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A conceptual framework of cultural competence: A case study of a Japanese multinational in a cross-national context

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Abstract:

This article proposes a diagrammatic framework¹ to address the theoretical concept of cultural competence. Bridging prevalent concepts available in literature, it posits a simple yet versatile multi-level framework with two extremes to capture a spectrum of cultural specificities. Through a case study on a Japanese automobile conglomerate partly with European management, it concludes that cultural competence can be shown on a linear scale in the systematic framework. The findings advance the concept of cultural competence and the proposed model may be used as a foothold for future research possibly in any combination of cultures. This study is not to claim that different cultures are uncompromising but to consider how to reconcile them in a cross-cultural setting.

Keywords: ACR-OCR, cultural competence, cross-cultural management, Japanese style management, national culture, Nissan Motor

¹ The original framework was presented at the 31st Annual AJBS Minneapolis Conference in 2018. This article develops it to discuss the concept of cultural competence.

Introduction

In the past three decades, there is growing interest in investigating the role of culture in a business context. Geert Hofstede pioneered research into national cultures and coined the concept *cultural dimension* (1980). Before the publication of Hofstede's first book *Culture's Consequences*, cross-cultural management was not even a well-defined academic area (Holden, 2014: 187). Since then, Schwartz (1992), Trompenaars and Hampden-Turner (1997), and the Project GLOBE (House et al., 2004) have carried out similar research with the same aim to substantiate the cultural constructs as two extremes of a linear scale for capturing the regionally shared ways of thinking observable between them. Their works (the "major projects") have become the foundation of today's cultural studies. The major projects commonly report some form of individualism and its opposite, often referred to as collectivism ("I/C"), as the grounded extremes of cultural patterns (Thomas and Peterson, 2017). Other distinct pairs of extremes include different perspectives of time orientation, which is reported similarly as short-termism (Jacobs, 1991) or the time span for reciprocity (Sako, 1992) even from outside cultural studies. The advances made in the 20th century may be summarized as an exploration of how cultures differ across societies. Drawing on those valuable models, this article attempts to build a versatile framework aligned with current trends.

Frequently discussed alongside national culture is the ability to function well in different cultures. PricewaterhouseCoopers, known as PwC, one of the largest auditors in the world, reports on a global survey of 132 senior executives that culture incompatibility is the most common cause of cross-national merger and acquisition failure (PricewaterhouseCoopers, 2017: 11). Their report corresponds to a myriad of scholarly discussions: In the field of international human resource development ("IHRD") for example, "Issues related to diversity have emerged as a key contextual influence and, as a consequence, both countries and organizations are concerned to effectively use IHRD practices to meet the needs of increasingly diverse labor pools and workforces" (Garavan,

McCarthy and Carbery, 2017: 8). The cultural ability may become a prerequisite in the future, if not at present, for successful cross-national management at multinationals with diverse teams of employees. The frequently used terminologies to refer to the cultural ability include *multiculturalism* (Vora et al., 2018), *cultural competence* (Trompenaars and Hampden-Turner, 2012), *cultural intelligence* (Thomas and Inkson, 2004), and *biculturalism* (LaFromboise, Coleman and Gerton, 1993). Described differently, the basic idea of the cultural ability appears widely discussed. This article uses the terminology *cultural competence* for discussion purposes, though it does not reject other commonly used definitions.

Despite the growing importance of cultural competence, there appears to be no concrete framework of the concept available for use in today's rapidly globalizing world. The reason for the unavailability seems twofold: the conceptual (or definition) and methodological issues with national cultures innate in cultural research (Jones, 2007). However, the literature offers clues to tackle the issues inevitable at the individual level. Sako (1992) provides a useful framework entitled Arm's-Length Contractual Relation ("ACR") and Obligational Business Relation ("OCR"), based on empirical evidence discovered in the electronics industry in the UK, where the local and the Japanese businesses were compared for Sako's study. The aim of this article is to propose and test a simple yet versatile diagrammatic framework to illustrate the concept of cultural competence by developing the ACR-OCR model. Despite being published roughly 30 years ago, ACR-OCR is chosen as a theoretical foundation among others because it has the best potential to mitigate the methodological issue mentioned earlier. ACR-OCR has two extreme ends of a continuum to capture any variants of trading patterns, which respectively represent the regional corporate activities based on the corporate decisions at the organization level. ACR-OCR essentially has the same structure as that of the cultural models of the major projects. This shared feature suggests that ACR-OCR

and the cultural models can be combined for holistic research on the whole consisting of multiple levels, as long as a consistent unit of analysis (Neuman, 2006) connects the levels.

This article uses I/C to link the I/C-driven business patterns, or alternatively said, the proposed framework captures the corporate activities that are “embedded” (Williams and Zumbansen, 2011) in I/C. National culture inevitably comes with the methodological issue because it is a construct at the individual level. However, it becomes tangible with evidence of a culturally driven practice obtained at a higher level. This evidence alleviates the issue, as long as the evidence is I/C driven. This article refers to the connection between the levels as *culturally driven*. Based on this presumption, this article conducts a qualitative meta-synthesis (Finlayson and Dixon, 2008; Walsh and Downe, 2005) of multiple levels. Methodologically, it employs a grounded theory approach (Strauss and Corbin, 1998), triangulating the original findings solicited at the organization level and the individual-level models available in cultural studies for maximizing research confidence.

This article first revisits the concepts of cultural competence for the individual level. Second, it reviews literature on two different reasons (E-type vs. C-type) for being in business (de Geus, 2002) for the social system level, and two different forms (strategic alliance vs. keiretsu) of corporate groups (Miyashita and Russell, 1994) for the organization level. Treating these literature concepts as dichotomies with two extremes of a linear continuum, it will propose a three-level framework named Arm’s-Length Business Relation (“ABR”) and Obligational Business Relation (“OBR”) and test its theoretical validity. It is partially named after ACR-OCR because it is partly built on ACR-OCR. It differs from ACR-OCR in that it assumes general applicability to any industry between Japan and other countries, while ACR-OCR has its theoretical coverage of the electronics industry in Japan and the UK. The ABR-OBR framework is a theoretical field to

represent a cross-cultural setting, where cultural competence functions across the levels². The model is tested against the qualitative findings obtained through a case study on Nissan Motor Co., Ltd., a Japanese automobile conglomerate³. This article concludes that cultural competence plays an important role, which can be explainable with the framework.

Cultural competence

Hicks (2003) offers a review on the historical antecedents of the cultural ability in the context of global education in the UK and North America. According to Hicks (2003: 266), in the 1960s, James Henderson et al. at the University of London Institute of Education coined the terminology *world studies* as “shorthand for recognition of the need for a global dimension in the curriculum”. In the 1970s, Robin Richardson directed the World Studies Project, which organized educational conferences in the UK mainly for secondary teachers and NGO educators promoting world studies (Ibid.: 266). Richardson’s *Framework for exploring global issues* (1976) consisted of four elements, namely *values, background, action, and problems*, all of which interrelated with each other (Ibid.). As the World Studies Project was becoming a mainstream form of research in the UK, educators in the USA started developing frameworks and systems for global education. Hicks (2003: 267) names Anderson (1968), Becker (1975), and Hanvey (1976) as influential authors. Hanvey’s work *An Attainable Global Perspective* consists of five elements: perspective consciousness, “state of the plant” awareness, cross-cultural awareness, knowledge of global dynamics, and awareness of human choices (1976). Since then, scholars and researchers in social science, including cultural studies, have developed relevant concepts on cross-cultural subjects over the last half-century.

² Prior to this study, the framework is used in the contexts of the automobile industry (Kitamura, 2019) and the financial sector (Kitamura, 2020).

³ This article examines the Nissan group, including its former CEO, Carlos Ghosn. This study focuses on Ghosn’s positive contributions made to the Nisan group between 1997 and 2017 based on the idea that his contributions be respected apart from his alleged misconduct.

While expressed differently, one important commonality emerges among various concepts and frameworks: the ability to handle foreign specificities in a cross-cultural setting.

As mentioned at the outset, the basic idea of cultural ability is widely discussed. Thomas and Inkson (2004: 62) refer to it as cultural intelligence: “In its broadest sense, cultural intelligence is the capability to interact effectively with people from different cultural backgrounds”. A possible measure of cultural intelligence is cultural quotient (“CQ”), coined following the common psychologists’ concept *intelligence quotient* (“IQ”) and another *emotional intelligence quotient* (“EQ”) (Ibid.: 16). Agreeing on the relevance between cultural intelligence and emotional intelligence, Earley and Mosakowski (2016: 2) argue “A person with high cultural intelligence can somehow tease out of a person’s or group’s behavior those features that would be true of all people and all groups, those peculiar to this person or this group, and those that are neither universal nor idiosyncratic”.

Cultural intelligence may be interpreted as the ability to be bicultural, similar to the notion of a bilingual. LaFromboise, Coleman and Gerton (1993) review past literature and summarize the theoretical ideas on cultural acquisition in five types: the assimilation, acculturation, alternation, multi-cultural, and fusion models. All the models describe “the psychological processes, social experiences, and individual challenges and obstacles of being bicultural” (Ibid.: 395). LaFromboise, Coleman and Gerton (Ibid.) emphasize the alternation model, “which posits that an individual is able to gain competence within two cultures without losing her or her cultural identity or having to choose one culture over the other”. Their discussion supports the idea of cultural ability, though they seem to focus on the process of being bicultural.

Vora et al. (2018) write in their recent paper about multiculturalism with the focus on the individual level, summarizing relevant literature works available in the fields of psychology, management, marketing, anthropology, and sociology. Based on their interdisciplinary analysis,

Vora et al. define multiculturalism as “the degree to which someone has knowledge of, identification with, and internalization of more than one societal culture” (2018: 506). Their tridimensional definition is similar to the preceding models in LaFromboise, Coleman, and Gerton’s work but is more tailored to international business.

In cultural studies, Trompenaars and Hampden-Turner (2012) provide comprehensive discussions over national culture and useful definitions of the terminology *cultural competence* and related concepts in their book about cross-cultural business management. They (2012: 352) begin with a precaution, introducing varying definitions in circulation: “It could be a motive, a trait, a skill, an aspect of a person’s self-image or social role, or a body of knowledge that a person uses”. They (Ibid.) also point out the language difference between American and British English: While the terminology *cultural competency* is commonly used to refer to a set of skills or more of “What you know” in American English, *cultural competence*, which denotes behaviors or more of “What you do” is typically used in British English. This article borrows the terminology *cultural competence*, which includes *cultural competency*, as *cultural competence* can be the act of applying *cultural competency* in a real-world setting. This article does not reject other pertinent discussions and definitions of the cultural ability, as they help to understand the concept.

It is important to note that national culture does not always determine how individuals behave, but it is “a very rough indication of tendencies in the rich variety of cultural values” (Williamson, 2002: 1381). In any society, business decisions are made on a case-by-case basis. Some business practices can be culturally driven, but others can be cultureless. Corporate culture can be most influential for decision-making, depending on the setting. Despite the complexity, it is safe to point out the regionally and distinctively shared way of thinking: Some societies are generally more individualistic than others (Triandis, 2001). While each individual has a unique set of personality traits, there are several, not many, nationally shared cultures. The cultural models available at

present can be considered the beginning of a future study, as culture is a construct, for which there is no direct measure (Williamson, 2002: 1380). The grounded elements of the major projects, such as I/C in this article, are considered the best available guidance. The dynamics at the individual level suggest the need for practice-level evidence of an I/C-driven East-West difference⁴. This article focuses on cultural values associated with business practices and uses a case study to depict evidence for research effectiveness. This article refers to regionally shared ways of thinking as *cultural values* that can be classified under the cultural dimensions (or constructs), including I/C, available in the literature (Thomas and Inkson, 2004). It uses *cultureless* to refer to specificities irrelevant to the constructs of national cultures.

This section has examined the concepts available in the literature regarding cultural ability at the individual level. As mentioned earlier, research concerning culture inevitably comes with two problems: the definition and methodological issues. For the definition issue, this article has outlined the boundary of research to mitigate it. To tackle the other issue, the following section will establish a multi-level framework, where cultural competence can be possibly illustrated. For this aim, it will examine empirical studies to understand culturally driven business practices at higher levels than individuals' ways of thinking. A multi-level approach is necessary because the individual level alone is not enough to discuss international business, which includes the firm level, where multinational entities actually carry out business in international settings. The framework will integrate all the concepts with the shared structure of a linear continuum with two extreme ends.

Crafting a model

⁴ The terminologies *Eastern* or *East* and *Western* or *West* are used for discussion purposes only, as they can be further subcategorized in many ways. Refer to the J-system (the Japanese corporate system) vs. the W-system (the corporate system found in the West) in Aoki and Dore (1994) for similar use.

Arie de Geus (2002) writes about the useful concept of an entity's persona, originally coined by a famous German psychologist, William Stern, who developed the intelligence quotient (IQ) formula. "To Stern, each living being has an undifferentiated wholeness, with its own character, which he called the *persona*" (Ibid.: 84). To explain the concept, de Geus introduces a vertical ladder that William Stern drew in 1919. The ladder has five levels, namely *Deity/Divinity/Godhead* being on the top row, followed in descending order by *Nation, Tribe, Family* and *Individual* placed on the lowest row, each of which is "a persona in its own right" (Ibid.: 87). Borrowing Stern's ladder, de Geus illustrates a company (for example Royal Dutch/Shell discussed in his book) using a ladder with seven levels, namely *Society* being on the top, followed in descending order by *Corporation, Company, Division, Work Group, Team, and Individual*. The idea of a persona corresponds with current concepts in the literature. For example, Williams and Zumbansen (2011) write about "embeddedness" that signifies the connection between the levels of personas in the whole. According to Williams and Zumbansen (2011), institutions and markets are embedded in a society and manifest social values, and that is why those cannot be discussed in isolation from social values, which are expressed as cultural values in this article.

In the case of Japan, the regionally unique practices can be considered its personas. For example, lifetime employment (Ono, 2010), the existence of keiretsu (Ghosn and Riès, 2005), and the main bank ("MB") system (Hirota, 2009) are those at the corporate or society level, perhaps depending on how it is contextualized. Helpful in making an East-West comparison are the cultural constructs of individualism and collectivism, both of which can be placed at the individual level in the ladder of personas. As a breakdown at the country level, "individualism is very high in the United States and generally the English-speaking countries", and "collectivism can be found in parts of Europe (e.g. southern Italy, rural Greece) and much of Africa, Asia, and Latin America" (Triandis, 1994: 41), including Japan as a collectivistic society. Those personas are interconnected to each other in

the respective societies. Miyashita and Russell (1994: 43) offer a good explanation of the connection between the keiretsu system and the main bank system (“MBS”):

Not surprisingly, a main bank is a financial institution that keeps money flowing to a group of industrial concerns. But if this were all a main bank did, the United States would be chock-full of bank-led keiretsu. A main bank in Japan does much more than simply make loans. It is also the central clearinghouse for information about group companies and the coordinator for group activities. It monitors the performance of its group, holds equity in most of the monitor companies, and provides management assistance when it deems necessary. In the worst case, if one of the group firms is in serious trouble, the main bank is expected to step in with both financial assistance and a whole new management team selected from among the bank’s executives.

The central point of their argument can be that, while a MB has various functions, it exists for “a group of industry concerns”, in which “a group” in many cases consists of keiretsu affiliates. The argument here is not to claim that a MB exists exclusively for it but that the MB functions takes it into account. The word *keiretsu* often means a series of subcontractors organized under a principal manufacturer (vertical keiretsu), and at other times, refers to a group of large firms in diverse industries (horizontal keiretsu)” (Hoshi, 1994: 287) in Japan (“J-form”). While these are valid descriptions, they do not fully explain the essence of keiretsu. Keiretsu may be a type of strategic alliance, but a strategic alliance in the English sense (“W-form”) is “far from being Japanese-style horizontal keiretsu” (Miyashita and Russell, 1994: 208). In a cross-national setting, *keiretsu* can be a hard concept to understand for those who are not familiar with Japanese business. Miyashita and Russell (1994: 7) write “The word *keiretsu* does not translate neatly into English, and that is the beginning of the problem”. It is untranslatable because their purposes of existence are not the same. de Geus (2002: 100) argues “There are in fact two different types of commercial companies in existence today, distinguished by their primary reason for being in business”. Below is a summary of the two types cited from de Geus (2002: 100-103):

The first type is run for a purely “economic” purpose: to produce maximum results with minimum resources. This sort of “economic company” is managed primarily for profit.... The economic company is not a work community. It is a corporate machine. Its sole purpose is the production of wealth for a small inner group of managers and investors. It feels no responsibility to the membership as a whole.... The second type of company, by contrast, is organized around the purpose of perpetuating itself as an ongoing community.... Return on investment remains important. But managers regard the optimization of capital as a complement to the optimization of people. The company itself is primarily a community.

This discussion explicates the different purpose of existence for the two forms of alliances. The first type (of economic company, “E-type”) and second type (“C-type”) represent the W-form and the J-form, respectively (Ibid.). The quote suggests that any C-type company can be a community “with the purpose of perpetuating itself as an ongoing community” (“C-type purpose”). This C-type purpose, however, applies to various industrial groups besides a company (Abegglen, 2006). A keiretsu group, or any continuing or merged corporate group in Japan for that matter, can also be a diffused level of “community”, which includes its main bank. This article treats the E-type and the C-type purposes as the two extremes to capture a multi-dimensional spectrum of possible types of personas. de Geus (2002) suggests that E-type represents the firms in highly individualistic societies. However, in this article, it is not intended to assert that all of them, without exception, are equally E-type driven. By the same token, the extreme sense of C-type never represents all the Japanese firms. The actual Japanese patterns are more C-type than the modal E-type. The extremes are to measure corporate variations in the real business world. Similar to the cultural dimensions examined earlier, the persona of business purposes can be seen as a linear continuum with two extremes. The main idea is not to propose one purpose is better than the other but to capture a full spectrum of regional patterns observable in the respective societies. Neither types are inferior to the other.

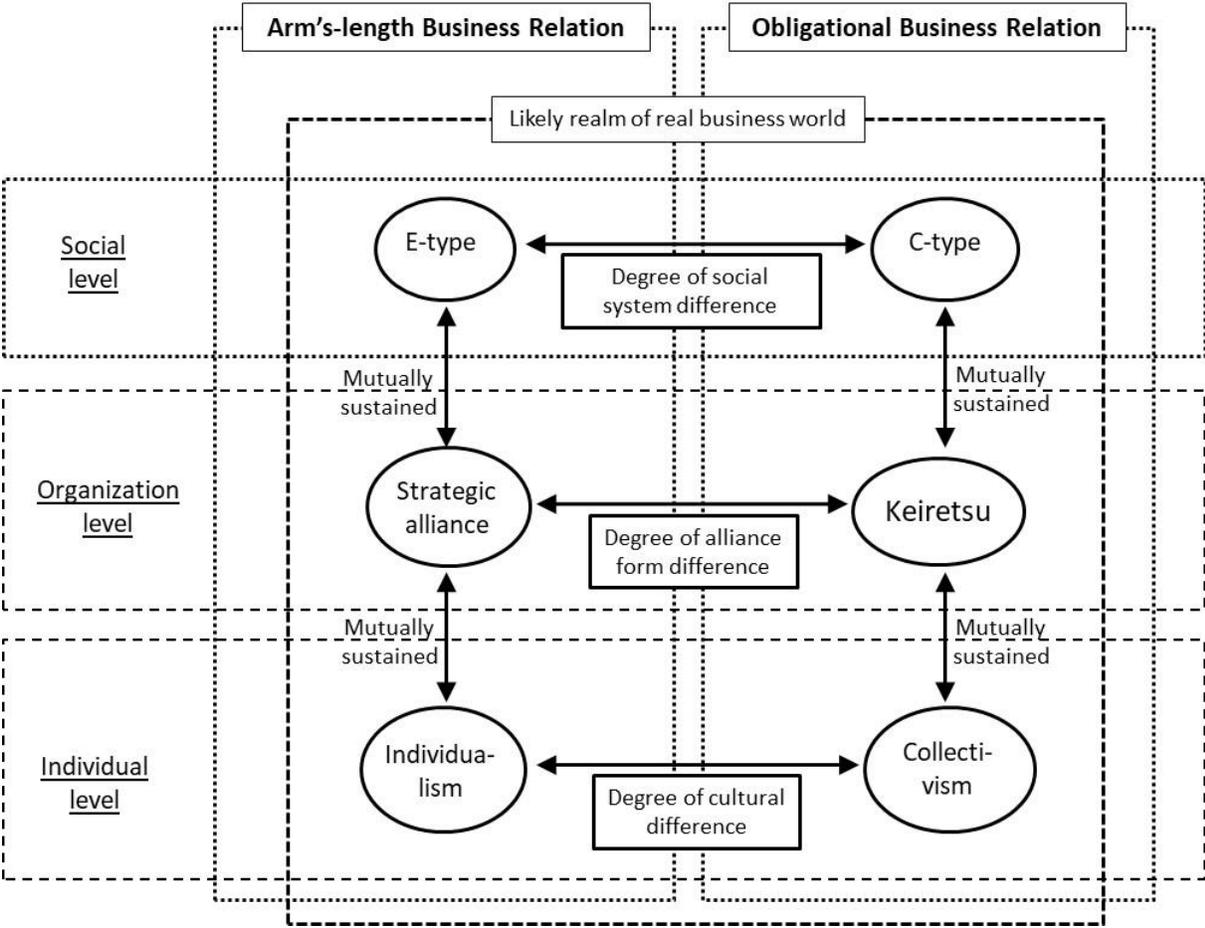
In general, a highly foreign concept can be incomprehensible to anyone with no prior knowledge of it (Beck and Beck, 1994: 25). The C-type community is formed as the result of the business decisions made by all the individuals involved, who have the regionally shared cultural values of collectivism beyond the corporate boundaries. Relatively speaking, C-type community hardly exists in the English speaking countries, where individualistic ways of thinking are generally predominant. This article refers to the unfamiliarity as the lack of mutual knowledge. It is considered immanent in researchers, rather than research subjects. The literature offers helpful explanations to mitigate this problem. Sako (1992: 10) perceives the Japanese cultural value as “goodwill trust” and provides the following:

What underpins heavy mutual dependence as an acceptable, even preferred, state of affairs is the existence of ‘goodwill trust’. ‘Goodwill trust’ is a sure feeling that trading partners possess a moral commitment to maintaining a trading relationship. It may manifest itself in not taking unfair advantage of one’s circumstances (for which shared principles of fairness exist) and in offering preferential treatment or help whenever the need arises.

Goodwill trust is a “sure feeling” because it is a shared way of thinking beyond the corporate boundaries among the Japanese that Sako interviewed for her comparative study between British and Japanese business practices. Goodwill trust exhibits the primacy of collectivistic interest of preserving the C-type community that is, in cultural studies, the cultural value classified under the cultural dimension of collectivism. The discussions suggest the necessity of integrating the individual and the organization levels for meaningful research. Firms have preferred styles of personas at the organization level, but professionals (or individuals) make the decisions that become corporate decisions. Perhaps more precisely, firms are the reflections of individuals’ business decisions (Ketkar et al., 2012), some of which are driven by their individual beliefs that

possibly pertain to the cultural values. Combining the concepts reviewed herein, Figure 1⁵ illustrates the proposed ABR-OBR model to be tested:

Figure 1. ABR-OBR framework.



This diagram is entitled the ABR-OBR model to distinguish its differences from Sako’s ACR-OCR. ABR-OBR assumes the widest theoretical applicability to any trading relations in any industry between Japan and other countries, though this article focuses on the differences between the English-speaking countries and Japan. Based on the literature, this article presupposes that the

⁵ All figures are created by the author unless otherwise specified. The extreme levels are omitted for the sake of brevity. Kitamura (2019) offers the comprehensive diagram.

keiretsu groups are organized around the C-type purpose, while Western strategic alliances are not. The pursuit of profit is the shared goal for both types, but their approaches to it are not the same. The model is structured based on the assumption that the three levels are vital for discussion and not too much for a single research project. Any persona may be applied to the model, though this article uses E-type, C-type, strategic alliance, keiretsu, individualism, and collectivism for discussion purposes.

The domain of the Japanese keiretsu business style indicates their relationship-based pattern with the C-type purpose. The distance between the ABR individual and the Japanese business style represents the degree of cultural difference, though it is not drawn in Figure 1. The distance would be relatively wide since the two entities have little or no commonality regarding culturally driven practice. This is why the OBR persona of keiretsu is likely untranslatable into English. This article presupposes that cultural competency reduces the degree of cultural difference (“CD”) in the framework as follows:

$$\text{Degree of cultural competence} = \text{degree of CD} - \text{reduced degree of CD}$$

The degree of CD represents the generally perceived cultural difference by the majority with no or little cultural competence. The reduced degree of CD denotes the shorter cultural difference by the degree of cultural competence. Similar to bilinguals, culturally competent individuals “fluently” function in foreign business worlds and are capable of handling foreign specificities well, even though the foreign specificities may conflict cultural values of their own. Individuals with a modest level of cultural competence may be at least aware of the foreign business practice tightly linked with foreign cultural values. The varying levels of cultural competence can be illustrated using the ABR-OBR framework of cultural difference. Having established the multi-layered model, the following section will discuss how to test the proposed framework.

Methodology

National culture inevitably comes with the methodological issue because it is a construct at the individual level. It is impossible to measure cultural preferences precisely (House et al., 2004) due to their intangible nature. However, this problem can be mitigated with tangible evidence. This article presupposes that national culture existent at the individual level becomes observable when it is contextualized (Cooke, 2018) with evidence of a culturally driven practice obtained at a higher level. The proposed ABR-OBR model integrates this theoretical connection between the levels. This research adopted the case study method suitable for discovering culturally driven practices and presenting them in the framework. The ontological orientation of the research aim is constructivism, which required a qualitative approach (Bryman, 2004: 20).

Regarding the research subjects, three types of qualitative data are chosen: 1) a monograph written by Nissan CEO Ghosn (Ghosn and Riès, 2005), 2) an empirical book written by a third party (Magee, 2003), and 3) archival data about a face-to-face interview with Mr. Yoshikazu Hanawa, who was Nissan CEO before Ghosn took over the role (Maeya, 2005). Literature generally suggests the four criteria for choosing documentary sources: authenticity, credibility, representativeness, and meaning, all of which are vital for the sources to be genuine, accurate, free from error or distortion, typical of its type, comprehensive, and unambiguous (Bryman, 2004: 381). This research triangulates qualitative data from different sources to meet the methodological prerequisites. Methodologically, this study employs a grounded theory approach (Strauss and Corbin, 1998), triangulating document analysis on empirical materials. This methodology can alternatively be viewed as a qualitative meta-synthesis (Finlayson and Dixon, 2008; Walsh and Downe, 2005), using the original findings supplemented by the literature concepts.

Stewart (1984: 14) warns of the disadvantages of secondary data: “Category definitions, particular measures, or treatment effects may not be the most appropriate for the purpose at hand.” As a result, “not all information obtained from secondary sources is equally reliable or valid” (1984: 23). This research gathered qualitative data from three different sources based on the case theme and triangulated them for mitigating the disadvantages. The following section will present a case study with the case theme of cultural competence.

Case analysis

This section will test the ABR-OBR model by examining how culturally congruent decisions are made at Nissan Motor Co., Ltd. (“Nissan” hereafter to denote their global operations), in particular, Nissan’s Japanese operation (“Nissan JP”) in the OBR society. This short case study is not to discover new findings on Nissan’s revival but to conduct analysis of major business decisions. In other words, it attempts to offer new interpretations of available data. It will only discuss the pertinent topics to the case theme, as Nissan JP’s revival is the result of numerous decisions and actions taken to tackle the complex and eventful challenges, driven by not only cultural values but also business intelligence.

Established in 1933, Nissan JP enjoyed dramatic growth especially in the 1970s but then developed serious problems in the 1990s (Magee, 2003: 5-6). Nissan was “on the brink of bankruptcy” (Ibid.: 7), posting a JPY 680 billion net loss in the fiscal year ending March, 2000 on a consolidated basis. Carlos Ghosn became President and Chief Operating Officer in 2000 and subsequently President and Chief Executive Officer in 2001. After implementing its famous mid-term plan named the Nissan Revival Plan (“NRP”) announced in October, 1999, Nissan recorded a JPY 330 billion net income in the fiscal year ending March, 2001. This brief story sounds miraculous and highlights CEO Ghosn as an eminent leader. It is, however, lesser known that the

Nissan employees created the NRP, not Ghosn, though the NRP would have been impossible without Ghosn. He played a crucial role in the creation of cross-functional teams (CFTs), which were vital for the NRP and in the implementation of the NRP (Maeya, 2005; Magee, 2003). There can be many academic and empirical lessons that one can learn from the cross-cultural case of Nissan's revival.

The literature suggests that the root cause for Nissan's problems was, in simple terms, their "big company disease" including the ineffectual management (Magee, 2003: 6) and the lack of transparency (Ibid.: ix). Their problems appear to consist of culturally driven and cultureless components. The big company disease symptoms can be observed in many countries, but the causes may differ by company or society. Ghosn recalls the diagnostic phase of the NRP (Ghosn and Riès, 2005: 97):

I (Ghosn) never went to a single place where anyone could speak about the company articulately. No one was able to offer me a summary of problems listed in order of their importance. Management was in complete and obvious chaos. This, I believed, was the primary cause of Nissan's difficulties.

In their book, Ghosn frequently points out his communication problem with the Japanese employees at Nissan JP. They communicated in English, which was not their first language. The language barrier might have made difficulties worse than they were. Nonetheless, there is no doubt that the management had serious difficulties as detailed in his candid comments on them. He classifies the major causes for Nissan's difficulties into five as follows (Ibid.: 98-101):

First, Nissan wasn't really engaged in the pursuit of profit. Managers were unaware of their own results, knew few figures, and had no precisely quantified goals. They were selling cars without knowing if they were taking losses or making profits....

Second, there was a lot of talk about the customer at Nissan, but the customers had little presence in the company.... There was no product planning process that included consideration of the customer and the market....

The third factor was a lack of urgency.... No one seemed to feel we had an emergency.... The notion of time did not exist. To my shock, whenever I brought up the question of a deadline, people told me a year for what should have taken a week....

Fourth was the incredible compartmentalization of the company. I wasn't particularly shocked by this - I'd experienced the same phenomenon at Renault. But it was particularly perplexing in Nissan's case, because one of the striking things about Japanese industry is the quality of the teamwork....

Finally - and this was one of the most important factors - the company had no strategy. If you asked people what Nissan would be in five years or ten years, or what the significance of the name Nissan was as far as they were concerned, you discovered a total absence of vision....

All of them can be attributable to the management and possibly supplemented by their corporate culture at that time. As for the fourth factor, Ghosn and Riès (2005: 98-100) add "This compartmentalization inside Nissan was well known to people outside the company". Perhaps Nissan's corporate culture and the OBR cultural values, in particular their interdependency, may have driven the pervasive way of thinking at Nissan JP: I just want to belong to a large company like Nissan. Ghosn and Riès (2005: 115) narrate on the management's problems:

Lots of people told me (Ghosn), "We (the rank-and-file employees) pointed out this problem five years ago, but we didn't get any response from management, and our ideas never become part of any plan." When a company is without a powerful, shared strategy, then it becomes uncoordinated, it loses its soul, and its people are left on their own.

Ghosn's evaluation indicates that the management was not even interested in the first step for any problem solving: knowing about the problems. The management might have believed that Nissan would overcome the difficulties because it had its large keiretsu network that should generate

necessary earnings at least to stay afloat. Keiretsu is typically culturally driven, as it stems from a relatively high level of interdependency on the collective. As obvious from Nissan's difficulties at that time, it is a misconception that the keiretsu system can resolve any problems. Keiretsu is the OBR preferred style of business. It alone does not generate good results, if the company is not engaged in the pursuit of profit.

An important component of the NRP was cost reduction including the "dismantling" of Nissan's keiretsu network and the sale of unessential assets (Ghosn and Riès, 2005: 108-109). Ghosn appears to exhibit a high level of cultural competence that is probably one central reason for the successful implementation of the NRP. Note that, with regard to the Nissan's keiretsu, while Ghosn and Riès use the word *dismantling*, Nissan did not completely dismantle it but actually reduced it by selling part of their cross-stockholdings. The word hereafter in this case analysis means to reduce, not to eradicate, the network of keiretsu capital relationships. Ghosn and Riès (2005: 109) explain:

We made it clear from the beginning that we were going to dismantle Nissan's keiretsu. There wasn't any panic. People were reassured when we maintained our client relationships. When we sold off, we did so properly, not haphazardly. We made sure the new shareholders were people who understood the companies we put up for sale, people who would act correctly and fulfil their obligations. We didn't conduct some kind of fire sale.

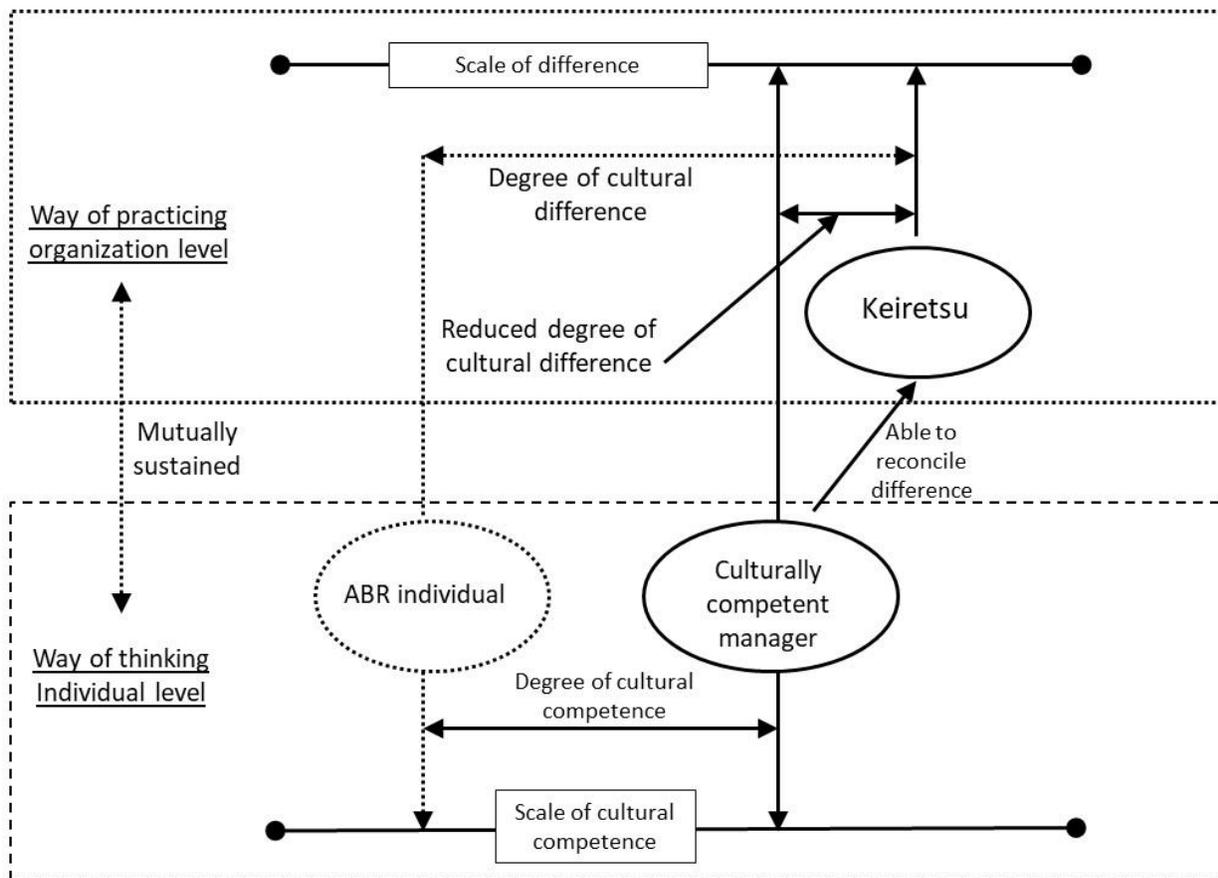
This approach exhibits a high level of cross-cultural competence defined as "the capability to function according to the cultural rules of more than one cultural system" and "the ability to respond in culturally sensitive and appropriate ways according to the cultural demands of a given situation" (Trompenaars and Hampden-Turner, 2012: 355). If the team sent from Renault had forcibly and suddenly eradicated all the keiretsu capital connections, if ever possible, the NRP would have failed, as the positive interdependence between the keiretsu companies complements each other in the whole community. The Japanese keiretsu groups have changed yet exist today, even though the

former zaibatsu groups were dissolved immediately after the end of World War II. The historical events suggest that the Japanese culturally prefer to belong to some form of a collective, or be part of the community (de Geus, 2002), in the sense of being interdependent on it, described as the primacy of collective interest.

In the 2000s, the Japanese banks sold off their cross-holding stocks (Hirota, 2009). While so, the main banks have retained their stocks of the clients, to which the bank is the closest MB, and sold other stocks of less close clients, to which the banks were low-tier MBs, in order to streamline their balance sheets for survival during the economic downturns. Nissan's "dismantle of the keiretsu network" is essentially the same: Nissan has retained the reciprocal capital relationships with the important suppliers, though Nissan indeed sold many of the unessential shares and generated 500 billion yen (Ghosn and Riès, 2005: 110) for their restructuring. The reduction of cross-shareholding has perhaps made Nissan JP less OBR. This change of its management practice can be expressed a shift toward the ABR side on the linear scale between ABR and OBR in the proposed framework.

One important supplier that Nissan did not sell is JATCO, which manufactured transmission systems. JATCO is "regarded as part of the company's strategic assets, not mere suppliers, but storehouses of the expertise and technological knowledge essential to Nissan's future" (Ghosn and Riès, 2005: 112). OBR interdependence is alternatively viewed as a collective manufacturing power, which has been the center of the OBR strength in Japan, Inc. (Abegglen, 2006; Totten, 1998). What strikes here is that Ghosn understood the significance of OBR interdependence and embraced it, retaining the JATCO shares. This is considered cultural competence, which can be illustrated (as culturally competent manager in this specific case) in Figure 2.

Figure 2. Cultural competence illustrated in the framework.



In Figure 2, “culturally competent manager” and “keiretsu” refers to Ghosn and the keiretsu affiliate of JATCO, respectively. Shown for comparison purposes, “ABR individual” stands for an ABR manager with no cultural competence. This premise does not necessarily postulate that this ABR manager is incompetent as a manager. This article presumes that management capability is comprised of various qualities, one of which is cultural competence. In this specific case, the culturally competent manager is able to understand and embrace the significance of keiretsu relation, which is not native to the manager’s cultural backgrounds. The highlight of this case is the ability to agree with keeping JATCO, which was proposed internally in Nissan JP at that time. The context suggests that the Nissan employees, including middle managers, asked Ghosn to keep JATCO for his approval. This request was locally apt but generally contradictory to E-type style

management typically taught at business schools in the English-speaking societies. Yet it was agreed.

In terms of the implementation of the NRP, Ghosn explains the success factors (Ghosn and Riès, 2005: 110-111):

The future success of the plan was in large part due to the fact that it was neither imposed from the “top down” by bosses leading as though by divine right, nor did it bubble up from below in a “bottom up” process, which often results in a lowest common denominator. It resulted, in fact, from a combination of these two approaches.... I never said “This is the way it’s going to be!”

This quote explains Ghosn’s successful approach: He did not enforce a particular strategy but figured out the culturally apt one acceptable to him and feasible within the OBR cultural limits by knowing about Nissan, minimizing the lack of mutual knowledge between Nissan and him, while stretching Nissan for the better at the same time. Similarly, Magee (2003: 66) observes:

He (Ghosn) wanted to preserve the best the (Nissan) culture had to offer within the company, unleashing the talent and ideas he knew were there through motivation, cultivation, and confidence. “I was non-Nissan, non-Japanese,” Ghosn says. “I knew that if I tried to dictate changes from above, the effort would backfire, undermining morale and productivity. But if I was too passive, the company would simply continue its downward spiral.”

This culturally sensible approach exemplifies cultural competence. One possible reason for his cultural competence may stem from his multicultural background: “Born in Brazil into a family of Lebanese origin, educated in some of the best schools in France, Carlos Ghosn is the epitome of cultural diversity” (Ghosn and Riès, 2005: xxi).

Maeya (2005) conducted a face-to-face interview with Mr. Yoshikazu Hanawa, who was Nissan CEO before Ghosn took over the role. Maeya’s interview results uncover the central reason why the NRP succeeded and the prior restructuring plans similar to it failed: Unlike all Japanese

executive officers at Nissan, Ghosn was able to break the Japanese code of conduct *shigarami*, which culturally deterred Nissan executive officers from selling keiretsu stocks or ending keiretsu relationships with the suppliers. Most dictionaries offer *restraint, chain, bond* or *fetter* as an English translation of the Japanese word. Any of them can fit depending on the context, but the shared notion in the Nissan context is goodwill trust. Japanese executive officers or managers at Nissan could not break the code of conduct, because they were core employees under lifetime employment and developed their career paths in close contact with the suppliers, sharing good and tough times together for years throughout their professional lives. In the OBR pattern of community, an auto manufacturer and its suppliers are lifetime partners in its extreme. It can be difficult for anyone to end a long-standing relationship with a significant other who laughed and cried together. Nissan, in fact, had restructuring plans similar to the NRP prior to it but none of them was feasible because the implementation was impossible (Maeya, 2005). Ghosn was able to carry out the NRP culturally because he had no *shigarami* with Nissan and its suppliers.

Discussions

The previous section has tested the multi-level framework being capable of illustrating the concept of cultural competence. This section will discuss this article's contribution: conceptual development with the proposed framework built by bridging literature concepts.

As examined earlier, Vora et al. (2018) propose that "individual-level multiculturalism is the degree to which someone has knowledge of, identification with, and internalization of more than one societal culture" and recommend "methods to measure each dimension". Combining this useful idea and this research's findings, cultural competence in this case study may be described as the degree to which the manager, Ghosn, has reasonable knowledge of the keiretsu significance, identification with his cultural backgrounds, and internalization of keiretsu practice. While this

research does not focus on his cultural backgrounds in detail, the ABR-OBR model embraces the three dimensions and advances the concept of cultural competence. This study's findings suggest that the degree of cultural competence may be expressed as how much cultural difference is reduced by cultural competence.

As mentioned earlier, the manager was born in Brazil into a family of Lebanese origin, educated, and employed in France. Literature provides help analyze the degree of cultural competence through the context. French style management is culturally less individualistic than the English-speaking societies (Lubatkin et al., 2005). Lubatkin et al. have compared the American, Swedish, and French principal-agent ("P-A") relations and summarize their findings as follows:

Whereas the dominant US model of corporate governance assumes norms of self-interest, opportunism, and enforced compliance, and Swedish governance is based on collective responsibility, reciprocity, and voluntary compliance, French corporate governance uniquely combines aspects of both to create a third type P-A relationship. As in Sweden, the primary concern is with the collective good. However, the collective is not the business group, but the grand corps to which one belongs and indirectly, the state itself. (Lubatkin et al., 2005: 883)

Their research suggests that French style governance is similar to Japanese style governance in that the primary concern is with the collective. Although the Japanese keiretsu system consists of collectives of business groups, not the grand corps, the two styles share the same characteristic of being collectivistic. This similarity suggests that, culturally speaking, the manager's background is likely closer to the OBR extreme than "ABR Individual" on the scale of cultural competence in Figure 2. This study's findings and Lubatkin et al. (2005) generally corroborate each other.

This study's findings support the idea that a multi-level framework is effective for analyzing cultural competence. In the Nissan case, another success factor can be found at the organization level: Ghosn and Riès (2005: xxi) talk about "the principles outlined in the Alliance Charter" signed in 1999 between Renault and Nissan: "Recognition of and respect for differences, mutual trust,

open-mindedness, receptiveness.” This agreement on the “soft” areas shows a high level of awareness of cultural specificities. They (2005: xxi) write:

These principles... appear extraordinarily simple and natural, but if you look at a traditional management handbook, you'll see that some of them are missing. It's imperative for each side to preserve its own culture while at the same time making an effort to understand the other's culture and to adopt to it. We've chosen a way based on mutual respect and the acknowledgement of two enterprises and two identities.

This comment exhibits a high level of cultural competence. It highlights the importance of reconciliation of two different cultures and willingness to mitigate the lack of mutual knowledge. It summarizes how to handle two different cultures, keeping the complementarity of the French organization and that of Nissan. Their principles appear to attempt to have an optimal balance between cultural relativism and ethical imperialism to a possible extent in the sense that they respect the idea of cultural relativism - no culture is better than any other - and at the same time, they tap into ethical imperialism for mutually beneficial practices. They avoid coercive measures to violate the partner's cultural specificities yet seek and implement corporate frameworks that culturally work on both parties. Their basic principles appear to spell out important success factors for their alliance.

Cultural competence is ultimately associated with various levels, including individuals, organizations, and social systems, yet few works incorporate the theoretical connections between the levels. For example, in the field of political economy, Hall and Soskice (2001) discuss the typology of capitalism, proposing two types of political economies: liberal market economies (“LMEs”) and coordinated market economies (“CMEs”). This useful work discusses how the market economies differ by examining the links between the political economies at the high level and the regional firms at the organization level. Their work elaborates on the social system level in

this study as LME and CME correspond with E-type and C-type, respectively. Hall and Soskice do not discuss why the market economies differ because they do not examine the individual level, to which the why part pertains. At the individual level, professionals make business decisions for their firms that form the aggregate regional economies. Many important decisions are driven by local norms, such as regional and corporate cultures, that make the LME-CME difference as discussed much in cultural studies (Thomas and Peterson, 2017).

To synthesize the Nissan case, it may be instructive to refer to the concept of *gaishi* (non-Japanese companies residing in Japan). Even though located in Japan, *gaishi* companies are perceived as foreign companies or “outsiders” from the perspective of Japanese society (Yoshimura and Anderson, 1997: 211). Those outsiders distinctively differ from the purely Japanese keiretsu firms. Culturally speaking, such *gaishi* companies are not entirely OBR but rather ABR entities or can be hybrid. For instance, *gaishi* companies exhibit much less *shigarami* examined in the previous section (Yoshimura and Anderson, 1997). Perhaps it is improper to perceive the Nissan Group as OBR as it used to be. Nissan’s executive board has nine members, four of which, including Ghosn, are non-Japanese⁶. In terms of corporate officers (such as CFO), 22 out of 51 officers are non-Japanese by name. The Nissan group seems to have shifted towards the ABR end in the proposed framework shown in Figure 1 since their management is no longer purely Japanese. Perhaps Nissan can be seen as a fusion of Japanese and non-Japanese, together generating unique synergies, sitting their optimal point on the scale of cultural difference in the framework.

Concluding remarks

⁶Source: Nissan’s webpage at <http://www.nissan-global.com/EN/COMPANY/PROFILE/EXECUTIVE/index.html> (accessed 2 April 2017).

This article has conceptualized the ability of cultural competence illustrated in the simple yet usable model. Cultural competence is not easily measured as it is intangible. It belongs to the individual level (Vora et al., 2018) yet involves higher levels in reality. The proposed framework is structured to capture the dynamics of various cultural differences across the levels. This study has focused on what is left behind in literature by bridging the prevalent concepts. This study's findings suggest that early works and concepts do not necessarily mean outdated. Constructive use of valuable concepts may be more meaningful than a critique of how old they are.

The ability of cultural competence can be helpful in balancing cultural differences that can be a major challenge in the globalizing world today. To cope with the challenge, management needs to recognize, respect and reconcile cultural differences (Trompenaars and Hampden-Turner, 2002: 15). The ABR-OBR framework can be used as a supporting tool to recognize differences. Respecting differences, if effective to deal with the challenge, probably starts with anyone in the setting. The effectiveness may depend on the individuals' cultural competence. To reconcile cultural differences, perhaps one needs to know where to locate the cultural specificity: In other words, leaders need to find the optimal point for the cross-cultural setting between the extremes in the framework.

The concept is useful but requires careful handling. Management capability is comprised of various qualities, one of which can be cultural competence. Mr. Hiroto Saikawa, who became Nissan CEO after Ghosn had left, said at a news conference "Ghosn had too much power" (Greimel, 2018). Appropriate use of power or charisma may be considered a type of managerial quality. The reason for Ghosn's departure and his ability of cultural competence need to be researched separately. Each managerial quality requires further research.

Future research areas on the subject include this article's limitations: It has only examined I/C through one case study. Extensive research on distinguishable evidence will strengthen the concept.

The proposed framework is simple yet versatile, designed to have the widest applicability. It can be used not to present the rigid dichotomy but to capture the social realities, in which varying degrees of cultural competence operate in a cross-cultural setting.

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