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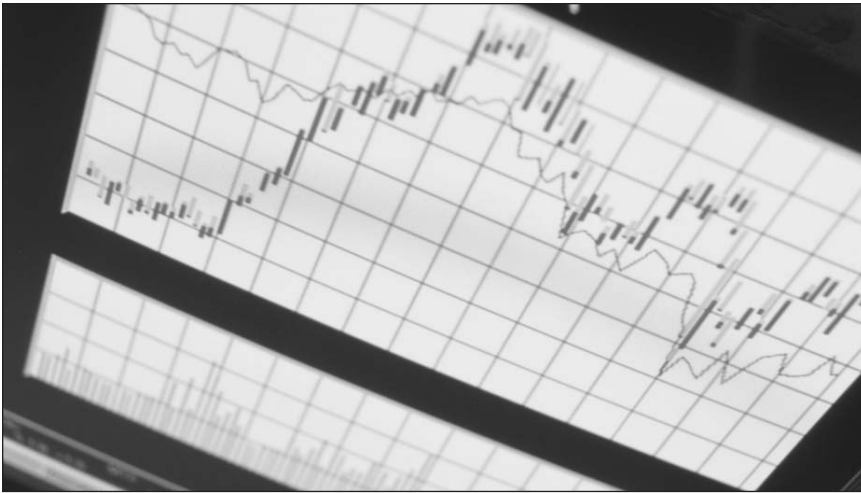
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Management Across Cultures Challenges, Issues and Conflict Resolution

by Jose L. Berrios

For any professional working in a multinational organization, one of the most challenging and, at the same time, rewarding, career milestones is to have the opportunity to work in one of the organization's foreign business units. It represents an incredible opportunity from a personal and professional perspective because it involves, in many cases, a significant professional commitment as well as the need to learn and understand another language and live and work in another business culture.



Although some of the ideas presented in this article are drawn from experiences in the financial services industry, they could equally apply to other industries. Some major challenges to consider in the context of differences in expectations and business practices between a home office culture and a local culture are: 1) The balance between profitable growth and competitive pressures. 2) Finding the right people for the right job. 3) Communication and delivery of results.

Some Challenges to Anticipate

1. Profitable Growth versus Competitive Pressures. European and North American insurance companies that have ventured into insurance markets outside of their domestic markets are driven by strategies that call for diversification of their business, leverage of their capital base and the expectation of profitable growth.

Early on these companies realized that the balance between profitable growth and competitive pressures is very delicate and requires a different paradigm in the context of a different cultural environment. In an increasingly global playing field with reduced margins due to declining interest rates and constant pressure to manage expenses, new strategies must be developed to face new entrants and local competitive pressures. Many multinationals also find that their domestic competitors have operated with a different set of rules, some of which appear as irrational business practices when looked at from the mature-market perspective of their domestic markets.

Typically, within a given market or region, many insurance products (life insurance and pension annuities in particular) are very similar across companies. The main differentiation may be via premium discounts and/or higher levels of commissions in order to push the product as part of a market-share strategy. The distribution platform is also similar (mostly agents and brokers, sometimes bancassurance) and loyalty, in some cases, is still more important than rational cost management. To a large extent, little emphasis still exists on the promotion of insurance products to educate consumers and develop a recognizable brand name and image. Historically, a large part of the sales process is left to the producer. In countries where the field force is not tied to the company, this process may be highly ineffective and have little standardization.

In this environment, how can companies develop a differentiating strategy to achieve their profit and market share objectives? Many of the concepts these companies have employed successfully in their domestic markets have an application in these new markets, but it is critical to understand how to adapt them and introduce them in a new environment colored by different market practices, regulations and culture.

On the marketing and distribution side, concepts such as segmentation, target market-



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ing and positioning are usually some of the elements to consider in order to achieve a sustainable balance between market share and profitability. On the operational side, expense management, technology applications and better pricing and analysis can also contribute to this effort. Therefore, a balanced marketing-mix of selling the right product(s) with sound pricing and sound marketing is critical.

The best way to address the above issues and forge a true high-performing team (made up of local management, expatriates and home office staff) is to have the right people in charge of each area of responsibility and each accountable for specific deliverables, while having sufficient authority to drive the intended changes related to the creation of core competitive strategies. The decision-making authority and influence must be equally shared among locals as well as expatriates in order to have a balanced sense of ownership in the team.

2. Finding the right people for the right jobs. To achieve the best results, it is critical to have the right people in place. In this age of globalization and market openness, there seem to be three critical elements to consider when identifying and selecting the best candidates for any given position: 1) Is the candidate capable of doing the job? 2) Is the candidate willing to do the job? and 3) Does the candidate possess the sufficient level of flexibility to adapt to change? Beyond the obvious qualifications that a candidate should have, such as technical qualifications, professionalism and honesty (“can” qualities), attitude and flexibility (“will” qualities) must be at the top of the list because the most critical aspect of the interaction between the home office and the local company must be the ability to learn and accept new paradigms, methods and practices.

The same attributes of attitude and flexibility are critical for the expatriate candidate being sent to work in a foreign environment in order to work with the local staff, to listen to their perspective, to learn from their cultural context and be able to assess and develop the local staff. In order for this person to succeed in his/her assignment, this person will need to learn from the local staff as well as teach

them new and better techniques, helping them understand the reasoning behind some of these changes and help them transition from the “old” ways, to which they might have a strong attachment, to the “new” way of doing their jobs.

Furthermore, while assessing the local talent, “can” attributes are relatively easy to identify or develop, whereas “will” attributes are much harder to identify and develop, and it has to do with people either accepting or rejecting/resisting change. For expatriates to succeed in their assignment, the home office and local management must make an effort to identify both “can” and “will” skills in a way such that expatriates and local staff complement each other’s attributes—especially on the “will” side. This obviously requires very clear and consistent job descriptions of roles and responsibilities to avoid or reduce potential conflict and cultural frictions, as well as provide the necessary levels of authority that are commensurate with the assigned responsibilities.

3. Communication and Delivery of Results. Clear and consistent communication is a key element for achieving desired results. Open and honest communication is the only way to build upon trust, both internally and externally, be it with regulators, the field force, investment media or the home office. Trust is a two-way street and clear and consistent communication should be the means of transportation. Bottom-line results and accountability should be established to the various areas of the company to measure progress and make the necessary structural changes. Although it is important to integrate home office requirements and the most critical best practices, these should be carefully planned and implemented in a way such that the benefits are well understood by everyone, but more importantly, embraced by local staff. Without the local staff perceiving a sense of ownership, implementation efforts could waste valuable time and resources.

Some Sources of Potential Conflicts

1. Pride and Ownership. People in Latin America, for example, are very proud of their heritage and their accomplishments. This

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goes back to colonial times and the influence from the Spanish culture as well as their own native heritage. People are also proud of their work and accomplishments and tend to equate these with personal esteem.

Change, per se, without a rational explanation as to the need for it, and an awareness of potential sensitivity as to how it is implemented, can therefore be viewed as a personal erosion of self esteem and can be very disruptive for the local staff. In some cultures, control of the information goes along with the “status” or the relative level of the person in the organization, creating a very hierarchical structure, which is difficult to crack down. The focus then for managing conflict should be on building upon pride of the new things to come, the new challenges to address, the benefits of the new tools and finally, the rewards of ownership of a much bigger asset by being a participating shareholder. Corporate culture change and accountability for results plays a big role in allowing this shift to take place.

2. Control and Decision-Making Authority. There are several forms of control and, in other cultures, many individuals use them as a means of getting ahead and exercising or retaining decision-making power. The first is wealth and family “inheritance,” which is usually at the upper echelon of society. The second is knowledge and control of the information, which leads to a “key person” status, usually at senior and mid-level management of companies. The third is rank and level in the organization, usually at senior and mid-level management of companies. Conflict may arise due to lack of a clear organizational structure or rules, or an ongoing change without a clear focus that only creates confusion and mistrust. In order to manage conflict, the levels of control and decision-making power should be very clearly established early on, so that everyone understands the structure and the rules and has a clear and consistent road map to achieve the objectives of the company.

3. Perceptions of “Us” versus “Them.” First impressions and distorted perceptions may create a feeling of “us” versus “them.” In today’s global world, this type of conflict creates inefficiency and unnecessary “turf battles.” Another reason for this kind of potential conflict is lack of cultural training from

both sides (foreigners, as well as locals) on how business should be conducted (both locally and mandated by the home office) and ways to minimize friction and personality differences. Personality differences will always be present, but not having a clear understanding of cross-cultural differences from both sides makes matters more difficult, especially when people are not used to working together as teams, much less cross-cultural teams, and toward a new paradigm. One way to address this type of potential conflict is to create an environment where these perceptions and sources of misinformation are eliminated.

4. Trust. Trust is a two-way street. The U.S. business culture is highly trusting and therefore expects the same from foreign business partners. This might lead to naïve and disappointing experiences with partnership relationships in other regions. As a necessary ingredient in any lasting business relationship, there has to be a positive rapport, a connection, a sense of personal friendship, objective compromise, a mutual sense of shared benefit and mutual respect before foreign business partners will embark on a two-way street. This implies that in order to succeed in conflict management, finding the right people is of crucial importance.

Conflict Resolution and Summary

Working and living in another culture or in another country can be challenging, but it is a rewarding experience for people who have been able to make a difference. In order to manage conflict and resolution, which should be the first objective, each and every situation should be evaluated in its totality—there is no cookie cutter approach since each situation is different. In certain cases, it is best to obtain the assistance from an outsider that can provide an independent, unbiased and objective opinion. This advice may lead to the need for restructuring the entire organization or certain areas of work and moving people to the appropriate roles where they can be more effective. This will help your organization, as well as the individuals involved. □

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