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STRATEGY AND CULTURE IN BRAZILIAN COMPANIES

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INTRODUCTION

The purpose of this paper is to explore some of the cultural differences in management strategies in Braziliam companies. Specifically, the study investigates two types of companies: those founded by Portuguese descendants (type A) and those founded by German immigrants (type B).

The Portuguese dominated the country from the begining of the XVI century to the first quarter of the XIX century. Even then, when the Brazilian empire was established, the new emperor was the son of the king of Portugal, thus keeping a very strong relationship with the mother country.

Brazil acquired economic importance as a colony very early in its history because of the sugar cane plantations. This economic activity flourished in the Northeast of the country and favored the development of certain cultural characteristics as a result of the ethnic mix of the dominant Portuguese colonizers with the dominated Indians and African slaves. Although this area slowly lost its economic and political power, it retained its cultural characteristics remaining mainly Portuguese with African-Indian influences.

Unlike Northern Brazil, the culture in the South was influenced by other European cultures. During the last part of the XIX century, and by the initiative of the second and last emperor, the immigration of Europeans was stimulated, especially those of German and Italian origin. These two groups were the most important to enter the country during that time.

The German immigrants, in particular, established themselves as a separate culture in the South. Up until the Second World War, they had little contact with the Portuguese in Brazil, partly because the areas they occupied were sparsely populated and partly because of their desire to maintain their culture, language and customs. Even after the war, these areas remained basically German until the industrial development of the last twenty years forced many of these German companies to go national. If small in number when compared to the rest of the population, these German immigrants and their descendants have had strong economic impact as artisans, technicians and entrepreneurs.

This study was based in the analysis of management strategies followed by twenty Brazilian companies, some from the Portuguese culture (type A), the others from this German culture (type B). Because of the exploratory nature of the research, the case study approach was selected. More than one top executive was interviewed in each company, including the chief executive officer and/or his expected sucessor.

FINDINGS

The study of the companies' histories and practices let us define a number of basic differences between management strategies of type A and type B companies. Exhibit 1 summarizes nine findings of the study.

It should be pointed out that these two types of management strategies are generalizations and do not describe any company in particular. As idealized types, they do not find perfect correspondence in reality but are useful to understand the strategic behavior of these two sets of companies.

1. Company versus Family

The relationship between the firm itself and the family owners is an important element to understand type A and type B companies. Both types are mainly family owned since this is universally the most common way by which companies start.

In type A companies, however, the company serves the family, that is, the company's objectives are subordinate to family needs. Decisions associated to diversification, expansion, location or structure are taken considering specific family interests such as number of children, marriage of family members, sucession, etc. For example, in a company in the Northeast (type A), the birth of children would imply opening new businesses because the father would wish "to leave a business to each child". Obviously such criteria as scale of operations, type of business to enter, drain of financial resources from the original business, profitability, etc., are not as important to the decision maker.

In this context where company and owner are not seen as separate entities, personal relationships play an important role; the non-fulfillment of an obligation to the company means a personal offense against the proprietor.

The decisions on how and where to compete are associated to the principles of rivalry and friendship, not those of competition and cooperation. Type A companies might choose to compete against "enemy" or "rival" companies but not against "friends", these being personified in the companies' chief executives.

In type B companies, the firm and the proprietors are seen as distinct and thus decisions concerning each are taken separately. Some of these companies, in fact, established foundations holding large blocks of stock with the purpose of protecting the firm against arbitrary decisions not in the best interest of the company that might be taken by family members.

2. Decision Processes

In type A companies, decision processes tend to be more individualistic with little influence from others, either family members or professional administrators. Sometimes a decision is open to consultation with others "to confirm it" before being implemented.

Type B companies, on the other side, are frequently managed by a group of directors, often family members. Participative decision processes are very common utilizing consultation and a search for consensus before decisions are made.

In one company studied, four brothers representing the fourth generation of German descendants, manage together a very large and successful steel business. Even if there is a specialization of administrative functions among them, major decisions are jointly taken to the point where the president states that "it is difficult to separate the contribution of each one of us".

3. Hierarchy and Authority

In type A companies, hierarchical structures are not important; authority is based more on personal relationships than on the position of the individual in an organizational chart.

The lack of formal hierarchical structures leads to ignoring the chains of command. Typically, the leader will give orders directly to any level of the organization without passing them through intermediate managerial levels. By personally relating to each man, the leader reinforces the loyalty of each man to himself and, by extension, to the company.

In type B companies, the management principles of hierarchical structure and chain of command prevail. In these companies we usually find clearly defined organization charts and job descriptions.

4. Control Systems

Control systems in type A companies are based on personal inspections by the chief executive and the observations of trusted subordinates who act as extensions of his eyes and ears. In many companies, family members are used for this purpose to observe the actions taken by hired professional administrators and report them to the chief executive. In type A companies, the chief executive usually receives a very small number of reports and the measurements of performance are rudimentary.

In type B companies, control systems are based on detailed reports and measurements of efficiency and effectiveness. Some of these type B companies have developed very sophisticated management control systems.

5. Loyalty versus Competence

The personnel decisions in type A companies are based more on relationships than on the individual's capabilities. Competence is secondary to the need to like and trust the one with whom one is to work. Because personal relationships permeate the Type A organization and long-term employment is common, men need to be able to relate to each other as loyal friends.

Employment procedures will thus favor friends, relatives and proteges. Moreover, promotion will be based on trust and will be more from within than from the outside.

Because trust takes time to develop, seniority is highly valued in type A companies. Internal systems are designed to stimulate the sense of affiliation and pride of belonging to the company as personified by the leader to whom loyalty is due.

Even if loyalty is also prized in type B companies, competence is the key requirement. Employment in these companies is based on using objective criteria to evaluate competence (e.g., education, experience) and often personnel consultants are utilized.

As to promotion, some type B companies prefer to promote people from within but the competence criterion is not overshadowed by other values such as loyalty to the company.

6. Generalist versus Specialist

Employees in type A companies are less specialized and more prepared to change from one functional area to another than their counterparts in type B companies.

This results partly because the Northeastern culture tends to value more the generalist education, while the German tradition influences type B companies towards valuing more specialized technical training.

7. Paternalism versus Assistance

In the type A paternalistic system, the firm, as personified by the leader, accepts the responsability of protecting its employees in all regards, including from the external environment, thus providing financial help to those in need, psychological support, employment to other family members, counseling, etc.

In type B firms, paternalism is replaced by treating employees as independent professionals selling their services. However, because of the insufficiency of government social assistance, these companies had to develop systems to deal with employees' needs. As we would expect, these type B companies found a less personal way of dealing with the problem by the institutionalization of this kind of help. In many of these companies, foundations, separate from the company, have been created to offer medical services, leisure activities, loans, etc.

8. Strategic Emphasis

Quality is not usually a main concern in type A companies. In fact, because of deeply set cultural values, it is difficult for the type A firm to compete in certain fields, and when they do, they tend to do so by offering lower prices resulting in lower profitability. Their emphasis is not on product characteristics but on selling.

Type A companies generally seek sectors where quality is not the critical factor or where it is not easily measured by consumers. Most service sectors, especially those intensive in labor, are areas where they have a distinct competitive advantage. Another sector where they often operate successfully is in selling commodities where quality is standardized.

Type B companies, on the other side, are mainly industrial firms. They focus on product quality and features and are frequently very concerned with technology.

9. Diversification

The choice of directions for diversification varies dramatically between type A and type B companies.

Type A companies tend to consider diversification alternatives based on personal interests or potential profitability. These alternatives may include totally new fields where management has no previous experience. As a result, type A companies will typically tend to act in a larger number of non-related fields than type B companies. The latter will tend to remain in their own fields or move to related diversification opportunities, especially vertical integration. They seek economic synergies that will increase the performance of the firm as measured by the typical objective measures of growth, ROI, etc.

CONCLUSIONS

Each type of company, A and B, is a successful result of and adaptation process that requires both a consistency with the cultural context within which the firm operates and a consistency of values and practices within the firm itself. Both types can be extraordinarily successful even by the same measures such as sales growth, return on investment, etc.

The managers themselves are largely unconscious of the reasons their respective organizational and operating strategies are successful because they derive directly from the cultures. To the managers, there rarely is a question of what to do, only of how to do it well. Most of them are basically culture blind because they see through the filters of their respective cultures.

Because the type A and type B strategies are internally consistent, attempts to change only parts of the strategies are fraught with danger. The implications for consulting are clear. To introduce type A or type B elements into firms of the other type is unlikely to be as successful as expected. Firstly, it will be especially difficult to gain acceptance of the intervention and secondly, the results are likely to be unanticipated and even disastrous in some cases.

Most business education concepts are based on type B firms. This is to be expected because the U.S. and Europe have provide the fertile ground for developing the academic discipline of business administration through the study of type B firms.

However, the importance of business administration to the economic well being and potential stability of all nations is increasing the application of type B concepts to other cultures. The Japanese have been very effective in choosing and adapting type B concepts to their culture but other cultures may be less prepared to exercise such judgements. We as academicians can be helpful in this process by better understanding strategy and the host culture as complexly interactive systems.

Exhibit 1

STRATEGY TYPES A AND B

A FIRMS	B FIRMS
. THE COMPANY SERVES THE FAMILY	. THE COMPANY AND THE FAMILY ARE SEPARATE
. LEADER MAKERS DECISIONS ALONE	. DECISION PROCESS IS PARTICIPATIVE
. AUTHORITY BASED ON PERSONAL RELATIONSHIPS	. HIERARCHY AND CHAIN OF COMMAND ARE FORMALIZED
. CONTROL BASED ON OPINIONS	. CONTROL BASED ON MEASUREMENTS
. SUBORDINATES EVALUATED ON LOYALTY	. SUBORDINATES EVALUATED ON COMPETENCE
. EMPLOYEES VIEWED AS GENERALISTS	. EMPLOYEES VIEWED AS SPECIALISTS
. PATERNALISM TOWARDS 'SUBORDINATES'	. ASSISTANCE FOR FELLOW "PROFESSIONALS"
. EMPHASIS ON PRICE AND SELLING	. EMPHASIS ON QUALITY AND TECHNOLOGY
. DIVERSIFICATION BASED ON PERSONAL INTERESTS	. DIVERSIFICATION BASE ON ECONOMIC SYNERGIES