



# Chapter three

## Organizational Cultures and Diversity

Instructor: MA. Nguyen Thi Phuong Linh

# Chapter Objectives

1. **DEFINE** what is meant by organizational culture; discuss interaction of national and MNC culture
2. **IDENTIFY** four most common categories of organizational culture and discuss characteristics of each
3. **PROVIDE** overview of nature and degree of multiculturalism and diversity in today's MNCs.
4. **DISCUSS** common guidelines and principles used in building team and organizational multicultural effectiveness.

# The Nature of Organizational Culture

- **Organizational culture:** shared values and beliefs enabling members to understand their roles and the norms of the organization.

# The Nature of Organizational Culture

- There are a number of important characteristics associated with an organization's culture including:
  - (1). Observed behavioral regularities as typified by common language, terminology, rituals
  - (2). Norms reflected by things such as amount of work to do and degree of cooperation between managers and employees
  - (3). Dominant values that the organization advocates and expects participants to share (e.g., low absenteeism, high efficiency)
  - (4). A philosophy set forth in the MNC's beliefs regarding how employees and customers should be treated.
  - (5). Rules dictating do's and don'ts of employee behavior pertaining to areas such as productivity, customer relations, and intergroup cooperation.
  - (6). Organizational climate, or overall atmosphere of the enterprise, as reflected by the way that participants interact with each other, treat customers, and feel about the way how they are treated by higher level management

# Example of Google's culture



# The Nature of Organizational Culture

Sometimes an MNC's organizational culture in one country's facility differs sharply from organizational cultures in other countries

For example:

- JCPenney is an American department store chain, when this well known retailer penetrated into Brazilian market, it used a strategy that is not very common when one company controls another. Rather than impose its own culture on the chain, Penney's management took a back seat and let the Brazilian managers continue to run the stores while it just provided assistance in the form of backroom operations, merchandise presentation, logistics, branding, and expansion funds. Penney understood that there are differences of market between in America and in Brazil. In Brazil, fashion is constantly evolving, if they impose the same culture with the host country, they can be able to keep up with the changing in Brazil where fashion lines change seven to eight times a year. In order to help Brazilian subsidiaries, the company also provides rapid checkout service, credit cards to individuals who earn as little as \$150 a month, and interest-free installment plans that allow people to pay as little as \$5 a month toward their purchases. Thanks to the adaptive strategy, in the first two years Penney opened 30 stores and sales jumped from \$150 million to over \$300 million.



# Interaction between National and Organizational Culture

- It is widely believe that organizational culture tends to moderate or erase the impact of national culture. The logic of such conventional wisdom is that if an U.S. MNC set up its operations in France, it would not be long before the French employees began to “think like Americans”.
- In fact, evidence is accumulating that just the opposite may be true. Hofstede’s research found that the national cultural values of the employees have a significant impact on their organizational performance, and that the cultural values employees bring to the workplace with them are not easily changed by the organization.

# Interaction between National and Organizational Culture

- Andre Laurent's research found that cultural differences are actually more pronounced among foreign employees working within the same multinational organization than among personnel working for firms in their native land.
- When they work for a multinational corporation, it appears that Germans become more German, Americans become more American, and so on.
- Laurent replicated the research in two other multinational corporations, both of them emphasize that corporate culture should not reduce or eliminate national differences, instead they should maintains and enhances them in order to gain benefits from global team.



# Interaction between National and Organizational Culture

## **Discuss question:**

Find some benefits and drawbacks of  
global team to international  
business?

# Dimensions of Organizational Culture

## (Hofstede's Diagnosing Organizational Culture for Strategic Application – DOCSA)

**Table 6-1**  
**Dimensions of Corporate Culture**

<b>Motivation</b>	
<b>Activities</b>	<b>Outputs</b>
To be consistent and precise. To strive for accuracy and attention to detail. To refine and perfect. Get it right.	To be pioneers. To pursue clear aims and objectives. To innovate and progress. Go for it.
<b>Relationship</b>	
<b>Job</b>	<b>Person</b>
To put the demands of the job before the needs of the individual.	To put the needs of the individual before the needs of the job.
<b>Identity</b>	
<b>Corporate</b>	<b>Professional</b>
To identify with and uphold the expectations of the employing organizations.	To pursue the aims and ideals of each professional practice.
<b>Communication</b>	
<b>Open</b>	<b>Closed</b>
To stimulate and encourage a full and free exchange of information and opinion.	To monitor and control the exchange and accessibility of information and opinion.
<b>Control</b>	
<b>Tight</b>	<b>Loose</b>
To comply with clear and definite systems and procedures.	To work flexibly and adaptively according to the needs of the situation.
<b>Conduct</b>	
<b>Conventional</b>	<b>Pragmatic</b>
To put the expertise and standards of the employing organization first. To do what we know is right.	To put the demands and expectations of customers first. To do what they ask.

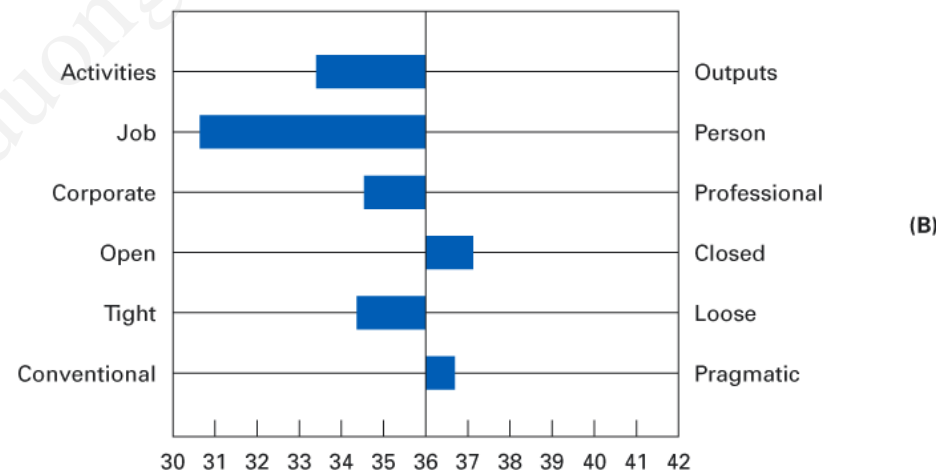
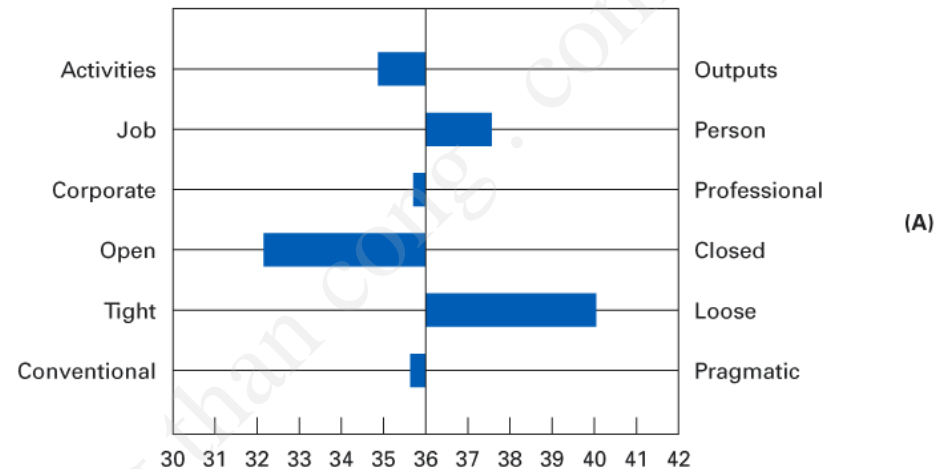
Source: Reported in Lisa Hoeklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley, 1995), p. 146.

# European Perceptions of Cultural Dimensions of U.S. Operations

*(a California-based MNC and its European subsidiaries)*

**Figure 6-1**

**Europeans' Perception of the Cultural Dimensions of U.S. Operations (A) and European Operations (B) of the Same MNC**



Source: Reported in Lisa Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley, 1995), pp. 147–148.

# European Management Characteristics

**Table 6-2**  
**European Management Characteristics**

Dimension	Characteristic			
	Western (United Kingdom)	Northern (France)	Eastern (Germany)	Southern (Italy)
Corporate Management attributes	Commercial	Administrative	Industrial	Familial
Behavior	Experiential	Professional	Developmental	Convivial
Attitude	Sensation	Thought	Intuition	Feeling
Institutional models				
Function	Salesmanship	Control	Production	Personnel
Structure	Transaction	Hierarchy	System	Network
Societal ideas				
Economics	Free market	Dirigiste	Social market	Communal
Philosophy	Pragmatic	Rational	Holistic	Humanistic
Cultural images				
Art	Theatre	Architecture	Music	Dance
Culture	(Anglo-Saxon)	(Gallic)	(Germanic)	(Latin)

Source: Reported in Lisa Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley, 1995), p. 149.

# Organizational Culture in MNCs

- Many international expansions are a result of mergers and acquisition, the integration of these organizational cultures is a critical concern in international management.
- Four steps in integration of organizational cultures resulting from international expansion via mergers/acquisitions:
  1. Two groups have to establish purpose, goals, and focus of their merger
  2. To develop mechanisms to identify most important organizational structures and management roles
  3. To determine who has authority over the resources to get things done
  4. To identify expectations of all involved parties and facilitate communication between both departments and individuals in the structure.

# Organizational Culture in MNCs

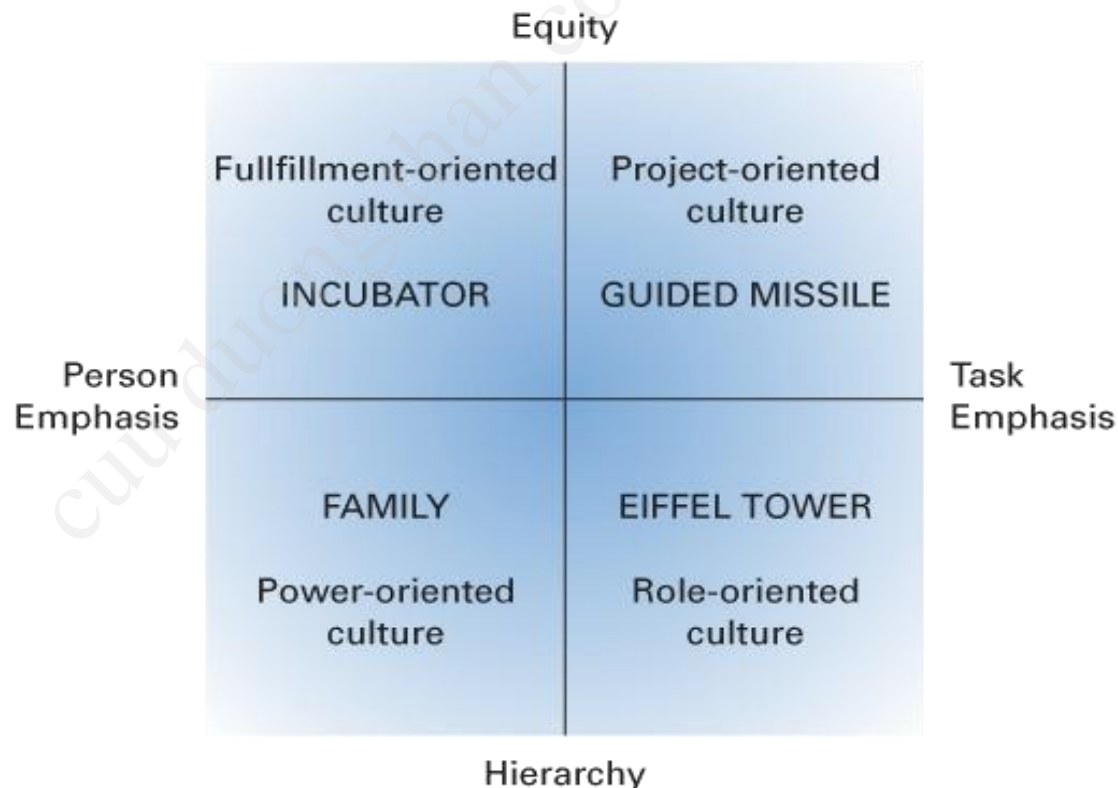
Three aspects of organizational functioning that seem to be especially important in determining organizational culture:

1. The general relationship between the employees and their organization.
2. The hierarchical system of authority that defines the roles of managers and subordinates
3. The general views that employees hold about the MNC's purpose, destiny, goals, and their place in them.



# Four Types of Organizational Cultures

When examine organizational culture, Trompenaars suggested the use of two approaches. One distinguish between equity and hierarchy, the other examines orientation to the person and the task.



# Four Types of Organizational Cultures

## 1. Family culture

- Family culture is characterized by a ***strong emphasis on hierarchy and orientation to the person***. The result is a family-type environment that is power-oriented and headed by a leader who is regarded as a caring parent and one who knows what is best for the personnel (Turkey, Pakistan, Venezuela, China, Hong Kong, and Singapore)
- In this culture, personnel not only respect the individuals who are in charge but look to them for both guidance and approval as well. In turn, management assumes a paternal relationship with personnel, looks after employees, and tries to ensure that they are treated well and have continued employment.
- Family culture also is characterized by traditions, customs, and associations that bind together the personnel and make it ***difficult for outsiders to become members***.
- ***When it works well***, family culture can ***catalyze and multiply the energies of the personnel*** and appeal to their deepest feelings and aspirations. ***When it works poorly***, members of the organization end up ***supporting a leader who is ineffective*** and drains their energies and loyalties.

# Four Types of Organizational Cultures

- Example of Family culture:

A Dutch delegation was shocked and surprised when the Brazilian owner of a large manufacturing company introduced his relatively junior accountant as the key coordinator of a \$15 million joint venture. The Dutch were puzzled as to why a recently qualified accountant had been given such weighty responsibilities, including the receipt of their own money. The Brazilians pointed out that the young man was the best possible choice among 1,200 employees since he was the nephew of the owner. Who could be more trustworthy than that?

# Four Types of Organizational Cultures

## 2. Eiffel Tower culture

- Eiffel Tower culture is characterized by **strong emphasis on hierarchy and orientation to the task**. Under this organizational culture, jobs are well defined, employees know what they are supposed to do, and **everything is coordinated from the top**. As a result, this culture—like the Eiffel Tower itself—is steep, **narrow at the top, and broad at the base** (European countries like Denmark, Germany, and the Netherlands)
- Unlike family culture, where **the leader** is revered and considered to be the source of all power, the person holding the top position in the Eiffel Tower culture **could be replaced at any time**.
- Each role at each level of the hierarchy is described, rated for its difficulty, complexity, and responsibility, and has a salary attached to it. In considering applicants for the role, the personnel department will treat everyone equally and neutrally, match the person's skills and aptitudes with the job requirements, and award the job to the best fit between role and person. The same procedure is followed in evaluations and promotions.
- The organization also will employ such rational procedures as assessment centers, appraisal systems, training and development programs, and job rotation in managing its human resources. All **these procedures help ensure that a formal hierarchic or bureaucracy-like approach works well**.
- However, when changes need to be made, the Eiffel Tower culture often is **ill-equipped to handle changes**. Manuals must be rewritten, procedures changed, job descriptions altered, promotions reconsidered, and qualifications reassessed

# Four Types of Organizational Cultures

## 3. Guided Missile Culture

- Guided missile culture is characterized by ***strong emphasis on equality in the workplace and orientation to the task***. This organizational culture is oriented to work, which typically is undertaken by teams or project groups. Unlike the Eiffel Tower culture, where job assignments are fixed and limited, personnel in the guided missile culture do whatever it takes to get the job done. This culture gets its name from high-tech organizations (NASA)
- Unlike family and Eiffel Tower cultures, ***change in guided missile culture comes quickly***. Goals are accomplished, and teams are reconfigured and assigned new objectives.
- However, people move from group to group, and ***loyalties*** to one's profession and project often are greater than loyalties to the organization itself

# Four Types of Organizational Cultures

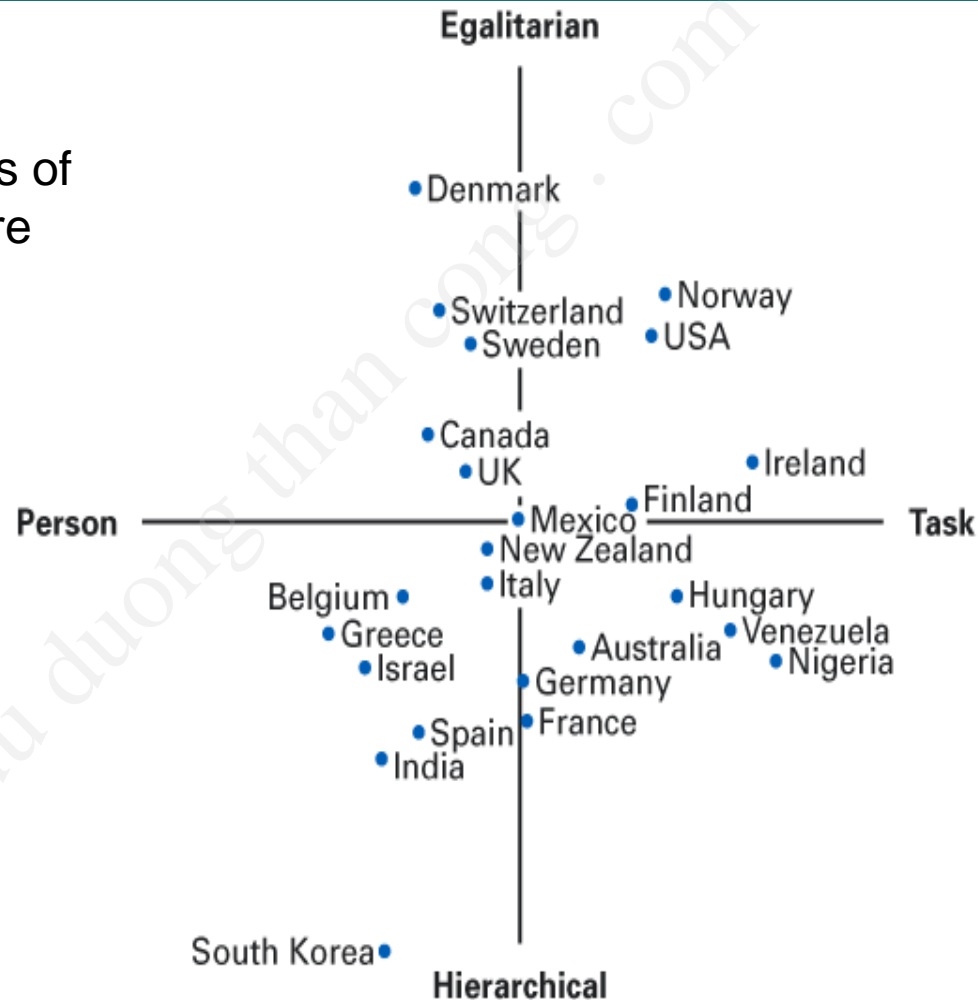
## 4. Incubator Culture:

- Strong emphasis on equality and personal orientation
- The role of organizations is to serve as incubators for the self-expression and self-fulfillment of their members; as a result, this culture often has little formal structure
- These cultures often are found among start-up firms in Silicon Valley, California, or Silicon Glen, Scotland.
- Incubator cultures often create environments where participants thrive on an intense, emotional commitment to the nature of the work
- Change in the incubator culture often is fast and spontaneous.
- However, the problem is redefinition, and the solution typically is generic, aimed at a universe of applications



# Four Types of Organizational Cultures

## National Patterns of Corporate Culture



Source: Adapted from Fons Trompenaars and Charles Hampden-Turner, *Riding the Waves of Culture: Understanding Diversity in Global Business*, 2nd ed. (New York: McGraw-Hill, 1998), p. 184.

# Four Types of Organizational Cultures

## **Discuss question:**

What type of organizational culture do you think Vietnam's organization mainly follow? Why?