term orientation: organizations belonging to the first category are characterized by a strong inclination towards personal stability, respect for traditions and the safeguarding of reputation; while organizations from the latter category reveal characteristics such as moderation, perseverance and a strong sense of respect for hierarchical orders.

#### **4. National Culture and Corporate Culture**

Essentially, research on the topic of *cross cultural management* can be divided into two main branches of study: *cross cultural research* and *cross national research*. The first, which we have looked at up until this point, is focused on the identification of the differences and similarities of cultures in environmental areas of greater or smaller dimensions. In contrast, the branch of *cross national research* is more specifically oriented towards an analysis of cultures in Western nations; in this case particular relevance is given to the theory that expounds the existence of a close relation between organizations' orientations and the culture of the environment in which they operate. Also included in the field of *cross national research* are those studies aimed at the identification and analysis of those variables that can contribute to the creation of levels of competitive advantage typical to all national contexts, and one of these variables is culture itself.

Porter showed that an aversion to risk taking, mentioned earlier in relation to Hofstede's dimensions, could represent a significant obstacle to the growth of certain sectors in the economy of a nation <sup>29</sup>. In Switzerland, for example, this aversion to risk taking has impeded the development of in-

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<sup>29</sup> See also: M.E. PORTER, *The Competitive Advantage of Nations*, Mac Millan, London, 1990.

vestments in activities that required a greater propensity toward risk taking (let us take biotechnologies as an example). If however, in contexts such as these an orientation towards collectivity prevails, individuals will tend towards a consolidation of those relations created in their own environment (e.g. Japan). In this way the interaction between subjects creates the basis for a greater degree of open-mindedness towards the concept of progress and a greater impetus towards innovation, a fundamental step that permits a nation to establish a position of competitive advantage over others. On the other hand, Van Den Bosch and van Prooijen observed national culture by integrating Porter's diamond model with Hofstede's dimensional model, thus demonstrating how national culture is effectively a variable that has the capacity to influence a nation's competitive advantage, since the level of uncertainty management and the drive towards collectivity - both variables that depend on culture - are capable of defining the degree of openness to change and a nation's capacity for international relations <sup>30</sup>.

In the past, the relation between national and corporate culture was largely neglected; for example, Hickson (et al.) maintained that corporate culture could assert itself in any cultural context <sup>31</sup>. However, in 1980 - as has already been mentioned - Hofstede decreed a marked predominance of national culture over that of corporate culture, while in 1986 Adler would affirm that national culture rarely emerged in corporate organizations, given that the culture of a corporate body filtered, modified or even cancelled out traits of national culture, thereby rendering all interested subjects homogenous, despite their different cultural backgrounds <sup>32</sup>. Only later - thanks to numerous theoretical and empirical analyses supported by Hofstede's results - did cultural factors deriving from the nations in which businesses had established themselves assume a role of greater relevance. In order to arrive at these conclusions, the initial hypothesis maintained that both national culture and corporate culture condition the behavior of individuals belonging to an organization in an

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<sup>30</sup> See also: F. VAN DEN BOSCH-A. VAN PROOIJEN-M. PORTER, *The Competitive Advantage of European Nations: The Impact of National Culture - A Missing Element in Porter's Analysis? A Note on Culture and Competitive Advantage: Response to van den Bosch and van Prooijen*, in *European Management Journal*, 10(2), pp.173-178, 1992.

<sup>31</sup> Cf. D. HORVÁTH-C.J. McMILLAN-K. AZUM-D.J. HICKSON, *The Cultural Context of Organizational Control: An International Comparison*, in *International Studies of Management & Organizations*, v.6, n.3, *Comparative Organization Studies*, Fall, pp.60-86, 1976.

<sup>32</sup> Cf. N.J. ADLER, *From the Atlantic to the Pacific Century: Cross Cultural Management Reviewed*, in *Journal of Management*, 12, 1986.

interdependent manner. Thus a corporate body must not be considered as a mere receptor for external stimuli, but rather as an entity that develops its own culture within and together with that of the environmental context, interacting with the latter and influencing its formation and modification. From this point of view, a business is no longer simply a constituent element within the environmental context, rather it is a fundamental factor in the definition of development in a country or specific area <sup>33</sup>.

Finally, one must consider Varaldo's concept of *neo-localismo* as the study of a company's motivations for establishing itself in a certain area, not with the objective of taking advantage of factorial benefits, but rather with the aim of taking advantage of the opportunities linked to the circulation of knowledge and the possibility to learn as a result of this phenomenon, which is in fact that of circularity <sup>34</sup>. In order to achieve circumstances such as these, known as *economies of agglomeration*, business operating in these areas use collective investments to develop truly collective centers that are destined for specific activities in the values chain. The concept of *neo-localism* is thus developed through the ability of the company itself to interact with the culture of the relative context: the nature of the resources that the company aims to acquire when a collocation of this type occurs therefore refers to an expansion of existing levels of knowledge and awareness. For this reason the company cannot appropriate these resources through traditional means, rather it must instate and manage a real process of interaction with the surrounding environment. Hence, one can speak of the concept of *grounding*, a concept that is inherent to the process in hand, and can create technical opportunities such as *joint ventures*: in this case the level and quantity of interaction between partners originating in different cultures is of fundamental importance.

Of course, cultural differences can create conflict when collaborations and exchanges between individuals belonging to culturally different contexts come into being. These differences should however be considered as fundamental elements and a substantial premise for change.

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<sup>33</sup>See also: A. CALVELLI, *Scelte d'impresa e mercati internazionali. Strategie, organizzazione e finanza*, Giappichelli, Turin, 1998.

<sup>34</sup> See also: R. VARALDO, *Dall'impresa localizzata all'impresa radicata*, in *Sinergie*, 13 (36/37), 1995.

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