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Doing business  
in Brazil

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Doing business  
in Brazil

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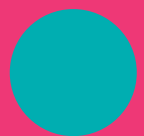
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# Editorial



The maestro Antônio Carlos Jobim used to say that Brazil is not for beginners. It is a multicultural country, with a diverse economy and a lot of promises of wealth and opportunities. Through its continental dimensions, however, many particularities arise and a very complex bureaucratic structure sometimes keep international investors away.

Learning how to manage the cultural idiosyncrasies of Brazil's five different regions becomes a priority for any business executive in the country. Actually, besides what literature mentions about this topic, FGV Projetos has a hands-on knowledge of this reality, given the many interactions it has with several investors interested in Brazil, who have corroborated the need for a study that would analyze the cultural aspect of doing business in Brazil.

Addressing this need, FGV Projetos consolidated all these thoughts and insights into a practical publication entitled *Doing Business in Brazil: a cross-cultural perspective*, intended to be a ready-to-use document for international investors who settle their businesses in Brazil, and wish to build a clearer understanding of the country's business environment. The study seeks to present the challenges and opportunities that Brazilian or foreign managers alike might encounter.

FGV Projetos hopes to offer a positive contribution to the discussions regarding the influence of culture in management. This study is the first of a series of publications developed to this purpose.

Enjoy.

## Cesar Cunha Campos

Director of FGV Projetos



“Learning how to manage the cultural idiosyncrasies of Brazil’s five different regions becomes a priority for any business executive in the country.”

# Intro duction

1







Brazil is a country that offers us extreme challenges and opportunities. A multicultural country with a population made up of recent immigrants from many parts of the world. A history in its origin shaped by Portuguese colonization and slavery, first as a colony for exploitation, strongly marked by long cycles of monoculture, initially sugar and then coffee, combined with a gold mining era. The monoculture context, cultivated by slave labor, continued into the late 19<sup>th</sup> century.

Brazil was the last country to formally abolish slavery (with the *Aurea* law signed in 1888). At the same period in its history the country opened its doors to immigration of European immigrants first in the 1880s in order to replace black with immigrant labor, which was kept in the countryside under different forms of "debt bondage", since they needed to work to pay for their voyage and, penniless, had to buy food on credit in the large coffee plantations. The first contingents soon arrived in the 19<sup>th</sup> century, including mainly a large influx of Italians, followed by the Portuguese, Spanish and Germans. Early in the 20<sup>th</sup> century began the steady stream of Japanese and Syrian-Lebanese arrivals. In smaller numbers came the Polish, Dutch, Finnish and, more recently, Koreans and Chinese. Today, Brazil has a strong miscegenation of peoples from different ethnics of black Africans, Europeans, indigenous, Asians and from the Middle East, namely Arabs and Jews.

Diversification of the Brazilian economy began with immigration, and the first wave of industrialization occurred during the First World War, when Americans and Europeans were involved in the conflict. This first wave is called

"import substitution industrialization" and was steered by the immigrants, who brought the knowhow of arts and crafts in their baggage. After this period came the large Brazilian corporations. The impact of this recent industrialization on society was felt only in the second half of the 20<sup>th</sup> century, with the emergence of the Brazilian middle class and the expansion of organizations focusing on higher education. The immigrants also brought with them many ideas about political and social organization of the workers alongside with them pressures for Brazilian institutional enhancement and demands for political representation. Politics, conducted by the oligarchies until the turn of the 20<sup>th</sup> century, encounters in the post-World War I years the first organized opposition movements. The 20<sup>th</sup> century is marked by dictatorships. The Old Republic endured from its Proclamation in 1889 until 1930, with the large landowners in the states of Minas Gerais and São Paulo alternating in power. Their origin was deep-rooted in farming and they were strong advocates for large estates, and prioritized the export model of mainly the coffee monoculture and of sugar. The 1929 crash and decline of the coffee cycle led to its economic downfall. The first worker strikes began in the period 1917- 1922 and in 1922 the *Tenentista* movement (of Army junior officers), reflecting the dissatisfaction of the young officers and their wish to join the middle classes triggered by the increase in economic diversification. In 1930 began the Vargas era, lasting until 1945, characterized by populism, national developmentalism, the labor movement and a drive toward industrialization. This was the first step toward urbanization. The Vargas era lasted until 1945, when a typically post-WW2

strong democratizing pressure began. There is a short democratic period and the return of Vargas in 1950. Vargas, under strong conservative pressure, commits suicide in 1954 leading to the onset of a period of leveraging national developmentalism with Juscelino Kubitschek and the construction of Brasilia. At this stage, leftwing movements spread in both Brazil and Latin America, and in reaction we have the 1964 military *coup d'état*, which lasted until 1985 when the first civil president was elected after 21 years of the military takeover. This was the start of the period called the New Republic, continuing until today.

It is important to understand this origin since it explains many of Brazil's contemporary characteristics and to a large extent much how public and private administration has developed in the country. The 20<sup>th</sup> century was extremely politically volatile, with disputes for power and representation controlled by force in a movement of comings and goings. During this period, there was an effort to balance social justice and economic prosperity in a country facing obstacles to accumulate capital and a strong desire to solve the exclusion and poverty not only a result of slavery but also of the ways in which abolition occurred, leaving the Black people on the edge of society.

The 1980s, especially with the promulgation of the 1988 Constitution, aka the Citizen Constitution, saw the start of an effort to consolidate democratic institutions.

Brazil is a land of mixed races and contrasts, where everything seems to blend. First inhabited by indigenous peoples, it was then colonized by the Portuguese Empire in the 16<sup>th</sup> century, and received millions of slaves be-

tween the mid-16<sup>th</sup> and mid-19<sup>th</sup> centuries, to then welcome later in the 19<sup>th</sup> century various European immigrations, first by Italian, Spanish and German. These were followed in the early 20<sup>th</sup> century by new immigrants from Asia, especially the Japanese, Jews and Syrian-Lebanese. Despite these immigrations, an outstanding characteristic of the Brazilian context is the absence of ethnic ghettos. Miscegenation and the receptiveness of foreigner cultures have continued to be remarkable features in the formation of the Brazilian people.

In short, Brazilian culture is characterized by seeking to identify with the alien, in detriment to asserting an identity that defines clear boundaries for approximation. The original intention of colonial extraction and the slavery legacy have left as a mark a social pyramid highly tolerant to inequality and a tendency to concentration power in organizations, reinforcing perceptions of impunity and lack of trust. General characteristics of the Brazilian include reluctance to accept regulations and external impositions, considering a social context where social relationships are more important than focusing on results.

Although there is no wish for a full explanation using historic fatalism, it is noticeable that the exercise of organizational management is strongly influenced by these factors of Brazilian culture. Successful management in Brazil requires interpreting the context, knowing how to identify intangible assets and liabilities that could be translated into risks and opportunities. Ordinarily, collective behavior in the workplace is marked by leaning towards relationships of power, over-focusing on the task and an immediate shortsighted view with little pre-

disposition for planning. On the other hand, Brazilian culture can be extremely efficient when managers endeavor to address in their favor the symbolic attributes of organization with legitimacy and efficiency, adding individuals' motivation to achieve common goals. The cooperation and engagement that can be accomplished can be surprising.

We understand that the culture of an organization is influenced by the national culture and can be useful as a mechanism of informal and flexible coordination to create a more or less capacitating context for quality, sustainability and innovation management.

Therefore, the purpose of this study is to provide a clearer understanding of the business environment in Brazil, by analyzing the compared culture, seeking to more clearly understand the Brazilian cultural context as a key to the efficiency and effectiveness in business management. We seek to present, in a brief interdisciplinary approach, the challenges and opportunities that Brazilian or foreign managers alike might encounter. Accordingly, we hope to provide some navigational instruments that can help these managers to be more successful when venturing on the stormy seas of the Brazilian business environment.

Carmen Migueles &  
Marco Tulio Zanini



“Successful management in Brazil requires interpreting the context, knowing how to identify intangible assets and liabilities that could be translated into risks and opportunities.”





# Differences between national cultures

*AND THEIR  
IMPACT ON  
MANAGEMENT*

2.

## 2.1 What is culture?

### *AN ANTHROPOLOGICAL CONCEPT*

What is culture? What comprises this concept, at the same time apparently obvious and with an intuited yet hidden depth? Many studies on the culture topic point to the recognition of the difficulty in addressing it as originating from how “culture” is conceptualized. The term culture is depicted as a huge “umbrella” under which a wide variety of phenomena are sheltered. This is a problem fully addressed by Geertz (1989) for anthropology, but the relationship between culture and economics has not yet been properly considered, nor reflecting on the role of culture in business operations. This exercise is what we will provide herein below.

Historically, the term culture primarily referred to the science-arts-literature triangle. However, the anthropological dimension is the most comprehensive. From this scope the aim is to understand how, through the social interaction of individuals, they form their own ways of thinking, feeling and their values. At the same time, an attempt is made to understand how individuals build and address their identities and differences.

Before diving into the questions relating to general organizational culture, it is important for us to understand what culture is and how complex is this phenomenon, so that later we will dip into our business culture, understanding its importance, the weight of its legacy for our business and the challenge of the leaders within it, in their effort to ensure its diffusion and incorporation by the new members, and striving for its own success not to reduce its potential – in other words, to ensure that the original principles continue as guidelines for collective actions, without the glow of the current success convincing us that we can rest

on our laurels and leave “culture” to do the work for us. The leaders of an organization are the guardians of a culture, and there is a lot of work to do to ensure it and guarantee that it remains flexible for us to be successful as a truly global business.

So what is culture in this anthropological sense? Culture is an extremely complex phenomenon. To consider its relationship with organizational development and the people within the company, it is necessary to narrow it down. If we consider a more concrete object, for example: a slum, the importance of narrowing down and thinking about the utility rather than about the “truth” of a concept about the object, becomes clear: an architect conceptualizing a slum would probably build a concept of the type “a cluster of affordable houses without urban planning”; a geologist would conceptualize “a group of houses built on unstable land”; a sociologist would use the idea of exclusion: “a housing complex of a socioeconomically excluded group”; a spiritist perhaps would describe it as a “group of people who came into the world to pay a karma”, and so on. There are as many concepts as necessary uses for them, and none would ever be the “right” concept in absolute terms. The concept, as this example demonstrates, delineates the outline of reality that we produce in order to learn about it<sup>1</sup>. This outline is the basis of study of certain individuals. This outline very often in itself includes a value judgment that guides the action. Back to our example, the architectural concept without urban planning already indicates the architect’s objective to intervene in reality. The same is true for the geologist (who wants to stabilize the ground), or the sociologist, who believes in the need for

<sup>1</sup> This clipping, in terms of philosophy of Science, is called an epistemological clipping or cutting. For further information on how to understand this process, see Japiassu, 1992.



social inclusion. Therefore, when we think of a concept of culture, before investigating what “culture really is” we need to ask ourselves first what we want to do with our study.

This is why, when we talk about culture, the basic problem is not to rewrite the concept, but to decide what is the object of our study and how relevant it is to understand the phenomenon behind it.

According to Eliot (1988), the term culture has different associations depending on where we bear in mind the development of an individual, group or class, or a whole society. An individual’s culture depends on the group’s culture, and that of the group depends on society. On the other hand, the culture of the society does not determine that of the group; the culture of the group does not determine the culture of the individuals, who process in their only way, information received through language, rituals and material culture. Although individuals maintains the general trends of its society in how they see the world and act upon it, they have their own scope of action. Since humans beings are endowed with consciousness and reason, they are able to reflect on their reality and themselves and act on both.

We propose to start from the concept of culture in anthropology, in order to understand the role of culture in the formation of human thought, to later expand this concept to consider the relationship between culture and businesses and how culture affects business results.

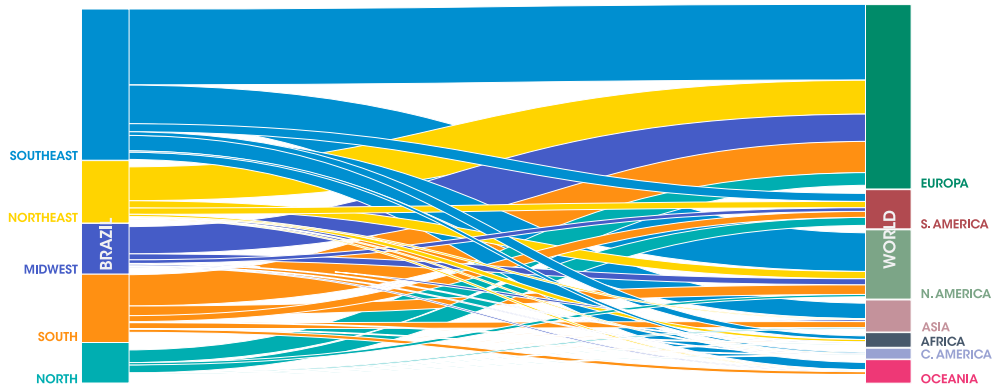
If our object of study is to understand the logic that informs human behaviors in society, our object of study is the symbolic grammar of this group. Geertz proposes the idea that a culture

is basically a stratified hierarchy of significant structures in terms of which human action is produced, perceived and interpreted – that is, the study of culture is a search for meaningful structures, while at the same time determining their social base and importance. We believe that this is a good starting point to loosen this knot: namely, culture is not a synonym of feelings, values or shared beliefs, but rather shared forms of perceiving reality in terms of which these individual values and beliefs can be understood. But what would these structures be?

According to Geertz, man is an animal suspended in webs of significance he has spun. Semiotics, general science of signs, is the field of knowledge that studies these webs and human communication, not only with regard to their capacity to transmit messages but to build it through symbolic means. For example: we observe an Indian mother pointing out a cow to her son and saying. – Look, a cow! We see a Brazilian mother doing the same thing. We look in the dictionary. The terms, in Portuguese and Hindi are the same, but only with regard to the reality that they denote: the animal that moos and grazes. The terms are not the same with regard to their connotation or the cow’s cultural meaning in these two cultures (in one, raw material of beef, in the other, a sacred animal). A cow only has these meanings in these two cultures because the social imagination of both societies has produced these meanings, and it is understood as such because it is spun in a web with other significances so that this symbolic content makes sense. These meanings comprise a grammar, which is a structured perception of the world (or various structures, very often overlapping,



# EMIGRATION



SOUTHEAS	NORTHEAST	MIDWEST	SOUTH	NORTH
50.4%	64.8%	67.1%	54.3%	50.8%
5.4%	12.0%	8.9%	10.4%	32.3%
25.8%	14.0%	14.7%	16.8%	9.3%
10.3%	2.0%	4.6%	10.4%	4.9%
2.4%	4.5%	1.6%	1.6%	1.3%
0.9%	0.9%	0.7%	1.1%	0.8%
4.9%	1.8%	2.3%	5.3%	0.5%
138.027	48.110	37.354	53.012	22.887

Source: Brazilian Institute of Geography and Statistics (IBGE).

as Eco suggests (1997 and 2000)). The analogy with grammar here can be useful: just as grammar has a code, lexicon and innumerable rules and regulations, that form a structure but does not determine what can be said or how language can be used by the speaker, culture also functions in the same way: it consists of several elements comprising a complex structure, but does not determine human behavior. By understanding these cultural logics, we can understand, with a high degree of certainty, why a Indian does not eat a cow, but the Brazilian does. When learning about the arbitrary nature of the cultural construct, we can understand why Brazilians choose to be vegetarians. Or not.

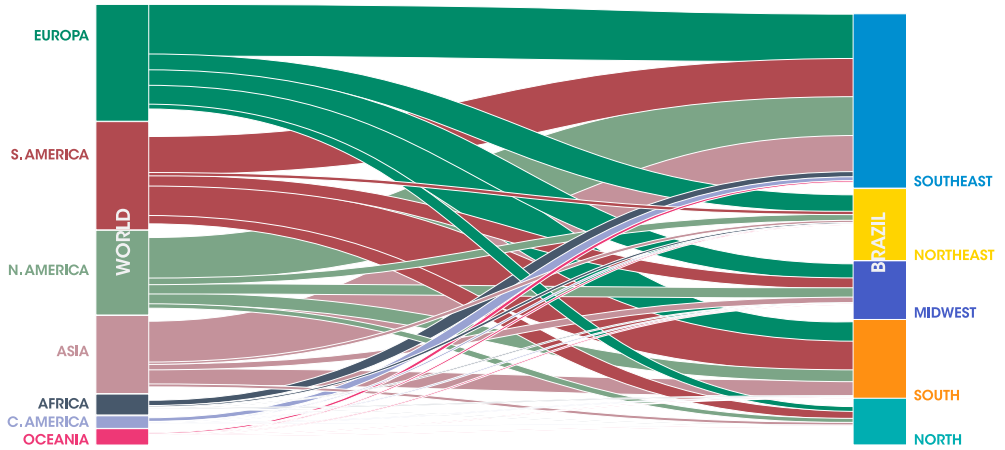
In terms of internationalization strategy, it is important for us to understand the different ethnic, local and national cultures in order to build strategies to act amidst this complexity at the head of a global and profitable business.

It is of the utmost importance to understand cultural differences – since it helps us to build a realistic sense of how we can narrow down the differences to organize a performance-driven cooperation. Where there are cultural disputes, we find mistrust, resistance and conflict. For example: we can anticipate

what would happen if we were to force the Indian and the Brazilian mother, in a situation of isolation and hunger, to jointly attempt a way to cooperate to feed their children. The Brazilian mother would consider killing the cow. The Indian would never permit this. In situations of this kind of cultural clash, the chances of having insolvable conflicts increase enormously. Attempts to make someone from another culture adopt ours easily tend to be unrealistic, and most often produce much more resistance than acceptance.

Even acknowledging that, when dealing with the production of numerous goods and services, we will not encounter dilemmas of this kind, since in most cases our raw materials are not sacred to any culture we are aware of know that we will find other kinds of cultural barriers to be addressed, which form the logic-governing behaviors. Very often, when observing the behaviors of people from cultures other than our own, we make wrong judgments and add to the failures in understanding. Sometimes we think our problem is caused by difficulties in communications. This is only an apparent symptom of cultural difficulties. In fact, the origin of the problem goes much deeper.

# IMMIGRATION



SOUTHEAST	NORTHEAST	MIDWEST	SOUTH	NORTH
20.4%	10.4%	24.6%	39.0%	38.5%
23.1%	7.3%	13.1%	18.6%	13.7%
27.5%	54.7%	34.8%	25.5%	22.1%
23.0%	20.6%	22.8%	13.5%	20.3%
3.0%	4.7%	2.0%	1.3%	2.7%
0.8%	0.5%	0.9%	0.8%	0.1%
2.2%	1.7%	1.8%	1.2%	2.5%
133946	22936	31822	62388	15486

Source: Brazilian Institute of Geography and Statistics (IBGE).

“It is of the utmost importance  
to understand our customers’ preferences – since it  
enables us to build a realistic business model.  
Once we have a realistic business model,  
we can narrow our focus on the preferences  
that are most important to our customers.  
This is the key to building a performance-driven  
organization.”

most importance  
cultural differ-  
helps us to  
sense of how  
down the dif-  
anize a perfor-  
cooperation”

## 2.2 Culture and behavior

We might think of culture by analogy with the notion of strength in physics, for example. Strength is present, affects how objects behave but is invisible. The use of equipment, certain procedures and strategies is necessary in order to see and understand it. Strength acts inside a field, which supplies the context within which it operates.

It is the same with culture. It is always there; no human being is without culture. It structures and organizes social behavior, but a certain effort is necessary to see and understand it. The way in which it acts is related to a context, which is created by the luxury of social interaction. Culture shapes the context and the context, thus shaped, helps to maintain and reproduce the culture. Understanding this mechanism is important to be able to think about it critically.

In general, it acts as a lens showing us what to see and how to see reality. Since it acts as a lens, it cannot be seen. Therefore, to study it anthropologists resort to comparisons: when we understand another culture, we are able to know another possible way of being a human being. To proceed with such comparisons, it is important to draw a kind of map, and to do so semiotics is used. Basically, semiotics studies the way in which the understanding of the world, objects and relationships in human societies is structured and communicates. It starts with the idea that human communication

and all human understanding in the world are intermediated by symbolic grammar, which organizes perceptions, understanding and action. Human understanding of the world is built through language and experiences in a given society. Language organizes our perception of the real world by how it teaches culture. And it does this by the process of symbolization. Our understanding of the world, therefore, is built on how we learn to name things and our experiences and to use this learning to reflect upon them. This process occurs through signs. A sign is the material base of the symbol or abstract idea <sup>3</sup>. In the cow example, a sign is the word cow, or the cow sound, which is the material base by which our senses capture the stimulus. This material base is arbitrary, that is, there is nothing in the nature of the animal to indicate that it should be called a cow, and it varies from culture to culture and language to language. Its primary function is to be the vehicle that makes it possible to communicate the abstract idea that it carries. The carried idea is the meaning. This meaning, in turn, is fixed by a cultural code, symbolic grammar, and is only meaningful in relation to the other elements of this grammar. Therefore, a cow is not sacred in India without reason, but because this makes sense in a highly complex religious cosmology. The behavior of Brazilians and Indians in relation to the cow only makes sense within the logic of their cultures, their symbolic grammars and the specific context in which they occur.

The relationship between culture and behavior is dense and complex. If we consider a cow edible, we have created a whole economic structure to produce it. If, instead of a cow, our culture informs us that a dog is food, as does the Korean culture, we will have different sizes of property and breeding methods. If a dog is not food we would not have a structure to produce it and if we were to do so there would be no demand. Culture precedes economic rationality and informs how individuals will organize themselves to produce. We make huge economic efforts because of culture. Beef cattle did not originate from the Americas. It was brought from Europe to the New World, despite all the abundance of the Tropics, precisely because of the cultural perception of its importance in European diets.

Likewise, the cultural meanings of a person, individual, work, power, social order and so on also vary from culture to culture, structuring different logics of the worldview and acting upon it. It is exactly by analyzing the principal (and not the only) meanings of these terms that we are able to explain many behaviors of Brazilians that we will analyze to illustrate this. However, as in the example of the cow, we only perceive culture by comparison, so in order to study this, it is necessary to move away, alienate ourselves from it by comparing other cultures. To explain the Brazilian culture, we will go to the American and Japanese cultures to produce this alienation. It is worth mentioning here that comparison somehow implies the notion of superiority of one culture over another. It is merely an analytical method.

**“we only perceive culture by comparison, so in order to study this, it is necessary to move away, alienate ourselves from it by comparing other cultures.”**

## 2.3 The notion of an individual *AND WORK IN AMERICAN CULTURE*

In order to understand the relationship between culture and economic action, it is worth reflecting on this relationship in Brazilian companies. Barbosa (1999) shows how, in American, Brazilian and Japanese cultures, the concept of merit relates to a certain understanding of what human beings are and the type of equality that should be produced between them.

Max Weber, in "The Protestant ethic and the spirit of capitalism", states that there is something in the lifestyle of those professing Protestantism that favors capitalism. The religious practices associated with the Reformation caused psycho-sociological changes in society, which eventually set moral regulations and standards in favor of savings, hard work and accumulation of wealth. Christian (Puritan) ascetics transformed labor into the worship of the Lord. Weber talks about the notion of someone in Protestant cultures as related to the religious logic of immanence. According to this logic, God is manifested in the world through men, who can apprehend Him in their inner being and externalize their obedience to Him in actions. This individual, to be free and autonomous on which rests an axis of moral responsibility, is regarded as being made up basically of two realities: psychic and moral. Several others derive from this idea, with regard to what is a full human life or what is the objective of human action. Parekh (2000) explores this question very well when demonstrating how liberal thinking, and some of its top theoreticians, namely John Stuart Mill, John Locke, Montesquieu and Tocqueville, considered that the ideal of human life necessarily entails protecting the right to self-determination and autonomy by defending individualism as a higher value.

On the other hand, Catholic popular piety and Eastern religions, according to Weber, when creating a certain resignation before the world, did not have the same effect. The Puritans, when believing they are the elected and chosen by God, they found in their faith the motivation for ethical, intellectual and professional enhancement individually. Weber implies that the English, through their religiosity, were able to establish institutions that would benefit trade and freedom (it is worth noting here that Weber talks about how local cultures appropriate certain religious ethics and not the religions themselves).

For us to be able to start to understand the weight of culture on how we contemplate the world and act upon it, and understand a little better the importance of appreciating culture in a globalization process, it is important to realize that this perception of an individual, molded in the heart of Protestantism, is as culturally specific as that which Indians have regarding the aforementioned cow, and that the logic of action in these cultures, especially in the North American culture, consider this culturally specific subject as a fact, since they look at it through the lens of their culture. A large part of the problem in understanding the cultural phenomenon comes from the difficulty in perceiving the human being as a social and cultural being and, consequently, in understanding how culture provides the logical structure of action behind the behavior. This narrowing down of the subjects to their psychic reality inadvertently leads to reducing the question of culture to the universe of the imagination and of individual representatives, thereby making it impossible to understand its sociological variables and creating appar-



ently insurmountable difficulties for the study of the question of culture. Many economic theories and human development theories are based on this culturally specific notion of a human being as a fact and generalize for all humankind.

But studies on culture demonstrate how this viewpoint somehow “tortures” reality rather than illuminating it. This autonomous individual, in his Protestant origin, has very much his own view of economics and economic action. He tends to believe that economic resources are scarce and that he needs to work hard and accumulate wealth, since his future will be dire if he fails to do so, and there is no one in the world that would look after him. He is alone and needs to provide for himself in a world where there is nothing. In other cultures, however, economics is not seen to be like this. Studies by Sahlins show that Paleolithic societies are truly affluent societies, if we are to consider that affluence refers to the capacity of a productive system to fulfill people’s wishes. Paleolithic hunters believed that the forest and nature provide everything they need and, therefore, why should they accumulate or produce surplus of the needs for daily survival. They tend to consume at a single sitting everything they hunt or provide, certain that tomorrow they will be able to obtain it all again. When they fail to do so, they attribute this problem to questions of a religious and spiritual nature. The cause of economic problems is a physical rather than economic goal. In societies without the basic notion of shortage, it is utterly impossible for individuals to maximize resources in the way in which they do in the market society, and economic rationality is built on totally different grounds. The capac-

ity to maximize savings, as some economists say, depends on a viewpoint of economic rationality, of time as a resource and the virtues of hard work and accumulation that are not common to all cultures. Economic behavior is, therefore, built on worldviews and values that precedes them and gives them meaning.

When we look at the behavior of the poor in Brazil we also find a marked tendency to squander and for extravagance similar to what Sahlins finds in his studies. The future depends less on work, effort and ongoing savings than on other variables. We can see some behaviors in our society to confirm this: we know that some poor people spend considerable sums of money on Carnival. But we know that this is not isolated behavior. It is common in low-income households in Brazil to get into debt in order to host birthday, anniversary, wedding parties and so on. It is common to see mothers buying on credit to celebrate their 15-year old daughters’ debutante ball. What does this behavior mean in terms of externalizing a worldview? What is the rationality behind it?

Others correspond to the notion of an American and Protestant individual, such as, for example, the idea of work and labor, also culturally specific and without an exact translation in Portuguese. The concepts of work and labor are translated to Portuguese in one word: *trabalho*, which combines the meaning of the two terms in English that are not synonymous. Work is creative, productive, the result of the action of someone who perceives through a logic of immanence, that he has God within and answers His call, externalizing through his productive act. It is the work of a free man. Labor, on the other hand, is work done in pain,



punishment for original sin, hard work, repetitive and not creative. *Trabalho de parto* - giving birth - in English, is labor, not work. The idea of work implies that, through it, God acts through the human being that is invited thereby to participate in creation. It is possible, therefore, to be a "workaholic", but not "laborholic". It is important to note also that in Protestant societies there is a convergence between work and virtue that is not similarly conceived in Brazil, and that in the former is associated precisely with this idea of "a higher calling". Virtue in Brazil is associated with an idea of ethics and abstract morality rather than a concrete interaction with the world, except perhaps for the question of solidarity, which has quite direct implications in political options of the Brazilian voter, without a clear counterpart in American society.

Within the logic of American culture, someone who has merit is a hero: the person that, against all odds, relying only on himself, achieves a result inspired by this internal moral strength, derived from the logic of immanence (Barbosa, 1999). We need only to watch a US crime movie to see how this logic works: the police officer has an intuition that a suspect

is innocent. He does his utmost to help him. His boss forbids him to continue the investigation. He disobeys, destroys half a dozen cars belonging to the institution and, after several breaches of rules and confronting the boss's authority, proves that he was right and publicly acclaimed. In a society like Brazil, he would probably be punished, whether he is right or not about the suspect. This logic of action would not be acceptable, much less applauded. The understanding of merit as an individual capacity to produce results is, in many ways, ingrained in this understanding of what an individual is and what is expected from his action (it is important to understand, however, that these concepts presented herein in such a clear and watertight manner are, in fact, an oversimplification of reality, a caricature. In the flow of social life, these concepts are fluid and deeply affected by the context (Eco, 1997) in which the concrete social interaction occurs, and it is perfectly possible to find spheres in North American social life where these concepts on work, labor and the individual have multiple contradictory connotations in relation to those addressed herein).

“understanding of merit as an individual capacity to produce results is, in many ways, ingrained in this understanding of what an individual is and what is expected from his action ”

## 2.4 Person, work and merit

### IN THE JAPANESE CULTURE

Barbosa (1999) proceeds to compare Brazil, the USA and Japan indicating the idea that there are web relations between the concepts of equality, person/individual and the logic of merit in these three cultures and that they organize how, in each of the cultures, social organization is understood and ethical and moral values permeate them. In Japan the notion of an individual as described above for the American culture, does not exist. The human being is seen not as a separate atom, but someone who exists through the network of relationships with other people, as a part of a wider whole. The notion is that Japanese society was built through hard work and the collective sacrifice of countless generations of ancestors from whose effort contemporary reality is the result. Someone who achieves a special result in his work does so by interacting or collaborating with innumerable other efforts of countless other people, without which his result would not have been possible. The Japanese is a relational being who embodies a social actor by merging and not by negating the others. Society tends to be a higher value than the individual, even though in political terms democracy, with safeguards for the individual, has been successfully established as a system (albeit quite different from the US system). Here we will not dwell on the entire complexity of the anthropological research on social construction of identity in the Japanese culture, already widely discussed in the specialized bibliography (Chie, 1973, Befu, 1985, Clammer, 1997, De Vos, 1975, Lebra, 1986 and Kondo, 1990), but will suggest some elements of this process to more easily form a shared understanding of how the culture could be seen.

While an American considers himself an autonomous person born and bred free and whose autonomy is an asset, the Japanese regards himself as part of a wider context. In every socialization process, North American mothers tend to highlight and reinforce their children's personal characteristics, while Japanese mothers socialize their children for them to regard themselves as someone depending on the effort and goodwill of the others and that, ideally, should relinquish the egoism of using their "self" as a starting point for dialogue with another. It is common, in the Japanese socializing process, for the young to be told, and constantly reminded, about the effort that their parents and all ancestors made for them to have what they have today, and the dedication and effort of their teachers, seniors and related others, in general. The Japanese, to grow as moral beings within the parameters of their society and culture, become adults when acknowledging the moral debts that they have accumulated throughout their life and the need to repay them. Therefore, while the North Americans tend to consider a self-confident person as mature, with a proactive relationship toward the world, confident in his opinions and able to stand out from the crowd in the course of social interaction, in Japan a person with such characteristics would tend to be regarded as *namaiki*, or "full of his own importance" or brash, meaning that he has not yet clearly perceived his own limitations and is insensitive to the virtue of consensus and acceptance of others.





Therefore, while in American society the notion of merit refers primarily and fundamentally to the outcome of individual action, in Japan the notion of merit refers more directly to the individual's ability to sacrifice himself for a collective or to help the collective achieve its goals.

Of course, if a management method or instrument of social intervention is imported unwittingly from the USA to Japan, or vice-versa, there is considerable chance of its being regarded as unfair and breaching deep-rooted cultural values, exactly because the behavior that it defines as commendable does not match the two cultures. It cannot be expected that a technique to compare values produces, in this society, the same result it produced in the former where it was generated and where it is an expression of cultural value. Solutions are seldom exportable, because we rarely understand every factor that has cooperated towards its outcome in its original context. This offers a major challenge to companies in a globalized scenario. Many organizations have been making an effort to build the capacity of leaders to be able to act in this scenario and dialogue in diversity.

Another example of this cultural difference occurs in relation to the concept of work. What Americans understand by work and labor is not the same as what the Japanese understand by *shigoto*, *hataraki*, or even *roldou* (which appears in dictionaries as manual or hard labor – but which is associated with the idea of looking after someone, the idea of caring, in the sense of being useful). *Shigoto* (work, employment, lit. “things to be done”) or *hataraki* (ability) are associated with a kind of activity – in the sense that the activity is part

of human nature and something inexorable to life. The same metaphysical burden is not associated with these terms, but associated to the notion of work in Christian societies, whether Catholic or Protestant.

It is through work that the Japanese find their place in the world and build up relations with the society in which they live. The identity as a member of a society or community is concretely expressed through this common sharing in collective projects. Work and other forms of sociability and leisure are not separate in Japan as they generally are in the West, nor do work and leisure clash in the same way and through the same logic that compares them to the West. Moreover, belonging to the same community, which is consolidated in many ways by this common participation in productive activities, creates in Japan ties of much closer psychological belonging, mutual help and comfort than generally in the West (Doi, 1973).

Of course, when we talk here about work motivation, we are addressing something quite different from what motivates someone to work in the USA (which in theory is a contradiction, in a logic of immanence, since work is an expression of the internal creative force of the individual) or to labor, and something completely different from motivating someone to work in Brazil.

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## 2.5 Person, work and merit

### *IN BRAZIL*

Unlike the USA and Japan, in Brazil the social subjects are regarded sometimes as an individual in certain moments and well-defined circumstances, and at other times as a person, someone who is, in the words of Ortega y Gasset, "I am me and my circumstances". In contrast to the USA, where religious logic of immanence eventually prevailed over other possible forms of contemplating the human being, in Brazil the logic of transcendence prevails, of not only a superior, elevated and sublime God (also how Protestants regard Him), but also as a reality that transcends the person, who guided by a power superior to him has control and only partial responsibility, limited by his own destiny.

People are regarded in Brazilian culture as shaped by their circumstances that have quite definitive weight over who they can become. Therefore, a result is regarded as a sum of factors of which effort or individual genius is merely another and rarely a determining factor rather than the outcome of the action of the actual person. Circumstances are regarded as having more impact on the results of the action than the effort or intention of who takes it. And here, there is the idea that the action of authority, or whoever has access to material and political resources to cause differences at the level of concrete human activity, has a disproportionately greater weight on shaping the circumstances than the action of someone without it. In the more ordinary sense, there is very little that a subordinate can do outside the boundaries proposed by whosoever has the power. Much of American literature on leadership is only partially meaningful in Brazil. The perception of persons as free and autonomous individuals makes the question of power very different from how it is regard-

ed in a society where the understanding of a human being is different. The question of power appears very often in American management bibliography, reduced to the question of leadership. This is the most acceptable and less coercive form of power possible and the only conceivable form in a society of free individuals, which theoretically only bow to the power of an immediate superior in whom they acknowledge legitimate leadership. Of course it is not always like that in practical reality of everyday life, but this is how the logic of culture directs the perception of this phenomenon. A good deal of leadership literature seems a remote fantasy whenever we think of our reality at work and in our interaction with our boss or immediate superior. Nor does this idea explain the personal loyalty to the coronels of Brazilian history or to the local politicians that distribute favors to those who ask.

And since these perceptions are not isolated, but spun into webs of significances with other webs, these perceptions of someone's autonomy and limits of action are confirmed, in practice, by wielding power that tends to be, in the USA, more egalitarian and less coercive, and in Brazil acquire quite paternalist, authoritarian and personalist tones. These Brazilian forms of wielding power are explained when we reflect on our view of the human being: if men are fragile and malleable through circumstances, or if we regard them primarily as such in other culturally possible ways of perceiving the human being, it is natural that power systems are structured to control and protect these people from possible temptations. Formalism and legalism, outstanding characteristics of our way of managing social order, are also explained in relation to those same ways of looking at the world.

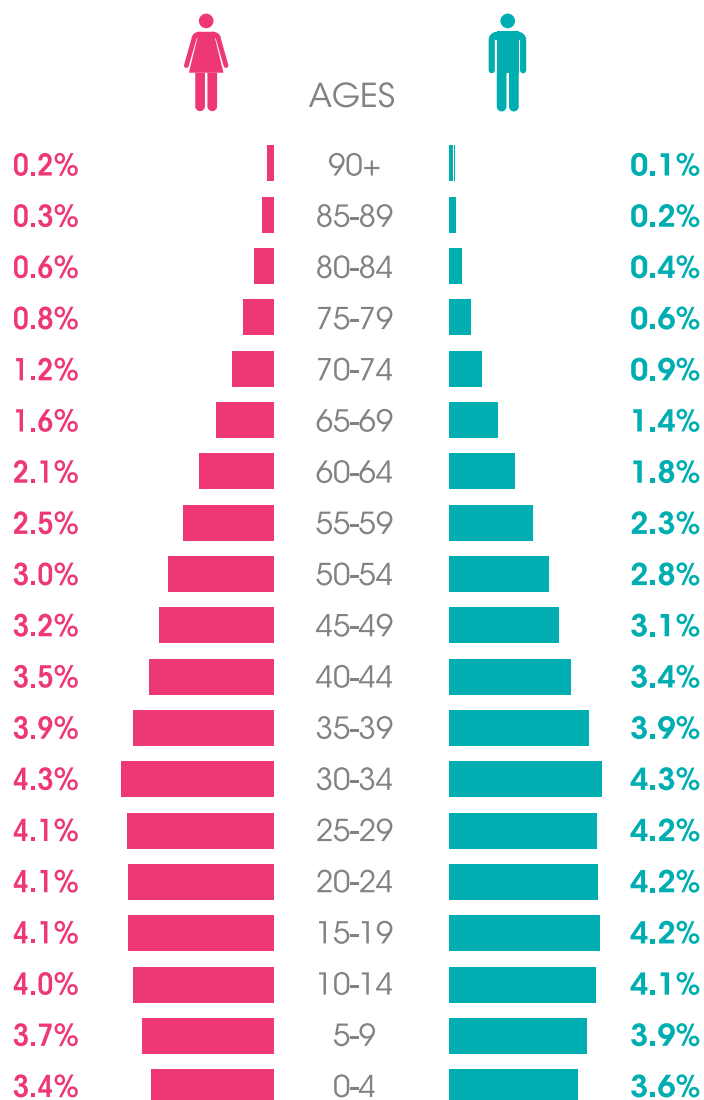
Concerning our conceptions about work, we notice in our culture a strong influence of the logic of Greek culture in distinguishing between intellectual and manual work compared to elite work/manual or slave labor; clean/dirty work; privileged/common; creative/repetitive; spiritual/materialistic; with self merit/merit for the final cause he serves, and so on. This dichotomy lies in the root of how we hierarchize people, in the origin of our logic of social segregation and how we create a chasm between the values of wages paid to white-collar workers and to blue-collar workers in general. But in our culture what most marks the concept of work is the fact that it is considered inseparable as a condition for life and act of creation, on one hand, and punishment for sin, essential for survival, on the other. Our idea of work refers more to the idea that we are obliged to do it rather than the kind of activity performed. Work, according to Brazilians, is fundamentally an activity restricted to time and space and organized by power relations.

Therefore, a Japanese person will tend to have huge motivation for a certain activity, for example, planting tomatoes, if they enjoy it, regardless of needing the money it earns or not. However, in the case of Brazilians, motivation will tend to be very different if they are planting tomatoes because they are employed on a farm to do so, or if they are doing it for the pleasure in their own smallholding at weekends. There is a very direct relationship between the subjective feeling associated with a given activity and the meaning that it has for whoever undertakes it – this meaning that is generally supplied by the culture. Likewise, the higher motivation of intellectuals and others who work in design is less associated with its meaning as work, as it would be for North Americans, but forms its meaning as a superior activity, which is an end in itself, as in the classic Greek culture – which does not imply, necessarily, the idea of result and productivity that underlies the idea of work, but not the idea of intellectual or skilled work in general in Brazil.

**“People are regarded in Brazilian culture as shaped by their circumstances that have quite definitive weight over who they can become.”**



# POPULATION PYRAMID



## 2.6 The question of power

### *IN THE THREE CULTURES*

The Americans, when building their self-image and identity as individuals, generally tend to reduce the weight of power and circumstances acting on themselves and rejecting unidentifiable forms of control with the notion of leadership. If I regard myself as autonomous and self-determined, I cannot logically conceive a force with powers to control my action. Following this path, personalism as way of demanding loyalty from people has very low legitimacy and there are several ways of "disobeying". Competition, including with those in power, is recognized as a positive social value.

The Japanese, on their side, have different forms of power and social order. Of all of them, the social rules and the culture itself create the foundations for conformity and acceptance of regulations, quite unthinkable in Brazil and the USA. There is a deep feeling of commitment to the group reinforced social interaction between peers, reducing the need for direct intervention of superiors. This collective feeling of commitment is at the base of logic of action built upon consensus, and is also a democratizing factor in the sense of giving power of decision to the group and subordinates to put pressure on the leaders to act in benefit of the collective. Therefore, although paternalism and personalism do exist in Japan, the power distance is shorter than in Brazil, and the subordinates' power of decision is much greater, because of the action of the informal institutional mechanisms for consultation and construction of consensus. The commitment of the working community to the results is another powerful form of social disciplining, with an extremely low peer tolerance toward the lack of responsibility or commitment to the organization. The leadership of formal management

is exercised more to obtain consensus about an action strategy than controlling specific actions. And, therefore, although paternalism is common in Japan, the form it adopts within that society is extremely different from the Brazilian-style paternalism adopted here. Since the paternalist boss in Japan generally tends, for various cultural reasons and institutional rationales, to strive for the best results for his clan (his company), and does so inspired by a "path" in a metaphysical direction (Dou), the hierarchy and conformity in relation to it are appreciated as a means to cultivate a series of virtues, such as tolerance and harmony with others, moderation, humility, modesty, patience, politeness and amiability. Obedience to the bureaucratic standard is a form of enhancing the person. Confucianism teaches an ethic without religious content that gives value to inequality as a form of wisdom.

When we see, therefore, the Japanese quality management models, we notice that the quality groups are nothing more than formalizing preexisting cultural practices deep-rooted in social behaviors. When these models are formalized in management methodologies in Japan, the question of democratizing shop-floor relations and the managers' longstanding trust in the workers is not even placed in this context so obvious and natural are they. In a society where belonging is gradually built up over time through proof of commitment to a group, the workers have very much stronger bonds of belonging to the organizations where they are employed than their peers in Brazil. And since this society does not socially hierarchize people in the same way as Brazilians do (comparing intellectual to manual work and strategies from these derivatives) is

not so much the kind of work that defines who has a position of trust in the organization but rather the capacity of the people to sacrifice themselves for the collective cause. The organization's bonds of trust with the shop floor have no parallel in Brazil. These relations create ongoing improvements and constantly add know-how to products and processes that are optimized by formal management procedures. In Brazil, we import the formal management processes and some companies have even achieved good results with them, but nothing compared to what could be achieved with its more conscious cultural adaptation. In some companies, the quality circles have even led to a wider democratization in the shop floor and an increase in the communication powers of the organization base, but this process is constantly endangered by various kinds of centralizing tendencies and it is necessary to create proper monitoring and surveillance mechanisms to prevent destroying the results of the already invested efforts.

In Brazil, power relations in organizations are fairly ambiguous. Managers tend to exercise power in a personalist manner, although they officially require autonomy and results from their subordinates (even if they almost never provide them with the resources to effectively produce such results). On one hand, we see a clear demand, especially from the workers, for "more humanity in relationships", which, if interpreted in its context, almost always means that the quality of the relationship and personal considerations should be above the merely professional issues. On the other, there is a strong demand for participation and recognition and, consequently, greater autonomy, but an equally strong reaction against

being charged for negative results. In general, we find enormous concentration of power in the hands of the managers, not a conscious and planned concentration but the result of being afraid to delegate and being unable to control the result. Part of the ambiguity is due to this mistrust of the subordinates, which is not verbally disclosed, also the result of the logic of transcendence, and partly because the manager knows that subordinates systematically transfer upward the responsibility for the results, since this is the other side of our aspects of power concentration. Since employees seldom feel responsible for the result, the degree of commitment tends to be much smaller than that of the Japanese and there is very little or no lateral pressure from peers by focus and productivity. Internalized regulatory controls are generally missing, which direct the individuals in the direction desired by the managers.

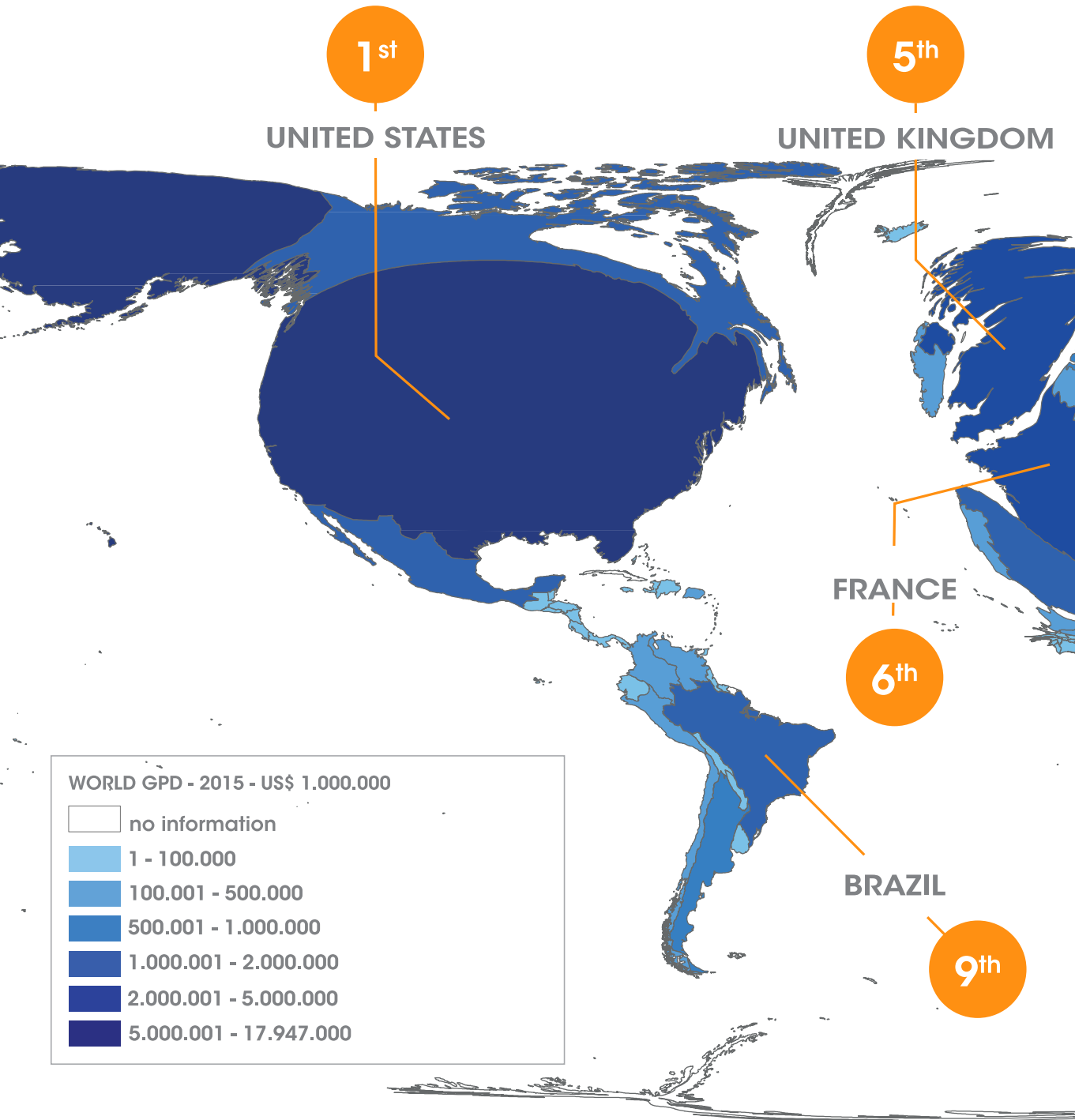
Therefore, it is true that culture tends to be a universe of self-fulfilling prophecies. In that it is an integrated form of action and perception of the world that shapes the socially experienced reality and is confirmed in practice, since it is a structuring element of the social behavior in different spheres.

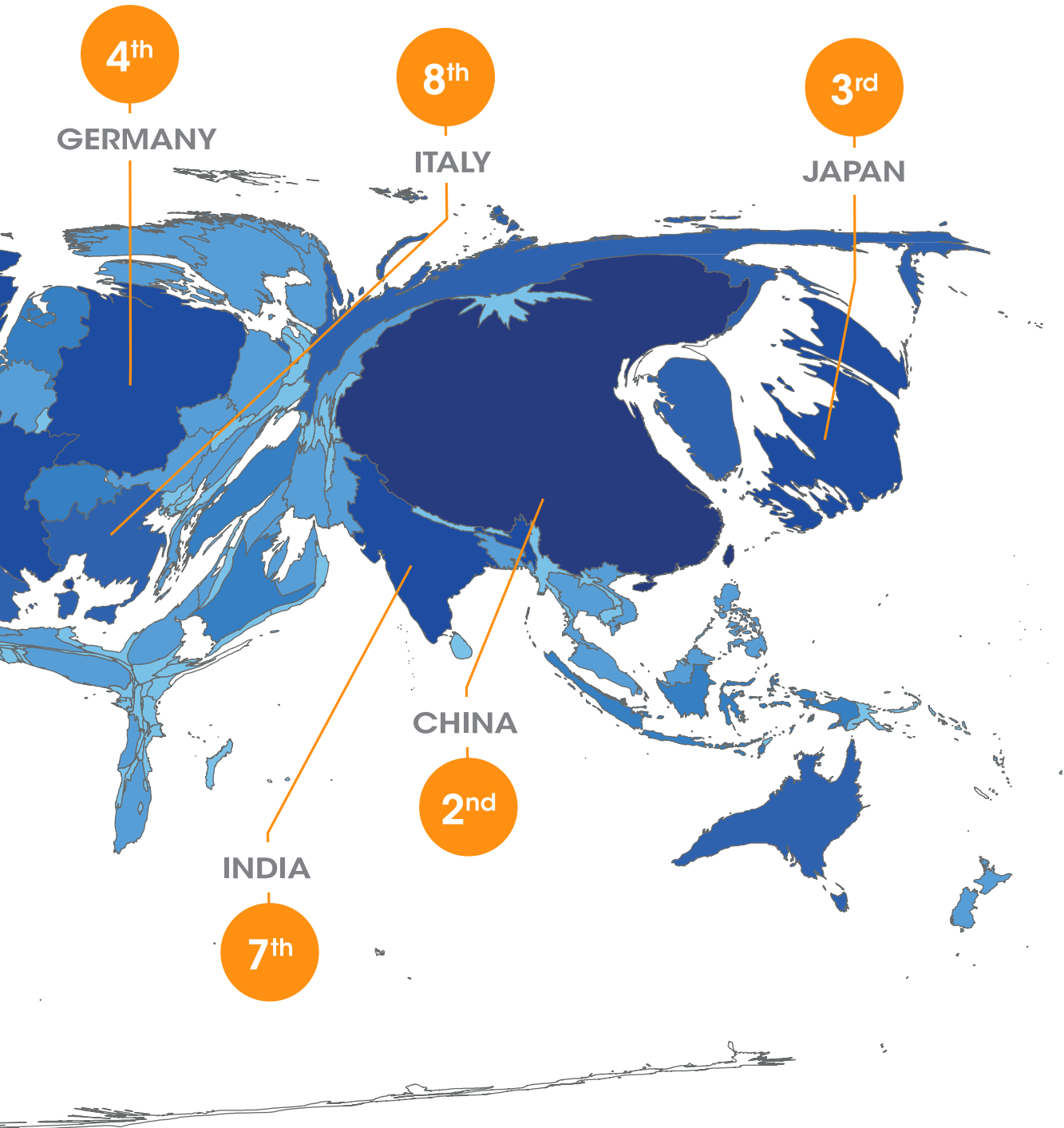
These different conceptions of work, people and power structure the life of the company far beyond what our everyday gaze, contaminated by these logics, is able to perceive. The way in which Brazilian culture regards manual labor is responsible, for example, for recreating slave quarters within state-of-the-art businesses, which occurred with outsourcing cleaning and other unskilled work, for example. It is common to hear, in these companies, that they are totally in line with the latest of people

management models and quality of life in the workplace, while the employees of outsourced firms contracted by them are working in extremely precarious conditions on their premises. Or course, outsourcing did not generate the same degree of job insecurity in societies in which it was conceived. Its main purpose was to concentrate more on the company's essential skills or its key processes, because, in fact, the disparity of wages is not as great as having generated the same savings that it generated in Brazil. What is curious here is to see that there is a collective blindness toward the conditions of these groups, socially invisible to the eyes of the members of the contracting organization. This blindness is also the result of our "masters and slaves" mentality of looking at the world. This raises problems when implementing the safety standards and occupational quality of life closely akin to our society, and causes us problems concerning the joint liability for those workers for which we must design our own solution.



“it is true  
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self-fulfilling  
prophecies.”





Source: International Monetary Fund, World Economic Outlook Database, April 2016

## 2.7 Transfer of liability, proactivity AND ENTREPRENEURIALISM IN BRAZIL

Barbosa (1999), when comparing Brazil to the USA and Japan, already suggests the fact that, in both the latter countries, for many different reasons, the responsibility for results tends to weigh on employees wherever they are in the hierarchy. In fact, it is generally noticeable that much less responsibility was transferred upward in these countries, since in one the responsibility for results is individual and non transferable, and in the other the employees must do their utmost for the group to achieve its objectives. Empirical observations in Brazilian companies produce abundant evidence of this transfer here, but this does not mean necessarily that this is an unchanging reality or an essentially negative element of Brazilian culture. Many organizations have been successful in implementing other ways of working. We know several of them. In many ways, this transfer occurs due to the culture-power liaison that normally develops within the companies, but that can be managed in order to encourage commitment to the results; in other words, the problem in transferring responsibility for results downward is due to the way in which the power operates within the organizations rather than to insurmountable cultural barriers (although it is acknowledged that these power forms are legitimized by the culture).

Living historically under power relations of a paternalistic and personalist nature, where the only thing expected of the subordinates was for them to do the work required by the bureaucratic division of tasks and the management, and where the meritocratic logic of awards for results or otherwise existed or was secondary, in relation to the subjective perceptions of merit of the immediate superior, who always tended to favor the quality of the

personal relationship, loyalty relationships, and not the actual production of results, the subordinates learned to associate merit with anticipating the wishes of those in power. Since, in the past, if the subordinate dared to act outside of the bosses' instructions, he would be penalized, frequently regardless of the result of his action, especially if he was not a friend of the boss, and would be kept on, despite lack of results, if he was a friend of the boss, the logic of entrepreneurial action never made nor could ever make sense in Brazilian companies. In such a political framework, the entrepreneurial action tends to act against whoever accomplishes it. So when we talk about the diffusion of an organizational culture, we need to be aware of the enormous challenge that leaders encounter in practice.

This link between culture and power with regard to the type of desirable action within the organizations naturally affects, and is affected by, the understanding of what commendable behavior is. Studies on the oil and petrochemical sector (which perhaps are not generalizable to all industrial sectors in Brazil, due to the exceptionally high technical skills of its employees compared to other segments) indicate the following perceptions of merit, by order in which the meanings appear spontaneously:

1. technical skill (the sector has an extremely strong technocratic culture);
2. loyalty to the organization;
3. responsibility;
4. punctuality and attendance;
5. proper observance of routine;

6. good personal relationships;
7. to do what has to be done without needing to be told;
8. goodwill in cooperating with other areas;
9. commitment to quality, environment and safety;
10. courage (the importance attributed to this item refers to risk perception in those industries and to the fact that the operators comprise the fire and rescue brigades).

It is interesting to note that in none of the items in the list above is there a clear direct relation to a result, although they all are, to a certain extent, related to it, that is, they are conditions for its achievement. Within this industry, which tends to be top ranking in terms of management innovations, merit is closely associated with the notion of proactivity rather than with entrepreneurialism, in the sense that the entrepreneur is precisely the person that could use the available resources to achieve results.

Once again in search of a meaning for the terms within the context in which they are used, we notice that proactivity, whenever the term has been used in the companies in the study, refers to the employee's capacity to anticipate the immediate superior's orders; that is, doing what he knows the boss expects him to do without being asked. If we compare this concept of proactivity to that normally appearing in the North American bibliography, we note that the terms are not synonymous with their connotative meaning. In English, proactivity and entrepreneurialism are very close terms and in both there is a connotation of getting down to work to achieve results. Being proactive is to foresee

the events, not to sit back or fail to stay alert necessary for the entrepreneur. In Brazil, this cultural relationship between these concepts is not necessarily established.

It is no coincidence, therefore, that the idea of proactivity is so directly linked to the acceptance of order and meeting one's obligations. The notion of proactivity offsets the employee to accept the power in personalist molds, in the sense that he does everything he was given to do in the best possible way, but this does not mean he considers alternative or better ways of doing the same thing, although many instances have been found where improvements have been proposed and effectively put in practice, especially after implementing quality standards.

But although at first sight it seems that the value given to proactivity as one of the centers of perception of merit is synonymous with a lack of resistance to power, it is wrong to imagine that perceiving the logic of proactivity is synonymous with passive acceptance of the established order. Accusations circulate, very often veiled, of a lack of competence of someone in power to capitalize on the efforts invested by the team, as well as various forms of pressure to ease standards and different ways of restricting the boss's influence on the future of his or her subordinates.

This nurtures the creation of power alliances throughout the organizational structure and different forms of negative conflicts (negative conflicts are understood to be those working against organizational objectives and steal the focus from human resources in the strategy, and positive conflicts are understood to

be those leading to learning and finding solutions in line with the organization objectives). There is, then, an inter-relation between different elements of the culture, integrated in a complex logic within which human rationality and thought operate. Not only does the culture interfere in running companies but it also does the same in the economy.

Michael Porter, in his article "Attitudes, values, beliefs and microeconomics of prosperity" states that, in many cultures, monopolies are regarded as benefits, power determines the rewards, rigid hierarchy is promoted as necessary to keep control, family relationships should determine partnerships, etc., while in others, development is regarded as something depending on prosperity that depends on productivity and not on control of resources, range of government favors or military power. In these cultures, the belief is that there is infinite potential wealth, and that by encouraging competition, responsibility, high regulatory standards, investment in skills and technology, innumerable benefits will be produced for society as a whole. If people regard the

potential of wealth as infinite, they will tend to allocate efforts to economic production, but if they regard it as extremely restricted, they will do their utmost to create relationships with whoever is in power to obtain a piece of this fixed pie. Good studies have analyzed the way in which this worldview affects the economic dynamics in Brazil, such as by Barbosa (1999) and Prates & Barros (1997). And other studies, for example, by Hofstede (2001), compare cultures to the way in which they affect economic interaction, demonstrating, among other things, how the power distance in certain societies affects the autonomy and capacity of collective action (with obvious consequences for the formation of citizenship and proactive and entrepreneurial action). Working with such aspects of culture, producing the critical consciousness of how all of us, when reinforcing these values in our daily lives, reproduce a model of dependence on power is one of the main attributes of leadership in promoting economic and social development based on the citizens' development of consciousness and ability to choose.

“Producing  
the critical  
consciousness  
of how all of  
us, when rein-  
forcing these  
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daily lives”

**Cult  
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*IN HIERA  
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3.

Economic science, historically, when considering the question of coordinating actions for production, would take consider two factors: price and hierarchies. According to the economists, price agreements make the “invisible hand of the market” function in an orderly manner. When the market fails to provide what someone needs, or when it provides it at a prohibitive price, the alternative is to organize production in a hierarchy: a company, a slave labor unit, like so many that have existed in the past, a feudal system or socialist state is set up and the desired goods are produced.

Recently, the question of trust appears as another possible coordination factor: if people trust each other, they join together for a certain purpose and cooperate until it is achieved at a low transaction cost; if people do not trust each other, and if people fail to keep their promises to the end, then the fool that agrees to cooperate will work for nothing with no results. So trust is regarded as an asset for some communities, since it lays the foundations for cooperation and innumerable forms of possible management of productive activities.

Culture is another factor of coordination, albeit slightly more invisible. When we ask the question: “are we going to set up a meatball factory?” a series of cultural and social understandings lies behind our question. The “are we” indicates that we are in a market society where it is possible to form associations of this kind. The “factory” means that this type of production organization is feasible (there are laws that guarantee contract, right of property and so on), beef is edible and we have the right and desire for business, which means that we have a series of values focusing on the promotion of autonomy and economic

freedom. So, whenever something is said it epitomizes a huge set of anthropological, economic and sociological understandings of a society that is a precondition for the intelligibility of what was said. Culture is the basis for decoding the speaker’s messages to form the concordance of intelligences and to build the values on which relations of cooperation and trust can rest. Culture also fixed the concepts of right and wrong and the strategies of proper punishment and incentive for any behavior that is to be avoided or promoted.

When we talk of culture as a coordination factor, a question we might ask ourselves is: does our ethnic culture produce the necessary cooperation and trust for collective action? Do the poor see in association and free enterprise opportunities to change their lives? Do we have these values?

Our observations of artisans and seamstresses with whom we have worked are that the answer is no to both questions. We have been following a group of around 250 women engaged in handcraft and sewing and who depend on this to support their families or for supplement income. The women quarrel among themselves for better places in the market and numerous other minor issues and fail to see the benefits of cooperation. They do not trust or expect the others to be firmly committed to cooperative actions and, therefore, do not cooperate. They fail, therefore, to organize themselves in order to procure cheaper inputs and accept large orders, which would guarantee the sustainability of a cooperative in the medium and long terms. They do not have enough confidence in themselves to take the lead in a process of this kind, which would facilitate a better collective organization.

Brazil's history can explain part of this phenomenon, albeit only in a very limited and partial way. We need many studies on anthropology to understand this process more clearly. In a society where climbing the social ladder depended heavily on relationships with the powerful, the poor competing with each other for favors from the rich and the political elites is consolidated as a life strategy.

Historically, land was owned by a small elite that had received it as hereditary captaincy from the kings of Portugal. This small elite controlled national politics in arrangements with the metropolis. It used slave labor. Working hard led no one to advance in life. Ownership was extremely concentrated and prevented any form of accumulative action through merit of work. This reality endured in Brazil for over three hundred years. Only with the European immigration in the late 19<sup>th</sup> century was there any real possibility of social ascension through work.

Slavery was abolished with the stroke of a pen, casting a vast number of workers into extreme poverty. Progress, with some equality, eventually occurred in a privileged manner, in the regions of large immigration where access to property, means of getting on in life through work and a culture of entrepreneurialism prevailed.

In the rest of the country, the freed masses found no means of survival other than to seek, in personalist alliances with the same elite that had freed them, some kind of social inclusion.

The mass of freed black slaves did not form a community, society or group of people organized by any common element. The only thing they shared was a certain identity (at that time negative) based on the color of their skin,

which gave them a measure of their inferiority and an oppressive past.

History books talk about how the colonizers, in order to weaken possible pockets of resistance, would purposefully mix the black slaves of different origins, ethnics and languages on the same property so that they could not communicate and plan rebellions. They would preferably mix black people from rival ethnics so that the disputes between the slaves and their hatred would benefit the landowners. They would split up the families; get the women pregnant to produce abundant manpower, and created negative work-related values. In other words, there was ongoing work to destroy common cultural bases, without contributing with any compensatory force to develop new directions.

Obviously these people did not live in a cultural vacuum: the religions, candomblé, umbanda and the Catholic church provided explanations for the situation, offered symbolic means of action and spiritual solace, but the religions alone were unable, nor was it their role, to rebuild everything disrupted by slavery in terms of positive directions for life and work.

The dissolution of the ties of sociability that our history produced somehow needs to be counterbalanced by the development of institutions, organizations or communities that permit these people to acquire the ability to act collectively and have their collective interest represented systematically. That is what democracy, in fact, is all about: it is a set of collective action mechanisms designed to prevail the wishes of the majority. This is the scenario in which moral fiber acts. This is where it is necessary to create positive directions for its activity.

Anthropologists tend to agree about one question: chaos is a major threat to human societies. Chaos is the absence of order and principles that permit us to perceive reality intelligently. If we reflect a little, we will see that culture, first, permits us to classify things and experiences so that we can reflect upon them. When doing this, culture permits us to include an element of nature in a social relationship and to act.

If we were to be involved in an accident and find ourselves in the Amazon rainforest, we would probably die if not rescued in time. If we were to survive, our life would be of hardship and difficulties. Why? Why isn't it like that for the Indians? Because they have learned to name and classify the flora and fauna of the rainforest. When giving them a name, they learn the objects' attributes: if it is good for eating, for healing, if it is poison or not. The Indian listens to the sounds of the forest and is able to know if a dangerous animal is approaching or not. The rainforest universe is for him an organized system. With language he has learned not only to talk but also to classify, organize and act in that universe.

Language is a tool for thinking and action. We first need to give a name to be able to think about any reality, in order only later to act on it. If our language tells us: it is poison, we avoid it. If it tells us: it is food, we eat it. The forest will kill whoever "does not have this technology". Chaos is the absence of a system that permits order in the world. The symbolic process, therefore, substituted our instinct through evolution, as a survival strategy of the species. We do not know by instinct what we can or cannot eat or who are our natural enemies.

Leonardo Boff begins his book "The Awakening of the Eagle" with some interesting comments on the question of the symbol. Seeking its origin, he says that the symbolic and diabolic terms are antonyms. Symbol/symbolic comes from *Symbállein* or *symbálllesthai*, which means: to throw (*bállein*) together (*syn*). It means: to throw things so that they stay together. In a complex process, he concludes, it means combining realities, gathering them from different points and making forces converge in a single bundle.

Other meanings have derived from this original meaning of symbol, such as, symbol as a distinctive sign, symbol of faith, and so on. On the other hand, diabolic comes from *diabállein*. Its literal meaning is: to throw away, in a scattered and aimless fashion; to throw out anyway. Diabolic, therefore, is the opposite of symbolic. It is everything that disconcerts, disconnects, separates and opposes. Personal and social life are warped by the symbolic and diabolic dimension: loves, solidarity, unions and convergences, on one hand, and on the other, enmities, hates, ungodliness, disunities and divergences.

When we talk of leadership based on corporate values, when we talk of the importance of the firm action of people who share life missions focusing on social transformation, what we are talking about no other than a personal decision to work the symbolic and combat the diabolic? Is this not the deepest dimension of social order and the possibility of cooperation? Is this not the essence of a transforming leadership? Our history has helped achieve the victory of the diabolic dimension, inasmuch as it produced exclusion and misery. This situation will have to be reversed going exactly in the opposite direction.



# **Dilemmas of the Brazilian culture**

*IN ORGANIZATIONS*

4.

Very particular aspects of the Brazilian cultural model are relevant for the exercise of management and collaboration training. Culture provides the "lens" through which we interpret symbols in the world around us. Through this symbolic reading we create our myths, we relate and consume in rather a peculiar way in accordance with the habits of our society.

Culture is also responsible for the informal coordination of organizations, and may be an intangible asset or liability, depending on how it is understood and managed. Different cultures attribute different values to the same objects. Despite its dynamic nature, it ensures certain stability, reducing uncertainty and directing behaviors. Culture guides us how to act in the future based on a behavioral pattern adopted in the past.

Culture may be understood as an informal coordination instrument. It guides behaviors and influences the performance of organizational tasks by means of adopted habits and values that, in turn, influence work routines and the way in which people face problems and find solutions in their daily lives. By analyzing some aspects of national culture we can identify some dilemmas related to adopted behavioral patterns that severely impact the management of organizations.

















“a culture based on shared standards, values and principles of justice produces wealth from the repeated interactions based on trust relationships.”



# HUMAN DEVELOPMENT INDEX



NORTH	MIDWEST	SOUTH	SOUTHEAST	NORTHEAST
0,667	0,751	0,754	0,765	0,663
 73 years	 75 years	 75 years	 75 years	 72 years
 US\$ 215.35	 US\$ 402.33	 US\$ 391.90	 US\$ 409.96	 US\$ 197.38
 7.5 years	 8.4 years	 8.3 years	 8.6 years	 6.9 years

Source: United Nations Development Program (2012)

## 4.1 Culture and cooperation

At an institutional level, scholars note that societies that present shared standards and values in their culture encourage spontaneous cooperation between their members who in the past formed the cornerstone for the rise of large private corporations, guilds and various associations. The capacity of an institutionalized spontaneous association based on trust relationships perceived by the members of a society, makes people reduce the uncertainties of the present and trust each other, relying on interactions that produce future benefits. In fact, more stable social institutions reduce future uncertainties and ensure mutual benefits, reinforcing an atmosphere of trust for the interactions to occur within a large-scale society. Also, the atmosphere of trust ensures long-term investments and the building and maintenance of the collective good, which in turn consist of relevant aspects for the sustainability of the societies. Thus, a culture based on shared standards, values and principles of justice produces wealth from the repeated interactions based on trust relationships.

This is a finding from World Bank studies. In a recent publication (2005), this organization highlights the relevance of institutionalized trust in forming a country's investment climate. The investment climate benefits from a social consensus to create a more productive society, as long as the standards, values and social beliefs are consistent. According to this study, the broader social context in which companies and governments are included can strongly influence a country's investment climate in two ways: trust between the market participants and the trust that the citizens place in companies and markets. Networks of trust can grant credibility to market informa-

tion and influence its policies. On the other hand, negative aspects, such as fragmentation of a society's values and social inequalities can foster disputes and inconsistencies, which eventually undermine the country's investment climate, thereby increasing its transaction costs.

One of these studies concludes that trust is one of the best indicators of a country's wealth. Nations with lower levels of trust are likely to be poor because the inhabitants engage in very few long-term investments that create jobs and increase wages. This same study reveals that Brazil is one of the countries with the lowest trust index. Another study conducted in a number of countries by the French Insead business school, by linking trust levels with the ability to create an environment that encourages innovation looked to analyze other aspects, namely institutions, policies and human capacity, and concluded that Brazil is one of the countries with a lower capacity to institutionally boost innovation.

Behind these studies are the lenses through which individuals of a society look at the world around them. Like a zero-sum game, which a win-lose relationship, or like a non-zero-sum game, which establishes a win-win relationship. In order to play a non-zero-sum game in which everyone can share mutual benefits and build the collective good, a consciousness shift is necessary and later create reality-related social standards that ensure new conditions for interaction. The values that build the feeling of collectivity, the common good, also trigger a society's capacity to build the public good and to take sustainable actions to guarantee the health of business and or-

ganizations. In societies with low trust, such as in Brazil, ambiguous rules and excessive bureaucracy coexist with the lack of security, neglect of the public good, practice of institutionalized corruption and abusive action of illegal organizations, which sharply increases the transaction costs and makes such societies extremely inefficient.

The rational strategy of individuals who learn to live in low-trust societies, in uncertainty and unpredictability, is to seek to act in the short term. Since the future is unpredictable, the individual behavior now prefers immediate gains, because there is little certainty of the continuity of relations that generate mutual benefits in the future. The aim is to gain in the short term because the continuity of long-term transactions is not institutionally guaranteed.

**“trust is one of the best indicators of a country’s wealth.”**

## 4.2 Main challenges of Brazilian culture FOR ORGANIZATIONAL MANAGEMENT

The Brazilian culture has two characteristic traits that cause repercussions for the life and running of its organizations and business sector. The first is high power distance and wide-spread tolerance of inequality. The second is the so-called personalism, the difficulty in separating the public and private, which refers to the type and quality of relationships and of interpersonal treatment (Da Matta, 1987). As a consequence of these two traits, we developed a strong tendency to think in the short term, to avoid uncertainties (to make major planned changes or hierarchize decisions by setting values as a compass for our actions) and to avoid operational discipline. Consequently, organizational management is strongly influenced by the effects of this culture and institutional formation that, in their past, have perpetuated deep-rooted economic and social inequality. Namely, the perception of ontological inequality among people of different social levels influences society in relation to awareness of rights, opportunities and the perception of justice and meritocracy.

The dimension of inequality in Brazilian culture appears in the research of anthropologist Geert Hofstede. When studying classic dimensions of culture in a number of countries, among which was the perception of "power distance" (PDI – power distance index), his studies reveal that Brazil is one of the countries with the highest PDI in the world, comparable to India's caste system. This dimension of culture is the degree of acceptance of unequal distribution of power by those with less power in a country's institutions and organizations – family, school and community. Therefore, it is measured based on the values system of who holds less power in the societies.

According to Hofstede, societies with a *low power distance*, such as Germany and the USA, present different characteristics: people appear to be less powerful than they are; changes in a political system happen through changes in rules; violence is rarely used in politics; the perception of equality sustains the foundations of a participatory democracy; there is income equality; religions and philosophical systems emphasize equality; ideologies reinforce the distribution of power; autochthonous theories on management are centered on the role of the employees. However, societies with a *high power distance*, such as Brazil, have opposite characteristics: the people in power want to impress the others; power is based on personal ties and moral debt; changing the system is by use of force or charisma; revolutions and violence are common; there is income inequality; religions and philosophical systems emphasize inequality; political ideologies accentuate the power struggle; autochthonous theories on management are centered on the role of the bosses. These societies tend to nurture the rise of charismatic and tyrannical leaders, with unlimited use of power.

In Brazil, people from different social levels are regarded as unequal, even if we ignore their economic or hierarchical status. Our society is marked by asymmetry between those who have access to private assets (private quality health and education systems) and individuals excluded from their fundamental rights. In other words, we live in a country of huge inequalities unlikely to be overturned, and so we regard ourselves as unequal, despite a vague discourse of equality and common rights.

The classic study of Hofstede's (2001) organizational anthropology shows how companies in societies with a high power distance undergo serious management problems, have higher indirect costs and major problems with innovation and change management. The Brazilian business sector, just like Latin American, African and some Asian businesses have this profile. In these companies, the possibilities of the powerful controlling the material and political resources and the communication rights of those hierarchically inferior are disproportionately higher than in more egalitarian societies. Those holding formal power (hierarchical positions) and, consequently, with greater access and control over the material and political resources tend to use them at their own discretion, with no participation and poor governance. The quality of information and transparency regarding the degree of access to the resources by those lower in the hierarchy are poor enough to leave the base in a weak position. This distance creates serious impasses for individual autonomy, a tendency for superiors' authoritarianism and insurmountable communication problems. In the authoritarian management model, the sovereignty of the bosses is indisputable and the subordinate's obedience is so important a factor that it can be considered a higher value than proficiency and performance indicators.

High power distance and authoritarianism inhibit innovation and curb the start-up of emerging strategies, and may also increase the risk of information asymmetry, for example, in merger and acquisition processes, or when joining other markets (different cultures). If we fail to capture knowledge and intelligent information from the bases, we will take matrix decisions without knowing the local reality where we operate.

Often in high power distance companies there are major communication barriers for a number of reasons: the difference in power of decision according to the positions held; fear of displeasing authorities; lack of openness to push up problems and solutions to the higher hierarchical levels; fear that professional divergences affect the quality of personal relationships that keep employees in their jobs; poor level of trust in employee skills and honesty, and so on. In social dynamics marked by these traits, an employee's excellence is now measured by his or her capacity to anticipate orders from the immediate superior, and not by his or her capacity to find solutions that add value to the organization.

When comparing the American to the Brazilian culture, a basic difference appears related to what is appreciated in professional skills: while Americans reward entrepreneurialism and the capacity to deliver a result, the Brazilians' merit lies in obedience to their superiors or in the concept of "proactivity", that is, in their ability to do what the boss expects them to do without needing to tell them. These perceptions on people's autonomy and action limits are confirmed in practice by exercises of power that in the USA tend to be more egalitarian and less coercive, while in Brazil they acquire authoritarian and paternalistic tones.

This overview is even more complex when we look at the second trait of Brazilian culture that strongly impacts management: personalism. Personalism is a form of living in a society that emphasizes personal ties, such as friendship or personal hatred, to the detriment of impersonal inclinations, of someone who regards another from a certain emotional distance and who, precisely for this reason, is able to





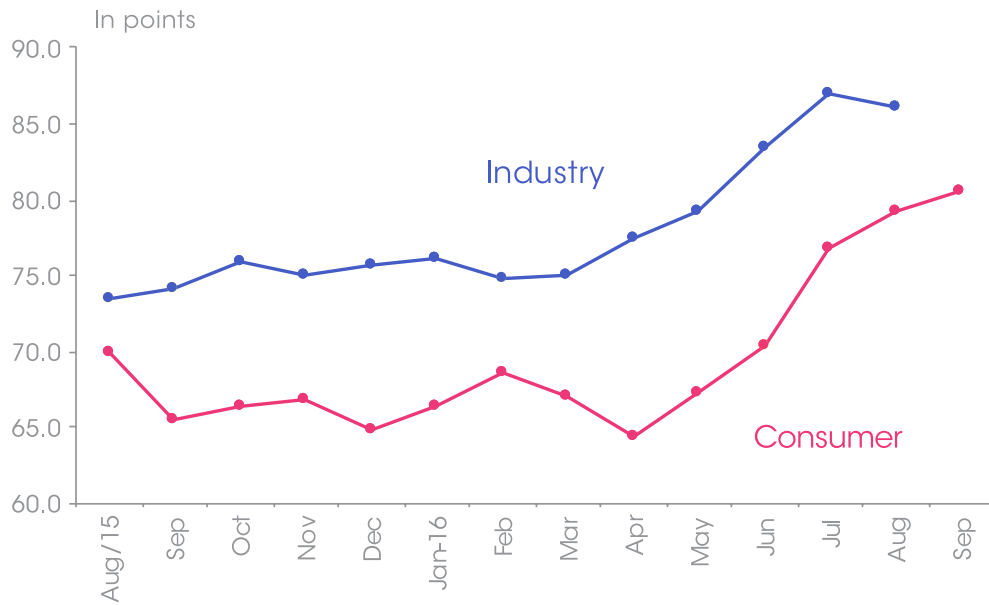


cooperate in activities regulated by discipline and reason, and not by feelings and emotions (Souza, 2006). Personalism is expressed in a group of manners and behaviors triggered and legitimized by Brazilian culture, such as cordiality, hospitality, generosity, wish for closer relationships and friendship. We can find the personalist approach to being and acting in a number of examples, namely in the Brazilian's widespread habit of discarding the family name and giving value to the first or pet names, the custom of using words in the diminutive, aversion to ritualistic and formal ceremonies, very reluctant in more detached, formal and impersonal dealings with others, and so on (Holanda, 1999).

That said, personalism might seem to be a characteristic contradicting the aforementioned power distance. However, in the Brazilian identity, these two traits are closely related, creating some specificities of the national culture. In organizational cultures, power distance allied to personalism usually gives rise to patriarchal forms of management. In such models, the quality of personal relationships, not only between people in different hierarchical positions but also among peers, strongly impacts the work dynamics and teams. Consequently, the need to preserve the ties of paternalist protection between a boss and subordinate, or ties of friendship between peers in the same position is a serious intangible liability (Zanini, 2009), a factor that can jeopardize the focus on performance and on creating value. If, on one hand, personalist relationships usually mitigate or even "mask" high power distances, on the other they contribute to the emergence of ambiguous zones and undefined spaces that endanger the professionalism and health of work relationships.

“High power distance and authoritarianism inhibit innovation and curb the start-up of emerging strategies”

# CONFIDENCE INDEX





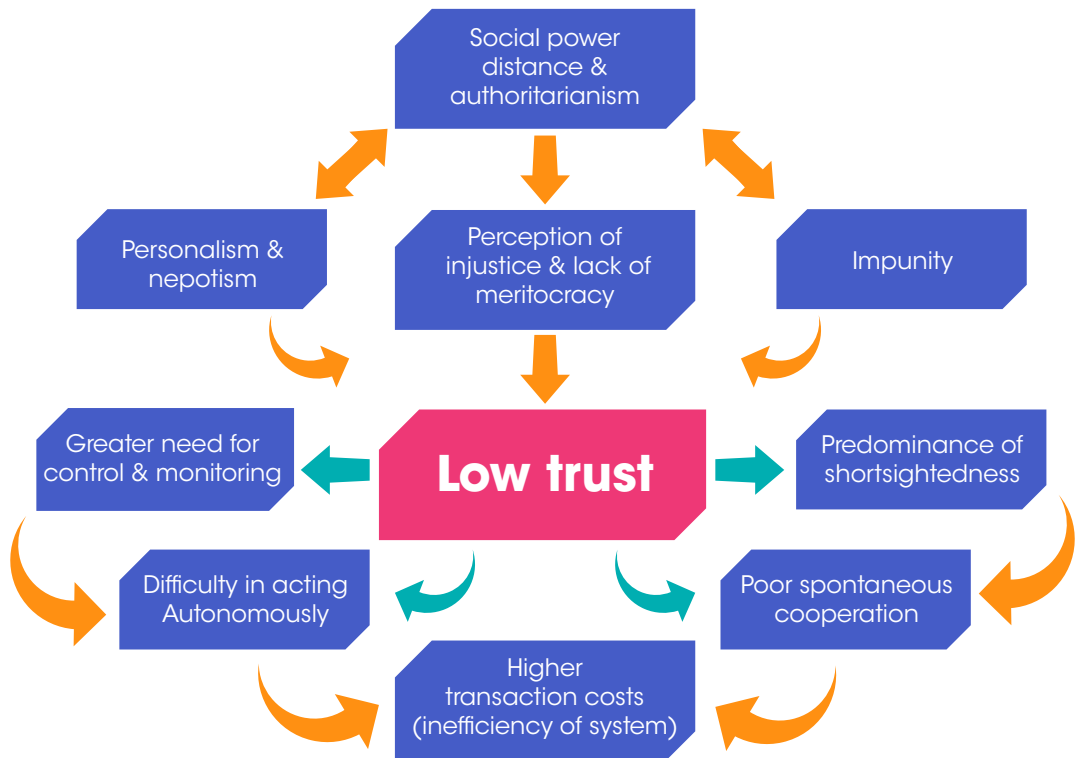
## 4.3 Business environment in Brazil

Of course, the dimension of power distance is mirrored in organizations and influences the Brazilian management style, permeated by social relationships. In fact, every hierarchical relationship keeps at a certain social distance, regardless of its institutional and cultural environment. The same hierarchy that coordinates and controls human labor, prefers social distance when it creates diverging social identities, segregating by a differentiated distribution of awards, privileges and powers. However, when hierarchies operate in institutional and cultural environments characterized by high power distance, the social differences are far too accentuated.

High power distance cultures are described as environments of huge inequalities and personalism in distributing benefits, with enormous difficulty in establishing a clear notion of merit. Generally, they encourage the adoption of a management style that prefers over-application of control mechanisms and man-

gerial actions based on pressuring hierarchically inferior individuals for them to generate short-term results, ignoring the benefits gained from long-term social relationships. This management model, built on a high degree of uncertainty of the future, strives for immediate gains in detriment to sustainable socio-economic performance. Its main weakness is the increase in the likelihood of opportunistic actions by some of those who learn to adopt personal defense strategies, focusing on short-term benefits, and to pursue advantage at any cost, ignoring the mutual gains of the long-term collective effort.

With regard to the striking feature of inequality in our culture, the Brazilian management style eventually benefits the unlimited use of power – authoritarianism (Figure 01). Our organizations are unlikely to free themselves from the logic of centralized power and this eventually causes a series of historic vices and inefficiencies for organizational management.

**Figure 01.** Trust relationships in the Brazilian context

Source: Zanini (2009)

The Brazilian style of management is inefficient when it tends to produce side effects such as personalism, nepotism, impunity and lack of meritocracy. One of its consequences is to isolate the individual at the base of the organizational pyramid, preventing him or her from acquiring autonomy and responsibility. Often, in this case, autonomy becomes an atrophied organizational skill.

Socially visible inequality also highlights information asymmetry within organizations, creating the idea of lack of integrity and consistency in the processes of communication and delegation of authority, inhibiting individual contributions and making inefficient the use of management tools and participation in building the collective good. A common mistake is to address problems of this kind as a mere lack of internal communication between leaders and the led. This is, in fact, an earlier problem. Individuals regard themselves as unequal mediated by power relations that define limits for their autonomy and communication rights. There is mistrust a priori regarding the trustworthiness of the intentions of the person in a power position, in addition to asymmetry in understanding the significance of the work objects. For example, this is reflected in the occupational safety regulations. The value of life and safety is relative in the view of each individual. The engineer that heads a productive unit, socialized in a middle-class community and a university graduate understands the value of safety differently from the lowest social class worker with a low level of formal education living near degraded communities with low life protection. The value of safety is relative. In such cases, the more efforts made to improve communication between these people, the more it could worsen and fail to

improve the problem about understanding the meaning of things and, consequently, the reciprocal trust in the intentions of each interacting individual.

It should be emphasized that this cultural model does not necessarily have individuals at the base of the pyramid who are eager for advancement, freedom and autonomy. On the contrary, the effect it produces is one of apathy and complacency, negation of reality. People at lower hierarchical levels feel disempowered to interfere in their context and tend to see themselves incapable of changing the reality around them and their own condition. Since they do not feel subjects of the action, they think that they are exempt of any commitment and responsibility for their own work and results, since they place themselves in the position of "following orders".

By adopting an apathetic attitude, hierarchically inferior individuals see themselves unable and incapable of acting on their own reality by taking a concrete and virtuous action that could give a new direction to their own destiny. This cultural logic in which subordinates see themselves as unable and powerless to change the reality around them, leads to a continuous pushing of responsibilities "upward". They now attribute responsibility and blame for the situation where they are, and where things are found in the context of where they live, passing on this responsibility to abstract entities, such as "government", "company" and "management". Therefore, they do not feel responsible for transforming themselves and the reality around them. Accordingly, they adopt an attitude of indifference to the happenings around them, completely unaware of their role in changing reality, due to feelings of powerlessness and failure to see



themselves as autonomous beings. The wishful thinking and search for a patriarchal leader who is able to assure, care for and observe everything, and to whom all responsibility is attributed, shows a permanent “awaiting” state. At the organizational level, this behavior is a major drawback to achieving possible gains through autonomy.

The major loss for organizations is that, although the Brazilian culture is disguised with high interactivity and socialization, in many cases the development of trust relationships between bosses and subordinates becomes extremely difficult. In response to uncertainty, individual strategies emerge based on personalism and personal loyalty, devoid of ethical values, which build the notion of merit.

Thus, although Brazilian culture is characterized by a context of high socialization and intensive relationship, the other side of the coin reveals a social context of low trust and spontaneous cooperation. This model inhibits the exercise of autonomy and prevents organizational flexibility that is the result of management discipline. The individual learns how to adapt to life’s contingencies, to be flexible toward rules imposed on him or her, but the organization, as a collective body, fails to easily establish the competence of being adaptable and flexible.

Due to the low-trust relationship prevailing in Brazil, the difficulties in exercising organizational flexibility eventually create higher transaction costs and an inefficient system. In contrast, the exercise of autonomy in organizations presumes the perception of a meritocracy based on ontological equality and before the law, which defines shared principles of justice. In this context, the individual feels free,

apt and autonomous to define his or her own routine and to present his or her results. Thus, overspending by applying bureaucratic regulations, control and monitoring is eliminated.

For organizations, the most important consequence of this Brazilian cultural trait is its direct impact on unmeasured losses. Here are some examples:

- Missed opportunities to add value with the knowledge management and competitive intelligence at lower hierarchical levels
- Man-hour cost due to having no solutions to recurring problems
- Man-hour cost due to difficulty in balancing the workload and necessary resources for its good implementation
- Labor liabilities, time loss due to accidents, absenteeism, cost of accidents and critical incidents x investment in improving working conditions
- Loss of clients due to lack of autonomy in “immediate” problem-solving
- Focus on short-term problem-solving and with no time/personnel for planning actions/preventive maintenance
- Impact on internal morale and general motivation for work; risk of impact on internal image and on credibility of commitment to people
- Risks of impact on the external image, commitment to social responsibility and noncompliance with regulatory requirements of quality, and occupational health and safety management.

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*OF THE BRAZIL  
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5.





If the combination of high power distance and low institutionalized trust raises management challenges in Brazil, there are many positive aspects to be considered in the Brazilian management model. Anthropologist Geert Hofstede emphasizes in his studies on culture that no culture is "better" or "more efficient" than another. Such truths are only found in the set of unproven beliefs and discourses of common sense. What actually does exist is the possibility and capacity of managers to work on the reality of the local culture, identifying predominant traits and using such logic of action as opportunities for creating intangible assets to promote organizational efficiency.

Addressing the Brazilian context, the factors of the national culture that may make up the general framework of organizational liabilities are: propensity for high power distance; widespread acceptance of inequality; shortsightedness; low personal discipline; reactive and short-term planning and tendencies to avoid the unknown. Depending on how these factors influence the organization, it may be more or less difficult to implement an empowering context for innovation management and organizational change.

The factors of the national culture that can make up the overall framework of organizational assets are the following: flexibility (this is different to organizational flexibility resulting from management discipline, but here we refer to the flexibility that comes solely from culture, such as the individual capacity to be flexible toward the regulations), creativity, propensity for cooperation, and active and collaborative interaction. Depending on how these factors influence the organization, we may have greater or lesser involvement with knowledge management and competitive intelligence, and innovation management.

“there are many positive aspects to be considered in the Brazilian management model.”

## 5.1 Propensity for cooperation

In Brazil there is a strong propensity for cooperation and engagement through emotion and for the cause. When senior administration is able to identify and manage in its favor the symbolic attributes of an organization with legitimacy and efficiency, plus the motivation of each individual to accomplish the "mission", there is a major efficiency gain. Depending on the understanding of the context and how it affects reality, motivation and engagement are possible with great willingness for collective engagement toward a common cause, creating a feeling and significance for the work.

As Hofstede points out in his studies, high power distance cultures tend to more easily welcome charismatic leaders. Although the rise of a charismatic leader is associated with uncertainty through the informal exercise of power, leaders that successfully deal with engaging members of the organization in environments of high power distance can produce dramatic efficiency and productivity gains. If, on one hand, the presence of the charismatic leader may be a weakness due to over-dependence on specific individuals for motivating people, on the other, in Brazil many stories of successful businesses tell of the protagonism of leaders and founders of companies that have man-

aged to create direction and meaning for the collective action, and have found room for action in their organizations through the force of spontaneous adhesions. Many such organizations have grown and achieved strength and expression by the action of their leaders, who with their charisma have succeeded in creating trust, engaging and motivating the collective action.

Despite the high mortality rate of companies in Brazil, some have succeeded in overcoming the obstacles and dilemmas appearing in the Brazilian management model, and have become impressive business success stories. This is the case of companies such as Natura, WEG, Klabin, Sabin Laboratory, Kimberly-Clark Brazil, Hospital Albert Einstein, Braskem, Neoenergia, and in the public sector, the Special Police Operations Battalion (BOPE/RJ), and perhaps so many other examples of which we are not aware. These were companies and organizations with which we had the opportunity to interact and study over the last few years, either in our consultancy projects, executive education programs in which we participated or in academic research projects. In all of them the management of intangible assets with focus on relationship quality and on trust relationships was crucial for the business success.



“In Brazil there is a strong propensity for cooperation and engagement through emotion and for the cause.”

“in Brazil many successful businesses are the protagonists and founders of companies that have marked the immediate direction of the country for the collective benefit.”

... stories of  
businesses tell of  
... of leaders  
of companies  
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## 5.2 Identification

It is worth mentioning some aspects that may help create spontaneous cooperation based on trust relationships. An element of the Brazilian culture to be considered, often discussed in the anthropology studies and which can be considered an intangible asset, depending on how the business management operates, is a characteristic identified by scholars regarding a leaning of our culture toward a relationship of *identification* with another, as opposed to *identity*. Some scholars observe this tendency of our culture to *identify* the group with an individual regarded as *alien* or "outsider", in detriment to a leaning toward *identity*, setting clear limits on access and inclusion. While the logic of *identification* seeks to create common traits for the group's members in order to interact and create relationships with whoever is considered *alien*, creating spaces of interaction, cultures tending toward *identity* are hawkish in the sense that they aim to clearly set the limits for alien individuals to be accepted or removed. In the logic of *identity*, a certain group will attempt to clearly define who belongs and who does not belong to the group. In the logic of *identification*, as in the case of Brazilian culture, there is a tendency to include the alien and/or outsider by opening up interactive spaces for his or her inclusion and seeking to identify traits that make him or her feel a new member. This logic of the Brazilian culture could offer benefits for organizational management. When we compare individuals from other cultures, the Brazilian generally tends to be more flexible and easily adapts to a foreign culture and tends to block possible barriers that prevent him from

finding common traits with the alien or outsider. If properly understood and well managed, this behavioral tendency could be efficient in merger and acquisition processes, organizational change, adaptation and coordination of organizations.

The short-term direction of Brazilian culture, as we have already emphasized, can also be a flexibility opportunity for new contexts, reinforcing the skill of adapting to sudden changes. Although we stressed this cultural trait earlier as predominantly negative, in the context of a lack of preconditions for engaging in longer term prospects that encourage forward-looking continuity, a precondition for trust relationships, there is another aspect that we could consider positive, depending on how managers are able to identify and intervene in its hard reality, giving plasticity and flexibility for individuals to adapt rapidly to new contexts. In general, the Brazilian society has learned over time to live with short-term expectations, exploring what it can best take from the moment, not preparing or planning for a more distant future. If on one hand this makes it difficult to establish a positive belief in the more distant future (hence we have major problems in undertaking planning, personal discipline for enhancement and various other aspects related to the concept of sustainability, how to care for the future and natural resources), on the other, we can understand this predominant trait as a skill when in critical situations that require adapting to new realities insofar as they come to light in the present.



# Lead ership in the Brazilian context

6.

Managers who abuse the discretionary use of power, as described in the Brazilian management model, are an intangible liability for organizations. This liability can be assessed in different ways, for example, by the low internal trust that inhibits voluntary adhesions and individual contributions to troubleshooting, health problems, lack of employee commitment and motivation that increase absenteeism levels, or by labor lawsuits filed against the company by discontented ex-employees. Our experience in interventions and diagnoses in companies shows us that a large part of corporate labor liability consists of labor lawsuits filed by dissatisfied former employees that claim moral damages caused by the poor relationship with their immediate superiors. This is the cost of anti-leadership that is seldom accounted for.

Generally, societies that combine high power distance and low trust tend to produce authoritarian managers in their organizations. The combination of a high power concentration and low moral content of the culture makes way for opportunist action in the form of subjective violence or bullying. When outlining personal strategies these managers invest in relationships based on personal loyalty and information asymmetry in order to stay in power. In other words, by using their privileged position they act through personalist relationships, permitting the lack of a clear and shared direction in the decision-making process. By doing so they strive to preserve a certain sense of control, by allowing conflict and dispute for resources to be established at the lower levels of the organizations. By acting in this way, in the view of the hierarchically lower members, they also appear indispensable since the disorder established 'by the context' is alleviated at mo-

ments when this so-called "leader" emerges as a higher authority to calm the more critical disputes. This style relies on information asymmetry and ambiguity, leading a trail of inconsistency and lack of integrity in communication. It also prevents establishing the notion of merit based on each individual's effort and contribution. This destroys authentic trust relationships and represents a high transaction cost for the bureaucracy, seldom considered. The consequence of the lack of transparency based on clear principles is that corporatism and personalism contaminate business management.

In these contexts management based on trust becomes extremely difficult, since the decisions to allocate resources and distribute benefits are guided by personal relationships and moral debt between people that, using the same logic, strive to protect their power position at all levels of the hierarchy. This organizational epidemic undermines any endeavor to create a notion of merit guided by principles of justice.

The model encourages the presence of mercenaries who, occupying power positions, define personal strategies based on short-term opportunism. Instead of concentrating their energy on finding solutions for the organizational dilemmas, they strive to seize the immediate opportunities. They look to maximize the result at the expense of earlier investments made by the company to build its organizational skills. In fact, these opportunists only exist because the incentive system allows it. No inhibiting governance mechanisms exist to curb them, but on the contrary, encourage their action.



In this incentive model, the individual is encouraged to only seek his own personal interests, attempting to benefit from the short term because, in his opinion, the past or future of the company is of no interest, since he does not see himself as someone responsible for the collective enterprise, and feels no commitment to the organization's values. He has little conscience and commitment to creating the collective good. His concern will only be to guarantee his own position, future, result and image with his superiors and, in fact, cares little for the possibility of producing collective gains. Accordingly, he fails to create a shared view of the future with his subordinates and hierarchical peers. On the contrary, he eventually generates fear, conflict and despair. As a result, he destroys the subordinates' bonds of trust in him, in leadership in general and in the company's future.

**“Generally, societies that combine high power distance and low trust tend to produce authoritarian managers in their organizations”**

## 6.1 Value-based leadership

The value-based leadership model can be adopted by organizations to increase the alignment between factors competing for people's attention, using ethics as a mediating base. This model has produced very positive results in Brazil. With the degree of informality that we generally find in Brazilian organizations, a capacity-building and training program applied separately will find it hard to produce a result. In Brazil, exceptions generally tend to overcome the rules. The degree of entropy of the system is high enough to weaken the efforts of the base for enhancing management. So the following is necessary:

For leaders: to assess cultural factors that were created by habit rather than by decision. They are "the non-decisions" that form in organizational culture and eventually pave the way for developing beliefs that could endanger sustainability. This does not mean reducing interaction between the areas, but structuring the interdependences, making way for developing high-performing teams able to work with more planning and effectiveness.

It is important to create spaces and analytical habits concerning the causes of recurring management problems. It is important not to take recurring problems for granted, but as the result of systemic effects that can and should be enhanced. Short-term focus hampers the development of organizational discipline necessary for sustainable growth, forcing organizations to coexist with recurring problems that could be eliminated, reducing the unmeasured losses and drop in the quality of working life.

To create coordinated and systemic efforts to increase the autonomy of the organization's base to act according to the rules set to improve work processes and performance, while at the same time creating incentive and support mechanisms to put these behaviors into practice.

To develop awareness of the importance of the value-based action, such as self-knowledge, ability to understand the systemic impacts of individual behaviors, creating participation processes and mechanisms in organizational development (knowledge management, innovation management and high performance team management) and developing the empowering context where personal discipline reinforces organizational discipline and vice-versa.

Value-based leaderships cut the company's internal transaction costs and increase its efficiency by furthering the reduction of organizational entropy; in other words, less behavioral uncertainty, motivating people to adopt their best ideas, contributions and make extra efforts to achieve collective goals. It furthers coalition by relying on the force of spontaneous cooperation.

When we specifically analyze the cultural and institutional environment in Brazil, effective leadership should aim to proceed to establish merit for collective action. It should proceed by values that legitimize its and others' acts. The value-based action helps reduce the power distance by changing awareness, encouraging a new identity for the individuals. The leader endeavors to raise the aware-

ness for virtuous action so that the individuals consider themselves responsible and able to interfere in the reality around them. He will act as an instructor, looking to encourage each individual to see his or her own personal virtues, as someone active and not passive. In other words, he will encourage the person's autonomous action not by force of external regulations by dint of lessons or by force of punishment, but by exercising reason, self-discipline, generating understanding of their role in the world and the organization. In this sense, he would never strive to create a dependence with his subordinates but act as a temporary instructor for promoting autonomy.

**“When we specifically analyze the cultural and institutional environment in Brazil, effective leadership should aim to proceed to establish merit for collective action.”**





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