EUROPEAN FIRMS' INTERNATIONALIZATION TO ALGERIA. OVERCOMING CULTURAL DISTANCE

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ABSTRACT
The purpose of this paper is to investigate how European firms can optimize their entry strategy in Algeria by building cultural bridges. Actually cross-cultural differences strongly affect subsidiary's performance in Southern Mediterranean Countries (SMCs), that is why exploring a way to reduce that differences can represent a key step to facilitate European firms' internationalization to these areas. As soon as the interest towards SMCs is increasing, managerial literature is still lacking. In addition, the concept of cultural bridges has not been explored so far. This paper aims to reduce this gap and explores the opportunities deriving from cross-cultural bridges through the case study analysis of a French Multinational successfully operating in Algeria and other SMCs. Cultural differences are strongly perceived by Algerian employees of Schneider Electric Algérie, but the co-existence of Algerian managers and of an Egyptian top manager has improved performances and local employees' motivation.

KEY WORDS Algeria | internationalization | cultural differences | and cultural bridge.
1. Introduction

Foreign direct investment (FDI), either in their forms of joint ventures, international acquisitions and mergers, require the crossing of different national and organizational cultures and this process can create both problems and opportunities for firms investing abroad.

When different cultures cross the risk of cultural shocks arises (Meschi and Roger, 1994), with negative effects on the transnational company. Performances can be reduced by subsidiary’s employees’ low involvement in the organization or by their closure towards the knowledge and the strategic aims transferred by the parent company.

An effective relationship facilitates knowledge transfer and sharing, which today represent the main goals of any international investment. Even when relationships don’t concern research and development or technology, some kind of knowledge is always transferred and reciprocal learning is the main condition for the business success. Above all when investment are oriented towards developing and emerging countries, the possibility to delocalize activities or to successfully implement companies requires a complex learning process that usually can not be limited to the host country’s firm. That is: the host country’s firm (subsidiary, partner or sister company) has to learn the managerial practices (style of production, quality standard, work philosophy, etc), and the technology knowledge transferred by the parent country’s company, but the latter has to learn how to make the transferring process effective and how to reach good performance in a market that can be very different from the domestic one.

The distance between partners’ cultures improves the complexity of relationship: partners should be able to harmonize their aims and to find the right coordination mechanisms, in order to facilitate information and knowledge sharing, both at the operative and strategic level (Arino and De La Torre, 1998; Doz, 1996). Different cultures impact on partners’ degrees of entrepreneurship, on the power and control structures emerging in the organization, on decision making, on performance and innovation orientation.

Even if cultural distance can represent a problem, it cannot be simply eliminated. Cultures are very often resistant to change (Greiner, 1982; Gagliardi, 1995) and even if cooperation with people coming from different cultural context can be a source of innovation and changing, in order to avoid locals’ closure, it is necessary to manage cultural crossing very carefully (Calvelli, 2008).

Cultural distance can create misunderstandings and conflicts (Bivens and
However, the success of some large multicultural companies highlights that cultural diversity can be also a source of competitive advantages (Boyacigiller and Adler, 1991), and that this advantages arise when the strong and the weak partners are able to build an equilibrated relationship based on reciprocal respect and acceptance. Diversity increases problem solving, by offering different solution and different perspectives. A firm able to manage diversity is more able to face with different contexts and more prepared to adapt to distant environment.

In international relationships, the necessity to reduce cultural distance, without scarify diversity, could be satisfied by building a cultural bridge, that is a process through which some point of contacts can be created between the different cultures, in order to make both the exponents of the parent culture and the exponents of the host culture comfortable with the organization.

Among emerging countries, South Mediterranean Countries (SMCs) are becoming very attractive for European firms. Reach of production factors and characterized by an increasing demand of infrastructures, they are becoming important destinations of European firms’ FDI.

As high-context societies, SMCs require a deep understanding of local culture, which is coherent with the strong influence Islam has on all aspects of the economic and social life. However, only a few scholars have analysed in-depth what operating in a SMCs represents for a European company and the impact of cross-cultural difference (Calza et al., 2010, El-Said and Harrigan, 2006; Kuran, 2005; Cone, 2003, Akacem and Gilliam, 2002).

Consequently, our paper aims to investigate European firms’ internationalization to Algeria in order to understand the effects of cross-cultural differences on the entry strategy of European firms, and to highlight a strategy able to reduce the impact of cross-cultural differences.

Our hypothesis is:
• Cultural distance between expatriates and Algerian employees impacts on the success of firms located in Algeria;
• As a consequence, cross-cultural bridges can facilitate the relationships between foreign investors and local employees, increasing the possibility of success.

Our hypothesis has been tested through a case study analysis. Schneider Electric is a large French company operating in the energy sector. It is a very diversified and internationalised corporation, and it opened its first office in Algeria in 1920. Today Schneider Electric successfully operates in the country and in many other Southern Mediterranean countries, where
it has been able to overcome all the financial and political difficulties. Although this company has a complex organizational structure, characterized by a prevalence of Algerian workers, and managers coming both from France and Egypt, it has been able to reduce the effects of cross-cultural differences.

2. Investing in Algeria: opportunities and risks

Among SMCs, Algeria is an important destination of European investment. It is rich of production factors, above all in the energy sector and many agreements between European countries, such as Italy and Spain, and Algeria exist for the acquisition of Algerian gas and electricity (Algeria is actually the 18th exporter of energy materials in the world and the first in the Mediterranean).

Algerian macro-economic situation is improving thanks to both the revenues coming from the energy sector and the progresses in the privatization and liberalization processes. Foreign direct investment is increasing and Government is promoting important reforms to adapt the economic and financial systems to the European standards.

Since the 80’, Algerian government has started a deep program of reforms and today the most important sectors, such as banks and energy are open to foreign direct investment. Algerian government is favouring foreign direct investment: it has abolished restrictions to firms’ ownership, and it has established the possibility to transfer capital and revenues abroad. Rules and bureaucracy concerning foreign direct investment has become clearer and simpler, too.

The emerging opportunities are confirmed by the increase of foreign direct investment, coming not only from Europe but also from other Arab countries, such as Egypt, Arab Emirates and Kuwait, and by other emerging countries, such as China. However, State-Owned Enterprises still play the most important role, above all in the energy sector where Sonelgaz and Sonantrach control quite all the business.

Although opportunities exist, Algeria presents some risks, too. The socio-political situation is still unstable and some risks derive from terrorist activities. Other problems concern the high level of bureaucracy and the low transparency of the legal system. In addition, western firms entering in Algeria have to face some cultural problems deriving from Algerian strong identity feeling, which can discourage the co-operation with people coming from other cultural contexts. In a managerial perspective, embedment is necessary to overcome the closure towards diversity and the difficulties
to interact with local institutions and to optimise the relationship with local actors (firms, employees and customers). To have success in Algeria, foreign investors have to develop a deep knowledge of local culture and traditions, in order to avoid the possibility that the strong values and norms of this context can become a barrier to international relationships.

3. The importance of cultural differences: a literature background

The intensifying environmental turbulence has modified firms’ competitiveness, impelling firms to explore new market and to intensify inter-organizational relationships. Emerging countries are becoming more attractive both for the necessity to find new potential markets, and for the possibility to reach higher degrees of effectiveness and to protect from competitors coming from these countries.

At the same time, the rise of relationships between firms coming from different countries fades out the need to better analyse cross-cultural differences and their impact on firms’ capability to successfully operate in distant markets. Many authors have studied how national culture impacts on the organisation (Hofstede, 1980; Trompenaars, 1993; Globe, 2002), trying to synthesise the differences existing among different cultures. Firm’s culture is actually the result of the national culture affecting entrepreneur’s identity and of the ideas and behaviours consolidated within the organization. National culture impacts on individuals’ propensity to take risks, to share responsibility and to accept others’ ideas, thus it influences firm’s capacity to recognise and to catch opportunities, to create and to implement innovation, to leverage invisible assets by accepting external inputs and sharing learning opportunities (Steensma et al., 2000).

International relationships require the crossing of different cultures, both national and organisational cultures, and the cultural distance – meant as distance between partners’ norms, routines and repertoires (Morosini et al., 1998) – can impact on the organisational structure deriving from competitive or co-operative relationships (that is both mergers, acquisitions or joint ventures).

National culture and partners’ cultural characteristics have actually a significant impact on the knowledge transfer process within and among the organizations. Baghat et al. (2002) have actually noted that knowledge transfer in international alliances is more effective when transacting organizations are located in national contexts that do not differ significantly on cultural dimensions, so that cultural compatibility among the partners can be considered one of the main factor which affect the relationships’
stability and effectiveness. Moreover, culture influences decisional processes (Kraecic and Marsh, 1986; Bourgoin, 1989), power and control systems and the allied firms’ capacity to develop new products (Kogut and Singh, 1988) and to promote innovation (Shane, 1993).

When partners come from different countries, cultural distance can have a double effect: on one hand, it increases the risk of a cultural collision among the partners, creating the condition for a cultural shock (Buono et al., 1989); on the other hand, it gives the opportunity to the partners to improve their competencies and to exploit the other partner’s knowledge to reduce the distance between his own country and the target-market (Morosini et al., 1998). However, as some authors note (Salk and Brannien, 2000), even if cultural differences can cause conflicts misunderstandings and low performance (Bivens and Lowell, 1966; Killing, 1983; Shenkar and Zeira, 1992), the success of large multicultural concerns show how cultural diversity can be a source of alliance’s competitive advantage; it enables managers to broaden their capacity to manage culturally complex systems (Boyacigiller and Adler, 1991). At an organizational level, a diverse workforce can increase effectiveness and flexibility, and it can bring greater access to new segments of marketplace. In their opinion, diversity has to be understood as the varied perspectives and approaches to work that members of different identity groups bring, that is different knowledge about and perspectives about how to actually do work, how to design processes, creative effective teams, how to communicate ideas and to reach goals.

However, in international M&As if managers do not respect diversities and impose values and behaviours that are perceived as to far from local employees, a cultural shock can undermine firm’s longevity and performance. The approach to diversity that according to the authors can be more useful is the learning-and-effective paradigm, based on the strong respect of diversities, analysed in their relationship with work perspectives, and on an equal treatment of different identities within the organisation. Within the organisation, leadership has to consider diversities in order to get value from varied opinions and from the learning opportunities they generate (Morosini, Shane, Singh, 1998).

Organisational culture should create expectations of high standards of performance from everyone, stimulating personal development and openness and making workers felt valued. From a knowledge perspective, when opportunism is absent, the dialectic confrontation between different cultures may get many advantages: it gives the opportunity to improve partners’ competencies, enabling managers to broaden their capacity to manage
culturally complex systems, and it gives the chance, by acquiring partner’s knowledge, to reduce the distance between one’s own country and the target-market (Morosini, Shane, Singh, 1998). A better cultural understanding creates the basis for a more fluent and easier know-how transfer within the organization (Calvelli, 1998).

As soon as the interest towards SMCs is increasing, only a few scholars have analysed in-depth what operating in a SMCs represents for a European company and the impact of cross-cultural differences (Calza et al., 2009, El-Said and Harrigan, 2006; Kuran, 2005; Cone, 2003, Akacem and Gilliam, 2002.

The necessity to understand local culture and to respect diversity is coherent with the strong influence, which Islam has on business. Al-Khatib et al. (2002) have analysed in depth the influence Muslim values have on business ethic, finding out the importance of interpersonal relationships and a strong feeling of loyalty towards the group and the colleagues. Islam places a strong emphasis on trust as the focal point of interpersonal and social relationships, and moral obligations are perceived as more effective and more important than legal or formal obligation.

The existing literature highlights two important things: on one side a different business code can reduce local people degree of acceptance of rules and norms if they appear difficult to understand. In this sense, it can avoid local workers to develop a feeling of belonging in the international organization. Secondly, the choice of local managers can simplify the adaptation of local workers to organizational norms, above all if managers are able to establish personal relationship, allowing the rise of moral obligations.

These findings have important implications for international firms investing in SMCs. First of all, foreign managers should well clarify their ethic code and the reasons behind their rules. In addition, reducing cultural distance between managers and local workers can help foreign firms to build a cultural bridge between their own culture and local culture. That is, when foreign firms invest in Algeria, they should aim to employ cultural-accepted characters in the key role of their subsidiaries.

4. Overcoming cultural differences: the opportunities arising from cultural bridges

When western firms coming from industrialized countries invest in emerging and developing countries, cultural distance increases. According to the sociological theory of identity, pride and shame are the two master emo-
tions connected with identity (Haller, 2003). Pride emerges when one’s identity is perceived as relevant; shame emerges when one’s identity is rejected or denigrated. When a relationship emerges (within a group, organization or society, or between different individuals, groups, etc), pride and recognition hold partners together; degradation and shame lead to distrust and conflicts. The relationship is affected by five constructs (Haller, 2003). First of all, relationships are affected by self-evaluation and evaluation by others, that is by the idea individuals (or organization) have on themselves and by their perception of others’ evaluation.

In addition, individuals (or organizations) tend to develop consistent images of themselves and of the others and to keep them homogeneous. Individuals tend to reject characteristics that don’t fit in the images they have developed, and to stress all what recalls the image they have built. This process seems to enforce categorization as the way through which people evaluate diversities (Cox and Blake, 1991).

Thirdly, images are strongly affected by the significance people give to objective situations. Actually, the images individuals develop of themselves and of others depend on the objective economic, social, and political situations of the countries people come from.

Relationships are also affected by the significance of cultural similarities and dissimilarities. That is different languages, religions, and backgrounds impact on the perception and evaluation individuals develop of the others: the more different the cultures are, the higher the probability of a large distance of each other, or even of distrust and devaluation.

Last but not least, the direct mutual relation affects individuals’ perception and evaluation. If relations are based on equality and friendship, a positive mutual perception-evaluation can emerge, but if relations are based on hostility and distrust, a negative perception-evaluation will arise.

Haller’s findings highlight the importance of historical heritages of the socio-political environment. Looking at the internationalization, home countries play an important role. When firms invest in friend-countries they can exploit a double advantage: business relationships are facilitated by long-term economic relationships between the home and the host county, and both the relationships with local customers and employees is facilitated. The more positive the image of the home country is, the higher the probability of a good perception of firms’ products and of low difficulties in recruiting human resources. One could say that with globalization, the link between countries and firms has decreased. However, the problem of distrust and devaluation survives and can be moved from the organizational level to the individual levels. That is, the same consideration
as above can be made on the relationships between expatriates and locals or, partners of international joint ventures.

Looking more specifically at foreign direct investment in Southern Mediterranean Countries, this theory preserves its validity and can be very useful in explaining some difficulties European firms face when they enter Islamic countries. Different economic systems, different social structures and degrees of socio-economic development, together with the colonialist domination and the recent wars explain locals’ perception of Europeans as people coming from very different cultural contexts, even if closer than US. In addition, colonialist domination doesn’t help in developing equal relationships and increases locals’ tendency to feel oppressed and to perceive European managers’ behaviours as dominant and opportunistic.

The possibility to build successful and loyal relationships relies on European investors’ capability to reduce locals’ negative perception, trying to improve the direct mutual relation (between the international firm and local employees). In this sense, understanding local culture and consequently the values and beliefs behind locals’ behaviour is necessary for guaranteeing firm’s success. Increasing the knowledge of local culture enables foreign firms to adapt to the host country, to evaluate the key relational-factors, and to highlight some cultural similarities, when they exist. But when investor’s own culture and host country’s culture are too distant, another way is possible. If perception is difficult to change because deeply rooted in the social environment, foreign investors should aim to reduce the distance by building some kind of bridges between them and locals.

Cross-cultural bridges can be defined as linkages between different cultural contexts. Looking at the relationship as something that, for its own nature, involves individuals, cross-cultural bridges have to be meant as a tie which can help individuals in feeling less distant. They can be rightly represented by a character able to mediate between the different cultures, by a person who present characteristics which are common to both the environments and that can consequently help in building an equilibrated relationship.

Above all, when a stronger partner exist (such as in international investments towards developing countries), the choice of a manager next to local culture give a sign of respect, which, according to the sociological theory of identity, can be very important to improve weaker partner’s pride and to reduce his hostility.

In addition, if local employees are more inclined to accept foreign investors, this can facilitate knowledge transfer and improve organizational learning. Foreign firms which enter SMCs need locals’ support, both to optimize the relationships with local stakeholder, and to improve local employees’ feel-
ing of belonging to the organization, with strong implication on performances. In an international acquisition, the relationship between the parent company and the subsidiary can be assimilated to a learning alliance, where the foreign partner has to acquire market knowledge (meant as the whole of traditions, common practices, knowledge of key networks, etc), and the local partner has to acquire foreigner’s managerial and technological knowledge.

As emerging country, Algeria is characterised by a high degree of risk related to unstable financial, political and economic conditions. Relationships with local partners are of prime importance to reduce risks and to overcome information asymmetry and uncertainty.

From a cultural perspective, Algerian business environment is very influenced by ethnic and religious beliefs. Empirical evidences actually show that the Arabic feeling act as a factor of homogeneity towards people coming from the Arab world, and as a barrier towards people coming from different cultural contexts. On the same hand, Najjaar (2005) observes that the reasons of some Arab’s prejudice towards globalization can be found in the Arab perception of globalization as a threat deriving from the economic and social imperialism of western countries. That is, economic integration and the deriving tendency towards homogeneity are seen as a danger because they undermine the distinctive personality, heritage, authenticity and beliefs of national cultures.

The lack of identity is perceived as a danger above all in high-context cultures, such as many Arabic countries, where Islam has a strong influence on all aspects of economic and social life (Calza, et al., 2010). Islam is actually the religion of economy and affairs, it disciplines many aspects of social life and some of its principles can be very useful to understand Algerian business culture.

Al-Khatib et al. (2002) have analysed in depth the influence of Muslim values on business ethic, discovering the importance of interpersonal relationships and the strong cohesion existing among the members of a group within an organization: according to the authors, loyalty towards one’s group and colleagues is much more important than loyalty to authority and to the law. Muslim culture places a strong emphasis on trust as the focal point of interpersonal and social relationships. In such contexts, moral obligations are more effective and more important than legal or formal ones and collectivism is enforced by the great importance that Muslims recognize to the Umah (the community). The strong feeling of belonging can become a prejudice towards external people, who come from different cultural contexts and follow other religions. Actually for a
long time union and even weddings between Muslims and fellows of other religions have been forbidden and it was not allowed that a Muslim could receive order from a fellow of other religion. Even if these restrictions have been legally eliminated, they still influence local people that find difficulties in being subordinated to non-Muslim leaders or managers.

Other important aspects of Islamic culture can be found in the family values, which have strong effects on business relationships. The Islamic family is an authoritarian, extended family system, in which the family members’ roles are well clarified, and where children are taught to respect adults, leaders and traditions. In his sociological work, Patai (1973) underlined some common values of Islamic societies: a) courage – bravery, where courage refers to the ability of self-control in situations of physical and emotional stress and bravery to the individual readiness to take risks in order to save his fellowmen), b) hospitality-generosity (hospitality is required to take others’ respect, while generosity refers to give others even through personal and family sacrifices), c) honour-dignity, which imply unlimited loyalty to the family, defence of the honour, defence of the individual social-image and respect of traditions), d) and the Islamic identity, related to the belief that God is anywhere. According to the author, these values have deep implications in terms of doing-well and fatalism, coherent with the pessimistic view of the individual’s ability to change life condition and the avoidance to take responsibility for one’s behaviour and faith (Flo- rian and Zarnitsky-Shurka, 1987).

Both Arabic and Islam feeling increase Algerians’ strong cultural identity and explain some difficulties that foreign investors meet while facing Algerian entrepreneurs, managers or employees. All the mentioned values play an important role in the case analysed below. The community, the necessity to feel part of the organization are clear in the answers given by the Algerian manager who always defend the competencies and the key-knowledge of his colleagues with respect to foreign managers, and who underlines the opportunistic behaviour of his foreign colleagues and superiors. In addition, he connects foreigners’ opportunism to the risk of undermine firms’ longevity and development and this seems to recall values such as bravery, honour and dignity, so embedded in the Islamic family.

In our opinion, the possibility to build cultural bridges that is to create some links between Algerian and foreigners’ cultures could reduce misunderstandings and conflicts deriving from French and locals different business ethics. A manager able to mediate between the foreign and the local culture would be the key to reduce Algerians’ reluctance to accept foreigners and their tendency to feel oppressed. In particular, looking at
French investment in Algeria, the need of cultural bridges arises, because of the necessity to reduce Algerians’ perception of French superiority and assertiveness.

Cultural bridges can facilitate the management and coordination of subsidiaries and help in improving performances. At the same time, understanding how to build a cultural bridge between European and SMCs’ cultures can be very useful for those firms which are planning to enter the area. These firms could use this knowledge in order to accelerate the process and to reduce its costs.

The importance of cultural bridges is confirmed by Schneider Electric’s experience in Algeria. When the company has engaged French managers with the responsibility of SMCs subsidiaries, local employees have needed more time to feel part of the organization and the building of trust and mutual respect has been more difficult. In particular, Algerian employees tend to perceive French managers as colonialist and as people who feel superior. They find that French managers do not appreciate Algerians’ own knowledge and competencies. Within SMCs’ subsidiaries a “sort of syndrome of not invented here” often emerges, with negative effects on knowledge sharing and organizational learning.
5. Schneider Electric's investment in Algeria

Schneider Electric is the first distributor of electricity worldwide and the second seller of electrical equipments. It produces and sells each kind of electrical equipment and related services. Schneider Electric operates worldwide. In 2006, its turnover was of 17 billion and the 31% of its revenue derives from emerging countries. Schneider Electric’s mission is ensuring the continuity and quality of electricity and optimizing the energy use.

Schneider Electric first approached Algerian market 45 years ago with two brands: Telemecanique, and Merlin Gerin. In 1994, attracted by the huge dimension of the potential market, it opened a liaison office and it founded the subsidiary Schneider Electric Algérie in 2002. Schneider Electric Algérie has got 200 employees; it controls 4 regional agencies, an industrial plant, a distribution centre and a training centre. It produces and sells electrical equipments and services related to the electricity use both low- and middle-voltage and both for big industrial clients and privates.

Algeria is a very important market for Schneider Electric. Even this years, characterized by a strong financial crisis, Algerian market has growth (35%) and according to Schneider’s’ provisions it will increase in the future because of all the infrastructure projects and also tank to the increase of internal demand. Some important projects realized by Schneider Electric Algérie are: Algeria Business Centre Dahli Spa, the University-Hospital of Orano, the Sherato Club des Pins, the military hospitals of Oran and Constantina, and the Algerian Ministry of Defense.

Schneider Electric Algérie is the leader in the electricity sector in Algeria. This goal has been reached tank to Schneider Electric capacity to understand the opportunities of Algerian market before its main competitors and tanks to the high quality of its products. Today, it is well accepted by Algerian customers and authorities also because of its social engagement, in the social and educational fields. At the moment, its main competitors are ABB (Italian, Le Grand (French), Siemens (German), and General Electric (US). In addition, some problems derive from local competitors, which sell Chinese imitation of western products at very cheap prices.

Although the big opportunities explored in Algeria, Schneider Electric has met some problems, too. Bureaucracy, backwardness of the financial system, forgery, and lack of commercial and technical competencies are some of the main problems that Schneider Electric has found in Algeria. For what concerns the financial system, loans are very expensive in Algeria and most of banks offer services, which are very far from the western standards.
In addition, many costs have derived from the lack of infrastructures, the currency fluctuation, the continuous changes of laws and rules, and the political and social instability.

6. Within Schneider Electric Algérie

The interview has been offered to the sales manager of Schneider Electric Algérie. He is Algerian and has worked for the company since 1994, cooperating with the French top management for the foundation of the local subsidiary.

Today, Schneider’s Electric top management is built up from five foreign managers (the chief executive is Egyptian, the others are European) and three Algerian managers. Most of decision are taken after continuous meetings and comparisons with local managers even if strategic aims depend on the French headquarters, which has a very active role in forming and motivating local managers, by continuous seminars, training, and visit to Paris headquarters. A great importance is recognized to Algerian managers who manage the relationships with external stakeholders, suppliers included.

Women have managerial position, too. However they do not participate to the top management team.

Since 1994, organizational problems have derived from the relationships between Algerian employees and foreign managers, above all French managers who were perceived as very distant and dominance-oriented. Still today, Algerian employees are frustrated by their perception of a different payment systems used for them. According to the Algerian sales manager, foreign managers gain more, even when they are in the same position as their Algerian colleagues and a lower knowledge of local business. Algerian managers suffer the short-term orientation of expatriates, who usually think to optimize their performance in order to leave Algeria as soon as possible. On the contrary, Algerian managers would appreciate a long-term orientation, necessary to implement big changes and to measure a success, which, according to the Algerian managers, would go beyond rents and would take to a higher satisfaction of both employees and customers.

However, today foreign leadership is better accepted, thanks both to the better perception of the new top manager and to the good results foreign managers have reached during the years. At the same time, Schneider has decided to involve people characterized by a less cultural distance. Today the top manager of Schneider Electric Algérie is an Egyptian-French man, and this seems to play an important role. He is perceived as less distant
and more able to understand local employees’ feelings and needs. Particularly, he is young like most of Algerian employees and this helps in developing a feeling of solidarity within the organization and the lack of linguistic barriers enables better interpersonal relationships. Even if all Algerians speak French, the possibility to speak their own language (Arabic) increase the feeling of belonging to the organization, which is perceived as more Algerian.

7. Managing external relationships

Schneider Electric Algérie has got good commercial relationships with Algerian customers and suppliers. Today some of these relationships are transforming into joint ventures. The company is ready to improve relationships because local partners seem to have understood its philosophy. Schneider Electric Algérie is leader in the local market and Schneider Electric is one of the most important company in the worldwide energy sector, so Algerian firms are very attracted by the possibility to cooperate with it and try to do their best in order to keep relationships. Actually Schneider’s brand represents the best barrier against the competition of Chinese products, which are entering Algerian market.

Where as the situation today is quite good, at the beginning many problems derived from Algerian partners’ lack of technical knowledge (above all marketing and sales know-how) and from dilate in payments. Relationships have improved when the new Egyptian top manager has under-
stood the necessity to give to Algerian managers the responsibility to start and manage inter-organizational relationships. More generally, according to the Algerian sales managers, Algerian do not have problems in cooperate with foreign firms, but they usually prefer English or US partners, because they don’t feel superior. Algerian approach to inter-organizational cooperation is very relational and informal, closer to US approach, and far off from French approach, which is perceived as rigid and formal.

8. Conclusion

Schneider Electric is a French multinational, which has reached a great success worldwide and particularly in Southern Mediterranean Countries. The company has opened many subsidiaries and today each subsidiary acts as an independent company. In order to favour the embedment in the host market, each subsidiary has the name of the country in which it is located. In addition, Schneider Electric tries to reduce employees’ turnover, leaving enough space for locals at managerial positions. During the years, in order to improve subsidiaries’ performance, Schneider Electric has posed an increasing attention to cross-cultural differences and today expatriates are chosen trying to avoid cultural conflicts and shocks. In Algeria Schneider Electric operates through Schneider Electric Algérie, it is leader in the markets and it bases its success on long term productive and commercial relationships with local customers and suppliers. Schneider Electric’s interest towards Algeria has increased during the years. Above all during the last financial crisis, the company has appreciated the importance to act on an emerging market, which has grown even while the other markets where decreasing.

During the years, some problems within the organization and in the relationships with other Algerian firms have highlighted the importance of culture as key-factors for relationships’ success.

At an internal level, some problems derived from cultural misunderstanding between Algerian employees and expatriated top managers, particularly because locals perceived foreign managers as opportunist (expatriates often considered Schneider Electric Algérie as a temporary phase of their career within Schneider group), and as unable to look at the long-term (expatriates had a too strong result-orientation gave low importance to interpersonal relationships both within the organization and outside the organization, with Algerian suppliers or customers).

At an external level, it was very difficult to find reliable suppliers and the
inter-organizational relationships were very unstable, with negative effects on the costs structure.
In order to overcome these problems, Schneider Electric Algérie has given more importance to cultural differences. The aims were: a) to reducing employees’ turnover, avoiding the lack of competencies and resources, and b) to building good and stable relationships with local suppliers in order to save costs. The role of local managers has become crucial: Algerian managers could be a good interface between the company and the employees, and they could manage the relationships with local suppliers, very often small firms owned and managed by other Algerians.
At the same time, external competencies were necessary to improve locals’ knowledge above all marketing, accounting and technical knowledge. The company has consequently tried to find a balance between the necessity of external competences and the need to involve Algerians in the top of the company, looking for expatriates who could be better accepted by local employees, at least managers. Good results have been reached thanks to the nomination of an Egyptian-French top manager, who has been perceived as less distant by Algerians. Even if Egypt is a different country with a different history and different tradition, some similarities in the social and historical background exist and Algerians perceive a lower cultural distance than those existing with respect to Europe. The new top manager represents a link between the West and the Arab world. The Egyptian-French top manager has facilitated the relationship between the headquarter and the subsidiary, thanks to his capability to understand Algerian employees’ value system, above all for the embedment in the organization and in the context: he has given a lot of importance to local employees’ satisfaction and to the involvement of Schneider Electric Algérie in social initiatives. Among cultural barriers, language has always played a crucial role within the organization, and an Arabic speaking top manager has helped a lot in overcoming these problems.
The cross-cultural bridge and the consequent reduction of cultural problems seem to confirm the social theory of identity: similar historical background, economic difficulties, and social values let Algerian perceive the Egyptian manager less distant, even if he is a French-Egyptian and a Catholic man.
Whereas many progresses have been made, Algerian managers feel still frustrated by the competition with expatriates, who, according to them, are more paid even when they are less competent. Schneider Electric aware of the problems deriving from locals’ frustration has declared that in the next future even top managers will be Algerian. Coherently with this aim,
Education and training of Algerian middle managers have been increased. After the good results reached in Algeria, Schneider Electric has tested the same behaviour in other Southern Mediterranean Countries, reaching the same results.

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