EXECUTIVE VALUES AND DECISION MAKING: THE RELATIONSHIP OF CULTURE AND INFORMATION FLOWS

PAUL R. GAMBLE

Surrey European Management School

DUNCAN A. GIBSON

Hong Kong Polytechnic University

ABSTRACT

The effect of culture on work values has been studied in a number of ways, largely from a western perspective. Studies have predominantly employed questionnaires as the principal agent of data collection. Yet the Confucian work ethic attributes greater emphasis to collectivist values which bear more centrally on personal relationships. This research used discourse analysis in order to try to identify the implicit features of cultural values as they affected the transmission of financial information, a problem highlighted by the Asian currency crisis in 1997/98.

The international hotel industry operates in a multicultural environment where very often foreign operators manage locally owned premises. In these circumstances, budgetary planning and control is an important mechanism. A sample of the interactions between 18 hotel general managers and their financial controllers were studied in Hong Kong. Financial controllers are already subject to a number of role conflicts and it was found that these may be exaggerated by culture.

Chinese financial controllers seem to distort the outputs of budgetary planning and control processes in recognition of important organizational relationships. It is suggested that recognizing the direction and effect of these relationships has implications for leadership and performance judgements generally.

INTRODUCTION

It is not always easy for an outsider to know why a senior manager has made a particular choice. Those people with a stake in the enterprise probably like to assume that the management group have organized themselves in a systematic fashion and are engaged on the sort of coherent activities first prescribed by Fayol (1916). Thus, within the administrative bureaucracy by which most large organizations seem to structure themselves, commonly understood information flows steadily upwards. Interpreting this information in a manner that has an external rationality, senior managers concern themselves with planning, allocating, motivating, co-ordinating and, perhaps above all, controlling.

Unfortunately, many studies of managerial work, stretching over a considerable period of time, seem to suggest that whomsoever the boss might be, it is unlikely that they will be resolving corporate affairs with calm deliberation. Carlson (1951), Horne and Lupton (1965) and Mintzberg (1973) all indicate in studies of time budgeting that senior managers spend little time on planning and abstract formulation. Their day-to-day behaviour might be characterized as reactive, tactical and frenetic. They tend to hold many short face-to-face meetings which flit from topic to topic, are subject to constant interruptions and tend to respond rapidly to the initiatives of others. Indeed, they seem to become so accustomed to this pattern of work that when interference is not generated from outside, the manager may create their own interruptions by switching tasks or making telephone calls.

Brewer and Tomlinson (1964) suggest that a work pattern of this sort allows managers to deal with complexity by the rapid accumulation and synthesis of data. Kotter (1982), on the other hand, argued that the absence of planning is more apparent than real and that such seemingly opportunistic behaviour is a way of achieving a great deal in a short time.

Whatever the merits, it is evident that this kind of behaviour provides little observable opportunity to formally evaluate objectives, collect and analyse relevant information and select solutions based on agreed sets of values (Newell and Simon, 1972). Instead, 'decision making is an activity which muddles through incrementally within bounded rationalities to merely satisficing and transient ends in a manner that need not be all that consistent or logical' (Butler et al., 1980). This has created some difficulties for students of 'strategic choice', as Child (1972) termed more or less any major executive decision either to act or not to act. Child recognized that organizations were essentially political contrivances through which decision makers sought to reconcile various interests, including their own. Within this construct, strategic choices emerge through the interaction of different streams of influence. Cohen et al. (1972) represented these conflicting decision processes with a vivid analogy of organizations as 'garbage-cans for decision'. Here decisions are seen as an outcome of four, relatively independent, streams of organizational activity, problems, solutions, actors and outcomes.

If strategic choice is a political process, it is also heavily value laden, as might be illustrated by the competitive bidding for Paramount between QVC and Viacom in 1994 (Finkelstein and Hambrick, 1996). Despite the considerable volume of formal analyses, estimates and market projections that must have been generated by both sides, the battle continued to a point where the winning company, Viacom, paid well over the market value for Paramount. As a result of the contest, its own stock price was greatly lowered. It seems that the then chair of QVC had once been fired by the CEO of Paramount. A keen enthusiasm to return the favour is put forward as one possible reason for the bidding frenzy.

Of course, industry convergence and strategic synergy also offer a plausible explanation for the actions taken. On the other hand, other takeovers were possible and other bidders could have entered the fray. Whatever the basis of the decisions taken, the merits of which remain to be determined in strategic terms, the episode provides a good example of the apparent unpredictability of senior decision makers. As the Carnegie theorists (Cyert and March, 1963; March and Simon, 1958) pointed out, complex choices are often made as a result of human limitations and biases. This is not to suggest that executives are capricious but

simply to recognize that personal values may greatly influence the choices that are made. A greater understanding of the nature of this bounded rationality might therefore be useful, especially when designing information services for strategic decision making.

<center>ORGANIZATIONAL CULTURAL STYLES</center>

Creating an environment in which effective strategic decision making can take place is vital to corporate survival (Child and Keiser, 1981). For example, within the last 15 years, IBM has reduced its workforce by 140,000, International Harvester has shrunk to 40 per cent of the $10 billion turnover it enjoyed in the 1980s, and Pan Am, once a byword in the airline industry, no longer exists. The pressures that caused these and other changes facing enterprises are global in extent. Indeed, so large is the problem space facing major enterprises that Teal (1996) has even gone so far as to suggest that beyond leadership, integrity and imagination, great managers are distinguished by the sort of tenacity and courage that bears a close resemblance to heroism.

Flamholtz (1995) offers a slightly more attainable route to strategic organizational development over a number of specific stages. These include: the identification of a market niche of viable size, the development of products and services appropriate to the chosen market niche, the acquisition and development of resources, the development of operational systems, the development of management systems and, at the apex of this 'pyramid', the development of an appropriate organizational culture within which management feels it can guide the firm.

Organizations as Cultures
An interest in organizational culture as a management paradigm can be traced back to the early 1980s when Peters and Waterman (1982) reified organization culture as the medium for developing excellent performance. The term 'culture' connotes a certain degree of imprecision and it is difficult to find a measure of agreement about its meaning even in anthropology, whence it originates. 'Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefact' (Kroeber and Kluckhohn, 1952, p. 181).

In the mid 1980s, there was some debate as to whether it were more useful to view organizations as cultures or whether simply viewing them as if they were cultures would provide a useful, additional perspective on organizational behaviour (Morgan, 1986; Walton, 1986). Over the last decade, as advances in information technology and the development of information services have exercised more influence on forms of enterprise and the relationships between them, the notion of organizations as cultures has gained currency. Indeed, this seems to offer a useful premise for designing and managing large enterprises. Thus the systems theoretic approach in which strategic intent was considered to be the basis for structure and systems design is displaced in the humanistic nineties by the three Ps: people, (shared) purpose and process (see, for example, Bartlett and Ghoshal, 1995). The three Ps are important to decision making because leveraging advantage depends on personal relationships and developing an environment

within which people can share ideas for exploiting information services. They are also the fundamental basis of devolved empowerment.

It is possible to identify a number of cultural layers, such as national, organizational, professional or personal. Each might have an effect on the behaviour of managers by influencing their predisposition to use cognitive or affective information in a particular way. Hall (1995) sees an understanding of these cultural influences as a prerequisite for political negotiations within or between organizations. Using an instrument derived from Bolton and Bolton (1984), she uses the dimensions of assertiveness and responsiveness as a means of assessing the prospective cultural fit between negotiators. She argues that if these aspects of culture can be understood and managed then the interpersonal relationships that facilitate the shared use of information might be more easily sustained.

Of course, this is not an especially new idea and a substantial literature exists, some examples of which may be cited. Early work in the field concentrated on studies of managerial values (Haire et al., 1966) which was also the focus for Hofstede's (1980) seminal study on the values of organization members. More recently, researchers have looked closely at cultural issues affecting choices (for example, Arvey et al., 1991). Hofstede (1993) also extended his original four-part typology to yield additional characteristics denoting time and fate in society. In a related vein, other work has considered the pressures for local versus parent cultures as they influence managerial practices in subsidiaries (Ghoshal and Nohria, 1989; Westney, 1993).

Two difficulties present themselves. While England (1975) and Hofstede (1980) among others argue that national culture accounts for a significant proportion of the variations in executive values (England suggested between 30 and 45 per cent), it is not clear as to how conflicts between cultures and other values are resolved. Thus national culture may or may not take precedence over organizational or professional culture either for an individual or for a situation. The obvious thing to do where such a conflict emerges is for the manager to clarify the situation in order to resolve the conflict. Tsui and Ashford (1994) proposed a self-regulation framework by which managers seek to resolve discrepant expectations between constituents such as superiors, subordinates or peers and role expectations. According to control theory (Carver and Scheier, 1981) a detected discrepancy should motivate a person to alter their behaviour. Tsui and Ashford suggest that managers set standards for their own behaviour, detect discrepancies between their behaviour and constituent expectations through information gathering and feedback and, finally, take actions to reduce the discrepancy. Information gathering and feedback are central to this activity and Tsui et al. (1995) have traced how some of these mechanisms work. However, the nature of the problem posed by cultural effects within organizations is brought out in an interesting paper by Hennestad (1990). Not only does he observe that the many implicit features of culture may make it difficult for members of an organization to investigate and gain insight into their own culture, but he argues that in some cases this may prevent an understanding of prevailing models and what is actually being communicated. In these circumstances stratagems to reduce discrepant expectations cannot be employed.

Hennestad develops an idea first put forward by Bateson (1978) in reference to the study of preschizophrenics and their parents, known as a double bind. Essen-

tially a double bind is a mixed message which does not lend itself to clarification. So, for example, managers might encourage subordinates to show one kind of behaviour but actually reward another. Simultaneously, they make it hard for subordinates to point this out, partly because to do so would imply a criticism of their leaders. According to Bateson, the characteristics of a double bind situation comprise three elements. First, the individual is involved in an intense relationship within which they consider it vital to discriminate accurately what is required, so that an appropriate response may be demonstrated. Second, two orders of message are being expressed, one in contradiction of the other. Third, the individual is unable to comment on the messages being expressed.

Since the message cannot be commented upon, it cannot be discussed. One possible reason for this inhibition might be that the source of the message would not like the discrepancy to be revealed. Thus a boss may dislike being confronted by the idea that he or she is intolerant of negative feedback. However, constraints may also take the form of an impeded ability to comment on the confusion, perhaps because of external interference or because the nature of the conflict is not explicit. Hennestad argues that some systems and structures rooted in management thinking are embedded in the cultural system and are hard to detect and change. In these circumstances the organization is incapable of higher level learning and is therefore incapable of intervening in its own strategic development. The result can only be 'more of the same', rather than a change in the organizational dynamic. Identifying the existence of double bind situations and developing strategies to cope with them might be important if management wishes to achieve a desired performance.

<center>EXECUTIVE VALUES AND EXECUTIVE ACTION</center>

Hofstede (1980, p. 19) defines values as 'a broad tendency to prefer certain states of affairs over others'. Most theorists allow some scope for the influence of values on behaviour since values are considered to be relatively enduring influences, as opposed to the more ephemeral effects of attitudes and emotions. They encompass both personal conceptions and social roles. They are prioritized internally so as to allow for choices where values conflict and to allow for the rearrangement of priorities over time to reflect changes in culture, society and personal experience (Rokeach, 1973). Values exist only in a social context, they develop as part of the maturation process through exposure to the various layers of the social system such as national culture, regional society, family and work groups. Thus at the occupational level values exercise a considerable effect. Not only are certain occupations self-selecting in that individuals with a predisposing set of values may enter a particular line of work but, after joining, socialization processes continue to operate, shaping and influencing values further (Allport et al., 1970; Blau and McKinley, 1979). Employing organizations also exert their pressure on values. They seek to employ individuals who are likely to conform to the existing value schemes. Highly successful individuals then have their initial values reinforced (Mortimer and Lorence, 1979). The longer a member stays in the organization, the more successful they are, the more they will embrace corporate values (Wiener, 1982).

In an attempt to reduce the disjointedness of the several frameworks that theorists have set forth, Hambrick and Brandon (1988) have named and identified six value dimensions based on four prominent schemes: England (1967), Allport et al. (1970), Rokeach (1973) and Hofstede (1980). The value dimensions are:

Collectivism – values the wholeness of humankind and of social systems, has regard and respect for all people.
Duty – values the integrity of reciprocal relationships, obligation and loyalty.
Materialism – values wealth and tangible possessions.
Novelty – values change, newness, different things.
Power – values control of situations and people.
Rationality – values emotion-free, fact-based, decisions and action.

THE PROPOSITION

Despite the extensive literature on executive values, relatively little theory or research is available on how values are converted into action. Finkelstein and Hambrick (1996, p. 54) have proposed that executives' values affect their field of vision, their selective perception of information and their interpretation of information. Thus executives with a collectivist value system will be exposed to more information from peers and subordinates, are more aware of such information and will accord it a greater credence. The research described in this paper set out to examine the effect of executive values on decision making and the use of information.

Notionally, the outputs of a financial information system should lend themselves to an objective, shared interpretation. The behaviour of financial controllers (accountants) was therefore selected for study. It might be expected that their decisions would be influenced by values such as duty, materialism and rationality. Due to their position in the hierarchy and their role in regulating the flow of information such people also exercise considerable power. It was contended, however, that cultural values would have an effect on the output and interpretation of information. It was further considered possible that a double bind effect in a multicultural environment would prevent distortions of the information output from being openly examined.

ETHICS AND THE PHILOSOPHY OF WORK: CONFUCIUS VERSUS CALVIN

A key issue in management theory is generality. Hsu (1971) was one of the first writers to challenge the generality of theories about attitudes to work based on western traditions. He was not alone in these concerns. An international group of researchers known as the Chinese Culture Connection (1987) used an instrument based on Hofstede's (1980) research but deliberately biased towards eastern culture. While they supported the findings of some western studies, they also identified a set of work values unique to eastern cultures called Confucian work dynamism. Confucian philosophy sees people as relational beings, socially situated and defined within an interactive context (Fung, 1948). Adherents are therefore

more likely to espouse collectivist values. By comparison, writers who have examined the nature of the western tradition based on the Protestant work ethic emphasize its more individualistic nature (Cherrington, 1980; Furnham, 1990; Tawney, 1938).

Albeit from widely divergent philosophies, both the Protestant work ethic and the Confucian ethic arrive at broadly the same attributes that individuals are expected to exhibit in their work. However, some differences can be seen. As described in the literature going back nearly fifty years by writers such as Fung, Hsu and more recently Bond and Huang (1986), the Confucian ethic impresses on individuals an emphasis on hierarchy, harmony and status. According to Confucius, certain relationships were accorded a position of paramount importance, the so-called 'five cardinal relations' which have a strict hierarchical order, starting with sovereign and subject, and ending with friend and friend.

Furnham argues that with industrialization and westernization, standard scientific and accountancy practices have been introduced into Asian countries which promote behaviours similar to the Protestant work ethic. He maintains that it is this neo-Confucian or post-Confucian ethic found in many oriental countries that has proved so successful for the five dragons of Hong Kong, Japan, Korea, Singapore and Taiwan. However, Crovitz (1995), in his review of East Asian economies' performance, reinforces the importance of the Confucian work ethic as the principal determinant of continued economic success, describing 'Confucian capitalism' as the Asian equivalent of the Protestant work ethic.

On the basis of research into overseas Chinese owner-managers, Redding (1995) attributes the success of businesses influenced by the Confucian ethic to three consistent and dominant influences, which he terms paternalism, personalism and insecurity. The results of such influences he contends are that the power structures in Chinese firms can be kept relatively simple. The effect of 'interpersonal obligation-bonding' (or relationships) reduces transaction costs as less legal bureaucracy is required to bind performance. He maintains that a key feature in these situations is the ability of one person to retain control.

Such a concentration of power and control in one individual therefore has implications for the behaviour of subordinate managers. The dominance of hierarchy reinforced by culture may well be expected to pose problems for the resolution of role conflicts and stress experienced by those in subordinate managerial positions. Peterson et al. (1995) looked at the incidence of role stress and its relationship to national culture, using as a basis Hofstede's (1980) study on work values. From empirical research, he concluded that role stress varied substantially more by country than by demographic and organizational factors. Role conflict and stress might also have serious implications for the transfer of information within the firm. Brown and Starkey (1994) used a case study approach to investigate the effects of culture upon communication and information in a European based company involved in the manufacture and international distribution of confectionery. Their premise was that culture conditions attitudes towards communication, communication processes and systems. They found some evidence to support the influence of culture on the transmission of information in terms of direction, character and content in a way that contributed to the eventual demise of the firm.

Cultural Mechanisms in Chinese Organizations

Silin (1976) and Redding and Casey (1976), on the basis of empirical research, have argued that within the Chinese firm management behaviour is generally much more autocratic and paternalistic in style than that practised in the west. Power is retained by the leader, who is much less likely to disseminate information to subordinates than their western counterpart. Deference, compliance and conformity are the traits expected of subordinate management.

If this is true it would impinge on the information flow necessary for effective decision making. At best, information may be restricted, at worst it may be distorted. Objective reporting, a 'warts and all' approach, is likely to clash with the collectivist values about relationships held by Chinese managers. Taking individual initiative, even for the best possible motives, might actually be construed as disloyal and therefore unacceptable. Respect for hierarchy would appear to be a very important consideration when a Chinese manager is faced with a decision to step outside of a clearly defined role.

Silin identifies those traits in Chinese managers which effectively place the subordinate in a position of insecure dependency, their fate determined by their relationship with the superior. He concludes that superiors expect subordinates to be on the same 'wavelength' if they are loyal. Questioning the supervisor's intentions, which are often poorly outlined, is considered disloyal. Actual behaviour which does not meet with the approval of the superior may have serious repercussions for that subordinate, regardless of the objective outcome which results, even if this has positive organizational consequences. If the expectations of the subordinate are not always clearly expressed by the superior, it may be necessary for the subordinate to develop a keen intuitive understanding of the superior's wishes. The subordinate manager needs to be aware of tolerated behaviour, to respect hierarchy (to know one's place), and to understand the necessity of maintaining social stability through harmonious relationships with subordinates, peers and superiors at all times. In these circumstances, where instructions were given or implied, a double bind situation would exist. Therefore, the design of information systems would need to recognize cultural context if it were to function properly.

HIERARCHY AND ROLE CONFLICT IN THE HOTEL INDUSTRY

The natural sense of hierarchy recognized by Confucian philosophy should find a comfortable home in the hotel industry. Such changes in the organization of activities that large, international hotels have adopted to cope with their unique operational characteristics have left them as traditionally hierarchical places. The command and control structures identified by Shamir (1978) are still evident nearly twenty years later (Nebel et al., 1994).

However, the diversified, personal and immediate services required in this type of business impose certain standardized approaches. Hotel operations are not easy to control; a problem which is heightened when international expansion is afforded by a combination of management contracts, franchising and joint ventures. These methods allow corporations with no in-house knowledge to own hotels by engaging a professional operator to run them. In consequence, ever greater emphasis is placed on financial analyses and budgetary control.

In the west, the output of information from budgetary planning and control has developed into a standard form of reporting. A modern hotel produces comprehensive operating results against budget approximately every month, normally to a standard, industry-wide format laid down originally by the American Hotel and Motel Association (1992). This is known as the Uniform System of Hotel Accounting. Where the Uniform System has been adopted, the hotel financial controller is at the hub of an information system, the outputs of which are distributed to each department head for action.

Theoretically the outputs from finance systems are clinically objective. Yet the powerful, diverse and potentially conflict laden aspects of a financial controller's job are immediately apparent (Henning and Moseley, 1970). Moore and Steffanelli (1989) conducted a study which took as its basis a contention by Sathe (1982) that controllers are torn between their duty to produce financial reports of integrity and their involvement in decision making. In some cases, this could involve them in a conflict between their professional commitment to meet external regulatory requirements and tasks such as providing budgetary and planning information. This American study went further than others in defining involvement in decision making by seeking to measure the extent to which controllers could challenge plans, assume a strong advocacy or take a significant role. It found that hotel controllers often felt under utilized in terms of their managerial ability. The researchers also observed that notwithstanding the pivotal location of the role, personal attributes could influence the nature of the power exercised and identified this as an area for future research.

Specifically from an Asian perspective Chan (1993) suggests that the main function of the general manager (GM), the chief executive in a hotel, is to act as a bridge between the management company and the owner during operations. Since the western, Uniform System of Hotel Accounting has been widely adopted in Asia, the GM might be expected to depend heavily on the hotel financial controller as an important source for interpretation of information. The outputs of this information system may be used for a variety of purposes in circumstances where the interests of operating staff, the management company and possibly the owner of the premises, do not coincide.

The situation is likely to be exacerbated by a mix of cultures between the main role actors. The general manager may well be from a western culture while the financial controller may be a local appointment. A study of the multicultural approaches of the top USA lodging chains, Jafari and Way (1994), found that line positions of responsibility with guest contact were in the main filled by expatriate personnel. Staff positions such as human resources, accounting, property operations or purchasing were normally filled by local professionals. The potential for conflicts between role and cultural expectations by both parties is therefore considerable. Specifically, the question as to whether the potential role conflicts of local financial controllers are exaggerated by culture is therefore of some importance.

THE NATURE OF THE RESEARCH

International hotel operations in Hong Kong are multi-million dollar businesses, which originally were run by foreign operators. In the last five years, most of the

major hotels have dispensed with the services of their management contractor and have begun operating under their own auspices. Since the Uniform System of Accounting is an essentially western artefact and was put in place by the previous management companies, the research set out initially to determine whether it was still used. The research also established that the standards which it established were being closely followed and therefore formed a basis for comparative investigation.

Most studies of work values and culture have used questionnaires formulated from a western perspective. Although Hofstede (1980) was enormously careful in his research design, the Chinese Culture Connection still felt justified in replicating his work with a more culturally specific tool for Asian managers. However, Trice and Beyer (1993) have criticized questionnaire-based approaches for obtaining this type of research data. To the degree that culture is implicit, they argue that respondents may not be fully aware of their values and thus may be unable to report them accurately. Secondly, even with back translation and verification interviews, questionnaires are inherently limiting. Different respondents can have somewhat different understandings of the words employed. For example, Cantonese has no easy translation for some words, such as 'co-operation'.

Three essential requirements may be identified in addressing this sort of research:

1. The respondent must be free to indicate his or her strength of feeling on what he or she regards as significant issues. The researcher must avoid leading the respondent by explicit statements and at the same time seek to avoid situations where the respondent may be inclined to 'talk up' the importance of his or her role.
2. The respondent must not be able to detect exactly what it is that the researcher is after or this may in turn bias the response. A form of indirect research is needed.
3. It should be possible to corroborate what each respondent says in some way, to lend that comment more weight.

It was therefore determined to use a qualitative research method, discourse analysis, to try to elicit fully the complexity of the ideas that respondents were seeking to express. Discourse analysis sees language not simply as reflecting psychological and social life but as constructing it. It rejects the notion that there are 'objective truths' which can be accessed if only the appropriate scientific method is employed. Instead, it regards language, in the form of discourses, as the building blocks of 'social reality' (Potter and Wetherell, 1987).

The research worked through a number of stages. The first major problem was to determine what a financial controller might regard as a significant issue. It might be expected that more strongly held beliefs would be related to these important elements. Since these issues might also be more culturally dependent, explicit enquiries about the relative significance of different topics were precluded. Thus interviews were held with the Chinese financial controllers of two large hotels. Specifically, the financial controllers were asked for actual examples of activities in which they had been involved over the previous few months. Using a technique developed by Shaw (1980) cognitive maps were then drawn in which

managerial activities or elements were construed in relation to each other. The maps provided an initial understanding of cognitive content and the way in which elements were arranged or connected (Axelrod, 1976). There is some evidence to show that executives' cognitive structures are related to their strategic choices (Day and Lord, 1992) and the intention was to use the technique to provide a preliminary overview of the problem space.

While the construct diagrams illustrated the relationship between recording activities and decision support roles, they did not reveal the influence of the financial controller in decision making, nor how this might have been affected by culture. In these examples, both controllers were members of the primary executive committee used to manage their hotels. Since this is clearly an important role, an attempt was then made to understand the extent to which a financial controller might be regarded as a key executive and to examine the perceived importance of the relationship between the financial controller and the GM. Using the executive committee as a focus, subordinate perceptions were investigated. Three small quantitative surveys were conducted, each including 25 junior hotel executives representing a wide range of hotel departments from different categories and sizes of international hotels in Hong Kong.

The outcomes from these surveys suggested that financial controllers were perceived as being able to exert an important influence in all these units. They also corroborate the insights gained from the construct exercise. It was apparent that the areas of budgeting, control and reporting were likely to be significant issues to a financial controller. In addition, the surveys confirmed the notion that the general managers depend heavily on the advice of their financial controllers, regarding them as an important source of information. Indeed, a major conclusion at this stage was that the Hong Kong financial controller was at the hub of the main hotel financial information system (FIS). The chief tool of this FIS being the Operating Budgetary Control Process (OBCP). Without explicit inquiry of the financial controllers themselves, a common, significant issue had therefore been isolated.

The research then set out to establish differences or similarities between the expectations of GMs and financial controllers at each stage of the OBCP. The contention here being that different expectations about the force and influence of this financial information system might be culturally rooted. Eight interviews were held with members of hotel executive committees. These units were chosen as representative of the international hotels in Hong Kong. From these, it was possible to confirm that a common approach to the OBCP was being used. Essentially this divided the budgetary management process into six discrete steps for the preparation and review of operating budgets and two additional steps for the control phase (reporting actual performance against budgeted). These eight steps thus provided a convenient platform for consistent and systematic comparison.

The main phase of data collection could now begin. Two rounds of pilot testing with managers who did not form part of the main study led to the design of a semi-structured interview technique. The questions used in the interview provided a constant framework and guidance prompts in the nature of a 'teacher–pupil' exchange were used where required to maintain focus on each element of the budgetary process. A short pause was introduced after each question to allow for greater deliberation by the respondent and to ease the subsequent process of transcription.

The final sample of hotels resulted from invitations sent out to all hotels in Hong Kong excluding those contacted in the preliminary stages. Over some two months the financial controller and the GM of 18 hotels were interviewed. In each case, the general manager was interviewed first followed, on a different day, by the controller. This sample was representative of the international hotel population of Hong Kong in respect of hotel classification, size and affiliation. All the controllers interviewed were local (Chinese) as were six of the general managers. There was only one female GM. Thus Chinese to Chinese interactions were studied in six cases.

A total of 54 transcripts (three per hotel) were produced from the interviews based on: the controllers' expectations of their own involvement in the budgetary control process; the controllers' beliefs about the general managers' expectations of their role; and the general managers' actual role expectations.

ANALYSIS OF THE DATA AND MAIN FINDINGS

Discourse analysis is not without its problems; indeed Parker and Burman (1993) posit 32 difficulties with the technique. Nevertheless, it has made tremendous strides in terms of its epistemological development and contribution to fields such as social psychology in recent years.

The format of the semi-structured interviews demanded that the respondent give reasons for their expectations, or absence of expectations, for their involvement in the detailed development of each major step in the OBCP. Respondents were asked to describe their role in each area and in every case were asked to explain the reasoning behind their involvement, or their absence of involvement. The transcript of each interview was searched for words or short phrases containing the explanations ('reasons why') that might reflect a cultural influence. An utterance of a cultural nature might reasonably be expected to contain some key words pertaining to culturally influenced behaviour. These words are those that express the behavioural attributes of the Chinese at work which had been identified from the literature, described as cultural mechanisms. Two significant mechanisms in Chinese organizations had emerged from this review:

1. For the Chinese, priorities in the workplace seem to concentrate on meeting the expectations of a superior or keeping them happy and avoiding conflicts among subordinates and peers. These priorities tend to override more objective performance objectives, perhaps constraining involvement in activities that might improve organizational effectiveness.
2. Performance is likely to be judged more in terms of personal relationships with superior(s), rather than in terms of effectiveness in achieving the goals of the organization.

Thus effective, objective, performance criteria as measured by an FIS would be less important than satisfying the boss. In searching for evidence of this supposition in the study, for example, 'keeping the superior happy', might be inferred from such words as 'loyalty', 'support', 'co-operate' and so on.

Thus transcripts were searched for these key words in the parts of the discourse

dealing with explanations for behaviour. The process aimed to identify relevant utterances and their summaries, to search for common themes, to make inferences and finally to categorize these inferences. To illustrate how the process of content analysis developed, two brief examples of utterances are shown below. These are taken from the transcript of a hotel financial controller and concern his beliefs about the GM's expectations of his role.

In the first extract, the financial controller is discussing problems of getting the sales targets from the hotel's director of sales on time. Here the sales director is not Chinese.

> 'Furthermore, I won't inform the GM for conflicts, as this may break down our relationship. I have to be the monitor and ensure the project is going well as GM expects.'

In the second extract, the same financial controller is commenting on a meeting of his executive committee which had just discussed budgeting. All but one member of this committee were Chinese.

> 'I know that the GM is a person who stands firm on his point and everyone knows what his favourites and hates are, and therefore, the department heads will produce a beautiful budget to favour him.'

Key words in the above utterances would be 'relationship', in the first and 'favour' in the second. The attention that is being paid to recognition of the boss's desired action from subordinates is indicative of many of the utterances. The subsequent stage of the analysis was to summarize utterances with one or two words, or a short phrase, taking care not to make any inferences at this point. Therefore, in the above example the first would be summarized as:

> Controller's conflicts hidden, so as to maintain relationship with the GM.

And the second as:

> Department heads will perform to satisfy boss that matters to them.

At this stage, all culturally attributable utterances gathered from the fieldwork and summarized, approximately 200, were reviewed to examine issues of reliability. Attention was concentrated on the distribution of the data, in case it were possible to analyse all the hotels together. Data were then searched for patterns of either explicit or implicit utterances to determine whether these were attributable to any specific hotel, transcript, step or topic in a way that might distort the analysis. Finally, utterances were checked for consistency and corroboration. The data were generally well distributed across the hotels and the transcripts, with three main findings.

First, there was a predominance of implicit cultural utterances over both explicit cultural and non-cultural utterances. This finding gave support to the contention that comments on sensitive issues are more likely to be made implicitly than explicitly. Secondly, the topic of disturbance handling attracted the great majority of

utterances. It was evident that Chinese hotel controllers advanced predominantly cultural reasons where they wished to defend their lack of involvement in decision making, especially when making reference to disturbance handling situations. Thirdly, a new actor in the decision making process was identified and was termed 'the boss that matters'. It emerged that 'the boss that matters' may not always be the hotel GM. It may be a senior staff manager at head office or even someone outside the company such as the owner of the premises. In seven of the 18 hotels, the 'boss that matters' to the financial controller was most definitely not the GM and in a further two cases there was some doubt.

The degree of consistency and corroboration found in the data suggested that the utterance summarizers, as these phrases were named, could be used as the basis of the search for a common theme. Taking into account the frequency of these summarizers, themes were identified, which were tentatively linked as shown below. Summarizer comments are shown in italics and bracketed [ ].

If the organization is managed in a certain style [*autocratic, family type conservative*] and employees have the aims of [*maintaining harmony, saving face, minimizing conflict, or at best avoiding it if they can, with cultures sticking together*] then, by the use of appropriate methods [*informal or formal communication through the forming of relationships*] they will act [*co-operate, act as go-betweens, not disagree, support, compromise, be sensitive to money matters, be conservative, blame outside factors and do not show ignorance*] in such a way that satisfies the boss that matters to them and thus survive in the firm.

The impression of how the various themes might fit together was deliberately based on the investigation of utterances within the immediate context. The wider context within which the utterances had been made was also examined. This entailed a review of the background of the hotel in terms of its market, owners, operators, and membership of its executive committee. It was this review that led to a realization that the hotel GM was not necessarily 'the boss that mattered' to the hotel financial controller.

The process of making inferences began after this investigation of the immediate and the wider context was complete. The inference making phase of the process involved taking each utterance summary and considering several influences. These included the weight that the utterance deserved given the degree of corroboration in that topic, the extent to which repetitive redundancy identified utterances as relevant, the GM's expectations, the identification of the 'boss that matters', and the background data on the hotel.

Using the previous examples, both utterances would have the same inference attached to the summaries, namely: 'supports the boss that matters by acting appropriately'. In this way the summaries developed into inferences and the process of categorization could be effected from the inferences. Seven inference summaries formed categories as follows.

Under the inference summary of 'forming and maintaining relationships to solve problems', the category chosen was:

Co-operating with peers, by building, maintaining and nurturing permanent relationships, so as to discuss problem situations and try to pre-empt them [*with a view to a common approach*].

Under the inference summary of 'avoiding relationships with peers if possible':

Co-operation with peers by forming only reluctantly [if possible avoiding forming] relationships, depending on how critical the situation is to the controller.

Under the inference summary of 'supporting the boss by acting appropriately':

Showing support for superiors, by avoiding disturbing the 'boss that matters', through acting appropriately in particular situations, and not being associated with poor performance.

Under the inference summary of 'supporting the boss by preserving face in all situations':

Showing support for superiors by preserving their face, no matter what the situation.

Under the inference summary of 'supporting superiors by acting as a go-between':

Showing support for superiors by using the position of functional specialist as a go-between in respect of the hotel and head office [a spying role] and within the hotel between department heads and the GM [a mediator role].

Under the inference summaries of autocratic and democratic management style, neither were found to be dominant. Thus the categories formed were termed:

Democratic elements of management style.

Autocratic elements of management style.

Figure 1 shows all seven categories with their related utterances under the common theme. Together these considerations combined to offer a possible explanation for the discretionary behaviour of financial controllers. The pattern of inference summaries show that a Chinese controller's method of surviving within the organization is not by meeting objective performance criteria but rather by paying attention to two specific areas: 'relationships' and 'organization'. Within these specific areas, Chinese controllers have to consider their relationships by co-operating with peers and by supporting superiors, while understanding the management style in operation. These considerations tended to determine the stance that the controller would adopt where discretionary action was possible. This effect appears to reaffirm the findings of Brown and Starkey (1994) that culture has a largely negative influence on transmission of information.

Figure 2 shows the frequency of culturally attributable utterances that underpin each of these seven categories. In this table, utterance summarizers are grouped to illustrate the extent of consistency and corroboration found in the transcripts.

```
Survival ─┬─ Relationships ─┬─ Co-operation    ─┬─ Category one
          │                 │    with peers      │   By building, maintaining and
          │                 │                    │   nurturing permanent relationships
          │                 │                    │   to discuss problem situations
          │                 │                    │
          │                 │                    └─ Category two
          │                 │                        By forming only reluctantly (if
          │                 │                        possible, avoiding) relationships
          │                 │                        if the situation is critical
          │                 │
          │                 └─ Support for      ─┬─ Category three
          │                      superiors       │   By showing support, by avoiding
          │                                       │   'disturbing the boss' by acting
          │                                       │   appropriately in particular
          │                                       │   situations
          │                                       │
          │                                       ├─ Category four
          │                                       │   By showing support by
          │                                       │   'preserving their face' no
          │                                       │   matter what the situation
          │                                       │
          │                                       └─ Category five
          │                                           By showing support by
          │                                           using position as functional
          │                                           specialist to act as a 'go-between'
          │                                           (head office–hotel–dept heads)
          │
          └─ Organization ─── Understanding    ─┬─ Category six
                                management       │   Democratic elements of
                                style            │   management style
                                                 │
                                                 └─ Category seven
                                                     Autocratic elements of
                                                     management style
```
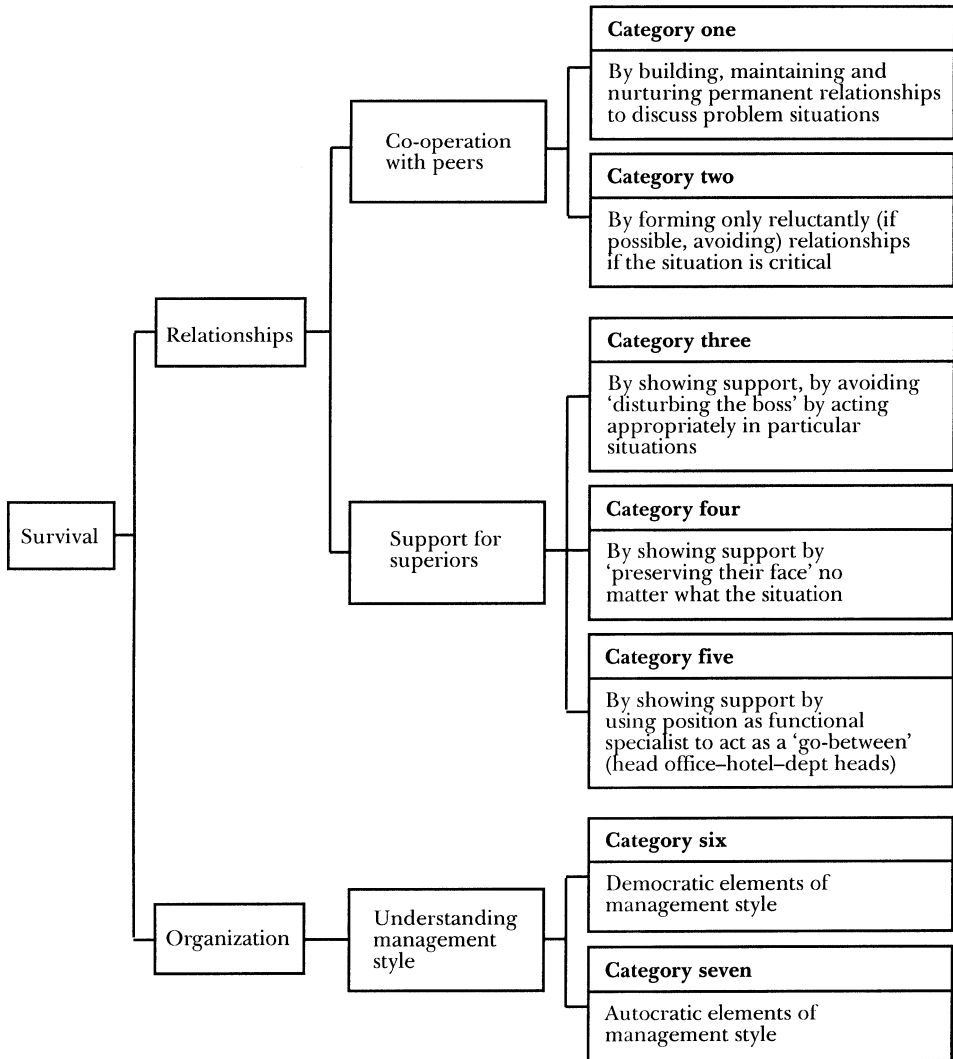
Figure 1. Categories under the common theme

The Sublimation of Roles by Cultural Expectations
The Confucian ethic values harmony. Disturbance handling, by its very nature deals with disruption to the desired state of harmony. In the area of budgetary control the perceived role of the controller is to deal with disturbances – that is, with situations where performance is not as planned. Worse from a Chinese viewpoint is that the design of budgetary control in hotels is often based on the principle of responsibility accounting, which aims to pinpoint where and more specifically with whom, a problem might lie. A direct conflict therefore exists between role and culture, especially since this particular manifestation of budgetary control may be perceived as a western cultural artefact.

As one financial controller put it: 'A problem should be solved before anyone knows about it, as is the Chinese way, that the golden rule is smooth co-operation at least on the outside.'

Another common theme among the utterances was the pressing need to minimize conflict in situations which cannot easily be concealed from the 'boss that matters'. Challenging upwards might be very difficult and gives rise to further role and culture conflict. The controller deals in numbers, which are suggestive of precision. If performance is poor then the boss has probably made a mistake. Therefore two ideas are in conflict; the idea that says the figures cannot lie and the idea that says the boss does not make mistakes. Thus another controller observed:

> 'Sometime I have to point their [the GM's] mistakes directly but sometimes I cannot. This will depend on the seriousness of the mistakes, the situations and who is the mistake maker. If my boss makes a mistake, it will be better to let him know indirectly.'

In the west, reference is made to 'lively debates', and 'frank exchanges' especially in the area where actual performance is compared against budget. Challenging the basis of cost or revenue allocations in monthly figures is considered an acceptable form of western management behaviour. It can sometimes yield better insights into performance. A similar approach in a Chinese culture could be construed as a challenge to existing authority and might therefore be seen as counter-cultural.

Distortion by the 'Boss that Matters'

The main idea that emanates from the utterances is the concept of unswerving support for the 'boss that matters', irrespective of whether or not that boss has made mistakes. Thus an FC observes:

> 'Anyway, I do not expect any disagreement to occur as the decision was made by GM and I will definitely not interfere into disagreement within departments.'

While in another hotel the matriarchal, Chinese GM clearly relies on cultural effects:

> '. . . if I reject any figures during the budget meeting, the controller will usually stand on my side and give advice to the department head for amendment. Of course, the controller will explain further to the department head in person after the meeting. He will ask the department head to be co-operative under this situation and department head is most likely to follow his suggestion.'

Thus a conspiracy develops to cover up or 'hide' bad performance figures. Obviously extreme care may have to be exercised when taking initiatives arising from an analysis of operating performance. What might be interpreted positively in the west might be seen in a Chinese culture as acts of disloyalty. It might well be that the structure of the firm and the position of controller play an important part in discerning where the controller might see his or her loyalties as an accountant to lie. In a Chinese firm the controller might be expected to subordinate

Utterance frequency ( )	Utterance code by hotel (letter); step in the OBCP first figure); topic (second figure)

Category one

In all three of the transcripts (4)	D/7/4; E/7/4; H/2/2; Q/1/4.
In two of the transcripts (6)	AGMEX/AGM/7/4; DFC/DGM/3/4; DGMEX/DGM/1/4; DGMEX/DGM2/4; KGMEX/KGM/2/4; LFC/LGM/2/4.
In one of the transcripts only (9)	AGM/1/2; BFC/2/2; DGM/2/2; EGM/1/2; HGM/1/2; HGM/2/4; LFC/2/2; LFC/7/2; PFC/45/4.

Category two

In all three of the transcripts (2)	C/7/4; H/8/4.
In two of the transcripts (8)	CGMEX/CGM2/4; EGMEX/EGM/2/4; FFC/FGMEX/7/4; IGMEX/IGM/2/4; JGMEX/JGM/2/4; JFC/JGMEX/3/4 JGMEX/JGM/7/4; KGMEX/KGM/74.
In one of the transcripts only (3)	EGM/1/4; JGMEX/2/3; FGMEX/2/3.

Category three

In all three of the transcripts (2)	C/1/4; G/2/4.
In two of the transcripts (11)	BGMEX/BGM/1/2; BGMEX/BGM/345/4; CGMEX/CGM/7/3/4 DGMEX/DGM/45/4; KGMEX/KGM/1/4; LFC/LGM/7/4; LGMEX/LGM/1/4; MFC/MGMEX/2/4; OFC/OGMEX/1/4; PFC/PGMEX/7/4; RFC/RGM/2/4.
In one of the transcripts only (11)	BFC/7/3; DFC/7/2; DGM/1/2; DGMEX/45/2; GFC/3/4; QGM/7 GMEX/45/4; MGMEX/45/1; PGMEX/2/4; QFC/1/2; QFC/8/4.

Category four

In all three of the transcripts (1)	P/1/4.
In two of the transcripts (2)	OGMEX/OGM/1/2 MGMEX/MGM/78/4.
In one of the transcripts only (6)	DFC/7/3; DFC/8/2; GGMEX/1/4; GGM/1/2; LGM/1/2; QFC/45/3.

Category five

In all three of the transcripts (0)	None
In two of the transcripts (2)	KGMEX/KGM/345/4; PGMEX/PGM/345/3.
In one of the transcripts only (5)	AGMEX/8/4; CGMEX/345/–; GGM/8/3; JGMEX/45/4; JGM/1/2.

Category six

In all three of the transcripts (1)	F/1/4
In two of the transcripts (3)	FFC/FGM/2/4; IFC/IGM/1/4; NFC/NGM/2/4.
In one of the transcripts only (7)	FGM/1/1; FGM/7/2; FGM/8/4; IFC/8/4; IGMEX/78/2; IGM/78/4; NFC/8/3.

Category seven	In all three of the transcripts (0)	None
	In two of the transcripts (2)	BFC/BGM/2/4; QGMEX/QGM/345/4.
	In one of the transcripts only (19)	AGMEX/2/3; AGM/1/4; DFC/2/2; EFC/8/4; GFC/1/3; GFC/1/4; GFC/2/1; GFC/7/2; GFC/7/4; LFC/1/2; MFC/1/4; MGM/2/4; OGMEX/7/4; OGM/7/1; OGM/45/2; QGM/1/3; RGMEX/–/4.

Figure 2. Categories and related utterances

professional affiliations to the other important relationships. Hence, hiding poor operating figures becomes the natural thing to do, something which a Chinese boss may fully realize.

The actions that are taken or not taken are expected to 'prove loyalty'. These may often work in a counterproductive way for the good of the organization. Hiding or covering up bad news can hardly be construed as actions consistent with a quality information service.

'As I report to both the GM and the chief financial officer, I think the hotel GM will expect me to support all his financial proposals, give advice to him on some financial matters, but most important I think he will like me to highlight our achievement and to cover some lapse.'

This whole question of suppressing open discussion underlines the fundamental differences between the western practice of 'thrashing out' problems in the open and Chinese distaste for such an approach. Open discussion may reveal that the problem lies with the boss, especially in the apparently precise world of numbers where it may be difficult to fudge the blame. Additionally, from the controller's standpoint as the expert on figures, open discussion may lead to the controller having to point the finger at the 'boss that matters', whereas the expected behaviour is loyalty and the preservation of 'face'.

IMPLICATIONS FOR THE MANAGEMENT OF INFORMATION

A number of other studies have examined management performance in collectivist cultures. McGill (1995) also found a tendency to hide poor performance in a comparative study of Thai and US managers. Within the context of joint ventures, Fan and Piet (1996) combined to compare EU countries and three Chinese subgroups (Hong Kong, China and Taiwan) using Hofstede's (1980) work value methodology. They arrived at a similar conclusion for the negative effects of culture on organizational involvement and work climate in international joint ventures. Apart from such evidently cross-cultural perspectives, studies have been carried out into inter-regional variations in East Asia such as Hong Kong and China (Chan, 1996; Hollows and Lewis, 1995). In each of these, subtle cultural differences have been ascribed as critical to effective performance, all pointing to the conclusion that failing to take an explicit approach to cultural factors leads to less than optimum outcomes.

Lasserre (1995) emphasizes that the relationship between management levels is essential to strategic planning. He suggests that the creation of competencies, so vital to creating competitive advantage in the Asia-Pacific region, relies on the ability of firms to institutionalize a relationships culture. Indeed, this is a theme which recurs in the literature. During the implementation of joint ventures and cross cultural alliances, an absence of relationship skills coupled with day-to-day differences stemming from a failure to recognize the deep rooted values and cultural backgrounds between partners, may often be more significant than external market conditions (see, for example, Lane and Di Stefano, 1988). Doyle (1994) also stresses that reconciling multiple and conflicting objectives for different stakeholders within an enterprise is a cultural issue. It is apparent that cultural fit between senior management levels is important if the effects on the information system identified in this research are to be offset. An apparently objective process, such as budgetary planning, may not function as expected or intended if cultural factors contribute to distorting its output. Furthermore, careful consideration needs to be given to the design of important managerial roles such as those of financial controllers where cultural factors may intensify aspects of role ambiguity and conflict. This may explain why Morosini (1998) had occasion to refer to the consistently dismal track record of international alliance activity in the form of joint ventures, mergers and acquisitions.

SUMMARY

Decision making in organizations is often politically driven. It is also influenced by the personal values of decision makers in different ways. Sometimes, it is not possible for a subordinate to clarify the meaning or intentions of a decision and this may be especially true in Asian cultures which emphasize collective values. Many studies which have set out to examine work values in an international context have used a predominantly questionnaire-based approach. It is suggested that qualitative techniques such as discourse analysis may provide a valuable, alternative source of insights.

This study is itself guilty of cultural bias. The research into Chinese hotel controllers was conducted from a different ethnic background and in a different language to that of the majority of its subjects. Hence, cultural differences between respondent and researcher were not normalized. Nevertheless, it is suggested that the study has significant implications for understanding cross-cultural differences in leadership, as well as performance judgements. The role of financial controller in a large organization carries with it an inherent conflict between external reporting and internal decision making based on different parameters. This conflict may be exaggerated by culture.

The Asian currency crisis of 1998 underlies the point. It is noticeable that this had a much greater impact on Korea, Japan, Indonesia and Malaysia than on Hong Kong or on Singapore – both of which are widely regarded as being the 'least corrupt' cities in Asia. This western construct of corruption is based on the extent to which formal structures for enforcing corporate governance are followed, along western lines. The governments of the SAR and of Singapore deliberately superimpose a western pattern of reporting, over and above the inherent cultural

relationships. It is now apparent that within other Asian countries, these relationships led to a massive distortion of the 'true' pattern of indebtedness and profitability. Information flows were impeded to an extent that surprised even the head of state in Korea. The implications for joint ventures and alliances in the People's Republic of China are significant since it is not at all clear whether the government of the PRC intends to extend practices which it is defending in Hong Kong into other parts of China.

Where a western general manager is assigned to a Chinese run hotel (or other business), there must be sensitivity to the fact that culture may impede the flow of financial information. It is not easy to overcome such an obstacle. A Chinese person is born with a set of obligations and relationships that they are reluctant to expand lightly. For the western manager, an understanding beyond intellectual recognition is required. This must be based on the development of a deep, intuitive insight into the relationships that exist and the manager's personal effect on the social processes involved. It is, in some ways, an ultimate example of the importance of tacit knowledge which is difficult to replicate in competitive terms.

It is contended that no information system can be expected to work unless cultural context is taken into account. The forces identified here may be operational in a different way even in a western environment. 'The boss that matters' is of importance to any career-minded manager. The likely interaction between management levels must therefore be considered if an apparently objective, procedural, number-based control system is an important monitoring device. Without such considerations the outputs of the information system may be distorted and manipulated in unpredictable ways. It may well be that an implicit cultural conspiracy is in force which is likely to have negative consequences for organizational survival.

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