Chapter 6

ORGANIZATIONAL CULTURES AND DIVERSITY

The previous two chapters focused on national cultures. The overriding objective of this chapter is to examine the interaction of national culture (diversity) and organizational cultures and to discuss ways in which MNCs can manage the often inherent conflicts between national and organizational cultures. Many times, the cultural values and resulting behaviors that are common in a particular country are not the same as those in another. To be successful, MNCs must balance and integrate the national cultures of the countries in which they do business with their own organizational culture. Employee relations, which includes how organizational culture responds to national culture or diversity, deals with internal structures and defines how the company manages. Customer relations, associated with how national culture reacts to organizational cultures, reflects how the local community views the company from a customer service and employee satisfaction perspective.

Although the field of international management has long recognized the impact of national cultures, only recently has attention been given to the importance of managing organizational cultures and diversity. This chapter first examines common organizational cultures that exist in MNCs, and then presents and analyzes ways in which multiculturalism and diversity are being addressed by the best, world-class multinationals. The specific objectives of this chapter are:

1. **DEFINE** exactly what is meant by *organizational culture,* and discuss the interaction of national and MNC cultures.

2. **IDENTIFY** the four most common categories of organizational culture that have been found through research, and discuss the characteristics of each.

3. **PROVIDE** an overview of the nature and degree of multiculturalism and diversity in today's MNCs.

4. **DISCUSS** common guidelines and principles that are used in building multicultural effectiveness at the team and the organizational levels.

The World of *International Management*

Managing Culture and Diversity in Global Teams

According to many international consultants and managers, diverse and global teams are one of the most consistent sources of competitive advantage for any organization. Applied Materials, a global multinational manufacturer of nanotechnology, has a corporate culture that regards diversity as a competitive advantage. Its employees are located in Belgium, Canada, China, France, Germany, India, Ireland, Israel, Italy, Japan, Korea, Malaysia, The Netherlands, Singapore, Spain, Switzerland, Taiwan, the United Kingdom, and the United States. According to the company, "understanding different perspectives, taking advantage of varied approaches and working together in cross-cultural teams are intrinsic to the company and have been integral to our success."

Most global teams are also virtual teams. According to a study by Kirkman, Rosen, Gibson, and Tesluk, virtual teams are "groups of people who work interdependently with shared purpose across space, time, and organization boundaries using technology to communicate and collaborate." These teams are often cross-cultural and cross-functional. Furthermore, Kirkman and colleagues explain that virtual teams allow "organizations to combine the best expertise regardless of geographic location." To manage a global team, international managers must take into consideration three factors: culture, communication, and trust.

Culture

A leader's management approach may vary based on his/her employees' culture. In his article "Culture Matters in Virtual Teams," Surinder Kahai explains how a manager's approach may differ based on whether the employees are part of an individualist or collectivist national culture. He first identifies four different possible management approaches:

- Outcome control—measure and regulate outcomes sought

- Behavior control—specify the procedures to be followed by employees
- Clan control—implement a set of values where employees are rewarded or punished according to their conformity with these values
- Self-control—allow individuals to set their own goals and then monitor their performance in achieving their goals

Kahai cites the research of Ravi Narayanaswamy, who found that managers are most effective in using self-control and outcome control in virtual teams whose members come from a "high individualism culture, i.e., a culture in which ties between individuals are loose and people tend to achieve things individually and assume personal responsibility." This culture is found in places such as the U.S., the U.K., and Australia. These individuals perform better when given freedom to do their work as they see fit. Outcome controls are needed to ensure that individuals' goals are aligned with the overall project's goals. In contrast, managers are most effective in using clan control and behavior control in virtual teams whose members come from a "high collectivistic culture, i.e., a culture characterized by strong interpersonal ties and by collective achievement and responsibility." This culture is found in places such as China, the Philippines, and South Korea. These individuals perform better when their values are in harmony with their managers. Clan control can help create that harmony. Also, workers in these cultures tend to be motivated to follow procedures, so behavior control is recommended.

Communication

Communicating without face-to-face interaction can have its drawbacks. Specifically, it is more likely that a message is misinterpreted. (See the nearby figure.) In her article, "Tips for Working in Global Teams," Melanie Doulton provides helpful suggestions for good communication in a global team:

- When starting a project with a new team, hold an initial meeting in which all members introduce themselves and describe the job each one is going to do.
- Hold regular meetings throughout the project to ensure everyone is "on the same page." Follow up conference calls with written minutes to reinforce what was discussed and what individual team members are responsible for.
- Put details of the project in writing, especially for a new team in which everyone speaks in different accents and uses different idioms and colloquialisms.
- Communicate using the most effective technology. For example, decide when e-mail is preferable to a phone call or instant messaging is preferable to a videoconference. In addition, try to understand everyone's communication style. For example, for a high-context culture such as India's, people tend to speak in the passive voice, whereas in North America, people use the active voice.

Moreover, while acknowledging the challenges of communication in virtual teams, Steven R. Rayner also points out that written communication can have an advantage. He states, "The process of writing—where the sender must carefully examine how to communicate his/her message—provides the sender with the opportunity to create a more refined response than an 'off-the-cuff' verbal comment."

Likelihood of Message Getting Interpreted Correctly

LOW				HIGH
Fax/Letter	E-mail	Telephone	Video Conferencing	Face-to-Face Interaction
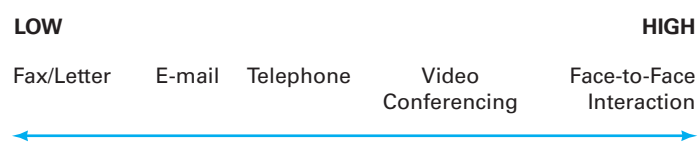
Source: Adapted from Steven R. Rayner, "The Virtual Team Challenge," Rayner & Associates, Inc., 1997.

Trust

Kirkman and colleagues emphasize that "a specific challenge for virtual teams, compared to face-to-face teams, is the difficulty of building trust between team members who rarely, or never, see each other." Rayner notes that "by some estimates, as much as 30 percent of senior management time is spent in 'chance' encounters (such as unplanned hallway, parking lot, and lunch room conversations). . . . In a virtual team setting, these opportunities for relationship building and idea sharing are far more limited."

How can managers build trust among virtual team members? From their research, Kirkman and colleagues discovered that "building trust requires rapid responses to electronic communications from team members, reliable performance, and consistent follow-through. Accordingly, team leaders should coach virtual team members to avoid long lags in responding, unilateral priority shifts, and failure to follow up on commitments." In addition, Doulton recommends that virtual team members "exchange feedback early" and allow an extra day or two for responses due to time zone differences.

Team building activities also build trust. According to Kirkman, as part of the virtual team launch, it is recommended that all members meet face-to-face to "set objectives, clarify roles, build personal relationships, develop team norms, and establish group identity." Picking the right team members can help the teams become more cohesive as well. When Kirkman and colleagues interviewed 75 team leaders and members in virtual teams, people responded that skills in communication, teamwork, thinking outside the box, and taking initiative were more important than technical

skills. This finding was surprising, considering most managers select virtual team members based on technical skills. Having people with the right skills is essential to bring together a successful virtual team.

Advantages of Global Virtual Teams

In addition to its challenges of overcoming cultural and communication barriers, global virtual teams have certain advantages over face-to-face teams.

First, Kirkman concluded that "working virtually can reduce team process losses associated with stereotyping, personality conflicts, power politics, and cliques commonly experienced by face-to-face teams. Virtual team members may be unaffected by potentially divisive demographic differences when there is minimal face-to-face contact." Managers may even give fairer assessments of team members' work because managers are compelled to rely on objective data rather than being influenced by their perceptual biases.

Second, Rayner observes that "having members span many different time zones can literally keep a project moving around the clock. . . . Work doesn't stop—it merely shifts to a different time zone."

Third, according to Rayner, "The ability for an organization to bring people together from remote geography and form a cohesive team that is capable of quickly solving complex problems and making effective decisions is an enormous competitive advantage."

For an international manager, this competitive advantage makes overcoming challenges of managing global teams worth the effort.

Clearly, there are both benefits and challenges inherent in multinational, multicultural teams. These teams, which almost always include a diverse group of members with varying functional, geographic, ethnic, and cultural backgrounds, can be an efficient and effective vehicle for tackling increasingly multidimensional business problems. At the same time, this very diversity brings challenges which are often exacerbated when the teams are primarily "virtual." Research has demonstrated the benefits of diversity and has also offered insight on how best to overcome the inherent challenges of global teams, including those that are "virtual."

In this chapter we will explore the nature and characteristics of organizational culture as it relates to doing business in today's global context. In addition, strategies and guidelines for establishing a strong organizational culture in the presence of diversity are presented.

■ The Nature of Organizational Culture

The chapters in Part One provided the background on the external environment, and the chapters so far in Part Two have been concerned with the external culture. Regardless of whether this environment or cultural context affects the MNC, when individuals join an MNC, not only do they bring their national culture, which greatly affects their learned beliefs, attitudes, values, and behaviors, with them, but they also enter into an

organizational culture. Employees of MNCs are expected to "fit in." For example, at PepsiCo, personnel are expected to be cheerful, positive, enthusiastic, and have committed optimism; at Ford, they are expected to show self-confidence, assertiveness, and machismo.[1] Regardless of the external environment or their national culture, managers and employees must understand and follow their organization's culture to be successful. In this section, after first defining organizational culture, we analyze the interaction between national and organizational cultures. An understanding of this interaction has become recognized as vital to effective international management.

Definition and Characteristics

Organizational culture has been defined in several different ways. In its most basic form, organizational culture can be defined as the shared values and beliefs that enable members to understand their roles in and the norms of the organization. A more detailed definition is offered by organizational cultural theorist Edgar Schein, who defines it as a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, and that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.[2]

> **organizational culture**
> Shared values and beliefs that enable members to understand their roles in and the norms of the organization.

Regardless of how the term is defined, a number of important characteristics are associated with an organization's culture. These have been summarized as:

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 behavior relating to areas such as productivity, customer relations, and 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.[3]

This list is not intended to be all-inclusive, but it does help illustrate the nature of organizational culture.[4] The major problem is that sometimes an MNC's organizational culture in one country's facility differs sharply from organizational cultures in other countries. For example, 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 U.S. location. Effectively dealing with multiculturalism within the various locations of an MNC is a major challenge for international management.

A good example is provided by the German MNC Hoechst AG, the very large chemical company that employs more people on the other side of the Atlantic than in Germany. As its chairman has noted, "We are not merely a German company with foreign interests. One could almost say we are a nonnational company." And because of the high labor costs in Germany, the firm has been expanding its operations to lower-cost regions. It has also been selling some of its German operations while purchasing businesses in other countries. In the process, Hoechst has also made its top management less German. For example, a Brazilian and an American are members of the firm's nine-member board. The company is also trying to change its culture through new

performance-based pay programs. However, getting people to buy into the new culture has proved a challenge.

In some cases companies have deliberately maintained two different business cultures because they do not want one culture influencing the other. A good example is JCPenney, the giant department store chain. When this well-known retailer bought control of Renner, a Brazilian retail chain with 20 stores, 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. Recognizing Renner's reputation for value and service among its middle-class customers, Penney let the Brazilian managers continue to run the stores while it provided assistance in the form of backroom operations, merchandise presentation, logistics, branding, and expansion funds. In a country where fashion is constantly evolving, Renner is able to keep up with the market by changing fashion lines seven to eight times a year. 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 Penney's infusion of capital, in the first two years Renner opened 30 more stores and sales jumped from $150 million to over $300 million. The company proved to be profitable for a while; however, the run did not last forever, and JCPenney sold its controlling interest in the company in 2005.

■ Interaction between National and Organizational Cultures

There is a widely held belief that organizational culture tends to moderate or erase the impact of national culture. The logic of such conventional wisdom is that if a U.S. MNC set up operations in, say, 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 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. So, for example, while some French employees would have a higher power distance than Swedes and some a lower power distance, chances are "that if a company hired locals in Paris, they would, on the whole, be less likely to challenge hierarchical power than would the same number of locals hired in Stockholm."[5]

Andre Laurent's research supports Hofstede's conclusions.[6] He 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 lands. Nancy Adler summarized these research findings as follows:

> When they work for a multinational corporation, it appears that Germans become more German, Americans become more American, Swedes become more Swedish, and so on. Surprised by these results, Laurent replicated the research in two other multinational corporations, each with subsidiaries in the same nine Western European countries and the United States. Similar to the first company, corporate culture did not reduce or eliminate national differences in the second and third corporations. Far from reducing national differences, organization culture maintains and enhances them.[7]

There often are substantial differences between the organizational cultures of different subsidiaries, and of course, this can cause coordination problems. For example, when the Upjohn Company of Kalamazoo, Michigan, merged with Pharmacia AB of Sweden, which also has operations in Italy, the Americans failed to realize some of the cultural differences between themselves and their new European partners. As was reported in *The Wall Street Journal,* "Swedes take off the entire month of July for vacation, virtually en masse, and Italians take off August. Everyone in *Europe* knows, that is, but apparently hardly anyone in Kalamazoo, Michigan, does."[8] As a result, a linkup that was

supposed to give a quick boost to the two companies, solving problems such as aging product lines and pressure from giant competitors, never got off the ground. Things had to be rescheduled, and both partners ended up having to meet and talk about their cultural differences, so that each side better understood the "dos and don'ts" of doing business with the other.

When the two firms first got together, they never expected these types of problems. Upjohn, with household names such as Rogaine and Motrin, had no likely break-throughs in its product pipeline, so it was happy to merge with Pharmacia. The latter had developed a solid roster of allergy medicines, human-growth hormone, and other drugs, but its distribution in the United States was weak and its product line was aging. So a merger seemed ideal for both firms. The big question was how to bring the two companies together. Given that Pharmacia had recently acquired an Italian firm, there was a proposal by the European group that there be three major centers—Kalamazoo, Stockholm, and Milan—as well as a new headquarters in London. However, this arrange-ment had a number of built-in problems. For one, the executives in Italy and Sweden were accustomed to reporting to local bosses. Second, the people in London did not know a great deal about how to coordinate operations in Sweden and Italy. American cultural values added even more problems in that at Upjohn workers were tested for drug and alcohol abuse, but in Italy waiters pour wine freely every afternoon in the company dining room, and Pharmacia's boardrooms were stocked with humidors for executives who liked to light a cigar during long meetings. Quite obviously, there were cultural differences that had to be resolved by the companies. In the end, Pharmacia and Upjohn said they would meld the different cultures and attitudes and get on with their growth plans. However, one thing is certain: The different cultures of the merged firms created a major challenge.

In examining and addressing the differences between organizational cultures, Hofstede provided the early database of a set of proprietary cultural-analysis techniques and programs known as DOCSA (Diagnosing Organizational Culture for Strategic Application). This approach identifies the dimensions of organizational culture sum-marized in Table 6–1. It was found that when cultural comparisons were made between different subsidiaries of an MNC, different cultures often existed in each one. Such cultural differences within an MNC could reduce the ability of units to work well together. An example is provided in Figure 6–1, which shows the cultural dimensions of a California-based MNC and its European subsidiary as perceived by the Europeans. A close comparison of these perceptions reveals some startling differences.

The Europeans viewed the culture in the U.S. facilities as only slightly activities oriented (see Table 6–1 for a description of these dimensions), but they saw their own European operations as much more heavily activities oriented. The U.S. operation was viewed as moderately people oriented, but their own relationships were viewed as very job oriented. The Americans were seen as having a slight identification with their own organization, while the Europeans had a much stronger identification. The Americans were perceived as being very open in their communications; the Europeans saw them-selves as moderately closed. The Americans were viewed as preferring very loose control, while the Europeans felt they preferred somewhat tight control. The Americans were seen as somewhat conventional in their conduct, while the Europeans saw themselves as some-what pragmatic. If these perceptions are accurate, then it obviously would be necessary for both groups to discuss their cultural differences and carefully coordinate their activ-ities to work well together.

This analysis is relevant to multinational alliances. It shows that even though an alliance may exist, the partners will bring different organizational cultures with them. Lessem and Neubauer, who have portrayed Europe as offering four distinct ways of dealing with multiculturalism (based on the United Kingdom, French, German, and Italian characteristics), provide an example in Table 6–2, which briefly describes each of these sets of cultural characteristics. A close examination of the differences high-lights how difficult it can be to do business with two or more of these groups, because

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: Adapted from a study by the Diagnosing Organizational Culture for Strategic Application (DOCSA) group and reported in Lisa Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley), 1995, p. 146.

each group perceives things differently from the others. Another example is the way in which negotiations occur between groups; here are some contrasts between French and Spanish negotiators:[9]

French	Spanish
Look for a meeting of minds.	Look for a meeting of people.
Intellectual competence is very important.	Social competence is very important.
Persuasion through carefully prepared and skilled rhetoric is employed.	Persuasion through emotional appeal is employed.
Strong emphasis is given to a logical presentation of one's position coupled with well-reasoned, detailed solutions.	Socialization always precedes negotiations, which are characterized by an exchange of grand ideas and general principles.
A contract is viewed as a well-reasoned transaction.	A contract is viewed as a long-lasting relationship.
Trust emerges slowly and is based on the evaluation of perceived status and intellect.	Trust is developed on the basis of frequent and warm interpersonal contact and transaction.
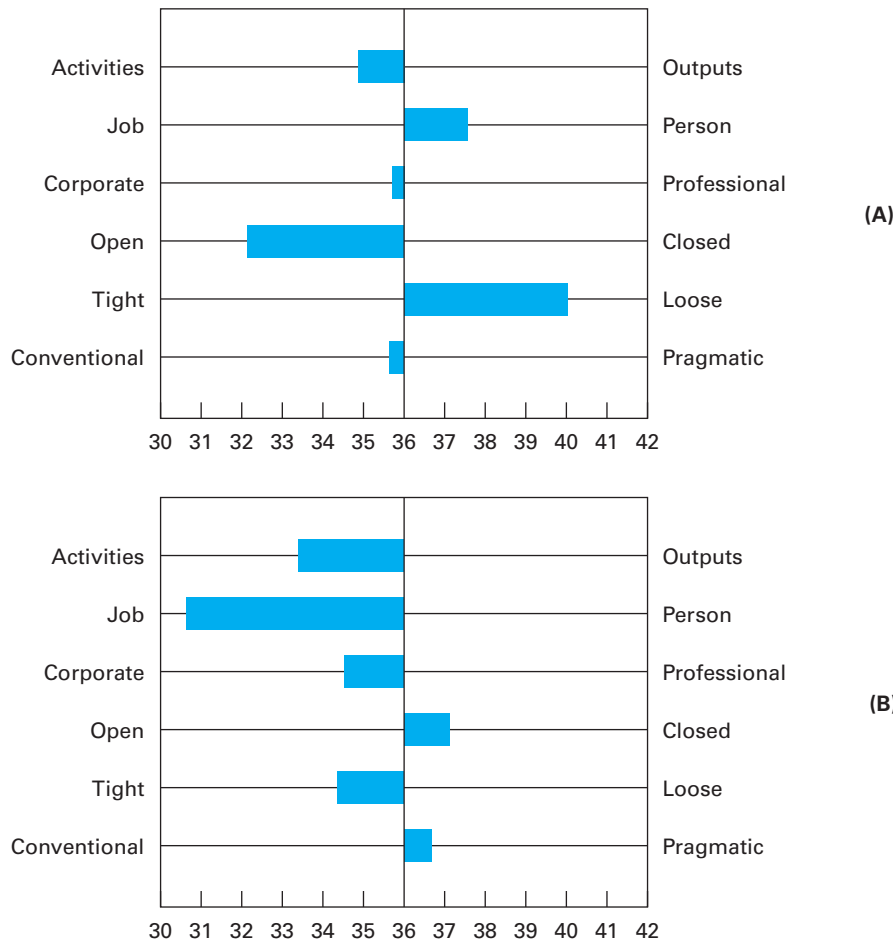
Source: Adapted from a study by the Diagnosing Organizational Culture for Strategic Application (DOCSA) group and reported in Lisa Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley), 1995, pp. 147–148.

Table 6–2
European Management Characteristics

Dimension	Characteristic			
	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: Adapted from Ronald Lessen and Fred Neubauer, European Management Systems (McGraw-Hill, London), 1994 and reported in Lisa Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley), 1995, p. 149.

Doing Things the Walmart Way; Germans Say, "Nein, vielen Dank"

Across the globe, Walmart employees engage in the "Walmart cheer" to start their day. It is a way to show inclusivity and express their pride in the company, and can be heard in many different languages. Walmart not only operates in 14 countries but is also a leader in diversity in the workplace. In June 2007, Walmart was named one of the top 50 companies for diversity by *DiversityInc* magazine. However, despite Walmart's multinational presence and representation, its internal culture proved to be less than satisfactory to the German market.

Walmart has experienced a fair share of negative PR over the years, so it is no surprise that some may have adverse reactions to news of Walmart moving into the neighborhood. Before the unflattering buzz, Walmart sometimes discovers that even the best intentions can fall flat. Walmart entered the German market in 1997 and stressed the idea of friendly service with a smile, where the customers always come first. Even before the employees walked onto the sales room floor, employee dissatisfaction became clear.

The pamphlet which outlined the workplace code of ethics was simply translated from English to German, but the message was not expressed the way Walmart had intended. It warned employees of potential supervisor-employee relationships, implying sexual harassment, and encouraged reports of "improper behavior," which spoke more to legal matters. The Germans interpreted this to mean that there was a ban on any romantic relationships in the workplace and saw the reporting methods as more of a way to rat out co-workers than benefit the company. As we saw in Chapter 3, ethical values in one country may not be the same as in another, and Walmart experienced this firsthand. Another employee relations issue that arose dealt with local practices. Walmart has never been open to unionized employees, so when the German operations began dealing with

workers' councils and adhering to co-determination rules, a common practice there, Walmart was less than willing to listen to suggestions as to how to improve employee working conditions. As if this was not enough, Walmart soon experienced problems with customer relations as well.

Doing things the Walmart way included smiling at customers and assisting them by bagging their groceries at the Supercenter locations. This policy presented problems in the German environment. Male employees who were ordered to smile at customers were often seen as flirtatious to male customers, and Germans do not like strangers handling their groceries. These are just a few reasons that customers did not enjoy their shopping experience. This does not mean that everything Walmart attempted was wrong. Products which are popular in Germany were available on the shelves in place of products that would be common in other countries. Enhanced distribution processes guaranteed availability of most requested items, and efficiency was pervasive.

Despite some successes and good intentions and numerous attempts to improve the German stores, the Walmart culture proved to be a poor fit for the German market, and Walmart vacated Germany in 2006. Unfortunately, Walmart learned the hard way that in the retail or service industry, local customs are often more important than a strong, unyielding organizational culture. The challenge to incorporate everyone into the Walmart family certainly fell short of expectations. If the Walmart culture does not become more flexible, or locally relevant, it may be chastised from numerous global markets, and the company could hear, "no, thank you" in even more languages than German as it continues to expand. (See the In-Depth Integrative Case at the end of Part Two for more detail on Walmart's experiences around the world.)

Such comparisons also help explain why it can be difficult for an MNC with a strong organizational culture to break into foreign markets where it is not completely familiar with divergent national cultures. The nearby International Management in Action, "Doing Things the Walmart Way," provides an illustration. 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 customer base.

■ Organizational Cultures in MNCs

Organizational cultures of MNCs are shaped by a number of factors, including the cultural preferences of the leaders and employees. In the international arena, some MNCs have subsidiaries that, except for the company logo and reporting procedures, would not be easily recognizable as belonging to the same multinational.[10]

Given that many recent international expansions are a result of mergers or acquisition, the integration of these organizational cultures is a critical concern in international management. Numeroff and Abrahams have suggested that there are four steps that are critical in this process: (1) The two groups have to establish the purpose, goal, and focus of their merger. (2) Then they have to develop mechanisms to identify the most important organizational structures and management roles. (3) They have to determine who has authority over the resources needed for getting things done. (4) They have to identify the expectations of all involved parties and facilitate communication between both departments and individuals in the structure.

Companies all over the world are finding out firsthand that there is more to an international merger or acquisition than just sharing resources and capturing greater market share. Differences in workplace cultures sometimes temporarily overshadow the overall goal of long-term success of the newly formed entity. With the proper management framework and execution, successful integration of cultures is not only possible, but also the most preferable paradigm in which to operate. 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. It is only when this assimilation has occurred that an international merger or acquisition can truly be labeled a success.[11]

In addition, there are three aspects of organizational functioning that seem to be especially important in determining MNC 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; and (3) the general views that employees hold about the MNC's purpose, destiny, goals, and their place in them.[12]

When examining these dimensions of organizational culture, Trompenaars suggested the use of two continua. One distinguishes between equity and hierarchy; the other examines orientation to the person and the task. Along these continua, which are shown in Figure 6–2, he identifies and describes four different types of organizational cultures: family, Eiffel Tower, guided missile, and incubator.[13]

In practice, of course, organizational cultures do not fit neatly into any of these four, but the groupings can be useful in helping examine the bases of how individuals relate to each other, think, learn, change, are motivated, and resolve conflict. The following discussion examines each of these cultural types.
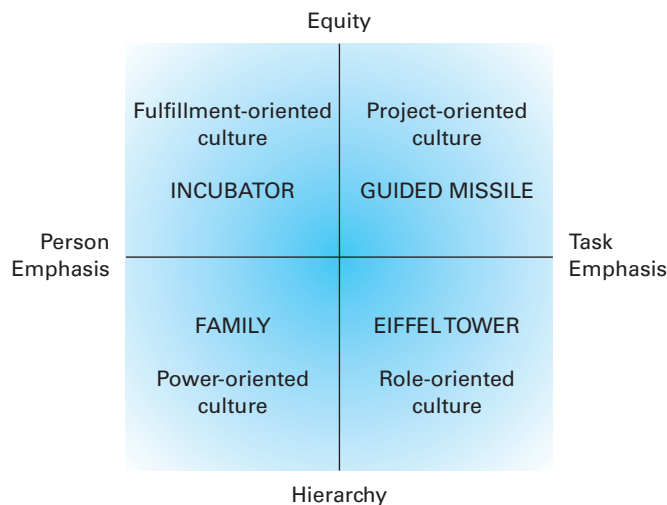
Figure 6–2

Organizational Cultures

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

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. Trompenaars found that this organizational culture is common in countries such as Turkey, Pakistan, Venezuela, China, Hong Kong, and Singapore.[14]

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.

This type of culture is foreign to most managers in the United States, who believe in valuing people based on their abilities and achievements, not on their age or position in the hierarchy. As a result, many managers in U.S.-based MNCs fail to understand why senior-level managers in overseas subsidiaries might appoint a relative to a high-level, sensitive position even though that individual might not appear to be the best qualified for the job. They fail to realize that family ties are so strong that the appointed relative would never do anything to embarrass or let down the family member who made the appointment. Here is an example:

> 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? Instead of complaining, the Dutch should consider themselves lucky that he was available.[15]

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. 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, and this would have no effect on the work that organization members are doing or on the organization's reasons for existence. In this culture, relationships are specific, and status remains with the job. Therefore, if the boss of an Eiffel Tower subsidiary were playing golf with a subordinate, the subordinate would not feel any pressure to let the boss win. In addition, these managers seldom create off-the-job relationships with their people, because they believe this could affect their rational judgment. In fact, this culture operates very much like a formal hierarchy—impersonal and efficient.

Each role at each level of the hierarchy is described, rated for its difficulty, complexity, and responsibility, and has a salary attached to it. Then follows a search for a person to fill 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.[16]

Eiffel Tower culture most commonly is found in northwestern European countries. Examples include Denmark, Germany, and the Netherlands. The way that people in this culture learn and change differs sharply from that in the family culture. Learning involves the accumulation of skills necessary to fit a role, and organizations will use qualifications in deciding how to schedule, deploy, and reshuffle personnel to meet their needs. 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. When changes need to be made, however, the Eiffel Tower culture often is ill-equipped to handle things. Manuals must be rewritten, procedures changed, job descriptions altered, promotions reconsidered, and qualifications reassessed.

Because the Eiffel Tower culture does not rely on values that are similar to those in most U.S. MNCs, U.S. expatriate managers often have difficulty initiating change in this culture. As Trompenaars notes:

> An American manager responsible for initiating change in a German company described to me the difficulties he had in making progress, although the German managers had discussed the new strategy in depth and made significant contributions to its formulation. Through informal channels, he had eventually discovered that his mistake was not having formalized the changes to structure or job descriptions. In the absence of a new organization chart, this Eiffel Tower company was unable to change.[17]

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 such as the National Aeronautics and Space Administration (NASA), which pioneered the use of project groups working on space probes that resembled guided missiles. In these large project teams, more than a hundred different types of engineers often were responsible for building, say, a lunar landing module. The team member whose contribution would be crucial at any given time in the project typically could not be known in advance. Therefore, all types of engineers had to work in close harmony and cooperate with everyone on the team.

guided missile culture
A culture that is characterized by strong emphasis on equality in the workplace and orientation to the task.

To be successful, the best form of synthesis must be used in the course of working on the project. For example, in a guided missile project, formal hierarchical considerations are given low priority, and individual expertise is of greatest importance. Additionally, all team members are equal (or at least potentially equal), because their relative contributions to the project are not yet known. All teams treat each other with respect, because they may need the other for assistance. This egalitarian and task-driven organizational culture fits well with the national cultures of the United States and United Kingdom, which helps explain why high-tech MNCs commonly locate their operations in these countries.

Unlike family and Eiffel Tower cultures, change in guided missile culture comes quickly. Goals are accomplished, and teams are reconfigured and assigned new objectives. People move from group to group, and loyalties to one's profession and project often are greater than loyalties to the organization itself.

Trompenaars found that the motivation of those in guided missile cultures tends to be more intrinsic than just concern for money and benefits. Team members become enthusiastic about, and identify with, the struggle toward attaining their goal. For example, a project team that is designing and building a new computer for the Asian market may be highly motivated to create a machine that is at the leading edge of

technology, user-friendly, and likely to sweep the market. Everything else is secondary to this overriding objective. Thus, both intragroup and intergroup conflicts are minimized and petty problems between team members set aside; everyone is so committed to the project's main goal that no one has time for petty disagreements. As Trompenaars notes:

> This culture tends to be individualistic since it allows for a wide variety of differently specialized persons to work with each other on a temporary basis. The scenery of faces keeps changing. Only the pursuit of chosen lines of personal development is constant. The team is a vehicle for the shared enthusiasm of its members, but is itself disposable and will be discarded when the project ends. Members are garrulous, idiosyncratic, and intelligent, but their mutuality is a means, not an end. It is a way of enjoying the journey. They do not need to know each other intimately, and may avoid doing so. Management by objectives is the language spoken, and people are paid for performance.[18]

Incubator Culture

incubator culture
A culture that is characterized by strong emphasis on equality and orientation to the person.

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. This culture is based heavily on the existential idea that organizations per se are secondary to the fulfillment of the individuals within them. This culture is based on the premise that 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. Participants in an incubator culture are there primarily to perform roles such as confirming, criticizing, developing, finding resources for, or helping complete the development of an innovative product or service. These cultures often are found among start-up firms in Silicon Valley, California, or Silicon Glen, Scotland. These incubator-type organizations typically are entrepreneurial and often founded and made up by a creative team who left larger, Eiffel Tower–type employers. They want to be part of an organization where their creative talents will not be stifled.

Incubator cultures often create environments where participants thrive on an intense, emotional commitment to the nature of the work. For example, the group may be in the process of gene splitting that could lead to radical medical breakthroughs and extend life. Often, personnel in such cultures are overworked, and the enterprise typically is underfunded. As breakthroughs occur and the company gains stability, however, it starts moving down the road toward commercialization and profit. In turn, this engenders the need to hire more people and develop formalized procedures for ensuring the smooth flow of operations. In this process of growth and maturity, the unique characteristics of the incubator culture begin to wane and disappear, and the culture is replaced by one of the other types (family, Eiffel Tower, or guided missile).

As noted, change in the incubator culture often is fast and spontaneous. All participants are working toward the same objective. Because there may not yet be a customer who is using the final output, however, the problem itself often is open to redefinition, and the solution typically is generic, aimed at a universe of applications. Meanwhile, motivation of the personnel remains highly intrinsic and intense, and it is common to find employees working 70 hours a week—and loving it. The participants are more concerned with the unfolding creative process than they are in gathering power or ensuring personal monetary gain. In sharp contrast to the family culture, leadership in this incubator culture is achieved, not gained by position.

The four organizational cultures described by Trompenaars are "pure" types and seldom exist in practice. Rather the types are mixed and, as shown in Table 6–3, overlaid with one of the four major types of culture dominating the corporate scene. Recently, Trompenaars and his associates have created a questionnaire designed to identify national patterns of corporate culture as shown in Figure 6–3.

Table 6–3
Summary Characteristics of the Four Corporate Cultures

	Corporate Culture			
Characteristic	**Family**	**Eiffel Tower**	**Guided Missile**	**Incubator**
Relationships between employees	Diffuse relationships to organic whole to which one is bonded.	Specific role in mechanical system of required interaction.	Specific tasks in cybernetic system targeted on shared objectives.	Diffuse, spontaneous relationships growing out of shared creative process.
Attitude toward authority	Status is ascribed to parent figures who are close and powerful.	Status is ascribed to superior roles that are distant yet powerful.	Status is achieved by project group members who contribute to targeted goal.	Status is achieved by individuals exemplifying creativity and growth.
Ways of thinking and learning	Intuitive, holistic, lateral, and error correcting.	Logical, analytical, vertical, and rationally efficient.	Problem centered, professional, practical, cross-disciplinary.	Process oriented, creative, ad hoc, inspirational.
Attitudes toward people	Family members.	Human resources.	Specialists and experts.	Co-creators.
Ways of changing	"Father" changes course.	Change rules and procedures.	Shift aim as target moves.	Improvise and attune.
Ways of motivating and rewarding	Intrinsic satisfaction in being loved and respected.	Promotion to greater position, larger role.	Pay or credit for performance and problems solved.	Participation in the process of creating new realities.
	Management by subjectives.	Management by job description.	Management by objectives.	Management by enthusiasm.
Criticism and conflict resolution	Turn other cheek, save other's face, do not lose power game.	Criticism is accusation of irrationalism unless there are procedures to arbitrate conflicts.	Constructive task-related only, then admit error and correct fast.	Improve creative idea, not negate it.

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. 183.
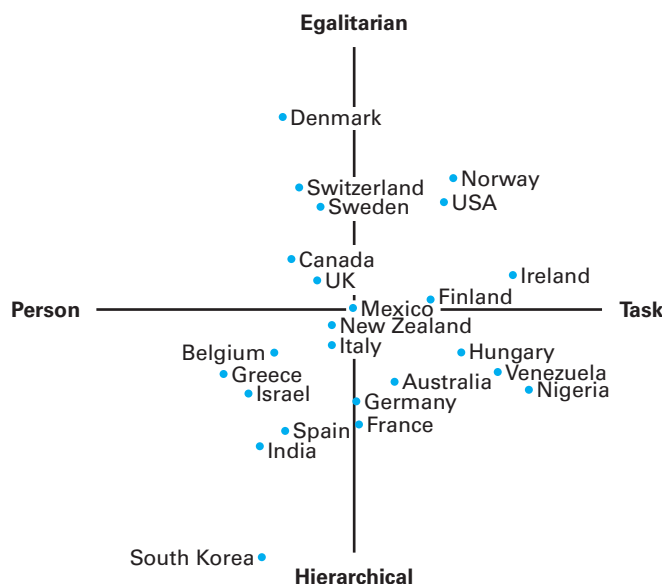
Figure 6–3

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.

Matsushita Goes Global

In recent years, growing numbers of multinationals have begun to expand their operations, realizing that if they do not increase their worldwide presence now, they likely will be left behind in the near future. In turn, this has created a number of different challenges for these MNCs, including making a fit between their home organizational culture and the organizational cultures at local levels in the different countries where the MNC operates. Matsushita provides an excellent example of how to handle this challenge with its macromicro approach. This huge, Japanese MNC has developed a number of guidelines that it uses in setting up and operating its more than 150 industrial units. At the same time, the company complements these macro guidelines with on-site micro techniques that help create the most appropriate organizational culture in the subsidiary.

At the macro level, Matsushita employs six overall guidelines that are followed in all locales: (1) Be a good corporate citizen in every country by, among other things, respecting cultures, customs, and languages. (2) Give overseas operations the best manufacturing technology the company has available. (3) Keep the expatriate head count down, and groom local management to take over. (4) Let operating plants set their own rules, fine-tuning manufacturing processes to match the skills of the workers. (5) Create local research and development to tailor products to markets. (6) Encourage competition between overseas outposts and plants back home. Working within these macro guidelines, Matsushita then allows each local unit to create its own culture. The Malaysian operations are a good example. Matsushita has erected 23 subsidiaries in Malaysia which collectively consist of about 30,000 employees. Less than 1 percent of the employee population,

however, is Japanese. From these Malaysian operations, Matsushita has been producing more than 1.3 million televisions and 1.8 million air conditioners annually, and 75 percent of these units are shipped overseas. To produce this output, local plants reflect Malaysia's cultural mosaic of Muslim Malays, ethnic Chinese, and Indians. To accommodate this diversity, Matsushita cafeterias offer Malaysian, Chinese, and Indian food, and to accommodate Muslim religious customs, Matsushita provides special prayer rooms at each plant and allows two prayer sessions per shift.

How well does this Malaysian workforce perform for the Japanese MNC? In the past, the Malaysian plants' slogan was "Let's catch up with Japan." Today, however, these plants frequently outperform their Japanese counterparts in both quality and efficiency. The comparison with Japan no longer is used. Additionally, Matsushita has found that the Malaysian culture is very flexible, and the locals are able to work well with almost any employer. Commenting on Malaysia's multiculturalism, Matsushita's managing director notes, "They are used to accommodating other cultures, and so they think of us Japanese as just another culture. That makes it much easier for us to manage them than some other nationalities."

Today, Matsushita faces a number of important challenges, including remaining profitable in a slow-growth, high-cost Japanese economy. Fortunately, this MNC is doing extremely well overseas, which is buying it time to get its house in order back home. A great amount of this success results from the MNC's ability to nurture and manage overseas organizational cultures (such as in Malaysia) that are both diverse and highly productive.

■ Managing Multiculturalism and Diversity

As the International Management in Action box on Matsushita indicates, success in the international arena often is greatly determined by an MNC's ability to manage both multiculturalism and diversity.[19] Both domestically and internationally, organizations find themselves leading workforces that have a variety of cultures (and subcultures) and consist of a largely diverse population of women, men, young and old people, blacks, whites, Latins, Asians, Arabs, Indians, and many others.

Phases of Multicultural Development

The effect of multiculturalism and diversity will vary depending on the stage of the firm in its international evolution. Table 6–4 depicts the characteristics of the major phases in this evolution. For example, Adler has noted that international cultural diversity has minimal impact on domestic organizations, although domestic multiculturalism has a highly significant impact. As firms begin exporting to foreign clients, however, and become what she calls "international corporations" (Phase II in Table 6–4), they must adapt their approach and products to those of the local market. For these international firms, the impact of multiculturalism is highly significant. As companies become what she calls

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 standard-ized (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.

"multinational corporations" (Phase III), they often find that price tends to dominate all other considerations, and the direct impact of culture may lessen slightly. For those who continue this international evolution and become full-blown "global corporations" (Phase IV), the impact of culture again becomes extremely important. Notes Adler:

> Global firms need an understanding of cultural dynamics to plan their strategy, to locate production facilities and suppliers worldwide, to design and market culturally appropriate products and services, as well as to manage cross-cultural interaction throughout the organization—from senior executive committees to the shop floor. As more firms today move from domestic, international, and multinational organizations to operating as truly global organizations and alliances, the importance of cultural diversity increases markedly. What once was "nice to understand" becomes imperative for survival, let alone success.[20]

As shown in Figure 6–4, international cultural diversity traditionally affects neither the domestic firm's organizational culture nor its relationship with its customers or

Figure 6–4

**Locations of
International Cross-
Cultural Interaction**
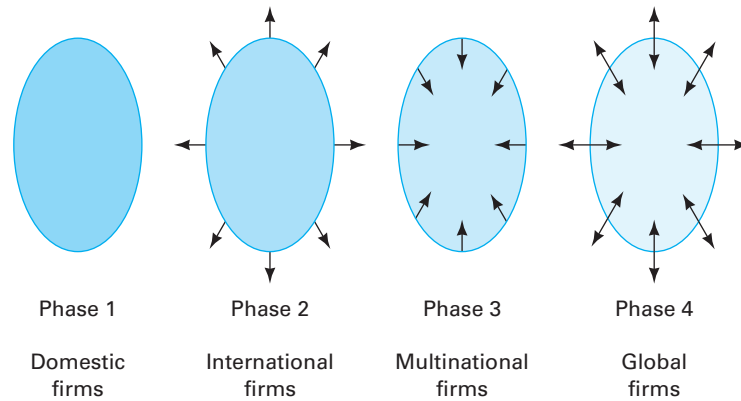
Phase 1	Phase 2	Phase 3	Phase 4
Domestic	International	Multinational	Global
firms	firms	firms	firms

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.

clients. These firms work domestically, and only domestic multiculturalism has a direct impact on their dynamics as well as on their relationship to the external environment.

Conversely, among international firms, which focus on exporting and producing abroad, cultural diversity has a strong impact on their external relationships with potential buyers and foreign employees. In particular, these firms rely heavily on expatriate managers to help manage operations; as a result, the diversity focus is from the inside out. This is the reverse of what happens in multinational firms, where there is less emphasis on managing cultural differences outside the firm and more on managing cultural diversity within the company. This is because multinational firms hire personnel from all over the world. Adler notes that these multinational firms need to develop cross-cultural management skills up the levels of the hierarchy. As shown in Figure 6–4, this results in a diversity focus that is primarily internal.

Global firms need both an internal and an external diversity focus (again see Figure 6–4). To be effective, everyone in the global organization needs to develop cross-cultural skills that allow them to work effectively with internal personnel as well as external customers, clients, and suppliers.

Types of Multiculturalism

For the international management arena, there are several ways of examining multiculturalism and diversity. One is to focus on the domestic multicultural and diverse workforce that operates in the MNC's home country. In addition to domestic multiculturalism, there is the diverse workforce in other geographic locales, and increasingly common are the mix of domestic and overseas personnel found in today's MNCs. The following discussion examines both domestic and group multiculturalism and the potential problems and strengths.

Domestic Multiculturalism   It is not necessary for today's organizations to do business in another country to encounter people with diverse cultural backgrounds. Culturally distinct populations can be found within organizations almost everywhere in the world. 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. In Los Angeles, for example, there are more Samoans than on the island of Samoa, more Israelis than in any other city outside Israel, and more first- and second-generation Mexicans than in any other city except Mexico City. In Miami, over one-half the population is Latin, and most residents speak Spanish fluently. More Puerto Ricans live in New York City than in Puerto Rico.

It is even possible to examine domestic multiculturalism within the same ethnic groups. For example, Lee, 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.[21] Older generations tend to stress hierarchies, ethics, group dynamics and the status quo, while the younger generations focus on worker responsibility, strategy, individual performance, and striving for new horizons. These differences can slow organizational processes as one generation considers the other to be ineffective in its methods. Managers, therefore, need to consider employees on an individual basis and try to compile techniques that convey a common message, ultimately maximizing productivity while satisfying everyone across the ages. In short, there is considerable multicultural diversity domestically in organizations throughout the world, and this trend will continue. For example, the U.S. civilian labor force of the next decade will change dramatically in ethnic composition. In particular, there will be a significantly lower percentage of white males in the workforce and a growing percentage of women, African Americans, Hispanics, and Asians.

Group Multiculturalism   There are a number of ways that diverse groups can be categorized. Four of the most common include:

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.

As the diversity of a group increases, the likelihood of all members perceiving things in the same way decreases sharply. Attitudes, perceptions, and communication in general may be a problem. On the other hand, there also are significant advantages associated with the effective use of multicultural, diverse groups. Sometimes, local laws require a certain level of diversity in the workplace. More and more, people are moving to other countries to find the jobs that match their skills. International managers need to be cognizant of the likelihood that they will oversee a group that represents many cultures, not just the pervasive culture associated with that country. The following sections examine the potential problems and the advantages of workplace diversity.

Potential Problems Associated with Diversity

Overall, diversity may cause a lack of cohesion that results in the unit's inability to take concerted action, be productive, and create a work environment that is conducive to both efficiency and effectiveness. These potential problems are rooted in people's attitudes. An example of an attitudinal problem in a diverse group may be the mistrust of others. For example, many U.S. managers who work for Japanese operations in the United States complain that Japanese managers often huddle together and discuss matters in their native language. The U.S. managers wonder aloud why the Japanese do not speak English. What are they talking about that they do not want anyone else to hear? In fact, the Japanese often find it easier to communicate among themselves in their native language, and because no Americans are present, the Japanese managers ask why they should speak English. If there is no reason for anyone else to be privy to our conversation, why should we not opt for our own language? Nevertheless, such practices do tend to promote an atmosphere of mistrust.

Another potential problem may be perceptual. Unfortunately, when culturally diverse groups come together, they often bring preconceived stereotypes with them. In initial meetings,

homogeneous group
A group in which members have similar backgrounds and generally perceive, interpret, and evaluate events in similar ways.

token group
A group in which all members but one have the same background, such as a group of Japanese retailers and a British attorney.

bicultural group
A group in which two or more members represent each of two distinct cultures, such as four Mexicans and four Taiwanese who have formed a team to investigate the possibility of investing in a venture.

multicultural group
A group in which there are individuals from three or more different ethnic backgrounds, such as three U.S., three German, three Uruguayan, and three Chinese managers who are looking into mining operations in South Africa.

for example, engineers from economically advanced countries often are perceived as more knowledgeable than those from less advanced countries. In turn, this perception can result in status-related problems, because some of the group initially are regarded as more competent than others and likely are accorded status on this basis. As the diverse group works together, erroneous perceptions often are corrected, but this takes time. In one diverse group consisting of engineers from a major Japanese firm and a world-class U.S. firm, a Japanese engineer was assigned a technical task because of his stereotyped technical educational background. The group soon realized that this particular Japanese engineer was not capable of doing this job, because for the last four years, he had been responsible for coordinating routine quality and no longer was on the technological cutting edge. His engineering degree from the University of Tokyo had resulted in the other members perceiving him as technically competent and able to carry out the task; this perception proved to be incorrect.

A related problem is 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.[22] However, in a growing number of Japanese firms this stereotype is proving to be incorrect.[23] Here is an example.

> 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. Nonconformity is suddenly in.[24]

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. 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. 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!

Diversity also may lead to communication problems because of different perceptions 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 do. Here is another example, as described by a European manager:

> 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 suboperation 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.[25]

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.[26] In particular, there is growing evidence that culturally diverse groups can enhance creativity, lead to better decisions, and result in more effective and productive performance.[27]

One main benefit of diversity is the generation of more and better ideas. Because group members come from a variety of cultures, they often are able to create a greater number of unique (and thus creative) solutions and recommendations. For example, a U.S. MNC recently was preparing to launch a new software package aimed at the mass consumer market. The company hoped to capitalize on the upcoming Christmas season with a strong advertising campaign in each of its international markets. A meeting of the sales managers from these markets in Spain, the Middle East, and Japan helped the company revise and better target its marketing effort. The Spanish manager suggested that the company focus its campaign around the coming of the Magi (January 6) and not Christmas (December 25), because in Latin cultures, gifts typically are exchanged on the date that the Magi brought their gifts. The Middle Eastern manager pointed out that most of his customers were not Christians, so a Christmas campaign would not have much meaning in his area. Instead, he suggested the company focus its sales campaign around the value of the software and how it could be useful to customers and not worry about getting the product shipped by early December at all. The Japanese manager concurred with his Middle Eastern colleague but further suggested that some of the colors being proposed for the sales brochure be changed to better fit with Japanese culture. Thanks to these diverse ideas, the sales campaign proved to be one of the most effective in the company's history.

A second major benefit is that culturally diverse groups can prevent **groupthink,** which is caused by 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 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. Unlike homogeneous groups, where everyone can be "of one mind," diverse groups may be slower to reach a general consensus, but the decision may be more effective and free of "groupthink."

Diversity in the workplace enhances more than the internal operations but relationships to customers as well. 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. The U.S. multinational cosmetic firm Avon adopted this philosophy over a decade ago. When Avon observed an increase in the number of Korean shoppers at one of its U.S. locations, it quickly employed Korean sales staff.[28] The external environment, even in the MNC home country, can encompass many cultures that managers should bear in mind. Expanding diversity in the workplace to better serve the customer means that even local managers have an international exposure, further emphasizing the importance of learning about the multicultural surroundings.

groupthink
Consensus reached because of social conformity and pressures on individual members of a group to conform to group norms.

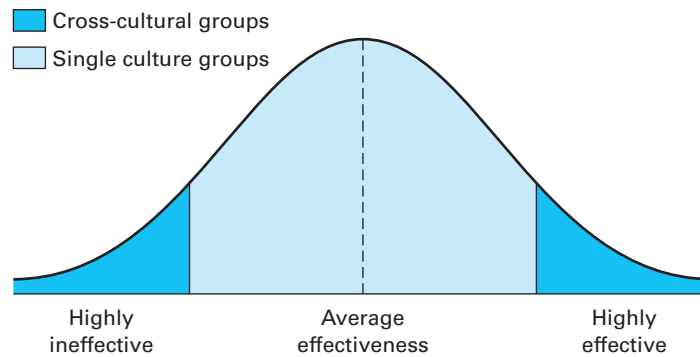## Building Multicultural Team Effectiveness

Multiculturally diverse teams have a great deal of potential, depending on how they are managed. As shown in Figure 6–5, Dr. Carol Kovach, who conducted research on the importance of leadership in managing cross-cultural groups, reports that if cross-cultural groups are led properly, they can indeed be highly effective; unfortunately, she also found that if they are not managed properly, they can be highly ineffective. In other words, diverse groups are more powerful than single-culture groups. They can hurt the organization, but if managed effectively, they can be the best.[29] The following sections

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provide the conditions and guidelines for managing diverse groups in today's organizations effectively.

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.[30]

To achieve the greatest effectiveness from diverse teams, the focus of attention must be determined by the stage of team development (e.g., entry, working, and action stages). In the entry stage, the focus should be on building trust and developing team cohesion, as we saw in The World of International Management at the opening of the chapter. This can be difficult for diverse teams, whose members are accustomed to working in different ways. For example, Americans, Germans, and Swiss typically spend little time getting to know each other; they find out the nature of the task and set about pursuing it on their own without first building trust and cohesion. This contrasts sharply with individuals from Latin America, Southern Europe, and the Middle East, where team members spend a great deal of initial time getting to know each other. This contrast between task-oriented and relationship-oriented members of a diverse team may slow progress due to communication and strategic barriers. To counteract this problem, it is common in the entry stage of development to find experienced multicultural managers focusing attention on the team members' equivalent professional qualifications and status. Once this professional similarity and respect are established, the group can begin forming a collective unit. 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. As noted earlier, diverse groups tend to be most effective when dealing with situations that require innovative approaches.

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. In doing so, it is common to find strong emphasis on problem-solving techniques such as the nominal group technique (NGT), where the group members individually make contributions before group interaction takes place and consensus is reached.

Using the Proper Guidelines   Some specific guidelines have proved to be helpful as a quick reference for managers when setting out to manage a culturally diverse team. Here are some of the most useful ideas:

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.

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.

A Successful Multicultural Workforce

World-class organizations more and more emphasize culturally diverse teams, and one good example is NUMMI (New United Motor Manufacturing), a joint venture between General Motors and Toyota that transformed an out-of-date GM plant in Fremont, California, into a world-class organization. (Unfortunately, NUMMI production was recently suspended as part of global downsizing in the automotive industry.[31] Nonetheless, this joint-venture partnership, formed in 1984, continues to be cited as an excellent example of how a culturally diverse workforce can produce state-of-the-art automobiles.) The successful approach to culturally diverse work teams at NUMMI was built around four principles:

1. Both management and labor recognized that their futures were interdependent, thus committing them to a mutual vision.

2. Employees felt secure and trusted assurances that they would be treated fairly, thus enabling them to become contributors.

3. The production system formed interdependent relationships throughout the plant, thus helping to create a healthy work environment.

4. The production system was managed to transform the stress and conflict of everyday life into trust and mutual respect.[32]

In achieving success at NUMMI, Toyota sent trainers from Japan to work with its U.S. counterparts and teach the production system that would be used throughout the plant. During this period, both groups searched for points of agreement, establishing

valuable relationships in the process. In addition, the Japanese taught the Americans some useful techniques for increasing productivity, including how to streamline operations, reduce waste, and blame mistakes on the situation or themselves (not on team members).

In overcoming multicultural differences at NUMMI, several changes were introduced—for example, (1) reserved dining rooms were eliminated, and all managers now ate in a communal cafeteria; (2) all reserved parking spaces were eliminated; and (3) GM's 80 job classifications were collapsed into only three to equalize work characteristics and rewards and ensure fairness. A comment on the overall success of the joint venture was the following:

> Toyota managers resisted temptations to forge ahead with a pure version of the system. Both the Japanese and Americans learned as they went. By adopting a "go slow" attitude, the Japanese and Americans remained open to points of resistance as they arose and navigated around them. By tolerating ambiguity and by searching for consensus, Toyota managers established the beginnings of mutual respect and trust with the American workers and managers.[33]

NUMMI is only one example of the many successful multicultural workforces producing world-class goods and services. In every case effective multinational managers rely on and benefit from the concepts and guidelines that have been highlighted in this chapter's discussion.

■ The World of International Management—Revisited

Our discussion in The World of International Management at the outset of the chapter introduced the challenges and the benefits of diverse, multicultural teams. These teams have become commonplace in organizations around the world as work becomes more flexible and less geographically bound. In addition, companies are looking to such teams to solve intractable problems and bring creativity and fresh thinking to their organizations. Using what you have learned from this chapter, answer the following: (1) What steps should organizations take to get the most out of their global virtual teams? (2) What types of organizational culture (family, Eiffel tower, guided missile, incubator) would be best for leveraging global teams? (3) What advantages and problems associated with diversity have been experienced by global teams? How might they be overcome? (4) What features of multicultural teams are most critical for successful global team collaboration?

SUMMARY OF KEY POINTS

1. Organizational culture is a pattern of basic assumptions developed by a group as it learns to cope with its problems of external adaptation and internal integration and taught to new members as the correct way to perceive, think, and feel in relation to these problems. Some important characteristics of organizational culture include observed behavioral regularities, norms, dominant values, philosophy, rules, and organizational climate.

2. Organizational cultures are shaped by a number of factors. These include the general relationship between employees and their organization, the hierarchic system of authority that defines the roles of managers and subordinates, and the general views that employees hold about the organization's purpose, destiny, and goals and their place in the organization. When examining these differences, Trompenaars suggested the use of two continua: equity-hierarchy and person-task orientation, result-

ing in four basic types of organizational cultures: family, Eiffel Tower, guided missile, and incubator.

3. Family culture is characterized by strong emphasis on hierarchic authority and orientation to the person. Eiffel Tower culture is characterized by strong emphasis on hierarchy and orientation to the task. Guided missile culture is characterized by strong emphasis on equality in the workplace and orientation to the task. Incubator culture is characterized by strong emphasis on equality and orientation to the person.

4. Success in the international arena often is heavily determined by a company's ability to manage multiculturalism and diversity. Firms progress through four phases in their international evolution: (1) domestic corporation, (2) international corporation, (3) multinational corporation, and (4) global corporation.

5. There are a number of ways to examine multiculturalism and diversity. One is by looking at the domestic

multicultural and diverse workforce that operates in the MNC's home country. Another is by examining the variety of diverse groups that exist in MNCs, including homogeneous groups, token groups, bicultural groups, and multicultural groups. Several potential problems as well as advantages are associated with multicultural, diverse teams. Diverse teams are not only helpful to internal operations but can enhance sales to customers as well, as shown at Avon.

6. A number of guidelines have proved to be particularly effective in managing culturally diverse groups. These include careful selection of the members, identification of the group's goals, establishment of equal power and mutual respect among the participants, and delivering positive feedback on performance. A good example of how these guidelines have been used was the NUMMI joint venture created by General Motors and Toyota.

KEY TERMS

bicultural group, *183*

Eiffel Tower culture, *176*

family culture, *176*

groupthink, *185*

guided missile culture, *177*

homogeneous group, *183*

incubator culture, *178*

multicultural group, *183*

organizational culture, *169*

token group, *183*

REVIEW AND DISCUSSION QUESTIONS

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

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 with either group?

3. In which of the four types of organizational cultures—family, Eiffel Tower, guided missile, 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?

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.

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.

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

INTERNET EXERCISE: HEWLETT-PACKARD'S INTERNATIONAL FOCUS

Mention the name Hewlett-Packard, or HP for short, and people are likely to think of printers—an area where the MNC has managed to excel worldwide in recent years. However, HP has many other offerings besides printers and has rapidly expanded its product line into the international arena over the last decade. Since its merger with Compaq and acquisition of EDS (Electronic Data Systems, which in turn, owned a majority stake in Mphasis, an Indian outsourcing company), 3Comm, Palm, and others, HP is active in providing IT services and a range of personal electronic devices.

Visit HP's website at www.hp.com, and review some of the latest developments. In particular, pay close attention to its product line and international expansion. Using the country/language tab in the upper right corner of the screen, choose three different countries where the

firm is doing business: one from the Americas, one from Europe, and one from Southeast Asia or India. (The sites are all presented in the local language, so you might want to make India your choice because this site is in English.) Compare and contrast the product offerings and ways in which HP goes about marketing itself over the Web in these locations. What do you see as some of the major differences? Second, using Figure 6–2 and Table 6–3 as your guide, in what way are differences in organizational cultures internationally likely to present significant challenges to HP's efforts to create a smooth-running international enterprise? What would you see as two of the critical issues with which management will have to deal? Third, what are two steps that you think HP will have to take in order to build multicultural team effectiveness? What are two guidelines that can help it do this?

Japan

Japan is located in eastern Asia, and it comprises a curved chain of more than 3,000 islands. Four of these—Hokkaido, Honshu, Shikoku, and Kyushi—account for 89 percent of the country's land area. The population of Japan is approximately 128 million, with over 12 million people living in the nation's capital, Tokyo. According to the *CIA World Factbook,* the country's gross domestic product in 2009 was approximately $32,600 per capita. Japan has faced a long period of stagnant economic growth. Japan's economy was especially hard hit by the global economic financial crisis, with GDP contracting by 5.2 percent in 2009.

Surprisingly, Japan has become a fashion mecca. Spanish clothing company Zara, Swedish brand H&M, French designer Louis Vuitton, and American jeweler Tiffany & Co. are very popular and prosperous throughout Japan. The new generation of fashion aficionados also makes Japan a country to watch. Japan is usually associated with a minimalist nature, not owning more than is necessary. In Tokyo, however, younger people are beginning to express themselves by quickly purchasing any item that appears to be part of a new trend, only to abandon it for the next craze in the blink of an eye. Investment in Japan has been supported by this phenomenon, since many fashion companies use Japan as their new testing ground before launching expensive lines in other markets. While New York City in the United States was once considered the primary region to try out new styles, experience has shown that what catches on in Japan often works across the globe as well and that the Japanese are much faster to respond to new products. This does not imply that everything that is tested in Japan will work worldwide. For example, bags with bubbly, cartoon printing containing the likes of Hello Kitty or indistinguishable characteristics that thrive in the *kawaii,* or "cute," market segment may not make a profit elsewhere. Essentially, there are times when Japan is distinctly ahead of the crowd, and it may take quite some time for the rest of the world to catch up.

Considering workplace ethics and customs in the home, most would not immediately think of Japan as such a vogue region. For instance, in business, employees often dress conservatively, are well groomed, and do not leave the work space until after the boss has left, which can be many hours after the office has officially closed. In fact, it is usually embarrassing for a worker to leave the moment the office closes, since that is seen as leaving "early," and it singles out the employee. Homes can be small, with little extra room for extravagant purchases, though with gift giving so prevalent in the country, it is unpredictable what someone else may procure for your household. These reasons and many more would imply that the Japanese would not want to call more attention to themselves. However, as Japan continues to move toward individualistic tendencies, citizens may be scrambling to find a way to express their own unique voice.

www.japanlink.com, www.businessweek.com; http://www.infoplease.com/ipa/A0107666.html.

Questions

1. Based on their home country, how might the organizational cultures of the four fashion companies mentioned be distinct from one another, and in what ways could they be the same?
2. If the first two companies and the last two companies want to form joint ventures (Zara with H&M, and Louis Vuitton with Tiffany & Co.), what could be some potential ways the organizational cultures interact?
3. What types of problems might a culturally diverse top management team at headquarters create for the two joint ventures? Give some specific examples. How could these problems be overcome?
4. How could work structures and schedules of these companies at their respective headquarters affect operations in Japan? In what ways are they different or similar?

A Good-Faith Effort Is Needed

Excelsior Manufacturing is a medium-sized firm located in the northeastern part of the United States. Excelsior has long been known as a high-quality, world-class producer of precision tools. Recently, however, this MNC has been slowly losing market share in Europe because many EU companies are turning to other European firms to save on taxes and transportation costs. Realizing that it needed a European partner if it hoped to recapture this lost ground, Excelsior began looking to buy a firm that could provide it with a strong foothold in this market. After a brief search, the MNC made contact with Quality Instrumentation, a Madrid-based firm that was founded five years ago and has been growing at 25 percent annually. Excelsior currently is discussing a buyout with Quality Instrumentation, and the Spanish firm appears to be interested in the arrangement as it will provide it with increased technology, a quality reputation, and more funding for European expansion.

Next week, owners of the two companies are scheduled to meet in Madrid to discuss purchase price and potential plans for integrating their overall operations. The biggest sticking point appears to be a concern for meshing the organizational cultures and the work values and habits of the two enterprises. Each is afraid that the other's way of doing business might impede overall progress and lead to wasted productivity and lost profit. To deal with this issue, the president of Excelsior has asked his management team to draft a plan that could serve as a guide in determining how both groups could coordinate their efforts.

On a personal level, the head of Excelsior believes that it will be important for the Spanish management team to understand that if the Spaniards sell the business, they must be prepared to let U.S. managers have final decision-making power on major issues, such as research and development efforts, expansion plans, and customer segmentation. At the same time, the Americans are concerned that their potential European partners will feel they are being told what to do and resist these efforts. "We're going to have to make them understand that we must work as a unified team," the president explained to his planning committee, "and create a culture that will support this idea. We may not know a lot about working with Spaniards, and they may not understand a great deal about how Americans do things, but I believe that we can resolve these differences if we put forth a good-faith effort."

Questions

1. What do you think some of the main organizational culture differences between the two companies would be?
2. Why might the cultural diversity in the Spanish firm not be as great as that in the U.S. firm, and what potential problems could this create?
3. What would you recommend be done to effectively merge the two organizational cultures and ensure they cooperate harmoniously? Offer some specific recommendations.