

# International Economic Integration and Business Cultures: Comparative Historical Perspectives

Dennis M.P. McCarthy<sup>1</sup>  
Iowa State University

“Economic integration” and “business culture,” two concepts that are also processes, have great importance in today’s international business arena. Contemporary financial literature contains many separate references to each and sometimes, though not as often as one would wish, features discussions of their connections. Many people understandably invoke the notions of economic integration and business culture as convenient shorthand, without analyzing these terms with the comprehensiveness they deserve.

Economic integration and business culture are also significant historical phenomena both in themselves and as subjects of scholarly research. But just as these notions have become useful if superficial abbreviations in discussions of today’s global business news, so also have they become too compressed as they have been projected back into the past. Analysts take what they think economic integration and business culture mean in the present and read these unspecified definitions into past situations. Thus, the shorthand of the present becomes the shackles of the past. And it is the future that is the greatest loser, because all evidence suggests that economic integration and business culture, as interrelated processes, will become even more important in the twenty-first century. It is imperative that business historians develop the comprehensive definitions and refined methods for studying these concepts that their historical and contemporary richness deserves.

## Definitions and Methods: Economic Integration

This task does not necessitate *creatio ex nihilo*. Elements of definitions and components of possible methods already exist. Consider definitions first. Economic integration can have two main thrusts: removing barriers to business and economic activity; and involving participants in an economic grouping in progressively closer relationships. It is an umbrella term for different kinds of groupings pursuing different kinds of integration with different strategies. Economic integration requires economic “unification” and, while related, the two are distinct processes. Unification means gluing or stitching things together; the parts of the unified product keep their previous identities but they are now joined together in some manner. Integration builds on unification but it is something more. An analogy resides in the difference between a mosaic and a tapestry. A mosaic unifies pieces; a tapestry interweaves threads. Mosaic is to unification as tapestry is to integration.

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Today many associate international economic integration with a menu of options for linking nation-states. Indeed, the accelerating pace of such activities has elevated an important trend into a crucial phenomenon. The metamorphosis of the European Community (EC) into the European Union (EU) in late 1994, the creation of the North American Free Trade Area (NAFTA) on 1 January 1994, the projected evolution of the Asia-Pacific Economic Cooperation Forum (APEC) into a free-trade area in the next century, the emergence of *mercosur* as a South American customs union of Argentina, Brazil, Paraguay, and Uruguay, all these examples and more constitute an irrefutable global itinerary for anyone doubting the significance of this force. The kinds of economic groupings now dominating the international landscape are the free-trade area (FTA), customs union (CU), and common market (CM). Members of an FTA strive to reduce barriers to trade among themselves. A CU is an FTA plus a common external tariff wall. A CM, the most integrated of the three, is a CU with internal mobility of labor and capital and an evolving set of laws for the entire grouping.

But international economic integration includes more than those three nation-state groupings. "International" does mean cross-border in the sense of political boundaries, but private agents and agencies also cross those borders. And their cross-border activities that exemplify economic integration are legitimate subjects as well. Here economic integration may involve the activities of one cross-border business or various relations evolving between or among cross-border businesses. In the first case the business may, for instance, initiate or accelerate diversification by nationality of its management teams. The heightened national mix can represent integration with a significant economic dimension, as a management team may embody more types of specialized knowledge of local market and communication patterns.

As far as inter-business integration is concerned, there is an array of options. These are mergers, acquisitions, takeovers, joint ventures, and strategic alliances. When these are cross-border, they are as much a part of the process of international economic integration as free-trade areas, customs unions, and common markets. And one should not forget the other creations of businesses which constitute an historical record that goes back centuries. These feature merchant empires, leagues, associations, syndicates, and consortia.

### **Definitions and Methods: Business Culture**

Our call for a more comprehensive definition of international economic integration is matched by a plea for more thorough attention to business culture. In this endeavor business historians should consider how anthropology can assist an exploration and delineation of business culture. There is a literature concerning relations between anthropology and business, but to the best of my knowledge nothing written specifically on how business historians can use anthropology to study business cultures [16, 18]. Just as economic theory is necessary for business historians to understand economic integration, so also should anthropology be prerequisite in our probing business cultures. And anthropology should be appreciated not as a one-method discipline but as a set of research choices.

Business culture "embodies the character or ethos of the business as reflected in the ways its personnel think and act" [11, p. 4]. But what approaches can be used to understand properly "the ways its personnel think and act," the interaction between those ways and the business itself, and how this process

produces the ethos that distinguishes a particular culture? "The ways its personnel think and act" involve, first of all, how people perceive what they are doing. Understanding their perceptions, or more precisely their "cognitions," is central to penetrating the culture of their business.

How does an outsider grasp those cognitions? Anthropology offers different approaches to answering that question. In an "ethnographic" search the categories of the investigator remain controlling; information discovered is framed and analyzed through them. In an "ethnoscience" project the researcher tries to reveal the cognitions of the researched in their own terms. While an ethnoscience investigator can never empty his or her mind completely, the goal is to present evidence from local or indigenous viewpoints, not in terms imposed from outside.

Ethnoscience is a type of cognitive anthropology; it stresses the necessity of understanding local languages and communicating with the researched in their own words. This dialogue helps an ethnoscience investigator construct a community's "indigenous knowledge" in various areas.

The name ethnoscience can be misleading. It is ethnography, *not* ethnoscience, that is ethnocentric. Ethnography imposes a researcher's own mental categories on the subjects of his or her investigation. Evidence is thus interpreted through the lenses of the researcher, not the researched. This is the quintessence of ethnocentrism. Ethnoscience, as it delineates indigenous knowledge, presents evidence primarily through the lenses of those who contribute information. Some might characterize indigenous knowledge itself as ethnocentric, but this is a superficial use of the term ethnocentrism. Indigenous knowledge is the living repository of a community's experience and cannot in itself be ethnocentric. Individual members of a community, however, can use that knowledge in ethnocentric ways.

As in other disciplines, choice of method is controversial [10]. This scholar respects the research corpus of ethnography, but strongly believes that ethnoscience offers a better chance of getting to know how others really think and so appeals to the deepest scholarly longings of most historians to know the "inside story." Elsewhere I analyze relations between ethnoscience and economic history and explain the technical aspects of ethnoscience in more detail. There I also argue that historians can adopt the spirit if not the technical letter of ethnoscience as they study people whom they may not be able to question in person [10]. And if scholars can interview live witnesses, so much the better.

How can ethnoscience help in studying business cultures both past and present? Space limitations prevent my furnishing a detailed answer here to this inquiry. But for now the central thrust of ethnoscience serves as a starting point. Recall that ethnoscience seeks to reveal indigenous knowledge, which is composed of local cognitions, as these have been collected by researchers working in indigenous languages. In ethnomedicine, for instance, scholars pursue indigenous knowledge on a variety of medical topics, including local remedies. Those studying business cultures can take the core notions of indigenous knowledge, local cognitions, and local languages, relate them to the problems involved in uncovering and analyzing business cultures, and endeavor to fashion methodological analogues.

Indigenous language offers fertile ground for such analogues. Since the study of business culture involves an organization that is frequently a bureaucracy, the notion of "administrative" or "bureaucratic" language offers one path to follow in a quest to understand a particular business culture. Bureaucratic language can evolve and, in any event, usage is not static. So one crucial task for appreciating any business culture is to study the history of its bureaucratic language.

The “language key” becomes especially intriguing when business culture is studied in relation to international economic integration. In a cross-border grouping of nation-states there are many business cultures in the same organization: those of the member states and businesses within the grouping, and possibly those of any central organization set up to run the grouping. The presence of many indigenous languages spoken by international personnel and many bureaucratic languages used by constituent polities and local businesses makes for a most intricate tableau indeed. A cross-border international business may itself exhibit more than one business culture and a single bureaucratic language. A business that decentralizes more power to its subsidiaries or establishes different headquarters for its product divisions is encouraging the growth of multiple and possibly conflicting business cultures and bureaucratic languages within the same organization.

Just as some have used ethnography in organizations [16], so we recommend an approach informed by both ethnoscience and history in researching business cultures. An “ethnoscience history” would consider business cultures developing on such levels as that of the individual business, the nation-state, and an economic grouping as a whole. It would, ideally, interview members of each culture in their own languages, a technique both ethnoscience and history share. But if this were not possible, it could still employ the wider evidential base associated with history and examine written documents of various kinds. Research inspired by ethnoscience but combined with history’s traditional catholicity of evidence, which includes material produced both by and about witnesses, can deepen our understanding of business cultures. Indeed, our panorama of international economic integration, which includes both government and private groupings, has been guided all along by considering examples of economic integration from the viewpoints of those involved in a particular grouping. In other words, respect for indigenous knowledge will yield a diverse appreciation for the varied historical examples of international economic integration.

### **Research Agenda: Outline**

Relations between international economic integration and business culture go back millennia and should be studied in numerous historical venues. A research agenda does not lack types of international economic integration to study. These range from the different of empires (colonial, merchant, religious, and criminal), through leagues, cartels, syndicates, and consortia, into the integrating cross-border activities of multinationals, and include free trade areas, customs unions, and common markets.

Nor is a research agenda wanting in attributes that have been applied to business cultures. A few examples will suffice for now. Many have been characterized as “bureaucratic” [2, p. 267], an overworked term, some as “nonbureaucratic” [14, p. 5], a mystical concept, and a few even as “cowboy” [7, p. A1], which contains so many stereotypes that before it satirically implodes, it should be replaced with “creatively autonomous” or “harmfully self-centered,” depending on one’s viewpoint. These terms can, nonetheless, serve as questions. For “bureaucratic”: what is the type and degree of bureaucratization involved? For “nonbureaucratic”: how can administration, without which at least in minimal ways there can be no group or organization, be so managed that it either does not become bureaucratic, or if it does is still experienced as “nonbureaucratic?” For “cowboy” or “cowgirl”: to what does this term apply? To local managerial autonomy that has

become, in the eyes of central managers, excessive? Or just to a style of business that staid operators dislike? This term really pivots on personal cognitions of appropriate behavior.

### **Colonial Empires**

Some historical examples seem to offer richer possibilities for the approaches sketched in the sections on definitions and methods. Colonial empires feature business cultures in great and sometimes fatal conflict. The imperial power has its own business culture; so do the expatriate businesses operating within a particular colony. The local colonial bureaucracy, a creation of the imperial power, can develop sufficient local autonomy to nurture the emergence of its own business culture, which may differ in key respects from that of its imperial creator. Indigenous businesses, governments, and even some local societies can have their own business cultures. As the leitmotif of colonialism is control that often harms, indigenous business cultures must either cooperate or be trampled. So the historical record features numerous examples of local business cultures wrecked or merged in some way with expatriate agencies. And if an empire is pursuing its own version of economic integration in its colonies, which many though not all did, the conflicts will be greatly influenced by the kind of economic integration imposed.

Classic illustrations of these themes resonate in the African colonial empires of Great Britain and France, especially during the height of formal administrative colonialism from the 1880s into the 1960s. Each country sought a different kind of economic integration for its empire; the French version was more centralized administratively and culturally than that of the British. To oversimplify, the French sought a standardization of both form and content in their approaches to indigenous cultures. French culture would not only package but also penetrate indigenous cultures. The British did seek in their approaches to local societies to standardize them all within common bureaucratic categories and forms but, by sharp contrast, did not consciously seek to infuse or suffuse British culture into local cultures. To compare and contrast the fates of indigenous African business cultures under British and French colonial rule is a compelling subject that is mentioned here to illustrate the creative possibilities in my approach, because history and anthropology together are really needed to analyze these cultural clashes. Fuller treatment of these issues awaits another venue, just as does consideration of another major topic that historically interweaves international economic integration and business cultures over many international boundaries: the Hanseatic League, a powerful force in the international commerce of late medieval Europe.

### **The Hanseatic League**

This cross-border grouping consisted of numerous *hansas*, which were companies or guilds of merchants. These were situated in strategic towns from southern England through northwestern and into northeastern Europe, reaching Poland, the Baltic states, and Russia. Many of the towns in the Hanseatic League were German, but it would be a mistake to call it a German organization. While the notion of business culture on the level of the European nation-state was then nascent, business cultures flourished on the level of the city and city-state and in such merchant associations as the *hansas*. The development of town and *hansa* cultures was interwoven throughout the Hanseatic League's history, which spanned

the thirteen, fourteenth, and fifteen centuries [15]. The result is yet another complicated tableau of numerous local business cultures in contact with one another and a major question which I seek evidence to answer: was there a distinctive business culture for the entire Hanseatic League?

This association was not a confederation in an institutional sense. It was an alliance of local companies and guilds that sought certain common objectives: to reduce barriers to trade among themselves by such techniques as standardizing the forms of transactions; but a second goal was to protect commercial privileges which its various member groups had achieved. So it exhibited elements of a common market created by private agents: internal barrier reduction; external protection against outsiders; promoting factor mobility of capital and merchant labor; and a partial standardization of commercial law. It did have a governing body, the assembly of town representatives called the "Hansetage." This group reportedly met irregularly and meetings were not well attended. It had no court of last resort. It had no secretariat or sustaining central bureaucracy to serve as the matrix of an overarching business culture, although Lübeck seemed to function as a headquarters city.

But business culture does not require "western-style" bureaucracy to emerge. There are "non-Western" types of "bureaucracy" which do not involve codified tables of organization, rules and regulations, paperwork, buildings, or headquarters operating continuously in fixed locations. Bureaucracy can in fact develop around extensive kinship structures, as the experiences of some African societies have shown [6]. The network of *hansas* is analogous to extensive kinship structures. To the extent that all *hansas* shared those objectives of barrier reduction, protection, and standardization, they promoted the emergence of a common business culture. Common values cohered their activities and became, in effect, a commercial language, which functioned as a substitute for the administrative language that a bureaucratized headquarters would surely have pushed.

Colonial empires and the Hanseatic League are mentioned here to suggest the fresh reinterpretations of long-standing topics that our approach might generate. Not so venerable but in fact extraordinarily contemporary are the two subjects that focus the rest of this paper: the "multicultural multinational" Asea Brown Boveri (ABB) and the European Union (EU).

### **"Multicultural Multinationals": Asea Brown Boveri**

It is *de rigueur* today to mention ABB in any discussion of the contemporary multinational corporation in relation to organization, management, and culture. In 1988 Percy Barnevik, its current leader, combined ASEA, the Swedish engineering group he ran from 1980, and Brown Boveri, a Swiss competitor [4]. ABB has been called a "model multinational" [13] partly because its structures, personnel, and procedures reflect the cultural diversity that contemporary organization requires in the global business arena.

Diversity is one of the great PC buzz words of the 1990s and often enshrouded in such jargon as the "cultural integration function" [8, pp. 35-62]. It is thus susceptible to ridicule on several fronts. But it is an essential concept for today's cross-border businesses. The real challenges lie in customizing the concept for a particular organization and then controlling its implementation to ensure that an excess of diversity does not weaken the organization. To knowledgeable observers Barnevik has apparently embodied cultural diversity in ABB in ways that

have strengthened the multinational. ABB is "a company with a small core and only a thin layer of managers to supervise a myriad of subsidiaries and profit centers." It does contain 1,300 separate companies divided into 5,000 profit centers. Headquarters in Zurich is comparatively "small" with a staff of about 171 people. And managerial ranks are streamlined; there are about 500 so-called global managers [4].

But Barnevik has linked economy in staffing with both cultural diversity and integration. Headquarters staff come from about nineteen different countries; there is a "co-ordinating executive committee," with members from eight countries, that bestrides ABB; and those "global managers" seem to function as international circuit riders or mobile supervisors. Barnevik supposedly selects those managers with special attention to their "cultural sensitivity" and "their spouses' willingness to move." (It would be interesting to know what questions Barnevik asks to discover a candidate's cultural sensitivity.) The co-ordinating executive committee and the cadre of global managers fulfill that "cultural integration function" mentioned above: as agencies that combine cultural diversity and make the business work. Barnevik has made English ABB's official language; this can promote cultural integration, but only one third of his employees speak it as their first language. Most intriguing not only with respect to cultural integration but also in connection with the notion of bureaucratic language introduced earlier is Barnevik's booklet on the company's aims and values. He reportedly "forces" all employees to read this work; how he does this is not indicated [4]. This book, which is apparently inaccessible to most outsiders, should be an outstanding primary source for revealing what aims and values Barnevik believes can cohere an organization with a non-traditional structure. It should also contain some of the building blocks of ABB's bureaucratic language.

## **The European Union**

If ABB is the "multicultural multinational" model to study for the twenty-first century, the EU is the premier contemporary model of a common market born in the twentieth century to examine for relations between economic integration and business cultures. This organization as a common market is a work in progress; the EU still has an enormous amount of work to do in evolving community laws and in integrating its capital markets, for instance. The whole question of Economic and Monetary Union (EMU), with its centerpiece a single currency, is in travail [5]. And members debate whether and if so at what pace the Union should welcome new members; there remains considerable tension between the "market deepeners," those who prefer to develop the EU with its present fifteen members, and the "market wideners," those who favor a prudent expansion of the membership. Whatever its future, it offers many fascinating examples of the interplay between economic integration and business culture. Let us begin at the top.

The European Commission (EC) and its attendant bureaucracies attempt to run the EU from their headquarters in Brussels, Belgium. The EC itself now features heightened cultural conflict, with the recent additions of representatives from Austria, Finland, and Sweden. The departments of the EC work with different issues, such as agriculture, science, fisheries, energy, and transport. And each, partly based on its mission, has its own culture [17, pp.133-34]. Since we regard the EC and its departments as both bureaucracies and businesses, their cultures are surely relevant to the topic of business culture. Examine the culture of the EC itself, which

one observer described in the London-based *Financial Times* as “closed,” “male-dominated,” and “spendthrift” [1]. The new EU members are apparently pushing for more attention to open government, women’s equality, free trade, and sound financial management. And on some issues newer and older members have formed informal alliances. The Swedes, Finns, Danes, Dutch, and to some extent the British are “pressing for more transparency and openness in EU decision-making.” But this approach conflicts with the behind-the-scenes “intricate deal-making favoured by older members of the EU club such as the Belgians or the French” [1].

An episode that spotlights cultural conflict in the context of bureaucratic language occurred at the Cannes summit of the EU in June, 1995. The Swedes and the Danes reportedly sought numerous amendments to the final communiqué, known as “the conclusions” in Brussels jargon. They thought they had secured references to the connection between the environment and employment and told their domestic audiences of their success. But the final communiqué “mysteriously” omitted several of their points. The missing items do appear in the *procès verbal*, the minutes of the summit, which do not command the same attention or analysis as final communiqués. One senior diplomat, commenting on the styles of the newer members, is quoted as saying “they have yet to grasp the importance of law, precedent, and the institutional framework” [1]. Cultural conflicts are clearly rooted in different cognitions of the law, precedent, and institutional framework.

National and company business cultures within the EU have received considerable analysis. Attention has focused on such topics as distinctive national management styles [3, 9, 12] and different national approaches to economic integration. I can only hint here at the richness of this material and only in connection with national management styles. One fascinating study probes the attitudes of national managers towards foreign partners in prospective mergers and acquisitions as well as the compatibility of managerial styles. This research is based on completed questionnaires by managers representing seventeen nationalities and goes beyond the EU to include the United States and Japan. The results display the most and least preferred partner or acquirer and the rationale for the selection.

For most preferred partner or acquirer the British and Americans prefer each another. British managers cite the “positive attitude” of U.S. managers; the latter describe the British approach as “professional.” The French prefer themselves because “you know where you stand.” So do the Germans, who note “market access.” The Swedes most prefer Americans for their “professional approach”; the Danes, the British for their “positive attitude.” As to least preferred merger partner or acquirer, the British and the Americans cite the Japanese because of “incompatible language.” The French and the Germans also designate the Japanese on the grounds of “incompatible understanding.” The Dutch rank lowest the Spanish because of “incompatible understanding.” Both the Swedish and the Danes least prefer the Italians. The former say “you never know where you stand”; the latter cite “incompatible language” [2, p. 267].

This study does not probe what such phrases as “you never know where you stand,” “positive attitude,” and “professional approach” mean from the viewpoints of those listing them as rationales. The researchers do come closest to an ethno-scientific approach when they discuss why the Japanese regard mergers and acquisitions as “a potentially ‘dishonourable’ activity and a strategy of last resort.” The Japanese word for acquisition is ‘notori,’ they note, which also means hijacking [2, p. 269]. It would be helpful to study those key phrases cited above in the



languages of the respondents to see whether any other words with multiple meanings might exist and further explain managerial preferences and dislikes.

## Conclusions

More light can be cast on the historical relations between economic integration and business culture by approaching these topics with a framework that continues to rely on economic theory but now explicitly incorporates anthropology. The kind of anthropology with the greatest explanatory power is ethnoscience, a type of cognitive anthropology. A research agenda listed the great range of possible subjects that a new approach might consider. The author selected four that lend themselves with special promise to this fresh framework and the author's knowledge: colonial empires with emphasis on Anglo-French comparisons and contrasts, the Hanseatic League, the "multicultural multinational" *par excellence* Asea Brown Boveri, and the European Union. The first two topics were sketched to suggest possibilities; the last two were partly developed to demonstrate the determination of this framework to reveal the "inside story," based on an exposition of the cognitions expressed in the indigenous languages of those studied.

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