

# National Culture and its Impact on Airline Corporate Culture

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# **National Culture and its Impact on Airline Corporate Culture**

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## **Glossary of Abbreviations**

### **Terms:**

BIT	Bilateral Investment Treaties
CEO	Chief Executive Officer
EIC	East Indian Company
FTA	Free Trade Agreements
GDP	Gross Domestic Products
GNI	Gross National Income
IATA	International Air Transportation Association
IBM	International Business Machine
IC	Individualism - Collectivism
ICAO	International Civil Aviation Organization
IDV	Individualism
MNC	Multi National Company
P D	Power Distance
PDI	Power Distance Index
TMC	Toyota Motor Corporation
USA	United States of America
WTO	World Trade Organizations

### **Airlines Designator Code**

JL	Japan Airlines
LH	Lufthansa
LX	Swiss International Airlines Ltd.
NH	All Nippon Airways
QF	Qantas Airways
SQ	Singapore Airlines
TG	Thai Airways International Public Co., Ltd.

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## **Abstract**

The airline industry comprises a range of stakeholders including governments, industry organizations, local carriers, shareholders, and competitors seeking to access bilateral traffic rights between countries. The airline industry is required to work under a regulatory framework crafted sixty years ago to force all airlines to operate under the same international rules. These rules simultaneously aimed to maximize safety while restricting competition. Suppliers of aircraft, engines, reservation systems and airports are accessed by all competitors and provide airlines with little opportunity to achieve greater efficiency or competitive advantage. Despite this, each airline finds its place within the industry. The differences result from many factors including the economic freedom of their home country, their business model, nationality and ownership. Using mixed methods approach, a series of interviews with airline executives in Germany, Switzerland, Singapore, Thailand, Japan and Australia were positioned in Hofstede's model of national cultures. Analysis of the interview transcripts using Hofstede's keywords enabled the impact of national culture on airline decision-making to be studied. While airlines from small power-distance and individualist cultures are somewhat more likely to base decision-making on a broader involvement between employees and management, the overall finding of the interviews with airline executives is that Hofstede's framework is not a strong predictor of airline executive behavior.

# **Chapter One. Introduction and Research Overview**

## **National Culture and its impact on Airline Corporate Culture**

### **1.1 Introduction**

National unity was conceived first by elites, in term of language, history, folk tradition and literature (Jusdanis, 1995:33). The world is full of confrontation between people, groups, and nations who think, feel, and act differently (Hofstede, 2005). The invention of nations divides the entire world into one in which every human being is supposed to belong to his or her passport (Hofstede, 2005).

Different countries have different institutions: governments, laws and legal systems, associations, enterprises, religious communities, school systems, and family structures. Few things were invented; social life, economic processes, these are the reasons for differences in thinking, feeling and acting between countries (Hofstede, 2005). Within this division, there remains a tendency for ethnic, linguistic, and religious groups to fight for recognition of their own identity (Hofstede, 2005).

Weinreich (1985) described ethnic identity as ‘part of the totality of one’s construal’, made up of those dimensions that express the continuity between one’s construal of past ancestry and future aspirations in relation to ethnicity (Bond and Smith, 1996: 213). National culture, for instance, is often substituted for national identity. It represents the communal memories, symbols, and feelings that are believed to differentiate one nation from another (Jusdanis, 1995:24). Every person carries within him or herself patterns of thinking; feeling and potential acting that were learned through their lifetime. The personality of each individual is his or her unique personal set of mental programs, partly inherited and partly learned. Culture is learned, not innate (Hofstede, 2005).

Various authors (Allen, 2011; Singhal, 2001; Crafts, 2010) discuss the evolution of business and culture, and cite the Industrial Revolution in the 18<sup>th</sup> century as the set of events that placed technology in the position of the main engine of economic change. It was a significant turning point in history, affecting almost every aspect of daily life,

particularly the migration of labour forces looking for higher wages within the same country, or across country borders.

Direct maritime trade between Europe and Asia began with the Portuguese in the 16<sup>th</sup> century. Portugal dominated the sea trade with Asia from its bases in Goa, Malacca, and Macao, and other European nations soon followed (Van Veen; Blusse, 2007: 374-375).

China and Britain have a long history of trade. The East India Company (EIC), England's monopolistic institution in the Sino-English trade, began to trade directly in China's ports - mainly Xiamen and Guangzhou - in the 1680's when the Qing government reopened the coastal area. Its initial goal was to purchase Chinese silk and tea, and to sell woolen products from England in the Chinese market, together with spices and pepper bought in Southeast Asia (Hung, 2001: 476; Greenberg, 1951:7). The English interest in the China trade was driven in large part by the new and growing demand for tea in Britain. Tea was not just a luxury item; during the 18<sup>th</sup> century it became the drink that fuelled the Industry Revolution, replacing rum and gin as the refreshment of the working-man (Hung, 2001:477; Greenberg, 1951:3). However, the Qing government imposed a 'one-port policy' in response to the growing colonialism in Asia (Hung, 2001: 483; Greenberg, 1951: 45).

Taxes and tariffs, although not meant to be a barrier to trade, or a trade protection, were imposed. The export of cotton textiles from India to Britain was practically eliminated by a ban on trade, and heavy duty, but there was no reciprocal duty on import of British textiles to India because of British military power (Singhal, 2001: 99). The Qing government tried to handle the growing Ningbo trade by strengthening the regulation of the port, and doubling the Custom Tax in 1756 (Hung, 2001: 483).

Globalization leads to standardization (Newman and Nollen, 1996:753). Under the principles of globalization, multinational companies (MNC) such as International Business Machines (IBM), and international airlines such as Singapore Airlines, conduct their businesses globally, and pursue borderless trade in a borderless world. In the case of international airlines, regulations limit the extent of 'open skies' policies.

International organizations have been established, including the World Trade Organization (WTO), founded on 1<sup>st</sup> January 1995, that has provided a forum for

negotiating agreements aimed at reducing obstacles to international trade among the WTO's 154 members (Jones, 1997:28). The International Civil Aviation Organization (ICAO) was founded at the Chicago Convention in 1944, and the International Air Transport Association (IATA) was founded on the 19<sup>th</sup> April 1945 to represent, lead, and provide coordination services to airlines (Richard, 2001: 996, 998).

Free trade agreements create trade opportunities, as well as reducing trade obstacles. Many countries also have a series of Bilateral Investment Treaties (BITs) to help protect private investment, develop market-oriented policies in partner countries, and promote exports (Guthrie, 2012). However, cross-border business transactions involve interaction with different societal value systems (Tihanyi et al., 2005:270). Swierczek and Hirsch (2004) credit the current high failure rate of European and North American joint ventures with Asian partners in Asia to a principal cause of culture clash.

Multinational Companies (MNC) require strength in this area, emphasizing more dedication to studying cultural differences, anticipating, and promoting, better understanding of multi-cultural environments. In addition, many researchers and authors have presented related management theories and principles of cross-cultural management, including Penrose (2003), Porter, (1980), Dunning (1981) and Denison et al (2004).

In Eastern countries, regardless of their national wealth and history, new generations now study western theories in order to understand western ways of thinking as a first principle. At the same time, those countries want to improve their international activities, yet also protect their trade territory. Not uncommonly, Eastern MNCs have adopted both eastern and western theories; there are many managers in these corporations who have graduated from western institutions (Hofstede, 2005, 2007).

Multinational corporations, including international airlines, directly and indirectly manage intercultural differences, including languages and religious practices among their employees. The success of their operation can be a balance between whether business know-how, or cultural know-how, is more crucial at different times (Hofstede, 2005:345).



For corporate policy to be effective, the intercultural aspects need to be managed. Management practices in a country are culturally dependent, and what works in one country does not necessarily work in another (Hofstede, 1994:7). Local managers as well as co-workers in the host country are members of their particular national societies. To understand their behavior we have to understand their societies (Hofstede, 2005). An important element of these consequences is that we cannot change the way people in a country think, feel, and act by simply importing foreign institutions (Hofstede, 2005).

As noted earlier, as international trade expanded, cross-border transactions involved interaction with different social value systems. Expatriates were sent abroad to manage a company's activities and interests. Fang (2007) identified the 'contingent role' that expatriates play in facilitating the transfer and redeployment of the parent firm's knowledge to its subsidiary.

Multi-cultural and cross-cultural management research has the potential to help managers to structure their cross-cultural experiences in order to develop their competence in doing business, and managing across the world. Hofstede performed research in the area of cross-cultural reconciliations during the period 1968-1972. The database was compiled from survey results collected within subsidiaries of IBM in 72 countries, from more than 116,000 questionnaires. Respondents were matched by occupation, age, and gender. This research affirmed differences of culture between countries, reflecting the basic problems that any society has to cope with. The resultant theory describes four 'Dimensions of National Culture':

- (1) **Power Distance:** the extent to which the less powerful member of an organization accepts and expects that power will be distributed unequally. The basic problem involved is the degree of human inequality that underlies the functioning of each particular society.
- (2) **Uncertainty Avoidance:** the extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. An 'unstructured situation' is novel, unknown, surprising, and different from the usual. The basic problem involved is the degree to which a society tries to control the uncontrollable.

- (3) **Individualism and Collectivism:** the degree to which individuals are supposed to look after themselves or remain integrated into groups, usually around the family. Positioning itself between these poles is an extremely basic problem every society faces.
- (4) **Femininity versus its opposite, Masculinity:** the distribution of emotional roles between the genders, which is another fundamental problem for any society, and one to which a range of solutions is found. It opposes “tough” masculine with “tender” feminine societies.
- (5) **Long and Short-Term Orientation:** the extent to which the working environment and family are not separated, with members fostering attitudes toward virtues oriented for future rewards.

Hofstede's fifth dimensions was considered for this research, but discarded after considering the structure of the industry. The airline industry offers a challenging management environment. While market demand responds swiftly to short-term changes in economic conditions and external events (Doganis, 2006), the internal planning horizons are very long term. Seasonal schedule patterns, landing slot access at constrained airports, training timelines for pilots, and purchase commitments for aircraft all require extended and often highly inflexible decisions. For the network carriers investigated in this research, fleet decisions and published schedules are committed for several years into the future.

These factors impose a long-term-oriented decision-making culture regardless of national factors. Further, seniority based systems of promotion lead many employees to invest in long-term personal networks, that may extend beyond the firm to industry networks. These factors militate against introducing Hofstede's fifth dimension.

The findings identified the basic worldwide problem of the dimensions of national culture. Nevertheless these empirical findings are not without criticism, particularly regarding data collection from a single firm, IBM.

Hofstede's research explored the differences in thinking and social action that exist among members of more than 50 modern nations, and has subsequently been widely cited. Hofstede observed that it is paradoxical that the cross-national research in IBM did not reveal anything about IBM's corporate culture, except that it engaged in a survey project of this size. All units studied shared the same corporate culture, and there were no outside points of comparison (Hofstede et al., 1990: 289).

## **1.2 Research Objectives**

In the early stages of the international airline business, airlines were operating for the most part domestically, but a handful of carriers expanded their networks, aiming to offer worldwide destinations, or to reach distant parts of empires.

Pan American World Airways was founded in 1927 as a scheduled airmail and passenger service operating between Key West, Florida, and Havana Cuba. The airline became a leading aviation company, credited with many innovations that shaped the international airline industry, including the introduction of jet aircraft and computerized reservation systems. As the business progressed, Pan Am expanded to the Atlantic and the Far East, but it struggled to adapt to a deregulated market and its routes were taken over by other carriers following bankruptcy in 1991.

Airline companies were some of the pioneers of international business, expanding their products throughout the world. Some airlines were successful, but some were not. Some long running survivors include, the national airline of the Netherlands (KLM) that is now merged with Air France, and Qantas, the Australian flag carrier established in 1920.

Through their daily operation, international airlines manage multi-cultural issues with their multinational employees. However, they are not necessarily aware of current cross-cultural management practices. This can be due to managers lacking important information about the national cultures of other nations (Hofstede, 1983).

During times of world economic crises, the ability for each airline to serve all of its worldwide destinations can become a difficult or even unachievable task. By 1997,

groups of airlines had coalesced to create alliances, bringing airline networks together to provide broader services that would improve the travel experience for customers, by expanding virtual global networks for airlines constrained from mergers by regulation. This research studies several international airlines as examples of international business corporations operating in cross-cultural management environments. It is important to note that regulatory barriers require airlines to remain majority owned and domiciled in their home country. Airlines therefore tend not establish their operations in host countries on the same scale as in their home countries. In host countries there is quite often little more than sales representation and an operation presence maintained. By contrast, MNCs commonly operate manufacturing operations in both home and host countries, and in some cases may only manufacture in host countries.

Hofstede's research target IBM, with its headquarters located in New York, U.S.A., with 426,751 employees serving clients in over 170 countries, and revenue of USD 106.91 billion (IBM, 2011). Similarly Toyota Motors Corporation (TMC), which is headquartered in Aichi Japan, has 300,000 employees worldwide, and was the world's largest automobile manufacturer by production in 2012, with revenue of JPY billion 18,584.

The objective of this thesis is to explore and analyze the relationship between the multi-cultural environment and cross-cultural management as affected by national culture. National culture is fundamental to explaining the perceptions of a nation's people. Additionally, it is fundamental for understanding the differences between countries with different institutions: governments, laws and legal systems, associations, enterprises, religious and social communities, school systems, and family structures. These all affect each individual from an early stage of life and are carried through by the individual to the organizations to which he or she belongs.

This research will explore in depth two key areas:

- (1) The ability of Hofstede's theory "*Dimensions of National Culture*" to explain the differences among international airlines' corporate cultures and their employees' reaction towards a changing business. Specifically, this research

focuses on the factors of Power Distance (PD) and its relationship to Individualism and Collectivism (IDV) in corporate cultures.

- (2) The impacts of national culture on airline decision-making will be positioned within the research on culture. Various authors, including Hofstede, Sorensen, Alvesson, Denison, Newman and Nollen, and Barney are considered to position the relationship of national culture and corporate culture, and their impacts on corporate decision-making.

### **1.3 Research Overview and Methodology**

International airlines seek competitive advantage by matching products to market needs through the world. They develop their operations in an international business environment where they must manage multi-cultural issues in various nations. Global organizations including the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA) establish shared standards for international airlines, and provide facilitation for the operation of airlines. Global standards for safety, commercial relationships, ticketing, baggage, and a variety of other interactions are supported. Using these common platforms, international airlines are (at least in theory) competing on a level playing field. Airline products are relatively homogeneous and generic, however, airline financial results vary widely.

The differences of national culture among international airlines can be argued to affect the working environment in their businesses. Cultural differences among nations can become a significant management problem for management in multinational and multi-cultural organizations, and international airlines are an interesting case to study. As national cultures vary, so do a variety of management practices, including strategic decision-making (Hofstede, 1983; Newman and Nollen, 1996). Since airlines are constrained to their country of majority ownership, there is an opportunity to use airlines as a proxy for the country they are based in.

The values of founders and key leaders undoubtedly shape organizational culture, and are integral to the entire organization. Additionally, different nations have different

cultural institutions that drive behaviours and attitudes adapted to local culture, which accounts for many differences in thinking, feeling, and acting between countries. In exploring these factors and their effect on airline management, this paper will further investigate variable decision-making performance among international airlines.

### **1.3.1 Methodology**

This research adopts a post –positivist paradigm. Data collection is based on face-to-face semi-structured interviews with senior airline executives. A questionnaire, provided at the beginning of the interview, was used to lead the discussion rather than to gain a defined and limited set of answers. Airlines considered were:

All Nippon Airways (NH) – based in Japan,  
Japan Airlines (JL) – based in Japan,  
Lufthansa (LH) – based in Germany,  
Qantas (QF) – based in Australia,  
Singapore Airlines (SQ) – based in Singapore,  
Swiss International (LX) – based in Switzerland, and  
Thai Airways International (TG) – based in Thailand.

The research adopts a Mixed Method approach. The research reported in this thesis sets out to provide a broad explanation of ‘corporate culture’ from each airline sample, with detailed data collection permitting analysis. The goal was to test the hypothesis that the Power-Distance and Individualism perspectives of Hofstede’s ‘*Dimensions of national culture*’ can be used to explain the differences between airlines. And that national culture can be demonstrated to impact international airline corporate culture, and ultimately affect airline performance in corporate decision-making.

In studying the differences between firms, the research will also address absorptive capacity. Absorptive capacity theory explains the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends (Cohen and Levinthal, (1990: 128)

The organization's absorptive capacity will depend on the capacity of its individual members to acquire external knowledge, however, with the differences of national cultures affecting each individual's values, variations of absorptive capacity can be seen.

### 1.3.2 Hypotheses

- (1) Hofstede's (1980) findings with regard to the national culture parameters of power-distance and individualism will be evident in the management culture of major international airlines
- (2) Airlines based in countries with low power-distance gradients (PD) and high individualism (IDV) will show a greater openness to learning (show a higher absorptive capacity).

The results of this research are intended to contribute to:

- (1) A stronger understanding of the correlation between national cultures and corporate culture as they impact corporate decision-making in airlines.
- (2) A stronger understanding of the correlation between national cultures and corporate cultures as they impact employees' ability to obtain external knowledge.

The differences among national cultures should reflect both the different commercial stresses on airlines, as well as the customs and influences that affect people's values. .

The difference between the ability of an airline to be competitive as a private firm, or serving the government policy as a state-owned business, is a significant contrast. The government can see the airline as an instrument subject to government policy.

- *“Thai Airways International is a state enterprise, and though it serves the government, it must also be competitive as a private firm” (Douglas, 2011: 12).*

- *“Japan Airlines is returning to the stock market after cutting 30 percent of its route(s), retiring fleet, and reducing staff, which carrier is predicting a profit of Yen 130 billion. Japan Airlines also benefit(s) from tax credits against past write-downs, which has prompted the opposition Liberal Democrat Party to draft a bill to change the regulations”, quoted from the International Herald Tribune 31 August 2012.*

## **1.4 Outline of the Thesis**

The thesis is divided into five chapters. Chapter One presents the research initiative: a brief introduction, the research objectives, and an overview of the conceptual framework.

Chapter Two presents the review of the literature, which focuses on the role of culture in the nation and organization. A theoretical investigation in the areas of cross-cultural management, national cultures, and corporate culture will be described. From this review of the literature, the impact of national culture toward corporate culture on decision-making and performance will be examined.

Chapter Three presents the research design and methodology to be used in this study.

Chapter Four presents the findings of the hypothesis testing. Chapter Five presents the conclusions and propositions from this study.



## **Chapter Two. Literature Review.**

### **2.1 Introduction – Schools of Thought on Culture**

This chapter presents the theoretical background for this study, as well as offering an overview of current research.

The literature on national culture and corporate culture is extensive. This thesis draws widely on Hofstede's (1980) "*Dimensions of national culture*", considering the impact that national culture has on airline corporate culture, and in turn on airline corporate decision making.

Hofstede's initial research (conducted at IBM) was completed in a single multinational corporation with a global footprint. The study identified several dimensions of national culture through which national characteristics could be described, defined, and categorized. Hofstede observed, however, that the IBM research did not reveal anything about IBM's corporate culture, other than to note that all the units studied shared the same corporate culture, and there were no outside points of comparison (Hofstede et al., 1990: 289).

According to Hofstede, every person carries within himself or herself patterns of thinking, feeling, and acting that were learned through their lifetime. He explains this as a 'mental program' and notes that mental programs vary as widely as the social environments in which they were acquired. The keyword of this mental software is 'culture', (Hofstede, 2005: 3). Various authors (see Kluckhohn, 1954: 696; Tihanyi et al., 2005: 279) have noted, "Culture is extremely difficult to define".

Nevertheless, there are schools of thought on culture which offer explanations:

#### **The characteristics of a whole society: Eliot (1948)**

Culture is a characteristic of society as a whole, and it can be applied to groups and individuals in so far as they play a part in the culture of the whole. In addition, the culture of a society is, at least to some extent, a growth and therefore unconscious, and not something that can be planned.

**Mental programming: Hofstede (1980):**

Culture is the mental programming which every person carries that was learned through his or her lifetime. Hofstede argues that culture is learned, not innate. Culture is the collective mental programming of the mind, which distinguishes one group or category of people from another. Culture has several meanings: in most Western languages culture commonly means 'Civilization or refinement of mind' (Hofstede, 2005: 3) and, in particular, refinement includes education, art and literature.

**Shared assumptions and beliefs: Trompenaars (1993):**

Culture is a way in which a group of people solves problems. Culture is generic across national and organizational situations. Trompenaars regards culture as referring to shared assumptions, beliefs, values, norms and actions, as well as artifacts and language patterns. Culture represents the unique whole, the heart and the soul that determine how a group of people will behave. Cultures are collective beliefs that in turn shape behaviours.

**Culture relies on language and communication: Triandis (1994):**

Culture is a set of human-made objective and subjective elements that in the past have increased the probability of survival. Sharing values resulted in the satisfaction of the participants in an ecological niche. Shared values occurred among those who could communicate with each other in a common language at a common time and place.

**Lifetime learning: Jones (2007):**

Jones suggests that culture is not something that is easily acquired. Rather, it is a slow process of growing into a society, and includes learning values, partaking of rituals, modeling against heroes, and understanding symbols. These ingredients of culture are acquired from birth, from family, school, religion, workplace, friends, television, newspaper and books, and many other sources of influence.

**The collective programming of the mind: Akande (2008), Triandis (2002).**

Akande (2008) and Triandis (2002) also align with Hofstede's mental programming concept as well as Trompenaars' perspective. In aggregate, the authors acknowledge and underline the existence of different cultures, however they are derived.

These authors suggest that culture may be defined as the collective programming of the mind which distinguishes members of one category of people from another. The culture of a society can be said to be the memory of beliefs, attitudes, norms, roles and values that have worked in the past, transmitted from one culture to another culture based on fundamental assumptions that we are not aware of. These interrelated values and perceptions are only realized not to be universal when we come into contact with people from other cultures.

These various studies bring different perspectives to the question of culture. While Hofstede explored the meaning of culture at a group level, Trompenaars (1993) sought to explain culture through an individual's belief. Both identify similar concepts of nations and national culture from their differing perspectives. Triandis, somewhat differently, views culture as the individual's ability to communicate and to participate in society through common tools such as language. Through all the perspectives, the concept emerges that cultures shape the way that people come together for the tasks of problem solving.

The other concept that emerges from the literature is that culture is not inherited but is invented, developed, and passed on to the next generation. Parallels are seen between Jones's (2007) definition and Hofstede's (1980), where mental programming acquired from the environment impacts the development of national culture. Akande (2008) and Triandis (2002) also align with Hofstede's mental programming concept as well as Trompenaars' perspective. In aggregate, the authors acknowledge and underline the existence of different cultures, however they are derived.

Hofstede (2005: 11) proposes that everyone belongs not only to a group that carries a set of common mental programs that constitute its culture, but that there are several layers of mental programming. These layers may be evident to varying degrees at a national level, a regional level, or between genders or generations, and may be separated by social class level. The fact that layers of culture vary between generations demonstrates that culture is a living and evolving state.

At a national level, culture represents 'belongingness' to the nation in a world that is divided by national boundaries. Different nations have different institutions, including

governments, laws and legal systems, religions, and social enterprises. Hofstede (2005: 19) argues that these institutions follow the mental programs of their specific culture. This is somewhat at odds, however, with research on national culture by some social anthropologists (see Benedict, 1930s and Mead, 1920s), and some sociologists (see Inkels and Levinson, 1954, 1969), who suggest that societies face the same basic problems or common basic problem worldwide.

This tension between a common culture shared by humanity and specific cultures shared by members of a state provided the opportunity for Hofstede to conduct the 1980 research worldwide at IBM. From that research, Hofstede identified dimensions of national cultures. These dimensions consist of power distance, collectivism-individualism, femininity-masculinity, and the degree of uncertainty avoidance (Hofstede, 1980, 2005).

This seminal research by Hofstede is widely cited in academic research and by business practitioners. The areas of practice impacted by Hofstede's dimensions include: compensation practice, budget control approaches, entrepreneurial behaviour, training design, conflict resolution, workshop dynamics and performance, innovation, leadership styles, management control systems, and participative management (Michael, 1997; Smith, 1998; Jones, 2007).

Sondergaard (1994) emphasized Hofstede's empirical findings amongst the most widely cited papers in the study of culture, extensively used amongst scholars in research identifying and dealing with cultural differences.

Nevertheless, his work is not without criticism (Jones and Alony, 2007). Criticism includes Hofstede's assumptions of cultural homogeneity. That is, the study assumes that a national domestic population is homogeneous, while many nations are groups of ethnic units (McSweeney, 2002; Myers & Tan, 2002). Other criticism targets the adoption of national boundaries while cultures are not necessarily bounded by national borders (McSweeney, 2000; DiMaggio, 1997; Myers & Tan, 2002); political influences, where masculinity and uncertainty avoidance might have been sensitive to the timing of the survey because Europe was in the midst of the Cold War (Sondergaard, 1994; Newman and Nollen, 1996; Jones, 2007); and the single company approach to the study, where research fixated on only one company, was considered unlikely to provide

information on the entire culture system of the country (Graves, 1986; McSweeney, 2002; Olie, 1995; Sondergaard, 1994).

Jones (2007) also argues that the research is out-dated, with the IBM research too old to be of any modern value, particularly with today's rapidly changing global environments, internationalization and convergence.

Building on Hofstede's earlier work, Hofstede and Minkov (2010) subsequently developed a sixth dimension (Indulgence versus Restraint) that considers the range of behaviours from an 'indulgent' freedom from restraints and social norms, to an opposite pole where the individual's personal enjoyment is bounded and limited by social norms and prohibitions.

Hofstede and Minkov also conclude that the less indulgent generally exhibit higher moral discipline; and suggest that the accompanying focus on family life leads people from poorer countries to show happiness as they are more satisfied with their family life.

These aspects of personal life were not explored in this research as the interviews were undertaken prior to the publication of Hofstede and Minkov's work.

This research addresses many of these questions by adopting two of Hofstede's *dimensions* in a contemporary environment, and applying them over several companies in a single global and integrated industry. The research also considers the context of other research that attempts to identify different dimensions, including: Trompenaars' (1993) universalism versus particularism, individualism versus communitarians, analyzing versus integrating, equality versus hierarchy, inner-directed versus outer-directed, 'achieve the status' versus 'ascribed status', and sequential time versus synchronic time; Triandis' (1995) cultural complexity, tight and loose cultures, individualism and collectivist; and Schwartz' (1999) conservatism, autonomy, affective autonomy, hierarchy, egalitarianism, mastery, and harmony.

## **2.2 Role of Culture in an Organization**

Through learning, mental programming is part of every person, and it shapes the pattern of thinking and feeling of each individual. The mental programs are not necessarily in harmony, and provide diversity among ethnic groups and nations. As culture is acquired from birth, and accumulative, the individual's family is the primary source; next are the school, and then the workplace. Recognizing that individuals from the same area could perceive the same topic differently and that even greater differences can arise within a nation, Hofstede suggested that national culture is the average pattern of beliefs and values around which individuals in the country vary. Further, there is empirical evidence that as national cultures vary, so the management practices vary by culture, including strategic decision-making, leadership style, and human resource management. (Newman and Nollen, 1996: 754; Hofstede, 1983: 75).

Organizations also have value systems which form part of their organization's culture, and these value systems can show a national component reflecting the nationality of the organization's founders. Founders of organizations bring the mental programming of their national culture, leading to the founders' national values being reflected in the values of their organizations, even where the organization has a multinational operation. Moreover, the founders can have such an impact that they are the only ones who can fully shape the organization, and every person who joins later will, to some extent, have to adapt to the organization (Hofstede, 1985: 350).

These values of founders and key leaders shape organizational cultures and the behaviours of individuals through shared practices (Hofstede et al., 1990: 311). The individual's values will also depend on their demographics, and the approach taken to building the organization by its hiring process. Differences of organization cultures can be composed of other elements than those that make up national culture differences (Hofstede et al., 1990: 312). This difference can be explained by the different places of socialization for values and practices. Many of these values are acquired in early youth, mainly in the family and later at school (Pascale, 1985). By contrast, organization practices are learned through socialization at the workplace (Hofstede et al., 1990: 312). This is supported by Hofstede's research that identifies, in foreign subsidiaries of

multinationals, differences in work-related values between employees in different countries (Hofstede, 1979, 1980, 1985: 350).

Organizational problems are often associated with employees' behaviours (Hofstede, 1985). Members of the same organization will likely share the same implicit cultural view, but if a person from another culture joins, he or she may initially hold a conflicting cultural model and be ineffective until he or she has adapted to the others. This applies even if the representative of another culture comes as a boss. In cultural matters, the boss has to adapt to the subordinate in order to be effective (Hofstede, 1985: 350). One organization may include several culturally different departments, and these departments may consist of culturally different work groups (Hofstede, Neuijen, Ohayv, Sanders, 1990: 289). Further, organization cultures are shaped by the leadership's personality and unconscious expectations and demands, within the complexity of the large organization, which includes multiple layers of authority, responsibility, and tasks. Groups can emerge as subcultures in the organization with relatively distinct identities (Diamond, 1991: 516). Organizations are often arenas for dispute and conflict, and one of the main items under dispute is often value. Organizations are not one homogeneous culture, but are multi-cultural, and this can be a source of conflict (Meek, 1988).

Nevertheless, employees are more likely to perform actions consistent with a firm's goals if they understand those goals and agree with them (Levinthal, 1991). If employees lack a clear understanding of the organization's goals, coordination will also be more difficult as they are more likely to take actions that conflict with what is happening in other parts of the organization (Cremer, 1993).

In addition, when people work in a company for a certain time, their shared values, norms, and philosophies become institutionalized, binding people together (Triandis, 1994). In strong-culture firms, most members work from a shared knowledge base and common beliefs, which enhances organizational reliability (March, 1991: 83; Sorensen, 2002: 75).

### **2.2.1 Cross-cultural Management**

Over the past decades, the existence of a relationship between management and national cultures was far from obvious to many people. Newman and Nollen (1996) pointed out that until recently, the dominance of American management theory led to the belief that a good manager in the U.S. will also be good in other countries, and effective U.S. management practices will be effective anywhere. It is now being superseded with the knowledge that managerial attitudes, values, behaviours, and efficacy differ across national cultures. Hofstede (1983: 75) emphasized that this relationship may not be obvious to everyone even now. However, it is slowly becoming clear that national culture and even regional culture do matter for management. Cultural differences can become a significant management problem for management in multinational and multi-cultural organizations, whether public or private (Hofstede, 1983). Multinational companies were hardly aware of cross-cultural management practices (Hofstede, 1983). Hofstede argues that management that is insensitive to national cultures will face problems (Hofstede, 1983). The study of the principal differences in multinational companies between the home country and host country cultures in their countries of operation is often described as “cultural distance”. The challenge of cultural distance has gained interest in international business research (see Tihanyi et al., 2005; Ricks et al., 1990, for example,).

Despite national cultural differences and the challenges of cross-cultural management practices, multinational companies pursue international production and operations. Arguably, where the enterprise has ownership-specific advantages, there may be an inducement to internalize the advantage, even in foreign, rather than home-country, production bases (Dunning, 1980: 9). Airlines lack the freedom to make this choice, as ownership rules surrounding international traffic rights force majority ownership in the country (or region) where the airline is based. Consequently, truly global airlines cannot evolve and the industry is locked in a cluster of international alliances. (Chang and Williams, 2001).

Dunning (1980) identified that, in the 1970s, the unique competitive advantages of firms primarily reflected their ability to internally produce and organise proprietary assets, and



match these to existing market needs. At the turn of the millennium, the emphasis was more on their capabilities to access and organise knowledge-intensive assets throughout the world. Dunning also identifies the transition from seeking to engage in international production to satisfy a particular foreign market or to gain access to natural resources, to promoting a more efficient division of labour or specialization of an existing portfolio of foreign and domestic assets by multinational companies. Dunning argues that firms do this to protect or augment the existing ownership-specific advantages of the investors (Dunning, 2000: 164).

According to Hofstede (1980), management was considered universal, and there were principles of management that applied regardless of national environments. If national or local practice deviated from these principles, then the view may be that it was time to change local principles. Drogendijk and Slangen, (2006: 365), Kogut & Singh, (1988), and Larimo, (2003) amongst others found that the larger the cultural differences between countries, the larger the differences in their firms' organizational and managerial practices. Hence, multinational companies need to adapt their management practices to the national culture in which they operate in order to achieve high business performance. That means that they must adapt their management practices away from the home-country standard toward the host-country culture (Newman and Nollen, 1996: 754).

### **2.3 National Cultural Attributes – Hofstede**

The empirical results of Hofstede's IBM research identified and explained differences and similarities between nations, and particularly the differences between national cultures that were identified as common problems worldwide. The differences between cultures were relative, not absolute. That is, no one culture has absolute criteria for judging the activities of other cultures as low or noble (Hofstede, 2001: 15). Hofstede's work explored common and basic problems in common organizations such as family, school, workplace, but also the state, and the way that it represents national culture differences (Hofstede, 2005).

Arguably a better understanding of national cultures is an essential element of a better understanding between nations. There are notable similarities in value patterns worldwide, and this supports the notion of a global managerial culture. Nevertheless, national differences persist, in line with what one might expect given knowledge of the cultures involved (Haire, Ghiselli and Porter, 1966). Further, national culture is embedded deeply in everyday life and is relatively impervious to change (Newman and Nollen, 1996: 754), and there is ample empirical evidence that just as national cultures vary, so a variety of management practices, including strategic decision making (Schneider and DeMeyer, 1991), leadership style (Dorfman and Howell, 1988; Puffer, 1993) and human resource management, also differ (Lufthans, Welsh and Rosenkrantz, 1993).

Nation states have evolved along with economic development and technology innovations, yet cultures, and especially national cultures, remain extremely stable over time, appearing to be impervious to change (Hofstede, 2001: 34; Newman and Nollen, 1996: 754). However, change can come from the outside. The forces of nature or forces of human actions through trade, conquest, economic or political dominance and technology breakthroughs all impose pressures to change. Countries are progressively exposed to the products of the same scientific discoveries and modern technology, and this plays a crucial role in culture change. Some authors conclude that this technology convergence will lead all societies to become progressively more similar than before. Following this logic, industrialism will eventually lead us all to a common society where ideology will cease to matter (Hofstede, 2001: 34, Kerr, Dunlop, Harbison & Myers, 1960: 101).

On the contrary, Feldman and Moore (1965) pointed out that the inconsistent elements of pre-industrial systems do not simply disappear or are lost without a trace. In brief, technological modernization is a powerful force toward culture change, which leads to similar developments in different societies but does not wipe out variety. It may even increase differences, as on the basis of pre-existing value systems societies cope with technological modernization in different ways (Hofstede, 2001: 34, Feldman and Moore, 1965).

As stated earlier, Hofstede (1980) argues that people face some common basic problems worldwide and that different approaches to these problems can be explained, at least in part, by addressing the differences measured in the power distance and individualist-collectivist parameters developed in his research. These two of his parameters are adopted for this research, with the power distance measure used to explore the relationships between subordinates and superiors in the organizations studied, and the individualism parameter applied to explore the scope for individuals in decision making.

Triandis (2004: 89) demonstrated that Hofstede's power distance dimension is a fundamental dimension of cultural variation that has become a standard against which new work on cultural difference is validated. Hofstede's seminal research is widely cited in papers on culture.

### **2.3.1 Power Distance**

The premise of Hofstede's power distance parameter is to observe the way in which power is distributed unequally in organizational and national hierarchies. The power distance score represents the prevalence of dependence relationships in the country's culture. A small power distance score indicates a limited dependence of subordinates on superiors, and a lower degree of formality in relationships. Conversely, in higher power distance countries, there is considerable dependence of subordinates on their superiors, and more formality is evident in relationships through hierarchies, as subordinates respond to their superiors' behaviours (Hofstede, 2005: 46). This suggests that institutions follow mental programs in much the same way as individuals, as they adapt to local culture using the ideas from the background that they learned in childhood (Hofstede, 1980: 63).

Extending this explanation, Hofstede (2005: 55) proposes that, in large power distance countries, it is more likely that organizations will centralize power as much as possible, will impose a hierarchical system based on existential inequality, and will treat superiors and subordinates unequally. In small power distance countries, the expected behaviour is more decentralized, with less reliance on hierarchies, and more perceived equality between superiors and subordinates. Newman and Nollen (1996) confirmed that the

power distance behaviour in organizations influences the amount of formal hierarchy, the degree of centralization, and the amount of participation in decision-making. Companies in high power distance countries, in regions such as East Asia and Latin Europe, tend to be more centralized and have less employee participation in decision-making.

Additionally, Hofstede (2005: 82) found that power distance interacts with the individualism-collectivism parameter. These two factors tend to be negatively correlated so that in the large power distance countries it is more likely that more collectivist behaviours will be observed. Conversely, in the small-power distance countries, the behaviours observed are likely to be more individualist. Further, Hofstede emphasized that, in cultures where people are dependent on 'in-groups', people are usually more dependent on power (Hofstede, 2005: 83-84). In cultures in which people are relatively independent of 'in-groups', they are also usually less dependent on powerful others.

Moving beyond corporate culture, Hofstede (2001) argues that cultures with a large hierarchical distance are also characterized by large income differences between social strata. Basabe and Ros (2005: 192) identified a strong correlation between GNP and Hofstede's power distance parameter, suggesting that countries that have a high power distance ratio are likely to have a lower level of economic development.

High power distance makes leaders more dependent on their role or position rather than their personal attributes for their power. With the authority they possess, they are empowered to make quick and independent decisions without engaging others around them. Since their authority is less likely to be questioned in the society, they feel confidence in themselves, even where their decisions are not guaranteed to be the best. Subordinates expect managers in high power distance cultures to be more decisive.

Triandis (2004: 89) notes that the power distance parameter is one significant cultural dimension that is broadly referenced. It is not without criticism, however, particularly from authors observing changes worldwide. Castles (1988) indicated that in those societies whose cultural composition has altered significantly in the intervening years, quite different profiles would emerge if the study were repeated today.

The opportunity presents itself in this research to identify an example in Australia where the increased cultural diversity has been brought about by migration, as well as in Singapore where change has come from the transition to a developed economy.

Before World War II, Australia was predominantly an Anglo-Saxon country, whereas currently one in three of the population was either born overseas or is the offspring of parents born overseas in non-Anglo-Celtic countries (Castles, 1988). Bocher and Hesketh (1994: 235) suggested that the increased cultural diversity of Australia has had an impact on the value structure of the country.

Hofstede (1991) argued that although power distance may have decreased worldwide, the differences between the countries should remain identifiable. That is, countries could have moved to lower power distance levels without changes in their mutual and relative ranking.

Although national cultures in the contemporary world give the appearance of having converged, it can be argued that this convergence has occurred more in the superficial manifestations of similarity such as dress style, consumer products, entertainment and sport. Bocher and Hesketh (1994: 234) indicate that the deeper underlying values that determine the meaning people give to activities and practices have not changed, nor are they likely to in the foreseeable future.

As nations developed, so did the differences of national cultures between them (Hofstede 2005: 18). The larger the cultural differences between countries, the larger the differences in their firm's organizational and managerial practices (Drogendijk and Slangen, 2006: 365; Kogut & Singh, 1988, and Larimo, 2003). This tension between a common culture shared by humanity and specific cultures shared by members of a state provided the opportunity for Hofstede to conduct the 1980 research worldwide at IBM (Hofstede, 1980, 2005). A statistical analysis of IBM employees from different countries revealed common basic problems (Hofstede, 2005: 18). The data from IBM employees paradoxically contained no information about the corporate culture of IBM, but by contrast it revealed the proportion of people from one country who answered the same question differently from similar people in the organization based in another country. These responses reflected the differences of national culture between countries of origin (Hofstede, 2005: 42).

Further, Hofstede (2005: 55) proposed that in large power distance countries it is more likely that organizations will centralize power as much as possible, and will impose a hierarchical system based on existential inequality. This inequality is often felt to be problematic in society (Hofstede, 2005: 40). Interestingly, in addition, Hofstede (2005: 66) observes that countries in which the native language is a Romance language (for example: Spanish, Italian, French, Portuguese) are more likely to score medium to high on the power distance measures, unlike countries in which the native language is a Germanic language (for example: Dutch, German, Swiss German), which are more likely to score low. The relationship between language and the customary expectations of the national cultures seems to reflect some measure of predictable power distance.

### **Power Distance in the Workplace**

Differences of national culture among nations reflect differences of individuals' perceptions and practices, which affect the cultures of organizations. Two of the dimensions of national culture, power distance and individualism, have been cited by various authors for their further research. Such authors are Triandis, Bond, Newman and Nollen. These dimensions will be adopted to test the research hypotheses in this study (Hofstede, 1980, 1985, 2005; Triandis 1994, 1998, 2004; Newman and Nollen, 1996).

Table 2.1 exhibits the individual scores of the large and small power distance indices of sample nations. The scores are useful indicators to represent the relative positions of countries (Hofstede, 2005: 43).

Table 2.1 Power Distance Index (PDI)

COUNTRY	SCORE	RANK
Germany	35	63-65
Switzerland	26	70
Japan	54	49-50
Singapore	74	19
Thailand	64	34-36
Australia	36	62

### **Power Distance Workplace Analysis**

The relationship between subordinates and superiors in the workplace varies subject to national culture. Table 2.2 exhibits the key different areas between small and large power distance cultures in workplace.

Table 2.2 Hofstede's Key Differences Between Small and Large Power Distance Societies in the Workplace

SMALL POWER DISTANCE	LARGE POWER DISTANCE
<ul style="list-style-type: none"> <li>• Hierarchy in organizations means an inequality of roles, established for convenience.</li> <li>• Decentralization is popular.</li> <li>• There are fewer supervisory personnel.</li> <li>• There is a narrow salary range between the top and bottom of organization.</li> <li>• Managers rely on their own experience and subordinates.</li> <li>• Subordinates expect to be consulted.</li> <li>• The ideal boss is a resourceful democrat.</li> <li>• Subordinate-superior relations are pragmatic.</li> <li>• Privileges and status symbols are frowned upon.</li> <li>• Manual work has the same status as office work.</li> </ul>	<ul style="list-style-type: none"> <li>• Hierarchy in organizations reflects existential inequality between higher and lower levels.</li> <li>• Centralization is popular.</li> <li>• There are more supervisory personnel.</li> <li>• There is a wide salary range between the top and bottom of the organization.</li> <li>• Managers rely on supervisors and on formal rules.</li> <li>• Subordinates expect to be told what to do.</li> <li>• The ideal boss is a benevolent autocrat or "good father".</li> <li>• Subordinate-superior relations are emotional.</li> <li>• Privileges and status symbols are normal and popular.</li> <li>• White-collar jobs are valued more than blue-collar jobs</li> </ul>

### Measuring National Power Distance.

The concept of measuring the power distance index is observing how nations and cultures show inequalities between people, and power is distributed unequally among the members of those nations.

IBM employees were asked about: being afraid to express different ideas, autocratic or paternalistic managers with respect to consultation in decision making, and having freedom in the workplace. These are exhibited in table 2.3.



Table 2.3 Measuring National Power Distance

Measuring National Power Distance in IBM	
<p>Power Distance Index (PDI) from IBM attitude survey dealt with perceptions of subordinates dealing with superiors:</p> <div> <p>Non-managerial employees: perception that employees are afraid to disagree with superiors and of superiors (B46).</p> <p>Subordinates perception: their bosses tend to take decisions in an autocratic or persuasive/paternalistic way (A55).</p> <p>Subordinate preferences for anything but a consultative style of decision making in their boss: that is, for an autocratic, a persuasive/paternalistic or a democratic style (A54).</p> </div>	<p>IBM attitude survey:</p> <div> <p>B46. Employees being afraid to express disagreement with their managers: very frequently 1; frequently 2; sometimes 3; seldom 4; very seldom 5.</p> <p>A55. To which one of the four types of manager would you say your own manager most closely corresponds?</p> <p>A54. Type of manager, which you would prefer to work under.</p> <p>A13. Have considerable freedom to adopt your own approach to the job?</p> </div>

### Consultative or Non-consultative Managers

Manager style is one of the key areas that distinguish small and large power distance cultures in the Hofstede research. The perceptions of employees with respect to consultative or non-consultative decision making by their managers is shown in table 2.4.

Table 2.4 Type of Manager

Manager 1	Usually makes his/her decisions promptly and communicates them to his/her subordinates clearly and firmly. Expects them to carry out the decisions loyally and without difficulties.
Manager 2	Usually makes his/her decisions promptly, but before going ahead, tries to explain them fully to his/her subordinates. Gives them the reason for decisions and answers whatever questions they may have.
Manager 3	Usually consults with his/her subordinates before he/she reaches his/her decisions. Listen to their advice, considers it, and then announces his/her decision. He/she then expects all to work loyally to implement it whether or not it is in accordance with the advice they gave.
Manager 4	Usually calls a meeting of his/her subordinates when there is an important decision to be made. Puts the problem before the group and invites discussion. Accepts the majority viewpoint as the decision.

### 2.3.2 Individualism-Collectivism

The concept of individualism-collectivism lies in observing the working relationships between employees, and between employees and the organization. Most individualist employees demonstrate independence from the organization, while collectivist employees demonstrate more dependence on the organization. This affects the way in which they go about achieving their work goals, and the style of corporate decision-making. Moreover, Hofstede (2001, 2005) indicated that the concept of work goals in individualists is that they stress the employee's independence from the organization, regarding personal time, freedom to adopt their own approach, and challenge, which were core values.

By contrast, the approach to work goals of collectivists is that collectivism stresses the employee's dependence on the organization, particularly in the areas of training, physical conditions, and the use of skills. Hofstede (1980) defined the dimension of individualist culture, where it valued individual goals, needs and rights more than

community concerns, while collectivist cultures valued in-group goals and were concerned with the priority given to the obligations and responsibilities of the group.

Ali (1993) and Moris et al. (1994) pointed out that concentration of power and individualism can influence the success of the strategic decision-making process by shaping the expectations and commitment of organizational participants. (For cross-cultural research see Stewart et al. (1986); Wright et al. (1985); Mann, Radford & Kanagawa, (1985); Radford, Mann, Ohta & Nakane, (1993) with particular reference to decision making and decision outcomes.

In terms of socio-economic profiles, Hofstede (2005: 78) found that nearly all wealthy countries score highly towards the individualism measure, whereas poorer countries score towards collectivism. He categorised wealthy countries as industrialized countries such as the USA, which scored highest in the individualist results (Hofstede, 2005: 78).

It must be noted, however, that certain authors argue that Hofstede's findings in 1980 may not be up-to-date, especially in the case of Japan, a relatively very wealthy country as the world's third largest economy (Jones, 2007). The degree of individualism in Japan appears not to correlate with its status as a wealthy country, and individualism obviously varies within countries as well as among them (Hofstede, 2005: 76).

Comparison of individualism and collectivism in one society should be treated as two separate dimensions (Hofstede, 2005: 82). Therefore it is interesting to see how employees from cultures with strong individualism or collectivism scores act in the workplace. Employees are expected to act according to their cultural background, with an individualism perspective tending towards the employees own interest. In this case, work should be organised to coincide with the employee's self-interest. Where collectivism is strong, the employee is expected to act according to the interest of the in-group. This may include behaviour that may not always coincide with the individual's interest. In considering the relationship between individualism and the other parameter addressed in this research, power distance, it is found that larger power distance negatively correlates with high individualism. This means that large power distance countries are likely also be more collectivist, and small power distance cultures to be more individualist (Hofstede, 2005).

Triandis (2004) deconstructs Hofstede's analysis of individualism and collectivism, and the degree to which each dimension is on opposite poles. Triandis splits individualism into several facets (such as distance from in-groups, hedonism and competition) and separates collectivism into such factors as family integrity and social ability. These factors are no longer on opposite poles, but can be correlated so that a person could be high in both some collectivist and individualist tendencies. One study (Triandis, 2004: 89) has shown that people who were raised in a collectivist culture and then lived in an individualist culture for several years could achieve high scores in both collectivism and individualism. This suggests that some cultural behaviours can be learned after childhood experiences. Other studies (Triandis, 2004: 89) suggest that people who were high on both individualism and collectivism were better adjusted and could deal with adversities more successfully.

Triandis et al. (1998: 119) highlighted that 'horizontal' and 'vertical' are two distinctions of individualism and collectivism. When horizontal collectivists merge within-groups, they do not feel subordinate to them, nor are bound by the hierarchy construct. Conversely, vertical collectivists, once merged with in-groups, are willing to self-sacrifice for their group and submit to the hierarchy system.

In contrast, horizontal individualists seek to do their own thing, but do not necessarily compare themselves with others. However, they do not want to be distinguished.

Unlike them, vertical individualists always compare themselves with others and aim to be the best competitively within the organization, even though they are then distinguished.

The individualism-collectivism perspective is a cultural contrast methodology from Hofstede's findings that has been widely endorsed among authors and cross-cultural psychologists. The individualism-collectivism dimensions are recognized as an important way of differentiating between national cultures (Kluckhohn and Strodtbeck, 1961; Triandis, 1989).

The individualism versus collectivism world-views has several consequences at a global level. The level of individualism-collectivism prevalent in a given society strongly influences the nature of relationships between workers and their organizations, both descriptively and prescriptively. That is, affecting the actual, as well as preferred,

arrangements in commerce and industry (Bocher and Hesketh, 1994: 237). Hampden-Turner and Trompenaars (1997), argued that, for example, USA show the highest individualism index, that is, Americans are expected to be “individualist”, and hence not group- or community-oriented, which is not always true, necessarily, of all citizens. Nevertheless, Americans, and the British (as an example of another relatively wealthy individualist nation), engage self-interested individualism in cooperating with consumers, unlike the nationals of Japan and Singapore, who employ cooperation with customers and fellow employees to individual benefits.

### 2.3.2.1 Individualism and Collectivism in the Workplace

Management in an **individualist** society is management of individuals who harmonize their needs with their work in line with the goals of the organization. Performance is the key component of evaluation in the workplace. Such an approach works as a challenge to the power distance relationship. Table 2.5 exhibits individualism index score and ranking of these sample nations.

Table 2.5 Individualism Index (IDV)

COUNTRY	SCORE	RANK
Germany	67	18
Switzerland	69	16-17
Japan	46	33-35
Singapore	20	56-61
Thailand	20	56-61
Australia	90	2

### Individualism and Collectivism Workplace Analysis

Individual members of nations hold a variety of personal values, and a person can score high on both collectivist and individualist measures. Therefore, the values of collectivism and individualism need to be treated as two separate observations.

The differences are shown in table 2.6.

Table 2.6 Hofstede's Key Differences between Collectivists and Individualists Societies in the Workplace

COLLECTIVIST	INDIVIDUALIST
<ul style="list-style-type: none"> <li>• Occupational mobility is lower.</li> <li>• Employees are members of in-groups who will pursue their in-group's interests.</li> <li>• Hiring and promotion decisions take an employee's in-group into account.</li> <li>• The employer - employee relationship is basically moral, like a family link.</li> <li>• Management means management of groups.</li> <li>• Direct appraisal of subordinates spoils harmony.</li> <li>• In-group customers get better treatment.</li> <li>• Relationship prevails over task.</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational mobility is higher.</li> <li>• Employees are "economic men" who will pursue the employee's interest if it coincides with their self-interest.</li> <li>• Hiring and promotion decisions are supposed to be based on skills and rules only.</li> <li>• The employer - employee relationship is a contract between parties on a labour market.</li> <li>• Management means management of individuals.</li> <li>• Management training teaches the honest sharing of feelings.</li> <li>• Every customer should get the same treatment.</li> <li>• Task prevails over relationship.</li> </ul>

### Measuring National Individualism.

The degrees of extreme collectivism and individualism can be considered opposite poles from each other. The distinction between individualism and collectivism is associated with work goals.

Individualism: personal time, freedom of work, challenging roles.

Collectivism: training, focus on physical conditions, and the use of skills.

Table 2.7 highlights the differences between these two poles.

Table 2.7 Measuring National Individualism in IBM

Measuring National Individualism in IBM	
<p>The IDV values are based on the results of factor analysis of work goals by using question of the format: How important is it to you to...</p>	<p>IBM attitude survey:</p>
<div> <p>Short-Term work goals for IBM:</p> <p>Challenge, Desirable area, Earnings, Cooperation, Training, Benefits, Recognition, Physical conditions, Freedom, Employment security, Advancement, Manager-staff relation, Use of skills, Personal times.</p> </div>	<p>A5. Have challenging work to do – work from which you can get personal sense of accomplishment?</p>
	<p>A8. Work with people who cooperate well with one another?</p>
	<p>A9. Have training opportunities to improve your skills or to learn new skills?</p>
	<p>A10. Have good fringe benefits?</p>
	<p>A11. Get the recognition you deserve when you do a good job?</p>
	<p>A12. Have good physical working conditions?</p>
	<p>A13. Have considerable freedom to adopt your own approach to the job?</p>
	<p>A14. Have the security that you will be able to work for your company as long as you want to?</p>
	<p>A15. Have an opportunity for advancement to higher-level job?</p>
	<p>A16. Have a good working relationship with your manager?</p>
	<p>A17. Fully use your skills and abilities on your job?</p>
	<p>A18. Have a job with leaves you sufficient time for your personal or family life?</p>
<p>With a -5 point answer scale from 1; very frequently 2; frequently 3; sometimes 4; seldom 5; very seldom</p>	





## **2.4 Corporate Culture – Attributes**

As defined, culture is collective programming of mind that distinguishes the member of one group from another. What makes nations different is culture. Likewise, it is the difference of collective programming of mind that distinguishes the culture of one organization from that of another organization. This national culture programming is acquired during childhood, in the family, in the living environment, and at school, imbuing individuals with basic values. Similarly, corporate cultures are acquired by the individual when entering the working life (Hofstede, 2005). Differences of organization culture are composed of other elements from those that contrast differences of national culture. These differences can be explained by the different places of socialization in values and practices. Organization practices, on the other hand, are learned through socialization at the workplace, which we usually enter as adults (Pascale, 1985).

As stated, culture at a national level and at the corporate level are two different entities. National cultures are invisible values, held by a majority of their citizens, whereas organizational cultures are much more the visible practices of the organization, which are acquired by socialization of new members who join as adults. National cultures change only extremely slowly, while organizational cultures may be deliberately changed, although this is not necessarily easy (Hofstede et al., 1990).

Different nations have different institutions, and these institutions adapt to local culture, which accounts for differences in thinking, feeling, and acting between countries at all levels (Hofstede, 2005).

Organizations do not form accidentally or spontaneously. In fact, they are created due to someone taking a leadership role in seeing how the action of a number of people could accomplish something that would be difficult for any individual to achieve alone. These entrepreneurs, with a vision and effort, create a new product or service in the marketplace, and the organization that delivers it. The process of culture formation in the organization begins with the founding of the group. An organization's founder simultaneously creates such a group and, by force of his or her own personality, begins to shape the group's culture (Schein, 1983: 13-14, 16). Consequently, the values of the founders and key leaders undoubtedly shape the organizational cultures. These drive

member practices and joint shared practices within the organization (Hofstede et al., 1990). When authority becomes permanent, the staff supporting such a powerful and influential leader become routinized (Weber, 1948: 297). Founders' beliefs, values, and assumptions shape the organization culture (Hofstede et al., 1990), and provide a model of how the group should be structured and functioned. The groups then learn from experience that the founder's vision works for the entire system. This joint learning creates shared assumptions, or cultural assumptions, for organizations (Schein, 1990).

Nevertheless, Meek (1988), examined the link between culture, management, and control in the organization, expressing the view that management cannot manipulate culture, as culture is created by an individual who has transferred it to the organization. However, he conceded that management does have more control over certain aspects of corporate culture than other members in the organization.

Shared history and stability of membership are required for the creation of common corporate culture. Organizations can be demonstrated to have "strong" cultures because of a long shared history, or because they have shared valuable experiences, and if the organization as a whole has had shared experiences then there will also be organizational culture (Schein, 1990; 111, Durkin, 1981; Festinger, 1957; Hebb, 1954; Heider, 1958; Hirschhorn, 1987; Lewin, 1952). In addition, organizations are able to generate their own cultures provided that they exist for a long period (Alvesson, 1987; Wilkin and Ouchi, 1983). Strong culture provides the organization with values for employees, and encourages them into participation and involvement, which has a positive impact on organizational performance as a result of employees' being motivated and believing that it such commitment is the right thing to do (Pascale, 1985; Schien, 1990).

According to Denison (1982), participative culture encourages the employee to make a higher degree of contribution to the organization with a development of sense of ownership, as well as having awareness of the results of their actions. Creation of a strong culture requires employee participation and socialization. Any organization which manages to achieve effective socialization also achieves more focus from the employees to get the job done. On the other hand, if social rules are not clear the employee and the

employer are not using the same language: communication and trust will break down (Pascale, 1985).

However, employee socialization does not only occur in the workplace, but in the lives that people lead before they join the organization, during their time away from the workplace, which affects their perception of the culture of the organization that they belong to (Alvesson, 1987; Pfeffer, 1981). Pfeffer and Salancik (1978) observed that management has limited influence on the overall organization in terms of concrete outcomes under external control. However, symbolic outcomes such as attitudes, sentiments, values, and perceptions are to a high degree within management control. Moreover, some of the external social factors such as schools, universities, kinship, neighbours, friendships, groups, religion, and authorities are only in a very peripheral way within the management's sphere of influence.

These are differences of organizational cultures as described by researchers: Hofstede, Schein, Pascale, Alvesson and Meek draw upon concepts of cultures, symbols, beliefs, myths as well as shared values in aiming to explain the framework in which different national cultures are carried by individuals into their organizations. The different roles and responsibilities create different cultures among different departments within the organization, and between organizations, and these differences affect individual organizational cultures themselves. Hofstede (1980) observes that the difference between national and organizational culture is based on their different mix of values and practices. National cultures are part of the 'mental software' we acquire during the first ten years of our lives. Organization cultures are acquired when we begin our working life. Hofstede et al. (1990) observes that founders and key leaders undoubtedly shape organizational cultures, but that the way these cultures affect ordinary members is through shared practices.

Hofstede et al. (1990) and Schien (1990), in their analysis, shared the same concept of an organization, with reference to differences of culture: it is likely to include several culturally different departments, and these departments may consist of culturally different work groups. Schien (1990) suggested that organizations with strong cultures can be presumed to have a long shared history, or they have shared valuable, intense experiences. If the organization as a whole has had shared experiences; these will be

reflected in the total organizational culture. Alvesson (1987) found that culture can thus, at least in rational-bureaucratic organizations like most corporations, be seen as common instrumental sets of attitudes toward the activities and the setting that people are engaged in

In brief - differences of organization cultures exist. These differences shape corporate values, beliefs, participation, and decision-making inputs ultimately reflected in the organization's performance.

#### **2.4.1 Corporate Culture and Power Distance**

Strong corporate culture improves corporate performance.

That is, the participation and involvement of the employee is a key element in the growth and success of the organization in relation to other organizations (Hofstede, 1980; Schein, 1983; Pascale, 1985; Denison, 1982; Alvesson, 1987, Meek 1988; Sorensen, 2002).

According to Hofstede (1980), power distance is one of the dimensions of national culture that reflect the behaviour of people as a member of their society within their many societal structures, such as families, schools, workplaces, and localities. One result of this can be that the less powerful members of institutions and organizations accept and expect that power is distributed unequally. In relation to large power distance in the workplace, staffs are largely told what to do, and are afraid to express different ideas from those of their superiors. This strongly influences the emotional relationship between superior and subordinate. By contrast, when the relationship is one of low power distance, superior and subordinate treat each other equally. As a result, a small power distance culture is more likely to have a decentralized organization, unlike the organization in a large power distance culture, which is centralized, with top-down decision-making and a distinct organizational hierarchy (Hofstede, 1980). The participation and involvement of staff in the workplace in countries where large power distance is characteristic is minimal, because participation is not consistent with the national culture. Likewise, team building is not effective in large power distance cultures because employees from different levels in the organization are not comfortable

interacting face-to-face in a group (Newman and Nollen, 1996; Jaeger, 1986). The expected result is that work units in low power distance cultures will be higher performing if they are **more** participative, By contrast, work units in large power distance cultures are higher performing if they are **less** participative (Newman and Nollen, 1996). It has been observed that team participation, especially in China, is vital to innovation (Zhang et al., 2011, Triandis, 1995,)), and that team participation is presumed in the decision making process of the management (Zhang et al., 2011, Hofstede, 1991).

Hofstede IBM research worldwide (1980) identified national power distance values. Based on Hofstede's findings, Zhang et al. (2011) examined different levels of power distance culture with respect to their influence on the empowerment and team participation of American companies operating in China. The correlation of differences of power distance between these two countries was prominent.

China is a large power distance, low empowerment, and high team-participation society (Zhang et al., 2011; Hofstede, 1991). Yet in that context, American high-tech companies operating in China, for example IBM and Microsoft, have a strong tendency to implement their corporate cultures within their overseas subsidiaries (Zhang et al., 2011; Yuen and Kee, 1993). These companies, at least initially, hardly had any local competitors and were less compelled to respond to local norms and values to any degree. They practiced their own corporate cultures and policies to improve their performance and their product (Hill et al., 2003).

Hong, Morris, Chiu and Benet-Martinez (2000), noted that individuals are able to immerse themselves in, or belong to, more than one culture. Re-stating, Zhang et al. (2011) found that in low power distance cultures, the empowerment of employees accrues considerably from authority (Hofstede, 1999) and from the higher degree of interaction between employees, regardless of seniority, professional status, and gender (Cheung and Chow, 1999). That is, sharing information and listening to each other, irrespective of perceived different places in the hierarchy. This empowerment increases team participation (Zhang et al., 2011). This is unlike high power distance cultures, where organizational hierarchies mandate top-down decision making, (Hofstede, 1991;

Newman and Nollen, 1996), and empowerment and team participation do not work (Zhang et al., 2011).

#### **2.4.2 Corporate Culture and Individualism v. s. Collectivism**

In individualist cultures, the employee's task prevails over personal relationships, whereas collectivism is vice versa (Hofstede, 2005: 103). In these individualist organizations, individuals take responsibilities for results and individual-level rewards, whereas collectivist management emphasizes work-unit and team-based rewards. Notably, the performance of the employee is higher when managers emphasize individual employee contribution, whereas with less emphasis on the individual employee, performance is higher in collectivist cultures (Newman and Nollen, 1996).

Hofstede's IBM research worldwide (1980) observed that nearly all of the wealthy countries have a high score in individualism, particularly the United States, having the highest score and being the world's largest base economy.

The 'western' countries of Europe are similarly more individualist (Hofstede, 2005). As stated earlier, the values of founders and key leaders undoubtedly shape organizational cultures, and become member practices through joint shared practices (Hofstede et al., 1990). Nevertheless, differences of national cultures persist, and are influential (Haire, Ghiselli and Porter, 1966). National culture being embedded deeply in everyday life, it is relatively impervious to change (Newman and Nollen, 1996: 754) but corporate cultural changes are influenced by external factors, such as technology (Hofstede, 2000). National cultures vary, and a variety of management practices, including strategic decision making (Schneider and DeMeyer, 1991), leadership style (Dorftman and Howell, 1988; Puffer, 1993) and human resource management also differ (Lufthans, Welsh and Rosenkrantz, 1993).

Studies of the various cultural groups where collectivism is the norm reveal differences (Triandis, 1972, 1980). The cultures of southern Italy (Banfield, 1958), traditional Greece (Triandis & Vassiliou, 1972) and rural China (Hsu, 1971, 1981, 1983) tend to be collectivist, while northern and western European, and north American, cultures tend to

be individualistic (Inkels, 1983; Stewart, 1966). Following this observation, high GNP is found to be equated with individualism (Adelman & Morris, 1967; Cobb, 1976; Hofstede, 1980). Using the United States as a model, research on U.S. companies, as representing highly individualist features, exhibited that entrepreneurship attitudes increased as individualism increased. Further, individually based training led to self-efficacy and higher performance for the managers of those companies, whereas group-based training was the predominant pattern under Chinese managers (Newman and Nollen, 1996).

### **2.4.3 Impact of National Culture on Corporate Decision-Making**

National culture has a strong influence on individuals' behaviour in nations, and organizational culture, influenced by owners and leaders, has an impact on employees (Hofstede et al., 1990). Organizations, which create strong cultures, particularly participative cultures, are likely to have better performance than less participative organizations (Denison, 1982). Differences of national culture, power distance and individualism, reflect different levels of staff participation in decision-making (Newman and Nollen, 1996).

The decision-making process varies according to national culture.

Large power distance culture is centralized in a few hands - autocratic superiors are expected to lead and make decisions (Hofstede, 2001), without consultation between employees and their superiors. Subordinates are unwilling to express disagreement with superiors (Hofstede, 2001). In effect, top management reaches its decision making swiftly. Organizational structures are centralized, and hierarchical systems based on inequality of roles may exist (Dimitratos et al., 2010; Hofstede, 2001). In fact, effective decision is hampered and hindered without the benefit of diverse perspectives, experience, and the knowledge of subordinates. The making of decisions is unlikely to be refined and improved through group discussion and debate (Mintzberg, 1993; Khatri and Ng, 2000).

Management in low power distance cultures is more likely to delegate decision-making power (Dimitratos et al., 2010).

Individualism and collectivism define different priorities for personal and group goals. In individualist cultures, personal goals tend to take priority over group goals, whereas group goals are more likely to have priority in collectivist cultures (Triandis et al., 1993; Triandis et al., 1988). In collectivist cultures, group norms and duties tend to be more prominent in the making of a decision by an individual than are personal beliefs and rights. By contrast, in individualist cultures the individual is more likely to withstand social pressure and rely more on personal beliefs (Torelli, 2006). In addition, such individuals tend to place greater importance on achieving tasks than on maintaining harmonious relationships (Oyserman et al., 2002), whereas task achievement is likely to be sacrificed for the sake of good relationships with others in collectivist cultures (Triandis, 1995).

In individualist cultures, ownership is preferred over equality between team members. In collectivist cultures, ownership is preferred in dealing with out-groups only, but equality is preferred in dealing with the in-group (Oyserman et al., 2002). As a result, individualists perform tasks better when working alone than when working with others, but collectivists perform better working with other members of their in-group than with a member of out-groups, or alone (Erez and Earley, 1993).

Hofstede (1980) observed that power distance within the national culture has particular relevance for organizational issues, and Hennart & Larimo (1998) also confirmed that power distance affects decision-making in multinational enterprises. Ali (1993) and Morris et al. (1994) pointed out that concentration of power and individualism could influence the success of the strategic decision-making process by shaping the expectations and commitment of organizational participants.

#### **2.4.3.1 Corporate Decision Making – Multi Attributions**

Authors including Hofstede (2001) and Tannenbaun and Schmidt (1958) emphasized that a manager's decision-making behavior: autocratic (tells), persuasive/paternalistic (sells), consultative (consults), democratic (majority vote, joins) affect the working environment and the relationship between managers and employees. Managers are expected to make decisions as part of their daily work to resolve a variety of company issues from high-level strategies and structures, to routine daily activity. These managerial decisions have significant consequences for company performance and



success (Ireland and Miller, 2004). The managers interviewed in this research were upper-level managers concentrating on each company's strategic direction and long-term focus. (Ireland and Miller, 2004). These decisions reflect their cognitive orientations, perceptual processes, values and experiences (Dimitratos et al., 2010). Differences that distinguish each individual can be expected in managerial cognitive processes and will affect the strategic decision-making process of the firm (Hofstede, 2005; Dimitratos et al., 2010).

Decision-making processes vary between national cultures (Newman and Nollen, 1996) so the national culture of a company operating in the global environment will impact on its strategic posture and activity (Barter & Ghostal, 1989; Hayton, George & Zahra, 2002; Porter, 1990; Abramson, Keating & Lane, 1996; Allinson & Hayes, 1996; Sternberg, 1997).

Newman and Nollen (1996) suggested that the degree of power distance and individualism in cultures affects staff participation in decision-making; Ali (1993), Morris et al. (1994). Singh (1986) pointed out that power distance, individualism and uncertainty avoidance appear to be influential for the success of the strategic decision-making process in the organization. With unequal power distribution in a large power distance culture, management is likely to be more autocratic and less willing to share responsibilities in the strategic decision-making process (Bourantas, Anagnostelis, & Montes, 1990; Rowley & Bae, 2002). Conversely, management in small power distance culture is more likely to delegate decision-making power (Early, 1999; Newbury & Yakova, 2006).

The paradoxes of the airline industry with short term market changes but long-term operational requirements forces senior airline managers to rely heavily on their experience in the industry to generate alternatives and options for the business (Bruce, 2011 and Klein, 1993).

## **2.5 Corporate Culture and Performance - Effective Culture**

Obviously, the relationship between organizational culture and organizational performance is widely studied and discussed in the literature. Firms are required to achieve a high level of performance across various dimensions of competitive performance (including both quality and innovation) and, by inference, only those that achieve high performance across such multiple dimensions prosper (Noble, 1995; Flynn et al., 1999; Flynn and Flynn, 2004). Clearly it is crucial for firms to know what are the cultural elements or characteristics that are intimately associated with performance (Forker et al., 1996; Kroll et al., 1999; Koufteros et al., 2002; Cho and Pucik, 2005).

However, organizations have different strategic directions, in terms of competitive performance, (Porter, 1985) and therefore managers need to understand the fit between a specific culture and a certain type of performance. Parenthetically, some economists and organizational theorists believe that culture is irrelevant to an understanding of organizational performance – that in fact, an organization's culture might be less relevant to organizational performance than is believed.

Nevertheless, there is a range of organizations in which the local organizational culture is the dominant culture, and within this range of organizations organizational performance cannot be adequately or accurately understood without a comprehension of the culture of the organization (Wilkins and Ouchi, 1983). Participation and socialization in an organization necessarily involve interdependent exchange between individuals, where each party gives something of value (e.g. labour) and receives something of value in return (e.g. money). By socializing, employees exchange values, and individuals see their objectives in the exchange as being congruent (not mutually exclusive) (Wilkins and Ouchi, 1983: 471; Nakane, 1973). However, Schein (1981) indicated that 'Long history and stable memberships' are required to produce organizations or units within them in which complex social understandings will develop. It seems that the longer history of a unit, with stability of membership, the more likely that one generation will pass on knowledge to next generations based on history. Berger and Luckmann (1966) emphasized that when a second generation comes on the scene, the ad hoc conceptions and social routines of the first generation then become historic institutions. Moreover, the institutions are now experienced as representing a reality of

their own, and this reality confronts the individuals as an external fact. Hence, social knowledge is passed on from generation to generation.

It seems more likely that smaller professional or functional groups or relatively small organizations will develop "thick" social understandings that are specific to the organization.

Nevertheless, the development of organizational cultures (in the sense of distinct and locally shared social knowledge) is not easily achieved.

Wilkins and Ouchi (1983: 475,478), emphasized that the rate at which organizations develop cultures, especially at the level of the whole organization, varies and may indeed be relatively infrequent. In general, culture is hard to change, and this is commonly because its members do not change the culture fast enough. As a result, many organizations experience considerable distress.

Denison and Mishra (1995) stated that **involvement**, **consistency**, **adaptability** and **mission** could be used as predictors of organizational performance and effectiveness.

The degree of involvement affects organizations at different levels. In general, high involvement results in a high-performance organization, moderate involvement reflects moderate-performance organization, and low involvement - a low-performance organization. This involvement-performance correlation appears to confirm that high involvement fosters a strong sense of psychological ownership and commitment to the organization and its goals, while low involvement generates difficulty in responding to fundamental environment change. Discussing the concepts of consistency in an organization – two different aspects are defined: the positive influence of consistency is the provision of integration and coordination, whereas the negative aspect is the resistance to change and adaptation (Denison and Mishra, 1995: 215).

In order to adapt, an effective organization must develop norms and beliefs that support its capacity to receive and interpret signals from its environment and translate these into internal cognitive, behavioural and structural changes (Starbuck and Grant, 1971; Kanter, 1983). Companies that value adaptation are likely to hold ambitious objectives, to give priority to the satisfaction of clients, and be willing to try new ideas (Calori and Sarnin 1991).

Kotter and Heskett (1992) also found a close relationship between adaptability and firm performance. Effective organizations were those that were effective in pursuing a mission, combining economic and noneconomic objectives, which provided meaning and direction to organization members.

**Mission** provides two main influences on an organization's functioning: purpose and meaning, often being non-economic reasons for why the organization's work is crucial, and a definition of the appropriate course of action for the organization and its members. In the pursuit of its business success, these factors reflect and exemplify the key values of the organization. However, organizations may face crises when the basic mission is questioned or altered, with a loss of meaning and direction held by organization members, and the outcome seems to correlate with loss of momentum and effectiveness (Denison and Mishra, 1995: 216).

Various writers have suggested that culture might indeed have an impact on the effectiveness and culture of organizations (Denison and Mishra 1995, Barney 1986). Creating a strong culture is comprehensive socialization of the organization's members, aiming for organization effectiveness where the organizational and individual's interests are overlapping. Effective organization is undoubtedly increased through socialization (Pascale, 1985).

The relationship between culture strength and performance focuses on the impacts of strong cultures on performance levels. However, as noted, a firm's performance depends also on the ability to maintain consistency in internal processes, and on the firm's ability to adapt to environmental change. The relationship between culture strength and performance reliability depends on how firms with a strong culture learn from, and respond to, both their own experience and changes in their environment, and in relatively stable environments, firms with strong corporate cultures should, therefore, have less variable performance than firms with weak corporate cultures (Sorensen, 2002; Carroll, 1993; Tushman and O'Reilly, 1997).

Strong culture increases behavioural consistency across individuals in a firm (Gordon and DiTomaso, 1992; Kotter and Heskett, 1992).

Strong-culture firms should be better than firms with weak cultures at avoiding internal threats to reliable performance, or breakdowns in coordination and control. Efficiency and consistency of the firm in response to environmental change depends on both appropriateness and coordination: that employees respond to events by deploying the right routines, at the right times, in the right sequence. For employees to act consistently with a firm's goals, they must understand those goals and agree with them (Levinthal, 1991). If employees lack a clear understanding of the organization's goals, coordination will be more difficult as they are more likely to take actions that conflict with what is happening in other parts of the organization (Cremer, 1993). In strong-culture firms, most members work from a shared knowledge base and common beliefs, which enhances organizational reliability (Sorensen, 2002: 75).

In summary, strong-culture firms have a high level of commitment to an established way of understanding the world, while those with weak culture exhibit heterogeneity in participants' beliefs about the relationship between the organization and its environment. As long as the organization's perceptions of its environment are reasonably accurate, firms benefit from strong corporate cultures, by reliably achieving higher performance levels (Sorensen, 2002: 88).

### **2.5.1 Corporate Culture and the Performance of Multinational Companies (MNC)**

Cultural differences can become a significant management problem for management in multinational and multi-cultural organizations, whether public or private (Hofstede, 1983: 75). In fact, multinational companies have not always been aware of cross-cultural management practices (Hofstede, 1983). The study of the principal differences in multinational companies between the home country and host country cultures in their countries of operation is often described as "cultural distance". The challenge of cultural distance has gained interest in international business research (see Laszlo Thianyi et al., 2005; Ricks et al., 1990, for example,).

Despite national cultural differences and the challenges of cross-cultural management practices, multinational companies pursue international production and operations. Arguably, where the enterprise has ownership-specific advantages, there may be an

inducement to internalize the advantage, even in foreign production bases, as well as those in the home country (Dunning, 1980: 9).

Airlines lack the freedom to make this choice, since ownership rules surrounding international traffic rights force majority ownership in the country (or region) where the airline is based. Consequently, truly global airlines cannot evolve, and the industry is locked in a cluster of international alliances. (Douglas, 2011: 243-244).

Dunning (1980) identified that, in the 1970s, the unique competitive advantages of firms primarily reflected their ability to produce and organise proprietary assets internally, and match these to existing market needs. At the turn of the millennium, the emphasis was more on their capabilities to access and organise knowledge intensive assets through the world. Dunning also identifies the transition by multinational companies from seeking to engage in international production to satisfy a particular foreign market or to gain access to natural resources, to promoting a more efficient division of labour or specialization of an existing portfolio of foreign and domestic assets. Dunning argues that firms do this to protect or augment the existing ownership-specific advantages of the investors (Dunning, 2000: 164).

Lau and Ngo (2001) have also demonstrated that the country of origin of a multinational company has significant effects on their management systems, organization culture, and human resource management practices. The parent country's culture does not only influence the degree of local adaptation, it also affects subsequent organizational outcomes (Lau and Ngo, 1996; Rosenzweig and Nohria, 1994; Schuler and Rogovsky, 1998; Yuen and Hui, 1993). In addition, multinational companies may be inclined to take advantage of their home country competitive advantage, devising similar human resource management systems in their international affiliates (Taylor, Beechler, and Napier, 1996). Based on institutional theories, DiMaggio and Powell (1983), and Scott (1995), argued that environmental constraints may force firms to behave similarly under certain conditions. Thus, Rosenzweig and Singh (1991) suggested that when firms are operating in the same legal and economic environment, they might adopt similar management practices. However, cultural distance has an impact over multinational companies, especially when there is a large cultural distance between the host country and the home country. In effect, the likely outcome is that the headquarters' practices

will be discounted because of the greater difficulties adapting to local socio-cultural conditions. Such cultural conflicts will result in poor performance in their overseas subsidiaries (Lau and Ngo, 2001).

## **2.6 Absorptive Capacity**

Absorptive capacity theory explains the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends. The organization's absorptive capacity will depend on the absorptive capacity of its individual members to acquire external knowledge, however, with the differences of national cultures that have an effect on each individual's values, variations of absorptive capacity can be seen.

The processes for absorbing external knowledge become an essential element for innovation in firms and in adapting to changes in the competitive environment (Camison and Fores, 2010). Because of dynamic and rapid changes in the business environment, organizations can face a critical situation in sustaining competitive advantage. External and internal knowledge are key resources in creating value and develop competitive advantage (Teece et al., 1997). A firm may rely on its own resources, however, this potentially prevents interaction between internal and external knowledge, where external knowledge facilitates the firm's internal knowledge by stimulating competitiveness and innovation (Matusik and Heeley, 2005), in the form of new products, new processes, or new strategies (Smith, 2005).

External knowledge is essential to a business. Absorptive capacity is one of the most significant commercial constructs, allowing the business to create value, gaining and sustaining a competitive advantage through the management of that external knowledge. However, a firm's absorptive capacity needs prior related knowledge in order to assimilate and use new knowledge (Cohen and Levinthal, 1990). Further, new knowledge must be made fully intelligible for individuals in the organization to possess appropriate contextual knowledge (Lindsay and Norman, 1977). Therefore, absorptive capacity is seen as a by-product not only of R&D activities, but also in the diversity or breadth of the organization's knowledge base, its prior learning experience, shared language, the existence of cross-functional interfaces, and the intellectual models and

problem-solving processes of the organization's members (Camison and Fores, 2010). This construct is used in a wide range of organizations, however, with a modification of Cohen and Levinthal's (1990) model by various authors, aimed at extension of the theory and revision of its dimensions.

Arbussa and Coenders (2007), George et al. (2001), and Liao et al. (2003) suggested two dimensions: the first related to the evaluation, acquisition, and assimilation of external knowledge, and the second related to its internal dissemination and application. Matusik and Heeley (2005) developed a three-level model of absorptive capacity: individual, intra-organizational, and organizational, focused on the two components of access to, and assimilation of, external knowledge.

Lane and Lubatkin (1998) reinterpreted the construct as the ability of the firm to value, assimilate, and apply knowledge derived from another firm.

Zahra and George (2002) re-conceptualized it, proposing the construct as a set of organizational routines and strategic processes through the firm's acquisition, assimilation, transformation, and application of knowledge, with the aim of creating a dynamic organizational capacity.

Nevertheless, Zahra and George (2002) observed that the elements of absorptive capacity perform separate but, at the same time, complementary roles. Firms cannot apply external knowledge without acquiring it. Yet certain organizations develop the ability to acquire and assimilate external knowledge, but are not able to transform and apply this knowledge to competitive advantage.

Along this line of argument, Todorova and Durisin (2007) observed that transformation capacity is an alternative process. Additionally, they emphasized that when external knowledge fits with the firm's own models and experience, assimilation of that knowledge has the capacity to shape the organization, which then exploits and applies it without having to transform its own historical, existing, knowledge. By contrast, when the external knowledge or ideas do not fit with the existing internal knowledge structures, the knowledge or ideas tend to be themselves transformed, although, in fact, an individual member's cognitive structures need to be modified to adapt to an idea or situation that they find difficult to assimilate.



Zahra and George (2002) also suggested that although a firm may be able to identify, understand, and assimilate external knowledge, the firm might not be able to integrate such knowledge with previous existing knowledge.

Todorova and Durisin (2007) made the observation that when a firm decides to acquire external knowledge, regardless of whether such knowledge relates to the firm's existing knowledge, such knowledge must be understood, comprehended, analysed, and codified, since it derives from highly different organizational cultures, systems and practices.

The positive effects of absorptive capacity require additional resources and capacities (Matusik and Heeley, 2005; Zahra and George, 2002), such as innovation capacity (Liao et al., 2007). As observed, knowledge creation is necessary but the actual conversion of it to new product must be a key basis for superior performance. Ideally, external learning capacity (absorptive capacity) and internal learning capacity (internal knowledge creation capacity) will influence innovation capacity, which determines innovative performance, and ultimately – business success (Leonard-Barton, 1995; Nonaka and Takeuchi, 1995).

So far as these principles involve the individual, Cohen and Levinthal (1990) stated that an organization's absorptive capacity would depend on the absorptive capacity of its individual members. Development of an organization's absorptive capacity will build on prior investment in the development of its constituents; an individual's absorptive capacity, and the organization's absorptive capacity, tend to develop cumulatively.

### **2.6.1 Airline Absorptive Capacity in Aviation**

Cohen and Levinthal, (1990: 128) identify absorptive capacity as the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends.

Notwithstanding the high-level view, it is essential to focus on the cognitive basis for the absorptive capacity of individual members of the organization including, in particular, their prior related knowledge and diversity of backgrounds. An organization's absorptive capacity will depend on the absorptive capacity of its individual members.

‘At the level of the firm, the innovating unit is generated in a variety of ways; research shows that firms that conduct their own R&D are better able to use externally available information. This implies that absorptive capacity may also be influenced as a by-product of a firm’s R&D investment. As stated, the development of an organization’s absorptive capacity builds on prior investment in the development of its constituent, individual absorptive capacity, and, like an individual member’s absorptive capacity, organizational absorptive capacity will tend to develop cumulatively (Cohen and Levinthal, 1990: 131).

As national culture influences each individual in nations, to find out how national culture affects the absorptive capacity of each individual in organization, it is necessary to revisit the contrasts between power distance and individualist cultures, as they affect international airlines’ absorptive capacity.

### **Power Distance in learning**

Hofstede’s IBM research found that in small power distance cultures, the educational process is rather impersonal. What is transferred are “truths” or “facts” that exist independently of the teacher. Effective learning in such a system depends to a high degree on whether effective two-way communication between students and teacher is established. The entire system is based on the students’ well-developed need for independence. The quality of learning is, to a considerable extent, determined by the application and dedication to excellence of the students.

On the other hand, in large power distance cultures, the cultural foundation of parent-child inequality is perpetuated by a teacher-student inequality that caters for the need for dependence that is well established in the student’s mind. Teachers are treated with respect. The education process is teacher-centered. The teacher outlines the intellectual paths to be followed (Hofstede, 2005: 53), and these contrasts are exhibited in table 2.8.

Table 2.8 Key Power Distance Indices in the School Environment (Hofstede, 2005: 47)

IBM PDI	Large Power Distance	Small Power Distance
	Having few desires	Adaptability
	Moderation, following the middle way	Prudence (carefulness)
	Keeping oneself disinterested and pure	

### **Key Differences between Small and Large Power Distance Cultures in the School Environment**

According to Hofstede, mental programming is acquired during childhood through learning, in environments where teachers and classmates contribute additional values, and the roles of teacher and student vary among nations. Teachers are treated with respect in large power distance cultures, or are more or less equally treated in small power distance cultures. The differences are exhibited in table 2.9.

Table 2.9 Hofstede's Key Differences between Small and Large Power Distance Societies in the School

Small Power Distance	Large Power Distance
Students treat teachers as equals.	Students give teacher respect, even outside of class.
Teachers expect initiative from students in class.	Teachers take all the initiative in class.
Teachers are experts who transfer impersonal truths.	Teachers are gurus who transfer personal wisdom.
Quality of learning depends on two-way communication, personal application, and excellence of students.	Quality of learning depends on excellence of the teacher.
Less educated members hold more to authoritarian values than more educated members.	Both more and less educated members show equally authoritarian values.
Educational policy focuses on secondary schools.	Educational policy focuses on universities.

## Individualism – Collectivism in learning

According to Hofstede's IBM research, the purpose of education in individualist countries and their classrooms is fundamentally to foster a positive attitude toward what is new.

The purpose of learning is less to know *how to do* as to know *how to learn*. The assumption is that learning in life never ends; even after school and university it will continue. The individualist society, in its schools, tries to provide the competencies necessary for the 'Modern Man'<sup>1</sup>

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<sup>1</sup> Modern Man refers to the assumption that the learning in life never ends even after school and university. The learning is to cope with new and unknown, unforeseen situations. In its schools, the individualist society tries to provide the skills necessary for students to get along in the "modern world". Hofstede's study of power distance at school found that students from small power distance cultures are adaptive and careful, whereas students from highly individualist cultures are provided the competency to enter the life of a 'modern man'.

In the collectivist classroom, the virtues of harmony and maintaining face reign supreme. Confrontations and conflicts are to be avoided, or at least formulated so as not to hurt anyone. Students should not lose face, if this can be avoided.

These differences are exhibited in table 2.10 (Hofstede, 2005: 98).

Table 2.10 Hofstede's Key Differences between Collectivist and Individualist Societies in the School

COLLECTIVIST	INDIVIDUALIST
Students only speak up in class when the group sanctions it.	Students are expected to individually speak up in class.
The purpose of education is learning how to do.	The purpose of education is learning how to learn.
Diplomas provide entry to higher status groups.	Diplomas increase economic worth and/or self-respect.

Hofstede observed that power distance and individualism tend to be negatively correlated; large power distance countries are likely to be collectivist and small power distance countries tend to be more individualist. Comparison between these two dimensions provides distinction among nations.

In this research Australia, Switzerland, Germany, Japan, Singapore, and Thailand are studied, and the relevant indices are listed in table 2.11.

Table 2.11 Comparison of Power Distance Index (PDI) and Individualism Index (IDV) between the Subject Nations (Hofstede, 2005: 43,78)

Country	Power Distance Index (PDI)	Individualism Index (IDV)
Australia	36	90
Switzerland	35	69
Germany	26	67
Japan	54	46
Singapore	74	20
Thailand	64	20

## 2.7 The Airline Industry and Nationality

Air transport is a paradoxical industry.

In terms of its operation it is the most international of all industries, yet in terms of ownership and control it is almost exclusively national. It has also been extremely highly regulated, beset by a complex web of economic, technical and safety regulations (Doganis, 2006: 27). States not only protected their airlines, but also controlled movements within airspace, exerting control over the operation of aircraft and the business of airlines. Policy makers exercise these constraints for security reasons, to some degree, clearly needing to be aware of activity in their airspace, but also more commercially, to limit opportunities for foreigners to take control of national airlines (if they are not already state-owned) (Staniland, 1998).

There have been attempts to pull back and reduce regulation, and to create a more openly competitive regime for air international transport (Chicago Conference 1944). There were two key international organizations set up to create standards for international airlines: ICAO (International Civil Aviation Organization), which was established to have global overview over safety and technical matters (Chicago Convention 1944); and IATA (International Air Transport Association), which was set up to create global standards and structures for airfares, fare construction rules, baggage processing commonality, and documentation and interlining standards, in terms of servicing passengers in international markets (Bermuda Convention 1946): (Richards,

2001: 996: 998). The same 1944 Chicago Convention built general rules for the allocation of traffic rights, overlaid upon existing national regulations, and grounded in the nationality principle, which enables states to authorize services across their borders through negotiated individual, bilateral agreements. These Air Services Agreements (ASAs) specify routes, the number of carriers, and the capacity to be offered between any two points served by airlines (Staniland, 1998).

For protectionist reasons, countries are generally not willing to open up airline markets they control. Countries commonly act to keep airline production and employment at home, where routes are profitable, mainly due to regulatory restrictions (Forsyth, 2001). Airline services are subject to international negotiation, and as a practice, bilateral air services agreements between two countries include stipulations of market access, carrier designation, route capacity, and tariffs.

Under Air Services Agreements, governments give rights to designated airlines such as enable governments to safeguard their national sovereignty. Most states set up their own airlines to exercise the traffic rights exchanged with other countries, since such national airlines often benefit from nationality clauses, receiving protection from competing third-party (usually other countries') carriers. However, national airlines' strategies are limited by ownership rules, which commonly work by the limitation of capital that an airline can obtain from other countries. In effect, these rules prevent carriers merging with, or taking over, carriers in other countries (Chang and Williams, 2001).

In this environment, and the consequent discussion of airline liberalization over time, 'open skies' is commonly referred to. In airline markets this concept means that there is greatly reduced regulatory control, with no capacity, entry, or price regulations applied to airlines in their bilateral partnerships. Open skies allow more competition between the airlines of the partner countries, as well as generating more trade overall (Forsyth, 2001). Although some progress has been made in the negotiation and conclusion of 'open skies' bilateral agreements, trade barriers are still extensive in the airline industry. There are limitations on 'Fifth Freedom Rights'<sup>2</sup>, restrictions on establishing subsidiaries in other

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<sup>2</sup> The regulatory structure for international air services emerged from the Chicago Convention discussion on 1944. Fifth freedom traffic rights refer to the right to fly into the territory of the grantor state and there

countries in order to access markets, restrictions on airport arrival/departure slots, and prohibitions on domestic route access. Open skies bilateral agreements do not open up markets to more trade on a non-bilateral basis; in fact, most countries do not support any trade agreements beyond the bilateral level (Forsyth, 2001).

The airline business is unlike other enterprises, where the unique competitive advantages of firms primarily reflect their ability to internally produce and organise their proprietary assets, and match these to existing market needs. At the turn of the millennium, the emphasis was more on airlines' capability to access and organise knowledge-intensive assets through the world (Dunning, 1980). The business of airlines, based in one country, is to export services to buyers in another country. When another country's airline offers services on the route, there will likewise be an export of services. Further, there is even more trade when airlines fly citizen of other countries on the route. In addition, two countries may jointly export airline services by code sharing - one airline supplies the service, while another airline sells it to the customer under its own designator, or code (Forsyth, 2001).

As the aviation environment evolved, airline nationality became more complex in its impact. In the early stages of the development of the industry, most airlines were owned, headquartered, maintained, and controlled, and employed most of their staff, in a single home country. More recently, an airline may be headquartered in one country, but owned by foreign investors and employ staff from various countries, as well as carrying out its maintenance in other countries (Forsyth, 2001).

Because of the need for capital, for substantial investments such as fleet renewal or IT projects, many countries progressed to accepting foreign shareholdings in their airlines. By 1993, apart from opening up cross-border and domestic markets, the European Community (EU) had removed national ownership restrictions. Upon the satisfaction of certain financial and technical criteria, EU airlines were entitled to be licensed as air carriers able to provide service operations anywhere within the Union. This right to service by those airlines can be exercised by any European Community citizen through

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discharge or take on traffic coming from, or destined for, a third state situated on the agreed route at a point beyond the grantor state.



the whole EU without discrimination on the basis of nationality (Chang and Williams, 2001).

Though privatization is the key objective towards establishing a single market in Europe, many smaller states still view their flag carriers as national institutions, 'flag-carriers', and are reluctant to adopt such a broadening of markets and loss of unique qualities, especially for their national airlines. The Australian government decided to relax the limitation on foreign investment in its international carriers, preceding the privatization of its state-owned airlines. Apart from the financial flow-on from foreign investment, this change brought benefits in knowledge and skill, improved technology, transfer of ideas, and changes in management practice. Nevertheless, due to cultural, economic, and environmental differences, these changes produced their own challenges and difficulties, as well as stronger competitive pressure from existing airlines in the home market.

By contrast, The U.S. Administration continued to pursue a restrictive stance on this issue, mainly for reasons of national defense (Chang and Williams, 2001), however, by 1984 a crucial change took place in the US airline industry - from regulation to deregulation - allowing freedom to establish more rational route structures, and to set their own prices (Goll et al., 2007).

Although nationality clauses were removed in the EU and various countries, the fact that the majority of restrictions on ownership have not been removed means that foreign investors are still not able to be significant shareholders of an EU airline (Chang and Williams, 2001).

## **2.8 Conclusions**

This chapter has covered background knowledge that is essential for this research, addressing the role of culture in nations and organizations, cross-cultural management, corporate culture, and absorptive capacity.

In the next chapter, this background knowledge will be the foundation for developing the framework of a methodology for defining cultural differences among international airlines.

## **Chapter Three. Research Methodology**

### **3.1 Introduction and Philosophical Framework**

In Chapter Two it was established that national cultures impact corporate decision-making. This chapter considers, describes, and evaluates the range of research methodologies available to conduct research into these cultural impacts.

#### **Post-positivism.**

Post-positivists believe that human knowledge is conjectural, rather than based on unchallengeable, rock-solid foundations. These conjectures can be asserted, but can also be modified or withdrawn in the light of further investigation. Post-positivism is not a form of relativism, in that it retains the idea of objective truth, but it varies from the positivist philosophy in that it challenges the traditional positivist notion of the absolute truth of knowledge (Phillips and Burbules, 2000).

Post-positivists assume the need to identify and assess the causes that influence outcomes. This approach can be seen as reductionist, in that the intent is to reduce the research subject into small, discrete, sets of ideas to test. These sets of ideas are the variables that are inherent in hypotheses. The knowledge that develops through a post-positivist's lens is based on careful observation and measurement of the 'objective reality' that exists in the world (Creswell, 2009). Post-positivism reflects a deterministic philosophy based on a need to examine causes that influence outcomes (Creswell, 2009).

The post-positivist paradigm relies on critical realism (Lincoln and Guba, 1994:180). Objectivity is the ideal of post-positivist research, requiring researchers to bring an independent and detached approach (Miller, 2000). This overcomes a criticism of the positivist approach, that can be seen to lack of richness and depth (Lincoln and Guba, 1985; Patton, 1990; Strauss and Cobin, 1990, Guba and Lincoln, 2005). Post-positivist research can adopt an inductive reasoning process, allowing the research design to evolve as questions are asked, and data is collected (Lincoln and Guba, 1985).

## **Positivism**

The post-positivist view contrasts with positivism. Positivism takes the view information derived from empirical evidence, as well as the logical and mathematical treatments of data, are together the exclusive source of all authoritative knowledge. This view holds that society operates according to general laws like the physical world. Introspective and intuitional attempts to gain knowledge are rejected.

Positivist philosophers value rationality and intellectualism, and their approach is tempered with considerable focus on objectivity, globalism, anti-individualism, unself-consciousness, and minimal self-reflection in their inquiries (Holton, 1993). Such inquiry could be bias-free and truly objective provided that individuals could achieve this total detachment (Phillips, 1990). Truth in positivist inquiry is achieved through the verification and replication of observable findings from directly perceivable entities or processes (Wolfer, 1993; Poole & Jones, 1996). This perspective assumes the existence of an objective reality, independent of the knower (Holton, 1993), which can be accurately perceived through human senses (Clark, 1998).

## **Interpretive Philosophy**

In this research philosophy, the researcher does not only interact with the environment, but also seeks to make sense of it through interpretation of events, and the meaning that can be drawn from these. The social world of management and business is viewed as too complex to be formulated into the structure of theories and laws that are fundamental to the study of natural science. There can be many truths and interpretations of the simple fact, and these are suitable for every situation and every research problem (Johnson and Christensen, 2010).

## **Realism**

This research philosophy focuses on the beliefs that exist in the human environment, and in the existence of an external and objective reality that influences people's social interpretations and behaviour. Realists believe that humans are not appropriately studied under the philosophies of natural science, but should be studied through their reactions towards real world situations. (Johnson and Christensen, 2010).

### **3.1.1 Research Paradigm Adopted**

For this research, a neutral and non-biased design is required that recognizes the researcher's experience without impacting the necessary neutrality of the outcome.

This research conforms to the post-positivist view that human knowledge is conjectural, and that earlier conjectures can be tested.

The research also adopts an inductive approach. Tentative hypotheses were formed as the interviews proceeded. Inductive research generally seeks to build generalisable theory either from the broad patterns of the research (Creswell, 2003: 132; Trochim, 2000), or by linking the research outcomes to past experience or literature. Eisenhardt (1989b) identifies the role of *a priori* constructs that are logical and understandable in providing better focus and grounding for a research task.

To this end, the research assumed that contemporary airline corporate culture would be consistent with the findings of Hofstede's earlier research. Indeed the primary goal of this research is to test the consistency of contemporary airline corporate culture with Hofstede's earlier work. Further, the research considers the impact of changing economic conditions in the airline's home country. This factor emerged as a consequence of the inductive approach taken.

### **3.2 Method Available for Business Research**

Research design, the plan or proposal to conduct research, involves the intersection of philosophy, strategies of inquiry, and specific methods (Creswell, 2009). Yin (1994) explained research design as the logical sequence of study that links the empirical data to the initial research question and to its conclusion. Research is systematic study aimed at providing the knowledge and skills needed to solve problems, and is a process of puzzle solving (Morse 1984; Tashakkori and Teddlie 2003).

The researcher's comprehension of the subject will expand as data unfolds. Concepts emerge and interconnections are made as analysis, whether qualitative or quantitative, provides a progressive or incremental understanding of reality. Knowledge is attained as

pieces of information from various projects verify each other, or contradict earlier findings. Morse (1984), and Tashakkori and Teddlie (2003), demonstrated that specific research methods enable us to describe, understand, and explain complexity. Different methods work for different types of questions. Finding different perspectives in specific research methods enables us to find the best answer to the primary questions. Combining research strategies within a particular project can help to broaden the dimension and the scope of the project (Morse, 1984; Tashakkori and Teddlie, 2003).

At the outset, researchers construct assumptions about how, and what, is to be learnt from the specific study (Creswell, 2009). As well as primary assumptions, researchers devise procedures at a more applied level built on strategies of inquiry (Creswell, 1998), or methodologies (Mertens, 1998).

Strategies of inquiry for quantitative research include experiments and surveys (Keppel, 1991; Babbie, 1990). Quantitative methodology is associated with the rational and objective measurement of observable phenomena and requires a more data-driven and outcome-oriented technique than qualitative research (Ashley and Boyd 2006).

Strategies of inquiry associated with the qualitative approach include ethnographies (Creswell, 1998; LeCompte & Schensul, 1999); grounded theory (Strauss & Corbin, 1990, 1998); case studies (Stake, 1995); phenomenological research (Moustakas, 1994); and narrative research (Clandinin & Connelly, 2000). Qualitative research relies on the interpretation of people's words and actions, and is based on diverse theoretical principles that employ methods of data collection, and analysis, that are non-quantitative (Ashley and Boyd, 2006). Qualitative research is inquiry that relies on collecting and analyzing non-numeric representations of the world - words, texts, narratives, pictures, and observations (Yoshikawa et al., 2008).

Quantitative and qualitative methods are not always clearly distinguished, and an integrated approach, in which the two research paradigms are perceived as being complementary to each other, is possible (Ashley and Boyd, 2006). Strategies of inquiry associated with mixed method research include sequential procedures, concurrent procedures and transformative procedures (Campbell and Fiske, 1959; Tashakkori & Teddlie, 1998; Creswell, 1994).

The key method adopted in this research is qualitative interviews. These interviews involve unstructured and generally open-ended questions. The interviews were conducted face-to-face with participants, and recordings of the interviews were transcribed.

To facilitate comparison with the Hofstede (1980) findings, subsequent quantitative analysis was undertaken to identify and count the use of keywords representing each of Hofstede's parameters in the transcribed interviews.

### **3.2.1 Mixed Method Research**

Qualitative and quantitative approaches should not be viewed as polar opposites but as complementary means of enquiry and analysis. Mixed method research occupies a space between the two approaches (Newman and Benz, 1998), because it incorporates elements of both the qualitative and quantitative approaches. The mixed method allows the researcher to base assumptions on pragmatic grounds (Creswell 2009).

In mixed method research, data may be gathered and analysed either simultaneously or sequentially to best understand the research problems (Yoshikawa et al. 2008). Greene et al. (1989) identified five elements of mixed methods research:

- (1) Triangulation: seeking convergence of results;
- (2) Complementarities: examining overlapping and different facets of a phenomenon;
- (3) Initiation: discovering paradoxes, contradictions, and fresh perspectives;
- (4) Development: using the methods sequentially, such that results from the first method inform the use of the second method; and
- (5) Expansion: mixed methods adding breadth and scope to project.

Both development and expansion were employed in the methodology for this research. A sequential process was implemented, with quantitative analysis following the completion of the interviews. Emerging issues were then addressed by subsequent analysis of secondary economic data.

### **3.3 Research Design**

Prior to deciding the process of designing the research framework, there are choices of approach that range from the broad assumptions that are brought to a project, to the practical decisions to be made about how to collect and analyse the data.

Crotty (1998) and Creswell (2009) conceptualized elements of inquiry as: assumptions, strategies, and methods, combined to form different approaches to research, and these approaches, in turn, are translated into the process in the design of research. Further, many scholars have presented many different ways of classifying research designs such as experimental, correlation and qualitative in which they suggested that the purpose of the research is to provide answers to research questions (McGaghie et al., 2001).

#### **3.3.1 Validation of the Choice of Model**

Qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures. The data is typically collected in the participant's setting, data analysis inductively building from particulars to general themes and the researcher making interpretations of the meaning of the data (Creswell, 2007).

As discussed, quantitative research is a means for testing objectives theories by examining the relationship among variables. These variables, in turn, can be measured - typically on instruments - so that numbered data can be analysed using statistical procedures (Creswell, 2008).

Mixed Method (Creswell (2009): The concept of mixing different methods probably originated in 1959, when Campbell and Fiske used multiple methods to study the validity of psychological traits in order to examine multiple approaches to data collection in a study. This prompted others to mix methods, and within a short time approaches associated with field methods, such as observations and interviews (qualitative data) were combined with traditional surveys (quantitative data) (Sieber, 1973). It is up to the individual researcher to decide from this range of approach methodologies for research. All methods have limitations.



According to Creswell (2009), quantitative studies are the traditional mode of research, where researchers used established procedures and rules. Alternatively, the qualitative study method allows room to be innovative, and to work more within researcher-designed frameworks. There is merit in the mixed method approach, however a project can take extra time to completion because of the need to collect and analyse both quantitative and qualitative data.

The primary objective of this research is to test the reliability of Hofstede's national culture parameters of power-distance and individualism as predictors of airline corporate culture. While the research includes only a small number of senior executives, they represent airlines in several geographic regions, and nations with differing profiles on Hofstede's parameters. To assess the consistency between national cultures and airline corporate cultures, a qualitative approach is adopted as the first step. Open-ended questions were asked in face-to-face interviews with each of the executives. The interviews were subsequently transcribed, before key words that match Hofstede's power distance and individual parameters were identified and counted. The results of the keyword analysis were used to test the following three hypotheses.

### **3.3.2 Research Questions and Hypotheses**

The two hypotheses addressed by this research are that:

- (1) Hofstede's (1980) findings with regard to the national culture parameters of power-distance and individualism will be evident in the management culture of major international airlines
- (2) Airlines based in countries with low power-distance gradients (PD) and high individualism (IDV) will show a greater openness to learning (show a higher absorptive capacity).

### **3.3.3 Risks and Bias**

The researcher's experience and training are an important element of the research process (Creswell, 2003). Any bias in this research has to be diminished in order to be open to all outcomes (Saunders et al. 2003). To limit the risks of bias, a consistent set of

questions was posed to each executive, interviews were recorded and externally transcribed, and a quantitative approach was taken to analyzing the interview content.

### **3.4 Data Collection**

A flexible and opportunistic approach to data collection allows investigators to take advantage of emergent themes (Eisenhardt, 1989b). This research has drawn data from face-to-face interviews. Unstructured and open-ended questions were worked through individually and separately with participants. The data from each interview was transcribed to keywords, based on their frequency in the responses. During this process the researcher remained open to emerging or unexpected results. One of these was the significant variation of Singapore Airlines from the predicted Hofstede values. Since Hofstede's (1980) research was completed, Singapore has moved through a period of rapid economic growth and national transformation into a developed economy. The unexpected results for Singapore opens the question of a possible relationship between changing national economic status and changing national culture or behaviours.

#### **3.4.1 Interview Questions and Methodology - sample size**

Interview data collected from seven international airlines has been employed to test the consistency of Hofstede's findings in a contemporary airline environment. While this is a small sample of airline executives, the airlines selected include major European and Asia-Pacific carriers, and a range of different cultures in Western Europe, Southeast Asia, Northeast Asia, and Australasia.

To analyse the data collected from qualitative interviews at each airline, the incidence of power-distance and individualism keywords expressed during the interview sessions was counted. Positive and negative words in each keyword area were summed to produce a net value. The results are illustrated in table 4.5 for power-distance and illustrated in table 4.9 for individualism-collectivism.

To plot the interview results along with Hofstede's power distance and individualism and collectivism parameters, the incidence of the keyword was measured in each

interview. The net value of the keyword score (e.g. more collectivist minus less collectivist keywords) was divided by the total incidence of the keywords in an interview. To enable comparisons to be drawn between Hofstede's national results and airline keywords, keywords that were identified by Hofstede to indicate greater or lesser power distance and greater or lesser individuality were counted in the interview transcripts.

For each interview, the sum of negative keywords was subtracted from the sum of positive keywords to calculate a net value. The net value calculation could be positive or negative, representing greater or lesser power distance or individuality.

To adjust for various lengths of interview, the net value was divided by the total number of keywords in the interview to identify the strength of the positive or negative position. A score between -1 and +1 represents the strength of the position.

To convert this score to an equivalent Hofstede ranking, positive scores were multiplied by 50 and added to the Hofstede midpoint of 50. Negative scores were multiplied by 50 and subtracted from the Hofstede midpoint to produce a comparable value.

### **3.4.2 Ethical Considerations in Research**

Research Ethics (Sekaran, 2003) is a code of conduct mandated when a study of human beings is being carried out. The interview participants need to be treated with respect to their dignity, no matter how the research is conducted, or how the outcomes turn out.

Zikmund et al. (2000) stated that ethics issues concern the rights and obligations of individuals that are generally governed by the norm of society. Researchers are obliged to protect the public from misrepresentation, and to avoid any practices that may harm, humiliate, or mislead respondents.

The subjects of this research were senior airline executives. The researcher has an extensive background in commercial aviation, and was able to conduct the interviews from an informed background. All interview subjects were briefed as to the nature of the research, and were free to withdraw at any time, including after the completion of the interviews or after the completion of the analysis.

Ethical Consideration in the Research.

This research included interviews with airline executives in Europe and the Asia-Pacific region. All interviews were conducted in English which is the working language of international aviation. Interviews were recorded and transcribed to ensure accuracy. The Human Research Ethics Committee of University of New South Wales granted approval for the research on 19th February 2009. The approval is attached in appendix 7.

### **3.5 Analysis**

The objective of this analysis is not to measure changes among the stated seven international airlines in response to environment change in the industry.

This research aims to identify the relative difference between large power-distance versus small power-distance cultures, and individualist versus collectivist cultures, as they impact airline corporate decision-making.

Further, this research analyses the relatively different absorptive capacity of each airline as affected by national cultural backgrounds. Additionally, this research provides an explanation of the relative difference between state-owned airlines and privately owned airlines, as that exerts its influence on corporate decision-making.

The database of this research is extracted and consolidated from a range of airline data.

This consolidation provides a broad cross-section of these airlines, and allows the tensions between national culture and the running of the organization, specifically the airline corporate decision making, to be studied. There are no direct measurements of airline institutional impacts, or of the quality of corporate decision-making. Since such factors and constructs cannot be measured directly, indirect measurement through observable indications was required (Vermunt and Magidson, 2004).

The comprehensive full dataset contains power distance and individualist indices from each airline and a national culture index from the IBM research. Near-complete data for the national culture indices was available from the IBM research, as used to obtain their sample data. Analysing complete data eliminates the risk of sampling errors skewing results. National culture index, and airline national culture index, was plotted graphically

for each airline, to identify any divergence or convergence. This is exhibited in Chapter four in figure 4.2.

### **3.5.1 Hypotheses - Testing**

To test hypotheses, this research begins with data collection by aggregating variables to create pivot tables in Excel for examination of the data.

Hofstede's IBM attitude survey was adopted as a reference for this research, in order to examine the correlation between power distance and individualism-collectivism culture in these international airlines and their home nations.

#### **Hypothesis 1**

Hofstede's (1980) findings with regard to the national culture parameters of power-distance and individualism will be evident in the management culture of major international airlines.

#### **Power Distance at the Workplace**

Hofstede conducted worldwide research at IBM during 1968-1972 studying the differences of national culture among nations. This research provided compelling support for the phenomenon of cultural variation between nations. Table 2.1 reports the differences of country scores and rankings, which identify relative positions among the study nations.

With regard to the relative differences of power distance among these seven international airlines, the Hofstede (1980) framework - which examined, amongst other behaviours, employees' being afraid to express disagreement with their managers, the type of manager who evolved when there was consultative decision making with subordinates, and the ability of staff to participate in decision making as illustrated in table 2.3 and table 2.4 - was adopted.

Table 4.4 illustrates the questionnaire that was conducted with airline executives, aimed at determining how decision-making is carried out within these airlines. The responses of each airline reflect the differences of corporate culture, affected by national culture. The relevant data collection from each airline is reported as keywords, as illustrated in table 4.2 and table 4.3. To illustrate the relationship with airline power distance, these keywords are calculated as numeric values, illustrated in table 4.5. The questions put to airline senior managers to align with this framework are illustrated in table 4.4.

## **Individualism vs. Collectivism in the Workplace**

Individualist-Collectivist is another of the dimensions of national culture explored by Hofstede that is pivotal to this discussion, and in differentiating between national cultures (Kluckhohn and Strodtbeck, 1961; Triandis, 1989).

This section discusses the study parameters used to reveal those differences, and observe the results.

Hofstede's (1980) framework examined the degree of stress in the workplace, the availability of personal time, the clarity of work goals, freedom to work, the degree of challenge in the job, the amount of training, and the ability to learn new skills, as illustrated in table 2.7, and it has been adopted here.

To review work goals within these airlines, the questionnaire driven interviews were conducted with airline executives as illustrated in table 4.8. The interview of each airline is hypothesised to reflect the differences of national culture predicted by Hofstede. The data collection from each airline is reported as keywords, as illustrated in table 4.6 and table 4.7. To observe airline individualism and collectivism, these keywords were counted in interview transcripts, and recorded as numeric values, as illustrated in table 4.9.

To measure airline individualist and collectivist cultures, a similar approach to that used for power distance in the workplace was adopted. In table 2.7, the individualism indices from the IBM research identify the relative positions among the nations, and the degree

of individualism and collectivism of countries, scored and ranked as illustrated in table 2.5.

This scoring and ranking is reflected in the key difference between areas in societies, as well as in the workplace in each country.

## **Hypothesis 2**

Airlines based in countries with low power-distance gradients (PD) and high individualism (IDV) will show a greater openness to learning (show a higher absorptive capacity).

To test this hypothesis: Hofstede's research on power distance and individualism-collectivism at school, and Cohen and Levienthal's absorptive capacity theory, are investigated to find out how national cultures affect airline learning.

## **Power Distance in learning**

Hofstede (1980) observed that each person carries mental programming influenced by his or her society and accumulated since childhood, even before they enter the workplace, where school is the primary source of local cultural foundations for each individual. Cohen and Levinthal's (1989) proposition was that absorptive capacity was the ability of a firm to recognize the value of new, external information, to assimilate it, and to apply it to commercial ends.

The relative differences of absorptive capacity between the seven international airlines under study are correlated with the cultural differences between their home nations and cultures. The relative differences between large and small power distance in the school are illustrated in table 2.8 and 2.9, and support what is observed in more detail in relation to PD and IDV.

Airlines' absorptive capacities, as measured through Hofstede's power distance index and the airline power distance indices are illustrated in table 4.1. This index predicted individual behaviour as well as airline corporate culture in the nation, which affects the level of absorptive capacity.

## **Individualism-Collectivism in learning**

The objective of this research is aiming to achieve the relative differences of airline absorptive capacity that affected by individualism-collectivism culture among these seven international airlines. Hofstede (1980) framework, which examined the relative differences between individualism and collectivism in the school as illustrated in table 2.10 is adopted.

Similarity with power distance conceptual, airlines absorptive capacity to be measured throughout Hofstede's individualism index and airlines individualism index as it is illustrated in table 4.1. This index predicted individual behavior as well as airline corporate culture in the nation, which affect the level of absorptive capacity.



### **3.6 Conclusions**

This research is intended to provide a close analysis and useful contribution to the study of cultural differences as they impact on airline corporate decision-making. Identifying the consistency, or inconsistencies, of airline corporate cultures with national cultures (in a contemporary airline environment) allows the applicability of Hofstede's parameters to the industry to be tested.

The nature of the airline business as a going concern makes experimental research difficult. The post positivist approach is appropriate here, testing existing theory in a novel environment to see if the earlier findings hold true (Creswell, 2009). The following chapter reports the results of the analysis conducted by using the methodologies outlined in this chapter.

## **Chapter Four. Results**

### **4.1 Introduction**

As stated in Chapter Three, a mixed method approach has been adopted for this research. The research seeks to replicate, in a small-scale study, Hofstede's (1980) national culture findings through analysis of interviews undertaken with senior management at the subject airlines. In undertaking this research, there is a conscious effort to ensure that the research is conducted in a way that is as unbiased and neutral as possible (Miller, 2000). The researcher recognizes that an independent and objective approach is challenging where access to the senior executives interviewed was achieved through earlier professional contacts.

As described in Chapter Three, the research began with face-to-face interviews, utilizing unstructured and open-ended questions. These were conducted with senior managers of seven international airlines: Lufthansa (LH), Swiss International (LX), Qantas Airways (QF), Japan Airlines (JL), All Nippon Airways (NH), Singapore Airlines (SQ), and Thai Airways International (TG). The interviews were transcribed to permit analysis to be undertaken to identify the incidence of Hofstede's keywords in each of the interviews. The transcribed interviews are attached as appendices to this thesis.

This chapter reports the findings, outlines the interpretation of the data, and details conclusions drawn from the results. These results are positioned to address the research questions and hypotheses outlined in Chapter Three.

A significant concern during the study was the uncertainty of the economic environment for the participant airlines during the period 2009-2010. Airlines in the research showed both positive and negative financial results. External factors such as the fuel price, natural disasters, and global financial instabilities are not separately accounted for in this research. It was assumed that the global reach of the airlines studied exposed all participant airlines to these factors.

In any case, internal factors relating to corporate culture are the prime focus here, and the research considers how different airlines operate within different national cultures in the same economic environment.

Organization cultural differences include elements other than those that make up national cultural differences. These differences can be explained to a large degree by referring to the different places of socialization of the individual within their cultural values and practices (Pascale, 1985).

In analyzing the interviews it became clear that Hofstede's power-distance and individualism factors do not explain the relative differences among the airlines studied. No airline matched its national culture, and airlines shifted from their predicted national cultures in various directions and to varying degrees. This is particularly evident for the Japanese carriers Japan Airlines and All Nippon Airways that differ between themselves in their respective differences from Japanese culture.

The variations among the studied airlines are interesting in that they do not follow any consistent pattern in their differences from Hofstede's parameters. The results are plotted in the diagram in Table 4.11.

## **4.2 Research Approaches and Discussions**

The exploratory interviews of this research, and their narrative data, were the key tools to develop an understanding of contemporary airline management culture. Following Hofstede's work, this research compares the interviews with airline managers against their expected national culture characteristics.

Consistency (or inconsistency) with the expected national characteristics allows some assumptions to be drawn by managers about the reliability of Hofstede's perspectives when considering airlines' responses to national culture. The spread of countries, with only Japan Airlines (JL) and All Nippon Airways (NH) co-located in a single country, allows this research to consider the degree of conformity to the expected behaviours over a range of nationalities (Hofstede, 2005). The two Japanese carriers allow an

additional perspective of ownership to be considered, as JL was renationalized and under state ownership during the research while NH is a stock market listed business.

As much of the airline product offer is generic, and similar regulatory regimes exist internationally, national culture stands out as a significant difference to consider in studying the industry. This recognizes that organizations have established value systems, which are arguably impacted and shaped by their national culture and value systems (Hofstede, 1985).

### **4.3 National Cultures and Airline Corporate Culture**

Hofstede (2005), and Newman and Nollen (1996) emphasized that the differences among nations reflect different ways of thinking, feeling, and acting. The founders and leaders of firms bring these differences in their national culture as they shape their organizational cultures, and introduce individual behaviours that are eventually observed through shared practices (Hofstede et al. 1990). All of the airlines considered in this research have long operating histories and are long separated from their founders.

As identified in Chapter Three, the comparison between national culture and airline corporate-culture was established by measuring the frequency of keywords in the interviews. Net scores reported in this chapter in both power-distance and individualism reflect the research findings. Interview results were scaled to allow direct comparison with Hofstede's (1980) values.

Identifying Hofstede's dimension of power distance in the interview transcripts allows the inequality of power within the various airlines to be compared with the value predicted for their home culture. The interview questions sought responses that reflected each airline's hierarchy system, its degree of centralization, and the flatness of the organizational structure.

In Chapter Two, mental programming accumulated from family, school, and workplace, was identified as an early basis for national culture. Hofstede's 1980 research extended this to the workplace. The ability of staff to bring different ideas to managers is applied

as a measure of power distance in organizations. Those that encourage open discussion and participative decision-making are the organizations with lower power distance gradients.

The findings of this research demonstrate some consistencies, but in most cases inconsistencies, with Hofstede's findings. The following section outlines the comparisons between the airline research results and their home country national cultures.

Table 4.1 Summary of Power Distance and Individualism Index Scores for Airlines Interviewed and Hofstede Predicted

Airline	Hofstede Predicted		Research results		Difference	
	PDI	IDV	PDI	IDV	PDI	IDV
Germany - LH	35	67	61.5	38.1	26.5	-28.9
Switzerland - LX	26	69	0	82.7	-26.0	13.7
Australia - QF	36	90	7.7	41.1	-28.3	-48.9
Japan - JL	54	46	100.0	0	46.0	-46.0
Japan - NH	54	46	16.7	33.3	-37.3	-12.7
Singapore - SQ	74	20	50.0	61.2	-24.0	41.2
Thailand - TG	64	20	80.0	0	16	-20.0

## Results by Country.

*Lufthansa:* Power distance index 61.5, Individualism index 38.1

*Germany:* Power distance index 35.0, Individualism index 67.0

Germany is more likely to exhibit lower inequality of power within its society, suggesting a culture in organizations where the expression of ideas different from their managers is encouraged, and decision-making is likely to be consultative. Additionally, as an individualist national culture, German organizations should value the achievement of individual results and rewards, valuing personal independence.

The interview findings indicate that the German flag-carrier Lufthansa is inconsistent with Hofstede's prediction from national culture, and appears to adopt collectivist decision making at a senior management level. Skill training appears important, while the findings indicate that Lufthansa corporate decision-making involves less participation from staff.

*Swiss International – Power distance index 0, individualism index 82.7*

*Switzerland - Power distance index 26, Individualism index 69*

Switzerland is another culture that Hofstede's parameters predict to have a low inequality of power. An expression of different ideas from managers can be expected to be encouraged and, decision-making is more likely to be consultative. Additionally, as a more individualist national culture, the Swiss are likely to value individual achievements, results and rewards.

The research finds that Swiss International is consistent with Hofstede's prediction, with consultative decision-making between staff and management, and an environment where expression of different ideas is always welcome. Moreover, findings suggest that staff have the freedom to adopt their own approaches, and see their jobs as challenging. Swiss International management and staff usually consult each other before reaching major corporate decisions. The airline rewards personal value, and enables its staff to pursue a challenging job, with freedom at work.

*Qantas Airways - Power distance index 7.7, Individualism index 41.1*

*Australia - Power distance index 36, Individualism index 90*

Hofstede's research identifies Australia as another lower power-distance and more individualist country.

The research findings indicate that Qantas Airways is only partly consistent with Hofstede's predictions. The lower power-distance culture encourages staff to express their ideas, promotes consultation between management and staff before reaching major decisions. Qantas Airways' focus on skills training and development for staff delivers a more collectivist position on the individualism parameter. While there is no evidence

from the interview, the need for broadly consistent service standards over a large customer contact workforce and the requirement for standardized safety training may contribute to this variation.

*Japan Airlines - Power distance index 100, Individualism index 0*

*All Nippon Airways - Power distance index 16.7, Individualism index 33.3*

*Japan - Power distance index 54, Individualism index 46*

Unlike Australia or Switzerland, Hofstede identifies Japan as a large-power distance and strongly collectivist country. It suggests a society of inequality of power, where paternalistic or autocratic decision-making can be expected as the norm in a Japanese organization.

Japan Airlines is found to demonstrate an even stronger degree of power-distance and collectivism than is predicted for the national culture. Decision-making is always from the top management level or board of director level. Work goals appear to be dependent on the airline and its structures and control.

Conversely All Nippon Airways' power-distance score is lower than either its competitor or the predicted national value. Individualism however is more consistent with Hofstede's prediction. This variability within the airline industry in Japan underlines the findings in this research, that while Hofstede's research defines broad national characteristics, in a globalized business environment corporate cultures and the views of senior management will vary between companies from those broad characteristics.

*Singapore Airlines - Power distance index 50, Individualism index 61.2*

*Singapore - Power distance index 74, Individualism index 20*

Singapore was identified in Hofstede's research as a country with a higher power - distance score and a more collectivist culture. Singapore Airlines scores vary significantly from the national values, and in the opposite direction from the earlier Japan Airlines example, despite both airlines being in effective state ownership. Singapore as a nation has made considerable changes since the Hofstede research was

conducted, reaching developed nation economic status. While no evidence is available in this research to support an assertion that there may be a shift due to changing economic status, it is an avenue for further study.

*Thai Airways International - Power distance index 80, Individualism index 0*

*Thailand - Power distance index 64, Individualism index 20*

According to Hofstede, Thailand is a high power-distance and more collectivist country. Inequality of power and paternalistic or autocratic decision-making can be expected in a Thai organization. The findings indicate that Thai Airways International is consistent with Hofstede's national culture predictions in the measures of both power distance and individualism. Corporate decision-making is always from the top of the organization, at a senior management or board director level. Additionally, work goals appeared to be dependent on the airline's structure and hierarchy.

With limited staff participation in decision-making, employees are identified as reluctant to express any new ideas, or to express any different ideas from those of their managers. Open discussion rarely occurs.

#### **4.3.1 Power Distance in the Workplace - Airline Power Distance Keywords**

To allow the interpretation of differences between the corporate cultures of the airlines in this research and Hofstede's parameters, keywords drawn from Hofstede were counted in the transcribed interviews. The keywords were chosen to follow the keywords identified in Hofstede's (1980) research, as illustrated earlier in table 2.2. The airline power distance keywords identified in the transcript analysis are exhibited in table 4.2.



Table 4.2 Airline Power Distance Keywords

Airline	Power Distance Keywords
<b>Lufthansa</b>	Leadership, Flexible, Decentralize, Portfolio business, Cost control, Empowered, Own responsibilities, Effective communication, Open discussion.
<b>Swiss</b>	Address change, Priorities, New idea, Cost control, Young staff bring ideas, Encourage.
<b>Qantas</b>	Young staff, Smart management, Speak up, Encourage, Engagement, Formal and informal.
<b>Singapore</b>	Hierarchy, Central decision, Joint effort, Challenge, Make it happen, Reactive, Execution, Teamwork, Engagement.
<b>JAL</b>	Decision from top, Centralized, Board level, CEO implementation, internal procedure.
<b>All Nippon</b>	Decision from top, Open to listen, Make it happen, Seniority role and responsibilities, Lower level can advise, Speak up.
<b>Thai Intl</b>	Board level, Decision from the top, Staff can share idea.

### Small and Large Power Distance Keywords

Various keywords express both positive and negative facets of Hofstede's parameters. The distinction between greater and small power-distance keywords among these airlines is identified in table 4.3.

Table 4.3 Small and Large Power Distance Keywords

Power Distance (PD)		
Small Power Distance		Large Power Distance
Keywords Identified from Interview		
LH	Decentralize, Responsibilities, Flexible, Empowered, Listen for advice, Open Discussion.	Leadership, Management top-down Decision.
LX	Flexible and Address Change, Welcome New Ideas, New Idea Development, Initiatives, Young Staff bring Ideas.	Priorities.
QF	Young and Smart Management, Speak Up.	Formal and Informal.
SQ	Team Work, Joint Effort, Challenge.	Hierarchy, Central Decision.
JL	Non Identified	Board Level, Decision from the Top, Centralize, C.E.O. Implementation.
NH	Lower Level Can Speak Up, Open to Listen.	Decision from the Top, Seniority Role and Responsibilities.
TG	Staff Can Share Idea.	Board Level, Decision from the Top.

The power-distance index indicates the likelihood of employees being afraid to express disagreement with their manager, and the manager's decision-making style (Hofstede, 2005: 42). Hofstede's power distance parameter is shown in Table 4.4.

Table 4.4 Measuring Power Distance among Airlines

Measuring Power Distance among Airlines	
<p>Concepts:</p> <div> <p>Power Distance Index (PDI) from Airlines survey dealt with perceptions of subordinates dealing with superiors:</p> <p>Employees are able to express their own ideas, either agreeing or disagreeing, to their superiors.</p> <p>Decision-making within organizations tends to be autocratic or persuasive style.</p> <p>To perform decision making, is there a consultative, autocratic or persuasive style, between superiors and subordinates.</p> </div>	<p>Questionnaire:</p> <div> <p>With the world situation especially with economic downturn what is your company response to the change, where is the decision-making coming from? Is it from the top, board of directors, or staff has a chance to make decisions as well?</p> </div>

### **Airlines Index versus National Index – Quantitative Approach**

Airline scores were counted using each airline's interview transcript. The frequency of keywords was used to indicate the facets of national culture. Detailed tables are attached as appendix 3. A summary of the net values of the analysis is shown in Table 4.5 below

Table 4.5 Power Distance Airline Workplace Analysis

<b>Power Distance: Keyword results</b>	<b>LH</b>	<b>LX</b>	<b>QF</b>	<b>JL</b>	<b>NH</b>	<b>SQ</b>	<b>TG</b>
Communication	0	0	17	0	0	0	0
Listen/Express Idea	1	3	0	0	5	2	1
Consideration	2	0	0	0	0	0	0
Responsibility	2	0	0	0	0	0	0
Management Decision/Collective Decision	7	0	2	7	1	6	4
Leadership	1	0	0	0	0	0	0
Initiative	0	12	7	0	0	0	0
Staff decision	0	0	0	0	0	4	0

### **4.3.2 Individualism and Collectivism in the Workplace**

#### **Measuring Individualism-Collectivism in Airlines**

Despite their global networks and relatively generic services, this research shows that airlines have a wide range of corporate cultures and approaches to decision making. The measurement of the differences among the researched airlines is exhibited in table 4.5. To transform qualitative data to a quantitative approach, numeric values were calculated from each keyword expressed during the interview session with each airline. Qualitative and quantitative values of power distance in the workplace are exhibited in table 4.10.

### Airline Individualism Keywords

To measure differences between the corporate cultures of these airlines, the interviews were transcribed, and then scanned, to identify the keywords. The keywords were chosen to follow the keywords identified in Hofstede's (1980) research as illustrated in table 2.6. Table 4.6 reports airline 'individualism' keywords.

Table 4.6 Airline Individualism Keywords

LH	Flat organization, Challenging, Enthusiastic/Recognition younger staff, Efficient department, Open discussion, Career part development, Training, Skills, Experience, No seniority, Cost control.
LX	Flat organization, Initiatives, New idea, Encourage fresh idea, Freedom, Challenge, Management, Merit, Relation.
QF	Encourage freethinking, Freedom, Skill, Group, Relation, and Improvement.
SQ	Challenge, Decision, Group, Skill, Management, Control, Talent.
JL	Traditional but open for discussion.
NH	Decision, Recognition, Skill.
TG	Supportive.

## Individualism and Collectivism Keywords

The distinctions between individualism-collectivism among these airlines are identified in table 4.7.

Table 4.7 Individualism-Collectivism Keywords

### Keywords:

Individualist – Collectivist (IDV)		
Collectivist		Individualist
Keywords identified from interview		
LH	Cost control, Management-decision, Skills, Training.	Flat Organization, Challenging, Enthusiastic/Recognition Younger Staff, Efficient department, Open Discussion, and Experience.
LX	Management-decision.	Flat Organization, Encourage, Freedom of Thinking, Challenge, Merit, Working relation.
QF	Group,	Encourage Freedom of Thinking, Freedom, Skills, and Improvement, Working relation.
SQ	Management-decision, Group, Control.	Challenge, Decision, Skill, Talent.
JL	Cost control.	Skill, Decision
NH	Management-decision.	Recognition, Skills.
TG	Supportive.	

The individualism index identifies the importance of work goals such as personal time, the freedom to adopt one's own approach to work, and an appetite for challenging work and training (Hofstede, 2005: 76). To measure individualism among airlines, Hofstede's parameter was adopted as displayed in Table 4.8.

Table 4.8 Measuring Individualism-Collectivism in Airlines

Measuring Individualism-Collectivism in Airlines	
Concepts:	Questionnaire:
Employees challenging themselves to do work to achieve self-accomplishment.	If you happen to have bright management trainee whom can foresee business opportunity, how would you like to handle him: putting him back to the department and reporting to manager or let him has a chance to work directly with you?
Training opportunities for employees to improve skills.	
Employee’s recognition for their good jobs.	
Freedom for employees to adopt their approaches to the job.	
Employees fully used their skills and abilities for their jobs.	

### Individualism and Collectivism in the Workplace Analysis

A similar approach was adopted for individualism scores to that with the power distance measures. Again the frequencies of keywords expressed during the interview session with each airline were counted. The values for individualism keywords in the airline workplace are exhibited in table 4.9.

Table 4.9 Individualism Airline Workplace Analysis

<b>Collectivism: Short-Term by Airlines</b>	<b>LH</b>	<b>LX</b>	<b>QF</b>	<b>JL</b>	<b>NH</b>	<b>SQ</b>	<b>TG</b>
Management Decision (Group)	10	5	3	10	1	7	5
Individual Decision	7	17	0	0	0	15	0
Personal Time	0	0	0	0	0	0	2
Challenge	0	0	0	0	0	0	0
Training	0	0	5	0	0	0	0
Recognition	0	3	0	0	1	0	0
Freedom	0	1	2	0	0	0	0
Advancement	0	0	1	0	0	0	0
Manager/Staff relation	1	1	4	0	0	0	0
Use of Skills	3	0	2	1	1	7	0

#### **Airline Individualism versus National Individualism (Hofstede)**

Airline scores were counted based on answers received from each airline. The repeating keyword represents the degree of national culture, power distance and individualist-collectivist culture in the workplace; detailed tables are attached as appendix 4.

#### **Power Distance and Individualism-Collectivism Workplace**

The process to convert the interview keywords to a numeric value to compare with Hofstede's parameters was outlined in Chapter Three.

The detailed results for power distance and individualism are exhibited in table 4.10, and detail of calculation is exhibited in appendix 6.



Table 4.10 Airline Power Distance Index (PDI) and Individualism Index (IDV)

Airlines	Power Distance Index	Individualism Index
LH	61.538	38.095
LX	0	82.758
QF	7.692	41.176
JL	100	0
NH	16.666	33.333
SQ	50	61.290
TG	80	0

### **Power Distance and Individualism among Nations**

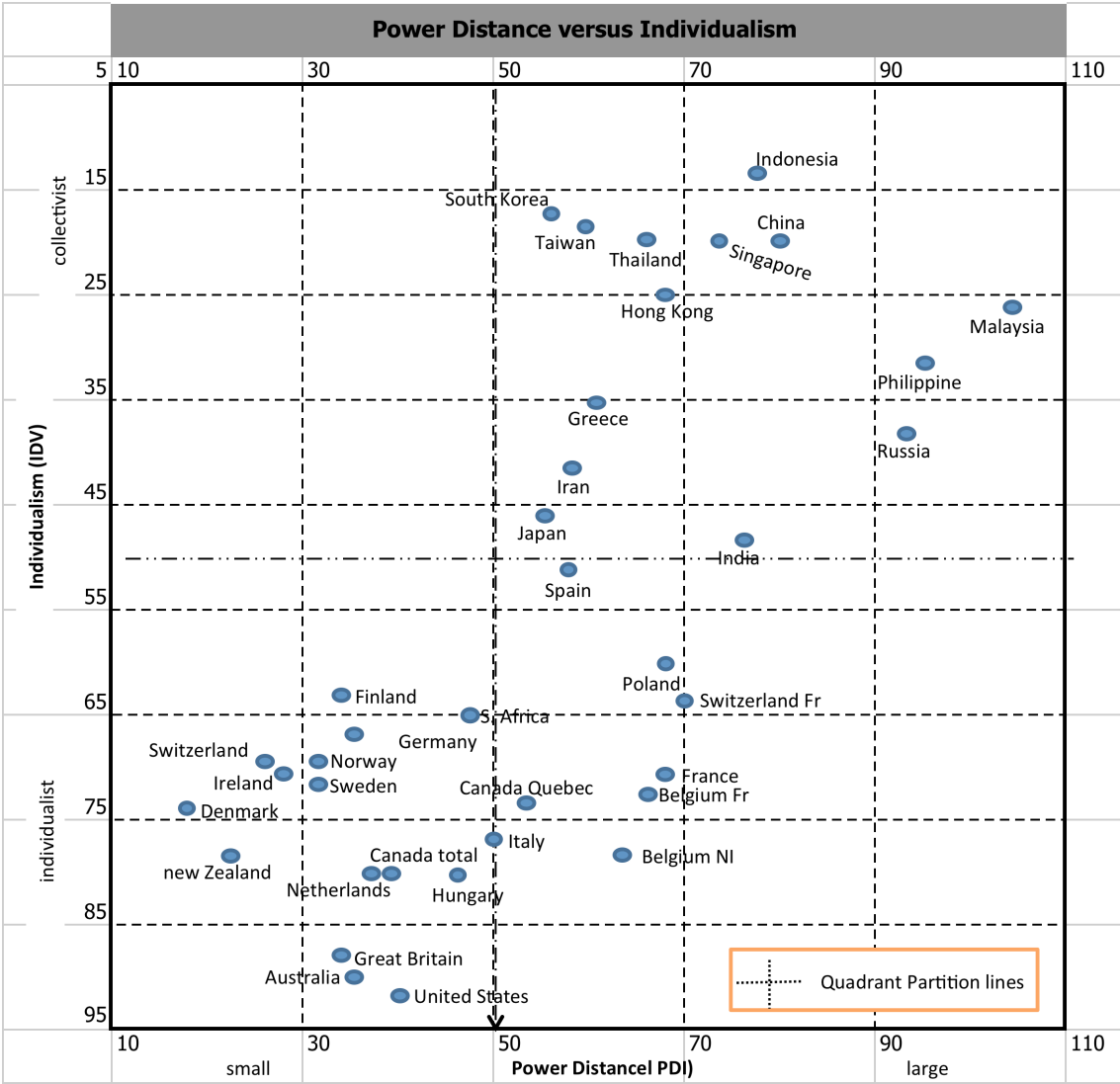
#### **Hofstede's Correlation between Power Distance and Individualism**

Hofstede's research found that there is a negative correlation between power distance and individualism (2005: 82). Countries that produce a high score on the power distance index are found to have a low score on the individualism index and vice versa. Table 4.11 shows that this relationship was found for five of the seven airlines studied. Qantas and All Nippon were exceptions with lower power-distance occurring alongside reduced individualism.

Table 4.11 Variations between National Cultures and Airline Corporate Cultures

Airlines	Power Distance Index	Individualism Index
QF, NH	Decrease	Decrease
LX, SQ	Decrease	Increase
LH, JL, and TG	Increase	Decrease

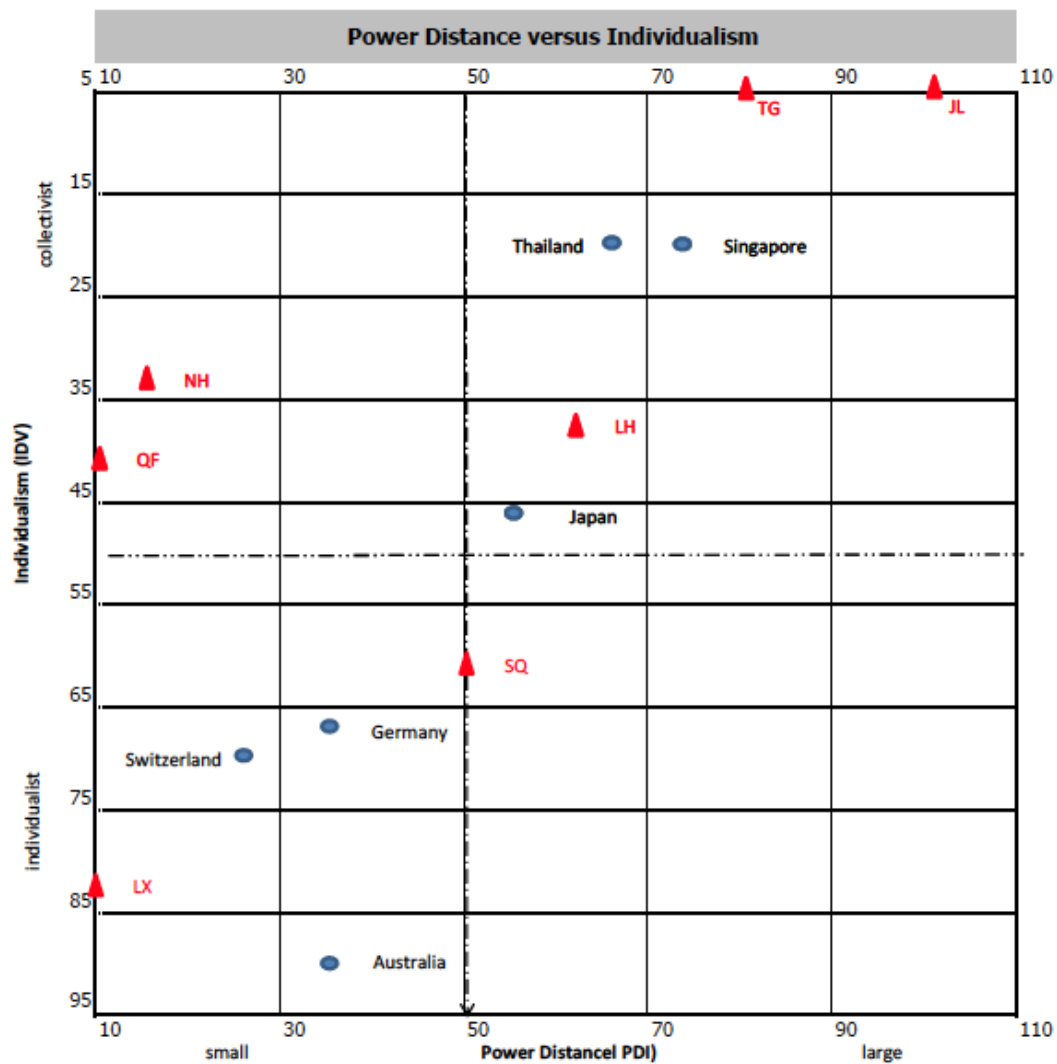
Figure 4.1 Broader Power Distance versus Individualism Interaction



### Power Distance and Individualism among Nations and Airlines

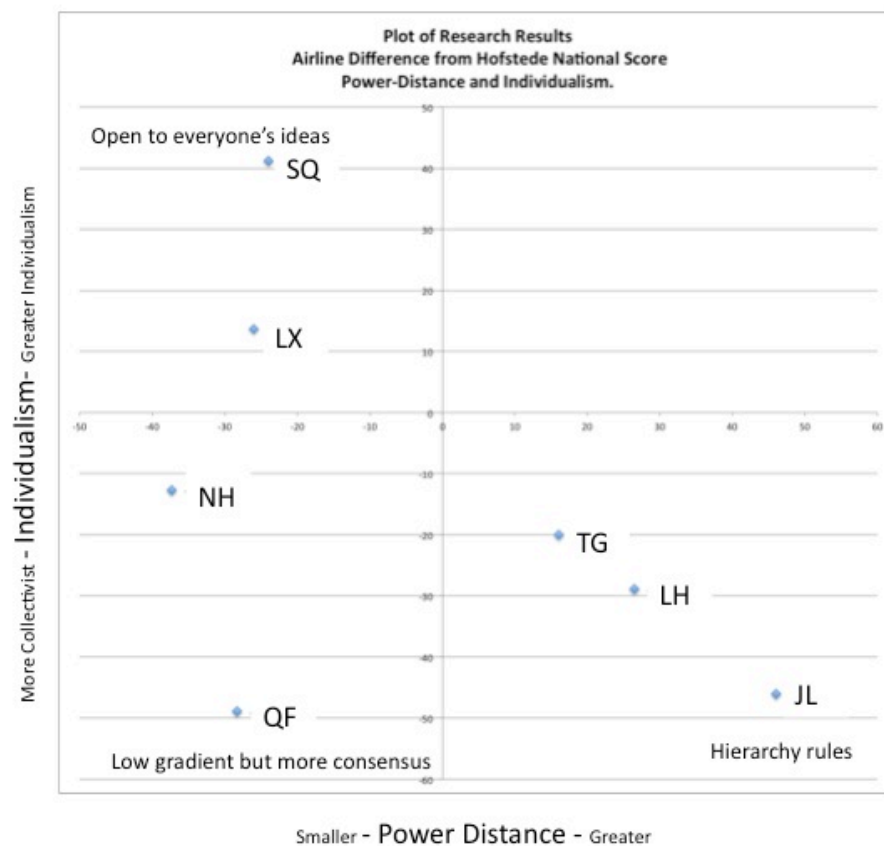
To demonstrate the relationship between nations and airlines, the details of national results from Hofstede's research were re-plotted against this researches airline results in figure 4.2.

Figure 4.2 Power Distance and Individualism Index among Nations



The results of this research indicate that there are variable relationships between airlines' corporate cultures and Hofstede's national cultures. The following chart breaks the results of this research into four quadrants. Airlines in the quadrant with greater individualism and lower power-distance than their national culture predicts are categorized as more open to everyone's ideas. Those categorized with a higher power – distance gradient and less individualism are categorized as hierarchy rules. The remaining two airlines with the unexpected decrease in both power-distance and individualism were categorized as low gradient but more consensus.

Figure 4.3 Airline Corporate Culture Difference from Hofstede National Score



Interestingly, no airline was close to its predicted result. All but Swiss and Singapore Airlines were notably more collectivist than their national cultures would have suggested. The two Japanese carriers trended in opposite directions on power-distance, and Qantas, from highly individualist Australia exhibited the greatest increase in conservatism.

#### 4.4 Hypotheses Testing

International airlines, in terms of their operations, are among the most international of industries, yet in terms of their ownership and control, they are almost exclusively national. There is a very high degree of commonality in airline operations, regulation, aircraft type, airports, suppliers, and distribution systems amongst all air carriers.

#### **4.4.1 Results of Hypothesis (1)**

Hypothesis 1: Hofstede's (1980) findings with regard to the national culture parameters of power-distance and individualism will be evident in the management culture of major international airlines.

With no airline matching its predicted national culture, and with two airlines demonstrating results that fail to replicate Hofstede's predicted interaction between power-distance and individualism, there is little evidence that this hypothesis is supported.

While the study is small, the identification of two carriers in a single country with opposite results, along with the inconsistent interaction between the parameters, suggests that this hypothesis should be rejected.

#### **Interview Extracts – Small Power Distance Cultures**

Even in the case of Lufthansa that proved to be more conservative than the German national culture, examples exist of openness to change.

*“Normally, in Lufthansa we have a culture (where) (that) young people and even trainees ... (they) have a chance to talk to the managers or higher managers directly.”*

Senior Executive Vice President, Lufthansa.

In small power distance countries, the expected behaviour is to be decentralized, with fewer hierarchies, and more perceived equality between superiors and subordinates.

*“It is clear that what needs to happen is (involvement); also new ideas and change initiatives... and they would need to make sure that the staff, also junior staff, young people, have the opportunity to bring their ideas forward.”*

Cargo executive, Swiss International

## Interview Extracts – Large Power Distance Cultures

The distinctions between small and large power distance from this research stand out in comparison with national scores.

The interviews with senior managers at Japan Airlines and Thai Airways International identified that decision-making was mostly delivered from a top management level. With limited staff participation in decision-making, employees are identified as reluctant to express any new ideas, or to express any different ideas from those of their managers. Open discussion rarely occurs.

*“We have to decide every top issue in the board meeting and finally (refer it to the) CEO”* Executive Officer, Japan Airlines.

*“Mostly and commonly decision making comes up from the board and CEO”* Executive Vice President Operation, Thai Airways International.

In contrast, unexpected findings were the results of All Nippon Airways and Singapore Airlines, where the airline management culture demonstrated a lower power distance than the national score, and where staff participation and the expression of both new and different ideas are perceived as positive.

*“Any staff can make a suggestion and say ‘can we maybe change or improve on this matters’ we accept suggestions from them”* Senior Marketing Executive, Singapore Airlines.

*“The final decision will be done by senior executives or by function but almost every employee is able to come into the process itself”* Executive Vice President, All Nippon Airways.

### **Interview Extracts - Individualist Cultures**

Through work practice changes, airlines from more individualist cultures, Lufthansa and Qantas, unexpectedly demonstrated lower scores in individualism compared to Hofstede's findings. Training and the use of skill improvement for operational consistency appeared to be factors in this unexpected result.

### **Interview Extracts - Collectivist Cultures**

Japan Airlines demonstrates a more collectivist organization than Japan's national culture, while All Nippon Airways' results indicate less collectivism in the corporate culture. Hofstede's research indicated that individualist countries are likely to be wealthy. Japan has a score in the mid-range of Individualism index (IDV) and is a high power distance country. Hofstede's (2001: 250-251) observations were based on year 1970 Gross National Product (GNP) per capita in the countries studied.

According to World Bank data, as of 2010, Japan's industrialized, free market, economy is the second largest in the world. The Gross National Income (GNI) per capita was reported at USD 34,640.00 According to Hofstede, Japan, as a wealthy country should show a higher individualism score.

Hofstede (2000) and Newman and Nollen (1996: 754) suggested that although nations evolved along with economic development and technology innovations, national cultures could remain stable over time, appearing impervious to change. As stated in chapter 2, organizations have value systems which form part of their organization's culture, and these value systems show a national component reflecting the nationality of the organization's founders. Founders of organizations bring the mental programming of their national culture, leading to the founder's national values appearing to be reflected in the values of their organizations, even where the organization has a multinational operation. Moreover, the founders can have such an impact that they are the only ones who can fully shape the organization, and every person who joins later will, to some extent, have to adapt to the organization (Hofstede, 1985: 350).

This leads to the possibility that the difference between Japan Airlines and All Nippon is rooted in their establishment in the 1950s (All Nippon always as a commercial business but Japan Airlines as a state-owned flag carrier).

*“Japan Airlines (JAL) came in for a bit of old-style ministerial guidance. Taking issues with changes in JAL’s recruitment policies, newly appointed Transport Minister Shizuka Kamei made it clear the government still expects to have the last word on how the airline runs itself – even though it was free from formal government control in 1987”.* Far Eastern Economic Review (Smith, 1994)

### **The case of Singapore.**

Hofstede’s (1980) research identified Singapore as a higher collectivist and higher power distance country. Results from the Singapore Airlines interview vary towards openness more than any other interview in the research from the interview, it appears that staff has the freedom to adopt their own approaches and to make decisions based on their perspectives.

*“In general we have a general management scheme where we let good people develop within the company”, as well as “we give them the exposure, and if they perform well then they have the opportunity to go up in the company”,* Executive Vice President, Singapore Airlines.

At the time of Hofstede’s research (1968-1972), Singapore had just separated from Malaysia, and became an independent nation in 1965. Malaysia has a high score of power distance and arguably, residual Malaysian national culture influenced Singapore in areas such as hierarchies and the centralization of power. Therefore, it is not unexpected that Singapore retained a high score of power distance and collectivism at the time of Hofstede’s research.

Since independence, Singapore has embarked on a modernization program that has focused on establishing manufacturing industry and investing heavily in public education. By the 1990s, the country had become one of the most prosperous nations,



with a highly developed free market economy, strong international trading links, and the highest per-capita gross domestic product in Asia, outside of Japan. Hofstede (2005) suggested that most wealthy countries score high on individualist cultural measures. Singapore and Japan appear as outliers on this perspective and the results from Singapore Airlines and All Nippon suggest there may be some variability between companies in both countries.

### **Training in the aviation environment**

In recent years, the competitive environment for airlines has changed, with new business models, new technology, and expanded products. A response to change has been reflected in these airlines providing training to improve staff skills. The Hofstede keywords that are linked to training and development tend towards increasing collectivist scores. The move by successful companies such as Qantas Airways to carry out training has contributed to a more collectivist representation of staff participation, even where flat organizations and independent decision-making are prominent.

In summary, the variations between nations and airlines are sufficiently significant to suggest that Hofstede's parameters cannot be successfully employed to predict airline corporate culture despite the strong nationality of airline ownership.

#### **4.4.2 Results of Hypothesis (2)**

Hypothesis 2: Airlines based in countries with low power-distance gradients and high individualism will show a greater openness to learning (i.e. show a higher absorptive capacity).

Absorptive capacity is the capability of an organization to absorb external knowledge. Learning is key to innovation in firms, and to adaption to changes in the competitive environment (Camison and Fores, 2010). An organization's absorptive capacity will depend on the openness to learning of its individual members as well as the firm's cumulative capacity to learn in total (Cohen and Levinthal, 1990: 131).

The expectation is that international airlines from small power distance cultures (e.g. Lufthansa, Swiss International, and Qantas Airways) will encourage staff to participate in decision-making, and the expression of new or different ideas. By contrast, in large power distance cultures, decision-making is mostly delivered from the top management. Airlines from larger power distance cultures, Japan Airlines, All Nippon Airways, Thai Airways International, and Singapore Airlines, would be expected to limit staff participation and to lose the possible innovations that might emerge.

*“Decision making mostly and commonly (it) comes up from the board and CEO”*  
Executive Vice President Thai Airway International.

*“We have to decide every top issue in the board meeting and finally (refer it to the) CEO”*  
Executive Officer and Vice President Japan Airlines.

The findings indicate that several airlines (Thai International, Japan Airlines and to a lesser extent Lufthansa) would be less open to learning than their home national cultures. Further the findings show, due to the variability identified in Hypothesis 1, that the capacity of an airline to learn and adapt is not well predicted by its national culture.

Hypothesis 2 is not supported by the findings of the research.

## **4.5 Conclusions**

Overall the findings of this research suggest that factors other than national culture are at play in the shaping of airline corporate cultures and consequently in airline decision making. While some evidence is limited, both Hypothesis 1 and Hypothesis 2 were found to be unsupported, while Hypothesis 3 offers tantalizing encouragement for further study.

These findings do not suggest that Hofstede's parameters do not continue to describe features of national culture. Rather the research findings indicate that corporate cultures of some larger airlines do not reflect the national cultures of their home states, and that care should be taken in imputing those national characteristics to the businesses.

## Chapter Five. Conclusion

This research has as its goal to explain the relationship between national culture and airline corporate culture. Hofstede's (1980) "Dimensions of National Culture" were adopted as a framework within which to predict airlines' corporate cultures.

Previously, airlines were identified as national flag carriers, transport organizations tied to their home countries, regulated to require a majority of local shareholders, and airline corporate cultures were therefore extremely likely to demonstrate national cultures.

Lufthansa (LH), as a German airline, Swiss International (LX) as a Swiss airline, and Qantas Airways (QF) as an Australian airline should demonstrate small power distance and individualist cultures in their organizations, however, the results from this research indicate that these airlines have shown a higher degree of collectivist culture, at variance from Hofstede's (1980)'s predictions, (although this result appears to derive to an extent from the application of Hofstede's own observation about company-sponsored training being a 'collectivist' strategy).

Furthermore, Singapore Airlines has shown the ability to shift towards small power distance and more individualist culture in their organization, away from the same observation for the Singaporean national culture, as a collectivist country.

The unexpected shifts between individualist and collectivist cultures continue to re-appear in relation to training, as noted above. This result, particularly in its definition, and the results on the three hypotheses in general, indicate that these variations in relation to the national cultures studied by Hofstede (1980), and the results from this research, invite further study.

This research has quantified the impact of national culture toward airline corporate culture and considers its effect on corporate decision-making. The results of this research also offer an indication that airline ownership, and in particular state-ownership (that remains widespread in the airline industry) appears to have an impact on airline corporate decision-making. This factor may be exacerbated by state-ownership being more common in cultures that are less open to learning, and more hierarchical.

While State-owned airlines appear to have less freedom to perform effective decision-making in more collectivist cultures, this appears not to be a universal problem. The stand-out in this regard was Singapore Airlines that although state-owned, faces low state interference, having the freedom to choose its strategy in response to the challenges of its business. This stands the Singaporean company apart when compared with the other state-owned airlines in this research - Japan Airlines and Thai Airways International.

The performance of state-owned and privately owned airlines in their ability to respond to the crises and challenges of the aviation business invites further research and study.

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# Appendices

## Appendix 1 Airlines

### **Lufthansa (LH)**

Senior Executive Planning

Senior Executive Human Resources

### **Swiss International (LX)**

Senior Cargo Executive

### **Japan Airlines (JL)**

Senior Corporate Executive

Senior Cargo Executive

Cargo Operation Executive

Senior Cargo Manager

### **All Nippon Airways (NH)**

Board of Directors

Senior Corporate Executive

Senior Manager Corporate Affairs

### **Singapore Airlines (SQ)**

Senior Commercial Executive

Senior Operation Executive

### **Thai Airways International (TG)**

Senior Operation Executive

Commercial Executive

### **Qantas (QF)**

Senior Commercial Manager

## Appendix 2 Airline Power Distance Keywords versus National Power Distance IBM

### Index

Airline Power Distance keywords versus Hofstede National Power Distance Index			
Power Distance			
LH - Lufthansa (German Airlines)		Germany	
Small PDI	Large PDI	PDI: 35	IDV: 67
Decentralization, fewer - Supervisory: such as, flexible, empowered, listen to staff advice, two ways communication.	Hierarchy, more - Supervisory: such as, cost control policy, leadership, and management top-down decision.		
LX - Swiss International (Swiss Airlines)		Switzerland	
Small PDI	Large PDI	PDI: 34	IDV: 68
Decentralize, fewer – Supervisory, non – Hierarchy: such as, flexible and address change, welcome new idea, young staff brings idea and staff encouragement.	Hierarchy: such as, priorities.		



QF - Qantas (Australian Airlines)		Australia	
Small PDI	Large PDI	PDI: 36	IDV: 90
Non – Hierarchy: such as, young and smart management, speak up, encourage and engagement.	Hierarchy: such as, formal and informal		
JL - Japan Airlines (Japanese Airlines)		Japan	
Small PDI	Large PDI	PDI: 54	IDV: 46
	Hierarchy, Centralization, Supervisory: such as, board level meeting, decision from the top.		
NH – All Nippon Airways (Japanese Airlines)		Japan	
Small PDI	Large PDI	PDI: 54	IDV: 46
Subordinates consulted, fewer – Supervisory: such as, lower level can speak up, open for new idea.	Hierarchy, Centralization, Supervisory: such as, Decision from the top, seniority role and responsibilities.		

SQ – Singapore Airlines (Singapore Airlines)		Singapore	
Small PDI	Large PDI	PDI: 74	IDV: 20
Manager's experience, Decentralize, fewer – Supervisory: such as, team -work, joint effort- decision making, and young -employees.	Hierarchy, Centralization: such as, senior management.		
TG - Thai Airways International (Thai Airlines)		Thailand	
Small PDI	Large PDI	PDI: 64	IDV: 20
Subordinates consulted: such as, staff can share idea.	Hierarchy, more – Supervisory, Centralization, board level, decision from top.		

### Appendix 3 Airline Power Distance Index versus National Power Distance (IBM)

#### Index - Results

Airline Power Distance Index versus Hofstede National Power Distance Index			
Power Distance			
LH - Lufthansa (German Airlines)		Germany	
Small PDI	Large PDI	PDI: 35	IDV: 67
Flexible (2), Responsibilities (2), Listen to staff (1)	Management Decision (2), Decision making- autocratic (5), Leadership (1)		
LX - Swiss International (Swiss Airlines)		Switzerland	
Small PDI	Large PDI	PDI: 34	IDV: 68
Encourage new idea (12), Young staff express idea (3)			
QF - Qantas (Australian Airlines)		Australia	
Small PDI	Large PDI	PDI: 36	IDV: 90
Encourage (7), Management-staff communication (17)	Management decision (2)		

JL - Japan Airlines (Japanese Airlines)		Japan	
Small PDI	Large PDI	PDI: 54	IDV: 46
	Board level meeting (5), Management decision (2)		
NH – All Nippon Airways (Japanese Airlines)		Japan	
Small PDI	Large PDI	PDI: 54	IDV: 46
Listen to new idea (4), Staff express idea (1)	Management decision (1)		
SQ – Singapore Airlines (Singaporean Airlines)		Singapore	
Small PDI	Large PDI	PDI: 74	IDV: 20
Staff decision making (4), Staff suggestion (2),	Management decision (6)		
TG - Thai Airways International (Thai Airlines)		Thailand	
Small PDI	Large PDI	PDI: 64	IDV: 20
Staff express idea (1)	Board level decision (2), Decision from the top (2)		

## Appendix 4 Airline Individualism versus National Individualism - IBM Index

Airline Individualism versus Hofstede National Individualism Index
Collectivism – Individualism

LH - Lufthansa (German Airlines)		Germany	
Collectivist	Individualist	PDI: 35	IDV: 67
Management of groups: such as, cost control, management-decision.	Employees – economic men, Hiring and Promotion – skills and rules, Management of Individuals, Honest Sharing of Feelings: such as, challenging, skills, and open- discussion, working relation.		

LX - Swiss International (Swiss Airlines)		Switzerland	
Collectivist	Individualist	PDI: 34	IDV: 68
Management of groups: such as, collective decision.	Employees – economic men, Hiring and Promotion – skills and rules, Management of Individuals, Honest sharing of feeling: such as, challenging, initiatives, new idea, working relations, development, challenging, and freedom of thinking.		
QF - Qantas (Australian Airline)		Australia	
Collectivist	Individualist	PDI: 36	IDV: 90
Management of groups: such as, collective decision.	Employees – economic men, Hiring and Promotion – skills, working relation, Management of Individuals, Honest Sharing of Feelings: such as, encourage freedom of thinking, employee skills, working relationships, and improvement.		

JL - Japan Airlines (Japanese Airlines)		Japan	
Collectivist	Individualist	PDI: 54	IDV: 46
Employer – Employee relation – moral: such as, cost control, management decision.	Management of Individuals: such as, skills.		
NH – All Nippon Airways (Japanese Airlines)		Japan	
Collectivist	Individualist	PDI: 54	IDV: 46
Management of Groups: such as, management-decision.	Hiring and Promotion Decisions – skills and rules, Management of Individuals: such as, recognition, skills.		

SQ – Singapore Airlines (Singapore Airlines)		Singapore	
Collectivist	Individualist	PDI: 74	IDV: 20
Employees are in – groups, Employer – Employee relation – family link, Management of Groups: such as, cost control, moral, family, group, management- decision.	Employees – economic men, Hiring and Promotion Decisions – skills, Employer- employee relation – labor market, Management of Individuals: such as, challenge, skills, individual decision, development.		
TG - Thai Airways International (Thai Airlines)		Thailand	
Collectivist	Individualist	PDI: 64	IDV: 20
Employer – Employee relation – family link, Management of Groups: such as, supportive, management-decision.			



## Appendix 5 Airline Individualism Index versus National Individualism Index

Airline Individualism Index versus Hofstede National Individualism Index			
Collectivism – Individualism			
LH - Lufthansa (German Airlines)		Germany	
Collectivist	Individualist	PDI: 35	IDV: 67
Management decision (8), Control (2), Skill (3)	Individual decision (7), Working relation (1)		
LX - Swiss International (Swiss Airlines)		Switzerland	
Collectivist	Individualist	PDI: 34	IDV: 68
Management decision (5)	New Idea (12), Initiatives (5), Merit (3), Challenge (2), Freedom (1), Working relation (1)		
QF - Qantas (Australian Airlines)		Australia	
Collectivist	Individualist	PDI: 36	IDV: 90
Group (3), Training (5), Skill (2)	Working relation (4), Freedom (2), Improvement (1)		

JL - Japan Airlines (Japanese Airlines)		Japan	
Collectivist	Individualist	PDI: 54	IDV: 46
Management decision (8), Control (2), Skill (1)			
NH – All Nippon Airways (Japanese Airlines)		Japan	
Collectivist	Individualist	PDI: 54	IDV: 46
Management decision (1), Skill (1)	Recognition (1)		
SQ – Singapore Airlines (Singaporean Airlines)		Singapore	
Collectivist	Individualist	PDI: 74	IDV: 20
Management decision (3), Control (2), Group (2), Skill (5)	Individual decision (15), Talent (2), Family (2)		
TG - Thai Airways International (Thai Airlines)		Thailand	
Collectivist	Individualist	PDI: 64	IDV: 20
Board level (4), Management decision (1)			

## Appendix 6 Detail of Calculation

Power Distance from interview					
Airline	large power distance / staff under control & less flexible	small power distance / staff can talk more & flexible	gross value	total score	final value
LH	8	-5	3	13	0.230769231
LX	0	-15	-15	15	-1
QF	2	-24	-22	26	-0.846153846
JL	7	0	7	7	1
NH	1	-5	-4	6	-0.666666667
SQ	6	-6	0	12	0
TG	4	-1	3	5	0.6

Power Distance converted to an equivalent Hofstede ranking		
Airline	Formula	
LH	$= 50 + (\text{final value} * 50)$	61.53846154
LX	$= 50 + (-1 * 50)$	0
QF	$= 50 + (-0.84615385 * 50)$	7.692307692
JL	$= 50 + (1 * 50)$	100
NH	$= 50 + (-0.66666667 * 50)$	16.66666667
SQ	$= 50 + (0 * 50)$	50
TG	$= 50 + (0.6 * 50)$	80

Individualism from Interview					
Airline	collectivist	Individualist	gross value	total score	final value
LH	-13	8	-5	21	-0.238095238
LX	-5	24	19	29	0.655172414
QF	-10	7	-3	17	-0.176470588
JL	-11	0	-11	11	-1
NH	-2	1	-1	3	-0.333333333
SQ	-12	19	7	31	0.225806452
TG	-5	0	-5	5	-1

Individualism converted to an equivalent Hofstede ranking		
Airline	Formula	
LH	$= 50 + (-0.23809524 * 50)$	38.0952381
LX	$= 50 + (0.655172414 * 50)$	82.75862069
QF	$= 50 + (-0.17647059 * 50)$	41.17647059
JL	$= 50 + (-1 * 50)$	0
NH	$= 50 + (-0.333333333 * 50)$	33.33333333
SQ	$= 50 + (0.225806452 * 50)$	61.29032258
TG	$= 50 + (-1 * 50)$	0

Airlines	Power Distance converted to an equivalent Hofstede ranking	Individualism converted to an equivalent Hofstede ranking
LH	61.53846154	38.0952381
LX	0	82.75862069
QF	7.692307692	41.17647059
JL	100	0
NH	16.66666667	33.33333333
SQ	50	61.29032258
TG	80	0

## Appendix 7 Ethical Approval



THE UNIVERSITY OF  
NEW SOUTH WALES



HUMAN RESEARCH ETHICS

19 February 2009

### Human Research Ethics Advisory Panel 'H' Accepted Application

Ian Douglas  
Department of Aviation  
UNSW

RE: Culture or Knowledge: Impacts on decision making in the  
airline business

Reference Number: 08/2008/41  
Investigator/s: Pruet Boobphakam

At its teleconference meeting on 18<sup>th</sup> February 2009, the Human Research Ethics  
Advisory Panel 'H' has recommended to your Head of School and the Human  
Research Ethics Committee that this project is of minimal ethical impact.

Your application has been given Approval for a 12 month period ending 18<sup>th</sup>  
February 2010. You may proceed with your research.

  
A/Professor Arthur Ramer  
Convener,  
Human Research Ethics Advisory Panel 'H'

.....  
Professor Jason Middleton  
Head  
Department of Aviation

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Location: Rupert Myers Building,  
C/o Research Office / Ethics,  
Gate 14, Barker Street, Kensington  
A B N 57 195 873 179

## Appendix 8 Transcripts

### Lufthansa (LH) (Planning)

#### Lufthansa Interview # 1 Time: 0:16:44

Q: Should I pronounce your name “Mr.Armin”?

A: Yes, please call this. You know in German that’s the first name? Not the family name but it’s very complicated so...just take the first.

Q: Alright, if I could go directly to the question ‘cause this is kind of course work that I have to go through. Ok, so, the first question is that with the world situation especially with the economic downturn, what is your company’s response to the change? Where does the decision making come from; is it from the top? Let’s say to the bottom direction? Or the staff could have decisions as well?

A: Yeah, yeah. I think you have to see that Lufthansa is not a centralised company but Lufthansa is very much decentralised. May be you are aware of. We do have separate entities for Cargo, for Technique. So these are separate entities, separate companies working more or less on their own responsibilities. So, Lufthansa executive board is more or less acting as kind of a shareholder, watching the whole system and watching what the single entity is now doing with its special situation in the market. Because, of course, the market is more or less related to the airlines industry, so more or less they are also affected of the world situation and the downturn in the airlines business. But, of course, the Technique is somehow different, because you know when all the people are reducing capacity and they are putting airplanes on the ground; they are sending them to the Techniques. Although the passenger business is going down and in Cargo, of course, Cargo is worse than passenger business, so Technique is doing quite well. So, the reaction is, more or less, company-by-company, um...business by business, a little bit different.

In general we are slowing down. We are reducing capacity and we are trying to manage our cost. Lufthansa is the company, I think, very much well known for cost cutting matters and for...for the ability to react flexible (flexibly). And to be flexible, of course, you must have your cost and control. So, there is kind of an impact, kind of an assignment from the Board, from the executive board, and all the companies watch your cost, watch your money, and watch your cash flow. And all these companies, as I said before, they are now responsible more or less on their own to do the right things to get their cost cut, because cost cutting in catering is something different from cost cutting in cargo or in technique.

Q: Right, right, I agree.

A: Yeah? So, if you watch at the Lufthansa’s ORG.Chart (Organization Chart) and you see all this decentralised businesses, I think you can imagine that they are

working on their own responsibilities. So, it is...yes, the board, of course, is very well informed and watches the situation, but then, it fields the responsibilities to the different companies to work on their own, their responsibilities.

Q: Right. So, what about the normal staff, can they have a chance to share the decision making as well? In that sense.

A: Depends on what you understand by decision-making. Of course final decisions, the big, great decisions of course they are made by executive board, but we try to give responsibility as much down as possible so that people, normal staff, on their working place, feel responsible for what they are doing. So, they can come up with proposals to save money. The management, of course, will listen to them. And, the management, of course, will tell them that they are responsible of what they put the lights on or leave it out, or whether they'll shut down the coffee maker or not, this kind of stuff. We do have some programmes running in kind of cultural change in company and so. These...these projects they are always mixed with senior people, but also mixed with junior staff people like you are asking me here. So that we get some fresh ideas into the whole business, at least we are trying to do.

Q: Ok, ok. That's kind of very dynamic to me. If I can move on to the second question? Right. Looks likely that your company or your organisation is purely profit driven are you struggling by regulators or would you have to pay attention to the government policy for any social responsibility?

A: Yeah. I wouldn't say we are suffering from the regulators but of course the whole situation around the industry like all the environmental issues and other issues, of course they have to be influenced and we have to inform the regulators, politicians about what is right for the industry or what may be wrong. But, we are not suffering in the sense that might be your understanding so that they are interfering into day-to-day business. They are setting the whole set up in which we are working and we have to inform them and we have to influence them to have us the right setting. But, we are not driven from the politicians, you know? Lufthansa's privatised company and the German's political system is not interfering into the private business, may be as some other countries still, but not so in Germany. Um, social responsibility, of course, this is very important because, you know, in Germany we have this way of cult determination so that people organised in unions. They have their right to talk to us. They even have...our supervisory board they have the right to discuss and...and they have to accept even they have to take decisions, the supervisory board, but finally...finally management, the capital side has the vote; so to say, but of course, social responsibility is actually very important within our system.

Q: Ok, very good...very good answer. So, the next one is that if you happen to have bright management trainee whom can foresee business opportunity, how would you like to handle him? You'd put him back to the department that he reporting to the manager or you let him has a chance to work directly with you?

A: Normally, in Lufthansa we have culture that young people and even trainees they have a chance to talk to the managers to higher managers directly. So, it's even

like in my team we do have two trainees at the moment and they have a chance even to talk to Mr. Mayer Huber(?). (07:21 \* unclear pronunciation of the name)  
Not on a day-to-day, not on any decision question, but if they are preparing something or if they are doing briefing for him on any special issue or so.  
And...and he would get some more information, he's got some questions we would like to be briefed personally then he will call them up or I will take them together and walk together with them to him so they'd have a chance to talk directly to him.

Q: So there would not be any bad feelings between yourself and your trainees what so ever?

A: No, no. Of course it's not with all people the same, but I personally would do it that way um...because I think that's the question of self-confidence. If they work for you and you pass to talk to your boss. So, I can prove of what I am doing and how good my people are if I'm sending them there.

Q: Ok, very good. So, the next question is that do clever women have the same opportunity like male colleagues in your company?

A: Generally and formally yes, but practically it's difficult. In the top management positions I think we have only three or four percent women.

Q: "Percent" or "persons"?

A: Percent. In top management, says from the vice president up. But, it's not the question of we don't want them to be there. I think it's a question of the history of the industry. It's the male business.

Q: Is it the male business?

A: I think so. Like flying in older days, you know, it's something with muscle or something for entrepreneurs and others.

Q: I believe you have...um women pilot as well?

A: Sorry?

Q: Female pilot?

A: Yeah, we have...pilot, yes, but I was relating to management. But...but, no...in the cockpit and of course in the cabin, but in the cockpit we do have much higher percentage, I don't know exactly...should anyone answer you the question. May be something 5 to 10 percent...so it's quite...for the airline industry, it's quite normal average. But, in general yes they have the possibility but you know like this, they get married; they get children so it's very hard for women to combine the family life with the business life. And...and we do have some here...but I know I have three ladies in my team, three from 7 to 8, from the...the closest staff and it's quite harsh for them because I can watch it. So, I think the company has to help them with part time jobs and so on, so they get through the phases

where they get their children until the children are in school or, you know, so that they are a little bit protected for this time. And may be they asked to work when they are may be thirty-five or something and the children are ten or twelve to fifteen then they have chance to come back. Because I think, in general for the culture and the whole atmosphere of the company, it is very helpful that you have mixed team between men and women.

Q: Oh...good, good and what about the environment issue; your company is the leader or the follower?

A: I think we are the leader because in Techniques we try to use all our influence on the technical side like on Airbus and bring and ...(\*\* 11:05 \*\* too strong accent) to build up aircraft which are very much aligned with the environmental issues and of course we are, especially Mr. Mayer Huber is very, very engaged and very keen on influencing the politicians worldwide to have decisions, the right decisions on eh...emission trading and all this kind of stuff. So, we are lobbying in Europe much more than British Airways and Air France are doing. And...we are, I think we are very strong in STAR Alliance on this issue, so I wouldn't say Lufthansa is a follower. For me Lufthansa is the leader in the whole discussion.

Q: Right, right. Because E.U. has very strong regulated more and more coming up.

A: That's right, and of course we have to fight for the condition under which we are working and um...what is make sense and what does really help the environment. It's ok and someone has to pay for it but you know, like politicians all over the world, somehow they are always exaggerating of what they are doing. And, we have to watch this and influence it.

Q: Alright. Thank you very much. What about how do you develop the leadership? Is it from the inside or outside?

A: What do you mean by inside or outside? Inside from the company?

Q: Right. Let's say like your position, like the management position. Most of the time is it from the inside or outside?

A: Yeah...no, most is inside. Because Lufthansa's putting very much emphasis on the...continuity um...which is always the case. For example our CEO, as far as I remember, we didn't have CEO who would be put from Political Science or from anywhere else on here, but it normally is someone who has developed within the company. So, he knows the company very well and he knows the industry very well. And, that's completely different like you put anyone else who is professional in finance or professional in whatever and you put him on an airline, I think that's very difficult because airline business has to be understood otherwise you don't have the success.

Q: Ok, good, good. That's your view, right. What about the seniority or skill, they play the significant roles as well?



A: I wouldn't say we are not seniority driven. I think we are much more skill driven and we do have a lot of very young people getting into responsibilities. Of course, finally all the issue about experience, all the issue of understanding the company having the experience that you cannot toss away. You also have to put in. So, when you come to the really top...top...top management positions, I think it's the combination between skills and, of course, experiences – and you call it seniority. It's different in the Flight Ops, you know? They are controlled by seniority, but in management, I think it's a very healthy mix. Lufthansa is very pragmatic. I think overall, we are kind of pragmatic. We are not that dogmatic and we are not anymore that German like many people in the world think that German are.

Q: Yeah, well that's the perception.

A: Yeah, yeah, yeah, sometimes it's a perception, but Lufthansa is very international, Lufthansa is very pragmatic with the Austrian, you know, Mr. Mayer Huber is an Austrian not German. For quite long time, many, many years he's in German. He used to be the CEO of Lufthansa Technique before he joined team airline and later on got CEO. So, he's a technician, but he was born and living and having some houses in Austria.

Q: Oh, beautiful country anyway.

A: Yeah. You are right, you are right.

Q: So, that comes to the last question. Is your company taking the roles as a leader or innovative or fast follower in terms of the technology change?

A: I think Lufthansa is trying to be, I hope we have success, we try to be very customers driven, customers related. Mayer Huber is always asking for innovations that, for one side, influence our technical business, our profits, and our cost; like reducing fuel-burn and all the technical issue, and increasing productivity. On the other side I think we are trying to look what the customers really want. We do have this idea of private jets you can book under Lufthansa flight number, may be you have heard about Lufthansa Private Jets. We do have the first-class terminal here in Frankfurt. These are kind of innovations with strong relations to our customer needs. I don't want to put us into glamour, you know, but I think we are not the follower. I think to set and to develop some trends for the industry...(\*\* 16:35 \*\*)...so to say.

Q: That was very helpful Mr. Armin. That's on the 23<sup>rd</sup> of June, 0900. Thank you very much.

A: Thank you.

End Session

## **Lufthansa (LH) (Human Resources)**

### **Lufthansa Interview # 2** May 12, 2009

Q: Today is the 11<sup>th</sup> of May? I'm sorry it's the 12<sup>th</sup> of May. It's between Lufthansa; Dr.Schmidt, Senior Vice President Executive Personnel and Human Resources, if I may say?

A: Yes.

Q: Ok, so, as you might aware about the questions that we are going to ask, this is for purely research area. It's not getting involved with the business or whatever. And, this interview will be kept confidential. It will be put into the research project and that's all. Once everything is completed, it will be loaded into the University's web site. And, after I complete everything, I will have to pass you one tape of the interview as the reference that we had the communication.

A: Yeah, fine. I don't think that we have miracles or very deep secret to share. Let's, let's see.

Q: Alright, so if I may start with my question. The question is with the world situation especially with the economic downturn, what is your company's response to the change? Where's the decision making come from? From the CEO or from the senior staff or from the board people?

A: Yes, quite an easy question but difficult answer. You know, as being in the airline industry like you, we are crisis proofed. And um...that means everybody in the company knows how to react in crisis. Everybody knows that there has to be the combination of top-down, clear messages, should tell the people. The question is "what in general to do?" But, anyway everybody in his own responsibility, each ever place in the company will react according to this path which is set by the top management, well, will act independently and um...on his own. So, for instance to give you an example; I'm responsible for...um...the catalogue of measurements you could do as far as the HR concerns in the crisis. I have to suggest what could be done and I do this for 10 years almost now with few crises within those 10 years and we develop catalogues here and we give those catalogues together with advice to other parts of the company, for instance to the Cargo Department and there they have the personnel manager who's imposing the measures he selects out of the catalogues, for example. Then, of course I didn't wait to modify the catalogues and to send the catalogues to my colleagues. I didn't wait for the board to tell me "Mr.Schmidt, we do have a crisis. Be prepared and please act accordingly". So, that's not all I have done. We also had the crisis to come in print last year because as you've surely known Cargo Operations is a pre-indicator in the business. We saw the numbers within the Cargo Department falling and out of experience we all have, we knew, ok...next crisis is coming. So, I looked into my computer for a...for a catalogue, modified plan (they have to be modernised and um...due to changes in the legislation and so on) and I prepared this catalogue to my colleagues in June last year, so before Germany was struck by the crisis. Therefore we could react faster,

but of course the path we have to follow, let's put it this way, the depth of the measurement we have to design on is given by the top management.

Q: Ok. So, the whole infrastructure or the mechanism is ready for everything. It just depends on the decision-making.

A: Yes. And...and to my experience crisis management has a lot to do with communication. The question is "how do the people communicate?" In a company as big as Lufthansa cannot..., even as the top management, you cannot say "I'm the manager, we'll do this!" Nobody does anything just because it's an order. It has to be understood by the people. And, therefore, for instance, the top management's key issue is to communicate about the situation. Tell the people that what kind of crisis or...um...any...anything else could be so people are able to think on their own and they can do this. And, for instance, Mr. Mayer, our boss...

Q: The CEO?

A: CEO, ok. He does not give orders like an officer in the army. He communicates. Tells people about his impression of the situation. And, um...he is a very handsome man, he gives advice and you take the advice and transform the advice into action and use specific management field. So, this is the communication which is able to tell the people...

Q: How to do?

A: Not "how to do", but "what to do" and they decide how to do it. For example, Mr. Mayer is not an HR Manager. Probably he does not know best about HR; therefore he has his people to know that. He just pulls the button and they act.

Q: A ha...well, that sounds like within your office, let's say in your head office what about communication that you've mentioned between the head office and the other offices all over the world?

A: I mean, this is a big task, not easy to communicate. In here you can see the building is all glasses, you can see everybody and if you would like to talk to Mr. Mayer about stuff, he's two stories and we can go there. But, um...to communicate with a hundred thousand people of Lufthansa employers, we any kind of technique; we have newspaper which is weekly. We have our intra-net. And, for instance we changed the organisational structure of the company three weeks ago. So, we have three board members; CEO, financial officer, and my boss which is Mr. Lauer.

Q: Right. Stephen Lauer.

A: Stephen Lauer, yes. The HR board member. We changed this three weeks ago. We have fourth member, Mr. Francis. Currently he's the CEO of Swiss International Airline and joins the top board and be responsible for Lufthansa Passage Airline our passenger transportation and department. And...um, for instance Mr. Mayer Huber, he was on a video; a video speech to the employee of

Lufthansa to explain this and the video was transported by our intra-net. So, I personally was informed, well I was pleased to be informed because I'm in the management circle and all the people could see Mr. Mayer on TV in the intra-net and he explained the change. We use a lot of communication technique. At the end, my perspective is you have to talk to the people. That means, again an example for you, he travels a lot. My boss travels a lot. He went down to South Africa to tell the people what's going on in South Africa. And, Mr. Lauer, he departs to China tomorrow and he came back from Turkey two days ago, so the top management does a lot of personal communications, which is a key; not to the information but to the confidence of our people about what the information is.

Q: Right, right. The situation. So, that sounds very good. That comes to the next question. Can a junior staff have a chance to contribute to the decision as well? 'Cause it sounds like the top management does all the work, what about from the bottom up? Can the junior staff play the role as well?

A: Yes, we have both. We you have this communication cascaded, you know...um...top management does not only deliver information and decision, they always get information and I think the process of decision making is quite complex. 'Cause we have quite good manners within the top management. Normally they'd listen first and then they decide. And, my experience is they listen to very very various people, especially our CEO. He is not only interested in the information of his...um...direct lines, he's interested in any information. And, to make an easier example out of my experience was my boss; of course he believes what I tell him. So, when he's going to make a decision on something, he'll ask me and I'll make a proposal and so on, but anyway he will try to find more information out of the normal line of the management to modify his own opinion and to seek more perspective. So it's not mistrust in me. It's just getting more perspective. And I'm making the same. So, if I have a special problem on a personal politics issue, I'll ask the responsible officer "what is your perspective?" "what is your proposal?" and he will tell me and I'll believe him, but I'll ask other people as well. And this can be organised or unorganised. So I will use the situation to catch any information. Or...um...it can be an organised process. Like this evening, for example, there's a meeting of the top 50 management. Managers of Lufthansa may meet together tonight. We have a meeting; we have several speeches on the economics and Asia and so on. There will be a reunion and dinner where you can talk to everybody and fill yourself up with new information and impression and then the decisions are made. It's an interactive process. We don't have a military structure.

Q: No? Ha ha. That sounds good as a business.

A: Depending...sounds good. It's depending. If you don't have time and you need a decision at once, you don't have time to discuss. So, the structure of decision making...um...

Q: It depends on the situation?

A: Depends on the situation. It's no good system or bad system. The system is according to the situation. And...um...we are fortunate to have top managers

who are capable of acting in both situations. The top management knows how much time I do have to improve the quality of the decision by communication and so on. And, when I have the situation where I cannot ask anybody, I just have to decide now and this is done if necessary, but “not” if it’s not necessary. So, this process’s developed through the crisis which we’ve had lasted, let’s say 20 years. And, we tend to have managers with a long lasting career within the company. We don’t hire people from outside normally. And our CEO, for instance, he’s with the company. He has immense knowledge of how the company’s working, and therefore he knows whom to ask when he wants and needs to ask, and he knows how much time is left. Therefore, I think that’s one of the keys for us to be quite successful during last year, I mean it’s no insurance for the next...next time.

Q: Aright, good, if I could move forward to the next question. Lufthansa, as an airline, um...we can see that airlines are often struggling in deliver the profit; do you have any impact from the regulators, or government policy for any social responsibility?

A: Difficult...difficult question. So, you know Lufthansa is a private company. It used to be a state-owned company like almost all the airlines. We have a couple of roots, let’s put it that way, in the state-owned area and stage of the company, but we now are a fully private company. So, there’s no influence of the government and so on and so on because Lufthansa was a state-owned company, but of course there are a lot of regulations within Germany, within the European Union especially, that helps and hinders us to do things at the same time. Just to give you a couple of example, in Germany we have about 66,000 people in Germany.

Q: For Lufthansa?

A: Yes. Normally it’s all in all around 110,000 people. We have very very strict regulations on labour law in Germany, so we have to follow all that and this is very complicated and we are not able to act what we want to act. So, this is an area with a lot of regulation, but this is imposed on the oil companies in Germany as well. It’s not specially on Lufthansa. And we have the regulation on airlines matter; this is not specially on Lufthansa but for all the airlines working in the European Union. To give you an example, we don’t have a single European sky, we have...um...we have quite opened sky but as far as the air traffic control is concerned, for instance; every country in Europe has got its own air traffic control system. Makes it very complicated and very costly to fly within Europe, and of course we would like to have just one, but legislation is not as far as we want it to be. So, we have to follow kind of strict regulations, but it’s always not meant just for Lufthansa. It’s for the industry and that’s aggression every industry has and it confronts to...You have to follow the rules. But, we don’t have special state influence...no more. We used to 20 years ago when I started to work for Lufthansa. The CEO was a former politician and in our supervisory board we had a lot of politicians and the idea were to create a policy on traffic for the company with Lufthansa makes the use of Lufthansa. And, this has fairly gone, because we are private now. But, of course for the German industry and for...well the perspective of German government, we are, as a

company, quite important because we deliver the contact to the whole world. And therefore we are, let's say, in the kind of focus, but it's the focus not filled up with legislations. It's just the focus filled with the interests of the state and with interests of the media. So, um...if you work for a company which produces...let's say loo paper and you make a decision as an HR manager to fire a thousand people. Nobody cares because the company is not interesting. If you do it within Lufthansa...

Q: That's an issue.

A: Oh...the media...we are on the news like "you fired people" "you are crazy?" So, we are kind of focused but we are not legislated by the government anymore. Probably this is the correct answer on your question.

Q: Right, right you got to be careful to make it balanced between the social impact and your decision-making.

A: Yes, yes because the visibility of the company within German society is bigger than others.

Q: Like Deutsche Bahn or Deutsche Post? Much bigger than that?

A: No, not bigger. I mean Deutsche Bank is probably bigger.

Q: No, I mean Deutsche Bahn, the rail company.

A: Yeah. They're the same. Yeah, it's...it's the same. So, we have a couple of company in focus in Germany but not actually legislated. So, these are Daimler and Deutsche Bank which is bank, Deutsche Bahn the railway, probably Volkswagen and they are in a certain kind of focus. No more state owned.

Q: In that situation you've got to be very careful with the decision, especially with the Human Resources, if I may say.

A: Yes, and we have a tradition, you know when you come from a state-owned perspective and you developed to a private company, you have your own personal style in dealing with HR issues and this is different from the style, let's say Anglo Saxon companies, or let's say the hire & fire the Anglo Saxon would have. For instance we don't lay off people. And, we try everything to hinder that. In our perspective is not because we are the best people in the world, because in our perspective we need those people. We've trained them. They have capabilities to bring the company forward and so...why should we give up. To make use of the people so we try to keep them and this is good for them too. So, this is a combination of economical and social responsibility that just matches, in our opinion.

Q: Alright good. So, if I could move on to the next question? So, if you, especially yourself as an HR, happen to have a bright Management Trainee who sees a business opportunity; how would you like to handle him? You'd put him back to

the department that he belongs to and report to his manager? Or, let him have a chance to work directly with you?

A: For senior with those experiences, it's not "either or"

Q: It's not "either or"?

A: No. In our perspective the image of we would like to have our managers is they need to be able to deal and talk to people, so they need the bottom experience. And, um the worst you can, in my personal opinion, the worst you can do is to have a highly skilled junk person, put him next to the office of the CEO and let him develop as a manager. And then he goes back to work and if he does not how to deal with the people, and he does not know that there are people...they...they come from dust bin, you know? And, and therefore we try to have some mixture and to give an example, we have a programme. It's call "Pro-teen". So, the best, most talented people from the labour market, young talented people, around 25, start with this special programme within the company and it's around one-two years. And, we let them try out of those situations. We let them work in projects, very close to top management and we let them work in projects which are very very bottom-lined. And...um...we, for instance, we try to train them how to lead people, so you'll have a very small group of people at the spot in the beginning. And you have to learn how to talk to people and so on and therefore you'll have to organise this mixture. And the reason the company that we have two kinds of the career because, I told you in the example, is more group and we have those people who enter management out of specialised job, very near and close to the management. And then they have to learn all the rest. And we have careers, like mine for instance. I started from the bottom line and develop myself into the management, so I have to learn the rest. And...um...in our opinion the mixture of both is the best idea. So, the answer for your question is giving them both experiences and not just one.

Q: Alright. So, what I can see now your management is quite very very young, I mean comparing to the other carriers, so may be that's because of the good training that you have?

A: It is not true. Another idea of ours is age does not tell any things. We have very very talented young people and they are promoted rapidly within the company, but experience is big values, so at the same time we do have fairly old, for Europeans' circumstances – fairly not like in Japan, and for European circumstance, fairly old managers at the top management along side very young ones, and again, the mixture, the mixture of their experiences and their power, in our case, it's a good idea. To give you too example, Mr. Mayer Huber the CEO, he's 62 or 63, he looks like fifty somewhat, he's very sportive person, but in our eyes he's fairly old manager but yet very active and he seems to be young. And, for instance we have the CEO of the Cargo Department, Mr. Schp\_\_ (\*\* 25:26 \*\* Name in German) he's forty, forty-two which is very young for being a CEO, but I'll tell you. They both do magnificent jobs. So, age is a fact, but it's not the matter of course.

- Q: Ok, ok. That's the very good answer and that brings to another question. I've tried to link that because...do the clever women have the same opportunities as their male colleagues in your company?
- A: Yes and no. I'm sorry I have to give you the right answer and...um...life is not black and white, it's grey. Why yes? We have around 42 percent of all employees, around 42 percent. In the top management there are very very few women. On the management level what we would call the Management Level, we have just 14 percent. This is if compared to other European companies, our company is fairly a lot. If you compare with Swiss companies – little. If you compare with Italian or Spanish companies – up.
- Q: Yours is higher than them in that case. I mean your women level is higher?
- A: Yes, (\*\* 26:56 mumbling with accent \*\*) and this is of course about 50 percent or 42 percent where it should be of female employees. So, yes and no. I have a special department. It's responsible to promote women in order to fulfill our idea that they should all be treated equally. And we treat people equally so we pay them equally. There's no difference in male or female. The fact is normally if you look at the management, women have this career break which is called being pregnant and their children and this organizes an interval in the development of the career. And, to be honest, we not...did not yet find bridge...make this...that's for... (\*\* 27:56 breaking statement, incomprehensible) There is no bridge to um...
- Q: To transport of career people?
- A: Yes, this is difficult. So, admittedly you have in fact a disadvantage if you were a woman to develop your career in a management as a manager, unless you decide not to marry, not to have children and so on. We have those people they decided for their career like a man, and when they do so, they have their careers like men. Normally, the most successful women in our organisation are the women that work very hard and they seem to have three lives, you know? I remember a colleague in the HR management, a top HR manager – five children.
- Q: Five children?
- A: A big social involvement in the city where she lives, she's now retired. So, this is the person with energy for three. And those people, those women were energy for three. They have the power bridge this interval in the management career from the day they have children until the day they can come back when the children are at school or whatever. So, if the answer is grey, equal opportunity – yes, but equal situation – not yet. And, and that's not solution...you know...and we are not the company with (\*\* 29:41 strong accent) ...housing idea so it's...we could make rules...we promote only female until it's at least 50 percent of the management, which is dull, so we don't do that. We accept them if they are the best but they have problems to be treated because of this.
- Q: Because of the human nature?



- A: Yes, I mean you need a kind of mixture, for instance, take a crisis. Females among your management in a crisis tend to act differently. The perspective, the communication, and the decision-making are not the same and um...again it could be the mixture...good idea. I mean take the rules of men...make a reunion, a meeting of just male people, male managers. Different if just one single woman is among. So, and if you want to have a learning organisation, after organise the most possible perspectives and the female perspective is very important, one of our aim is to promote females into the management. But, not yet...the bridges...I try to... (\*\*31:22 breaking and interrupted)
- Q: Alright, so, so I would like to move on in that case...so, in the environmental issues do you see your company as a leader or a follower?
- A: We try to be the leader. 'Cause um like I told you we are in the focus of the society. Being an airline, being an important company, being an airline...in travel business, using a lot of kerosene...
- Q: Right...right, you burn a lot of fuel in the air.
- A: Yes, and therefore if we want to be accepted in the society, we need to be the leader in the specific issue. So, we don't wait for others to invest in modern engine technology and so on.
- Q: Right. Some company yes. That's leading into the next one. So, you decide to be the leader in the market, in that case, how do you develop the leadership? Is it from the inside or from the outside?
- A: I have to ask you again. What do you mean with developing leadership? First I try to understand the question.
- Q: The leadership means that how you could develop your managers. How could you develop the leadership skills for the managers, leadership skills for the young people to lead the company in the future, because once you've decided that the company wants to be the leader in the market, therefore you must have what you call the special groups or the working groups or project groups/project teams, therefore you got to have the leader of the teams to lead and to serve the company's profile as the leader in the market?
- A: Ok. I try to understand that. First of all I told you we don't hire managers from outside. Normally they come from the inside, so it's the development. The beginning of this development, which is the process when you select people and train them and so on...well complicated one, is to have an idea of how should the leader be. We don't make a law book where we write down; we are good, we are successful, we are bright. This is, in my eyes, dull. Because everybody wants to be good, bright, and rich, whatever, therefore we don't start...let me put it this way, we don't organise the end. We try to organise the beginning. So, the beginning is we select young people, train to be managers out of the specific...specific lists of (\*\* 34:22 \*\*)...and capability they should have. When we look at our people we'd ask "do you fulfill certain ideas we have a manager should be?" and we call this the leadership compass. And, I just like to let you know that how this is organised. And, we look at people and try to find

out...with the assessment and so on and on (with mumbling) under normal technique, and...do they have the entrepreneur leadership, attitude? And how capable are they to solve problems? And, what are their communications? Skills? And, can they lead people? And, what are their attitudes and what are their drives? Why do they work and to whom for? And, we try to find out their international and professional competence. How do they interact, for instance? And, we have this list and we have our...um...selections, process which is the normal HR process. And we try to find out those who fulfill the measurement of the list best. This is the kind that we build up the management and we try to train them. And, if you are selected and you don't fulfill everything, so you have your white-spot left, let me put it this way. The development of your career, we try to wipe out the white spot. So if you have a very talented person but he does not know, for instance how to communicate to people, he will get trained on the communication. And if you have a great communicator who is not, personally not very organised, he'd get trained how to organise. And this is the process from the beginning up to the top; even the CEO could have lessons in some kind of specific knowledge. So, it's a life-long learning process.

Q: Right. So according to that if I just add another small question that...um...does the seniority or skill or merit play a significant role?

A: If you can take my answer on age from before, it's a gamble. Age is nothing; experience is a lot, and attitude and personal power is a lot. It tends to be that experience is broader for older managers and it tends to be that, let's say power is more often seen in younger management. But this is just a tendency not the rule. So, we have very very powerful and young managers; young active. They are 60 or...and of course we have young managers and therefore you need both, you know you need the combination, have a good mixture. But, age is...um...

Q: Not significant? Not the important issue?

A: It's important but it doesn't tell you anything specifically.

Q: Ok, ok.

A: The chief operating officer of Amnesty Sky\_ (\*\* 38:25 \*\* the name of a business unit; Catering) or Catering Company. He's around 60. He is a person when he enters the room; the room is filled with electricity. So he is not a tight person. And um...it doesn't matter how old he is. He is just that. And in the combination with his 35-year-experience, he's top...top manager. Ok, we have younger, for example Mr. Schp\_ (\*\* 38:55 \*\* Name in German), his experience is not 35 years, but he's a true CEO, and nobody has doubt in that. And he's accepted within the company. Probably in German we don't have the Japanese tradition of um...

Q: A lifetime working? Kind of like that?

A: A lifetime working yes, but...um...seniority is not there. We have changed this within the last 20 years. We've had more seniority driven organisation and this

has changed during the last 20 years, and I have to admit that I was the one that...um...

Q: The thinker behind all this?

A: No, no...it's not my role and I don't want to. Um...it was for my personal profit that the company's changed this attitude during the last 20 years. 'Cause when I was promoted for the next step a couple of years ago, we have three or four management levels, and I was on the first management level, and normally on the second management level you should have been 15 years...20 years. And, that time they started just to leave out one generation; 50-year-old guy, 40-year-old guy, which I was one of them. This cause the problems now further to follows. All my management is of my age so I'm not realist. In fact, I'm...in my department among the managers...which is a chance and of course a problem.

Q: Right, right...the same with me anyway. So that will bring to the last one, so, does your company take the leading role as the industry innovative; fast follower on the technology change, or late adaptor, as a company profile?

A: Of course we try to be among the leaders, but...um...you cannot be the leader in any field.

Q: That's a good answer.

A: And, you have to decide on what are the fields of importance of the company. We have a couple of fields that we are true leader, which is for instance; technology or networking or take STAR-Alliance together with your company. We will lead with a couple of ours among of your company's...um...to change the shape of the industry. For other fields we are very traditional, for instance in IT, I don't think we are the leader in that. But, probably this is not because we are too dull to develop those fields, but...um

Q: You are focused like you've mentioned?

A: Yah.

Q: Your Company focuses on what area?

A: This is our perspective and sometimes you are successful with being the leader and sometimes the competition is faster. And, you have to admit that and the decision to be the leader in some specific field does not mean anything, thus the idea of being the real leader in the industry, surrounding industry, is something different. But, we struggle at least, in those fields we've tried to be the leader and...if you allow me.

Q: Please, please.

A: On of the aim of Mr. Lauer when he started 10 years ago, being a Personnel Chief Officer, we want to be the leader in Germany in dealing with people. And we tried. But anyway, there were others and they all wanted to be the leaders and

it's a life-long struggling. So, all in all, your question of which to be clever to give you the clear answer, it's just a mixture and probably the answer of HR managers, with Law origins, will always give you all around the world.

Q: In fact I have to admit that was the excellent replies or excellent answers that I have.

A: I hope I have fulfilled your expectations.

Q: In that case, I have to thank you very much.

A: You are very welcome and if you have...(the session ends here)

END

## Swiss International (LX)

So this interview is with Mr. Evans, chief of cargo officer. Mr. Evans if I could go back to the questions. So with the world situation, especially with economic downturn, what is your company less \*0.19 where does the decision making come from, is it from the top, let's say from yourself or from the bottom \* or start to have a chance to make a decision as well?

A I'll be glad to respond to that. An organization is a complex entity and people give inputs from all corners, from the bottom, from the top and we are operating within a changing environment, a very challenging environment. When you enter a crisis what is required is an even stronger focus, an even stronger hand on the levers of change and that requires a greater top down driving of the business priorities. So certainly in an economic crisis like the current one, we top down and myself as the CEO of the cargo business of Air Swiss have established together with my top management team, a number of priorities and postponed other activities. At the same time however it is clear that what needs to happen is also new ideas and change initiatives and they would need to make sure that the staff, also junior staff, young people, have the opportunity to bring their ideas forward. And out of that pool of ideas then top down we are determining what are the priorities, where we are going to set focus.

Q Ok so in that sense its both ways, top down and bottom up?

A Yeah, but more top down in an economic crisis, because we cannot have people working on too many different initiatives. We need to choose those initiatives which are important to our business and that happens to a greater degree in times like these, then in a year like 2007/2008 when our business was developing extremely well, when we were enjoying very good profits. And at that time we could give our staff also more freedom to use some of the money we had available for investment to follow certain ideas.

Q If I could move on to the next question please. Looks likely that your organization is clearly profit driven. So are you struggling by the regulators or would you have to pay any attention to the government policies for any social responsibility?

A An airline is working in an environment in which we are a very prominent industry. The airline industry is very prominent, in general very visible. It is even in the \*3.02 industry, a lot of people are attracted by airplanes and airports and activities around them and we have a very important social responsibility. And our struggle for profits cannot be at the expense of social responsibility, both have to go together. We have to exercise social responsibility and have focus, especially on environmental issues and there the government plays a key role. They need to understand what we can do to contribute to a healthy environment by selection of our aircraft; by the way we operate the aircraft, the fuel that we choose. All of these various decisions have a big impact on the environment and at the same time the government needs to provide an infrastructure that enables us to fly efficient routes for instance, enables us to follow an efficient take off path, a landing path without

having to take expensive detours, where extra fuel is burnt for instance. So its a collaboration between the regulatory authorities and the airline, which is necessary.

Q So for the \*4.19 government never ask Swiss Air to fly to some destination that Swiss Air did not agree to?

A No in our environment the destinations to which we fly are determined where we are a public company, now owned by Lufthansa, which is another public company and we are taking our own decisions in terms of destinations. Of course based upon market demand, which we evaluate, but there is no government interference in our selection of destinations. But of course we require government permits to fly on routes, which we are essentially given.

Q So if you happen to have right management trainees who can foresee business opportunity, how would you like to handle him? You would put him back to his department and let him report to his manager or let him have a chance to work directly with you, especially as a CEO of the company?

A Yeah we have a relatively small organization. We have a very lean organization and a very flat organization and we consider that to be one of our great advantages. And we do have visibility of a number of initiatives that crop up regularly within our organization when somebody has an idea. And we make sure that these ideas are visible not just to me as a CEO, but to the top management team. And we try to develop those ideas outside of the normal line of command. We think that day to day business of course has to be governed by the regular line of command, but these fresh ideas is something which is going to enrich the company as a whole, its going to help the strategy moving forward. And that has to be driven again top down and we have to have these bright young people having easy access to me personally and then to my direct team. My door is always open. If I have a meeting where we have to have privacy, then I will shut my door, but at all other times my door is open and I encourage my colleagues to walk in with their ideas and to share them with me for that purpose.

Q Ok so in that case the manager probably don't have the bad feeling?

A No no no, because I think my colleagues in the line of command would be uncomfortable if their employees for whom they're responsible were being led by somebody else without them knowing why and so on. We make sure that if there is an initiative which is going outside the regular line of command, its made very transparent what that activity is and I think the managers in my organization are even happy that we have this, because of course it motivates their team, and if their team is motivated they perform better. If they perform better they get better results and everybody benefits including the management.

Q So another one is do clever women have the same opportunities like the male colleagues in your company?

A They must, they must and I'm responsible, as you know for the cargo business of my company. This has been a male dominated industry for many years and

there are some other industries where you see far more women active, including in the passengers by the way, in the tourist industry. But in the cargo industry it has been traditionally a male dominated business and that is nonsense. Its a nonsense, it belongs to history, we must push it back into history, because the fact is that our business is like any other, it requires bright ideas, it requires drive, it requires motivation. And women are different; they do have a fresh and a different view of things. I am generalizing of course, because not all do, but they have a different view of things, they can spot sensitivities in a way that very often we men cannot or do insufficiently. And they bring something to the party which is very important. So I think its extremely important that clever women are given the same opportunity as male colleagues. And certainly at Swiss Air Cargo we have in recent times been able to promote one or two of our bright women into senior positions and we will continue to do that.

Q So let's move to the environmental issues. For the environment, is your company a leader or the follower?

A Environmental issues, its an important social responsibility which is now getting a lot more attention with the public and I think we as an airline are not investing in engineering to develop more fuel efficient aircraft and engines, that is what our suppliers do for us, Boeing, Airbus, other companies with whom we might be working. They are the companies that need to develop that environmental edge. What we do as their customer is to choose the products that they develop, which are most benefiting the environment. Industries pollute, not just the airline industry, every industry pollutes and as such it is our social responsibility to minimize that. And I think the importance is to make sure that as a company you are profitable, so that you can invest in new technologies, in new aircraft, which have much greater efficiency. And in that sense yes we consider ourselves to be a leader.

Q And then for the leadership, how do you develop leadership, is it from inside or from outside of your company and is it seniority or skill merit playing a significant role for that? Let's say you have a transition period, you have a new CEO for example or new CFO or new CMO, do you consider inside or outside and then how do you build the leadership with that?

A I think its a little bit related to the question you asked me earlier with the role of women within our organization. I think in leadership fresh ideas play a significant role and what we do as a successful company within our field is that we must reward the merits and achievements of our top potentials by promoting them, so we like to promote from within. If we have an excellent resource within our management pool who can fill a position, we will choose him or her. We recently appointed a new CEO Harry Hohmeister who had been in charge of network within our organization, so we promoted from within. However even when we're able to do that, it is important to also bring in top talent from outside. Why? Because they bring fresh ideas, so its a matter of having a balance between the two. Rewarding and promoting from within, but also bringing in fresh <inaudible>.

Q Right so you try to balance?

A We balance the two. And what does not play a role is seniority, seniority implies that somebody has served a certain number of years and then is by that eligible for another step. And we think it has to do with merit, with capabilities and leadership is to allow those people with merit, even if they haven't the same seniority, to develop in top management potential.

Q That should be the last one. Is your company taking a role as a leader or innovator <inaudible> to the <inaudible>?

A We can and we must here also. We have a successful business, we are a profitable airline, we have a profitable cargo business and that means that we are able to of course give dividends to our owners, but at the same time we also use money to invest in the future. Because being good today is not a guarantee for being good tomorrow. Being good today and investing in technology is the guarantee for tomorrow for our employees, for our customer relationships and we do continue to invest in technology. We replaced our IT platform last year in its entirety with a state of the art modern system. It was a tough challenge, it was an expensive challenge, but we took it because we believe that unless we do that, our leadership today will not be replicated tomorrow.

Q So that will be all I think, thank you very much.

A You're very welcome.

END

**Qantas Airways (QF)**

**Qantas Interview** Time: 0:19:58



- Q: It's the 10<sup>th</sup> of August, (eleven o'clock?) at Sydney office of Qantas with Mr. Derek B. Alright, good morning Mr. Derek.
- A: Good morning.
- Q: If I'd ask you a few questions for the research especially with Qantas, so, with the world situation, especially with the economic down-turn, what is your company response to the change? Where is the decision making come from? From the top; the Board of Directors or even the staff could have a chance to make a decision as well? They are two questions in one question.
- A: So, so, I think it's pretty much from both directions. Certainly there's...um...a big reduce our cost base and to improve our services in this environment. Um...because it's been such a severe down-turn, I guess, it's critical that the senior management have very concerned. As you know we have a new CEO who started in the role six months ago. He's quite new. He's running our JetStar subsidiary until recent CEO of the company. Very young man, 43 years old. Very brilliant man, very good man. And, he has a new out-look for our wish to manage the company. He's very much of favour for good engagement with the staff, and has encouraged the staff members to speak up and to offer their opinion and their own ideas for cost saving and service improvement, and revenue generation. So, from the top and the bottom, I think. We try to have a good idea for improvement.
- Q: Where can this decision making be made, I mean in the meeting room or in...?
- A: Well, it can be formal and informal, I think. It's encouraged in both ways. So, our management team is encouraged to have regular meeting with the staff. That's more formal. But, informally the staffs are always encouraged to talk to their peers and talk to their bosses.
- Q: So they can have right, they can have...if any chance to walk into a room and talk to them openly?
- A: That's the idea, should be opened-door policy. And that's encouraged more and more now. You know everybody is busy, so I guess it's not always possible just to find your boss, but to the extent that people are there and available, sure that's encouraged.
- Q: Alright, thank you very much. Alright for the second one, looks likely that your organisation, your company, is purely profit driven, are you struggling with regulators? Or would you have to pay attention to the government's policy for social responsibility? Or those kind of rules and regulations from the government?
- A: Well, I think certainly we were regulated industry even though commercially now it's quite de-regulated, but from the operational point of view, obviously still a lot of regulations required, and not only the Australian government's regulations but other countries' as well because it's an international. I think from

the Australian point of view Qantas would ideally like to have more freedom to bring overseas investment into, overseas investors into our company. Currently by legislation we are limited to 49 percent investment by overseas company and 51 percent must be Australian. And I think our policy is that we would like to change that in the future, but the government policy is still 49/51. We over the years have expressed the view that we think the restriction...

Q: Ok, what about when the situations like there's a disaster somewhere and then the government says look you have to fly there and pick up the passengers or those kinds of things, in that sense?

A: That kind of things, well, you know I think we have a good relationship with the government and normally we would...to assist. I don't think the relationship is really one-way; the government says "you must do this", "you must do that". Normally it's a two-way thing and it seems to work quite well. We have, all the time, always done what we can, may be by providing... (sound interrupted \*\* 04:59 \*\*) like cooperating with the Foreign Affairs Department. We see that is the part of our overall responsibility. It doesn't seem to be...um...to offer our services.

Q: Right, because some of the airlines, for instance, like in some of the government, or state-owned enterprise/airlines, the government may have a policy to promote some destination or to promote the country, therefore, whatever, you have to do. The main policy comes first, but that not here happens in your organisation? The government says Australian destinations come first? Or Tourists come first, no?

A: Well, in that sense, I guess there is a good relationship with the Tourism Australian which is the governed promoting domestic tourism and in-bound tourism. We work closely with them. It is more or less commercial arrangement though. We have a contract that we agreed that we both want to do this, this, and this. These are the priorities we agreed and then relationships also we've had for many years. But, Tourism Australia, as you might know, also works with others depending on the situation, depending on the country.

Q: Ok, good. So, if we can move on to the next question. So, if you happen to have a bright trainee who can foresee business opportunities, how would you like to handle him? You would put him back to the department and report to his manager or you'd let him have a chance and work directly with you?

A: Mmm...so if this is a management trainee in my department? Do you mean? Or in general?

Q: In general.

A: I think we have a very important; we've put a lot of importance on our management trainee programme. We don't have a very large number of the management trainees, but every year typically may be ten or twelve who would join the company. They are seen as very very important future leaders and I think they are treated with a lot of respect. People do listen to their thoughts and their views. Personally I've worked with quite a few over the last few years and I

always try to encourage free thinking, and, you know, good feed back; constructive feed back from me and from them to learn. The programme we have for them is the two-year programme and typically they have full rotation within two years. So six months, six months, six months, six months attached to particular departments, so may be...could be Sales then Operations then Frequent Flyers and then Marketing or something. And normally their work is contained within the area for six months, but in addition they have an umbrella programme where they all work together and they do training management. But, you know they see it as very important and also very important future. Quite a lot of competition within our company to get those people to work in each department. So we have a system whereby find a manager to a certain department. I have to actually do a sale pitch to the group of management trainees, please come to my department for the next six months. I want you to come to my department and I have to promote my work and my department to them and then they can choose which department.

Q: Alright, and then after the completion of training, then they will be working somewhere? Or...

A: Yeah, at the end of two years normally they would be granted junior management position.

Q: Not working abroad?

A: Sometimes, yeah. But, these days it's more usually in Australia. Could be overseas, but most of them will be working in Australia.

Q: My self was a management trainee at THAI Airways fifteen years ago. I worked overseas after the training finished. About 12 years overseas, that's what you call, what...learning and training abroad as well.

A: That's important, isn't it?

Q: Right, we've got to obtain the knowledge and experience abroad and comeback and work...

A: We work in the international market, so we more people know can work the markets, the cultures, and the different ways of working.

Q: Right, recently we build this question because we feel that the very bright and very young people are coming up and some people may feel that's a threat to their future. That is the reason why they don't want to deal with the trainees.

A: Right, well I think may be this, there are some people who are feeling threatened, but they shouldn't. Well in human nature may be there are some people who...ha ha (laughing)

Q: Ok, good. Do you have um clever women; they have the same opportunities as the male colleagues in your company?

- A: Well, that's a really good question, isn't it? I think potentially, yes. Um...I think there are normally quite a number of females...
- Q: In the management, senior management?
- A: No, what I was gonna say is normally quite a number of female management trainees and of course many, but even so the senior management group is mainly male. But, we do have some senior women, of course, and our head of Services and Marketing is lady. Our head of Corporate Communication is a lady. Numbers of senior women, general managements and of course until recently our Chairman was a lady. Margaret Jackson. She was Chairman for 5 or 6 years and recently retired. Now the new Chairman is a man. But, you know we have had some very very senior women in our board. I think not 50/50 but we have had very prominent women in ours.
- Q: I think that's kind of normal question because we see that a lot of airlines people, more than half, are female staffs. But, suddenly when we look up it's less than half in the management. That's why we try to look what's going on in organisations. But, that happens to everywhere not only to the airlines business.
- A: That's right. I think typically it's still male dominated, isn't it?
- Q: Alright we could move on. For the environmental issue, is your company the leader of the follower?
- A: We try to lead. We have a number of programmes that focus on the environmental issues and sustainability. We have a major tourism industry initiative which is now I think it's in the second year which is environmental sustainable tourism award whereby we um...we promote and sponsor awards for tourism operators in Australia who develop sustainability programmes. So, we are very very (sound missing \*\* 12:56 \*\*). Within our company we have a lot of focused on environmental programmes from very small things to big things; saving electricity, saving water, um even just from the office environment; you know recycling, and that sort of things. So, it's a very big part of our role now and of course we have carbon off-set programme for our passenger if they wish to off-set carbon emission, they can do that. So, yes I think we try to lead, be seen to be leader as well.
- Q: And then, how do you develop the leadership? Is it from the inside or from the outside? And in that sense, seniority or skill and merit play a significant role in your company?
- A: In terms of leadership?
- Q: Right because your company is trying to be the leader in the airlines business therefore you must have leadership programme, training programme in side your company.
- A: We do and we even more focus on that now under our new CEO. We have had of course good leadership programmes over the years but Mr.Joyce, CEO has put

even more focus on that in the last six months, and not only the good leadership but, well I guess part of good leadership is accountability and responsibility, so this programme is very much try to put emphasis on our more junior staffs and middle management staffs having greater responsibility and accountability and more access to senior management as well. I think the leadership is really at every level of the company not just senior level leadership. Over the next year, I think, there will be a lot more programmes and learning materials and opportune junior staffs to participate in leadership development.

Q: So, in that sense your CEOs mostly come from inside or outside, because some of the companies they train people to be the leader so that their aim is that they want this person to be the CEO in the future? But I can see that your company from time to time – from outside and then from the inside, those kind of...

A: You mean outside in terms of bringing new management in?

Q: Right.

A: Oh, I see. Well I think it's always a mixture and a lot of our leadership development is internal. I don't really know the numbers but, you know, it may be that...my feeling would be that, probably only 10 or 20 percent of the appointment is external. And most of the management promotions come from inside, mostly. For example Mr. Joyce the new CEO, he's inside, he has worked for the company now for may be 7 or 8 years.

Q: That's not long.

A: Not too long, no. But he's still very young...ha ha. Not too young, so he's kind of a medium age group.

Q: Right, so in that case he was employed from outside just recently?

A: Yeah, back in 2001 or something like that. He was working with Ansett before Qantas and he came to us to be the head of our Scheduling Department and Network Department. Then when we started our new subsidiary; JetStar, he became the CEO of JetStar which is a big step, you know? For him. He's excellent man. Our CEO at the time gave him an opportunity and he did very very well and now he moved to CEO. It's the very big step, you know.

Q: Yes. So, in that case the question is that the seniority is not playing a significant role? 'Cause...

A: Sometimes it does. But, not...not seniority alone. I guess it's more experience than seniority. Seniority itself is not criteria for promotion in this company. Because you have been here for 20 years, it's now your turn to be promoted, no, it doesn't work.

Q: So, that's performance comes first?

A: Well, the experience comes first or skills, performance of course.

- Q: Are your company taking the role of the leader in terms of innovator or invention or the other way as fast follower to the technology changes?
- A: I think depends on the topic but some leadership some fast following. I don't think late adapter is us, that's not us probably. It's a combination if leadership and fast following I think. For example A380 we are the number two customer of Airbus or number three actually. In terms of Product Development, I think we are trying very hard to be the leader in many categories. Sometimes it's better to be a fast follower too.
- Q: Good point.
- A: Can be better. Particularly for this new technology might require some period of adjustment or settling in since we want our customers to have the best experiences, so it's all very well to deliver some fantastic new products to our customers. Market that effectively and says utterly wonderfully most modern products, but if it doesn't work 100 percent well all the time, may be it's not good for the customers. Sometimes it might be better to be among the first but make sure that everything works properly first before deliver. Like, could be, like entertainment system, a lot of development there, we'd like to be among the first, but it's better that somebody else experiments and then we can get something that perfect. It depends on one of these.
- Q: It depends on the airline policy as well. Some of them are aggressive like what we can see and some of them, well may be they are not successful by the aggressive policy anyway. Ok, that's all for the questions. Thank you very much.
- A: Thank you.

### **End Session**

### **Japan Airlines (JL)**

- Q: So, in that case, we've just wondered, just what,..52 years, no, not 52 years, for...what..., your company's 57 years.
- A1: That's right.

- Q: With your successful career and with the successful record, well, I'm sure it's good and bad in the past; therefore we are interested in how to find out what's going on. That's why this research is coming up and I hope you don't mind if I start to have a question. It's a very simple question, but if you could continue that, we would appreciate that. The first question is very simple. With the world situation like this, especially this economic down-turn, what is your company response to the change? Where's the decision making come from? Is it from the top management, the board of director? Or in that case, just a normal staff could have a chance to make a decision as well? 2 questions in one question. The decision making is from the top or the staff can share the decision making as well? Within your entire company.
- A1: Ah...this, you know. We have, this moment, we have 13 board of director members, this you know? We have to decide every top issue in the board meeting. And finally, um, CEO, Nishimatsu San,...\*(mumbling)\* /01.29/\* not bottom up...or not...
- Q: Is it top down, theoretically top down or also bottom up?
- A1: Sometime, some issues come from bottom, but...um final decision made by Nishimatsu San.
- Q: Or the top.
- A1: Yes.
- Q: Because especially this time it's quite difficult, ah well, it really has to make decision. You got to have a way of good thinking to move up. Or,...let's say the cargo business is down by 70%, how would you decide, for example, ground the freighter? or fly the freighter? for example like that. Is it from the top management or even the sales people can come up and say "hey, look, let's fly or let's ground, those kinds of things – decision making. I'm sure it's difficult. That's why we want to see how your company reacts to the situation like that. Put it this way, if you want to ground the freighter who makes the decision?
- A1: As far as the freighter business concerns, almost 80% of our business, freighter business is my responsibility. And I have to just report to Nishimatsu.
- Q: Right.
- A1: Yes, some issues over cargo freighter...in the board meeting; de-fleet, um contract with other company.
- Q: Most of the issues are from the board of director?
- A1: Yes, (mumbling sound; probably in Japanese \* /02.49/ \*)
- A2: (Sound's from the back) How the decision is made?
- Q: Right, how the decision is made. Correct!

A2: And not the um...who's responsible?

Q: Well, the decision and responsibility are always together. Once, let's say, once I decide to say "look, we want to have door-to-door service, that means these two gentlemen and myself have responsibility to continue the work, to make sure that door-to-door service is achieved. The same thing like when your company...let's say...you are as the management, you want to decide something. That means the responsibility must be there. Let's say you decide to ground the aircraft. That means you'd make sure that cost and revenue would compromise. As simple as that. It's kind of,...different kind of decision, I mean the big thing – of course, it comes from the Board. The small thing, it also comes from the front-line people. But, in such case, because of the situation like this, the decision has to be very quick, has to be very sharp, very fast. Therefore, do you let your people decide on the spot as well? In terms of the small issues? And with the big issues with the board of director's decision, that's what I try to understand. Oh, ok, ok...

A2: A lot of plans made by...(noise interrupted \* /04.03/ \*) ...report that they have a plan. And they make the...(sound's breaking \* /04.10/ \*) that would be automatic.

Q: Ok, ok, alright. That means...

A3: It depends on the issue, I think.

Q: Depends on many...

A3: Sometimes.....(noise interrupted \* /04.19/ \*) making some options for...

Q: So, so, you're trying to say that even though they make the decision that they have to report up to the level. Report that what they've made...what have...the, the...

A2: (mumbling sound and try to say something \* /04.36/ \*)

Q: Ok, ok, ok, that's kind of internal procedure. Ok, shall we move on for the next question? Is it like that...um, again I'm sure your company is kind of purely profit driven. Commercial, commercial company put it this way. So, in that case, is your company's sometimes struggling with the regulators(regulations?) or would you have to pay attention to the government policy for social responsibility? Or you are just purely commercial, ignore everything? Or sometimes government can say "look, you have to do this, to help the public". What is your company in between in that or...I'm talking about Japan Airlines, right, right,...Do you have to do that or you just don't care, do it commercially? In terms of profit driven, because, for example Thai Airways sometimes we have to fly to destination that not performing well because we've been requested by the government. For example, that we have to fly to this even though we know that it's not good, but, alright, the government asked. Is it happened in your company as well? In that case.



A1: Our company is truly, you know?... ah...

Q: Commercial.

A1: Commercial. That's better. Because it's difficult, you know, to answer that, you know? When... (mumbling sound in English \* /05.56/ \*)

Q: 1962, right.

A1: At that time, you know? ... (also mumbling in English \* /06.00/ \*) ... for help.

Q: Right, right, right.

A1: That we can... (also mumbling in English \* /06.03/ \*)

Q: And the commercial side, in terms of commercial objectives. (with agreeing "yes" from A1 as in background) But, from time to time, I mean, do you have the experience that the government comes back and asks that, asks this, to do that, to do this? Let's say if the government said "continue your freighter to New York", 'cause they want to, well, in their view, they look differently. In that case, will you still fly Tokyo – New York freighter?

A1: As far as, you know, our fleet planning and route planning concern, we can do, can decide it.

Q: Oh, you can decide it. Ok.

A1: Other issues,...sometimes you know, we have to...

Q: Right. Are you considering that as well?

A2: Yes.

A1: Yes, sometimes.

A2: For that question you've asked...like...

Q: Right, right, commercial. Commercial view.

A2: Yes.

Q: But, you consider yourself as the public transportation whenever needed from the government.

A2: No, no, not the government.

Q: Oh, not the government?

A2: We think by...

Q: By your own, on your own?

- A2: Yes, we aware that we are the corporation, and we have the.....decision. The decision needs...  
(voice breaking \* /07.13/ \*)
- Q: Ok, ok.
- A1: Sometimes, you know, sometimes took a long time to pass the board of government in order to do.
- Q: Oh, ok, ok. Some small, yeah, yeah, the same thing, some small destination, sometimes,...ok. Good.
- Q: The next one is that, let's say, I think I'm not sure you have this in your company, do you have management trainee in your company?
- A?: (From the dialogue suggested that the answer was "Yes")
- Q: You have. Alright, good. Ok, if it happened to that you have the very very bright management trainee, who can continue you business or who can drive your business for the future, in that case, how would you like to handle him? You want to have him working together with you in your office? Or, you just send him back to his department and working all the way up to you?
- A1: Uh-uh
- Q: That means you want to have shorter communication or what? Let's say I'm your management trainee, someday you see that, ok, this guy is good enough, therefore you bring me to work together with you or to play together with you directly. Is it happened like that? Or, no?
- A1: We have, you know,...(too mumbling and very strong accent \* /08.16/ \*) ...a year ago. So, you know, traditional...director...(voice in Japanese and followed by mumbling and distorted sound \* /08.28/ \*)
- A2: (Tried to answer the question in English talking about the recruitment and employment in general case, perhaps. \*\* the voice was in the background, mumbling and breaking all the time \*\* /08.29 – 09.08/)
- Q: Ok, ok. Good, ok. I have next question. What about the women in your company. Let's say when you have the very bright women, staff, bright women staff, do they have, the female staff, do they have opportunity like the male colleagues? I mean do you have your female as the...
- A1: No discrimination, but at this moment, ah...not so...
- Q: Not so many?
- A1: Yeah, this moment, yeah.

Q: Because like Thai Airways, we have one of the female becomes EVP level, but too bad we don't have female pilot. Do you have female pilot?

A2: Yes.

Q: You have, hah?

A1: Around ten or eleven? (discussing with his subordinates) Probably, yeah.

A2: We only have...

A1: Co-pilot.

Q: Ah. Co-pilot. Only ten, hah? Oh, good.

A1: 767-co-pilot. No captain, at this moment.

Q: So when did you start you female pilot?

A1: After University and join...

Q: No, no I mean what year was that? When did you start Japan Airlines to accept the female pilot?

A1: Almost...(with the discussion in the background among his subordinates)

Q: Six years ago, hah?

A1: Probably yes.

Q: Six years ago, oh that's...

A2: (Discussing in Japanese \* /10.30/ \*)

A1: Ten years, ten years.

Q: Oh, ten years. Because we don't have female pilot, Thai Airways. Sometimes...well that's why I said philosophy looks different. We have female as a management, EVP level, but no female pilot.

A2: Frankly we have one female officer. Vice President level.

Q: Oh, ok, Vice President. What about board of director, do you have female board of director?

A2: No, no.

A1: Not yet.

A2: Official level.

- Q: Oh, ok official level, department, alright, alright.
- A1: Cabin Department
- Q: Right, right. We also have the female as the Cabin Vice President Network. Ok, so, few more. In terms of the environment issue, um, your company is the leader of the follower. Because I saw you have 787-model down stairs. In that case, in the environment issues, let's say in the greenhouse effects or whatever, as the Japan Airlines, do you want to act aggressively in the market or you just wait for the others and then you follow them? In terms of EU emission or whatever. How's your company role?
- A1: In Japan, you know, environment issue becomes the very big issue in the business. So I... (too strong accent \* /11.41/ \*)
- Q: Documentation, ok. That's...um...Is it government issue as well? In terms of...
- A1: Yeah, government.
- A2: But, we're not required by the government. We are spontaneous, we try to be very very... (voice breaking \* /12.00/ \*) in this area.
- Q: So you initiate this yourself? You're not asked by the government?
- A2: It is a spontaneous deal.
- Q: Right, as a social responsibility, I believe. You initiate this. Ok, ok, very good. So, the next one is that...um...How do you develop the leadership? Is it from the inside or the outside? I mean, let's say your senior people most of the time promoted internally? Or you employ from the outside people to become your management?
- A2: (voice breaking \* /12.41/ \* but briefly comprehended that the staff usually have their life-time employment and the successors mostly selected internally)
- Q: OK, good, good, because we use to have "outside" President, Thai Airways, but now "inside" and...I'm not sure because now we don't have one.
- A2: Before we were privatised, eh...top management, the minister...
- Q: You mean the president?
- A2: Yes. The privatisation accepts most of the promotion internally including the CEO.
- Q: Ok. The CEO is elected or selected by the shareholders meeting?
- A?: Yes, yes.

Q: The shareholder meeting. Because we still have the government involvement, Thai Airways, government still involves who would/should become the president. It is not the shareholder meeting alone. Different philosophy. Ok, good. So, in that case, it's up to, I think, almost the last question. About...what is your company taking a role as the leader in terms of innovative/ innovation? Are you innovated yourself, Japan Airlines? Innovate some,...right...some new products. For example, like some of the airlines introduce suite instead of the first-class,...those kind of innovations. As the Japan Airlines, I'm sure you have done a lot in the past, in terms of innovative, in terms of introducing new products or those kind of...Are you really serious at that, in terms of technology change with your company? I think.

A1: Just only in airlines business? Or...

Q: Airlines business. So, Japan Airlines is taking um...in terms of the technology change, how serious are you?

A1: Yes, you know, sometimes we introduce software and hardware or both.

Q: Right, in terms of software, computer or whatever. Do you innovate yourself? I mean, is your company looking at that direction to have an innovation? ("yes" reply in the background, perhaps by A2) IT innovation? Ah...computer skills, because it probably could help your business in the future, that's why. This is the question that, are you ready to innovate yourself? Ok, ok, your products.

A2: (too strong accent \*/15.08/\*) ...we already have the "triple7"

Q: Oh, the "triple7" you have already. Because I can see that in terms of your subsidiary companies, I think that kind of innovation that you try to spread your company, try to spread your business or whatever. Is that....sorry?

A?: (mumbling in the background \*/15.24/\*) ...aerial software.

Q: Aerial software, oh ok, oh container (assuming that the voice in the background mentioned about ULD container) Good point, good point. So you the new design of container?

A?: Yeah

Q: Already have? Or...

A?: Yeah

Q: Ok, ok, oh good, good you innovate the new?...Long time ago?

A?: We introduced...

Q: Control ULD? Ok, ok, excellent, excellent.

A?: Or the um...maintenance...

- Q: Spare parts? Oh, ok. So you invented the software to control or you're tracking, put it this way, tracking spare parts like tracking the shipments. Kind of like that.
- A?: Yeah. We now control all the parts and the maintenance vehicles, and everything under one system.
- Q: Ok.
- A?: We believe that the innovation is the part for the increase of the income.
- Q: So you believe that the innovation helps safety, help improving performance.
- A?: Yes.
- Q: That's excellent. Ok, I think that would be all for me. Thank you very much for all your contribution.

END SESSION

### **All Nippon Airways (NH)**

- Q The research is aiming to look at the future of the management as well and we are looking at, because one of the \*0:00:25.2 is that they produce a lot of students who go into the airline business. This is why they want to see the values of other airlines and I have become one of the team members, as a research team, so this is one of the projects that they would like me to pursue.

- A So you and the professor, you are working together?
- Q Right.
- A And it will come to some final report.
- Q Right.
- A And make it available to students?
- Q To students at the university, yes.
- A Without identifying who is speaking...
- Q No, no without. That's the letter from the university to confirm to you that we are in the project.
- A The whole activity is not for Thai International but rather for the Professor.
- Q Right for the university, not for any other airline. I cannot use this to adopt the Thai Airways management theory, no, but this is kind of creating theoretical for the university people.
- A Well then what are you going to get from working for the university?
- Q I will probably soon become the professor because from time to time they ask me as a guest lecturer to do the lecture in the class, therefore this kind of project is getting involved with that as well to bring up the new student and the new knowledge.
- A Because I am a partner of... I am very much willing to give you whatever you want to know from our side, work together with Thai International.
- Q Okay, fine. But the thing is this project is not particular with any airline, we are talking about in terms of culture and in terms of management theory, which way is more impact to the airline people for the your organization for example. Because that's what we can see is that \*0:02:27.8 people we have different model among \* you are in \* year but the way you work is not western style, but you are successful like western companies. Flight wise when you look at Thai Airways you are Asian as well, but the way we work is not the western culture either, but the way we perform is different from your company. We want to know why, what is going on between that. Then we can say that you are better than us, no we cannot say that, but we say this is the model you are using and then successful. Therefore the student in the future may see that okay when they're studying or doing research, then they say okay this is the model from your company because...
- A I mean today it's a different culture, the way of doing it is different. So the best way to understand the methodology, it's better to study culture itself, not the process.
- Q Right.

- A Just taking a look on the process, they will never understand why, so the important thing is to understand the culture. I'm saying this again and again to staff partners.
- Q It is, and that is why – I think one of the key issues among the staff \*0:03:41.4 as well because we are from various sources – from many parts of the world...
- A So you can list the differences, in a way of doing it, your way or other certain, I mean the western they are doing. You can make it the list of the differences, but it is rather difficult to tell why there are differences unless you really study on the culture. The decision making process in China, in Japan, in Thailand... go ahead with your questions. But why I'm asking the question is to understand the real reason, the real needs, real requirements of yourself.
- Q Okay, so there are about six to seven questions, but if it is directly to your business which you don't want to say anything then we accept it, but if you can answer the question that's another thing and we do appreciate that and that's again, we treat it as a confidentiality between this room and the university. All right. So the first question is that especially with the world situation at this time for the economic data and what is in fact your company respond to the change? Especially when you want to do the decision making, is it directly from like yourself, or from the board members of your company?
- A It depends on the issue we have two ways of making, one way is from the very top. So like Mr [Ito] he will direct us this way, that way and the other, the very front line people they will report up to us, this should be done. So we have two ways of making decisions.
- Q So in that sense where the decision can cross over or where can they meet? Because that comes to another question that can a junior staff have a chance...
- A Of course.
- Q ... to perform the decision making. If they have a chance how could these two complement...
- A Decision itself is the responsibility of a senior person. The junior or younger people who are front line people can voice or propose or make it explained. The decision making process is \*0:06:14.3 process, start thinking, make it \* and make it propose. The final decision will be done by senior or by function but almost every employee are able to come into the process itself. Whether it be cabin attendants or pilots or it could be a maintenance person or \*0:06:35.7. So we are always open to listen to other people.
- Q In that case how could you have the procedure, to have those kind of front line people decision or proposal come into your office, they can come like a flat organization, anyone can write anything to you, or they have to pass through their superior.
- A Again the two-way, the normal routine is you report up through the organization but sometimes it could be good enough because some people



would stop with the idea, some people will say no because of a simple cost issue or something. So to save those, I mean the possibility, we have our own channel to speak up directly to seniors or board members. It is a kind of [Kaizan] program. If you are familiar with the Toyota Manufacturing Company, they do have a lot of Kaizan Program, Kaizan is to make it better than before. Within our company we don't use the Kaizan, but we have several ways of doing that.

Q Which is very good in fact. So the next question is that we can see airlines sometimes struggling in terms of \*0:08:03.7 the profits, so in your company do you have any impact from the regulators, for example from the government policy to perform social responsibility. For example when you have a \*0:08:15.7 somewhere the government asks you to put the aircraft somewhere to less \*0:08:20.1 the people, kind of like that – do you have that or any kind of other issue or do you just have \*0:08:27.1 for your company.

A The commercial airline, so we need to maintain the profitability and make our customers happier, that is the basic requirement but at the same time we are a public transportation, so sometimes we have to struggle with the public requirement, with government or local requirements in case we are not profitable any more because of the economy, then we want to stop services from some city in Japan or whatever to outside Japan, but the local people might ask us to please continue. Or government might ask us please continue. So we do have such kind of trouble or some kind of negotiation practices. The other is in case of some war or some \*0:09:31.9 then in that case then our government might ask us to fly our plane to rescue, but it is not mandated requirement.

Q You can refuse that?

A It would be our decision to fly \*0:09:52.9 or such kind of emergency, but if it is related to war, more the big issue, we have some talk, but we haven't had any experience of this fortunately.

Q Okay because what we can say like for example our airlines, sometimes we have to go to some destination that might not be perfect, but in terms of social responsibility or in terms of like a \*0:10:21.2 carrier, that's the way they want to see that. Like Qantas never do that, that simple. If it is not proving profitable enough, they will not do that.

A Our position is ability, because we are like a proud airline to be a social responsible airline, so if it is a real social requirement, we are trying to fit in that requirement, but most important condition to do or not is the safety of the airplane itself and the safety of our employees and our situation. So we are not dare to fly our airplane if our employees are under some danger.

Q Okay, that's good. Perfect. The next is if you happen to have bright people, let's say a management trainee who sees a business opportunity, in that case how would you like to handle him – maybe you put him back to the department and reporting to the manager or let him have a chance \*0:11:32.9 to you. Okay, let's say when you have the management trainee program.

- A Management trainee program?
- Q I'm sure the airline has a management trainee, but it's happened to be that he or she is a very bright person, in that case are you willing to deal with him directly or would you put him back to the department and let him deal with – not coming to you. I'm trying to ask, is it possible that you override some people to talk to the junior person, that kind of issue. Like myself we used to be management trainee, do you have those things in your company – management trainees?
- A Yes.
- Q You are not familiar with that? [Talking in foreign language] Sorry if you don't have, I can pass this question. All right. Like I said different companies have different procedures. Okay so...
- A But for your reference if some bright smart guy, it could be a boy or a girl are voicing something, then we don't care much about the structure...
- Q The hierarchy, I see...
- A So we will listen to them and we will use them as a project member or something.
- Q Good.
- A So that must be an enjoyable part for them. The program is how to find smart voices...
- Q People like that...
- A Sometimes smart voice could be ignored or it could be regarded, so we are trying to make sure we have a good ear to listen and one way of doing that is direct communication with frontline people versus our president. So Mr Ito is far too busy to go to our frontline people, we call it dialect, talk to each other...
- Q That's good.
- A That is bypassing the established organisational system.
- Q Okay. The next question is quite involved especially in Japanese society and we should look at this question carefully to make sure it won't harm any person, culture or whatever. All right the question is do the women have the same opportunity as the male colleagues in your company? The Japanese females, she is very smart – in that case could she become the Vice President or even the President.
- A I think that is not so much smart as, it is not the value of the brain, it is also – we have smart girls, lots within our company, it's good....
- Q With the senior positions...

- A I would say I am promoted to this position, that is not only my brain, that is because of my personality, my experiences, my lucky establishment. So things are not decided by the value of your brain.
- Q But in that case, do the women have a chance as a man?
- A Women have a chance, but we are behind from other – the western world. But already some are already promoted, but some girls are manager already taking care of other boys.
- Q Okay, in that case, what about an environmental issue, do you see your company as a leader or as a follower, that's environmental, let's say greenhouse effect those kinds of things, as airlines are you leading the project or are you just following the others?
- A Talking about the environment issue, we are going to lead this industry, some airlines are also thinking that way I'm sure, so we are competing with other leaders.
- Q Okay, that's good.
- A For example we are purchasing the 787 airplane, we are the first launching airline, that means new modern airplane is fuel efficient, eco friendly, so we think we are the leader of this industry in the world.
- Q Okay that's...
- A So good airplane is good for the environment, global warming and something and we are already discarding 747 airplanes because that is an older design airplane burning a lot of fuel, polluting air.
- Q Good, very good. So another thing is how do you develop leadership – is it from inside or from outside your company.
- A Leadership... our employee to lead our industry.
- Q Right is it from inside your company or you put from outside, influential people to build up the leadership.
- A How to...
- Q How to develop leadership.
- A Okay how to develop leadership, just wait, then Mr [Shibota] is leading the company! But the leadership is not – education is education, how to find the guy who is capable of leading something another thing. So many smart boys and girls educated in Tokyo University or whatever, but if they have a good education it is not a promise to have a good leadership. Good leadership is not measurable by testing or something, so the best way is to put someone through the project. But it is just to find the person who has the leadership, it is not educating leadership. I think leadership is not possible to educate.

- Q Okay, okay...
- A That's my personal thinking so it may not be our company idea, but I can ask this question to HR people, but...
- Q In that case, leave it at that, last the seniority \*0:18:37.3 play a significant role to build up the leadership – let's say you're looking at a senior person as a leader or because they are skillful does that make them become good leaders or no?
- A It used to be – the Japanese corporates tend to be leadership somehow related to the age itself, so younger guys have no responsibility to reach something, but our company is not like that.
- Q Not like that?
- A It is not related to the age.
- Q Okay well that brings to the last question about your company again, does your company take a leading role as an innovator in terms of technology or in terms of \*0:19:25.5. Are you an innovator, to invent something new in the market on that side? Let's say you create new product in the market, always keep doing that, or are you working in the market \*. Are you an innovator, to invent something new in the market on that side? Let's say you create new product in the market, always keep doing that, or are you working in the market \*0:19:25.5 and then industry...
- A The important thing to carefully watch the market, that is not just waiting. The careful watch and a careful study of the market then decide the product. So someone might see – they are just waiting, but in reality we are not waiting, just watching carefully making analysis on the market and think of the good future product. So relating to this industry it's a kind of watching market and then design a good product, if just waiting then not.
- Q Not your company.
- A Waiting is not possible, how can you wait?
- Q Okay, no wonder that's why your company became successful because you don't wait so long.
- A But we are now exchanging ideas within our partners, so that is not a wait and see style, but we are making some debate, exchanging ideas, or market observation with staff partners. Eventually we will have a picture of what needs to be done.
- Q That will be all from my side, thank you very much Mr \*0:21:08.0.

END OF TRANSCRIPT

**Singapore Airlines (SQ) (Commercial)**

- Q      We put the tablet on to record the communication and this is for study of the research of the PhD program of the University of New South Wales. We are, I myself doing a Airline Business PhD therefore these questions with the airline businesses is purely treated as confidential between yourself and the university. Any question you can answer we appreciate, but if you cannot we accept that. So if I may start.

- A Sure.
- Q For the first question we know that the airline business is the major part of cargo industry and it becomes the focus for people of the industry but from time to time the world is changing so quick, with a situation like now especially with the financial crisis whatsoever, what does your company respond to change – is it the decision making from the CEO or from the board members for this current situation?
- A Actually in SIA we have what is called the management committee it is a committee of top management, we meet quite regularly and we discuss the economic situation and then try to find ways to manage downturn in the business and of course below that there are different levels of vice presidents look at different areas on how to front or how to challenge the core business situation. One example is the Network Planning Department would see how to devise or restructure of the network \*0:02:02.4 structure. \* back the \* line with capacity. So this decision making process is a joint effort by top level and medium level.
- Q Okay what about in that case like middle management, like the junior staff can they also getting involved with this kind of decision making as well?
- A Of course because when we have made a decision it goes down to everybody. Any staff can make a suggestion and say ‘can we maybe change this/improve on this’ we accept suggestions from them. So for them they spark the decision making.
- Q So it sounds like a vey \*0:02:47.2.
- A Yes that’s right.
- Q Very, very short distance, short communication for that.
- A Right.
- Q Okay, well what about in terms of because we understand your airline, Singapore Airlines, is one of the most profitable airlines in the world. Are you from time to time struggling with the \*0:03:04.0, especially from the regulator or the government \* that you have to do social responsibility as well. I’m sure you are [inaudible] here.
- A Well we are a publicly listed company, although we are owned 51% by government we are left very much on our own \*0:03:29.4 commercially fit plus the reason for existence is make a profit and to give good return to our shareholders. That’s the mission of Singapore Airlines and every airline has their own ways of doing it. So we don’t have the pressure of governments, like telling us to run as a, be only as a commercial company.
- Q Let’s say when your government initiated from the beginning that Open Sky Policy, is that where that – who initiates first, did SIA initiate it or your government initiate first.

- A No, the government policy is a policy where they look at it on its own for the good of Singapore first. Open Sky is for the good of Singapore. So Open Sky not done because of SIA because it's good for Singapore. So the government felt that Singapore should be open to all airlines including Singapore Airlines and other areas. So they have this Open Sky policy.
- Q What about in that case, I'm sure one of the key successes of your company is the staff. Let's say, as an airline doing like a management training course, when you happen to have the really bright management trainee, what is your policy or what is your practicality to deal with these people? Do you deal with them directly or do you just put them back to their department and let them work in that department.
- A We employ quite a lot of people every year because they are people who leave; people retire and then we have young people.
- Q From locally or from abroad as well?
- A Locally, we have overseas stations also.
- Q Okay.
- A What we do is we track the performance of all our young employees and then we seek for better one, make sure they have wide exposure and they will be sent to different departments, different divisions to work. Don't work like this, they work differently, okay? So that's how, we give them the exposure and if they perform well then they have the opportunity to go up in the company.
- Q So in that case your observance must be very, very effective?
- A Yeah because they have been observed and been appraised by different bosses in different divisions, so if everybody says he's good, he must be good. So this is in a very fair way that it is not always appraised by one person. Right? If your chemistry is good you get good marks, if your chemistry is bad you get bad marks. That's not fair on the person, but if you move to different bosses who all independently give you appraisal, then you know how good or how not so good he is.
- Q If he's not so good then you retrench or no, not really?
- A I think if the person is not so good, we have to talk to him and say, if you don't improve I think they will know themselves and most of the time they will look for an opportunity somewhere else, maybe this organization is not fitting in with them.
- Q What about the discrimination have you heard about this, by the women, do they have the same right as with the male staff or the male colleagues?
- A There's no discrimination. We have a lot of female young staff [over-talking]. There are scholars who are female and they are there, they are with us. So we've got female and we've got male, both and they work together as a family.

- Q The reason I bring this up because airline people, like I can see from my experience that airline people much of the staff are female, but the top executives always male. Is there any chance that your company give their way to the female...
- A I think we have a lot of Vice Presidents that are female, plenty and very young. I'll give you an example, our person in charge of network planning is a female.
- Q Okay.
- A She is thirty something years old.
- Q So you promote people quite quickly?
- A Well it depends if the person is very good he or she moves faster.
- Q Okay and then what happens after that, let's say he or she becomes at the top and then is she going to be the CEO or is she going...
- A We do not know. I cannot predict the future, that I cannot predict.
- Q Right okay. That comes to the other question about your CEO has come from inside or outside?
- A So far inside.
- Q Inside, okay. What about nowadays with this world environmental issue, how do you see your airline, your company as a leader or a follower to go for clean or to save the world temperature, those kinds of issues?
- A I think the big environmental issue right now is carbon emission trading, okay? Tell me where does the money go to?
- Q The organization who lends it.
- A Right you know you trade carbon, trading emissions, it's millions, where does the money go to – who has the money?
- Q Good point.
- A Do you know if the money is used to improve the environment? That kind of policy – not sure because you are giving away money for what – you're not even sure that they'll use the money to improve the environment. It's not clear cut. A lot of governments take it and it goes somewhere else, we don't even know.
- Q Right because I can see some of the other airlines just say, Virgin Blue in Australia, they said every \$1 goes for their organization to help...
- A What they say and what they do...
- Q Different way probably...



A Have you checked?

Q No I haven't.

A Okay, maybe you should go and check.

Q Probably you are right.

A [Laughter]

Q There's a lot better way they can handle the marketing.

A Right, you know Richard Branson is very good in saying a lot of things...

Q Okay and doing it differently...

A Doing it is a different thing – he gets publicity.

Q All right, so in that case, you're not active much in that idea yet.

A No, no I'm saying there's a lot of confusion and a lot of publicity, I don't think we are that kind of airline.

Q In a way right, because we don't have to improve \*0:10:11.8.

A We would rather be engaged. For example we use that most modern aircraft. That in a way is helping the environment issue because cleaner engine, more fuel efficient. Helps the environment.

Q That means the pollution should be less and less...

A Less and more fuel efficient. Many airlines use very old aircraft, old technology, not so fuel efficient, not so clean to help the environment. So we play our part in the environment, that's one part. We also would like to get into more specific \*0:10:52.0 for example recently we have in Indonesia we identified forested area to preserve it, we are helping with that together with some international organizations in the process of this. So we figure if we do something that we can see...

Q Improvements...

A We aim to prevent deforestation in Indonesia. You know because you've got that a lot, these forests are being cut down because we go and cut away sell the logs away, so we're going to help in the preservation.

Q To make the world become more green.

A Yes that's right.

Q Well in that case you take the leadership as well.

A We take leadership but we are not taking leadership for the sake of publicity.

- Q Because the reason I'm asking is because every time when you have a new product you are always the leader, you said the \*0:11:47.1 you said about the \* or the leadership or whatever, so we believe that you are quite active in that role in that area.
- A Right.
- Q So in that case that's coming to the next question – how can you develop the leadership? Is it from again inside, or from the outside, what about the seniority or the skill or the pay is that significant as well in terms of your promotions?
- A So far we have a very good developmental program in the company. We have young people come in, we have developed enough internal talent. We have once in a while take people from outside as manager or as vice president, but I think they are more specialized areas. But in general we have a general management scheme where we let good people develop within the company. I've been with the company for 34 years.
- Q All right, so let me...
- A And Mr \*0:12:47.4 with the company for 18 over years, but he started and came back as a scholar...
- Q From the company?
- A Yes that's right and he's very young, he's only 47 years old.
- Q Okay, that's a good thing because I think we have to admit that sooner or later we're going to be old age, so we're talking about young staff coming in. What about old age, what...
- A Well we all retire at 62 years old. That is according to the government retirement age is 62. So in two year's time I retire.
- Q But in that case I see struggling somewhere somehow because you promote more people so quick, so they are that young to become vice president or executive vice president.
- A Not everybody is like her, I'm giving an example that we have females who are talented and who are also given opportunity.
- Q All right. Okay well I think it's a new trend of the world, look at the US president nowadays, only 47 and become the US president.
- A That's true.
- Q All right this should be the last one that your company is always taking the lead in the industry.
- A Yes we want to be the leader in the airline industry, we know that a lot we come up with new ideas and introduce new products, so as you have said,

example we were probably the first airline to give audio visual on demand for the whole aircraft. The first business and economy class, whole international fleet, we are the first.

Q Right how many years ago, ten years ago?

A Quite many years ago.

Q More than ten years ago?

A I think so, yeah, we have come up with the largest, widest business class seat because these are ideas that we do because the passenger wants it. When you sit in any other airline and nowadays all young people take out their laptops.

Q Okay, that's right and put on his lap.

A You've got to work...

Q Right I get the point.

A So we have that and see I can put a laptop on the side, walk up I can take a book, check the reference come back again, you know, with a book...

Q All right.

A So you can really walk on a flight, you can sleep on a flight, you can twist and turn, you've got space. So we are...

Q And especially the suite you are the first one I believe?

A Yeah we are the first one to do that. Then we have the suite the A380. We are the first airline to provide a bed and a seat separately. Every airline first class whatever, the seat becomes a bed or bed becomes a seat.

Q Right.

A But we have a bed is a bed, a seat is a seat, separate. When a bed is a bed we make the bed very firm so you sleep well. The seat we make it a sofa. Right.

Q In that case I will not use the word leadership, I will use the word innovator.

A Of course, we are innovative. We also want to be leader, first one to do it before anybody else, we are the leader.

Q Well in that case your company must have a very clear direction, where to go, what to do.

A Yes true.

Q Because every now and then we see your new product coming as the first airline.

A Yeah, sure, right.

Q I think we've talked through everything and that is Mr Wong, Executive Vice President from Singapore Airlines. Thank you very much.

A Okay.

END OF TRANSCRIPT

### **Singapore Airlines (SQ) (Operation)**

Q So Mr \*[M name]0.03 from the vice president operations.

A So each one has its own EVP, so commercial HR planning and IT and the major chunk is operation services. So this is my area. I always like to say that everything that goes wrong in the day.

Q \*0.25 cabin service, everything.

A Cabin services, flight operations, engineering, product and services. So things like customer affairs, airport, in flight.

- Q        Whatever, it comes to you?
- A        Whatever, yeah security also.
- Q        Oh even that?
- A        Yeah.
- Q        So you must have a big organization under yours.
- A        Well if you look at the staff strength SIA airline has about 15,000 staff. We have about 7,500 cabin crew and about 2,500 pilots and so the operations services side would account for about 11,000 about 80% of the airline.
- Q        Ok <inaudible> come up to 7,500?
- A        Yeah so that's how we structured ourselves. So in that sense we are the if you like the service delivery arm of the company, because everything you do with running the airline, delivering the service, delivering the product, operating the planes, manning the planes, so every \*1.33 is part of yeah.
- Q        Oh so I'm sure \* is quite critical so may I start with those \*?
- A        Yeah sure.
- Q        So we understand that airline business is a major player in the travel industry. Without the airline no one can travel and then when the world is getting good, airlines become good and when the world is getting bad, the first one is airline. So what do you think about when the world position is like this, especially given the financial crisis? The decision of your, especially from your department as an operation, does it come from the top management or does it come from the senior staff when you have to do the change, because you need to adapt into the situation most of the time? I'm thinking that with the operations it's quite \*2.21 environment, you have to trade with the passengers, you have to trade with internal as well, so most of the time the decision making, does it come from in that case yourself or do you have any other person in charge?
- A        Well I think in any situation the starting point must be what is the strategy that the company wants to adopt that will then set the direction and the tone for the rest of the organization to work on. So this is a collective effort amongst the senior management team, led by the CEO of course. So first of all you have an airline, it must already have its own operative philosophy under whatever circumstances. For example we always believe that service is paramount, whatever decisions we make is for the long term. We believe that we must continue to do our best under whatever circumstances in our approach to service and approach given in terms of our staff development and recruitment, always strive for excellence. So these are the motherhood statements, but then comes your foundation of your philosophy. And we also accept that there will be economic up and down, so when economic downturn comes, then you have to go back and say ok we need to make any change, understand these circumstances, how do we adapt. And that's when you have to decide what are

the things which you will continue to hold dear, even though we are going through a downturn and what are things you must change? The rest of it will follow.

Q Right, because especially the operation side, one other thing is that safety is not compromised.

A Safety cannot compromise, so no matter what I think we will continue to make sure that we run a safe and reliable operation. But we also believe that service cannot be compromised.

Q Service cannot be compromised either?

A Yes, because I think that is a very core part of our brand. Something that you spend 30 years building and you are not going to let one economic downturn destroy your brand. So whatever you do you must continue to win and gain and maintain the trust of your passengers, so you may have to make some adjustments in terms of cutting back some schedules, you may have to economize a bit, but by in large I think you have to make sure that you still look after them well.

Q Right, but most of the time you are the one to make decisions as a top person?

A Then it flows down. Once we decide that this is the direction to go, then every level will then translate it down to the next level. So for example we say safety cannot be compromised, of course everybody knows what to do. And service must also be maintained. Then as each level when we are faced with a particular situation, we will then debate to what extent can we cut back here or to what extent should we not cut back. And then when it comes to things like investment in product and services, then we will also have to make those decisions as to do we carry on with it, do we hold it back, do we?

Q Right in that case comes an interesting issue, because you mentioned that when the decision has been decided, therefore \*6.06[growing], therefore what about the junior staff, how can they share their decision making or how can they <inaudible>?

A I think what you need to do is to share the thinking and philosophy with the older staff, then you've got to work with them how to translate that into action. And for example you tell your staff that ok now we have an economic situation, its going to be difficult, but we are here for the long term. We are going to continue to \*6.40 to a few things, so you make sure that you understand the direction. Once you understand direction then you have to work with them and say ok now how best do we deal with the situation for example if we have to cut some flights. Then you have to work with the operation people, how to minimize the impact on the passengers, what are the options available, so they play a very important part in that kind of decision making, but all within that framework or that philosophy that you have set up.

Q So in that case everyone has the same idea?

- A I think that will be the ideal; I'm not saying that it is perfect, but I think that's a very crucial thing, because if you say that going through an economic downturn, we are in deep trouble, we have to cut costs, that sets a very different tone. But if you say that we are going through this, we are going for the long term, we have to tighten our belt, but we must still proceed on a certain thing, that sets a different tone again you see. So I think its important that senior management must set the stage if you like. But then the actual execution, actual working out the solution to problems, of course we do believe that the people on the ground will \*8.05 because you sitting up there you may make the wrong decision.
- Q Ok it can happen.
- A Yeah, its important; it happens all the time. Sometimes we also know that maybe some decisions could have been better, but I think that answers your question about how do you engage the people. And yet with a clear vision as to where the company should be going.
- Q So in that case most of the time work as a team?
- A Yes certainly. I think as you know in the airline I always say its a very operational business. Our business is quite simple; to carry a passenger from A to B, but its a lot of complexity within that process. It is not like some conglomerate or whatever, different product line, different this, we are one product line, just to carry passenger from A to B. It is so simple, and yet there is so much complexity, so many people are involved. So its like machinery that has to be kept very well oiled for it to run, every part got to work well and that's why I think team work is very crucial.
- Q Right, because what I can see from the other company and from my experience as well is that the operations side always have come up with the quick decision, because it becomes crucial of the company. Its critical decision always come up, because the safety whatever, therefore people from \*9.36 decision, while the commercial side they look for the, waiting for the \* improving or waiting for the market demand whatever. It takes longer time to have decision, that's what I can say. Like when I talk to you I can see that when you make a decision or when you have an idea, immediately you go after that.
- A Yeah but important thing, because operations as we say can be very quick, can be very reactive also, things can go wrong very fast also. And if you don't have good control over what's happening, then you can find a lot of things can go wrong without you knowing. A lot of damage may already have been done. Things like safety and all that, what we fear most is what we call the slippery slope. You just compromise a bit here and there, then somebody will say now I know, if you can do that, I can also do this. Or at the operations level, how do you deal with flight delay, how do you deal with you know. Either those guys make good decisions on the ground or can cost you a lot of money. And they have to make the decision fast, so I think its how to find the balance between able to empower them to make good decisions and to be able to have a good system of command and control, so that at least you know that things have not gone...

- Q Back to the square one, we cannot compromise the safety anyway?
- A Yeah you can't compromise safety that's for sure and then we also don't want to compromise passenger service, because you can abuse a passenger once, you can abuse a passenger twice and after a while...
- Q That's a good point.
- A Yeah because this is the very foundation of the business. And very easy to dismantle it overnight. And more so in the situation like economic crisis, its very easy to say now we have to save costs, we can do this, we can do that, chop, chop, chop and then you find...
- Q Operations you can not do that in some areas.
- A Yeah, as you say you have to make decisions, so how to make sure that people make those decisions, still make those decisions, but make it correctly and make not correctly, because sometimes correctly is only on hindsight, but try to make it wisely.
- Q Ok that's a better word, wisely. What do you think about when airlines have a lot of profits or whatever, then this thing, the airline is often struggling with delivering the profit, especially do you have any help from the regulators as specifically on your side or the government proceeds for the social responsibility?
- A No I think we are running on a commercial basis.
- Q Because when I ask a national carrier its hard to say, therefore from time to time \*12.37 can come back and say look we want your help for this.
- A No no I think this is where we are quite clear, the government is quite clear that although we are so called a national airline, but its only in name; we are run entirely on commercial basis.
- Q Profit and loss, kind of like that?
- A Ye and I should say long term viability, the government has under Minister \*[M name]13.03 when he was prime minister before he said if you are in trouble I just shut you down.
- Q That's all and that's it.
- A Don't expect me to bail you out, so I think this is...
- Q Very clear, very clear message.
- A I think its very clear and I think that is probably one of the reasons why we have always tried to make sure that we do our best, because we know that there's nobody to come in and bail us out.
- Q Even the government will not bail you out?



- A Well they have always said they will never and we never challenge them.
- Q But what we can see from the outside people, we can see that the government always back Singapore Airlines in a professional way. Let's say when you want to have new aircrafts, everything is that the way they help you or?
- A No I think if you look at it in terms of funding, government has never been involved. You are talking about negotiation of traffic rights, of course that is a government duty. And when we were the only airline, of course whatever traffic rights they get will be used by us, but now we share, we have to fight with Tiger Airways and Jetstar and all the others for the regional routes. When it comes to commercial decisions, where we fly to is entirely up to SIA. When it comes to choice of planes its entirely up to SIA also; there is never any influence as to whether you should buy French or American, because we pay for it. So we work and live by our own decisions and I think that is a very important principle for a commercial entity to survive.
- Q That's the way they push you become more professional, because you've got to fight on your own.
- A Yeah you justify; I mean we are publicly listed company, we have to justify, although the biggest shareholder is Temasek, but still at the end of the day...
- Q No one can help you except yourself.
- A Yeah.
- Q You've got to improve yourself?
- A I think if you know that at the back of your mind then you know that you better work hard and do the right thing.
- Q Agree, and that's a very strong message and very very clear message that you've got to be better than anybody else in the market.
- A When you make a \$5 billion, \$10 billion investment in planes, you better make sure you do it right.
- Q Right because it's a huge investment. Ok so let me come up with another question. I'm sure within your department you deal with a lot of people, especially in your staff. So when you happen to have very bright people, let's say \*15.49 trainee coming up who can see a business opportunity in the future, how would you deal with him? You deal with him directly, he or she directly or you put him back in his department and let him deal with his boss or how you immediately take him or make him up or get his idea?
- A We have a system of what we call identifying the talent within the company. So every year we do a review as to look at all our, let's say our executives and above, \*16.26 graduates and then we review their performance, we review what we call their potential. That means not just what they are doing now, but what they can achieve in future, based on a certain set of qualities. And then we draw up a list and then we will monitor the progress. One thing we have

been doing for a long long time and believe is the right thing to do is to make sure we give people the right exposure in different parts of the business.

Q So you tried to put the right person in to the right place?

A Not only right person, right place, because we find that in our business, because it is all just one business, it is important that the person move to different areas of the business, some of which may be right for him, some of which might not be so right, but its good for his development and learning.

Q So you relocate people every now and then?

A Yes, so for example a person in operations can go to marketing and marketing can go into planning, planning can come into operations. And through that process we hope to build up a group of people who are well rounded in the airline business.

Q So you try to make complete person?

A Yeah clearly not everyone can fit the bill, but we believe that for those who need to be groomed for more senior positions should have as rounded experience as possible.

Q Should have a lot of knowledge, multi knowledge, multi skills.

A Yeah, of course there are clear-, certain area where you clearly cannot go. For example can never be a pilot of you're not a pilot.

Q In that case coming to the next question, what about your women staff, I can see a lot of Singapore girls advertizing, how do they have a chance to grow up with this company, especially in operation side? \*18.18 become pilot as well?

A I think of course the cabin crew, a big proportion of them are ladies. Among the executives, we do have ladies, had young graduates.

Q What about the pilots?

A Pilots so far no, we have not found the need to hire them. We don't consciously hire because we want to have equality or whatever, its more on the base of do we need so, who can do the job? So so far we have not found the need. Although our sister airline SilkAir have a few yeah.

Q They have females I can see that.

A They have a few yeah, so this is one of those things. We are not saying that we will never hire a female pilot, we don't have any bias against that, but...

Q Do you have let's say general manager, a female general manager abroad as well?

A I must admit that it has not been very successful. On and off we have people who are posted up, but they don't stay long, they come back. A lot because of

family reasons. So I know the other airlines including Thai, certainly Philippines and all they have a lot of ladies posted out. But for SIA unfortunately we try to, we give them opportunity but so far... There were one or two I think; right now maybe most have come back. Maybe at this point in time there isn't anyone out there.

Q Maybe because your company have a lot of expectations for that position, for that posting.

A Well I guess expectation is there and they can fulfil it, but I think a lot of it is due to personal reasons that they don't want to... Of course I don't know whether it is because most of them are still young and their husbands are also <inaudible>.

Q Maybe they miss each other?

A Yeah.

Q The next is especially from your side, about environmental issue. Do you see your company as a leader for environmental issues? Let's say global warming and those kind of, engine emissions?

A Well environmental issues I know is very topical now, but we have always been quite careful about not causing more wastage than it be. Because I think maybe it wasn't couched in those terms, but we have always advocated a policy of a young fleet. So of course young fleet means many things, it means newer planes, it means more passenger appeal, it means lower operating costs, but more importantly it also means better fuel efficiency. And I think the single biggest output of an airline in terms of environmental damage is fuel consumption. You can do all you want here about saving paper and all that; its daily how many times you \* in to the air. So I think because we have always been advocating a policy of fleet renewal and using the latest technology, we have been very environmentally conscious in that sense. And we'll continue to do so and I think putting aside the fact that oil reached \$140 at one time; even though now we still continue to look for ways to improve fuel consumption and efficiency. And then with the latest aircraft like the A380 and all that on a per \* kilometer \* it uses less fuel than 744.

Q I heard the other way around, in fact \*21.59 better than \*.

A Yeah, because I think passed on a \*, on a per \* of course it uses more, but when you divide by the number of passengers carried and on a \* kilometer its a bit fuel consumption.

Q What about how do you develop the leadership, especially from your department operation, because its quite unique skills? Is it from outside or inside \*22.29 the senior person?

A SIA has, I mean we have by in large believed in developing our own talent, so most of the senior staff in SIA, not just operation services, but SIA as a whole are groomed from young. But that does not mean that we have not had what

we call direct entry mid career people, particularly in some very specific skilled areas, for example security not easy. Sometimes with all the latest changes in the security environment, your own skill sets may not be good enough, so sometimes we have to supplement. Some areas like IT also we need to supplement, because in some areas which are especially those which are not core to the business, our own skill sets may not keep up with what is happening outside, that's where we need to supplement from outside. But within the core part of running an airline, commercial area, service delivery...

Q Financial, those kind of...?

A Financial can be outside also, because airline finances...

Q Its not like financial company.

A Yeah in fact airline finance is quite boring, it's all \*23.39 making sure \* there's nothing \* about that. So I would say more the airline, how do you run the airline, the operations, the commercial side. This is one area that we prefer that you groom people from young and as I said earlier you put people through different areas of the business.

Q And what about pilots, \*24.01 on flying hours? Seniority, is it paying a significant \* as well, especially with the operations side, safety of those areas, when you need to promote someone do you look at the seniority side as well?

A I think its a combination of seniority and meritocracy, because there is also a system of, very rigorous system of measuring their performance. And there are many many different checks and levels, where they are judged on their competence, competence for promotion, for command and then going back all the way, so its not just a seniority based system, I think we have made it from earlier quite clear that other things being equal, of course the senior one will get, but then you must demonstrate your competency and it goes by meritocracy as well.

Q Ok good answer. So we come to the next question, which is directly to your department about the \*25.07 your company always taking the lead as innovate?

A Innovation. Well I think in business you can stock check.

Q So you always take your \* leadership in that case?

A Well we try to; one of our aims is always to achieve leadership in product leadership. So for example introducing the A380, being the first to do so, introducing a new cabin, a new seat. So those are examples of our product leadership and its something that we constantly try to find opportunities to something...

Q When I say \*25.55 megatop, I can see the leadership, I can see first \* flying, you always come up with those kind of...

- A Yeah well lately we have not been using those slogans anymore, because after a while we find that yeah maybe slogans don't mean so much; I think at the end of the day it's more <inaudible>.
- Q You don't have by \*26.11.
- A We used to, but we have stopped using them already.
- Q Because as an outside person we see that your company always take the lead in terms of introducing something; introducing new products, new suites first and likely to offer the suites in the sky, those kind of. So the question is that your company always have the initiative?
- A Yes.
- Q So is that the direction of the company that always the leader of the new invention?
- A Well I think not just for its own sake, but I think where it is meaningful we will do so. Being the leader has its costs as well, because we were the first to operate the A380, we suffered a lot of pain, two years of delay and all that.
- Q Right you are the first airline?
- A Yeah, of course luckily we are not going to be the first airline for the 787, so others can suffer the pain for a change. So I think its not being first for its own sake, but I think you got to; we try our best to put up new things, just make sure, because that's a very important part of your brand building, your position in the market. But without compromise to quality, without compromise to what is core to you, because its easy to just keep on rolling out new things, but then if you don't have the whole machinery to execute it well, that's very damaging as well.
- Q But its difficult to initiate something, but its easy for anybody else to follow your step. I can see that many airlines try to follow your step.
- A Yeah especially when it comes to hardware, because nowadays hardware is anybody who can afford it.
- Q It's not a \*28.04 that you can \*.
- A No you can't yeah, so I think at the end of the day it is innovation not so much in hardware, but in the software and the delivery, how you package it together, how you deliver it, that will be the key.
- Q So that comes directly to your department?
- A Yeah that will be the key differentiator if you like yeah.
- Q So do you have a time line or time frame that how many months or how many years new product coming up as <inaudible>?

- A Always a continuous process. I think we see all these as just a daily part of doing business and someone has observed in our business, which a lot of it is operation. Its not like you sit down and you wait for the big idea to come and then you put it out, its just a constant grind, every day you've got to improve, every day you've got find better ways of doing things and it could be just small little things here and there, but over time it adds up to a lot. It could be something as unglamorous as how do you improve your phone telephone service, how do you improve the way you serve your meals. How do you find solutions to reduce the weight of your in flight catering equipment. All of these are small little things, its essentially a combination of many many small little things. Once in a while we have a big thing like A380, that's once in ten, 20 years. But beyond that I think airline as you know is every day you <inaudible>.
- Q That's good, I think that was all from me. And that's from Mr. [M name] executive vice president, operations and services, Singapore Airline, thank you very much.

### **Thai Airways International (TG) (Operation)**

- Q This is an interview between Thai Airways and University of NSW on 19<sup>th</sup> of January 09.
- Q2 When we make big decisions in a time of change are they coming from the board or from the CEO or do they ever actually come up through the business, does someone say I think we could save a lot of money by shutting down this office or not flying this aircraft or changing the way we serve meals on a flight? Does it ever come up or does it always come down?
- A Mostly and commonly it comes up from the board, CEO, the board and CEO above, but the information sometimes feed from other staff, from senior staff meeting, maybe decision making, the information sometimes comes up from bottom to the board, our CEO.

- Q2 When the board is thinking like that, do you get a sense that they're looking at social responsibility as well as the company? When Americans make decisions, they just go my job is to maximize profit and they're required by law to maximize profit as board directors. When you see those decisions come down here, do you see more of a balance between social responsibility and financial performance or is it still we've just got to make a profit?
- A We have to look on both sides and the regulator and the laws of what you call?
- Q2 Social responsibility.
- A Social responsibility. We are not the leader on that, but we have to follow the regulations.
- Q2 Who does lead on that? If there was a corporation nationally that you really saw as an example of someone who leads on social responsibly, is there a state corporation that's a leader?
- A Most of the time yes the state, we have some department take <inaudible>.
- Q2 Is it something that railways do really well or is it something that...?
- A For example I let you know that we want to fly to Samui as much as possible, but the what you call, the \*2.26.
- A2 Right the \* people for example.
- A Don't want us to make a flight more than 32 flights to Samui and so we have to follow that.
- Q2 So is that airport still owned by Bangkok Airways?
- A Yes.
- Q2 If there's someone who's really bright, really clever young graduate joins the company, how do you manage someone like that, because they can be really annoying sometimes and ask all the wrong questions, how do you manage really clever people inside the company? If I said I've got the smartest graduate from my class this year and I want to give him to you to work as a trainee for the next two years, how would you manage someone like that who is going to be a bit difficult and ask awkward questions?
- A From my side I will support him to what he wants to do for his ability for that job. On the marketing side we have the marketing trainee, so we try to support them and the \*3.38 we \*.
- A2 In operations side we have pilot trainees, I think we have for international <inaudible> marketing trainee.
- Q2 I think in the operations side of companies generally they're very good at finding gifted pilots and good operational people and developing their skills. So I'm wondering, when you get someone who is, the English expression is a

little bit out of left field, which means they don't behave like everybody else, they're a bit free thinking, sometimes controversial, do they do well in the company or do they get frustrated and leave. Do they do well and progress in the company or do those slightly controversial ones go this is all too hard and go work somewhere else?

A Well its not ordinary people who have a lot of ability.

Q2 Yeah a lot of ability, but not necessarily very conventional. And I ask the question, because I did some work for Malaysia Airlines for a while and we recruited five graduates like that and they were very gifted, very focused, but a little bit different from the culture of the company.

A Can we accept that do you mean?

Q2 And for a while it was ok and then they just got really frustrated and they all left and they've all go great jobs somewhere else now, smaller companies. And I'm just wondering if you've got someone like that, whether its possible for them to survive or you think that the culture would be difficult for them?

A I think it depends on his personal behavior, but mostly of the Thai culture, he has to get to do the work with our people, with Thai culture. He can change his culture to do the work with our staff, I think he will be a leader soon.

Q2 If that person is a woman, not a man, same thing?

A Both.

Q2 So smart women get the same opportunity these days?

A One of our executive vice president on financial is female.

Q2 That environmental question before prompts this one. Do you see the company as a leader on environmental issues or just following the requirements?

A Very hard to. I think we are not a leader, but our policy is to follow and comply, but we are not at the bottom. We are in between.

Q2 Not at the bottom of the stack ok. Talking a little more about leadership, do leaders get developed inside the company, do people move up or if there's an important job, does the board go outside to find? Is this a company where I can come in and say I want to have a long career and I'll have a path and progresses or do I look and see no every time they need a new head of finance they go to the banking sector and hire some hot shot clever guy from the banking sector, I'm never going to get to be the...?

A Mostly our employees start from the bottom and move up the career path to the top. But sometimes for technical people sometimes they come up on top just like lawyers and some financial people.



- Q2 Flight operations is very much a seniority based in almost every airline, so yeah I guess the question was more looking in areas like finance. Final question, do you think the company is an innovator or a follower?
- A Innovator I don't think so. We have to follow the...
- Q2 Follow where the industry is moving?
- A Yeah yeah, but at the same as last question, we are not on the bottom. We are to improve everything, but I think we are not the leader.
- Q2 They were the questions that I had and I think you had as well, but if there's anything you'd like to add or anything you'd like to ask me.

END OF TRANSCRIPT

### **Thai Airways International (TG) (Commercial)**

- Q This interview is between [inaudible] Vice President Commercial Development and Support Department on 19<sup>th</sup> January 2009.
- So isn't the CEO on the board saying, here is the direction, go and do this or is there an upward movement as well of smart people in the company saying, I see this opportunity and pushing it up.
- A I see both, fortunately some have enough business savvy [inaudible] but really more at board level shall we say who appreciate the intricacy or sometimes the

directive need to follow as it were while at the same trying to inform them properly.

Q A bit of a push and a bit of pull at the same time.

A Yes.

Q If you had a very bright management trainee, one who was just a little bit out of the ordinary, in English there's a phrase 'out of left field' how would someone like that do in the organization. Would they be encouraged or would they find themselves being squashed down.

A You're asking if Thai, not if I have.

Q No because I think you as an individual I suspect would foster someone like that because you'd see the value.

A Yes I would, yes.

Q Looking at the broader organization do you think people like that have an easy time or a tough time.

A In the long term, I'm talking the long term, not short term. Over 90% certain that individual will do well in the company.

Q Do you think they'll stay long enough to do well?

A If they're strong, if stay long enough.

Q I ask that because when I went to MAS we recruited a handful of very bright young graduates, they were doing great things and then there was a change at the top and they all got frustrated and left, and they all have great careers in all sorts of other companies all over the world now, but they just could have delivered so much but got squeezed out of the system.

A The thing is, as I said, if you find people, real smart people that just concentrate on the business, those people we will find, those people that you're talking about because those top three or five who are actually applying they are second, third level, don't reflect them and their value and so on and so forth, that's how I feel.

Q Same for a woman as for a man – would a female graduate have the same opportunity and opening as a male graduate.

A I think they will have much better opportunity, it's a terrible prospect – sorry, this is my view. Wouldn't you agree?

Q It's probably the case, it shouldn't be but it often is.

A Come on, we're all human.

Q But...

- A I would like to have you on record as well....
- Q What did I say – I'm happy to put my view on paper because my view is that everybody should get a go at it.
- A No, sure...
- Q But the reality of it is that that's often not the case and...
- A The good looking smart one will get...
- Q Yeah and there's research that proves that, slightly taller and eyes are slightly wider apart and things... On environmental issues do you see the company as a leader or a follower? Are you pushing the boundaries or are you following the requirements?
- A If you're talking about Thai compared to the industry, I would say we're following. If you're talking about an average Thai company compared, Thai compared to the average Thai company, I think we're in the forefront and that's only because it makes business sense.
- Q It makes enormous sense in an industry that burns as much fuel as this one does to be... Just a final question on that that expands that, in general is the company an innovator or is it a follower of industry trends?
- A It used to be an innovator but today I think it's getting more and more difficult. Let's make this brief and sounds so nice, but if you manage the company and get lots of bright people up and enough resources to do various things you want to do, if you don't manage it well enough, you get less smart people in your organization. You don't have enough resources to innovate, so on and so forth.
- Q Who do you follow in the region?
- A Follow?
- Q Yeah.
- A Let's who would be the benchmark.
- Q Sorry, benchmark, following...
- A No, no following...
- Q Fast followers is one of the descriptions for watching innovation and moving with it, but yeah who is the benchmark?
- A Benchmark in terms of service and product I would say Singapore...
- Q With everyone else in the world?
- A But let me qualify that a little bit, for instance their first class cabin, their new first class cabin...

- Q The 380.
- A Yeah the 380, we use that as benchmark, yes in terms of comfort and all that sort of thing, in terms of not the physical but what it serves, we actually \*0:05:22.9 the various physical aspects and we know that for Thai, it's not that.
- Q One that just moves beyond that, where would you see a carrier like MAS against...
- A MAS against Thai?
- Q Yes.
- A I don't really know MAS, I can't pretend to know them well enough. Now if you asked me as far as I know about MAS today and how well I know Thai as I said, it's just me – we have everything ready, we just need a little bit of a small step to change. We have all the resources and everything we just need a little bit of a small step to change and we can effectively even compete with the likes of Singapore and I have been telling my people this.
- Q I don't think that's crazy at all, I see an organization full of talented people, many of them deeply committed to making that change. It seems a lot of people are just waiting for that lunge over the line to do it. But they were the questions that I wanted to ask, is there anything that you would like to tell me that I haven't asked that is waiting to jump out.
- A I told you more than I should have.
- Q Well it's going nowhere other than us.

END OF TRANSCRIPT