ORGANIZATIONAL CULTURES & DIVERSITY IN MNC

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ABSTRACT

The overriding objective of this research 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 needed for a successful MNC; therefore MNCs must learn to deal with this diversity/challenge. 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 research first examines common organizational cultures that exist in MNCs, then presents and analyzes ways in which multiculturalism and diversity are being addressed by the best, world-class multinationals. The specific objectives of this research are to define exactly what is meant by organizational culture, and discuss the interaction of national and MNC cultures. Identify the four most common categories of organizational culture that have been found through research, and discuss the characteristics of each. Provide an overview of the nature and degree of multiculturalism and diversity in today's MNCs.

Key Words: Bicultural Group, Family Culture, Group Think, Guided Missile Culture, Homogeneous Group, Incubator Culture, Multicultural Group, Organizational Culture.

1. INTRODUCTION

This research speaks to challenges presented by the integrating of two companies with different organizational cultures and traditions. Daimler had considered acquiring in taking an interest in Nissan but was scared off by its debt load, feeling Mitsubishi had greater potential. However, management did not
consider the differences in culture between the two companies and the dependencies between Mitsubishi and its keiretsu partners. Middle management at Mitsubishi was very hesitant to report any bad news up the chain of command, especially in production and quality, two critical areas for success in automotive production. Unfortunately, this lack of communication continued, and Daimler's new brand performed poorly from the outset. Nissan, on the other hand, had a weaker keiretsu, and independence forced the company to perform well on its own. As a result, when France’s Renault took over, it was able to effect immediate change. Conflicting organizational cultures often present a mix of intangible elements that can have concrete and detrimental effects on companies. To make improvements, Daimler must attempt to instill a different culture at Mitsubishi without disrupting the flow of everyday business. In this research 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 will be presented.

2. ORGANIZATIONAL CULTURE

The research so far in this part has been concerned with the external culture. Regardless of whether this environment or cultural context impacts on 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 at the same time they 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. 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 of national and organizational cultures. An understanding of this interaction has become recognized as vital to effective international management. Organizational culture has been 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 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.

Regardless of how the term is defined, a number of important characteristics are associated with an organization's culture. These have been summarized as observed behavioral regularities, as typified by common language, terminology, and rituals; Norms, as reflected by things such as the amount of work to be done and the degree of cooperation between management and employees; Dominant values that the organization advocates and expects participants to share, such as high product and service quality, low absenteeism, and high efficiency; A philosophy that is set forth in the MNC's beliefs regarding how employees and customers should be treated; Rules that dictate the do's and don'ts of employee behavior
relating to areas such as productivity, customer relations, and intergroup cooperation; 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. This list is not intended to be all-inclusive, but it does help to illustrate the nature of organizational culture. The major problem is that sometimes an MNC's organizational culture 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 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 the multiculturalism within the various locations of an MNC is a major challenge for international management.

3. ORGANIZATIONAL CULTURES IN MNCS

Organizational cultures of MNCs are shaped by a number of factors, including the cultural differences of the leaders and employees. 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. The groups have to establish the purpose, goal, and focus of their merger; Then they have to develop mechanisms to identify the most important organizational structures and management roles; They have to determine who has authority over the resources needed for getting things done; 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 unit 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 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. In addition, there are three aspects of organizational functioning that seem to be especially important in determining MNC organizational culture: the general relationship between the employees and their organization; the hierarchical system of authority that defines the roles of managers and subordinates; and the general views that employees hold about the MNC's purpose, destiny, goals, and their places in them. When examining these dimensions of organizational culture. One distinguishes between equity and hierarchy the other examines orientation to the person and the task. Along these continua, and describes four different types of organizational cultures: family, Eiffel Tower, guided missile, and incubator.

In practice, of course, organizational cultures do not fit neatly into any of these four, but the groupings can be useful in helping to examine the bases of how individuals relate to each other, think, learn, change, are motivated, and resolve conflict. 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. That slits
organizational culture is common in countries such as Turkey, Pakistan, China, Hong Kong, and Singapore. 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 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 managers in overseas subsidiaries might appoint a relative to a high-level, sensitive even though that individual might not appear to be the best qualified for the job to realize that family ties are so strong that the appointed relative would never do jin to embarrass or let down the family member who made the appointment.

Eiffel Tower culture is characterized by strong emphasis on hierarchy and orientation. Under this organizational culture, jobs are well defined, employees know what are supposed to do, and everything is coordinated from the top. As a result, this tire 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 golf with a subordinate, the subordinate would not feel any pressure to let the boss in. 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. Eiffel Tower culture most commonly is found in Northwest 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 to 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.

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. 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 to 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 learns 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. 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.

4. 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 multi-culturalism and diversity. Both domestically and internationally, organizations find themselves leading workforces that have a variety or 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. The effect of multiculturalism and diversity will vary depending on the stage of the firm in its international 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", 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 "multinational corporations", they often find that price lends to dominate all other considerations, and the direct impact of culture may lessen slightly. For those who continue this international evolution, however, and become full-blown "global corporations", the impact of culture again becomes extremely important. 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 old generation differ sharply from those of the younger generation. 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.
A potential problem with diverse groups is inaccurate communication, which could occur for a number of reasons. One is misunderstandings caused by words used by a speaker 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 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 they agree with what is being said. They merely are 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.

While there are some potential problems to overcome when using culturally diverse groups in today's MNCs, there also are a host of benefits to be gained. 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. One main benefit of diversity is the generation of more and better ideas. Because group members come from a host of different 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. 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. To achieve the greatest amount of effectiveness from diverse teams, activities must be determined by the stage of team development (e.g., entry, working, and action). For example, in the entry stage of development, the focus should be on building trust and developing lean cohesion. This can be a difficult task 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 contrast, 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 cause difficulty in creating cohesion. To counteract this problem, it is common in the entry stage of development to find experienced multicultural managers focusing attention on the team member’s equivalent professional qualifications and status. Once this professional similarity and respect are established, the group can begin forming itself into a cohesive team. 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, where the group members individually make contributions before group interaction and consensus is reached. Using the Proper Guidelines Besides some overall conditions, a number of specific guidelines for effectively managing culturally diverse groups have been identified. Here are some of the most useful. 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, 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. 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. Members must have equal power so that everyone can participate in the process; cultural dominance always is counterproductive. As a result, manager of culturally diverse teams distribute power according to each person’s ability to contribute to the task, not according to ethnicity. It is important that all members have mutual respect for each other. This often is 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. Because teams often have difficulty determining what a good is or a bad idea or decision, managers must give teams’ positive feedback on their process and output. This feedback helps the members to 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.

These guidelines can be useful in helping leaders to manage culturally diverse teams effectively. World-class organizations use such an approach, 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. This joint-venture partnership, formed over 20 years ago, continues to be a success story 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. Both management and labor recognized that their futures were interdependent, thus committing them to a mutual vision. Employees felt secure and trusted assurances that they would be treated fairly, thus enabling them to become contributors. The production system formed interdependent relationships throughout the plant, thus helping to create a healthy work environment. The production system was managed to transform the stress and conflict of everyday life into trust and mutual respect. 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 focus on streamlining 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, reserved dining rooms were eliminated, and all managers now eat in a communal cafeteria; all reserved parking spaces were eliminated; and GM’s 80 job classifications were collapsed into only equalize work and rewards and ensure fairness. Commenting on the overall success of the joint venture, it was noted that: 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" altitude, the Japanese and Americans remained open lo 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. NUMMI is only one example of the many successful multicultural workforces producing world-class goods and services. In each case, however, effective multinationals rely on the types of guidelines that have been highlighted in this discussion.

5. THE WORLD OF BUSINESS WEEK

The Business Week article presents an excellent example of the challenges facing executives who must manage in different organizational cultures. Having read this research, you should have a clearer understanding of how national culture might inhibit or enhance the effects of organizational culture. In the case of Daimler Chrysler and Mitsubishi, cultural norms within the two companies were quite different, and the differences were not squarely addressed until it was too late. The cultures of Renault and Nissan were also different, but managers found ways to overcome those differences for the common good of the firm. When firm from one country merges with a company from another country, both national and organizational cultures come into play. Each must be evaluated separately, and only then can an appropriate strategy for integrating cultures be developed. Given these facts, and drawing information from this research, answer these questions. How might the organizational culture at a German firm differ from that of a Japanese one? How would national cultural patterns at a French firm differ from those of a Japanese one? What are two major organizational culture challenges faced by Daimler in managing Mitsubishi and by Renault in managing Nissan?

6. SUMMARY

Organizational culture is a pattern of basic assumptions that are developed by a group as it learns to cope with its problems of external adaptation and internal integration and that are 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. 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, goals, and their place in the organization. When examining these differences, equity/hierarchy and person/task orientation, resulting in four basic types of organizational cultures: family, Eiffel Tower, guided missile, and incubator. 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. Success in the international arena often is heavily determined by a company's ability to manage multi-culturalism and diversity. Firms progress through four phases in their international evolution. 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. 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 is the NUMMI joint venture created by General Motors and Toyota.

REFERENCES


