Managerial competences in the implementation of the Hofstede model in external and internal recruitment

Kompetencje menedżerskie w implementacji modelu Hofstede w zewnętrznej i wewnętrznej rekrutacji

Abstract: Hofstede's cultural dimensions model is a very useful tool in the process of recruitment. However, this paper will argue that it is more useful in external than internal recruitment. Sometimes, particular managerial competences are very rare and cannot be judged by cultural categories. This will be demonstrated in this paper through the use of qualitative methods and case studies of Benetton and Tesco.

Keywords: managerial competences, organisation, Hofstede model

Słowa kluczowe: kompetencje menedżerskie, organizacja, model Hofstede

Introduction

The world is changing very rapidly and every organisation has to adjust its goals and competences to be more competitive. One of the ways of achieving greater competitiveness is to promote or recruit the right people to manage the necessary changes and lead the organisation towards success. There are two methods of recruitment: promotion of employees from within the company, or “buying” experienced managers from outside. Each approach has its advantages and disadvantages.

In the last decade the Hofstede model has been widely discussed. Undoubtedly, it is a very useful model to be implemented in the process of assessing managerial competences. However, in this paper we argue that there are particular situations where this model is insufficient, and where alternative methods of

assessing competences are more appropriate. This particularly applies to internal recruitment. To prove this, we will use qualitative methods in presenting case studies of Benetton and Tesco.

Methodology

In many articles concerning recruitment, the importance of Hofstede’s theory is emphasised as the best background and direction for international businesses human resources actions\[^3\]. Hofstede’s theory identified five “cultural dimensions”\[^4\]:

1) Power Distance
2) Individualism
3) Masculinity
4) Uncertainty Avoidance
5) Long-Term Orientation.

In his research, Hofstede\[^5\] tried to discover the general principles that would fit any organisation and would explain the basic rules of its functioning. His five dimensions model provides a framework for analyzing different aspects of human behaviour across different cultures.

1. Power distance

This dimension describes the attitude towards power and the structure of the firm. We can distinguish two main patterns: firms with clear hierarchical organisational structures and clear distinctions between those who manage and those who are managed, and firms where the hierarchical structure is flatter and people are more or less equal to each other. Power distance describes the degree to which individuals accept one of those patterns. People with a large degree of power distance feel comfortable in more hierarchical organisations. By contrast, those with low power distance prefer more equal relationships at work.

2. Individualism versus collectivism

One of the signs that helps to measure how people score on this dimension is whether people use “I” or “we” when talking about themselves. Those who prefer “I” regard themselves as being responsible for their own welfare and achievements. Those who prefer “we” tend to burden their relatives with high expectations in terms of help and responsibility. On the other hand, they also tend to be very loyal to the group to which they belong.

3. Masculinity versus femininity

Readiness to act courageously, a focus on material reward for effort and hunger for success are the traits indicating a high degree of masculinity; while a propensity to cooperate and take care of the weakest members of the society is a sign of a low degree of this dimension.


\[^4\] G. Hofstede, G.J. Hofstede, M. Minkov, *op.cit.*, pp.34.

\[^5\] Ibidem.
4. Uncertainty avoidance

This dimension refers to the degree of risk acceptance. A high degree of uncertainty avoidance manifests itself in various laws and rules whose aim is to manage the fact that the future is always uncertain. Sometimes it means intolerance of unorthodox behaviour. A low degree of this dimension means a greater acceptance of more free ideas and focusing more on practice than principles.

5. Long-term versus short-term orientation

This dimension is reflected in the attitude towards the idea of normative thinking. Short-term oriented organisations tend to expect quick results, while those with a long-term orientation place more emphasis on the importance of saving and investment, and are more flexible in looking for the best solution, understanding that it depends more on context than on principles and tradition.

This five dimensions model has had a profound influence on assessing core competences and skills. In this paper we use the example of two organisations, Benetton and Tesco, to show that in a firm with specific needs the criteria used to assess candidates in the recruitment process should be wider than those outlined in Hofstede’s model. Companies recruiting internally are often looking for specific managerial competences which are relatively rare, and can be learnt and developed only in specific circumstances.

This can be illustrated by qualitative analysis of the commonly accessible webpages of Benetton and Tesco, which provide a general view of the cultural traits of the two firms. Benetton and Tesco were chosen because they are both long-established firms which initially operated on local markets only, and later expanded globally. In both organisations there was a need to recruit new employees internationally and on a large scale.

However, there was a difference in the model of recruitment used in the two organisations: in Benetton the prevailing model was internal promotion, while Tesco used mainly external recruitment. This resulted from the types of managerial competences being sought among potential recruits. And in these two examples we can see that the competences needed in Tesco are more universal and could be demanded in many other organisations. On the other hand, Benetton requires more specific skills that should ideally be learned within the company.

Therefore, the thesis of this paper is that the core competences of potential managers that should be taken into consideration in recruitment are sometimes more importantly connected with the unique traits of the organisation and its present or long-term needs. This is why in some particular situations, it may be inappropriate to use the Hofstede model in the recruitment of new managers.

The case studies of Benetton and Tesco presented below include analysis of their goals and competences as organizations, and of the correlations between these organisational competences and certain managerial competences. An important difference between the two companies is that while Benetton is both a producer and seller of goods, Tesco is a retailer whose expansion is due to having broadened its offering from food only to a wide range of goods.
Managerial competences in the light of the literature review

We can distinguish between two main patterns of recruiting new managers: from inside the organisation and from outside. The choice of whether to recruit internally or externally has an impact on more fields than just the hiring of a new employee. It also has an influence on the core competences that the organisation would like to acquire and develop as being most relevant to its culture, goals, and desired prospects\textsuperscript{6}.

Crucial to the model of an organisation which looks for new managers among its present employees is the concept of promotion\textsuperscript{7}. Promoting from within has a great influence on the everyday commitment of all the staff. Being a potential future boss can enhance the motivation of an employee to do his or her best in order to be noticed by the head office and create the impression of being the best candidate for the newly created managerial position. This means that the best candidate fully understands the mission and the goals of the organisation and must be able to demonstrate a strong commitment to the organisation. But in this pattern there is one basic assumption concerning managerial competences in general: namely, that managerial competences can be developed and learned through the process of adaptation and commitment to the organisation, which also stems from the whole culture of the organisation. Usually in this kind of an environment the goals and everyday operations process are based on teamwork rather than on individual achievements. In other words, team-working and networking formulate the basic structure of the organisation\textsuperscript{8}.

The contrasting “external” approach towards recruiting new managers also implies a different way of achieving new managerial competences for the organisation. In this type of organisation, people who are already employed there are not likely to be considered as future bosses. Promotion of the very best employees might indeed occur, but this would be the exception rather than the rule. Rather, people from outside the company would be more likely to be seen as potential candidates. The main reason for looking for new talents outside, rather than inside the organisation is the main direction in recruitment policy: looking for the best specialists on the market and employing them as soon as possible is the best way of building up the organisation. Of course in this pattern, external head hunters are one of the main sources of support and evaluation of the competences of the future managers\textsuperscript{9}.

Some assumptions are made in adopting this pattern of recruitment. The first is that the core competences cannot necessarily be learnt, but can be bought. The second is that acquiring a new manager with the competences we need is not a process but an individual act connected with a precise description of the competency set we are looking for and fulfilling all the “bullets”. It is like looking for a suit that genuinely matches the colour, style, and figure require-

\textsuperscript{6} Ibidem.
With internal recruitment, and the assumption that the core competencies could be learned, new managers are recruited from among the existing employees, which means that the best candidate does not necessarily fulfil all the “bullets”; some of the desired competencies are developed to the maximum possible extent, but others might not be possessed by the candidate to the desired degree. It might also mean choosing from among two or more candidates with different strengths in different competencies, in the absence of a candidate with the desired levels of ability in all areas. So the selection of the right candidate is also the selection of those competencies which are regarded as being most important for the organisation, with the choice being made on the basis of existing and achievable competencies.10

On the other hand, when competences are “bought” with the recruitment of a person from outside the organisation, it also implies a different approach to the competences. Firstly, it is not only people from the organisation, but also specialists from outside who have an influence on the whole process of looking for the new candidate and the definition of the kind of candidate being sought. This implies the necessity of formulating the needs of the organisation in terms of the competences of the new manager.11

These two ways of formulating the core competences imply not only a simple description but also the approach towards the problem. If we assume we can buy the competences, we would like to have the best possible value for our money. The competences become a “product” not a virtue. It is something that is deprived of the traits of humanity. In the approach of promotion within the organisation, the core vision of the recruitment is a kind of a prize for virtue, hard work and commitment. When we are developing the competences through the hard process of learning, we are promoting hard work. We assume that the competences are not necessarily taken for granted. When we are recruiting from outside, we do not know whether the competences were learned or just a “gift” from nature. It does not matter. So the price for just having them is very high.12 When we are promoting one of the existing employees, we do not have to raise his salary so high after promotion.13 When we are buying “the best” specialist on the job market, we have to pay accordingly well. This might mean that two people who possess comparable competences are not being paid equally, with the person who was recruited from outside the company being paid better. It should be remembered, though, that an average person who is being recruited from outside usually is not as committed to the organisation as the “old” employee. So in the end, if commitment itself is regarded as a competence, the organisation may be paying an external recruit considerably more than it would an internal one, despite the fact that the external recruit is lacking in a key competence.

But the problem of how to look for and recruit new managers is not just a problem of recruitment, but also has an influence on the general approach to everyday operations. Promoting people from within the organisation needs a general atmosphere of development and expansion. It might mean that the firm has to develop vertically to be able to create new managerial positions through the expansion. It might also mean that the organisation is more focused on winning more stakes from the market. The form of the market is likely to be a more competitive one, such as an oligopoly, rather than a monopoly.

On the other hand, an organisation that is focused on buying rather than developing competences is more likely to be a monopoly rather than an oligopoly. The competences could have been learned in a different industry. When we are “buying” the employee, we have to assume that one day he would like to leave the organisation and go somewhere where he could be offered a better salary. So it means that if the organisation is a monopoly, the peril of “selling” some confidential information is not very dangerous. Of course, the fact that the organisation is “buying” rather than developing competences does not necessarily mean that it is a monopoly, but on the other hand a monopoly does not have to expand and can focus on the highest profits because it does not have any competitors. When a firm is one of the players in an oligopoly, we have many players and gaining a bigger market share is a crucial problem the organisation has to solve to be able to survive. So economising on costs such as costs of employment and recruitment is an important issue to be solved.

Another problem linked to the approach towards core manager competencies is the attitude towards the future. An organisation which is trying to build its foundations on the image of tradition, and whose aim is to continue to operate into the distant future, will focus on learning rather than buying. In contrast, an organisation which is more focused on short-term profits is trying to make the most from its privileged present position, even though this might negatively influence its future operations. This does not necessarily mean that the organisation is not well managed or is missing opportunities to ensure its future success. In some industries, long-term high profits are impossible. This kind of situation could be created by the fact that, for example, the firm possesses an original and very modern patent and consequently has a considerable monopolistic advantage over the whole potential market. But in a very short time this monopolistic advantage could disappear because the patent could be overtaken by another superior solution. In such a situation, thinking too much of the future of the organisation and future profits would not be appropriate. So investing in the existing employees and their future might not be the optimal solution. It is better to “buy” managerial competences because it is a quicker and better way to obtain exactly what is needed today. The learning process always needs time. The fact that the people who are promoted from within an organisation are better committed to the organisation might never be exploited. In the situation where a short-term quick and accurate decision should be made, “buying” the “man for the job” might be a better solution15.

To summarise the previous arguments, we can say that recruiting people with desired competences from within the company implies:

- the assumption that the competences could be developed and learned
- all the employees are motivated to work hard
- the competition within the organisation is enhanced
- the organisation is self-sufficient in defining which competences are the core ones at this particular stage of development
- the organisation can economise on the recruitment costs of hiring external specialists and head hunters
- the organisation saves money through not having to pay such a high salary to the newly promoted manager
- the organisation might not acquire all the competences it needs because there is nobody that possesses them all (there might be people that have only the majority, but not all)
- the organisation is trying to expand and gain an advantage over the competitors, in the form of cost advantage or a better market share
- the organisation is “thinking” about the future and is going to build its brand on the basis of tradition.

Recruiting people with desired competences from outside the company implies:

- the assumption that the competences do not have to be developed and learned through any special process, but preferably just purchased on the job market
- the organisation is not promoting hard work among all the employees but skills acquired through luck as well as hard work and the personal traits of character that the person was born with
- competition within the organisation is not being enhanced, everybody knows they will probably not be promoted, so there is no need to compete with colleagues; this might improve the spirit of cooperation within the organisation
- the organisation is not sufficient to define which competences are the core ones at this particular stage of development, and needs external help to identify the needs of the organisation quickly and effectively
- the organisation does not need to economise on the recruitment costs of hiring external specialists and head hunters
- the organisation does not need to economise on the unnecessary pay rise of the newly promoted manager
- the organisation should acquire all the competences it needs
- the organisation is not trying to expand or gain an advantage over the competitors like cost advantage or a better market share advantage
- the organisation is not “thinking” about the future and rather focusing on short term profits.

We can observe that choosing the method of recruiting new managers has crucial consequences for the organisation. It not only has an influence on its structure, the core competences of the organisation, the process of production, and profitability, but is also a way of implementing the culture of an organisation. This will now be demonstrated on the basis of the examples of Benetton, the well
known retailer of clothes and other accessories, and Tesco, the multinational
grocery and general merchandise retailer.

Benetton

The firm was founded in 1965 as a family business producing and distrib-
uting home-made sweaters, and three years later the family opened their first
store, thus beginning the rapid growth of the firm. Within a decade, there were
1000 franchised Benetton outlets. In the next decade, there was a further fivefold
increase in the number of shops. In 1978, there were 5000 outlets and the firm
had still not stopped growing. The firm had expanded beyond the borders of Italy
and since its early days had been operating worldwide. It was also trying to
diversify its range of products for its customers. Shirts, gloves, shoes and per-
fumes started to be specially displayed, in order to multiply the marketing effects.

Despite the dynamic growth and brisk expansion to many parts of the
world, the headquarters of the firm was still in Italy, where the business had started.
Nevertheless, the firm built its factories in both Western and Eastern Europe,
and the European market has always been regarded as the dominant one for
Benetton. Production had also been established in many other countries, and the
success of the firm was evident in the USA, Canada and Japan.

The success of the firm is due to good management from the beginning
and a strong orientation towards customers and their needs. Additionally, the
decision-making process has always been quick and has always taken into ac-
count the requirements of the changing international surroundings. An example
of those steps was Benetton’s innovative approach towards the process of produc-
tion: they started to dye assembled garments instead of the yarn. That helped
the firm to be more attuned to the newest trends in fashion and to be ahead of
other clothing producers. By this innovative change, the managers proved to be
well prepared for the tough competition on the international market. Another
innovation also proved the flexibility and creativity in the Benetton management.
They decided to use time as a weapon in the battle for customers. If some item
was selling outstandingly well, it was specially monitored in order to provide an
unstoppable supply of this product. To better manage this process, Benetton
started to use computers as soon as the development of technology was suffi-
ciently developed for it to be useful to the firm. So now, if any of the Benetton
shops is short of a well selling item they try to deliver it as soon as possible and
endeavour to be more efficient than their competitors. Moreover, the whole pro-
cess of delivering the product to the shops was technically efficient. Benetton
started to use robots as soon as they were available. They try to centralize the
warehouse using a single large one rather than many smaller ones and to use
the most advanced technology to maintain them. This means using robots and
reducing the number of the staff to just a few members.

Additionally, the approach to the most basic economic indicators such as
costs is very creative. Through dyeing finished goods, Benneton has to bear
higher costs of production. But in spite of that, it is prepared to maintain this poli-
cy because it helps to beat the competitors and satisfy the clients. It helps the
firm to cope with the requirements of an international market. Benetton also tries
to compensate for the high costs of production with more efficient transport of raw materials, also semi-finished and completed items.

One of the strongest advantages of the firm is its flexibility and its constant efforts to follow world trends in fashion and the strategy of competitors. This is why a firm that has its roots in a small family business in the mid-1960s has been able not only to survive but also to grow and create a brand that is recognizable all over the world. There is a constant endeavour on the part of the managers to adjust to changing designs, and the new technology of production. There is a constant development of the marketing strategy and the “4Ps” - price, place, product and promotion. Efficient distribution is possible mainly due to a flexible attitude towards the problem of the costs of production and storage. The success can also be attributed to the fact that Benetton attempts to cover the whole market, offering products for women, men and children. They strive to be up-to-date with new technology and materials and to adjust to new trends.

Benetton has had to overcome many difficult problems and obstacles to become a worldwide and world recognizable brand. But to achieve this, it has had to develop many competences as an organisation and support many managers in mastering their competences.

- **Organisation:** Mastering the processes and skills connected with dyeing its products. It would be cheaper and easier to dye all the products at an earlier stage of production but it would not be possible to acquire the desired quality of the product.
  
  **Managers:** if Benetton recruits people externally, they should be better educated and have new skills connected with dyeing materials.
  
  **Hofstede 5D:** this competence is not connected with the culture of the organisation but with the technical process. Evaluating a potential manager’s competences on the basis of Hofstede 5D is not relevant.

- **Organisation:** The company tries to utilize the fact that grey is the best basic colour in their whole process of production.
  
  **Manager:** if the manager has extensive knowledge about dyeing, it could be beneficial. But long experience gained at Benetton could also help.
  
  **Hofstede 5D:** this competence is not connected with the culture of the organisation but with the technical process. Evaluating the potential manager competences on the basis of Hofstede 5D is not relevant.

- **Organisation:** One of the family members was the main person who managed the whole process of designing new products. Due to this, the company was able to maintain continuity in style, but at the same time to adjust to the new requirements of the market.
  
  **Manager:** continuity in style, together with being up-to-date is one of the main values of Benetton. Only a person that “feels” the spirit of an organisation can cope well with this task. It proves that a person from within the organisation will be less expensive and better.
  
  **Hofstede 5D:** is a very useful tool because this competence is connected with the culture of the firm.

- **Organisation:** Focusing on the classic style.
  
  **Manager:** it is better not to change it and would be safer to hire someone who already knows a lot about the company and has worked there for some time.
**Hofstede 5D:** is a very useful tool because this competence is connected with the culture of the firm.

- **Organisation:** Benetton invests in very modern IT equipment.
  **Manager:** up-to-date knowledge might be crucial and a person form external recruitment could prove to be better.

**Hofstede 5D:** is a very useful tool because this competence is connected with the culture of the firm.

**Tesco**

Tesco was founded in 1919 by Jack Cohen as a collection of market stalls, the name Tesco first appearing in 1924 with the launch of the “Tesco Tea” brand. In 1929 the first Tesco store was opened in Britain, and within ten years the business had expanded to such an extent that there were over 100 Tesco stores across the country. By the time of Cohen’s death in 1979, Tesco was one of the leading retailers in Britain, and is now the market leader among grocery retailers in the UK. It has also successfully expanded its operations to other countries in Europe and Asia.

Both internal and external recruitment is practised in Tesco but the process of finding new employees involves a very precise description of the desired characteristics of the candidate, with advertisements for the vacant positions appearing in the press, and on radio and TV; so this process is geared more towards external rather than internal recruitment. Now let us compare the requirements of the organisation in specific circumstances to the corresponding managerial competences.

- **Organisation:** the right products to meet demand at key times (e.g. the Tesco bakery)
  **Manager:** matching products with the taste of the local customers (emotional intelligence), ensuring appropriate quantities of different goods are available at appropriate times

**Hofstede 5D:** is a very useful tool because this competence is connected with the culture of the firm.

- **Organisation:** changing circumstances, continuous expansion including extending the range of products on offer
  **Manager:** managing the whole process but also giving staff the freedom to be creative

**Hofstede 5D:** is a very useful tool because this competence is connected with the culture of the firm.

- **Organisation:** implementing new selling tools and techniques
  **Manager:** enabling the team and new employees to learn new skills

**Hofstede 5D:** is a very useful tool because this competence is connected with the culture of the firm.

- **Organisation:** increase in the size and number of shops
  **Manager:** positive, confident and able to cope with the growing diversity of products and clients’ expectations

**Hofstede 5D:** is a very useful tool because this competence is connected with the culture of the firm.
Discussion

The five dimensions model is a very useful tool for facilitating recruitment in international organisations. But in some cases there might be different ways that would be more suitable for helping the human resources team to recruit new staff.

In Tesco, it is generally appropriate to use Hofstede’s model, because most of the competences required in managers, such as being able to embrace changes, are traits that would be commonly recognised in many organisations and belong to the competences that are connected with the culture of the organisation. This is reflected in Tesco’s tried-and-tested method of recruitment. Tesco tries to find new employees by advertising vacancies and providing thorough, precise job descriptions. The required competences can be “bought” on the job market because they are either personal qualities which cannot be taught, or skills which can be learnt in other organisations.

In Benetton, on the other hand, the specific knowledge concerning particular methods of dyeing is a technical competence which is virtually unique to Benetton and cannot be gained easily elsewhere; thus, the five dimensions model is less relevant here. Needs specific to the organisation have to be matched to managerial competences, so internal promotion is better for the firm than recruiting externally and training the new employee for a relatively long period of time. In organisations which require specific technical skills, only some of the necessary competences could be measured by the five dimensions model.

Conclusions

Maintaining and developing core competences is a crucial factor for a company in competing with other firms. This can be achieved in various ways, one of which is to recruit suitable people who would be able to enhance the company’s competences.

But recruiting new managers is not an easy task and, importantly, an organisation has to decide whether to promote its own employees or to try to “buy” the best managers from outside. Both methods have advantages and disadvantages, and the choice of one over the other is connected with whether managerial competences are linked to a learning system, or whether they could be learned elsewhere, not necessarily in the atmosphere and location where they will be used in the future.

Benetton is an example of an organisation where the competences of the managers were learnt over time and grew together with the expanding size of the company. Some positions did not change and the same people were managing the same department for a long period of time, which has contributed to Benetton’s success.

The example of Tesco proves that some managerial competences are not specific to particular organisations and can be learned elsewhere. Therefore, tools of more general application could be more effective in looking for managers with certain traits or competences.
The aim of this article was to prove that the core competences of candidates for managerial positions that should be taken into consideration in recruitment are more importantly connected with the unique traits of the organisation and its present or long-term needs. The realisation of these needs is inherently connected with the pattern of recruitment. In future research it could be beneficial to examine how Hofstede’s model might be adapted for use in more individual situations, thereby enhancing its general applicability.

Bibliography


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