



# Chapter three

## Organizational Cultures and Diversity

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# Managing Multiculturalism and diversity

- Opening case: “***Matsushita Goes Global***”
- Question to discuss:
  - How does Matsushita manage multiculturalism between Japan and Malaysia?

# Managing Multiculturalism and diversity

- Definition of **Multiculturalism**: The presence of, or support for the presence of, several distinct cultural or ethnic groups within a society.
- Definition of **Diversity**: a range of different things or people

# Phases of Multicultural Development

- The effect of multiculturalism and diversity will vary depending on the stage of the firm in its international evolution.
    - Phase I: Domestic corporation
    - Phase II: International corporation
    - Phase III: Multinational corporation
    - Phase IV: Global corporation
- ➔ The development of multicultural of each phase.

# Phases of Multicultural Development

**Table 6–4**  
**The Evolution of International Corporations**

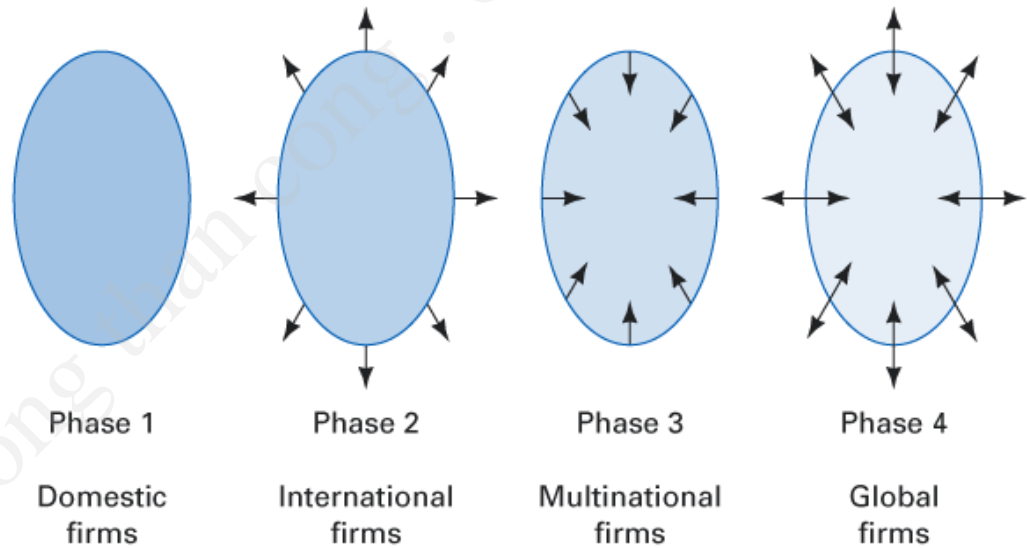
<b>Characteristics/ Activities</b>	<b>Phase I (Domestic Corporations)</b>	<b>Phase II (International Corporations)</b>	<b>Phase III (Multinational Corporations)</b>	<b>Phase IV (Global Corporations)</b>
Primary orientation	Product/service	Market	Price	Strategy
Competitive strategy	Domestic	Multidomestic	Multinational	Global
Importance of world business	Marginal	Important	Extremely important	Dominant
Product/service	New, unique	More standardized	Completely standardized (commodity)	Mass-customized
Technology	Product engineering emphasized Proprietary	Process engineering emphasized Shared	Engineering not emphasized Widely shared	Product and process engineering Instantly and extensively shared
R&D/sales	High	Decreasing	Very low	Very high
Profit margin	High	Decreasing	Very low	High, yet immediately decreasing
Competitors	None	Few	Many	Significant (few or many)
Market	Small, domestic	Large, multidomestic	Larger, multinational	Largest, global
Production location	Domestic	Domestic and primary markets	Multinational, least cost	Imports and exports
Exports	None	Growing, high potential	Large, saturated	Imports and exports
Structure	Functional divisions Centralized	Functional with international division Decentralized	Multinational lines of business Centralized	Global alliances, hierarchy Coordinated, decentralized
Primary orientation	Product/service	Market	Price	Strategy
Strategy	Domestic	Multidomestic	Multinational	Global
Perspective	Ethnocentric	Polycentric/ regiocentric	Multinational	Global/multicentric
Cultural sensitivity	Marginally important	Very important	Somewhat important	Critically important
With whom	No one	Clients	Employees	Employees and clients
Level	No one	Workers and clients	Managers	Executives
Strategic assumption	"One way"/ one best way	"Many good ways," equifinality	"One least-cost way" simultaneously	"Many good ways"

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# Locations of Cross-Cultural Interaction

**Figure 6-4**

**Locations of  
International Cross-  
Cultural Interaction**



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# Types of Multiculturalism

## 1. Domestic Multiculturalism

- Multicultural and diverse workforce operating in MNC home country
- Culturally distinct populations can be found within organizations almost everywhere in the world.
- For example:
  - In Singapore, for example, there are four distinct cultural and linguistic groups: Chinese, Eurasian, Indian, and Malay.
  - In Switzerland, there are four distinct ethnic communities: French, German, Italian, and Romansch.
  - In Belgium, there are two linguistic groups: French and Flemish.
  - In the United States, millions of first-generation immigrants have brought both their languages and their cultures.

# Types of Multiculturalism

- It is even possible to examine domestic multiculturalism within the same ethnic group:
  - For example: the viewpoints of the older generation differ sharply from those of the younger generation.
- ➔ These differences can slow organizational processes as one generation consider the other to be ineffective in its methods.
- ➔ Managers need to convey a common message, maximizing productivity while satisfying everyone across the ages.



# Types of Multiculturalism

## 2. Group Multiculturalism:

- There is the diverse workforce in other geographic locations, and increasingly common are the mix of domestic and personal cultures found in today MNC.
- As the diversity of a group increasing, the likelihood of all members perceiving things in the same way decrease sharply.

# Types of Multiculturalism

1. **Homogeneous groups**, in which members have similar backgrounds and generally perceive, interpret, and evaluate events in similar ways. An example would be a group of male German bankers who are forecasting the economic outlook for a foreign investment.
2. **Token groups**, in which all members but one have the same background. An example would be a group of Japanese retailers and a British attorney who are looking into the benefits and shortcomings of setting up operations in Bermuda.
3. **Bicultural groups**, in which two or more members represent each of two distinct cultures. An example would be a group of four Mexicans and four Canadians who have formed a team to investigate the possibility of investing in Russia.
4. **Multicultural groups**, in which there are individuals from three or more different ethnic backgrounds. An example is a group of three American, three German, three Uruguayan, and three Chinese managers who are looking into mining operations in Chile.

# Potential Problems Associated with Diversity

- Diversity may cause a lack of cohesion that result in the unit's inability to take concerted action, be productive and create a work environment that is conducive to both efficiency and effectiveness.

## **1. People's attitudes:**

- Mistrust of other

## **2. Perceptual problems**

- When cultural diverse groups come together, often bring preconceived, erroneous stereotypes with them.

## **3. Inaccurate biases**

- For example, it is well known that Japanese companies depend on groups to make decisions. Entrepreneurial behavior, individualism, and originality are typically downplayed. However, in a growing number of Japanese firms this stereotype is proving to be incorrect.

# Potential Problems Associated with Diversity

- **Here is an example of Inaccurate biases**

Mr. Uchida, a 28-year-old executive in a small software company, dyes his hair brown, keeps a sleeping bag by his desk for late nights in the office and occasionally takes the day off to go windsurfing. “Sometimes I listen to soft music to soothe my feelings, and sometimes I listen to hard music to build my energy,” said Mr. Uchida, who manages the technology development division of the Rimnet Corporation, an Internet access provider. “It’s important that we always keep in touch with our sensibilities when we want to generate ideas.”

The creative whiz kid, a business personality often prized by corporate America, has come to Japan Inc. Unlikely as it might seem in a country renowned for its deference to authority and its devotion to group solidarity, freethinkers like Mr. Uchida are popping up all over the workplace.

# Potential Problems Associated with Diversity

## 4. Inaccurate communication

- Misunderstandings can be caused by a speaker using words that are not clear to other members.
- Another contribution to miscommunication may be the way in which situations are interpreted.
  - Many Japanese nod their heads when others talk, but this does not mean that they agree with what is being said. They are merely being polite and attentive.
  - In many societies, it is impolite to say no, and if the listener believes that the other person wants a positive answer, the listener will say yes even though this is incorrect. As a result, many U.S. managers find out that promises made by individuals from other cultures cannot be taken at face value—and in many instances, the other individual assumes that the American realizes this.

# Potential Problems Associated with Diversity

## 5. Different perception of time

- For example, many Japanese will not agree to a course of action on the spot. They will not act until they have discussed the matter with their own people, because they do not feel empowered to act alone. Many Latin managers refuse to be held to a strict timetable, because they do not have the same time urgency that U.S. managers

# Potential Problems Associated with Diversity

- **Example of different perception of time**

In attempting to plan a new project, a three-person team composed of managers from Britain, France, and Switzerland failed to reach agreement. To the others, the British representative appeared unable to accept any systematic approach; he wanted to discuss all potential problems before making a decision. The French and Swiss representatives agreed to examine everything before making a decision, but then disagreed on the sequence and scheduling of operations. The Swiss, being more pessimistic in their planning, allocated more time for each sub-operation than did the French. As a result, although everybody agreed on its validity, we never started the project. If the project had been discussed by three Frenchmen, three Swiss, or three Britons, a decision, good or bad, would have been made. The project would not have been stalled for lack of agreement.

# Advantages of Diversity

- While there are some potential problems to overcome when using culturally diverse groups in today's MNCs, there are also very many benefits to be gained.

## 1. Enhancing creativity

- The generation of more and better idea. Because group members come from a variety of cultures, they often are able to create a greater number of unique solutions and recommendations.



# Advantages of Diversity

## 2. Prevent group thinking

- **Groupthink:** consensus reached because of social conformity and pressure on individual members of a group to conform to group norms.
- When groupthink occurs, group participants come to believe that their ideas and actions are correct and that those who disagree with them are either uninformed or deliberately trying to sabotage their efforts. Multicultural diverse groups often are able to avoid this problem, because the members do not think similarly or feel pressure to conform.
- As a result, they typically question each other, offer opinions and suggestions that are contrary to those held by others, and must be persuaded to change their minds. Therefore, unanimity is achieved only through a careful process of deliberation.

# Advantages of Diversity

## 3. Enhance relationship with customers

- It is commonly held that anyone will have insight into and connect better with others of the same nationality or cultural background, resulting in more quickly building trust and understanding of one another's preferences  
→ **Therefore**, if the customer base is composed of many cultures, it may benefit the company to have representatives from corresponding nationalities

# Building Multicultural Teams Effectiveness

## 1. Understanding the conditions for Effectiveness

- Multicultural teams are most effective when they face tasks requiring innovativeness. They are far less effective when they are assigned to routine tasks
- As Adler explains:
  - Cultural diversity provides the biggest asset for teams with difficult, discretionary tasks requiring innovation. Diversity becomes less helpful when employees are working on simple tasks involving repetitive or routine procedures. Therefore, diversity generally becomes more valuable during the planning and development of projects (the “work” stage) and less helpful during their implementation (the “action” stage). The more senior the team members, the more likely they are to be working on projects that can benefit from diversity. Diversity is therefore extremely valuable to senior executive teams, both within and across countries.

# Building Multicultural Teams Effectiveness

## 2. Focus of attention must be determined by the stage of team development

- ***In the entry stage***, the focus should be on building trust and developing team cohesion
- ***In the work stage of development***, attention may be directed more toward describing and analyzing the problem or task that has been assigned. This stage often is fairly easy for managers of multicultural teams, because they can draw on the diversity of the members in generating ideas
- ***In the action stage***, the focus shifts to decision making and implementation. This can be a difficult phase, because it often requires consensus building among the members. In achieving this objective, experienced managers work to help the diverse group recognize and facilitate the creation of ideas with which everyone can agree

# Building Multicultural Teams Effectiveness

## 3. Using proper Guidelines:

- 1) Team members must be selected for their task-related abilities and not solely based on ethnicity. If the task is routine, homogeneous membership often is preferable; if the task is innovative, multicultural membership typically is best.
- 2) Team members must recognize and be prepared to deal with their differences. The goal is to facilitate a better understanding of cross-cultural differences and generate a higher level of performance and rapport. In doing so, members need to become aware of their own stereotypes, as well as those of the others, and use this information to better understand the real differences that exist between them. This can then serve as a basis for determining how each individual member can contribute to the overall effectiveness of the team.
- 3) Because members of diverse teams tend to have more difficulty agreeing on their purpose and task than members of homogeneous groups, the team leader must help the group to identify and define its overall goal. This goal is most useful when it requires members to cooperate and develop mutual respect in carrying out their tasks.

# Building Multicultural Teams Effectiveness

- 4) Members must have equal power so that everyone can participate in the process; cultural dominance always is counterproductive. As a result, managers of culturally diverse teams distribute power according to each person's ability to contribute to the task, not according to ethnicity.
- 5) It is important that all members have mutual respect for each other. This is often accomplished by managers' choosing members of equal ability, making prior accomplishments and task-related skills known to the group, and minimizing early judgments based on ethnic stereotypes.
- 6) Because teams often have difficulty determining what is a good or a bad idea or decision, managers must give teams positive feedback on their process and output. This feedback helps the members see themselves as a team, and it teaches them to value and celebrate their diversity, recognize contributions made by the individual members, and trust the collective judgment of the group

# Example of a successful Multicultural workplace

## New United Motor Manufacturing

1. A number of guidelines can be valuable in helping MNCs to make diverse teams more effective. What are five of these?
2. Additionally, what underlying principles guided NUMMI in its effective use of multicultural teams?
3. Were the principles used by NUMMI similar to the general guidelines identified in this chapter, or were they significantly different? Explain your answer.



# Review and discussion guidelines

1. Some researchers found that when Germans work for a U.S. MNC, they become more German, and when Americans work for a German MNC, they become even more American. Why would this knowledge be important to these MNCs?



# Review and discussion guidelines

2. When comparing the negotiating styles and strategies of French versus Spanish negotiators, a number of sharp contrasts are evident. What are three of these, and what could MNCs do to improve their position when negotiating either group?

# Review and discussion guidelines

3. In which of the four types of organizational cultures- family, Eiffel Tower, guided missile, or incubator- would most people in the United States feel comfortable? In which would most Japanese feel comfortable? Based on your answers, what conclusions could you draw regarding the importance of understanding organizational culture for international management?

# Review and discussion guidelines

4. Most MNCs need not enter foreign markets to face the challenge of dealing with multiculturalism. Do you agree or disagree with this statement? Explain your answer.

# Review and discussion guidelines

5. What are some potential problems that must be overcome when using multicultural, diverse teams in today's organizations? What are some recognized advantages? Identify and discuss two of each.