chapter six

Organizational Cultures and Diversity

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 multi-culturalism 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, including:
  - Observed behavioral regularities, typified by common language, terminology, rituals
  - Norms, reflected by things such as amount of work to do and degree of cooperation between management and employees
  - Dominant values organization advocates and expected participants to share (e.g., low absenteeism, high efficiency)

Organizational Culture (continued)

- **Other values and beliefs:**
  - ❑ Philosophy set forth regarding how to treat employees and customers
  - ❑ Rules dictating do's and don'ts of employee behavior pertaining to productivity intergroup cooperation…
  - ❑ Organizational climate as reflected by way participants interact with each other, treat customers, and feel about how treated by senior level management

Interaction between National and Organizational Culture

- National cultural values of employees may significantly impact their organizational performance

- Cultural values employees bring to workplace are not easily changed by organization

Dimensions of Organizational Culture

Table 6–1
### Dimensions of Corporate Culture

Motivation	
Activities	**Outputs**
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.
Relationship	
Job	**Person**
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.
Identity	
Corporate	**Professional**
To identify with and uphold the expectations of the employing organizations.	To pursue the aims and ideals of each professional practice.
Communication	
Open	**Closed**
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.
Control	
Tight	**Loose**
To comply with clear and definite systems and procedures.	To work flexibly and adaptively according to the needs of the situation.
Conduct	
Conventional	**Pragmatic**
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 Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley, 1995), p. 146.

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European Perceptions of Cultural Dimensions of U.S. Operations (same MNC)

Figure 6–1

Europeans' Perception of the Cultural Dimensions of U.S. Operations (A) and European Operations (B) of the Same MNC
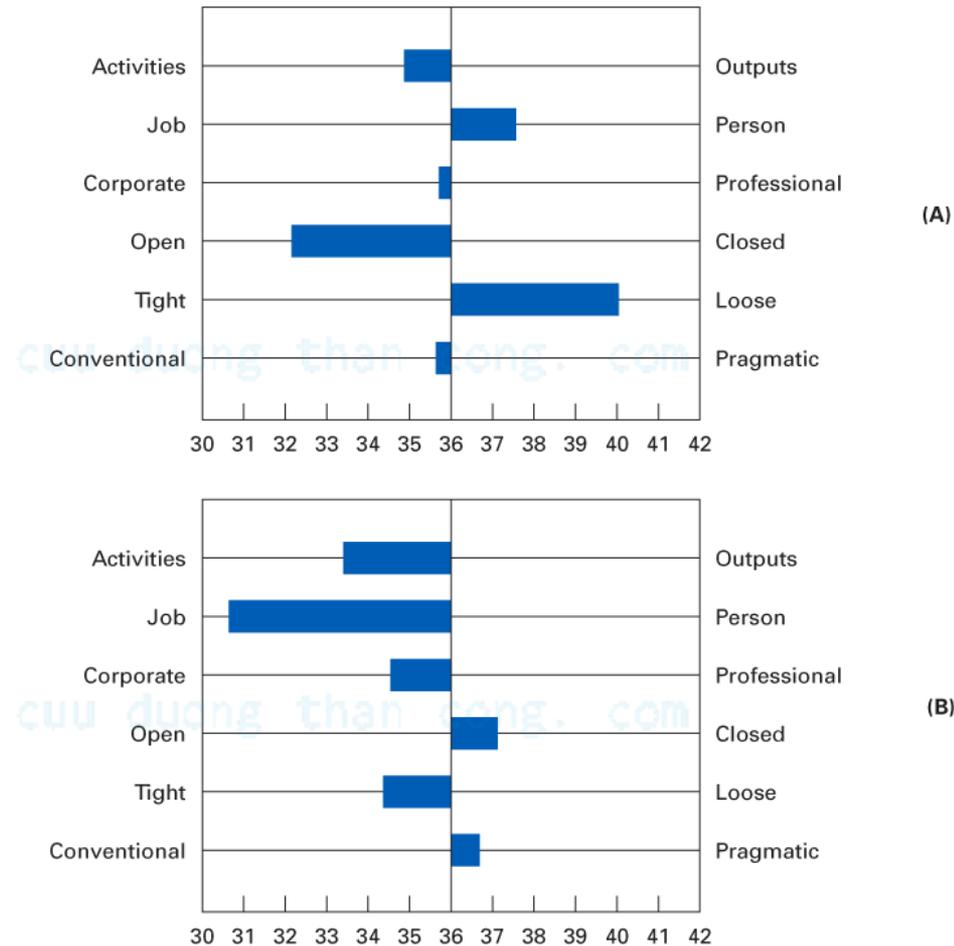
Source: Reported in Lisa Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley, 1995), pp. 147–148.

European Management Characteristics

Table 6–2
European Management Characteristics

	Characteristic			
Dimension	**Western (United Kingdom)**	**Northern (France)**	**Eastern (Germany)**	**Southern (Italy)**
Corporate	Commercial	Administrative	Industrial	Familial
Management attributes				
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 Cultures in MNCs

- Shaped by numerous factors including cultural preferences of leaders and employees

- Some MNCs have subsidiaries that (aside from logo and reporting procedures) wouldn't be easily recognizable as belonging to same MNC

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Organizational Culture in MNCs

- Four steps in integration of organizational cultures resulting from international expansion via mergers/acquisitions:
  1. Two groups establish purpose, goals, and focus of merger
  2. Develop mechanisms to identify most important structures and manager roles
  3. Determine who has authority over resources
  4. Identify expectations of all involved participates and facilitate communication between departments and individuals
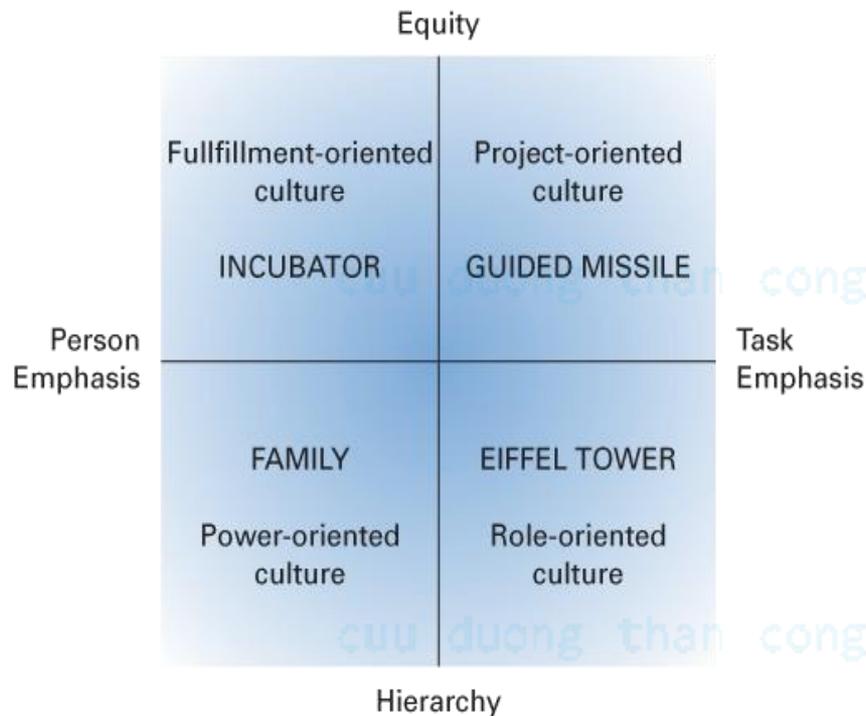
Four Cultural Types

Equity

Fullfillment-oriented culture

Project-oriented culture

INCUBATOR

GUIDED MISSILE

Person Emphasis

Task Emphasis

FAMILY

EIFFEL TOWER

Power-oriented culture

Role-oriented culture

Hierarchy

Figure 6–2

Organizational Cultures

Source: Adapted from Fons Trompenaars, *Riding the Waves of Culture: Understanding Diversity in Global Business* (Burr Ridge, IL: Irwin, 1994), p. 154.

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Four Cultural Types

1. **Family Culture**: Strong emphasis on hierarchy and orientation to persons

   Power oriented, headed by leader regarded as caring parent

   Management takes care of employees, ensures they're treated well, and have continued employment

   Catalyze and multiply energies of personnel or end up supporting leader who is ineffective and drains energy and loyalties

Four Cultural Types

2. **Eiffel Tower**:

Strong emphasis on hierarchy and orientation to task

Jobs well defined; coordination from top

Culture narrow at top; broad at base

Relationships specific and status remains with job

Few off-the-job relationships between manager and employee

Formal hierarchy is impersonal and efficient

Four Cultural Types

3. **Guided Missile**:

Strong emphasis on equality in workplace and in task

Culture oriented to work

Work undertaken by teams or project groups

All team members equal

Treat each other with respect

Egalitarian and task-driven organizational

Four Cultural Types

4. **Incubator Culture**:

   Strong emphasis on equality and personal orientation

   Organization as incubator for self-expression and self-fulfillment

   Little formal structure

   Participants confirm, criticize, develop, find resources for, or help complete development of innovative product or service
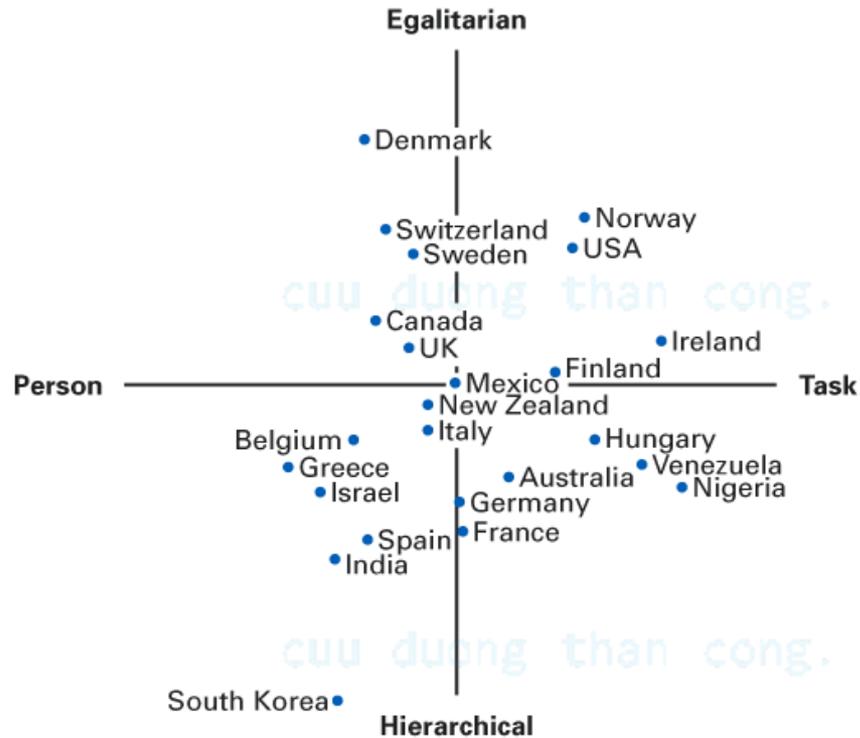
National Patterns of Corporate Culture

Egalitarian

- Denmark
- Switzerland
- Sweden
- Norway
- USA
- Canada
- UK
- Ireland
- Finland

Person — Mexico — **Task**
- New Zealand
- Italy
- Belgium
- Greece
- Israel
- Hungary
- Venezuela
- Australia
- Nigeria
- Germany
- Spain
- France
- India

- South Korea

Hierarchical

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.

Figure 6–3

National Patterns of Corporate Culture

Managing Multiculturalism and Diversity

- Both domestically and internationally, organizations lead workforces with a variety of cultures consisting of largely diverse populations:
  - Women and Men
  - Young and Old
  - Black, White, Latin, Asian, Arab, Indian
  - Many others.

Phases of Multicultural Development

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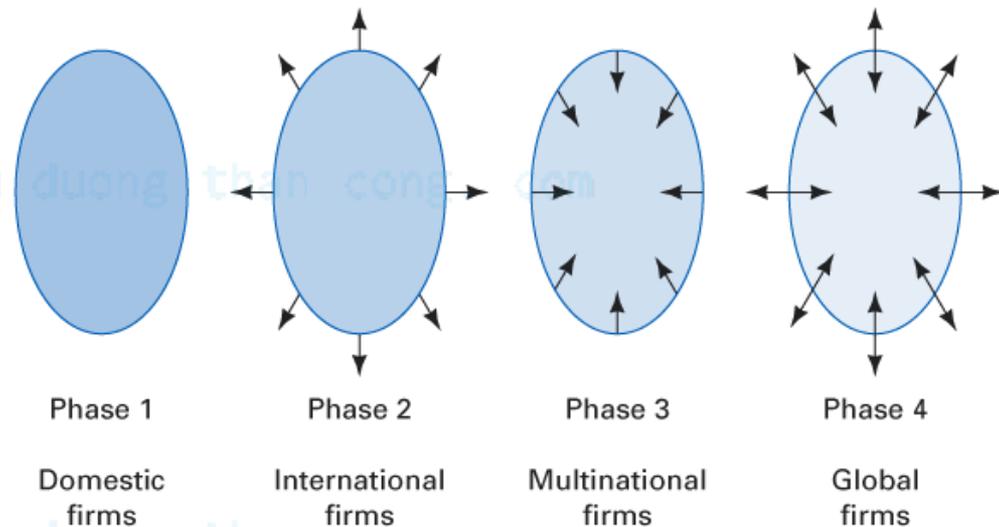**The Evolution of International Corporations**

Characteristics/ Activities	Phase I (Domestic Corporations)	Phase II (International Corporations)	Phase III (Multinational Corporations)	Phase IV (Global Corporations)
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
	Product engineering emphasized	Process engineering emphasized	Engineering not emphasized	Product and process engineering
Technology	Proprietary	Shared	Widely shared	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	Functional with international division	Multinational lines of business	Global alliances, hierarchy
	Centralized	Decentralized	Centralized	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"

Source: From *International Dimensions of Organizational Behavior*, 2nd Edition by Nancy J. Adler, 1991, pp. 7–8. Reprinted with permission of South-Western, a division of Thomson Learning: www.thomsonrights.com.

Locations of Cross-Cultural Interaction

Figure 6–4

Locations of International Cross-Cultural Interaction

Phase 1   Phase 2   Phase 3   Phase 4

Domestic firms   International firms   Multinational firms   Global firms

Source: From *International Dimensions of Organizational Behavior*, 2nd Edition by Nancy J. Adler, 1991, pp. 7–8. Reprinted with permission of South-Western, a division of Thomson Learning: www.thomsonrights.com.

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Types of Multiculturalism

- **Domestic Multiculturalism**
  - ❑ Multicultural and diverse workforce operating in MNC home country
  - ❑ Group Multiculturalism
    - ▪ Homogenous groups
    - ▪ Token groups
    - ▪ Bicultural groups
    - ▪ Multicultural groups

Potential Problems Associated with Diversity

- **Perceptual problems**
  - When cultural diverse groups come together, often bring preconceived, erroneous stereotypes with them

- **Inaccurate biases**

- **Inaccurate communication**

- **Attitudinal problems**
  - May cause lack of cohesion resulting in unit's inability to take concerted action or be productive

Advantages of Diversity

- Enhance creativity

- Lead to better decisions

- More effective/productive results

- Prevent groupthink

- Can facilitate highly effective teams under right conditions

Managing Multicultural Teams

- Select team members for task-related abilities, not solely based on ethnicity
- Team members must recognize and prepare to deal with their differences
- Team leader must help identify/define overall goal
- Mutual respect among members is critical
- Managers must give team positive feedback on process and output
- http://keizai.org/

Review and Discuss

1. In which of the four types of organizational cultures – family, Eiffel Tower, guided missile, incubator – would most people in U.S. feel comfortable?

2. Most MNCs need not enter foreign markets to face challenges of dealing with multiculturalism. Do you agree or disagree?

3. What are some problems to be overcome when using multiculturally diverse teams?

4. What are some basic guidelines for helping make diverse teams more effective?