



International Management and the Cultural Context

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To manage a business organization effectively, it is essential to understand people's values and assumptions, which are shaped by their cultures. Cultural norms and values are not universal, although there are some similarities. Among these similarities are a desire to be helpful, respect for authority and power, and the tendency toward comfort. But even those concepts and values that at first glance appear to be universal show vast differences on closer scrutiny.

In this chapter, we learn how cultural differences influence the management of business organizations. The differences between the most prominent American cultural values and those of other nations are used as a framework for the discussion of the managerial implications of cultural differences. The definitions of national culture and corporate culture explain the relationship between the two. A discussion of the organizational typology illustrates how cultural diversity in multinational corporations (MNCs) could improve organizational capabilities.

Overview

Chapter Vignette

A few decades ago, when MNCs started sending their employees abroad, they learned about a phenomenon called cultural shock. Manifested as a feeling of bewilderment, loss, and anxiety, cultural shock beset people who, in a foreign land, do not find the familiar clues that make everyday life a comfortable exercise. Now, many MNCs are being introduced to another cultural shock. Strategic alliances between large MNCs create multicultural teams and result in many unforeseen problems between these teams that slow down projects.

Cooperative projects combining culturally diverse people should produce synergy. Americans, for example, look at objects and relate them in a linear fashion. Japanese look at the harmony between objects and spatial relationships. To Americans, harmony is asymmetrical balance when every object is balanced by an equal object on the opposite side. To Japanese, harmony is a fit, a match, and an asymmetrical balance that creates a coherent pattern without forcing parallels and matching opposites. Combining the two divergent styles could produce new solutions.

Take the case of the International Business Machines (IBM) when it began a cooperative project with Siemens AG of Germany and Toshiba Corporation of Japan to develop a new computer memory chip. At the East Fishkill, New York, facilities, in mostly windowless offices, more than 100 scientists from culturally diverse backgrounds were brought together [1].

Before getting together for the project, all the scientists were sent for training programs in their home countries. Toshiba, for example, provided language training. Siemens briefed its scientists about "hamburger" managerial styles. They were told that when criticizing a subordinate, Americans start with small talk: "How is the family?" This is the top of the hamburger. Then, they slip in the meat, the criticisms, which is followed by more bun, the encouraging words, such as "I know you

can do better.” With Germans, all you get is the meat. Japanese offer only the soft bun; you have to smell the meat.

From the onset of the project and before the full realization of potential synergies, problems began to slow down the project [1]. Siemen’s scientists were shocked to find that Japanese seemingly fall asleep during meetings. It is a common practice for overworked Japanese managers to close their eyes and rest when talk does not concern them. The Japanese found it painful to sit in small, individual offices and speak English. The Americans complained that the Germans planned too much and the Japanese were not making clear decisions.

The toughest adjustment problem for the Japanese Toshiba scientists was in the area of corporate culture. They were accustomed to working in large rooms with a lot of people, constantly overhearing all the conversations, like living in a sea of information. IBM’s small offices could not accommodate this important information exchange. The Germans were horrified to see windowless offices. They also did not like to step outside the offices for smoking. For a few months, they were all on their best behavior. With the passage of time, however, the three groups grew more isolated. Even softball games and after-hours socializing were marred by cultural differences. The Americans and Japanese knew softball, but the Germans did not. Participation in the project became a frustrating experience for everyone involved.

Introduction

The survival of an organization depends on its ability to respond to environmental changes and societal demands. Corporate culture consists of the assumptions and values created by the manner in which the organization adapts to these changes and demands. To survive, the organization must interact effectively with its environment. This includes the relationship between corporate culture and the cultural environment. Various aspects of national culture are reflected in the culture of the firm. Although the transfer from national culture to the culture of the firm is never complete, it is irresistible. Very seldom can irreconcilable contradictions exist between the two. Any difference is either temporary or a normal variance of the national norms (p. 80) [2]. Incongruity between corporate culture and societal values results in the death of the organization. The organizations that survive are those that adopt cultures reflective of the major values of the society and its dominant cultural characteristics.

What Is Culture?

Culture is a system of knowledge and standards for perceiving, believing, evaluating, and acting. It is a process of socially transmitted behavior patterns that serves to relate people to the environment [3]. Culture develops over time and is constantly and slowly evolving. A simpler definition is offered by Hofstede, who

described culture as “the collective programming of the mind which distinguishes the members of one category of people from those of the other (p. 389–398).” [4] Another simple definition of culture is given by Schein [5] who states that “culture is the way in which a group of people solves problems and reconciles dilemmas”. Although there is no unified definition of culture, one common denominator is that culture is the way or a system of knowledge/standard that determines the behaviors of people in a society. Then the question is what determines the system of knowledge/standard. To answer this, we need to understand the major components of culture.

The Major Components of Culture

Language, ethnicity, and religion are the major components of culture.

Language The language we use to communicate with others structures the way we perceive the world. One word in a country may have various meanings if translated into different languages, because people in the world perceive the world differently. For instance, the Korean word “*Jeong*” can be translated in English as “affection,” “attachment,” or “warm-hearted,” but the meaning may also vary depending upon situations. As such, if one language is not perfectly translated into another language, it causes a confusion and miscommunication and thus creates language barriers and cultural difference.

Ethnicity Ethnicity refers to as an enduring, fundamental aspect of the self that includes a sense of membership in an ethnic group and the attitudes and feelings associated with that membership [6].

As long as ethnicity reflects attitudes and feelings of an ethnic group, it has psychological implications of culture. Ethnicity comprises of a number of different components including self-labeling, a sense of belonging, preference for the group, ethnic interest and knowledge, and involvement in activities associated with the group [6]. A notable example of cultural difference derived from the ethnic diversity of social group is between African Americans and American Whites. African Americans have their own history and experience that may have different impacts on their attitudes and feelings [7].

Religion To better understand a culture, one must have knowledge of its religious foundation. There are several major religions and many minor ones. The major religions are Buddhism, Christianity, Confucianism, Hinduism, Islam, Judaism, and Shinto. The three major religions originating from the Middle East—Judaism, Christianity, and Islam—have much in common and share the same basic framework. These three religions believe in one God who is omnipotent, omnipresent,

and omniscient. The Asian religions such as Hinduism and Buddhism, however, have a different structure. Many abstract religious concepts that have shaped Western thoughts and beliefs are alien to followers of these two religions. A characterization of these differences by H. L. Telshaw Jr. is illuminating. Telshaw, who worked for General Motors for many years in international assignments, especially in Asia, asserted that:

the adherents of Confucius, Buddha and Lao Tsu's Tao have been molded by the thoughts, ideals, and teachings of these Oriental philosophers which incidentally tend to concentrate on developing strong personal and family values unencumbered by such intellectual hurdles as "immaculate Conceptions", "Resurrections", miracles, etc. . . .

We in the Occident having been reared on a battleground contested by the forces of good and evil, have developed an unusual capacity for guilt, not found in the same extremes in the Orient. Captivated by the promises of heaven and the threats of hell, we tend to be idealistically and fearfully motivated. Moreover, because of the widely held belief that we are individually accountable at the judgment seat for our deeds, we tend toward self-centeredness and egotism. Orientals, on the other hand, see themselves as merely another manifestation of the creation and strive to be "in harmony" with its other elements and therefore tend to be more realistic—more fatalistic, humble, even innocent [8] (pp. 250–251).

As just described, culture of a society can be determined by language, ethnicity, and religion. Thus, a country that is diverse in language, ethnicity, and religion tends to have a certain degree of cultural heterogeneity. For examples, countries using more than one language such as Canada (e.g., English and French), the United States, and India are made up of many subcultures, whereas countries using one language such as Korea and Japan tend to have a homogenous culture.

It is more demanding and challenging for expatriate managers to function in cultures with a high level of cultural heterogeneity and complexity. To perform managerial functions demands a more careful assessment of situations and an understanding of circumstances. It is more difficult for an expatriate, for example, to manage a firm in India than in the United States. While both the United States and India are culturally heterogeneous, India has a higher level of cultural heterogeneity and complexity. Conducting business transactions in a country with a relatively homogeneous culture is much simpler for a foreigner. Understanding the cultural complexity and heterogeneity of host countries should be a top priority of MNCs. To succeed in the multicultural environment of the world market, MNCs should show sensitivity to their host countries' cultures and try to understand the cultural differences. Also, focusing on the dominant culture in a heterogeneous culture may result in lost opportunities. The losses are due to not recognizing the needs of members of subcultures. For example, only recently have American businesses begun to cater to the Mexican-American subculture.

Exotic Cuisines

When people travel around the world, they may have to try different foods. Some of the exotic cuisines include insects, various plants, and unique animals. In Colombia, for instance, travelers may be offered termites and palm grubs or spread ground-up ants on bread. In the Philippines, the food selection may include beetles, grasshoppers, locusts, and dragonflies.

In Mexico, the custom of eating insects originates from pre-Hispanic inhabitants, who viewed insects as an important source of protein since there were no cows at that time. Now, not only do common people eat these exotic foods, they are also found in upper-class restaurants. Some restaurants include in their menus worms, nopales (a small, thick cactus leaf used in salads), huitlacoche (a brain-like fungus that grows on maize), and escamoles (ant's eggs). The worms are lightly fried in olive oil and served in a bowl with tortillas and guacamole. They taste between pork crackling and fried seaweed. In a small town called Oaxaca, grasshoppers are a popular fast food.

But today, these exotic foods are slowly gaining the status of delicacies and may be priced out of the reach of the poor. A chef lamented these developments saying it is a shame because half a kilo of grasshoppers for a few dollars has more protein than 20 kilos of beef [9].

Six Dimensions of Culture

While there are similarities among cultures, no two cultures are alike. There are many ways of comparing and contrasting cultures. In the literature on international management, a well-known typology of culture is offered by Hofstede [10]. He compared cultures using six cultural dimensions: individualism/collectivism, masculinity/femininity (gender values differentiation and rigidity), uncertainty avoidance, power distance, long-term/short-term orientation, and indulgence/restraint. The six dimensions of culture are as follows. While the validity of these dimensions has been a matter of controversy, they have provided a broad framework that has inspired much research and new theorizing (p. 365) [11].

Power Distance Variation in the distribution of power among the members of the society is called power distance (PD). It is the difference in the amount of power possessed by the least powerful and the most powerful members of the society. Various degrees of power inequality exist in all cultures. According to Mulder's power distance reduction theory, superiors will try to maintain and increase the PD between themselves and subordinates, and subordinates will try to reduce this distance [12]. Hofstede, however, proposed that there is a culturally based equilibrium level at which both the most powerful and the least powerful persons will find inequality acceptable. Cultures with a PD tend to concentrate influence and control in the hands of a few. Distribution of power and influence tends to be more equal among people of low-PD cultures.

PD can be measured using Hofstede's power distance index (PDI). The ten countries with the highest PDI are the Philippines, Mexico, Venezuela, India, Singapore, Brazil, Hong Kong, France, Colombia, and Turkey. Cultures with the lowest PD are Western Europe, Israel, New Zealand, the United States, and Canada. There is less emphasis on power among the people of low-PD countries. As one Swedish university official said, "In order to exercise power, he tries not to look powerful" (p. 94) [10]. Interpersonal relationships between the people of high-PD countries tend to be more along the hierarchical line. In general, Asian and African cultures maintain hierarchical role relationships.

Individualism vs. Collectivism It is the culture's emphasis on personal identity. It encourages self-serving behaviors. In individualistic cultures, it is expected that individuals primarily look after their own interest and those of their immediate family. Therefore, individualistic cultures are loosely integrated. The opposite of individualism is collectivism. Collectivist cultures emphasize groups (e.g., family, neighborhood, organizations, and the country), not individuals. In a collectivist society, the interests and goals of individuals are subordinate to those of the group [13]. Individuals seek fulfillment and happiness in the harmony of the group. Groups provide security to members and protect their interests in exchange for their complete loyalty. Compared with individualistic societies, collectivist societies are tightly integrated (p. 390) [8].

Individualism is directly related to the use of space and accessibility. Individualistic societies heavily emphasize owning space. The heavy emphasis on individual ownership, in turn, tends to distance people from one another, limit sensory stimulation, and promote privacy. Most Western cultures are individualistic, whereas Eastern European and most South American cultures are collectivist. People from individualistic cultures rely on personal judgment, while collectivists value collective judgment and emphasize harmony between people. Collectivist cultures are more interested in living in harmony with nature, while an individualistic culture attempts to dominate nature.

Uncertainty Avoidance Cultures view risk and uncertainty differently. Some cultures have more aversion to risk and uncertainty and avoid situations that are ambiguous and risky. Other cultures can tolerate such situations with less discomfort and anxiety. "Cultures with a strong uncertainty avoidance are active, aggressive, emotional, security-seeking, and intolerant. Cultures with a weak uncertainty avoidance are contemplative, less aggressive, unemotional, accepting of personal risk, and relatively tolerant (p. 390)." [8]

Hofstede's found that the top ten countries that are high on the uncertainty avoidance dimension are, in descending order, Greece, Portugal, Belgium, Japan, Peru, France, Chile, Spain, Argentina, and Turkey. The ten cultures with the lowest uncertainty avoidance are Singapore, Denmark, Sweden, Hong Kong, Ireland, Great Britain, India, the Philippines, the United States, and Canada (p. 122) [10]. Countries

that are higher on uncertainty avoidance tend to be Catholic cultures, while Protestant, Hindu, or Buddhist cultures tend to be more tolerant of ambiguity and risk (p. 135) [10].

Masculinity vs. Femininity This dimension refers to the rigidity of socially prescribed gender roles. In some cultures, gender roles are narrowly defined, and people are expected to behave within their socially prescribed roles. An example is that getting behind the wheel by women without a permission from their male guardians is not widely accepted in Saudi Arabia [14]. Masculinity is identified with traits and behaviors such as strength, speed, assertiveness, competitiveness, dominance, anger, ambition, and the pursuit of wealth. Feminine characteristics and behaviors are associated with emotionality, affection, compassion, warmth, and nurturing of the weak and needy. The emphasis on one or the other set of attributes characterizes the masculinity or femininity of a culture. In societies where gender roles are more clearly specified, masculine manners are expected from men, and women are expected to behave in feminine ways.

Countries can be ranked according to gender role differentiation and rigidity dimension [10]. The ten countries with the highest masculinity index are Japan, Austria, Venezuela, Italy, Switzerland, Mexico, Ireland, Great Britain, Germany, and the Philippines. The highest feminine value countries on this index are Sweden, Norway, the Netherlands, Denmark, Finland, Chile, Portugal, Thailand, Peru, and Spain. Although not among the ten highest on masculinity index, the United States tends to be a masculine society. Compared with the people of most countries, American people of both sexes seem to be loud, aggressive, and competitive. In the United States, feminine people are more expressive, nurturing, and relational and provide more personal information. Masculine people are more dominant, argumentative, assertive, and goal oriented. Emotional expressions such as crying are associated more with femininity.

Long-Term vs. Short-Term Orientation It captures attitudes toward time on work, reward, and life. Long-term orientation focuses on the persistence, long-term future rewards (as opposed to immediate gains), and long-term relationship building. East-Asian countries such as Japan, China, and South Korea have a long-term future orientation. Short-term orientation, on the other hand, values more on the past and present than future and focuses on achieving quick results/rewards and spending (rather than saving). The United States, the United Kingdom, Canada, and Germany tend to have a short-term orientation. An example of cultural differences in people's orientation toward the time can be found in business contracts. In the early 2000s, many Sino-US joint ventures were formed. However, due to the cultural difference in time perspective (US, short-term vs. China, long-term orientation), those alliances were not successful. Long-term-oriented Chinese partners believed that signing up a business contract is the beginning of relationships that will be constantly examined and renegotiated depending upon the emergent contingencies, whereas American counterpart focused on the fulfillment/implementation of contracts.

Indulgence vs. Restraint Indulgence versus restraint refers to the gratification versus control of basic human desires related to enjoying life [15]. According to Hofstede, indulgence refers to the free gratification of basic and natural human desires related to enjoying life (personal feeling) and having fun. In contrast, restraint stands for a society that controls gratification of needs and regulates it by means of strict social norms; personal responsibility is more important than personal feeling/happiness. China, Russia, South Korea, India, and Islamic countries (e.g., Iraq) show a low degree of indulgence indicating a restraint culture, while English-speaking countries such as Canada, the United States, and Latin America countries (e.g., Mexico, Argentina, and Brazil) have a high degree of indulgence (Table 3.1).

Table 3.1 Cultural dimensions and their key differences

←-----	Cultural dimensions	-----→
Low		High
Low-power distance	Power distance	High-power distance
Use of power should be legitimate Hierarchy means inequality of roles		Power is a basic fact of society Hierarchy means existential inequality
Individualism	Collectivism	Collectivism
“T”: Consciousness Speaking one’s mind is healthy Others classified as individuals		“We”: Consciousness Harmony should always be maintained Others classified as (in/out) groups
Low uncertainty avoidance	Uncertainty avoidance	High uncertainty avoidance
The uncertainty inherent in life is accepted Ease, lower stress, self-control, low anxiety Relatively comfortable with ambiguity and chaos		The uncertainty inherent in life is felt as a continuous threat Higher stress, emotionality, anxiety, neuroticism Need for clarity and structure
Femininity	Masculinity	Masculinity
No significant emotional and social role difference between the genders Balance between family and work Many women in leadership positions		Significant emotional and social role difference between the genders Work prevails over family Few women in leadership positions
Short-term orientation	Long-term orientation	Long-term orientation
Emphasis on quick results Social spending and consumption		Emphasis on persistence Large savings quote, funds available for investment
Restraint	Indulgence	Indulgence
More controlled and rigid behavior Lower importance of leisure In countries with enough food, fewer obese people		Freedom of speech seen as important Higher importance of leisure In countries with enough food, higher percentages of obese people

Source: Hofstede [15]

To understand cultural differences between countries, scrutinizing each cultural dimension is critical because each dimension of culture can differ significantly even between geographically proximate countries (e.g., the United States/Mexico and South Korea/Japan). Hofstede's cultural dimensions are useful in this manner. However, Hofstede's framework does not perfectly capture and measure all potential dimensions of national culture since he measured it based on the survey questionnaires distributed to the subsidiaries of IBM (an American Multinational Corporation) in different countries. Thus, it is important to consider other dimensions of culture that are not included in the Hofstede's studies.

Other Potential Dimensions of Culture

Work and Material Gain

Hard work is considered a requisite for the attainment of a goal. It is not only a requirement for success but also a virtue. The frontier heritage of America has made hard work the gospel. The prolonged siesta of other lands, the leisurely luncheon, and the hour-long teas are frowned on (p. 688) [16]. Without hard work, individuals should not expect to achieve their goals, in all likelihood they won't, and if by luck it happened, they do not deserve it. Americans take pride in hard work and believe it will eventually pay off. Work permeates all aspects of American life. Social occasions, religious gatherings, and leisure activities are quite often used as opportunities to facilitate or conduct business. Many Americans spend their weekends doing what others consider manual labor, such as painting the house, washing the car, mowing the lawn, or tinkering in the garage. It seems to others that Americans live to work, while others work to live.

To people of many cultures, work is a necessary burden, which if possible should be avoided. Australians, for example, seem to envy the "bludger," a person who appears to work hard while actually doing little work (p. 13) [17]. Most Middle Easterners look down on manual work with contempt and consider it undignified to engage in manual labor. The undignified status of manual work may be one reason why some oil-rich nations of the Persian Gulf region traditionally import virtually all their labor force from other countries, notably Pakistan. Manual work is particularly demeaning for the educated and the wealthy. Some Europeans do not share the American attitude toward work. The following story describes the Italian view of a person who is too much consumed by the work ethic. Italians consider such a person as one-dimensional [17].

An Italian air force officer gave me his impressions of Germans. He likes Germany, but found the Germans very *lineare*, meaning direct, purposeful, and efficient. "Lineare" is not a compliment. It characterizes a one-dimensional person, while Italians feel it is important to develop the whole person, not just the work side. I said I thought the Americans were probably just as bad as the Germans, but he shook his head and grinned. "Worse," he said, "much worse." [17] (p. 13)

While Americans work hard because they consider hard work a virtue and enjoy it as an activity, Japanese work hard for a different reason. Japanese people work hard because of their loyalty and obligation to the group and because of a sense of responsibility to the group. To perform well is considered fulfilling a duty. When the group succeeds, so do the individual members, and when the group fails, its members have failed. The failure of an individual member to do his or her part in a group situation usually results in a deep sense of agony and shame, the loss of face. So people work hard, stay overtime, or come to work even when sick to ensure the group's success.

Japanese work more hours than their American or European counterparts. In Japan, very seldom does anyone refuse to work overtime. Since everybody seems to work hard, most individuals feel obligated to do the same. Doing otherwise could cause collective failure and result in loss of face. It would plunge the individual into a deep personal agony and shame. Japanese feel that if you lose face once, you lose face forever. The pressure to work hard, and the feeling of obligation and duty to do so, critics say, has resulted in a phenomenon called "karoshi," meaning sudden death from hard work [18].

While wealth has universal appeal, the significance of wealth and wealth acquisition varies among nations. Wealth has two basic dimensions. First, wealth is an instrument for the provision of sustenance and physical comfort for self and others. Second, wealth is a measure of success and accomplishment. The Americans' penchant for wealth is not only aimed at providing material comfort but is also an indication of accomplishment. Often, the Americans focus more on the second dimension. As Billington and Ridge have asserted, the American emphasis on wealth acquisition is a frontier heritage. From the early days of the frontier experience, the abundance of natural resources had resulted in a state of mind in which material progress was the only measure of the worth of people. Wealth was the talisman that would create social status, influence, and political power. Money was the primary objective in the life of many frontier settlers. The contemporary materialistic attitude of Americans is rooted in the affluence of the frontiers (p. 688) [16].

The Failure of an International Joint Venture

After two and a half years of alliance, Corning Company and a Mexican glass manufacturer, Vitro, had to call off their marriage. Corning is the glass and ceramic giant with a long history of successful joint ventures. More than half of Corning's operating income comes from joint ventures. Corning's success in alliance with other companies is mostly due to its ability to cope with the constant give-and-take that joint ventures require.

Not all of Corning's alliances, however, are successful. The joint venture with Vitro is an example. Vitro, Sociedad Anonima, is a well-known glass manufacturer based in Monterrey, Mexico. It has a large, well-educated, and highly trained workforce. While some past failures were due to economic and political factors, this one was attributed to cultural differences. In the

(continued)

beginning, the alliance seemed to be a perfect match. Both had the same corporate philosophy, which emphasized service to customers. On the surface, the companies appeared very similar. Deep down, however, they had some basic cultural differences. Corning managers, for example, were sometimes left waiting for important decisions about marketing and sales. In Mexican culture, only top managers could make those decisions, and at Vitro, those people were busy with other matters. Conversely, Mexicans sometimes saw the Corning managers as too direct, while Vitro managers, in their effort to be very polite, sometimes seemed unwilling to acknowledge problems. Often, the Vitro managers thought that the Corning people moved too fast, while the Corning managers thought that the Vitro people were too slow. The Mexican managers were taking very long lunch breaks, while the Americans had no problem eating lunch at their desks. While the Americans were willing to discuss what went wrong and learn from it, the Mexicans were reluctant to criticize anyone, especially a partner. Therefore, many mistakes were left unattended [19–21].

Other nations have different perspectives on wealth, money, and status. In contrast to Americans, Germans, for example, consider the intrinsic value of material things. Consider the purchase of books. Americans feel remiss if they buy books but do not read them. The Germans feel owning books, even if not reading them immediately, is important. For that reason, hardcover books sell more in Germany, and paperback sales are higher in the United States (p. 46) [22].

Americans have the tendency to display their wealth conspicuously and flaunt their material possessions. They enjoy displaying to others their accomplishments. Some cultures are more subtle about the display of wealth. Americans view wealth more from the consumption aspect. They view wealth as something to be used. Usefulness is a criterion to measure the worth of material things. If something is not useful, it should be thrown away. The American penchant for wastefulness is probably also an indirect result of the frontier mentality. To those settling in the frontiers, it must have seemed that the plentiful resources of America were inexhaustible. Therefore, there was no reason for conservation. The resulting wastefulness is evident in the activities of everyday life. To feel warm and comfortable at home, for example, a typical American, who is wearing only light clothes, may increase the heat and warm up the whole house. In contrast, a typical European would put on an additional sweater for warmth and comfort.

The worth of a position or an occupation is determined by several primary factors, including honor, power, prestige, and the monetary earnings associated with it, as well as the impact it may have on the family. In some cultures, the nonmonetary aspects of a job are more important. In other cultures, the monetary gains are emphasized more. It is not unusual for an American to set a goal of becoming a millionaire by a certain age and to take on more than one job in pursuit of that goal. This narrow

pursuit of material gain is frowned on by many traditional cultures with close family relationships. Faced with an opportunity to earn more money or help a family member, for example, a Hindu may choose the latter. The method and manner of wealth acquisition are of concern to all cultures. However, the Americans' high regard for business and wealth acquisition through business is not universal. In cultures where there is no high regard for business, outsiders often fill the gap in business and commercial activities. The Indians in East Africa and the Chinese in Southeast Asia, for example, have been successful in business and commerce due to the tendency of locals to hold business and commerce in low regard (p. 119) [23].

Informality

Informality is a salient American characteristic that has its roots in the frontier experience (pp. 49–58) [24]. When Americans moved West in search of a better life, they left behind much of the complexity of Old World cultures. There were no rules or protocol and no opportunity to practice old customs. Very soon, a much more informal way of speaking, dressing, and engaging in social relationships developed, reflecting a more relaxed etiquette (pp. 347–350) [25]. The Old World's formal social rules, ceremonies, and traditions never took roots in frontier America. As Robert Cruden explains, frontier people under the pressure of hard work and isolation had to shuck off the grace and amenities of Eastern cities. They cultivated only those values necessary for survival: sheer physical strength and courage, pragmatic thinking, assertive egalitarianism, and an obsession with purely material things. They simply evolved their way of life [26].

This informality has persisted over the years, and Americans have never shown much interest in rules and practices that are impractical, restrict behavior or limit interaction with others. Americans consider too much formality as unfriendly, and they are ill at ease with it. A striking example of this fondness for informality can be found on the pages of American firms' annual reports. They are full of pictures of smiling executives. In contrast, in other countries, very seldom is a picture of a smiling executive seen on a corporate annual report. To other nations, the smiling face of an executive is not a dignified pose.

This informality has become such a strong American trait that many Americans assume it is universal. In reality, however, many cultures rigidly adhere to customs and ceremonies. Germans, for example, are very much aware of official and formal titles when addressing each other. In Germany, students never call college professors by their first names. Officially, a professor is addressed as *herr* (Mr.), *doktor*, or *professor*. At work and in office situations, Germans always use a formal address with each other. German executives call their secretaries by an honorific followed by the last name, such as *Frau Schmidt*. The use of the first name is regarded as too familiar and condescending by Germans (pp. 64–65) [22].

Latin Americans are very much interested in pomp and circumstance. Personal etiquette and hospitality rules are strictly observed. Any failure to observe the ceremonial practices is construed, at best, as a lack of culture and *savoir-faire* and, at

worst, as impolite and rude. The practice of keeping family names going back several generations is a means by which Latin Americans can show a relationship to prominent families or to the Iberian Peninsula.

Japanese are very much concerned with strict observance of the rules of interpersonal relationships, proper manners, and discipline. In the days of samurai rule, a serious disregard for manners and the failure to show proper respect to a samurai could be punishable by death. They practiced a very precisely prescribed way of eating, greeting, gesturing with hands, wearing clothes, walking, and sleeping. Even today, the daily life of a Japanese is governed by a very strict code of conduct (p. 11) [17]. James Mortellaro, an American executive who worked for 10 years for Japanese firms, made the following observations on Japanese formality [27]:

Employees at a typical Hitachi factory in Tokyo remove their shoes before entering their work areas. They wear slippers, color-coded for different jobs, functions, and departments. There are stripes of many colors painted side-by-side on the floor at the main entrance. Employees follow these stripes into the depths of the plant, each color leading off in a different direction. They must follow the color corresponding to their slippers. This practice constantly reminds them of their place and their position in the company. (p. 66)

A naive foreigner, uninformed about the Japanese code of conduct, for example, may lose a business deal just because of an inappropriate manner of exchanging business cards. When Japanese are handed a business card, they acknowledge each individual and his card, and they carefully study them and then respectfully stow them away. In so doing, they are trying to understand the person's relationship with the organization and his or her position within it. In a way, they create a context for future interaction.

Joking and Fun/Informality

Certain American characteristics are closely and directly related to their affinity for informality. In particular, Americans are very exuberant, they like simplicity and brevity of expression, and joking and kidding is common practice on most formal and informal occasions (pp. 49–58) [24].

Americans work hard and with the same vigor wholeheartedly participate in fun and games. Their open enjoyment of life and hearty expression of pleasure contrasts with the attitude of Latin Americans, who are much more formal and reserved. They never remove their jackets in public and are very careful to preserve a dignified composure. Relaxed manners, unabashed drinking, and hearty laughter are reserved for family and a circle of close friends. Latin Americans, or for that matter, people from many other cultures, would be truly at a loss at a Shriner's convention or a college class reunion and would certainly be surprised at a typical college fraternity hazing.

Americans favor simplicity and brevity of expression and frank, open, direct actions. The "bottom line" and "getting to the point" are common currencies of daily language. Americans practice a relaxed form of tact and diplomacy in their

interpersonal relationships. The no-nonsense attitude of discussing directly the substance of business at hand is not correct in other cultures. Where social acceptance, preserving harmony, and saving face are considered important, people refrain from candor and frankness. To avoid embarrassment and hurt feelings, Japanese and many Asians are very reluctant to criticize others publicly, give direct answers, and put others on the spot. Americans, on the other hand, are very much interested in quick and timely feedback of the sort that requires a direct and frank response.

Americans enjoy joking and kidding very much. They use it to break the ice and feel comfortable around people. It also seems to be an equalizer that removes artificial social barriers and brings everyone to the same level. In the rest of the world, the American kidding and joking can be offensive. Outside of a close circle of friends, formality and courtesy govern all interpersonal relationships. The practice of roasting, a ceremony in which colleagues affectionately elaborate on the behavioral or physical shortcomings of a designated person, would be unthinkable in other cultures and extremely offensive. When a Chinese American consultant, who worked for both US and Chinese firms, met with an American finance chief, he was shocked to observe the following take place. His client's secretary burst into the meeting for a surprise birthday party for her boss. Along with a cake, she had hired a clown who poked fun at the finance chief. The consultant thought to himself, "This can never happen in a Chinese company" [28].

Americans like to lace their speeches and presentations with humor, and many formal presentations are opened with a joke. In other cultures, jokes are not suitable for formal occasions and should be told only among friends and in informal settings. It is considered abnormal to tell a joke in a formal presentation.

An American businessman was preparing for a business trip to Japan. His cultural consultant told him not to use a joke for the opening of his presentation. American jokes, he was told, lose much of their funny meaning in translation into Japanese. Besides, Japanese do not use jokes and funny remarks in business presentations. He followed the advice and started his presentation very formally. It seemed to him that the interpreter was translating his presentation very effectively. That gave the American confidence, and in the middle of his presentation when he remembered a very appropriate joke, he could not help telling it. To his surprise, the audience of Japanese managers broke into hearty laughter. When the speech was finished he asked the Japanese interpreter how he had translated the joke. The interpreter answered, "I did not. I told them, your American guest just told you a joke, you are supposed to laugh."

Attitude Toward Time

The phrase "time is money" explains the American attitude toward time. Time is a valuable and scarce commodity that should be employed in useful purposes. Americans are very conscious of time and try very hard to make the most efficient use of their time. In the eyes of many foreigners, Americans are always in a hurry.

Foreigners who spend some time in the United States have a common complaint: “There is a deadline for everything” or “From the beginning of everything, Americans look forward to the finish; they do not take time to enjoy life and whatever they do. Everything is instant. Instant coffee, instant pictures, instant messages, instant life.” The high value that Americans place on time could explain their penchant for action and their disdain for inactivity. Moreover, Americans typically have a low tolerance for silence in meetings. In contrast, most Asians can remain silent for long periods when nobody utters a word. To them, the silent period is an opportunity for contemplation and for organizing and evaluating one’s thoughts (pp. 42–44) [29]. The American dislike for long periods of silence may have gotten many American negotiators into serious trouble. An international vice president of a large US company illustrates this [29]:

In one of my company’s deals overseas, our buyer was sitting across the table from the Japanese manufacturer’s representative for the purpose of bidding on an item in which we were interested. Following the usual niceties, our man offered \$150,000 per batch. On hearing the bid, the Japanese sat back and relaxed in his chair to mediate. Our buyer, interpreting this silence to be disapproval, instantly pushed his offer higher. It was only after the session was over that he realized he had paid too much. (pp. 42–44)

Time Perspective

Individuals, organizations, and cultures vary in their attitudes and orientation toward time. The time perspective could be considered a continuum, one end of which is monochronic and the other end polychronic [30]. To engage in one activity at a time and finish each activity before beginning the next is monochronic, typical of the American and northern European time perspective. To do two or more activities concurrently or intermittently during a time period is polychronic, characteristic of many traditional societies (pp. 13–22) [22].

Polychronic Time Industrialization seems to be a major factor influencing time perspectives. We develop time perspectives in relation to the environment. Before the industrial revolution and the emergence of factory work, people in agrarian societies observed natural changes in the environment and used those changes to organize their lives. Life progressed through days, nights, seasons, and years. Time was measured by the occurrence of natural phenomena, not by artificial means. In a circular fashion, day led to night and night to day; spring led to summer, summer to fall, fall to winter, and winter to spring. Important events reoccurred and were interrelated. Work and activities did not have precise deadlines. While there were certain times for planting and harvesting, delaying either by a few days was not disastrous. Interrupting one activity to engage in another did not seriously hamper normal daily life. Unlike today’s industrial societies, agrarian life went on without a rigidly imposed structure. In relating to the environment, people developed a time concept very much in tune with the requirements of their daily lives.

Similar to natural events that occur concurrently, polychronic people spend their time according to the dictates of the events. As events evolve around them, polychronic people tend to deal with those events according to their importance, without hesitating to postpone less important ones. They may do many things concurrently, moving from one to another, without predetermined deadlines. Rather than being governed by the modern concept of time, the progression of events and activities is more the consequence of momentary urgency and the requirements of interpersonal relationships. The life of a polychronic person centers around people and interpersonal relations, while for a monochronic person, time is the essence.

The industrial revolution with its requirements of working with machines and following a work schedule made **polychronic time** problematic. The natural measures of time were no longer appropriate for factory work and machine operations. A new abstract concept of time—based on the movement of a mechanical object, the clock, replaced natural time measurement.

Monochronic Time Monochronic cultures perceive time in a linear way, like a road that extends from the past into the future. **Monochronic time** is divided into segments, compartmentalized, and scheduled. Monochronic people devote their attention to scheduled activities, one at a time. They assign property values to time. Time could be owned, spent, saved, or given away. Since time is viewed in a linear fashion and activities are scheduled with a clear expectation of starting and finishing times, a request for an unscheduled task or meeting could bring the familiar response, “I don’t have time for it.” Similarly, monochronic people “spend” their time at work or at home, “save” or “set aside” time for family gatherings, and “waste” time waiting. If their expectations are met, monochronic people “enjoy” their time and have a “good time”; otherwise they have a “hard time” or a “lousy time.”

Monochronic cultures emphasize punctuality and promptness. To be late for a meeting or not to finish a task on time can cause considerable annoyance. Therefore, unscheduled interruptions are avoided as much as possible. In contrast, polychronic people consider unscheduled meetings and events a normal part of social interactions where business and nonbusiness activities intermingle. The difference in time perspective for punctuality and strict adherence to timetables and schedules could create problems for international managers. In traditional societies, for example, a combination of polychronic attitudes and concern for interpersonal relationships results in business practices that, from a monochronic perspective, are unacceptable. In the Middle East, for example, changing work schedules and appointments to fit the regular visits by clients, friends, and relatives is very common. A northern European or an American manager unfamiliar with the cultural values of the Middle East could interpret such practices as a lack of concern for the business at hand. Similarly, a Latin American may be late for a business appointment due to a preference for finishing a conversation with a friend rather than due to lack of interest or commitment.

Age and Gender

Attitudes toward age and gender vary among cultures. Americans have a special admiration for youth, and females are gaining more equality with their male counterparts. Although in many aspects there is still some division between male and female with regard to rank, the equalization attempts are paying dividends. Laws have made it clear that there should be no discrimination between the sexes in business practices. American cultural values still favor males; however, both sexes are usually treated similarly. Unlike in traditional societies, where females play a subservient role, American females consider themselves equal to males, and societal values are changing in that direction. Other societies have a different attitude toward females. Except for a few Western societies, in the rest of the world, females are not granted the same opportunities as males and do not enjoy the same privileges. Japanese society, by all accounts, is still a strictly male society. Females do not play a prominent role in business and in government. Women who hold a job before they are married are expected to quit after marriage. The same is true for other countries in Asia, Africa, and even Australia. In some countries, women are denied the most basic rights, such as holding a job outside the home or voting in an election. In Saudi Arabia or Kuwait, for example, women do not have the right to drive a car; they can only be passengers. In many orthodox Muslim countries, women are expected to adhere to a very rigid code of conduct and personal appearance. They may not be seen in public in any fashion that draws attention to them. Males and females have different status and, consequently, different rights.

While Americans are aware that many countries have different attitudes toward women, they will be surprised to learn that the admiration for youth and youthfulness is not universal either. The United States is a very young country. The vigor and strength of its youth made this country expand and prosper. Unlike the Old World, there were no restrictions and limitations on how far a person could advance. Particularly, the rugged frontier life favored the physical stamina and strength of youth (pp. 68–69) [31]. Since then, Americans have come to admire youthfulness and consider young age as a favorable characteristic. Elderly people do not have as high a place in society as in other nations. In other nations, old age is a sign of experience and wisdom, and youth is synonymous with naivety and lack of sophistication. In many Asian countries, senior citizens are highly respected, and there is a clear ascending order of status according to age. Positions of authority and power, in business and in government, are occupied by mature people. It is very unusual to see younger people in high offices. American MNCs that ignore these cultural values and send the most qualified younger or female managers abroad may not receive a favorable reception. The assignment of a young person or a female is interpreted as an indication of lack of interest and commitment or the low value of the business to the MNC. Traditional societies will place a higher value on seniority than performance in choosing to fill a position.

In sum, culture is values and norms that shaped attitudes and behaviors of people in a society. And those dimensions can be used to better understand the culture of

the society. Now, let us think about how national culture influences businesses. Companies (as an independent organization) have clear goals (e.g., making a profit), and most activities are aimed at achieving organizational goals. In this sense, companies develop their own values and norms and thus establish their unique organizational culture which may be different from the national culture. In the following section, factors influencing organizational cultures will be presented.

Corporate Culture

Corporate culture indicates organizationally shared values, beliefs, assumptions, and understandings that are the basis for relevant corporate norms and behavior patterns. A very simplified definition of corporate culture is “the way things work around here” (p. 13) [23].

Cultural phenomena are detectable in organizations at three levels [5]:

1. Overt behavior and other physical manifestations, such as artifacts and literature, are at the first level. Formal communication style and dress code are first-level examples.
2. The second level consists of values, a sense of what “ought” to be. Promoting from within the organization and lifetime employment are examples of the second level.
3. The third level contains the basic assumptions, including methods of coping with the environment. Strategic choices and ways of dealing with competition are the third-level examples.

Corporate culture, according to Davis [32], is based on **internally oriented** beliefs of how to manage and **externally oriented** beliefs of how to compete. Since organizational culture is influenced by societal culture, some organizational values reflect the basic attributes of the cultural environment [33]. Because of differences in national cultures, accepted managerial practices vary around the world, as do the norms of relating to other businesses and how they compete. For example, management by objectives (MBO), which was designed based on American cultural values, failed to work in Europe. In the hierarchical organizations of France, superiors and subordinates were uncomfortable negotiating future goals as required by MBO. In Sweden and Holland, MBO procedures were considered too autocratic [34]. What is considered a business gift in other countries might be regarded as a bribe in the United States. In contrast, lobbying, which is regarded by Americans as a normal political practice, is considered to be influence peddling and corruption in other countries.

Corporate culture is a product of the firm’s environment and the interpersonal relationships among its members. Initially, the firm’s culture is influenced by the culture of the country where it initially was established. Once the firm expands its operations outside its borders and the dominance of its home culture, the influence

of the host country's national culture becomes a reality. The performance of business organizations depends on their ability to maintain internal consistency and external compatibility. Internal consistency is the equilibrium and balance between the various internal components of the firm, such as hiring, promoting, and rewarding employees. External compatibility is the harmony of the firm with its host environment, including relations with suppliers and ways of dealing with competitors. Organizations should be careful not to create too much internal inconsistency when creating external compatibility. In an effort to create external compatibility and to represent the cultural diversity of the global market in their corporate cultures, the MNCs may create a morass of cultural mismatch and cause internal inconsistency. The challenge is to bring about external compatibility and at the same time manage a culturally diverse workforce without creating internal conflict.

Many believe that cultural diversity enhances organizational competitiveness. Failure to manage cultural diversity properly, however, could lead to increased conflict and communication breakdowns.

The Mismatch of Corporate Cultures

Global media mergers in which products are information, ideas, words, and images, crossing national boundaries, are rarely without major difficulties. The acquisition of Diamandis Communication Inc. by the French magazine empire Hachette S. A. illustrates this point well. Two years after the merger, Diamandis, who was considered a great asset to the firm, and his two top lieutenants severed their relationships with the company. This move followed months of disagreement among the top managers.

Cultural differences were the root cause of their problems; they were manifested in the managerial styles of the American and French executives. Hachette's executives, like most Europeans, used instinct to guide them; they made most of their decisions on gut-level feelings, without the benefit of meetings or marketing studies. By involving themselves in the tiniest details, suggesting covers and new page designs for magazines, even deciding what pictures should be used and where they should be used, French executives clashed with US editors, who used a more systematic, planned approach (Adapted from Ref. [35]).

Consequently, depending on their approach to cultural diversity, MNCs could either enhance their worldwide competitiveness or fall victim to cultural quagmires.

When MNCs are unfamiliar with the culture in each environment, they face potential problems associated with the peculiarities of that culture. Not all areas of the firms are affected in the same way. The extent of difficulties arising from lack of cultural understanding is determined by how much various areas of the firm and the

host culture interact with each other. The more the interaction between a functional area and the host culture, the more potential there is for problems. For example, sales and marketing functions interact with the host culture much more than the research and development (R&D) function. Consequently, sales and marketing have the potential to encounter much more cultural misunderstanding.

The success of an MNC's global expansion, therefore, depends on its ability to adopt the practical aspects of the host country's cultural norms while maintaining the core aspects of its corporate culture that are the basis of its competitiveness. Although cultural adaptation to national cultures is a given, no direct, one-to-one correlation between the MNC's corporate culture and the host country's culture is conceivable. Instead of seeking complete identification with the host country's culture, it is practical to aim for the avoidance of cultural incompatibility. A more realistic expectation is to achieve a certain degree of compatibility, or constructive neutrality, with the host country's culture (p. 82) [2].

Constructive Neutrality Kolde defines **constructive neutrality** as a positive system of principles and norms to guide the decision-making processes of all the entities and affiliates of an MNC. These principles and norms help the firm avoid or minimize clashes with its various national environments. The aim is to facilitate optimal involvement and participation of the company in the productive systems of its host countries (p. 83) [2].

It is easier to achieve constructive neutrality if MNCs adopt a multicultural composition and orientation. A unicultural organization not exposed to cultural diversity and an ethnocentric firm that believes in the superiority of its own culture may have difficulty relating to the idiosyncrasies of other cultures. In the multicultural environment of world business, it is, therefore, advisable for organizations to become multicultural and develop a geocentric mentality. This is done by adopting the best attributes of both local and corporate cultures to function effectively in different cultural environments. What are the characteristics of a multicultural firm? In the following section, we examine the cultural typology of the organization and discuss the attributes of multicultural firms.

Cultural Typology of the Organization

Trompenaars and Hampden-Turner [36] used two dimensions, egalitarian-hierarchical and person-task, to identify four types of corporate cultures (p. 6). The four types are metaphorically named the family, the Eiffel Tower, the guided missile, and the incubator (see Fig. 3.1). The four types are "ideal types." In practice, the four types are mixed and overlapping, with one culture dominating.

	Personal/Informal	Task/Formal
Egalitarian/ Decentralized	Incubator (Person/ Fulfillment Oriented) Country: Sweden Business: Small	Guided Missile (Task/Project Oriented) Country: U.S., U.K. Business: Large
Hierarchical/ Centralized	Family (Power Oriented/Dominant) Country: France, Spain Business: Small	Eiffel Tower (Role Oriented/Dominant) Country: Germany Business: Large

Fig. 3.1 Four types of corporate culture. (Source: Trompenaars and Hampden-Turner [36])

The Family Culture

The family culture is both personal and hierarchical, in which the “father” has much more authority and experience than his children. Such a corporate culture is power oriented, and the leader acts like a caring father, who knows what is good for them and acts accordingly. This type of power is intimate and not threatening. The atmosphere of the corporation is much like a home. By working hard and resolving conflicts, employees in this corporate culture derive pleasure from such relationships. Pleasing a superior (the father or elder brother) is a reward in itself. Power is not over the family members but through them. A big punishment is the loss of affection and place in the family. The general happiness and welfare of the family members (employees) are regarded as the concern of the family-type corporation.

The pressure to perform well is moral and social rather than financial. Familial cultures such as those of Greece, Italy, Japan, Singapore, South Korea, Spain, Turkey, and several Asian countries support such a corporate culture. These countries also industrialized late, and many feudal traditions have survived without much change and have become the norms of corporate culture.

To outsiders, the family culture is arbitrary, irrational, cozy, and full of nepotism and favoritism (corruption). Many modern American organizational practices, such as merit-based hiring or pay for performance, will not be popular in a family corporate culture. The reverse is true too. The following is a case in point.

A Dutch company was setting up a \$15 million joint venture with a large Brazilian company. The Dutch delegations were surprised when the owner of the Brazilian company introduced a junior accountant as the key coordinator of the joint venture. They were puzzled as to why a junior accountant was given such a weighty responsibility, including the receipt of their own money. The Brazilian told them that this young man was the best choice among 1200 employees because he was his nephew. Who could be more trustworthy? Instead of complaining, the Dutch should be happy that he was available (p. 168) [36].

The Eiffel Tower

The bureaucratic organization with the division of labor and prescribed roles and functions resembles an Eiffel Tower. These roles and functions are coordinated from the top by a hierarchy that is symmetrical and narrow at the top and broad at the base. It is rigid, stable, and robust. However, its hierarchy is quite different from that of the family culture. Each level has a clear function, and roles to perform those functions are prescribed in advance.

The higher authority is an impersonal role that is occupied by a person selected for that position based on his or her abilities and qualifications and how those closely match the requirements of the position. The person occupying that position is not important. He or she could be replaced by anyone with similar qualifications. A new occupant of the position has very little freedom of choice and has to do the job as is defined in advance. Not much is left to personal preferences.

Because the authority comes from the roles and positions, it does not extend beyond the boundaries of the organization. Outside the organization, the boss is another person and would be treated accordingly. Both the boss and the subordinates accept this treatment as normal and natural. The boss is powerful only within the confines of the bureaucracy, and the rules sanction his or her organizational actions.

In the Eiffel Tower company, people or “human resources” are valuable for their effect on organizational goals, similar to those of capital and cash resources. They are moved around to positions where they can best serve the organizational mission and goals. Personal relationships are avoided because they can warp sound and objective judgment and create favoritism. Organizational logic dictates separating personal preferences and choices from those of the organization.

The Eiffel Tower corporate culture is common to North America, Northwest Europe, and those nations that are task oriented and put roles before people.

The Guided Missile

The guided missile culture is egalitarian and therefore is different from the family and the Eiffel Tower. It resembles the Eiffel Tower more because of its impersonal and task-oriented feature. But unlike the Eiffel Tower culture, where “means” are important, in the guided missile culture, the “ends” are vital. Everything must be done to accomplish the strategic mission and reach the target. It is a task-oriented organization in which teams or project groups undertake various jobs. These jobs (tasks) are not fixed in advance but will be determined as new targets are established.

This type of corporate culture and structure was pioneered by the US National Aeronautic and Space Administration. It used project groups working on space probes that resembled guided missiles. A large number of engineers and specialists were engaged in tasks that would change as the projects advanced. Their

contributions could not be specified in advance. They had to work together harmoniously; otherwise, the projects would not succeed. Because they were all experts and no particular expertise could be regarded as less or more important than another, there could be no hierarchy. Leaders or coordinators who were responsible for the final projects knew less than the specialists, and so they had to respect them and their expertise.

Because it is very costly to have a workforce composed of professionals, guided missile culture is very expensive. The relative value of individual contributions to the project may not be clear as in the Eiffel Tower culture. Groups are project dependent; therefore, they are formed and dissolved as needed. However, a functioning organization requires some degree of permanency. Therefore, in practice, guided missile culture uses Eiffel Tower as a skeleton to give it stability and permanence. This results in an organizational structure that is commonly known as a matrix.

In a guided missile culture, changes are accepted very easily, and they happen regularly. People are moved around from project to project, and loyalties are more to the project and the profession than to the corporation. Motivation is intrinsic, and team members get enthusiastic about the projects. They identify with the project and work very hard toward its completion. The project becomes a common goal to which all members dedicate themselves.

This type of corporate culture can function where task-oriented relationships and egalitarian attitudes are valued. The United States, Norway, and Ireland are examples of countries in which the guided missile corporate culture could function.

The Incubator Culture

The metaphor of incubator culture should not be confused with “business incubator.” However, the logic of both is quite similar. In both, the purpose is to enable individuals to be creative by removing the routine and mundane from daily work. The incubator culture is both egalitarian and personal. There is almost no structure and organization; it only serves as an incubator for the individual’s self-expression and self-fulfillment. The minimum structure of the incubator is to provide for personal conveniences such as heat, light, and computer services so that individuals could tap their creative potentials.

Other people in the incubator culture are important in that they provide the much-needed evaluation and criticism of new ideas. They develop, procure, and provide the resources needed to produce the innovative products or services that the organization provides to the clients. Typical examples of incubator cultures are found in start-ups in the Silicon Valley, California, and Route 128 around Boston. These firms are usually entrepreneurial or founded by creative teams.

With a minimum of structure, the incubators have minimal hierarchies. The authority of the individuals comes from the nature of their ideas and the inspiration of their vision, which makes others work with them.

In the incubator culture, people often work with an intense emotional commitment. The commitment is more to the nature of the work than to the people. To the

individuals, the groundbreaking and society-changing nature of the work unleashes the enthusiasm and commitment associated with a discovery trip—a trip to the unknown, in which the reward is the “journey.” In the incubator culture, people are motivated by the nature of the task, which may result in revolutionary products or establish new and precedent-setting ideas, methods, and paradigms.

The close and intimate relationship among people serves as an effective nurturance for creative ideas. At its best, it can be a very effective and exciting place in which face-to-face relationships provide honest feedback that helps weed out ineffective ideas. Association in the incubator culture is voluntary and is often undertaken by idealists who are interested in being a part of the groundbreaking ventures. It can be a most significant and intense experience that would be difficult to sustain or repeat. Its success results in the need to bring in new people who are strangers, which would alter the existing special relationships.

Unlike the family culture, in which leadership is ascribed, or the Eiffel Tower, in which leadership comes from the roles and rules, in the incubator leadership is achieved. People whose ideas and progress impress others the most are followed. Politics that impedes group achievement is unacceptable and detested. Conflict resolution is either by trying the opposing alternatives to verify their validity or by voluntary departure.

Countries and Corporate Culture Types

Trompenaars and Hampden-Turner have researched the preference of countries for corporate culture types and scored them accordingly. They give the highest score for the guided missile companies to the United States and the United Kingdom and the highest score for the family business culture to France and Spain. The highest score for the incubator is given to Sweden and the highest score for the Eiffel Tower to Germany. They, however, suggest that these findings should be regarded cautiously. Smaller companies, regardless of their location, more likely take the family or the incubator cultures. Large companies have the Eiffel Tower or the guided missile cultures.

Monolithic, Plural, and Multicultural Organizations

On the basis of cultural diversity, business organizations could be categorized as monolithic, plural, and multicultural. We examine these organizations using the following six factors: acculturation, structural integration, informal integration, cultural bias, organizational identification, and intergroup conflict [37]. These factors influence the cultural diversity of the organizations and are depicted in Fig. 3.2. The following is a brief description of these factors:

1. **Acculturation** is the method of resolving differences between the dominant culture and any minority culture. Acculturation could be by assimilation, the

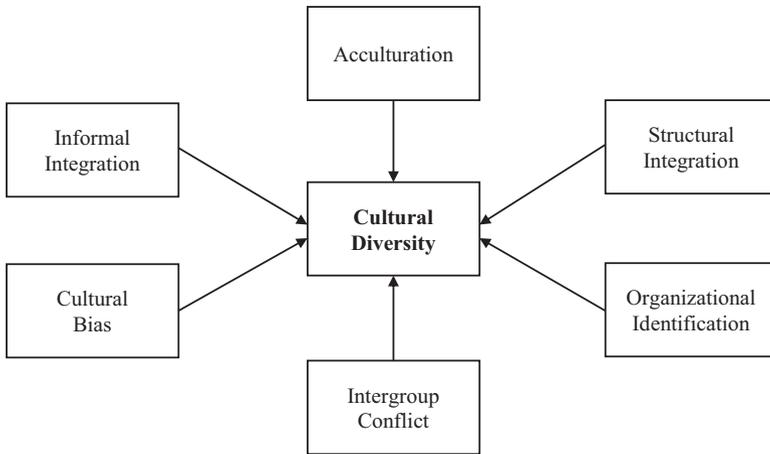


Fig. 3.2 Factors influencing the cultural diversity of the organization

unilateral adoption of the norms and values of the dominant culture by other cultural groups; by pluralism, combining some elements of the dominant and any minority cultures; or by separation, where there is a little adoption from either culture.

2. **Structural integration** is the presence of members of different cultural groups in various organizational levels.
3. **Informal integration** is the inclusion of members of minority cultures in informal networks and activities taking place outside the ordinary work activities.
4. **Cultural bias** is the existence and practice of prejudice and discrimination in the organization.
5. **Organizational identification** is the extent to which the workforce identifies with the firm.
6. **Intergroup conflict** refers to friction, tension, and power struggles between various cultural groups within the firm.

Having described the six different factors with which cultural diversity is examined, we now elaborate on the organizational types.

Monolithic Organization

Monolithic organizations are highly homogeneous with little structural integration. They consist of one dominant cultural group. If members of other cultural groups join the firm, they must adopt the existing cultural norms to survive. There are prejudice and discrimination against the members of the cultural minority because of the lack of structural and informal integration. Consequently, organizational identification among the host country personnel is very low. But there is little group conflict because of the homogeneity of the workforce.

Firms in early stages of involvement with international business are mostly monolithic. When they expand abroad, they represent the culture of their home country. Their parochial attitudes and ignorance of the host culture prevent them from taking full advantage of the opportunities the host culture could present to them. If the firms expand beyond simple import and export activities, the forces of competition for local talent and pressure from local governments for the inclusion of locals in the MNCs operations alter their cultural composition. Therefore, eventually, the homogeneity of the monolith firm gives way to the heterogeneity of a plural organization.

Plural Organization

The norms and values of other cultures are usually well represented inside plural organizations because these businesses try to include host country citizens in their workforce. Human resource management practices often change because they need to tap local knowledge to learn about the host market. Also, some governments require the employment of local personnel. As a result, MNCs gain a higher level of structural integration than monolithic firms, leading to a plural organization that is culturally heterogeneous. The home country personnel, however, are still dominant in number and occupy key decision-making positions at all organizational levels. The top managers of plural organizations have an ethnocentric attitude, believing that “our way is the best way.” Examples of plural organizations include many subsidiaries of US MNCs operating abroad, such as Exxon, Ford, and Apple Computer.

Although structural integration is incomplete in plural organizations, partial structural integration results in some host country citizens being included in the MNCs’ informal networks. This informal integration reduces prejudice and discrimination and heightens native workers’ identification with the firm. Plural organizations experience more intergroup conflict than monolithic firms because of the higher number of host country personnel. Similar to monolithic organizations, plural firms rely on assimilation for acculturation. Personnel who are not members of the dominant culture of the firm and do not strongly ascribe to its prevailing cultural norms will have difficulty progressing in the organizational hierarchy.

Multicultural Organization

Both plural and multicultural firms are culturally heterogeneous. Plural organizations, however, do not value their cultural diversity, while multicultural firms do. They recognize the value of cultural heterogeneity and understand the potential contributions of cultural diversity to organizational performance. Multicultural organizations adopt a synergistic approach to management and have overcome the shortcomings of plural firms.

Multicultural organizations are characterized by full structural and informal integration, an absence of prejudice and discrimination, and minimum intergroup conflict. Members of minority cultures identify with the organization, and acculturation

happens because all participating cultures are integrated into a synergistic whole. It is doubtful whether many MNCs have reached their goal of multiculturalism, but probably the global market's competitive environment will force MNCs to adopt a multicultural posture. The ability of MNCs to attract and maintain qualified personnel from host countries will depend on an attitude that values cultural diversity. To be competitive in the global job market, MNCs must not only provide good wages, fringe benefits, and a good quality of work life, but they should also offer foreign employees the chance to advance their careers through work opportunities in other countries [38]. Effective cross-cultural career advancement in firms that do not value cultural diversity is extremely difficult. Therefore, the future growth and fortune of global firms may depend on their success in forming multicultural organizations. Multiculturalism gives firms certain benefits and improves their firm's organizational capabilities. Asea Brown Boveri (ABB), a global firm that was originally established as a Swedish company, and Jamont, a subsidiary of James River Corporation operating in Europe, are examples of multicultural organizations. Both these firms are discussed in other chapters.

The Benefits of Multiculturalism

Until recently, most organizations were primarily concerned with the problems and costs created by the ethnic and gender diversity of their workforce. They ignored the potential benefits of cultural diversity. But the diversity of the workforce could be a source of competitive advantage. The following are the major potential advantages of multiculturalism [39]:

1. *Reduced costs*: There is evidence that as the cultural diversity of firms increases, so does the cost of poor integration. The experiences of minorities and women at work indicate that when cultural minorities are not fully integrated into the workforce, they tend to have lower job satisfaction and higher absenteeism and turnover. Firms that properly manage cultural diversity could have a cost advantage over those that do not, because of lower absenteeism and turnover rates.
2. *Resource acquisition*: With the increasing globalization of business, competition for qualified personnel has become more intense. Firms with a good reputation for handling cultural diversity attract more and better-qualified personnel. This benefit of cultural diversity is especially critical to an MNC's international expansion. A well-qualified pool of managers adds expertise and knowledge to the firm. In addition, these managers, with their diverse backgrounds, understand the value of cultural diversity and are better suited to nurture it. Consequently, they could set the stage for a mutually reinforcing process.
3. *Marketing advantage*: The insight and cultural sensitivity of the multicultural workforce improve marketing efforts. Multicultural personnel enables MNCs to understand and adopt the cultural perspectives of their multiple markets.
4. *Creativity*: Creativity flourishes when there is a diversity in perspective and less emphasis on conformity. Multicultural organizations are potentially more hospitable to creativity.

5. *Problem-solving*: Multicultural firms have access to a broader and richer base of experience. Heterogeneity allows a wider range of perspectives and a more thorough critical analysis of issues. Therefore, heterogeneous groups have the potential for making better decisions.
6. *Organizational flexibility*: Research has demonstrated that bilinguals have a higher level of divergent thinking and cognitive flexibility [40]. MNCs that value cultural heterogeneity actively recruit and employ host country personnel. Many of these employees are bilingual. The inclusion of bilinguals who also have different cultural perspectives enhances the cognitive flexibility of MNCs. Moreover, MNCs broaden organizational policies and procedures to accommodate the inclusion of culturally diverse people. A combination of less standardized norms and a tolerance for culturally different viewpoints should create more flexibility and a feeling of oneness.

These benefits can be realized only in multicultural firms, since by definition, they are fully integrated organizations. Communication problems and conflict could beset a firm that does not fully integrate and take advantage of cultural diversity.

The advantages outlined above could enhance the competitiveness of multicultural firms in the global market. To create a multicultural organization, MNCs should strive to create heterogeneity in their workforce through effective human resource management practices. Proper human resource management is also a function of organizational culture. This subject will be discussed in a separate chapter.

Chapter Summary

A firm's global business environment is made up of a multitude of value systems, cultural practices, and nationalistic viewpoints. To operate successfully in this diverse and dynamic environment, the multinational firm must change its frame of reference. The provincial local/national perspective that serves the domestic firm well cannot be effective in a global market and should be abandoned in favor of a global perspective. The firm needs to develop an understanding of cultural forces that could affect its global operations. As the firm learns how to deal with varying cultural forces and sentiments existing in various national markets, it learns to adopt appropriate strategies. These strategies aim to combine the diversity of national markets in an overall corporate plan yet allow it to be responsive to the unique characteristics and demands of each host country. A successful international enterprise is a firm that can be viewed by the host country as an "insider," a firm that understands and responds to the uniqueness of the host country. To gain the status of "insider," the MNC is required to understand the host country's national culture and learn how to avoid cultural pitfalls. Such practices should provide it with additional competitive advantage.

Discussion Questions

1. Define culture.
2. Describe cultural complexity. How does cultural complexity affect the management of international business?
3. Why do MNC managers find it more difficult to work in a culturally heterogeneous country?
4. List Hofstede's six dimensions of culture.
5. There are differences between the American and Japanese concepts of the "individual." How could such a difference affect the management of a business firm in either country?
6. According to Kurt Lewin, Americans form friendships more quickly and easily. Why?
7. Why are Americans more informal than other nations? How could this informality cause difficulties for American managers abroad?
8. How could Americans' penchant for informality create problems when doing business abroad?
9. Both Americans and Japanese value hard work, but for different reasons. Explain.
10. Explain why a monochronic manager would have difficulty with polychronic workers.
11. What problems would an American female manager face in foreign assignments?
12. What is corporate culture? Elaborate on the relationship between corporate culture and national culture.
13. Use the explanation of corporate culture provided by Trompenaars and Hampden-Turner and elaborate on the relationship between national culture and corporate culture.
14. How different is the family corporate culture from the Eiffel Tower type?
15. What factors differentiate between monolithic, plural, and multicultural organizations? Describe the differences between multicultural and monolithic firms.
16. Explain the benefits of cultural diversity. How can MNCs gain a competitive advantage through cultural diversity?

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