

## CHAPTER IV.5

# CULTURE AND MANAGEMENT IN ARGENTINA: STRICT HIERARCHIES OR TANGO KINETICS?

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**Abstract.** In this article we explore the different dimensions that influence culture and management in Argentina. Through an understanding of the “outer context”, defined as the evolution of institutions and their economic history, we aim to identify the development of ideas that may serve to forge Argentinean identity. Further, with a more in-depth investigation of the cultural dimensions analysed in this article, our objective is to highlight the special features of Argentinean culture and their impact on managerial style in the country.

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## INTRODUCTION

Studies on organizations have often omitted the importance of national characteristics as shapers of company policy (Clark, 2000; Whittington & Mayer, 2000; Pettigrew *et al.*, 2001). Clark (2000:8) argues that this may have happened due to the fact that many organizational theorists are located in the USA and that they tend to consider the context of their findings (i.e. the United States context) as “*an undiscussed background*”; in their theorizing, characteristics of the United States context thus become universal ones. National and regional specificities are, however, increasingly being acknowledged as factors affecting the ways in which companies in emerging economies respond to competitive pressures (Pettigrew *et al.*, 2001; Hoskisson *et al.*, 2000). This study demonstrates that particular features of the Argentinean business environment have had a deep impact on the character and transformation of indigenous companies over time.

Over time, authors have considered Argentina from many different angles: some have referred to it as a newly industrialized country (Helleiner, 1990), others as a developing country (Lal, 1975), an emergent country (Contractor, 1998) or a less developed country (Kirkpatrick, 1987; Buckley & Casson, 1985). We consider Argentina to be an emergent country or a country whose economy is different from that of developed countries.

But what are the particular national features that distinguish the Argentinean context from all others? To what extent have the unique characteristics of its national context shaped indigenous businesses? (Porter, 1990; Clark & Muller, 1996; Clark, 2000). And how have national business characteristics influenced the way indigenous businesses are organized, and how they change and respond to competitive pressures? (Hoskisson *et al.*, 2000). With the purpose of elucidating these questions, this chapter is set up as follows: after this brief introduction, section two addresses the role of the state in the evolution of institutions and indigenous companies. Section three addresses the main features of the country’s national values and culture that influence management style. Section four consists of some concluding remarks.

## THE ROLE OF THE STATE IN THE EVOLUTION OF INSTITUTIONS AND INDIGENOUS FIRMS

In order to introduce the reader to Argentinean culture, we consider it relevant to address both the institutional evolution of the country and its cultural features. In this regard, we need to view the characteristics of the

culture in context and recognize the overall trends in which the country is developing.

Thus, in observing the evolution of Argentinean institutions, the role of the state appears critical. Over time, the Argentinean state has developed and changed its role; its influence has been central to the growth of the country's economy and the emergence and development of Argentinean companies.

There are different theories about the stages of development of Argentinean industry (Kosacoff, 2000; Gerchunoff *et al.*, 1998; Llach, 1997; Di Tella & Zimelmann, 1977; Ferrer, 1971). In broad terms, however, three major periods can be identified in Argentina's industrialization process. In each period, the role of the state was a key factor in promoting that process.

The first period began approximately in 1880 and lasted until the crisis of 1930 when the country became integrated with the rest of the world as an agro-export economy. The second period extended from 1930 to 1989. The main feature during this period was the application of so-called Import Substituting Industrialization (ISI) within a semi-closed economic framework. Finally, the new era of the country's industrialization process began in 1989 with a stabilization plan and the structural reforms of the Convertibility Plan. The economic crisis in Argentina that began towards the end of 2001 may mean the beginning of a new economic era. These are, however, early days to make any predictions about the economic future of the country. Economic and social stability are needed to gain a better understanding of the far-reaching consequences of this recent crisis.

**First period: the agro-export model (1880-1930).** Once its institutional structure was settled, Argentina won a place in the international economy both as a dynamic exporter of primary goods and an importer of capital and manufacturing goods (Kosacoff, 2000). From 1880 to 1914, the economy was based on agricultural production in the Pampas region and was open to foreign investment. A few major products were developed for export (meat, leather, seeds and wool). There was national and foreign investment in railways, roads, harbours and all infrastructure-related endeavours. Kosacoff (2000) points out that during this period, economic fluctuations were linked both to weather conditions (since the main exports were agricultural products) and the British business cycle (since Britain was the main international trading partner).

During this period the growth of the economy was based on the production of raw materials and the sale of these products to foreign markets. Exports and imports represented 50% of the GDP (fifty years later this

figure had fallen to 20%; Fodor & O'Connell, 1972; Gerchunoff & Llach, 1998). In 1913 Argentina ranked 11th in the world in terms of per capita GDP (Llach, 1997).

The First World War forced the country to develop certain industries in an attempt to replace the imports that were no longer arriving from Europe. Textile, shoe and furniture industries appeared during that period. The peak of industrial activity was reached between 1914 and 1929. At the same time, industrial production grew by 127%. Between 1926 and 1929, steel production rose by 48%. Nevertheless, industrial growth occurred in traditional agro-industry and light industry following the pre-war trend. Productivity gains in agriculture played a major role in stimulating industrial growth as well as in increasing per capita incomes (Gerchunoff & Llach, 1998).

The state intervened little in the economy and preferred to follow a liberal policy, leaving economic decisions to be determined by market forces. However, successive governments during this first stage tried to encourage the export of agricultural products and the special trade relationship with Britain (Floria & García Belsunce, 1992). The end of the expansion of the agricultural frontier, together with the international crisis in 1930, hastened the demise of the agro-export model.

**Second period: Import Substituting Industrialization (ISI) and a semi-closed economy (1930-1989).** After the 1929 crisis, the government imposed an exchange control in 1931 and import permits in 1933. As a consequence, import tariffs rose. These measures are illustrative of the new way in which the economy operated. The process of substitution of imports was helped by the incipient industrialization already achieved during the first phase. Furthermore, the Second World War made it more difficult for imports to reach the country. This was another incentive the governments of the 1940s used to encourage industrialization in the country.

Industrialization proceeded rapidly under the auspices of the Peronist regime (1946-1955). Perón viewed industry from the angle of its potential for high employment and consumption. Three mechanisms were used by the government to encourage industrialization: restriction of imports; a credit policy for new industries through the Banco de Crédito Industrial; and the promotion of specific industrial sectors through the Argentine Institute for Industrial Promotion (IAPI). As well, the nationalization of private companies such as British railways, telecommunications and electricity marked this stage.

One problem associated with this attempt at industrialization, which had long-term consequences for industry in Argentina, was the lack of focus and diversification of those industries that were developed. On one hand, the government did not seek any advantages in the different sectors; whereas on the other, many industries were not large enough to benefit from economies of scale. As a result, manufacturing industry faced high costs, high salaries and few possibilities of exporting (Garcia Vazquez, 1995).

In 1958, the last ISI sub-period began. The most prominent plan was the one launched by President Frondizi (1958-1961). Heavy industry – such as petrol, gas, paper, chemicals, plastics, metals, machines and cars – was encouraged. Restrictions on imports were very severe. Subsidiaries of MNC started to participate extensively to fill the gap left by national industries. This process took place within the framework of a highly protected economy and was a response to the explicit policy goal of raising the level of national economic self-sufficiency (Gerchunoff & Llach, 1998; Garcia Vázquez, 1995).

The 1980s were a critical time for Argentinean industry. The ISI stage ended in the late seventies. From 1976 onwards, industry passed through a phase of sharp decline. From 1976 to 1982 employment in industry dropped by 37%. The economic crisis peaked in 1982, but the military junta found a way to divert attention away from internal problems: it launched the invasion of the Falkland Islands (occupied by Britain since 1833). After a short conflict, the British ousted Argentinean forces. Public outrage alerted the military to the fact that their regime was coming to an end, and signalled the start of a new democratic era in the country.

Military juntas were in power from 1976 to 1983. Then, following the reestablishment of a democratic government in 1983, led by President Alfonsín, the economy began to suffer from severe problems. Interest on foreign debt represented 9.4% of the GDP (compared to only 2.2% in 1980) which, combined with increasing inflation, fiscal problems and economic stagnation, meant that the new and inexperienced democratic government got off to a difficult start. Although Alfonsín's administration implemented certain measures, such as the so-called Austral Plan, inflation rose dramatically in 1989. In that year, Argentina experienced a record 5000% hyperinflation. During the years from 1980 to 1989, the country's economy actually shrunk by nearly 14.3% (Gerchunoff & Llach, 1998).

**Third period: Economic openness, structural reforms and the role of Foreign Direct Investment (FDI):** In 1989, the new government led by President Menem embarked on a process of far-reaching changes to the economy. Over the course of five years (1989-1994), the country went from

having a tightly regulated and protected economy to an open one, where competition was freely allowed. The economic plan, which affected virtually every aspect of the economy, was based on three pillars of reform: monetary, fiscal, and trade and regulatory reforms.

Monetary reform allowed the convertibility of the currency to develop, and fiscal reforms were carried out to tackle a traditional Argentinean problem: inflation. Inflation was slashed from its peak level of 5000% in 1989 to 0.7% in 1997. As well, privatizing the state-owned companies and bringing down subsidies helped to reduce government expenditures (Toulán & Guillén, 1997; Indec, 1998).

While the monetary and fiscal reforms were important for the country's overall stability, it was the regulatory reform and the opening up of the economy to foreign trade and investment that had the greatest impact on the level of competitiveness of the indigenous companies. In one year (1990-1991), the import tariff was reduced from 18.4% to 11.6%. Additionally, deregulation in different sectors of the economy caused the price of services to plummet (Llach, 1997).

As a result of the privatization process and the opening up of the economy, state participation was reduced throughout the whole economy. Until 1989, the Argentinean state was the sole supplier of basic services: gas, oil, telecommunications and electricity were state-owned enterprises. In 1988, the state controlled seven of the first fifteen enterprises, ranked according to turnover. By 1997, the state's presence in this ranking was reduced to thirteenth position (the National Lottery). In 1992, the state accounted for 17% of companies in the top 100 (ranked according to turnover). In 1996, this figure was further reduced to 2% (Revista Mercado, 1992 and 1997).

## **THE ROLE OF STATE IN THE STRUCTURE AND DEVELOPMENT OF ARGENTINEAN FIRMS**

The state's participation in Argentina's industrialization process had a significant impact on the genesis of indigenous firms, and their growth and decline in the national market. Table IV.5.1 shows the links between the state's role in the economy and the type of organizations that emerged at the different stages of the industrialization process.

At the beginning of the industrial process, when the state supported the agro-export model, indigenous family businesses emerged as the most important presence in the economy. The export of agriculture and meat products was managed by *estancias* (family-run farms) (Kosacoff, 2000). After the 1930s, state intervention in the economy through nationalization

Table IV.5.1  
**STAGES OF ARGENTINEAN INDUSTRIAL DEVELOPMENT  
 AND THE PROGRESSION OF BUSINESS ORGANIZATIONS**

Type of context and company	Agro-export model 1880-1930	ISI and closed economy model 1930-1976	ISI and closed economy model 1930-1989 1976-1989	Open economy 1989-present
<b>General framework</b>	Industrial consolidation British hegemony	Protected market Industrial self-sufficiency	Protected market (Except for the period 1976-1981, in which there was an attempt at external openness)	Stabilization-privatization- openness and deregulation. Higher competitive pressures
<b>FDI</b>	Mainly directed to infrastructure	Directed to production for the protected market	Directed to production for the protected market	Directed to privatizations, mergers and acquisitions of indigenous companies
<b>Role of the state</b>	Support for the agro-export model	“ <i>Development and plan rationale</i> ” (Whitley, 1991). Protection, promotion and subsidies	“ <i>Development and plan rationale</i> ” (Whitley, 1991). Protection, promotion and subsidies	Diminished Focus on deepening structural reforms
<b>Leading companies</b>	Export-oriented local business groups. Small and medium-sized semi-craftsmanship companies (SMEs)	State-owned enterprises Subsidiaries of multinationals (MNCs) SMEs	National holding companies Some SMEs	Subsidiaries of MNCs
<b>Type of organisation</b>	Family businesses	State-owned enterprises Family businesses Subsidiaries of MNCs	Holding companies Family businesses	Incipient development of partnerships and collaboration between indigenous groups and MNCs

Source: Adapted from Kosacoff (2000).

of private companies caused a new type of organization to emerge: the state-owned company. The protectionism that prevailed at that moment caused small and medium-sized companies (SMEs) to consolidate. In fact, SMEs acquired their main operating features during the ISI period (Yoguel, 2000). In the 1980s, indigenous holding companies emerged to fill gaps in activities that did not benefit from state participation, such as the food-producing sector (Bisang, 2000).

The deep structural changes that took place during the 1990s merit a longer explanation to account for the decline of indigenous family-owned businesses in the country and the role of the state in that process. Three main processes that took place during that decade highlight the influence that state decisions had on the fate of indigenous businesses: first, the impact of structural reforms on strategic thinking and planning; second, the sudden withdrawal of the state as one of the most important agents in the economy; and third, the importance MNC companies acquired over time through the process of privatization and the merger and acquisition (M&A) of indigenous firms.

Even though structural reforms in Argentina during the 1990s brought economic stability, they also triggered competitive pressures and uncertainty for indigenous businesses. The days of volatile nominal macroeconomic indicators were over. Indigenous businesses were now able to operate in a more stable macroeconomic environment. However, indigenous firms did have to confront high levels of uncertainty due to competitive pressures introduced by foreign firms following the opening up of the economy. As a result, indigenous firms had to take strategic decisions of a different nature than they had hitherto been accustomed to. These decisions were based on longer planning horizons – a new concept for indigenous companies accustomed to a small and protected market with low levels of competition (Dal Bo & Kosafoff, 2000; Toulán & Guillén, 1997).

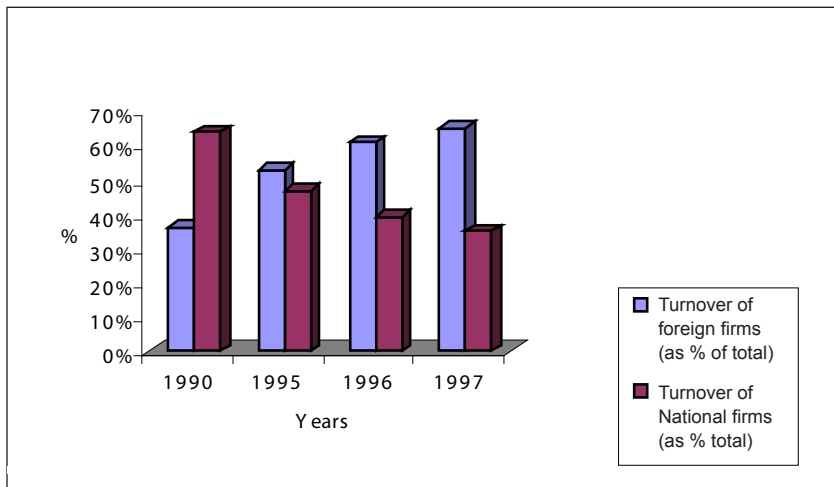
The withdrawal of the state from the economy also had a great impact on indigenous firms. However, the strengthening of indigenous businesses did not naturally follow on the heels of the state's withdrawal after the privatization process in 1991-1994. The state did not favour indigenous businesses in the privatization process. Rather, foreign firms with the managerial capacity to run the critical state-owned companies were given preference. Thus, the state was replaced by foreign firms instead of indigenous firms.

After the state's withdrawal from the economy and on the heels of the subsequent privatization process, a series of M&As occurred, through which

foreign companies acquired a large number of indigenous family businesses. This process shifted the paradigms for local competition. The arrival of new participants brought pressure to bear on local firms that were modeled on a less efficient dynamic. The implementation of new business strategies and production techniques by MNCs implied a breakthrough for local companies which were nowhere near as efficient as their foreign counterparts (CEP, 1998).

Foreign companies were responsible for initiating 66% of the M&As from 1990-1998. With the privatization process, MNCs occupied the role of the state, and by purchasing indigenous businesses they consolidated their influence on the national economy. Many traditional family businesses decided to sell their companies to a MNC, while others started to play on different ground. The survivors were companies that could adapt their practices to the new market requirements. This process of selling off national companies (see Figure IV.5.1) influenced the market structure, changing the balance between national and foreign companies within the different sectors (CEP, 1998).

**Figure IV.5.1**  
**SELLING OFF INDIGENOUS BUSINESSES IN ARGENTINA,**  
**1990-1997**



*Source:* CEP (1998); Revista Mercado (1990) with a sample of the first 160 companies ranked by turnover.

Our analysis demonstrates that the role of the state in Argentina's history had an impact on the emergence and development of national companies while shaping their character. The next section tackles the particular features of the national culture and their impact on organizational action and managerial style.

#### NATIONAL CULTURE AND VALUES

In our analysis of Argentina's national culture and values, we followed Hofstede (1980, 1985, and 1991), who proposed four national cultural values: power distance; uncertainty avoidance; individualism and collectivism; and masculinity-femininity. Our study also analyzed and compared Hofstede's results with Trompenaars' (1992, 2001). As a result, we suggest a framework to understand how Argentinian culture has changed over time.

Table IV.5.2 depicts Argentina's national profile portrayed through traditional frameworks.

**Table IV.5.2**  
**ARGENTINA'S NATIONAL PROFILE PORTRAYED**  
**THROUGH TRADITIONAL FRAMEWORKS**

Research framework	Traditional cultural dimensions	Argentina's value system
Hall & Hall (1990)	<p>Low context (explicit information sharing) versus high context (implicit information sharing)</p> <p>Monochronic (linear approach, task orientation) versus polychronic (circular approach, multiple activities simultaneously, relationship oriented)</p>	<p>High context</p> <p>Polychronic</p>

Research framework	Traditional cultural dimensions	Argentina's value system
Hofstede (1980)	Large power distance versus small power distance High uncertainty avoidance versus low uncertainty avoidance (risk taking) Individualist versus collectivist (group oriented) Masculinity (task/achievement orientation) versus femininity (human-relations orientation)	Large power distance High uncertainty avoidance Collectivist Masculinity
Trompenaars & Hampden-Turner (1998)	Universalist (rules applied objectively—rule of law) versus particularist (rules applied subjectively, based on relationships)	Particularist

Source: Nielsen & Mariotto (2005: 12)

Power distance is the extent to which people believe that power and status are distributed unequally and indicates their readiness to accept an unequal distribution of power as the proper way for social systems to be organized (Hofstede, 1991). Power distance in Argentina is increasing over time (Hofstede, 1991). This increase in the power distance score may be explained by Argentinians' attitude towards authority. In this regard, Argentinians do not like authority and do not trust figures of authority. Authority deriving from the state is therefore looked upon with suspicion and state actions are seen as corrupt (*The Economist*, June 30<sup>th</sup>, 2001).

A recent survey carried out by Gallup (see Escribano, 2001) confirms that Argentinians have little faith in their institutions. Only 38% of the people interviewed said they trust institutions in general. The Catholic Church and educational institutions were considered the most trustworthy institutions (with 60% and 74% respectively). Political institutions such as parliament and political parties are not trusted by Argentineans (only 11% and 10% of interviewees respectively considered those institutions to be trustworthy). Another study by Paladino & Willi (2000) considered the particular case of Argentinean managers and concluded that they do not rely on political and legal institutions.

Collectivism versus individualism is the extent to which individual identity is derived from the community as opposed to the self. Individual

cultures are loosely coupled. Individuals are expected to look out for themselves and their immediate families. Status derives from individual accomplishment. Collectivist cultures rely on membership in groups – social classes, companies, communities, or extended families – for identity and status. People are protected by the group, depend on the group, and are expected to act in the group's best interests (Hofstede, 1980, 1985).

Argentina is more collectivist than individualist, owing in part to the large number of immigrants of Spanish and Italian descent. Hofstede (1991), however, indicates that there is a slight tendency towards more individualism among future generations. The collectivist culture prevalent in Argentina is perceived to derive from a sense of duty and obligation to the family. This is understandable in a society that rejects the state as a reliable authority and falls back on the family or other social institutions such as the Church, considering them to be trustworthy (Floria & García Belsunce, 1992).

Uncertainty avoidance is the extent to which people are threatened by uncertain, unknown, or unstructured situations (Hofstede, 1980). Uncertainty avoidance is high among Argentines who are tired of economic and political turmoil. Argentines always search for the right way to make transitions as quickly as possible. The lack of clear-cut answers and the number of years required for complete transitions has encouraged people to retreat into old habits such as avoiding initiative and innovation. These attitudes have been clearly reflected throughout Argentinean history when strong societal opposition has flared up after long periods of economic turmoil (Gerchunoff & Llach, 1998; Muchnik, 1998; García Vázquez, 1995).

Finally, Argentines have a tendency towards masculinity in Hofstede's (1991) masculinity-femininity dimension. Masculine cultures are characterized by doing and acquiring, rather than thinking and observing. They value affiliation and view failure as much less important. Hofstede (1991) illustrates the masculine character of a society in terms of the way countries resolve international conflicts. He states that feminine countries compromise and negotiate, whereas masculine countries resort to combat. As an example of this, Hofstede (1991, p.100) cites the way the Falkland crisis was handled. The Argentinean military government occupied the islands in April 1982, and then the British sent an expeditionary force to rebuff the occupiers. Argentina and the UK are both masculine countries in Hofstede's dimensions, and fighting and acquiring was the way both countries preferred to handle the conflict.

From a sociological perspective, Aguinis (2003) points out some characteristics of Argentines that are important to understand Argentine culture. First of all, Argentines are always trying to find their way between a rational solution and a magical salvation. Argentines have not generated their own wealth, instead they have inherited from grandparents (through land wealth). Aguinis refers to an Argentinean “dividend culture”. In this regard, everybody wants to live from dividends, and therefore Argentines must harvest an existing fortune.

The historical perspective has been put on the forefront by Aguinis as well. He points out that the paternalism and autocracy coming from Spanish colonization is part of the current culture in Argentina. Argentines have the Law and the law. The former refers to the law from Spain, and the latter to the law the Viceroy tried to implement. In Argentines’ everyday life, the Law is the law established by the government, and the law is the way Argentines try to find a way out of it or around it.

Throughout this work, Aguinis has also attempted to describe the main features of Argentines as individuals. He considers them to be creative and adaptive people. Uncertainty facilitated them to shape these two features. They are candid and friendly people, open minded and international. They are also bright, although this brightness or perhaps sharp-wittedness always leads them to try to get some sort of advantage from the other person if the situation lends itself to that possibility.

### **THE ROLE OF NATIONAL CULTURE AND VALUES IN THE STRUCTURE, DEVELOPMENT AND MANAGERIAL STYLE OF ARGENTINEAN FIRMS**

How do the features of Argentinean culture and values affect the business organization? The national culture and values mainly affect the governance structure of companies, the ways in which people deal with each other and other organizations, and patterns of work flow and control (Whitley, 2000).

Power distance in organizations, as demonstrated in Argentina, increases the reach of formal hierarchy as well as the degree of centralization. On the other hand, it decreases the level of participation in decision-making (Hofstede, 1980; Trompenaars, 1992). Relationships involving trust and authority are also affected. The unwillingness of Argentinean managers to delegate authority and employees’ lack of initiative are emblematic of a higher power distance. In Argentina, the organization is seen as “a pyramid of people” (Hofstede, 1991, p. 141). This idea is confirmed by Friedrich *et al.* (2006) in their analysis of Argentinean and other cultures. The authors point out

that Argentines, like Chileans and Mexicans, attribute greater importance to an organization with clearly defined hierarchical lines and unmistakable authority roles.

Indigenous businesses in societies with a high power distance are characterized by a paternalistic culture. However, due to the increasing power distance in Argentinean society, paternalism is remote rather than reciprocal (Whitley, 2000). Remote paternalism implies a high degree of social and moral distance between leaders and followers. This paternalistic culture influences the corporate governance structure of indigenous businesses. The structures are characterized by a low level of managerial participation and the lack of clear boundaries between the roles of ownership and management (Whitley, 2000; Carney & Gedajlovic, 2002; Friedrich *et al.*, 2006).

In analyzing hierarchical organization in Latin American cultures, Friedrich *et al.* (2006) point out that 80% of Argentines agreed or strongly agreed with the assertion that “in coordinating efforts to perform an activity, it is important to establish who has the authority to lead the group right from the start.” Argentines require clarity in structure and coordination.

In an alliance with Argentines one needs to be aware of the importance of well-defined roles and hierarchical levels. Therefore, managerial effectiveness ultimately depends on executives recognizing that the web of contacts evolves in such a way that individuals at the same hierarchical level must deal with one another directly through well-defined nodes of contact.

Argentinean employees’ reluctance to take on individual responsibility is partly a reflection of their collectivism. Argentines tend to believe that when a project involves multiple parties, all parties are responsible for the outcome. They also believe that institutional achievement is a direct result of the efforts of all employees who share the company’s successes. Argentines are more likely to engage in group negotiations for salary increases and human resources policies than to stand up individually and request personal benefits.

However, Trompenaars & Hampden-Turner (1992), agree that in the Individualism – Collectivism dimension, Argentines score higher on the individualistic side, particularly in the latest samples. This can be explained by the fact that they have learned to survive on their own during the most recent crises, relying on local solutions as both company structures and government support were absent. The concept wherein “I save myself first and then see from a safe place what else can be done” is very central to the

younger management. This is also supported by the belief of “there will be a saviour” who will solve our problems: this particularity is presented by Aguinis (2003), in which he argues that it hampers group problem-solving efforts. Teamwork in management is scarce and relies heavily on the leader’s attitude and decision-making style.

The clarity of rules, procedures, job security and systems organizations that companies try to build up is a clear sign of uncertainty avoidance. Reliance on clear procedures, well-understood rules, and detailed job descriptions helps employees reduce uncertainty and cope with their discomfort in unknown situations. Finally, the masculinity and collectivity of Argentinean society will attach importance to group rewards and group empowerment rather than individual performance rewards (Hofstede, 1991; Hatum *et al.*, 2006) (see Table 3 for more details).

Hofstede’s categories of analysis are taken up by Hamed & Miconnet (1999) in their study of the diffusion of process management practices at three country locations of the Swedish company Ericsson: Sweden, New Zealand and Argentina. Regarding the case of Argentina and its uncertainty avoidance, Hamed & Miconnet (1999) provide evidence of how employees at Ericsson Argentina are more likely to accept clearly defined reporting systems and responsibilities than their counterparts in New Zealand and Sweden. In addition, reward systems associated with the idea of risk-taking, such as performance-related pay schemes, are rejected by Argentinean employees who are sensitive to uncertainty. They also suggest that Argentinean employees are less individualistic than their counterparts in New Zealand and Sweden, making it easier to foster teamwork, as the research fieldwork at Ericsson Argentina showed.

Masculine countries such as Argentina make work structures a real challenge for women. When asked whether they could name more than 5 women in top managerial positions, only 39% of Argentineans were able to respond. Women do encounter more difficulties for growth and advancement than men in top managerial positions. Therefore, female expatriates should be particularly aware of these differences so that they learn to assert themselves using the same mechanism that allows men to state their power. To claim status and resulting power, women should try to avoid portraying themselves as being “just like everyone else” in the workplace, and instead reaffirm their hierarchical standing when due.

The power distance and uncertainty avoidance dimensions emerge as important ones in understanding how organizations undertake processes of change (Granell *et al.*, 1997). According to Hofstede (1991), when faced

with a situation or decision, an organization has to ask itself two questions: which people have the power to decide? And what are the rules or procedures to be followed to achieve the desired objectives? The answer to the first question is closely linked to the way power is distributed in the organization. In the case of high power distance, there are few people in the organization who can start the process of change. Where there is low power distance, the process of change is much more of a joint effort. The answer to the second question is linked to uncertainty avoidance: when uncertainty avoidance is high, people look for clearly defined and standardized procedures, but when uncertainty avoidance is low things tend to be simpler and more informal. The actual process of change, however, is bound to be easier when uncertainty avoidance is low.

Observing Argentina through Hofstede's lens, change appears to be a difficult process. Employees may perceive change as a threat. In such organizations, resistance to change is bound to occur (Granell *et al.*, 1997). Granell *et al.*'s (1997) study on Venezuela - which, in terms of Hofstede's uncertainty and power distance dimensions, has similar characteristics to Argentina - suggests that in countries with similar characteristics, the process of change will be successful when employees are aware of the changes that are planned in advance. To be successful, Granell *et al.* (1997) suggest that change processes require time and patience. Change must be slow and gradual. In these types of cultures, Granell *et al.* (1997, p.151) state, "Anticipating change is better than having to react to it."

### **DOING BUSINESS IN ARGENTINA: TANGO MANAGEMENT STYLE**

In describing national cultures, Gannon (2004) used a new approach: the cultural metaphor. Lakoff & Johnson (1980) describe metaphors as the use of one phenomenon to describe and understand another phenomenon. Moreover, a cultural metaphor is any activity, phenomenon or institution with which most members of a given culture identify cognitively or emotionally and through which it is possible to describe each national culture (Nielsen & Gannon, 2005). According to Gannon (2004), a cultural metaphor must fulfill the following requirements: capture in a single image the cultural mindset of a nation; provide a framework that incorporates relevant cultural dimensions previously identified for the country; and move beyond the dimensional approach to capture the values, attitudes and behaviours of the culture that are otherwise ignored.

With the idea of developing a cultural metaphor that embodies the essence of Argentina's national identity, Nielsen & Mariotto (2005) furthered

a deeper understanding of the country's national character: the way they "*think, feel and act*" (Gannon, 2004: 11). First, they immersed themselves in Argentinean society, traditions and history; second, they identified an institution, phenomenon or activity as a symbol of Argentinean national identity; and finally, they analyzed the metaphor's key elements as portraying essential cultural characteristics, including the values, attitudes and behaviours that characterize Argentina.

Likewise, as preliminary investigations began, Nielsen & Mariotto (2005) delved into Argentina's unique history with the purpose of understanding how Argentinean culture was shaped over time. In this regard, it became obvious that the tango's emergence as a symbol of Argentinean national identity was inseparable from Argentinean society's economic and political struggles (Nielsen & Mariotto, 2005).

The tango has played both a real and a symbolic role in the evolution of national identity through Argentina's development over time; its "historic role is intertwined with those of heroic personalities who have come to represent cultural values of courage, loyalty, activism, and pride—decisive factors in Argentina's socioeconomic and political progress" (Nielsen & Mariotto, 2005: 13).

The tango is not just a dance; it is a way of living and thinking that can define the ways and whereabouts of dealing with Argentines. Does the tango symbolize Argentina's cultural mindset? To what extent does the tango support the management style of Argentines? Nielsen & Mariotto (2005) consider tango to represent a cultural fusion of people who call Argentina their home. Its birth is attributed to European immigrants from Italy and Spain who flooded the port city of Buenos Aires at the end of the nineteenth century. Together with gauchos, blacks, Indians and mulattos, immigrants were considered a 'lost people' who not only lacked a political voice but also who did not share in the economic benefits of a rigid hierarchical system designed to enrich the elites of society. Thus, the tango is a cohesion of opposites which has characterized Argentina's story so far: rich and poor, immigrant and native, white and black, men and women, the powerful and the powerless, "*the many pieces that should not fit together but will not come apart*" (Nielsen & Mariotto, 2005: 17).

The tango was born in a particular setting that gathered people from different social classes who centred their freedom of expression and their sense of self-respect in their music. In this regard, tango's historical development coincides with Argentina's evolution from a wild frontier to a proud and independent state. Nielsen & Mariotto (2005) affirm that the tango has drawn

the people of Argentina together in an expression of a shared cultural mindset of pessimism. Argentines thus demonstrate attitudes or emotions of melancholy, sentimentality and morbid self-pity, passion, individual freedom, perseverance, strength and high-context communication.

The tango is also about power, the role of the dominant player, the role of the subjugated partner, and the interplay between them. Power symbolism is found in its lyrics, music and body movements. Tango kinetics reflect physical tension in the dynamic balance between dependence and rebellion, acceptance of the current power hierarchy and defiance of it.

The tango metaphor offers partial support for traditional cultural dimensions. The view of Argentina as a high-context culture described by Hall & Hall (1990) is consistent with this metaphor. Most of the dancers' communications are nonverbal, based on understandings, subtle cues, and body language. The dance is symbolic of Argentina's high-context communication environment, in which those who would like to deal with indigenous managers should take into consideration the features involved in a high-context environment.

Regarding affectivity, Trompenaars & Hampden-Turner stated that in the Neutral – Affective dimension, Argentineans score high in the Affective side, which shows them to be very concerned people, sensitive to personal issues and ready to help. This mindset can be traced back in history to the gaucho, a legendary figure of Argentinean folklore who was a free, brave, loyal, and austere inhabitant of the pampas. As described by García Hamilton (2006), the gaucho was very hospitable to friends and fierce with his enemies. Another explanation of the affective Argentinean manager has to do with immigration predominantly from Italy and Spain, two countries where affection and “Latin” attitudes towards people are strong. Long meetings, receptions, lots of small talk, preoccupation for others and their families, invitations to their homes or weekend retreats are common and should be considered an affective attitude towards foreigners. Direct performance feedback is not easily embraced, as the separation between task and affection is diffuse, and therefore a perception of disloyalty, particularly when giving corrective feedback can easily arise as a barrier to effective performance management practices.

Time is another issue for Argentineans that foreigners should be aware of when dealing with local managers. Argentineans put high value on the past, which they refer to in a “tango-like” modality, with lamentations, sadness for the great times of yore; some feelings of melancholy for what might have been their fate if things had been done well by governments.

Low emphasis on the future is reflected by a lack of planning, especially for the mid- to long-term future. Strategic planning exercises easily end in budgeting discussions, and long-term goals are seen as a formality (the belief behind this seems to be that “rules are going to change anyway within the planned period, so why bother!”). Another consideration about time is that Argentines tend to be more on the synchronic side, which means they would rather embrace several tasks at the same time. This collides with Anglo-Saxon culture, which sees time as being more sequential, making focus on the next task the rule. Argentines will avoid explicit goal-setting of one task at the time, Gantt charts and will instead prefer overall holistic goals.

Table IV.5.3 refers to the tango metaphor and its partial support for traditional cultural dimensions.

**Table IV.5.3**  
**ARGENTINA'S CULTURAL CHARACTERISTICS**

Research framework	Argentina's value system as revealed through traditional frameworks	Argentina's value system as revealed through the tango metaphor
Hall & Hall (1990)	High-context	Kinetics
	Polychronic	Kinetics
Hofstede (1980)	Large power distance	Partial support through music, kinetics, lyrics, and gender relations
	High uncertainty avoidance	Partial support through music, kinetics, lyrics, and gender relations
	Group orientation	Music, gender relations, partial support through kinetics
	Task/achievement Oriented	Kinetics, lyrics, partial support through gender relations

Research framework	Argentina's value system as revealed through traditional frameworks	Argentina's value system as revealed through the tango metaphor
Trompenaars & Hampden-Turner (1998)	Rules applied subjectively, based on relationships	Lyrics
Tango metaphor	Values: Power struggle	Music, kinetics, lyrics, gender relations
	Risk taking/innovation	Music, kinetics, lyrics, gender relations
	Attitudes and emotions	Music/lyrics
	Melancholy	Lyrics
	Fear of isolation/abandonment	Music/lyrics
	Pessimism and despair	Music/lyrics
	Perseverance and defiance passion	Music, kinetics
	Existence and temporal orientation disassociated	Kinetics

Source: Nielsen & Mariotto (2005)

## CONCLUSIONS

This chapter attempted to introduce the reader to the complexities of Argentinean institutions and culture. First of all, we described the influence of the role of the state in shaping Argentinean institutions and indigenous firms. We also described the different periods of economic change in Argentina. Second, we depicted the national culture, its values and the impact of the culture on business culture and managerial style. We also used the tango metaphor to describe the style of “doing business” and organizing in Argentina.

Our analysis draws upon various studies done by others as well as our own. In the process of our research, we saw that the ideas and concepts regarding Argentinean culture vary from author to author. Therefore, readers must take these various points of view into consideration and draw their own conclusions regarding Argentinean business culture.

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