

Chapter 4 – The meanings and dimensions of Culture (pg.152)

Culture: is the acquired knowledge that people use to interpret experience and generate social behaviour

- This knowledge forms values, creates attitudes, and influences behaviours
- Acquired knowledge is used to make sense of the world around us, from experience to experience, and it helps us behave a certain way in society
- The 6 characteristics of culture
- **1. Learned.** Culture is not inherited or biologically based; it is acquired by learning and experience.
- **2. Shared.** People as members of a group, organization, or society share culture; it is not specific to single individuals.
- **3. Transgenerational.** Culture is cumulative, passed down from one generation to the next.
- **4. Symbolic.** Culture is based on the human capacity to symbolize or use one thing to represent another.
- **5. Patterned.** Culture has structure and is integrated; a change in one part will bring changes in another.
- **6. Adaptive.** Culture is based on the human capacity to change or adapt, as opposed to the more genetically driven adaptive process of animals.¹⁸
- In International management it is important to know cultures of other countries because if they don't then the results can be quite disastrous

Cultural Diversity: is where so many different cultures are existing in one culture (ex: Toronto is known to be diverse).

- Different cultures may do things or perceive things entirely differently
- Differences on culture to international management is reflected by beliefs and behaviours
- Culture of a society can directly affect management approaches:
- **Centralized vs Decentralized Decision Making:** In some societies, top managers make all important organizational decisions. In others, these decisions are divided throughout the enterprise, and middle and lower-level managers actively participate in making key decisions
- **Safety vs Risk:** in some societies, organizational decisions makers are risk averse and have a great difficulty with conditions of uncertainty. In others, risk taking is encouraged and decision-making under uncertainty is common.
- (Ex: DRAGAN said his company in the USA always take risks in making decisions and hope for the best, which means sales are always higher. Meanwhile, his CAD company doesn't like taking risks, instead takes baby steps and are patient with decisions, which is why sales are lower)
- **Individual vs Group Rewards:** in some countries, personnel who do outstanding work are given individual rewards in the form of bonuses and commissions. In others, cultural norms require group reward, and individual rewards are frowned on

- **Informal vs Formal Procedure:** In some societies, much is accomplished through informal means. In others, formal procedures are set forth and followed rightly
- **High vs Low organizational loyalty:** In some societies, people identify very strongly with their organization or employer. In others, people identify with their occupational group, such as engineer or mechanic.
- **Cooperation vs. competition:** Some societies encourage cooperation between their people. Others encourage competition between their people.
- **Short-term vs. long-term horizons:** Some cultures focus most heavily on short-term horizons, such as short-range goals of profit and efficiency. Others are more interested in long-range goals, such as market share and technological development.
- **Stability vs. innovation:** The culture of some countries encourages stability and resistance to change. The culture of others puts high value on innovation and change.

An example of understanding cultural differences:

- How the Americans see the French – arrogant, flamboyant, hierarchical, and emotional
- How the French see the Americans – naïve, aggressive, unprincipled, and workaholic

Values: are basic convictions that people have regarding what is right and what is wrong, good, or bad, and important and unimportant

- Values are learned from the culture in which the individual is part of and help direct the person's behaviour
- Personal values do not change rapidly
- Managerial values do change at a high rate

EX: examining the effects of the US environment on the cultural values of Japanese managers working for Japanese firms in the United States

- *Lifetime employment:* widely accepted in Japanese culture, but Japanese managers did not believe this. However, believed job security was important
- *Formal authority, obedience, and conformance:* to hierarchic position are very important in Japan, but Japanese managers didn't think this and rejected the idea that one should not question a superior. They believed in the concept of formal authority
- *Group, orientation, cooperation, conformity, and compromise:* are important organizational values in Japan and managers agreed. But still believed being an individual was important and there should be a balance between group and personal orientation.
- individualism in Japan is on the rise, indicating that Japanese values are changing
- the culture starting to embrace what is being called the "era of personal responsibility"

Cultural Dimension Models: Hofstede, Trompenaars, & The Globe Project

Hofstede:

- Framework developed by Geert Hofstede
- Displays the effects of society's culture on the values of its members and how these values relate to behavior

- developed this model through a worldwide survey of employee values by IBM between 1967 and 1973
- Identified 4 original dimensions and later two additional dimensions of culture that help examine how and why people from various cultures behave as they do
- First 4 dimensions: Individualism-Collectivism, Uncertainty Avoidance, Power Distance, and Masculinity-Femineity
- 5th dimension: long-term orientation, developed due to research led in Hong Kong
- 6th dimension: Indulgence vs Self-restraint

DIMENSION 1 – Power Distance: the extent to which less powerful members of institutions and organizations accept that power is distributed unequally

- Countries with low PD follows rules
- Countries with high PD often obey the rules

DIMENSION 2- Uncertainty Avoidance: the extent to which people feel threatened by ambiguous situations and have created beliefs and institutions that try to avoid these

- countries with low UA are willing to accept risks (Denmark and Great Britain)
- countries with high UA need more security and strong beliefs in experts and their knowledge (Germany and Spain)

DIMENSION 3 – Individualism: the tendency for people to only look after themselves and their immediate family only

- Collectivism: is the tendency of people to belong to groups or collectives and to look after each other in exchange for loyalty
- Wealthier countries have higher Individualism scores
- Poorer countries have higher collectivism scores

DIMENSION 4 – Masculinity: a situation or cultural characteristic in which the dominant values in society are success, money, and things

- Femininity: a situation or cultural characteristic in which the dominant values in society are caring for others and the quality of life
- Countries with high masc place great importance on earnings, recognition, advancement, and challenge (Germanic countries)
- Countries with low masc place great importance on cooperation, a friendly atmosphere, and employment security (Norway)

DIMENSION 5 – Time orientation: dealing with society’s search for virtue

- Long term-oriented societies tend to focus on the future, believe there are multiple truths to issues that arise, rather than just one
- High LTO cultures, individuals are persistent, thrifty with their money, and highly adaptable to unexpected circumstances
- High LTO countries are China and Japan
- Table 4 – 4: Ten differences between indulgent and restrained societies (pg. 166) *

- Short term-oriented societies tend to focus more on the past and present than on the future, believe in absolutes (good and evil), value stability and leisure time, and spend money more freely. Gift giving and greetings are shared and reciprocated
- High STO countries: Spain, USA, and UK

DIMENSION 6 – Indulgence VS Restraint: *Indulgence* focuses on encouraging instant gratification of natural human needs, high percentage of people declaring themselves very happy (seen highly in USA, Australia, Mexico, and Chile)

- *Restraint* focuses on regulate and control behavior based on social norms, fewer very happy people (seen highly in Egypt, Russia, India, and China; located in Asia and Eastern Europe)

Trompenaars:

- Developed by FONS TROMPENAARS & Charles Hampden – Turner
- A framework for cross-cultural communication applied to general business management
- Conducted a survey including 8841 managers and organization employees from 43 countries
- This model has a total of 7 dimensions

DIMENSION 1 – Universalism vs Particularism:

- Universalism: the belief that ideas and practices can be applied everywhere in the world without modification
- High U cultures focus on formal rules more than on relationships, people believe “a deal is a deal” & business contracts are very important
- High U countries: United States, Australia, Germany, Sweden, and the United Kingdom
- Particularism: the belief that circumstance dictate how ideas and practices should be applied and that something cannot be done the same everywhere
- High P cultures focus more on relationships and trust than formal rules, and legal contracts are often modified with changes
- High P countries: Venezuela, the former Soviet Union, Indonesia, and China

DIMENSION 2 – Individualism vs Communitarianism/Collectivism:

- Individualism: refers to people regarding themselves as individuals
- High I countries: the United States, former Czechoslovakia, Argentina, the former Soviet Union (CIS), & Mexico
- Communitarianism: refers to people regarding themselves as part of a group, achieve things in groups and have joint responsibility

DIMENSION 3 – Neutral vs Emotional:

- Neutral culture: a culture in which emotions are held in check
- High N countries: Japan and the United Kingdom
- People in these countries try not to show their feelings, act stoically, and maintain their composure
- Emotional culture: a culture in which emotions are expressed openly and naturally

- Often smile, talk loudly when they are excited, etc.
- High E countries: Mexico, the Netherlands, and Switzerland

DIMENSION 4 – Specific vs Diffuse:

- Specific culture: a culture in which individuals have a large public space they shared with others and a small private space they guard closely and share with only close friends and associates
- High S countries: Austria, UK, Switzerland, and USA
- In specific cultures, people often are invited into a person's open, public space; individuals in these cultures often are open and extroverted; and there is a strong separation of work and private life.
- Diffuse culture: is one in which public space and private space are similar in size and individuals guard their public space carefully because entry into public space affords entry into private space
- High D countries: Venezuela, China, and Spain
- In diffuse cultures, people are not quickly invited into a person's open-public space because once they are in, there is easy entry into the private space as well. Individuals in these cultures often appear to be indirect and introverted, and work and private life often are closely linked.

DIMENSION 5 – Achievement vs Ascription:

- Achievement culture: A culture in which people are accorded status based on how well they perform functions
- Gives high status to high achievers
- High achievement countries: Austria, USA, Switzerland, and UK
- Ascription culture: a culture in which status is attributed based on who or what a person is
- According to status based on age, gender, or social connections
- For example: a person who has been with the company for 40 years maybe listened to carefully because of the respect that others have for the individual's age and longevity with the firm
- High Ascription countries: Venezuela, Indonesia, and China

DIMENSION 6 – Time

- Time: two different approaches: sequential and synchronous
- Sequential Approaches: are prevalent, people tend to do only one activity at a time, keep appointments strictly, and show a strong preference for following plans as they are laid out and not deviating from them (USA)
- Synchronous Approaches: people tend to do more than one activity at a time, appointments are approximate and may be changed at a moment's notice, and schedules generally are subordinate to relationships (Mexico)

DIMENSION 7 – The Environment

- Internal Direction: to control nature to achieve goals. This includes how they work with teams and within organizations (believe in controlling outcomes)
- Managers who believe in controlling their outcomes would: “what happens to me is my own doing”
- Outer Direction: Holistic point of view. People focus their actions on others, avoiding conflicts as much as possible (letting things take their own course)
- those who believe that they are controlled by their environment and cannot do much about it would opt for “sometimes I feel that I do not have enough control over the directions my life is taking”

Integrating Culture and Management – The Globe Project

- GLOBE is a research program that reflects an additional approach to measuring cultural differences
- The goal of GLOBE was to develop an empirically based theory to describe, understand, and predict the impact of specific cultural variables on leadership and organizational processes & the effectiveness of these processes.
- Overall, GLOBE hopes to provide a global standard guideline that allows managers to focus on local specialization. Specific objectives include answering these fundamental questions (pg.177)
- Phase 1 and 2: focuses on middle management
- Phase 3: examines the interactions of culture and leadership in upper-level management positions
- The GLOBE project set out to answer many fundamental questions about cultural variables shaping leadership and organizational processes (in slideshow, also on pg. 177)

GLOBE’s Cultural Dimensions

- 1st 6 dimensions have their origins in Hofstede’s cultural dimensions
- GLOBE the total of 9 dimensions

DIMENSION 1 – Uncertainty Avoidance

- UA is defined as the extent to which member of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, bureaucratic practices to alleviate the unpredictability of future events

DIMENSION 2 – Power Distance

- PD defined as the degree to which members of an organization or society expected agreed that power should be unequally shared

DIMENSION 3 – Collectivism I

- C1 societal collectivism refers to the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action

DIMENSION 4 – Collectivism 2

- C2 In-group collectivism refers to the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families

DIMENSION 5 – Gender Egalitarianism

- GE defined as the extent to which an organization or a society minimizes gender role differences and gender discrimination

DIMENSION 6 – Assertiveness

- Defined as the degree to which individuals and organizations or societies are assertive, confrontational, and aggressive in social relationships

DIMENSION 7 – Future Orientation

- Defined as the degree to which individuals and organizations or societies engaged in future oriented behaviors such as planning, investing in the future, and delaying gratification

DIMENSION 8 – Performance Orientation

- Refers to the extent to which an organization or society encourages and rewards group members for performance improvement and excellence

DIMENSION 9 – Humane Orientation

- Is defined as the degree to which individuals in organizations or societies encourage and reward individuals for being fair, trustworthy, friendly, generous, caring and kind to others

Chapter 5 – Managing Across Cultures (pg.187)

The Strategy for Managing Across Cultures

- MNC – Multinational Corporations
- As MNC's become more transnational, their strategies must address the cultural similarities and differences in their varied markets
- For Instance, Renault the automaker, had made strategic decisions that changed how it did business
- From working only in France, with limited geographic information about other surrounding areas
- To acquiring interest in established foreign automakers, integrated its sales organizations with those of Nissan in Europe
- creating a well-integrated, efficient sales force
- Renault started producing Nissan models in its Brazilian plant to expand its South American offerings by using current facilities
- They strategically targeted developing international markets to provide the most potential for future growth

- In the first half of 2018, sales grew by nearly 10%, record-high growth for the company
- Page 190 has more details of their growth, through other companies

Strategic Predispositions - 4 Direct Predispositions

- Most MNC have a cultural strategic predisposition towards doing things in a particular way
- 1) **Ethnocentric Predisposition:** a company that allows the values and interests of the parent company to guide strategic decisions
- 2) **Polycentric Predisposition:** a company that makes strategic decisions tailored to suit the cultures of the countries where the MNC operates
- 3) **Regiocentric Predisposition:** the firm tries to blend its own interests with those of its subsidiaries on a regional basis
- 4) **Geocentric Predisposition:** the company tries to integrate a global systems approach to decision making
- Pg. 191 chart – Orientation of an MNC under Different Profiles

Meeting the Challenge

- Despite the need for and the tendency of MNC to address regional differentiation issues, many MNCs remain committed to a globalization imperative
- **Globalization Imperative:** a belief that one worldwide approach to doing business is the key to both efficiency and effectiveness
- Effective MNCs are continuing their efforts to address local needs
- The following factors are moving companies to facilitate the development of unique strategies for different cultures, including:
 - 1. The diversity of worldwide industry standards such as those in broadcasting, where television sets must be manufactured on a country-by-country basis.
 - 2. A continual demand by local customers for differentiated products, as in the case of consumer goods that must meet local tastes.
 - 3. The importance of being an insider, as in the case of customers who prefer to “buy local.”
 - 4. The difficulty of managing global organizations, as in the case of some local subsidiaries that want more decentralization and others that want less.
 - 5. The need to allow subsidiaries to use their own abilities and talents and not be restrained by headquarters, as in the case of local units that know how to customize products for their market and generate high returns on investment with limited production output.
- To conclude, MNC finds that these strategies can be used effectively in capturing and maintain worldwide market niches
- An example is appliance producer Whirlpool, which has manufacturing facilities spread across the United States. Each plant is specialized and produces a small number of products for the entire North American market; in this way, each can focus on tailoring products for the unique demands of the various markets.

Globalization VS Nation Responsiveness

- This challenge is even more acute when marketing cosmetics and other products that vary greatly in consumer use
- The way marketing message is delivered is important
- For ex: Germans want advertising that is factual and rational; they fear being manipulated by “the hidden persuader.” The typical German spot features the standard family of two parents, two children, and grandmother.
- Sometimes, the product and the message are similar worldwide, true for high end products, where the lifestyles and expectations of the market niche are similar regardless of the country
- The need to adjust global strategies for regional markets presents three major challenges for most MNCs. **First**, the MNC must stay abreast of local market conditions and sidestep the temptation to assume that all markets are basically the same. **Second**, the MNC must know the strengths and weaknesses of its subsidiaries so that it can provide these units with the assistance needed in addressing local demands. **Third**, the multinational must give the subsidiary more autonomy so that it can respond to changes in local demands.

Cross Cultural Differences and Similarities

- **Parochialism**: the tendency to view the world through one’s own eyes and perspectives, highly used by international managers (some may consider as not trustworthy, others may consider it disrespectful)
- **Simplification**: the process of exhibiting the same orientation toward different cultural groups.
- For instance: the one in which a US manager interests with a British manager is the same way he/she behaves when doing business with an Asian executive
- Effective international managers understand the culture in which they do business in

Similarities Across Cultures

- Some similarities across cultures have been uncovered by researchers.
- A study done in the largest textile factory in Russia found the following:
- Communication activity was a significant predictor of effective performance in both Russia and the U.S.
- Another study at the same Russian factory tested OB modification.
- What worked in the U.S., produced positive results in the Russian factory.
- Similarities from a study comparing Korean and U.S. workers.
- As organizational size increased, commitment declined.
- As structure became more employee-focused, commitment increased.
- Positive perceptions of organizational climate increased commitment

Many Differences across Cultures

- MNC are discovering that they must carefully investigate and understand the culture where they intend to do business and modify their approaches appropriately
- Sometimes these cultures are quite different than the USA – as well as from each other
- Understanding HRM strategies before managing in the industry aids in effective performance – HRM differences can be found in wages, pay equity, and more:
- The concept of an hourly wage plays a minor role in Mexico. Labor law requires that employees receive full pay 365 days a year.
- In Austria and Brazil, employees with one year of service are automatically given 30 days of paid vacation.
- Some jurisdictions in Canada have legislated pay equity—known in the United States as comparable worth—between male- and female-intensive jobs.
- Through these examples, we learn the practices are different from USA and MNC need to modify their approaches when they go into these countries if they hope to be successful
- Conventional wisdom about HRM practices in certain countries are no longer valid:
- For instance: Traditionally, Japanese employees did not leave their jobs for other firms, they are loyal to their first employer
- However, job hopping among Japanese employees is becoming increasingly common
- **Country Clusters:** the idea that certain regions of the world have similar cultures

China VS Argentina (pg.200-201)

- China scores higher in Uncertainty Avoidance, meaning they prefer structured situations, rules, and careful planning, while their counterparts in the US and Argentina are more open to loosen restrictions and more unplanned situations
- China managers tend to value assertiveness more than Argentina Managers
- Indicating that aggressive or confrontational behaviour in a business negotiation would not be viewed in a negative way by Chinese Managers, in contrast to Argentina Managers
- Both countries score low in Power distance, meaning that managers in these cultures prefer structures with less hierarchy and more equality

Managing Culture in China

- China had a long tradition of isolation
- 1979 Deng Xiaoping opened this country to the world
- China is actively trading in world markets, is a member of the WTO, and is a major trading partner of the United States
- Many US and European multinationals still find that doing business in China can be a long, grueling process
- Primary criterion for doing business in China is technical competence

- Sellers must be prepared to answer questions in precise detail that answers requires both knowledge and experience
- Successful Multinationals send only seasoned engineers and technical people to China to answer such questions
- Chinese culture value punctuality a lot, so it is important that those who do business with them arrive on time
- Chinese people nodding their head means: they understand, like what they hear, and want to enter the contract (patience is critically important)
- **Guanxi**: it means good connections, in turns these good connections can lead to lower costs for doing business
- Guanxi networking offers many potential benefits, including increased business, higher sales revenue, and more (pg.202)
- The Chinese, as a collective society, pride themselves on being members of a group.
- In negotiations, reciprocity is important, in order to extract further concessions
- During negotiations, it is also important not to show excessive emotion of any kind. Anger or frustration, for example, is viewed as antisocial and unseemly. Negotiations should be viewed with a long-term perspective
- The transitioning economy has caused a shift in business culture, affecting professionals' private lives.

Managing Culture in Russia

- There are risks of doing business in Russia, as the economy has experienced severe problems
- Due to recent tensions between the governments of Russia and the G7 nations, resulting from Russian intervention in Crimea and Syria, have made business dealings even more complicated
- However, MNC can begin to open potential opportunities by following certain guidelines
- Important to build personal relationships with partners
- Contracts can be formed later, all that is important now is friendships
- The rules of business have changed so much in recent years, it pays to have a local Russian consultant working with the company.
- Russian expatriates often are not up to date on what is going on and, quite often, are not trusted by local businesspeople who have stayed in the country. So, the consultant should be someone who has been in Russia all the time and understands the local business climate.
- It is traditional in Russia to give gifts to those with whom one wants to transact business, an approach that may be regarded as bribery in the United States
- (IKEA in Russia has faced bribery allegations due to this, though it is normal there but not in USA. IKEA is a USA brand)
- When conducting business in Russia, businesspeople should be careful about compromising or settling things too quickly, as this is often seen as a sign of weakness
- Display patience and wait it out, if agreements aren't reached after a while
- Must consider cultural factors when doing business in Russia

- Fix and reinforce the final agreements with a nice dinner together and an invitation to the Russian to visit your country and see your facilities
- Making valuable connections, such as with a mayor, are important
- Don't talk business right away, focus on building the relationship

Managing Culture in India

- Unsaturated consumer markets and cheap labour & production locations have helped make India a desirable market for global firms
- Shaking hands with male business associates is almost always an acceptable practice
- A universal greeting, "Namaste" means greetings to you
- For Western businesspeople in India, shirt, trousers, tie, and suit are proper attire.
- In the southern part of India, where the climate is very hot, a light suit is preferable.
- Indian businesspeople often will wear local dress such as cultural clothing (men would wear dhoti/veshti)
- Some may wear kurtas, turbans (religious wear), sherwani, etc.
- Foreign businesspeople are not expected to dress like locals and in fact many Indian businesspeople will dress like Europeans (unnecessary to adapt to local dress codes)
- Indians are understanding that many are unfamiliar with local customs and procedures (so don't be extra making phony attempts)
- Making an effort to be polite and courteous is sufficient

Managing Culture in France

- Social class and Status are very important in France, the division of social structure
- USA believes it is more difficult to get along with the French than with other Europeans
- French is not motivated by competition, and are often accused of not having a work ethic, but are known for having high productivity
- No overtime, long vacations
- They believe the quality of life is what really matters, thus put great importance in leisure time
- Most French organisations tend to be highly centralized and have rigid structures.
- Therefore, it usually takes longer to carry out decisions
- In French companies, top managers have more authority than their US counterparts, and they are less accountable for their actions
- French executives are challenged only if the company has poor performance
- French organizations take more of an autocratic approach

Managing Culture in Brazil

- Though Brazil is a Latin American country, this nation has characteristics that are different compared to other Latin American countries
- Brazil is extremely multicultural, but is still demonstrates attributes of Portuguese culture

- Brazilian businesspeople tend to have more of a relaxed work ethic, respect inherited wealth and roots over entrepreneurial opportunities
- Physical contact is a form of communication
- For ex: businesspeople tend to stand very close to others when having a conversation, and will touch the person's back or arm or elbow as a greeting or sign of respect
- Face to Face interaction is preferred as a way to communicate
- AVOID: emailing or calling
- Brazilian culture tends to not be governed by the clock, so meetings can happen after the scheduled time by 10-30 mins
- Men should wear conservative dark suits, shirts, and ties
- Women should dress nicely, but avoid too conservative or formal attire
- Patience is key in Brazilian culture
- Expressing frustration or impatience and attempting to speed up procedures may lose the deal

Managing Culture in Arab Countries

- Europeans and Americans often find the explorer hard to do business in Arab countries and a number of Arab cultural characteristics can be cited for this difficulty
- Arabs view time differently with no concern for missed meetings as they believe they have no control over time in the first place.
- Arab culture generally holds that destiny depends more on the will of a supreme being than on the behavior of individuals, Individual action is of little consequence.
- Social status is largely determined by family position and connections, not necessarily by accomplishments.
- Initial meetings typically are used to get to know the other party.
- Arab businesspeople tend to attach importance to status and rank. Pay deference to the senior person first

Organization Culture

- Organizational Culture: shared values and beliefs that enabled members to understand their roles and the norms of the organization
- Defined by Edgar Schein as “a pattern of shared basic assumptions that the group learned as it solved the problems of external adoption and internal integration, and that has worked well enough to be considered valid”
- “Therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”
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- Characteristics of Organizational Culture:
- 1. Observed behavioral regularities, as typified by common language, terminology, and rituals
- 2. Norms, as reflected by things such as the amount of work to be done and the degree of cooperation between management and employees
- 3. Dominant values that the organization advocates and expects participants to share, such as high product and service quality, low absenteeism, and high efficiency
- 4. A philosophy that is set forth in the MNC’s beliefs regarding how employees and customers should be treated
- 5. Rules that dictate the dos and don’ts of employee behaviour relating to areas such as productivity, customer relations, & intergroup cooperation
- 6. Organizational climate, or the overall atmosphere of the enterprise, as reflected by the way that participants interact with each other, conduct themselves with customers, and feel about the way they are treated by higher-level management
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- ***The major problem is that sometimes an MNC’s organizational culture in one country’s facility may differ from another OC in another countries’ facility.***
- EX: managers who do well in England, may be ineffective in Germany, despite the fact that they work for the same MNC. In addition, the cultures of the English and German subsidiaries may differ sharply from those of the home US location. (pg.216 – AstraZeneca example)
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- ***In some cases, companies have deliberately maintained two different business cultures because they do not want one culture influencing another***
- For example: “Tata, an Indian company, bought control of Korean Company “Daewoo” and used the strategy that isn’t very common when taking control of another company they stated that “Tata will operate Daewoo as a Korean company, in Korea, managed by Koreans””

Interaction between National & Organizational Cultures

- Belief that organizational culture tends to moderate or erase the impact of national culture
- “National cultural values of 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” – Hofstede
- Hofstede’s data base “diagnosing organizational culture for strategic application (DOCSA)” it examines and addresses the differences between organizational cultures
- Dimensions of Organizational culture & corporate culture: motivation, relationship, identity, communication, control & conduct

Cultural Interaction

- Cultural differences within an MNC could reduce the ability of units to work well together
- Even though an alliance may exist, the partners will bring different organizational cultures with them (ex: *French* people – look for a meeting of minds, while *Spanish* people – look for a meeting of people)
- Lessem and Neubauer: portrayed Europe as offering four distinct ways of dealing with multiculturalism – based on UK, French, German & Italian characteristics
- Table 6-2 (pg.219) states the difference is highlights how difficult it can be to do business with two or more of these groups, each group perceives things differently from the others
- Overall, when dealing with these challenges, MNCs must work hard to understand the nature of the country and institutional practices to both moderate and adapt their operations in a way that accommodates the company and consumer base

Organizational Cultures in MNCs

- Organizational cultures of MNCs are shaped by a number of factors, including cultural preferences of the leaders and employees
- When one company merges or acquires another, there are 4 steps that are critical in this process (Numeroff and Abrahams):
- S1: the two groups have to establish the purpose, goal, and focus of their merger
- S2: then they have to develop mechanisms to identify the most important organizational structures and management roles
- S3: they have to determine who has authority over the resources needed for getting things done
- S4: they have to identify the expectations of all involved parties and facilitate communication between both departments and individuals in this structure
- Differences in workplace cultures sometimes temporarily overshadowed the overall goal of long-term success of the newly formed entity

- It is the role of the sponsors and managers to keep sight of the necessity to create, maintain, and support the notion of a united front.
- If so, an international merger or acquisition can be truly labeled a success
- 3 Aspects of Organizational functioning that seem to be especially important in determining MNC organizational culture:
- A1: the general relationship between the employees and their organization
- A2: the hierarchical system of authority that defines the roles of managers and subordinates
- A3: the general view that employees hold about the MNC's purpose, destiny, goals, and their place in them
- Two Continuums:
 - 1) one distinguishes between equity and hierarchy
 - 2) the other examines orientation to the person and the task

The following four organization cultures described by Trompenaars are "pure" types and seldom exist in practice

Family Culture

- Family Culture: a culture that is characterized by a strong emphasis on hierarchy and orientation to the person
- 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.
- the leader is revered and considered to be the source of all power
- Personnel do not only respect the individual who is in charge, but look to them for guidance and approval as well
- This organizational culture is common in countries such as Turkey, Pakistan, Venezuela, China, Hong Kong, and Singapore
- This type of culture is foreign to most managers in the USA
- Management assumes a parental relationship with personnel, looks after employees, and tries to ensure that they are treated well and have continued employment
- Family culture is also characterized by traditions, customs, and associations that bind together the personnel and make it difficult for outsiders to become members

Eiffel Tower Culture

- Eiffel Tower Culture: is characterized by strong emphasis on hierarchy and orientation to the task
- The jobs are well defined, employees know what they're supposed to do, and everything is coordinated from the top.
- This culture is steep, narrow at the top, and broad at the base
- The person who holds the top/highest position can be replaced at any time, and it won't have an effect of the work that the members are doing
- In Eiffel tower culture, relationships are specific, and status remains with the job

- The culture operates like a formal hierarchy—impersonal and efficient.
- Each role at each level of the hierarchy is rated for its difficulty, complexity, responsibility, and has a salary attached to it
- Job assignments are fixed and limited
- Found in northwestern European countries: Denmark, Germany, and the Netherlands

Guided Missile Culture

- Guided Missile Culture: is characterized by strong emphasis on equality in the workplace and orientation to the task
- This culture is orientated to work, which typically is undertaken by teams or project groups
- Does whatever it takes to get the job done
- Its name is inspired by NASA
- All types of workers/engineers have to work in close harmony and cooperate with everyone on the time
- The team member whose contribution would be crucial at any given time in the project typically could not be known in advance
- Formal hierarchical considerations are given low priority, and individual expertise is of greatest importance
- All team members are equal because their relative contributions to the project are not known yet
- All teams treat each other with respect because they may need the other for assistance
- This culture fits well with national cultures of the United States and United Kingdom, which explains why MNCs locate operations here
- Changes come quickly – teams are reconfigured and assigned new objectives
- Everyone is so committed to the project's main goal that no has time for petty disagreements

Incubator Culture

- Incubator culture is the fourth major type of organizational culture that Trompenaars identified, and it is characterized by strong emphasis on equality and personal orientation
- Participants of this culture are there primarily to perform roles such as confirming, criticizing, and developing, finding resources for or helping complete the development of an innovative product or service
- This culture often has little formal structure
- These cultures are made up by creative teams
- Found often among start-up firms in Silicon Valley, California, or Silicon Glen, Scotland
- Often create environments where participants thrive on an intense emotional commitment to the nature of the work (ex: sometimes overworked and typically organization is underfunded)

- Change in this culture is often fast and spontaneous – all participants are working towards the same objective
- Leadership is achieved, not gained by position
- Problems are often open to redefinition and the solution is typically generic
- Common to see employees working 70 hours a week and loving it

Managing Multiculturalism and Diversity

- Success in the international arena often is greatly determined by an MNC's ability to manage both multiculturalism and diversity
- Organizations find themselves leading workforces that have a variety of cultures (& subcultures) and a diverse racial population
- The effect of multiculturalism and diversity will vary depending on the stage of the firm in its international evolution – 4 stages, in ppt as Figure 6-4
- “International cultural diversity has minimal impact on domestic organizations, although domestic multiculturalism has a highly significant impact” – Adler
- Also states as firms begin exporting to foreign clients (international operations), they must adapt their approach and products to those of the local market
- The impact of multiculturalism is highly significant amongst international firms
- International cultural diversity does not affect *domestic firms' organizational culture* nor its relationship with its customers or clients
- Domestic firms work domestically, and only domestic multiculturalism has a direct impact on them

Types of Multiculturalism

- **1. Domestic Multiculturalism**
- Domestic multiculturalism states “culturally distinct populations can be found within organizations almost everywhere in the world”, meaning you don't need to do business in another country to encounter multiculturalism
- **Ex:** in the USA, millions of first-generation immigrants have brought both their languages and their cultures
- It is possible to examine domestic multiculturalism within the same ethnic group
- **Ex:** after conducting research in Singapore among small Chinese family businesses, found that the viewpoints of the older generation differ sharply from those of the younger generation
- Such differences can slow organizational processes as one generation considers the other to be ineffective in its methods
- Therefore, managers must convey a common message to increase productivity while also satisfying everyone of all ages
- **2. Group Multiculturalism**
- Group multiculturalism states there are a number of ways that diverse groups can be categorized.

- As the diversity of a group increases, the likelihood of all members perceiving things in the same way decreases
- attitudes, perceptions, and communication in general may be a problem
- the advantage is the effective use of multicultural, diverse groups
- sometimes local laws may require a certain level of diversity in the workplace
- 4 of the most common include:
- A) Homogeneous group – a group in which members have similar backgrounds and generally perceive, interpret, and evaluate events in similar ways
- B) Token groups – a group in which all members but one has the same background, such as a group of Japanese retailers and a British attorney
- C) Bicultural group – a group in which two or more members represent each of two distinct cultures
- **ex:** a mix of Tamils and Gujaratis formed a team to investigate the possibility of investing in a venture
- D) Multicultural group – a group in which there are individuals from three or more different ethnic backgrounds
- **ex:** 3 Germans, 3 Chinese, and 3 Uruguayans who are looking into mining operations in South Africa

Potential Problems Associated with Diversity

- Diversity may cause a lack of cohesion, resulting in idleness, unproductive work, and the inability to be efficient or effective.
- These problems are rooted in people’s attitudes—such as mistrust.
- **Ex:** talking in a foreign language with a coworker, raise concerns why they’re talking in another language, what are they talking about that they don’t want others to hear
- Another potential problem is perceptual—when culturally diverse groups come together, they often bring preconceived stereotypes with them.
- **Ex:** in a meeting, trusting a foreign engineer’s advice more than a local worker who has more knowledge about the company. However, due to status and title, this worker’s opinion is not considered.
- A related problem is inaccurate biases.
- Still another potential problem with diverse groups is miscommunication or inaccurate communication, which can occur for a number of reasons.
- Misunderstandings can be caused by a speaker using words that are not clear to other members.
- **Ex:** For example, in a diverse group in which one of the authors was working, a British manager told her U.S. colleagues, “I will fax you this report in a fortnight.” When the author asked the Americans when they would be getting the report, most of them believed it would be arriving in four days. They did not know that the common British word fortnight (14 nights) means two weeks.
- Another contribution to miscommunication may be the way in which situations are interpreted.

- **Ex:** Japanese people nodding their heads in meetings, does not mean they agree with what you are saying, it is considered a polite and attentive gesture.
- Diversity also may lead to communication problems due to perceptions of time.

Advantages of Diversity

- Growing evidence shows diverse groups enhance creativity, lead to better decisions, and result in more effective and productive performance.
- Group members come from a variety of cultures and are able to create a greater number of unique (creative) solutions and recommendations.
- **Ex:** your company is in charge of the launch of a new product in 3 different countries, so a meeting is made with sales managers from these nations. Each help revising and better target its marketing efforts. For instance, middle east says to launch the product during June-July due to EID. Japan says to launch with better colors to match its nations. All advise is considered helpful.
- A second major benefit is that culturally diverse groups can prevent **groupthink**.
- Groupthink: Social Conformity and pressures on individual members of a group to conform and reach consensus
- 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 avoid this problem as members do not think similarly or feel pressure to conform.
- Thus, make efforts to persuade others to change their minds
- Diversity in the workplace enhances more than just internal operations—it enhances relationships to customers as well.
- If the customer base is composed of many cultures, the company may want to have representatives from corresponding nationalities
- **Ex:** when Avon observed an increase in the number of Korean shoppers at one of its U.S. locations, it quickly employed Korean staff

Understanding the Conditions for Effectiveness

- Multicultural teams are most effective when they face tasks requiring innovativeness, and far less effective when assigned to routine tasks
- For greatest effectiveness, focus attention 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, attentions may be directed more toward describing and analyzing the problem or task that has been assigned.
- In the action stage, focus shifts to decision making and implementing and often requires consensus building among the members.

Using the Proper Guidelines

- Team members must be selected for their task-related abilities and not solely based on ethnicity.
- Team members must recognize and be prepared to deal with their differences.
- The team leader must help the group to identify and define its overall goal.
- Members must have equal power so that everyone can participate in the process.
- It is important that all members have mutual respect for each other.
- Managers must give teams positive feedback on their process and output.