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The impact of national and organizational culture on the cooperation of firms – a supply chain perspective

"Global cooperation changes the way companies and societies use knowledge, innovate and create value. This affects almost all spheres of social life and all aspects of management. It also leads to the emergence of a new type of business – one that is open; eager to cooperate with others (particularly clients) in order to innovate; willing to share hitherto closely guarded resources; uses the power of global cooperation and acts not like a multinational corporation, but like a modern and truly global firm" [Tapscott, Williams 2008, p. 40].

1. "Wikinomics" and supply chain management

Some authors claim that we are about to enter a new era in the socio-economic history. For management this means a departure from proven business models and the assimilation of new values and rules. The most fundamental among them include openness, partnership, sharing resources and global scope of operations [Tapscott, Williams 2008, pp. 40–55].

Openness manifests itself in the creation of social networks, in the willingness to establish new contacts and in sharing resources. Examples include the adoption of open standards by the IT industry, such as the Linux operating system, or the global computer network called the Internet. Openness also manifests itself in "transparency", that is, in sharing information with corporate clients, employees, partners and other interested parties. Openness violates the fundamental rule of traditional management: to restrict access to information for internal and external entities.

The principle of partnership abolishes the second iron rule of traditional management, namely, the primacy of the hierarchical model of organization. Partnership implies that the company empowers employees and embraces team work, self-organization and shared decision-making processes.

It leads to the collapse of the old, hierarchical world of management.

Sharing resources follows from openness.

It means that the company no longer tries to protect information, innovation and intellectual property to the fullest extent possible. Advocates of resource sharing believe in a dual approach to intellectual property. They are willing to protect that part of it which is strategically important to the company and to share the rest with others. The sharing of resources accelerates innovation in the entire industry. In this way, all market players "ride the wave" of new solutions.

The principles of global operations means the creation of truly global enterprises. Such enterprises are not limited by physical or regional barriers and borders. They are able to implement global design, production, provisioning and distribution and to manage without regard to borders separating markets and regional cultures.

Ideas on which supply chain management is based are in many ways similar to the principles of wikinomics. The concept of an integrated supply chain became popular in the 1980s. It was understood to cover groups of cooperating enterprises, which formed chains, networks or webs in order to optimize value throughout the chain, thus being of a benefit to all its links by managing the entire network of enterprises more efficiently. Many definitions of this phenomenon were given. An integrated supply chain can be seen as a mega-process, whose purpose is to optimize its sub-processes. These include the flow of materials, information and cash. As soon as in the early 1990ies, research conducted by A.T. Kearney indicated that there were advantages in treating the chain as an "extended enterprise" and in sharing knowledge, R&D, profits and costs within the chain.

The concept of the supply chain as a form of cooperation in a network of enterprises may be seen as a forerunner of the leading principles of wikinomics. This is certainly true as far as theory goes. When we look at practical applications, we see a rather different picture. Thomas W. Speh, an American researcher from the Ohio University, based some surprising observations on the "How are we doing in Supply Chain Management?" survey conducted in 2004 by SCMR. Briefly, his main conclusions were as follows:

– "The idea of collaboration has eluded most firms – the traditional largely adversarial business model still holds in most organizations";

– In the study five levels of possible SCM sophistication can be identified: from "Enterprise Integration" – level 1 to "Full Network Connectivity" – level 5. Only 5% of firms rated themselves at level 5, and that was only 3 of the 9 aspects of SCM";

– Supplier and Customer Relationship Management were dead last in the terms of level of sophistication;

– Half the firms had no SC strategy and of those with a SC strategy, only 25% linked it to their Business Strategy;

– Out of this 25%, only 15% shared their SC strategy with their partners.

The conclusion from this study is: "The real business benefits of advanced SCM remain largely untapped" [Speh 2007].

We may ask ourselves the question why this should be so. And another one: how much does the success of cooperation in a supply chain depend on cultural factors?

2. Culture and supply chain management

Efficient supply chain management requires partnership, mutual trust, cooperation and sharing information among business partners. It is easy to notice that this approach is attuned to the culture of some countries and organizations more than to that of others. Does this mean that some regions of the world are more likely to create successful network structures than others? To what extent can the culture of an organization overcome a national culture that is hostile to cooperation and favors competition?

When thinking about these issues, one should consider two cultural aspects:

– the national cultures of the countries where the individual companies are based and

– the "corporate culture" of the companies comprising the supply chain.

Culture consists in "collective programming of the mind, which makes members of one group or category of people different from those of another" [Hofstede, Hofstede 2007, p. 17]. Since we belong to many social categories, the following levels of culture need to be distinguished: national culture; the culture of a regional, ethnic, religious or language group; cultural implications of being a woman or a man; the culture of a certain generation; of a certain social class; and finally, corporate culture [Hofstede, Hofstede 2007, p. 23].Corporate culture is understood as a set of enterprise-wide shared values [Gattorna 2006, p. 20]. People internalize national culture during the first 10 years of their life; it is a part of our mental program based on our values. Corporate cultures are largely based on practice are much more superficial; their influence is weaker as they act on fully-formed individuals [Hofstede & Hofstede 2007, p. 299].

2.1. National culture and supply chain management

National cultures are classified according to five dimensions. These include:

– power distance; this can be defined as the degree to which less influential individuals accept the unequal distribution of power [Aquilon 1997, p. 80];

– social degree of individualism; this parameter reflects the strength of social bonds between individuals. "Individualism is a feature of those societies, in which bonds between individuals are weak and in which people are focused on themselves and their family. Collectivism characterizes those societies, in

which people from their very birth live in strong, cohesive groups [Hofstede & Hofstede 2007, p. 88];
– masculinity vs. femininity; this dimension reflects social expectations with respect to men and women. In "masculine" societies men are expected to be assertive, tough and focused on material wealth, while women are supposed to be modest, tender and focused on the quality of life [Hofstede & Hofstede 2007, p. 113];
– uncertainty avoidance, defined as "the degree to which members of a given culture feel threatened by new, unfamiliar and unpredictable situations" [Hofstede, Hofstede 2007, p. 181];
– focus on short-term and long-term goals; "focus on long-term goals implies the cultivation of virtues -such as determination and thriftiness -that may bring benefits in distant future. Focus on short-term goals, on the other hand, implies the cultivation of virtues connected with the past and the present" [Hofstede, Hofstede 2007, p. 223].

Fons Trompenaar distinguished the following cultural value dimensions at national level:

– obligation:
universalistic (rules, legal systems, contracts, the only right way – for example: USA, Germany, UK) or particularistic (relationships, personal systems, interpersonal trust, duty to friends, family etc., for example: Japan, China);
– emotional orientation in relationships:
neutral (physical contact reserved for close friends and family, subtle communication, hard to "read " – Japan, the UK) or affective (physical contact more open and free, expressive, strong body language – China, Spain);
– involvement in relationships:
specific (direct, confrontational, open: extravert, separate work and private life – the USA, the UK, Germany) or diffuse (indirect, avoid direct confrontation, introvert, link private and work life – Japan, Sweden, China);
– legitimization of power and status:
achievement (status based on competency and achievements, women and minorities visible at more levels in workplace, newcomers, young people, and outsiders gain respect if they prove themselves – USA, UK, Germany) or ascription (status based on position, age, schooling or other criteria, more homogenous workforce, primarily male- Japan, China, Spain) [Deresky 2000, p. 119].

It is well known that Asian countries differ from the United States and Western Europe in their cultural values and approach.

The collectivist attitude and a focus on long-term goals are typical for Asian countries. On the other hand, individualism and a short-term focus are

predominant in the United States, in countries strongly influenced by the US culture and in Europe. Values represented in the cultures of Japan and the United States are quite different. In Japan, these values are patience, harmony and hierarchy; in the United States, they are action, freedom and equality [Linowes 1993, p. 24].

The collectivism of Asian countries is connected with the "culture of rice cultivation", which is very different from wheat cultivation. Rice agriculture requires group effort, based on consensus and cooperation. Farmers who grow rice must work very intensively during short spans of time to sow and harvest their crop. Moreover, many people must perform the same work at the same time. Furthermore, entire fields, rather than individual plots, must be irrigated. Thus, the whole village community must agree on the character and timing of cooperation [Charkiewicz 2008, p. 69]. Confucianism is often considered to be another source of group orientation in Asian countries. Confucius was born around the 6th century BC. Confucianism spread across the territory of today's China, Hong Kong, Korea, Japan, Taiwan and Vietnam. It is difficult to classify it unambiguously as a school of thought, a system of moral values or a state doctrine. In Confucianism, the family is the basic social unit, whereas in Japan it is the household. There is a difference, since membership of a family is determined by blood relations, whereas the composition of a household depends on a contract. Japanese artisans and peasants adopted their sons-in-law as sons, in order to ensure continuity of the family business. In pre-modern Japan, marriage was a kind of admission ticket to the household. It did not lead to the creation of a new household ["Forum" 2006, p. 19]. To this day, strong family bonds play an important role in Japan.
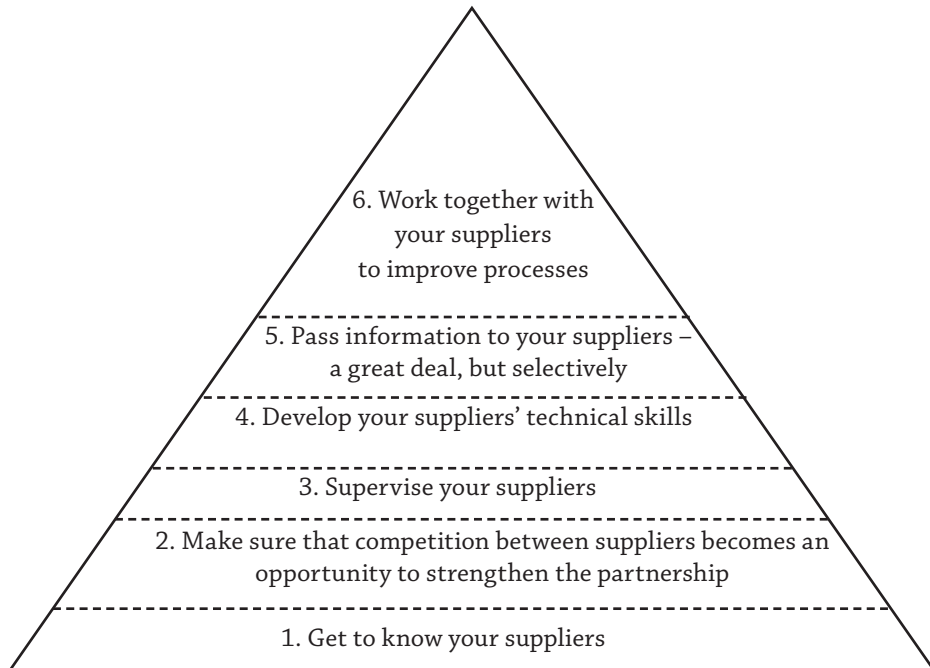
For the Chinese, the family loyalty encompasses the entire clan, which can be quite large. Chinese emigrants (nowadays present throughout the world) support their relatives, thus creating "interplanetary" bonds. When the Chinese economy opened up in the 1980s, it was the Chinese capital from Hong Kong that made its dynamic growth possible [Neidhart 2006, p. 21].

In the context of business, the Eastern concept of "proper place" is also important. In accordance with the tradition, each Japanese within a group, in a workplace and in life, is always trying to find his proper place ["Forum" 2006, p. 19].

It seems that a group-centered culture that emphasizes cooperation is a bonus in the era of global economy, which is based on networks of companies and relies on cooperation and trust. This claim appears to be corroborated by the success of supply chains originating in the Far East; car industry experts concur with it, claiming that "American corporations should imitate their Japanese rivals and create keiretsu of suppliers, that is, networks of contractors who not only maintain close ties to the mother company, but also learn, grow and develop with it" [Liker, Choi 2007, p. 31].

For the past 20 yeas, American companies have been trying to strengthen their relations with contractors, trying to imitate the Japanese model of partnership, but without success. A 2003 survey, carried out by a Birmingham (Michigan) market research agency called Planning Perspective, shows that Honda and Toyota are leaders in the creation of relationships based on partnership. Remarkably, this evaluation is based primarily on responses from the US suppliers of parts to large car manufacturers. Toyota and Honda won in 17 categories, ranging from trust to perceived growth opportunities. As Liker and Choi point out, the success of the two companies is closely connected with their scrupulous adherence to six principles of relationship building (cf. Fig. 1). It seems, however, that it would be pointless to follow these rules without an in-depth understanding of their meaning. These "rules of success" can only be understood within a proper cultural context.

Figure 1. Six principles of successful partnership with suppliers

6. Work together with
your suppliers
to improve processes

5. Pass information to your suppliers –
a great deal, but selectively

4. Develop your suppliers' technical skills

3. Supervise your suppliers

2. Make sure that competition between suppliers becomes an
opportunity to strengthen the partnership

1. Get to know your suppliers

Source: [Liker, Choi 2007, p. 37].

Toyota uses a technique called genchi genbutsu: managers visit suppliers' plants in order to gain a better understanding of their partners. At Honda, managers of all levels, including directors, also spend time with suppliers so as to familiarize themselves with their business. While this approach seems natural in the countries belonging to the rice-growing culture (the success of

a rice plantation also depends on skillful cooperation between farmers), it is quite foreign to the American culture, which is focused on competition. This principle also seems to work well with another Eastern concept mentioned earlier: that of the "proper place".

A confrontational approach, characteristic of the American culture, also manifests itself in the way suppliers are mobilized. The US manufacturers try to make them compete against one another and to sign a contract with the best one. The Japanese also stimulate competition between potential suppliers, but they also support existing partners.

At Toyota and Honda, the spirit of mutual understanding, cooperation and harmony pervades all actions and the "principles of effective partnership" are strictly followed . This is evident, for example, in the "going to the root cause". Its point is to analyze the cause of a problem thoroughly. The main benefit is to separate the problem from the person. One looks for causes, without seeking to blame anyone. Suppliers who are unable to identify these causes may count on assistance from corporation specialists.

The criteria used to select suppliers are also marked by the culture of rice-cultivating countries. Unlike most American companies, which try to find suppliers offering the lowest cost of delivery, Honda and Toyota look for partners with the highest potential for development and innovation. In this, one can detect their long-term orientation and collectivist approach. Relationships with suppliers last for years and the company works with them to create new solutions that will bear fruit in the long run. In the American approach, one clearly sees the predominance of short-term objectives.

Li & Fung, the largest procurement company in the world, provides yet another example of masterful supply chain management. It supplies clothes, toys and other consumer goods of the leading global brands. The firm was established in 1906 in Canton (Guangzhou) as a trading company. It was later transformed into an export company headquartered in Hong Kong and a multinational corporation. It rediscovered itself in the era of wikinomics as a network orchestrator. Without owning a single factory, Li & Fung manages a network of more than 8300 suppliers. Over 70 offices in more than 40 countries and territories make sure they receive the supplies they need. The network comprises a pool of suppliers, from which an individual supply chain can be formed so as to match a client's specific order requirements in the best possible way. Network orchestration includes both planning and management of the network, as well as the creation of specific supply chains and their management through the network [Fung, Fung, Wind 2008, pp. 29–30].

The examples of Asian companies given above – all of them world leaders in the supply chain management – might suggest that they are or will become coupon-clippers, profiting from "cultural value added". This concept can be

interpreted in two ways. Its first, original meaning, has to do with tradition and stereotypes on the one hand, and modernity and openness on the other. As G. Sorman wrote, "cuckoo clocks used to be made in Switzerland, wine in France, cheap watches in Japan and steel in Sweden" [Sorman 2006, p. 26]. Hence the stereotypical values associated with products originating from these countries. "Cultural value added" benefits countries that are open to the global economy. "A French company selling luxury goods does not need to explain why it is in this business or make any excuses for their prices and high profit margins [Sorman 2006, p. 26]. Similarly, it is quite possible that business people will soon come to associate the Far East with excellent management of networks of enterprises.

Another meaning of the concept of "cultural value added" refers to a set of beliefs, behavioral patterns and attitudes typical for a specific region. As we have tried to show, Asian countries are capitalizing on this value by doing (generally) better than representatives of other cultures in today's world of cooperation-focused networks.

2.2. Organizational culture and supply chain management

Countries in Asia may collect interest on their "cultural value added", but what can companies in other parts of the world do to match their skill in the supply chain management? It seems that the creation of the right organizational culture (one that promotes cooperation and partnership) and the right tools should go a long way towards overcoming the initial disadvantage suffered by these companies.

Grawe, Chen i Daugherty, [Grawe, Chen and Daugherty 2009, p. 283], quoting other authors, write in their study:
– "Strategic orientations are aspects of corporate culture" [Deshpande et al. 1993; Hurley and Hult 1998; Narver and Slater 1990].
– "Corporate or organizational culture represents intangible resources for firms" [Barney 1991; Grant 1991].
– "The deployment of those resources, i.e. orientations, will have different relative impacts" [Day 1994].

Grawe, Chen and Daugherty claim that "when strategic orientation extends to all levels of organization, it becomes an organizational culture". They distinguish three types of orientations identified with organizational cultures [Grawe, Chen and Daugherty 2009, pp. 284–285]:
– Customer orientation,
– Competitor orientation,
– Cost orientation.

Customer orientation is the organizational culture that focuses on customer needs. It enables the constant creation of value for the customer. Companies with this orientation generate knowledge about the current and future needs of their

customers and spread this knowledge throughout the organization. A critical component of a customer orientation is the emphasis on seeing the supply chain opportunities and constraints from the perspective of the customers.

Competitor orientation is the organizational culture that focuses on short-term and long-term potential of competitors. Employees in the entire organization are familiar with products and services offered by other companies directly competing against theirs. Knowledge passed around the organization is relevant mainly to this issue.

Cost orientation is different from the other two in as it focuses on internal company matters. This culture aims primarily at achieving the greatest efficiency of all links in the value chain. Knowing the costs of delivering products and services to the market is of paramount importance in this culture.

The authors come to the conclusion that the achievement of strategic goals depends on the creation of the right strategic orientation and, consequently, the right organizational culture. Therefore, the right organizational culture may help a company work with its partners in a network. As far as the ability to cooperate within a supply chain is concerned, customer orientation seems most appropriate.

Masqood, Walker and Finegan consider sharing knowledge and diffusion of innovation in supply chains. They claim that exchange of information and knowledge sharing in supply chains is based on trust, which they define as a "frame of mind" and point out that "it requires challenges and conflict to be validated" [Masqood and Walker, Finegan 2007, p. 127]. Quoting other researchers [Rousseau et al. 1998], Masqood, Walker and Finegan also claim that "there is a constancy of what they call institutional trust or the rules, regulations, culture and norms that govern action in a particular environment that remains constant over time" [Masqood and Walker, Finegan 2007, p. 125]. They distinguish three phases in a partnership: cooperation, coordination and collaboration. The third phase represents the highest form of partnership, marked by joint planning and technology sharing.

The so-called Partnership Model, created by Global Supply Chain Forum, affiliated to Ohio State University, is a useful tool in building partner relationships [Douglas, Lambert, Knemeyer 2007, pp. 7–29]. The model's basic element is a meeting of the key representatives of the organizations intending to form a partnership. The meeting should be prepared (including all material issues) by a mediator, whose task is to negotiate all matters relating to the partnership. The next phase consists in defining the goals of the partnership. They should be measurable, eg cutting production costs by 7% within a year. Having agreed on the goals of the partnership, the partners should evaluate the conditions of cooperation created by the organizational environment. The following four basic factors should be considered:

- compatibility of corporate cultures,
- consistency of management philosophies and techniques,
- strong sense of mutual benefits,
- symmetry.

As regards the culture and technique of management, the important thing is not to seek identical counterparts, but to focus on differences that might lead to problems. For example, it could be a difference in decision-making processes: top-down in one organization versus bottom-up in the other.

The sense of mutual benefit, or the awareness of common goals and points of view, is very important, since it helps organizations act in the spirit of partnership.

Symmetry often means that organizations operate on a similar scale or have equivalent positions in their respective industries. It can also mean that they share equally responsibility for their market success.

Apart from the four main factors, there are also others: the same competitors, physical proximity, opportunities for granting exclusive rights, past experience in cooperation, the same end users.

Each factor is assigned a certain number of points. The total number of points determines the type of relationship which the companies should aim at. This could be:

- loose cooperation at a distance,
- limited integration,
- integration of many departments on the highest level of partnership,
- perceiving the partner as an extension of one's own company business.

The determination of the type of relationship helps increase the effectiveness of cooperation and reduce the level of frustration if something goes wrong.

Another factor that might make it easier to build a partner relationship in a supply chain is the appearance of the so-called Y generation. This is the generation of people who were born after 1980 and who grew up with the Internet. These people are characterized by high technical proficiency, low boredom tolerance and a strong desire to cooperate [Bloch, Whiteley 2008, p. 99]. Perhaps individuals belonging to this group will find it easier to cooperate despite cultural differences between nations.

3. Conclusions

- Some researchers believe that we are entering a new era of socio-economic history. For management, this implies that traditional, proven ways of doing business have to change and new principles have to be adopted. Openness, partnership, resource sharing and global operations are the key principles in

this new era. Similar principles also play an important role in the management of supply chains.

– National and organizational culture have significant impact on the success of cooperation between companies in a supply chain.
– Countries whose traditional culture has favored cooperation may benefit from their "cultural value added".
– On the other hand, countries where strong individualism and a confrontational approach predominate may find themselves in a less favorable position. In this case, the chances that a partnership in a supply chain will be successful may be increased by the creation of an organizational culture focused on cooperation and by the use of tools that help define partnership goals and its optimum "depth".

Abstract

The article discusses various aspects of the "networked" character of modern economy and the importance of culture for the success of cooperation between companies in a supply chain. Part one deals with the key features of modern "wikinomics" and discusses the commonality of ways in which wikinomics and supply chains operate.

Part two deals with the importance of national culture for the success of cooperation between companies comprising a supply chain. This part draws on the work of G. Hoefstede and F. Trompenars.

Part three focuses on organizational culture. It discusses the importance of organizational culture for the success of cooperation in a supply chain and the Partnership Model (a tool that can help determine the optimum type of cooperation). The article ends with some basic conclusions that can be drawn from the foregoing discussion.

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