Developing the International Manager: WalMart’s Cross-Cultural Management in Germany

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I. Introduction

In the last two decades the integration of foreign companies began to play an important role in the social, economical and political level. The transformation of different foreign companies means that it brings its organizational cultural variables, sociocultural variables, attitudes and individual or group employee job behavior to the country where it is going to operate. In order to manage all these differences in cultures, there is a need for a suitable manager with management skills as well as with creative thinking abilities. In cross-cultural management the manager either will adopt the current culture of workers of specific country or will bring its own individual culture to the workplace and the way it is going to be applied will play a very crucial role. In the world there are many cultures and we cannot specifically specify the exactly specific management style from specific country. It differs how the particular management style is suitable for the particular country and organization. Transformation of a company to another country brings with itself the new way of thinking. In accordance with the cross-cultural management, the WalMart’s case in Germany will be explored.

The author has chosen the case study that will be about Wall Mart’s culture in Germany and can be found in the appendix (Appendix 1). WalMart is a
large US based retail corporation. Starting from 1980 WalMart began to expand and in 1991 it was the biggest retailer. WalMart exceed 1 billion USD in net sales (Jui, P., 2011). In the chosen case study two countries are involved: Germany and USA. The problem that will be explored is related to WalMart not choosing the right strategies relating to cross cultural management and not being successful in the German market. As WalMart was unfamiliar with the German nature and their culture, WalMart faced many issues, such as: institutional issues, sociocultural differences, lack of cultural engagement capability, lack of understanding customers and controlling suppliers as well as competition in the German market. Correspondingly, on the management level, WalMart’s manager could not manage motivation, communication and lead the team.

In order to analyze the issues and develop the relevant cross-cultural management style various theories will be used here, such as Hofstede, Trompenaars and Hampden Turner (THT), additionally the findings of the GLOBE Project in cross-cultural management will be applied to WalMart’s misadventure in German market. Additionally, Deresky’s table about Environmental Variables Affecting Management Functions will be taken into analysis. All these theories will guide the author to explore the problem that WalMart faced in German market on cross-cultural management level.
II. Cross-Cultural Analysis

From the beginning of the 19th century nationalism ideologies started to play an important role in the foundation of the state nation. The development of that ideology led to the creation and improvement of state cultures in order to differ from each other. As the cultural characteristics of countries started to develop, parallel to this the area of management started to develop as well, which began to affect the management styles within corporations. All these developments led countries to adopt different cultures in management spheres. Consequently, culture started to influence the dimensions of human performance.

a. Cultures and Organizational Culture

Edward B. Tylor is an anthropologist and known for cultural evolutionism. Tylor (Soares, Farhangmehr and Shoham, 2007) states that culture is "that complex whole which includes knowledge, belief, art, law, morals, custom, and any other capabilities and habits acquired by man as a member of society." According to Tylor’s statement on culture, we can say that all these factors are affecting the behavior of human that in the long run is most likely will affect the management style or skills in the future. From Tylor’s statement it is important to highlight two factors which can affect the management capabilities of a human, these are knowledge and beliefs and habits. Knowledge and belief can be considered as a theoretical part of the management area. Habit can be considered as a practical side of the management. Additionally, these two factors can be very influential in the international arena of management.
On the other hand there is an organizational culture that is followed by every member of the company; however, the national culture plays more like an upper position in managing the operations of the company. According to Hofstede (Cultures and Organizations: Software of the Mind, 2010) the organizational culture "the collective programming of the mind that distinguishes the members of one organization from others." From this statement we can explore that the organizational culture is important and differs on practical level. Additionally, national culture (Cultures and Organizations: Software of the Mind, 2010) is one of the factors that profile or structure the organizational culture. Most likely in one country most local companies will have same organizational culture due to common political, economical and social environment.

Wal-Mart as a biggest US retailer company decided to operate in German market. At the first stage Wal-Mart (Subhadra, K., Dutta, S., 2004, p.5) had chosen wrong entry strategy while acquired 21 Wertkauf and 74 Interspar shops. The unpopularity of those shops in German market created a challenge for Wal-Mart and pushed Wal-Mart to transform customer focus. Additionally, Wal-Mart invested 150 million USD (Subhadra, K., Dutta, S., 2004, p.6) for the renovation of Interspar shops. Even, Menzer John the Head of Wal-Mart International stated (Subhadra, K., Dutta, S., 2004, p.6): “The challenge of putting the two chains together was more than we thought. We knew Interspar was losing money and we had to turn it around. We had to reconstruct it and lose more money before it could turn around.” Also, Wal-Mart had faced difficulties in operating environment (Subhadra, K., Dutta, S., 2004, p.6) such as employee unrest, where wages were
low with bad working conditions, lack of strong vendor relations, where Wal-Mart was selling products that customer did not will to buy, lowered its prices and commodities, where due to hard competition in German market with local retailers as well as trust to the local retailers did not effect customers to change their retailer because they were also lowering prices. Moreover, Wal-Mart had issues with external environment such as on legal front, where according to German law (Subhadra, K., Dutta, S., 2004, p.7) Wal-Mart was suspected of having Section (IV) (2) of Act Against Restraints of Competition and Section 335a of the Commercial Act. All these acts are saying that larger companies cannot lower price if they do they have to bring justification. On the external environment Wal-Mart faced issues concerning with legal, financial and economic systems. According to Figure 1 financial, economical and political systems are part of the national variables, which are considered as the most important steps in transformation of foreign companies. On the mother hand national culture has been influencing major business behaviors, from wealth to performance of a company. According to Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.8) Wal-Mart faced cultural mismatch such as Wal-Mart challenged to integrate of Interspar and Wertkauf’s under one culture. Moreover, change of internal regulations had affected employees. Language issue was one of the problems that Wal-Mart faced such as the top manager did not speak any German. In the Figure 1 language lies under social cultural variable, which affected management style of Wal-Mart. Therefore, national culture and social cultural knowledge of different countries can indicate to superior realization of
companies’ visions and missions in business projects; on the other hand not conducting a research on a specific country where company aims to operate can cause many issues in the long terms. Wall Mart’s misadventure in German market is a clear example of it.

**Figure 1**: Environmental Variables Affecting Management Functions (Source: Jariya, I., 2012, p.62)

**b. Hofstede’s Cultural Dimensions**

In a globalized world where technology is developing fast and it affects the working environment such as different people with different cultures began to communicate and work with each other. From one point is it positive to work in an environment with different cultures, however, on the other hand it can cause issues to managers to manage all those different cultures in an organization. This
is where organizational culture plays a crucial role in managing all these differences and reducing the cultural clashes. Hofstede (Schneider, S., Barsoux, J. 2003, p.87) conducted research on cultural differences in 1960 and came out with six cultural dimensions. The author will use the six cultural dimensions of Hofstede to analyze Wall Mart’s misadventure in Germany from cross-cultural perspective.

Using Hofstede’s cross-cultural analysis tool in Figure 2 (Cultures and Organizations: Software of the Mind, 2010) Power Distance does not differ much in US and German cultures, where US has some of 40 and Germany is 35. This shows that German culture is highly distributed and embraced by a convincing middle class and they belief in equality of German people. Moreover, German culture is not in favor of controlling, but direct and participative communication style is favorable. On the other hand for United States power is being outlined as the level that a person is capable or skilled to affect other groups' thoughts and performance. From all these characteristics we can say that in the Wal-Mart case, the company faced exactly what is mentioned above. The communication was not direct, power over the employees by American manager was shown not relatively to German culture. According to Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.6-8) Wal-Mart faced issues internally as well as externally due to cultural differences and being not in favor adopting the German culture.

Figure 2 shows that in the individualism chart there is a big difference between United States and Germany where Germany scored 67 and United
States 91. These numbers tell us that for German individuals the private successes and individual moralities are important. Germans suppose that each one will fulfill their individual desires as well as working in a group is key, although everyone has to have its own thoughts and if individual successes will be positive then the performance of a group will increase too. However, for United States individualism is highly accepted and respected. For this kind of culture the privacy is important in the workplace, therefore, by working harder can take people from poverty to wealth. According to these characteristics by Hofstede, (Cultures and Organizations: Software of the Mind, 2010) we can explore that Wal-Mart required more individual work in the company by German workers. Moreover, as the individual desires of each German employee was not met by Wal-Mart, which could be one of the reasons that affected the performance and the behavior of workers. Additionally, the manager who was assigned did not speak German; therefore, there was a real gap between employees and manager. Employees felt like outsiders in the country.

Next dimension in Hofstede’s tool is Masculinity. Figure 2 also shows that US scores 62 and Germany scores 66. As it is seen there is not a large difference in that dimension. According to Hofstede (Cultures and Organizations: Software of the Mind, 2010) both countries scored high on masculinity, which means that in both countries competition, accomplishments and winners determine the society. We can say that the US is the mixture of a high masculinity with the high individualistic vitalities in the world. Germany is studied as a masculine society too. Germans mostly prefer to live in order, which can
increase their individual traits. According to Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004) Wal-Mart had not had to face the issues in that dimension; however, the clashes of other cultural dimensions affected the masculinity dimension.

Following dimension is uncertainty avoidance. Figure 2 shows that Germany scores 65 and US scores 46. Germany practically has high uncertainty avoidance compared to US. In accordance with Hofstede (Cultures and Organizations: Software of the Mind, 2010) German culture is not in favor of uncertainty, therefore, by planning most of the things they avoid risks that might occur; therefore, Germans mostly rely on instructions, regulations and protocols and lead transformations step by step. According to these facts, we can say that Wal-Mart did not take into consideration that the uncertainty avoidance is high in Germany; therefore, the actions that were adopted by American manager was not suitable for German employees. Moreover, according to Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.6-8) there were issues in the cultural absorption capability such as while Wal-Mart was combining Wertkauf and Interspar, employees got confused due to changes. According to Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.6-8) employee’s motivation was affected by the internal changes and Wal-Mart did not allow employees to form unions and they hardly had an employee representative.

One of the big differences between German and US is in pragmatism dimension. Germany scores 83, US scores 26 (Figure 2). Germany is a pragmatic society. In such societies people trust that truth varies very much on
setting, framework and time. Germans demonstrate capability to adjust behaviors effortlessly to transformed settings, a durable tendency to keep and empower, frugality, and persistence in accomplishing effects. However, companies from US measure their functioning on a short-range source, which pushes characters to an attempt for fast outcomes within the company. Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.6-8) mention that Wal-Mart saw Germany as the most attractive location for a new place to integrate; additionally, Wal-Mart thought about the short-term income rather than long run performance. For example, the Figure 3 demonstrates the sales and operating profit of Wal-Mart in Germany; as it is seen each year Wal-Mart had losses. The reason for such loss is based on not taking into consideration the German culture. Wal-Mart entered to German market right after the fall of communism when Germany was on transformation period. By willing to make fast income in a new market in the short run can trigger company not to follow the cultural dimensions of the current country.

The last dimension is indulgence. Germany scores 40 and US scored 68 (Figure 2). Countries with lower indulgence dimension tent to rely mostly on social norms and are in favor to control their desires. US indulgence is higher compare to Germany. This fact can be combined with the pragmatism, because, as Wall Mart’s desire was to make fast income in the short run, however, they did not take into consideration that Germans are in favor of controlling their desires and will not be so attractive to adopting an American culture fast.
Figure 2: Geert Hofstede, (Cultures and Organizations: Software of the Mind, 2010)
Germany and United States.

Figure 3: Subhadra, K., Dutta, S. Wal-Mart’s Misadventure in Germany, 2004, p.9
c. Trompenaars and Hampden Turner (T-H-T)

Trompenaars and Hampden-Turner (Browaeys, M., Price, R., 2008, p. 82) addressed seven dimensions of cultural differences in business divided into three categories including people, time, and environment. As Trompenaars (Browaeys, M., Price, R., 2008, p. 82) states that if world contains a lot of products and services in business and in order to manage them successfully then attention should be on people's cultures and related dilemmas. Therefore, T-H-T (Trompenaars, Woolliams, 2000, p. 25-27) established a structure for the millennium manager by linking dimensions with a variety of dilemmas.

According to Browaeys, M. and Price, R. (2008, p. 83) T-H-T mentions the dilemmas that are typical in universalism versus particularism. Both the US and Germany have dominant universalism since each country has its own absolute rules that apply irrespective of circumstances and situations. However, that difference in either legal system caused damages to Wal-Mart. For example, according to Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.7) in November 2002 German Supreme Court declared that Wal-Mart’s pricing strategies would create an unfair competition in the German market so they got abandoned on pricing strategies.

Next dilemma (Browaeys, M., Price, R., 2008, p. 84) in inner versus outer direction will be taken into consideration. According to Deresky (Jariya, I., 2012, p.62) the social cultural variable contain religion, education and language. These social cultural variables can affect management of functions. For example, Wal-Mart’s (Subhadra, K., Dutta, S., 2004, p.8) manager in Germany was American
who did not speak any German; moreover, English language became an official language in Wal-Mart that damagingly influenced the moralities of employees due to feeling like a foreigners in the company. By applying T-H-T’s dilemma to the environment relation in inner versus outer direction, author mentions that English being an official language of Wal-Mart in Germany made Wal-Mart to imitate a principle integral in US culture that the environmental settings are flexible over inner regulator. In overall this led to conflicts and resistance to change.

According to Deresky (Jariya, I., 2012, p.62) cultural variables such as norms, values and beliefs are supported by national and social cultural variables. Following, Deresky (Jariya, I., 2012, p.62) mentions that cultural variables establish attitudes on time, work, change, individualism and materialism. Therefore, attitudes influence behavior of individual's expectations and motivation toward work and work relationships. According to Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.8) Wal-Mart faced cultural mismatch while uniting Wertkauf and Interspar and by integrating them replicated the low levels of the cultural variables. Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.11) state that in Germany retailer can operate only 80 hours a week and not allowed to work on Sundays and holidays; moreover, employees at Interspar before worked in decentralized functions with self-governing local entities. Wal-Mart did not accurately learn the cultural variables that regulate German attitudes on change and work in turn to escape such problems and engage the staff misunderstanding. As an outcome,
employee’s self-esteem has been seriously disturbed by the fluctuations in internal environment. This gap also can be mentioned in T-H-T’s dilemma (Browaeys, M., Price, R., 2008, p. 83), which is specific versus diffuse. Whereas the German work culture has more advice-giving style, a monocratic style of Wal-Mart in policymaking was relatively unsatisfying in Wal-Mart in Germany. Additionally, Subhadra, K., Dutta, S. (Wal-Mart’s Misadventure in Germany, 2004, p.8) mention that Wal-Mart reduced the managers' outflow accounts, however, before Interspar and Wertkauf provided liberal expense accounts to managers. As it is seen the dilemma arise from concepts and models that been applied to Wal-Mart in Germany.

From customer perspectives several business events of Wal-Mart were not truly received in Germany. Due to point that German culture is an individualistic culture and they are self-assured and practice clear interaction. Thus, the Ten-Foot Rule (Subhadra, K., Dutta, S., 2004, p.8) of Wal-Mart was not accepted truly and not honest since the workers are outsiders, and therefore, they did not value it. Additionally, greeters in the store also can be included. T-H-T’s dilemma (Browaeys, M., Price, R., 2008, p. 83) that arises in neutral versus affective is applicable to the issue. German culture is not familiar to express emotions in business relations, which is neutral. Thus, it occurred as a strange action while Germans doing shopping.

According to Browaeys and Price (2008, p. 88) T-H-T talks about the cultural dilemmas and he suggests a reconcile model. As T-H-T (Browaeys, M., Price, R., 2008, p. 88) propose that there are three elements of transcultural
competence: awareness, respect and reconciling cultural differences. According to this model it is necessary to mention that Wal-Mart in Germany was nor aware of culture, therefore, issues did arise from dilemmas; moreover, they did not respect the German culture through their internal and external operation. All these did not led to reconcile. As T-H-T (Browaeys, M., Price, R., 2008, p. 88) states awareness and respect are important stages in terms of developing transcultural competence. The American manager in Germany did not recognize, respect and reconcile the dilemmas.

d. GLOBE Project

According to House R.J. (2004) Global Leadership and Organizational Behavior Effectiveness (GLOBE) is planned for long run project in order to “conceptualize, operationalize, test and validate a cross-level integrated theory of the relationship between culture and societal, organizational and leadership effectiveness”. Leadership in organizations is usually described as having ability to inspirit, stimulate and allow others to contribute on the success of employees and an organization.

According to House (2004) there are six leader styles: performance oriented style, team oriented style, participative style, humane style, autonomous style and self-protective style. American manager of Wal-Mart in Germany was not based on performance-oriented style; as according to the case study Wal-Mart in Germany did not value its managers and employees by changing internal environment of Wal-Mart according to previous strategies that Wal-Mart did. Wal-Mart did not match its interests with the German national and social cultural
variables. This is in overall affected the performance of employees. In team orientation style Wal-Mart could not transfer its goals and purpose to the employees. This occurred due to language issue in the organization.

In terms of participative style Wal-Mart did not encourage external environment in decision-making. This showed its effects by unfair competition in German market, whereby they had been abandoned from pricing strategies. Wal-Mart did not even choose humane style as to be supportive for well being of employees in Wal-Mart. For example, Wal-Mart's wage was not compatible with the working hours. The author could mention here that Wal-Mart acted as an autonomous style. Because Wal-Mart's self-centric was to apply their traditional strategies in German market. However, it did not work and caused a lot of negative outcomes internally and externally.

According to House R.J. (2004) actually Germany and US are culturally performance oriented, however, they could not proper apply it due to lack of communication in Wal-Mart between manager and employees. Also can be mentioned that language here played one of the important roles that affected communication. As well as not letting for the existence of the employee representative in order to participate in decision-making. Wal-Mart valued itself and its strategies at first, however this did not work.
III. Conclusion and Recommendations

According to Doing Business Internationally (1992) there are managerial tasks that are performed and cultural values have a substantial result on the managing tasks. These are management tasks (Doing Business Internationally, 1992):

- Planning: is related to goals and objectives; actions how to achieve them
- Organizing: requires effective and efficient organizing the tasks
- Staffing: hiring suitable employees for specific positions
- Directing: communication of manager with employees, interaction
- Controlling: Monitoring the functions of department

These management tasks are affected by cultural values. These cultural values are (Doing Business Internationally, 1992):

- Time Focus: Monochronic/Polychronic
- Time Orientation: Present/Past/Future
- Space: Public/Private
- Power: Hierarchy/Equality
- Structure: Individualism/Collectivism
- Communication: High-context/Low-context
- Action: Doing/Being
- Competition: Competitive/Co-operative

The figure 4 represents American manager of Wal-Mart in Germany. It shows the behaviors of an American manager in Germany. The figure 5
represents the Germanic culture. It shows that Wal-Mart had been operating in well-structured and communicated culture. The figure 6 represents the cross-cultural effectiveness. Author combined American manager’s profile with German culture under radar in order to show the difference. The area where American manager and German Culture match, shows that this type of manager needed for Wal-Mart in order to perform effectively and efficiently in German retail market.

Figure 4: American Manager
**Figure 5:** German Culture

**Figure 6:** Cross-Cultural Effectiveness
<table>
<thead>
<tr>
<th>Management Tasks</th>
<th>Differences in Cultural Values Regarding Management Tasks</th>
<th>Management Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Wal-Mart planned its strategy for expansion to Europe; however, they did not take into account that each European country has its own culture. It was necessary for Wal-Mart to exercise patience, because they had to build the trust in German culture. Unexpected internal structural changes had affected employees, which led to demoralization.</td>
<td>As a manager of Wal-Mart, it was necessary to have a concrete plan in terms of gaining the trust of German people. Moreover, Wal-Mart could have hired a Germanic manager in order to adopt the German culture fast. It was necessary to exercise workers and their abilities, in order to give the right tasks to right people.</td>
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<tr>
<td>Organizing</td>
<td>Germanic people are not used to hierarchical structure. This was one of the issues in differences of cultural values. Moreover, language mattered a lot in the internal communication. America manager made English as a first language in the company.</td>
<td>As a manager of Wal-Mart in Germany, it was necessary not to transform American organizational culture to German society; it could have been better if Wal-Mart could adopt the German culture. Organizing the tasks, strategies according to German culture.</td>
</tr>
<tr>
<td>Staffing</td>
<td>One of the important issues in Wal-Mart was that employees were unsatisfied. Wal-Mart could have hired the people with right skills. The relationship between company and employee had to be built on trust.</td>
<td>As a manager of Wal-Mart, it was necessary to motivate employees, care and value employee’s interests. Moreover, it was essential to train its employees, in order to increase the effectiveness of employees.</td>
</tr>
<tr>
<td>Directing</td>
<td>One of the essential issues of Wal-Mart was the communication. Due to making English first</td>
<td>As a manager of Wal-Mart, it was essential to keep the same structure, in order to gain the trust</td>
</tr>
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language, negatively affected the German employees, because they felt that they are not being respected. They spoke English but they felt out of company. Before employees of Interspar and Wertkauf had the employee representative, so they could directly be in the decisions; however, when Wal-Mart came they did not have this kind of opportunity, so employees were not able to have an access or influence the decision. internally and increase the communication through the rewards. Also, it was necessary to transform old structure into new connected with German culture. Group cohesion would be one of the directing strategies for German culture, because they believe that if everyone would do best for himself and for the group then the result will be positive, effective and efficient.

| Controlling | Wal-Mart started to apply changes while the work was on progress. This kind of changes German people does not like, because they would like to feel secure in the working environment. Wal-Mart had a shock therapy to employees, which resulted in compliance of employees. Moreover, in order to control German employees it was necessary to get feedbacks from employees and ask for their opinions. However, Wal-Mart did not do that. | As a manager of Wal-Mart in German culture, it was essential to involve employees in the growth of the company. Assign them with the tasks that they are applicable. This method would improve the employee relationship. The stronger internal conditions can reflect to the external environment. The right motivation strategies would also be a positive way to control employees, and by doing that manager would know its employees' abilities better. |

*Figure 7: Cultural Differences and Management Strategies*
IV. References


9. Leader Effectiveness and Culture: The GLOBE Study. (2012). *Nutshell*


