

Chapter 10

Leadership of Culture, Ethics, and Diversity

Culture

- Is the aggregate of beliefs, norms, attitudes, values, assumptions, and ways of doing things that is shared by members of an organization and taught to new members
- Gives meaning to each individual's membership in the workplace and, in so doing, defines the organization's essential purpose
- Is recognized as a source of competitive advantage

The Power of Culture

- A deeply rooted culture that is well matched to strategy and external environmental trends is a strong recipe for successful strategy execution
- A weak or “shallow-root” culture can become an obstacle to successful strategy execution
- Culture serves two important functions in organizations:
 - It creates internal unity
 - It helps the organization adapt to the external environment

The Power of Culture (cont.)

□ Internal unity

- Organizational culture defines a normative order that serves as a source of consistent behavior within the organization
 - Provides organizational members with a way of making sense of their daily lives
 - Establishes guidelines and rules for how to behave
 - Provides a system of informal rules and peer pressures
 - Provides a value system in which to operate
 - Promotes strong employee identification with the organization's vision, mission, goals, and strategy
 - Provides a shared understanding about the identity of an organization

The Power of Culture (cont.)

□ External adaptation

- Culture determines how the organization responds to changes in its external environment
- The appropriate culture type can ensure that an organization responds quickly to rapidly changing customer needs or the offensive actions of a competitor

Low- and High-Performance Cultures

- The strength of any culture depends on the degree to which a set of norms and values are widely shared and strongly held throughout the organization
 - A weak culture symbolizes a lack of agreement on key values and norms
 - A strong culture symbolizes widespread consensus

Characteristics of Low-Performance Cultures

- ❑ Insular thinking
- ❑ Resistance to change
- ❑ Politicized internal environment
- ❑ Unhealthy promotion practices

Characteristics of High-Performance Cultures

- Culture reinforcement tools
 - Ceremonies highlight dramatic examples of what the company values, recognize and celebrate high-performing employees, and help create an emotional bond among all employees
- Intensely people oriented
- Results oriented
- Emphasis on achievement and excellence

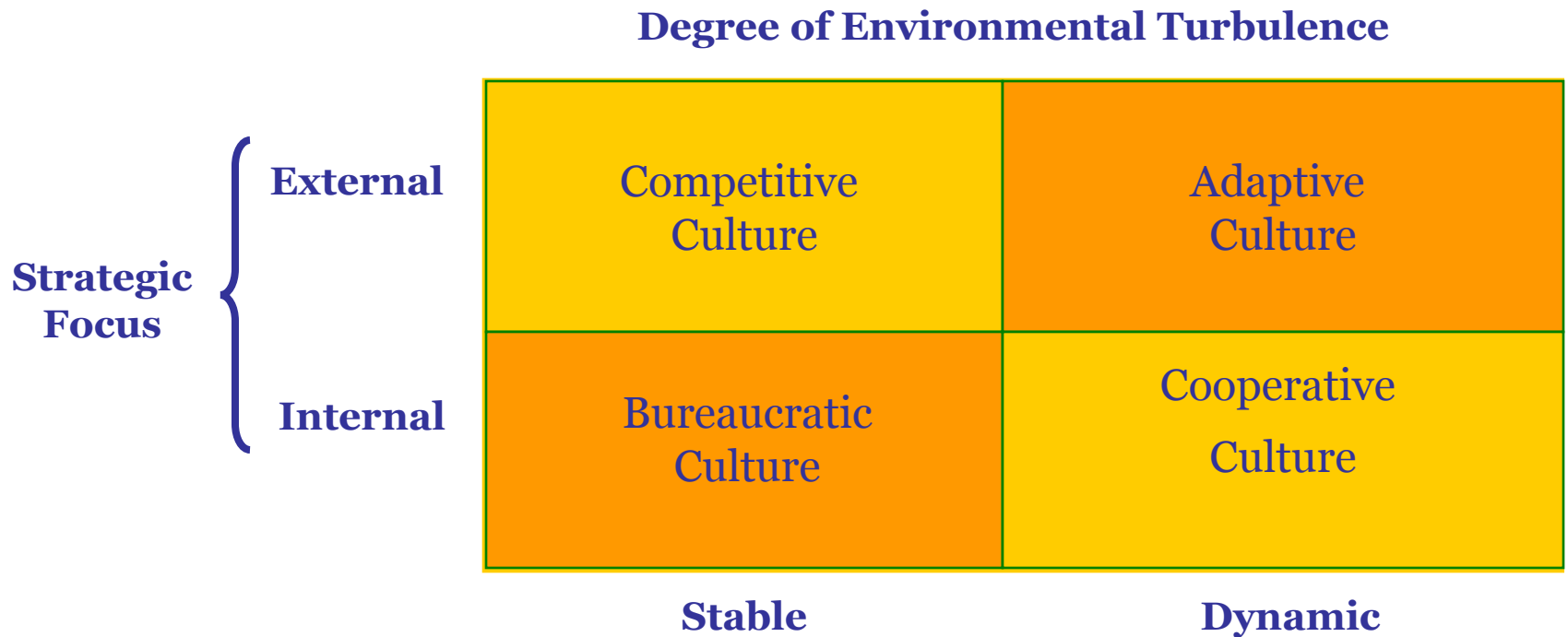
The Role of Leadership in Culture Creation and Sustainability

- ❑ Making sure an organization's culture is aligned with its strategies is among the most challenging responsibilities of leadership
- ❑ To build and maintain a strong culture, senior managers must have a clearly defined vision, mission, and culture statements that define the way things are done

Symbolic Leadership Actions for Shaping Culture

- ❑ Leaders serving as role models
- ❑ Celebrating achievements
- ❑ Interacting face-to-face with rank-and-file
- ❑ Matching organizational structure to culture
- ❑ Matching HR practices to culture
- ❑ Matching operating policies and practices to culture
- ❑ Creating a strategy–culture fit

Types of Organizational Cultures



Source: Based on M. D. Youngblood, "Winning Cultures for the New Economy," *Strategy and Leadership* 28, 6 (Nov/Dec. 2000): 4–9; G. N. Chandler, C. Keller, and D. W. Lyon, "Unraveling the Determinants and Consequences of an Innovative–Supportive Organizational Culture," *Entrepreneurship Theory and Practices* 25, 1 (Fall 2000): 59–76; J. R. Fisher, Jr. "Envisioning a Culture of Contribution," *Journal of Organizational Excellence* 20, 1 (Winter 2000): 47–52.

Cultural Value Types

□ Cooperative culture

- Represents a leadership belief in strong, mutually reinforcing exchanges and linkages between employees and departments
- Operating policies, procedures, standards, and tasks are all designed to encourage cooperation, teamwork, power sharing, and camaraderie among employees
- Management thinking is predicated on the belief that organizational success is influenced more by employee relationships inside the organization than by external relationships
- Employees are trained to think like owners rather than hired hands

Cultural Value Types (cont.)

□ Adaptive culture

- Represents a leadership belief in active monitoring of the external environment for emerging opportunities and threats
- Made up of policies, procedures, and practices that support employees' ability to respond quickly to changing environmental conditions
- Members are encouraged to take risks, experiment, and innovate
- Management thinking is based on the belief that organizational success is influenced more by events outside the organization than by internal factors
- Employees are empowered to make decisions and act quickly to take advantage of emerging opportunities or avoid threats

Cultural Value Types (cont.)

□ Competitive culture

- Represents a leadership that encourages and values a highly competitive work environment
- Organizational policies, procedures, work practices, rules, and tasks are all designed to foster both internal competition and external competition
- Leaders focus on the achievement of specific targets such as market share, revenue, growth, or profitability
- Values competitiveness, personal initiative, aggressiveness, achievement, and the willingness to work long and hard for yourself or for the team

Cultural Value Types (cont.)

□ Bureaucratic culture

- Represents a leadership that values order, stability, status, and efficiency
- Leaders perceive their environments as basically stable with an internal strategic focus
- Emphasizes strict adherence to set rules, policies, and procedures
- Are highly structured and efficiency driven

How to Sustain an Organization's Culture

- ❑ Define a strategic plan for implementing the company culture
- ❑ Use well-trained and experienced employees to train new hires
- ❑ Make sure that employees at all levels know what the culture is and accept it
- ❑ Institute a system by which new employees learn the written and unwritten parameters of the culture

Values-Based Leadership

- ❑ Values are generalized beliefs and behaviors that are considered by an individual or group to be important
- ❑ A leader's decisions and actions reflect his or her personal values and beliefs
- ❑ Integrity and strong values are vital traits of good leaders
- ❑ Values-based leadership is about courage and character

Values-Based Leadership (cont.)

- How leaders' ethical values influence follower behavior and performance is the subject of values-based leadership
- The leader's values and behaviors are significantly related to the values and behaviors of subordinates
 - Followers take their cue from the leader

The Leader's Role in Advocating Ethical Standards

- Some of the tools available for leaders to use in enforcing ethical behavior include:
 - Codes of ethics
 - Ethics committees
 - Training programs
 - Disclosure mechanisms
 - Whistle blowing

National Culture Identities—Hofstede's Value Dimensions

- ❑ A nation's values and norms determine what kinds of attitudes and behaviors are acceptable or appropriate
- ❑ The people of a particular culture are socialized into national values as they grow up
- ❑ Norms and social guidelines prescribe how members of a nation should behave toward each other
- ❑ Significant differences between national cultures exist and make a difference in how leaders and employees behave in organizations

A Framework of Value Dimensions for Understanding Cultural Differences

| | | | | |
|----------------------|-------------------------------------------|------------------------------------|-----------------------------------|--------------------|
| Individualism | High Uncertainty Avoidance | High Power Distance | Long-term Orientation | Masculinity |
| ↕ | ↕ | ↕ | ↕ | ↕ |
| Collectivism | Low Uncertainty Avoidance | Low Power Distance | Short-term Orientation | Femininity |

Source: Based on G. Hofstede, "Cultural Constraints in Management Theories," *Academy of Management Executive* (1993), pp. 81–94.

Individualistic to Collectivist Cultures

- Individualism is a psychological state in which people see themselves first as individuals and believe their own interest and values are primary
 - **Examples:**
 - United States
 - Great Britain
 - Canada
- Collectivism is the state of mind wherein the values and goals of the group—whether extended family, ethnic group, or company—are primary
 - **Examples:**
 - Greece
 - Japan
 - Mexico

High to Low Uncertainty Avoidance Cultures

- A society with high uncertainty avoidance contains a majority of people who do not tolerate risk, avoid the unknown, and are comfortable when the future is relatively predictable and certain
 - **Examples:**
 - United States
 - Australia
 - Canada
- A society where the majority of the people have low uncertainty avoidance has people who are comfortable with and accepting the unknown, and tolerate risk and unpredictability
 - **Examples:**
 - Italy
 - Japan
 - Israel

High to Low Power-Distance Cultures

- In a high power-distance culture, leaders and followers rarely interact as equals

- **Examples:**

- Mexico
- Spain
- Japan
- France

- In a low power-distance culture, leaders and their members interact on several levels as equals

- **Examples:**

- Germany
- United States
- Ireland

Long-Term to Short-Term Oriented Cultures

- People from a culture with a long-term orientation have a future-oriented view of life and thus are thrifty and persistent in achieving goals
 - Examples:
 - Most Asian countries
- A short-term orientation derives from values that express a concern for maintaining personal happiness and living for the present
 - Examples:
 - Most European countries
 - United States

Masculinity–Femininity

- Masculinity describes a culture that emphasizes assertiveness and a competitive drive for money and material objects
 - Examples:
 - Japan
 - Italy
- Femininity describes a culture that emphasizes developing and nurturing personal relationships and a high quality of life
 - Examples:
 - Sweden
 - Denmark

Implications for Leadership Practice

- The growing diversity of the workforce and the increasing globalization of the marketplace create the need for leaders with multicultural backgrounds and experiences
- Multicultural leaders possess competencies that enable them to relate effectively to and motivate people across race, gender, age, social strata, and nationality
- Cross-cultural and international joint venture (IJV) studies often identify cultural differences as the cause of many interpersonal difficulties, including conflict and poor performance

Changing Demographics and Diversity

□ Demographic diversity

- Is any characteristic that serves as a basis for social categorization and self-identification
- Includes:
 - Race
 - Gender
 - Age
 - Ethnicity
 - Religion
 - Sexual orientation

□ Diversity

- Is the inclusion of all groups at all levels in an organization

Changing Demographics and Diversity (cont.)

- Generational diversity in the workplace
 - Traditionalists (1900–1945)
 - Baby Boomers (1946–1964)
 - Generation Xers (1965–1980)
 - Millennials (1981–2000)

Current State of Workforce Diversity

- The most significant increase in workforce diversity is due to:
 - National demographic changes
 - Greater minority representation in the workforce
- A greater likelihood exists that individuals will find themselves leading or under the leadership of someone demographically different from them
- In the new work environment, workers must often share work duties and space with coworkers of diverse races, social backgrounds, and cultures

Current State of Workforce Diversity (cont.)

- ❑ In the last 25 years, attitudes toward diversity have and continue to change
- ❑ Companies that can effectively manage diversity will be able to recruit from a larger pool, train and retrain superior performers, and maximize the benefits of this diverse workforce
- ❑ More organizations are highlighting diversity in their advertising, because they are **competing for talent in a tight labor market**
- ❑ They recognize that demographic shifts are going to dramatically change their marketplace over the next 20 years

Reasons for Embracing Diversity

- ❑ Can offer a company a marketing advantage
- ❑ Can help a company to develop and retain talented people
- ❑ Can be cost effective
- ❑ May provide a broader and deeper base of creative problem solving and decision making

The Downside of Diversity

- Despite its benefits, negative outcomes can result if diversity is not effectively managed
- Left unmanaged, workforce diversity is more likely to:
 - Damage morale
 - Increase turnover
 - Cause communication problems
 - Ultimately cause conflict

Obstacles to Achieving Diversity

□ Stereotypes and prejudice

- Prejudice is the tendency to form an adverse opinion without just cause about people who are different from the mainstream in terms of their gender, race, ethnicity, or any other definable characteristic
- It is an assumption, without evidence, that people who are not part of the mainstream culture (women, African Americans, and other minorities) are:
 - Inherently inferior
 - Less competent at their jobs
 - Less suitable for leadership positions

Obstacles to Achieving Diversity (cont.)

□ Ethnocentrism

- Is the belief that one's own group or subculture is naturally superior to other groups and cultures
- Produces a homogeneous culture

□ Policies and practices

□ The glass ceiling

- Is an invisible barrier that separates women and minorities from top leadership positions
- Remains a pervasive problem in corporate America

Obstacles to Achieving Diversity (cont.)

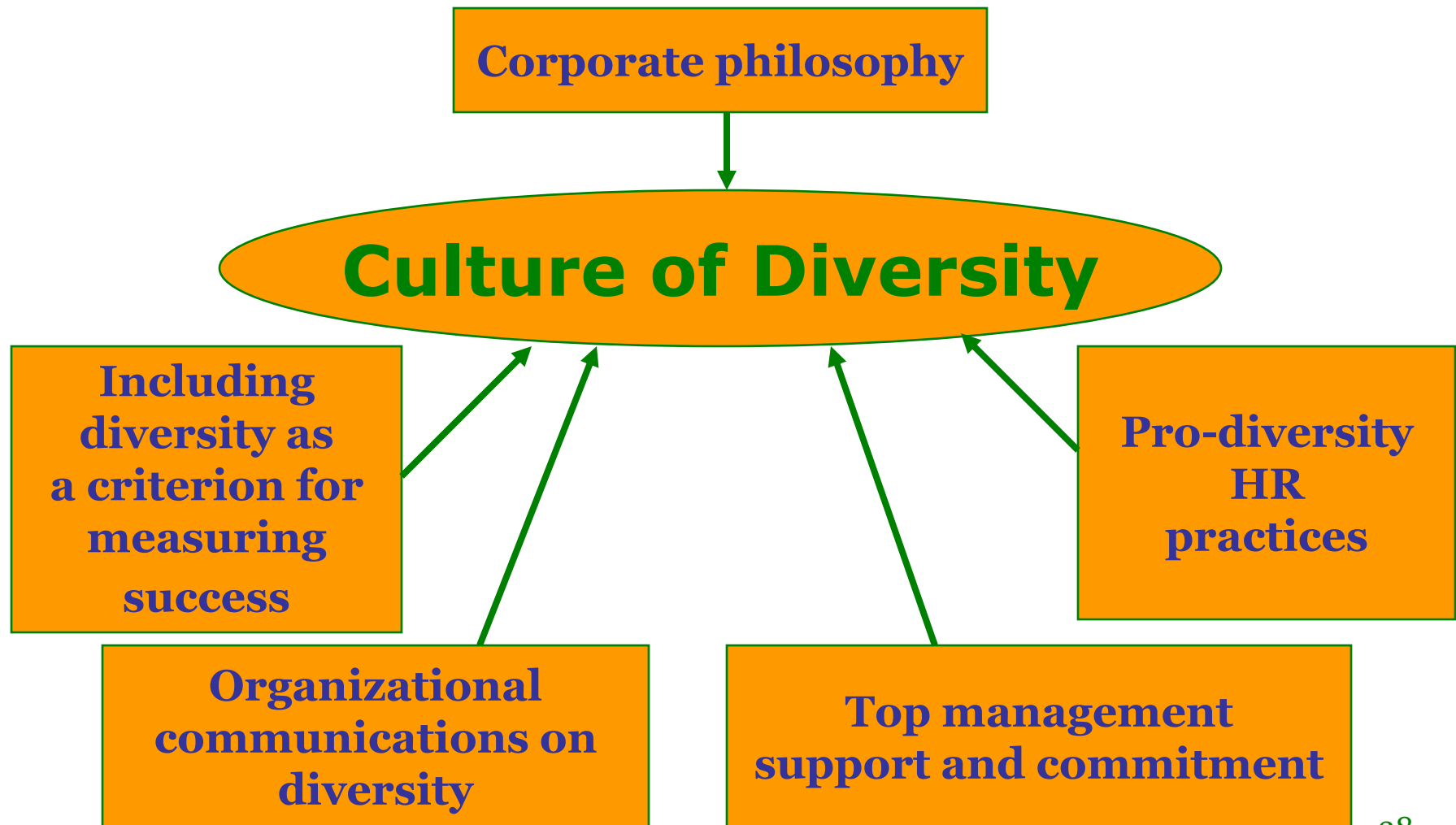
□ Unfriendly work environment

- Sexual harassment, intimidation, bullying, and social rejection are all examples of actions that make the workplace unfriendly
- Making the workplace friendly for everyone will go a long way toward alleviating the problem of high turnover and preserve diversity initiatives

Creating a Culture That Supports Diversity

- ❑ For organizations to embrace and value diversity, the concept itself must be embedded in the organization's business model
- ❑ When diversity leadership becomes part of the organization's mission, all employees are given equal opportunities to contribute their talents, skills, and expertise toward achieving organizational objectives
- ❑ Leaders have a responsibility to create a work culture that accommodates the needs of a diverse workforce

Factors Related to Diversity Success



Source: Based on J. A. Gilbert and J. M. Ivancevich, "Valuing Diversity: A Tale of Two Organizations," *Academy of Management Executive* 14(1) (2000): 93-105.

Diversity Awareness Training and Leadership Education

- The ultimate objective of diversity training and education is to create a diversity sensitive orientation (DSO) within the entire workforce

Diversity Awareness Training and Leadership Education (cont.)

□ Diversity training

- Training sessions are aimed at increasing people's awareness of and empathy for people from different cultures and backgrounds
- Diversity training can include:
 - Role-playing
 - Self-awareness activities
 - Awareness activities
- Training programs can last hours or days

Diversity Awareness Training and Leadership Education (cont.)

□ Education

- Additional education is sometimes needed for leaders beyond diversity training
- Leaders develop personal characteristics to make them better able to communicate and work with diverse employees
- Leaders are taught to view diversity in the larger context of the organization's long-term vision
- They should be educated on the strategic significance of linking diversity to the organization's competitiveness