CHAPTER 2

How Do Cultural Differences Affect Organizations?

Deep cultural undercurrents structure life in subtle but highly consistent ways that are not consciously formulated. Like the invisible jet streams in the skies that determine the course of a storm, these currents shape our lives; yet their influence is only beginning to be identified.

— Edward T. Hall (7:12)

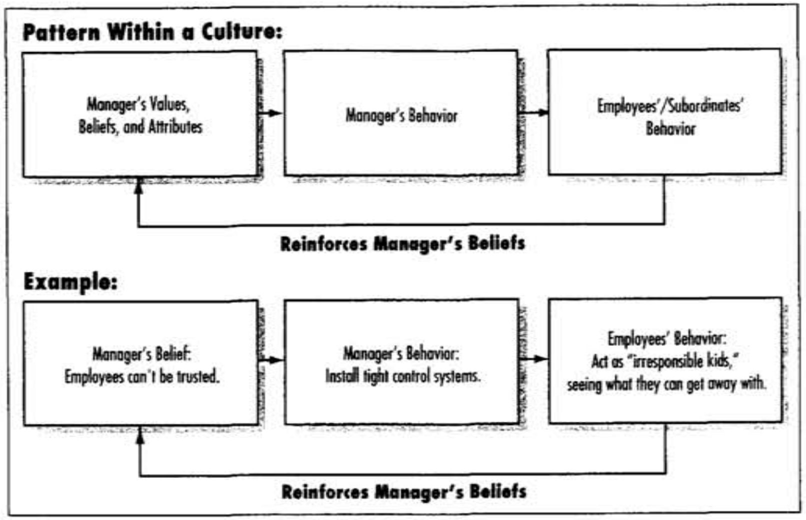
People dress differently, eat different foods, and celebrate different holidays in countries around the world. But do those differences affect the ways people work together? Do people organize, manage, and work differently from culture to culture?

WORK BEHAVIOR VARIES ACROSS CULTURES

In which ways does the behavior of people in organizations vary across cultures? Management researchers have observed systematic and culturally based differences in people's values, attitudes, and behaviors.

Each of us has a set of attitudes and beliefs—filters through which we see management situations. Figure 2-1 shows how managers' beliefs, attitudes, and values affect behavior. To a certain extent, beliefs, attitudes, and values cause both vicious and benevolent cycles of behavior. Douglas McGregor, an early American management theorist, gave us prototypical examples of this pattern in his classical "Theory X" and "Theory Y" managerial styles (16). According to McGregor, Theory X managers do not

FIGURE 2-1 *Influence of Managers' Attitudes on Employee Behavior: A Self-Fulfilling Prophecy*



Source: Based on Douglas McGregor, *The Human Side of Enterprise*, 25th anniversary edition, McGraw-Hill, New York, 1985. Adapted by Adler, 2002.

trust their subordinates and believe that employees will not do a good job unless closely supervised. These managers establish tight control systems—such as time clocks and frequent employee observation—to assure themselves that employees are working. The employees, realizing that management does not trust them, start behaving irresponsibly—they arrive on time only when the time clock is working and only work when the manager is watching. The manager, observing this behavior, becomes more distrustful of the employees and installs even tighter control systems. According to McGregor, the manager's belief that employees cannot be trusted leads to the employees' irresponsible behavior, which in turn reinforces the manager's belief that employees cannot be trusted—a vicious cycle and a counterproductive, yet self-fulfilling, prophecy.

McGregor's Theory Y describes a more benevolent cycle. Managers who trust their employees give them overall goals and tasks without instituting tight control systems or close supervision. The employees, believing that management trusts them, do their best work whether or not their manager is watching them. The manager, seeing that the employees are present and working, becomes more convinced that they can be trusted.

MANAGEMENT: TRUSTING OR NAIVE?

Canadian Employees and Filipino Management

A Canadian bank employee described his Filipino boss's low-trust approach to management.

While working at the Royal Bank, I had a most unbearable and suspicious manager who had authority over all administrative employees, including me. The problem was that he seemed to totally distrust his subordinates. He constantly looked over our shoulders, checking our work, attitudes, and punctuality. Although most of his employees resented this treatment, they recognized that he was an extremely conscientious supervisor who honestly believed in what he called "old-style" management. He really thought that employees are lazy by nature. He therefore believed that he must pressure them into working. As the manager, he felt justified in treating his employees severely.

I found his attitude condescending and counterproductive. As a group, the employees thought of themselves as basically trustworthy. However, we decided that since our boss showed no respect for us, we would give him the same treatment in return. This resulted in a work environment filled with mistrust and hostility. The atmosphere affected everyone's work: employees became less and less willing to work, and the manager increasingly believed that his employees were lazy and that he needed to be severe with them. Luckily, the situation caught the eye of the boss, who resolved it after lengthy discussions. Only then did it become clear that we were not seeing the situation in the same way. From the manager's perspective, he was simply showing his caring and involvement with his subordinates. As he explained, Filipino employees who were not treated like this might have felt neglected and unimportant. Unfortunately, we were not Filipinos and, as Canadians, did not respond as many Filipinos might have responded.

Managers' attitudes influence their own behavior, which in turn influences their employees' attitudes and behavior, which then reinforce the managers' original attitudes and behavior.

Managers communicate respect for and trust in their employees in different ways, depending on their cultural background. Managers from more *specific cultures* tend to focus only on behavior that takes place at work, whereas managers from more *diffused cultures* focus on a wider range of behavior, including behavior taking place in employees' private and professional lives. As a part of a major cross-cultural management study, Fons Trompenaars and Charles Hampden-Turner (20), a world-renowned Dutch and British management research and consulting team, asked managers from around the world if their companies should provide employees with housing. Whereas most managers from such diffused cultures as the former Yugoslavia (89%), Hungary (83%), China (82%), and Russia (78%) believe that the company should provide housing, managers from more specific cultures reject the idea as interfering with employees' private lives (20:86). Less than 20 percent of managers from such specific cultures as Australia, Denmark, France, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States believe that providing housing was a good idea (20:86). Managers from diffused cultures communicate their respect by showing concern for an employee's whole life. By contrast managers from specific cultures demonstrate their respect by not intruding in employees' private lives. It is easy to see how misunderstanding and mistrust can grow between managers from one culture and employees from another culture.

Worldwide Differences in Managerial Style

André Laurent (14), a highly acclaimed professor at INSEAD, a leading international management school located in France, studied the philosophies and behaviors of managers in nine Western European countries, the United States, and three Asian countries (Indonesia, Japan, and the People's Republic of China). Laurent asked managers from each country to describe their approach to more than 60 common work situations. He found distinctly different patterns for managers in each of the countries.

Task and Relationship

In response to the statement, "The main reason for a hierarchical structure is so that everybody knows who has authority over whom," for example, managers from some countries strongly agreed, whereas managers from other countries strongly disagreed. As shown in Table 2-1, most U.S. managers disagree with the statement; they believe that the main reason for a hierarchical structure is to organize tasks and facilitate problem solving around those tasks. Coming from an extremely task-oriented culture, many Americans believe that a flat organization with few hierarchical levels—in which most employees work as colleagues rather than bosses and subordinates—can function effectively. They believe that such minimal hierarchy is possible if tasks and roles are clearly defined and the organization is not too large.

TABLE 2-1 ***"The Main Reason for a Hierarchical Structure Is So That Everybody Knows Who Has Authority Over Whom."***

More Task Oriented				*Agreement Rate Across Countries*						*More Relationship Oriented*
United States	*Germany*	*Sweden*	*Netherlands*	*Great Britain*	*Spain*	*Italy*	*France*	*Japan*	*P.R.C.*	*Indonesia*
17%	26%	30%	31%	34%	34%	42%	43%	50%	70%	83%

Note: P.R.C. refers to the People's Republic of China.

Source: From André Laurent, "The Cultural Diversity of Western Conceptions of Management," in *International Studies of Management and Organization*, vol. 13, no. 1–2 (Spring–Summer 1983), pp. 75–96. Reprinted by permission of M. E. Sharpe, Inc., Armonk, NY. Updated and expanded, 1993.

By contrast, many managers from more relationship-oriented cultures, such as most Asians, Latin Americans, Middle Easterners, and Southern Europeans, strongly agree with Laurent's statement. Eighty-three percent of Indonesian managers reported that the main reason for a hierarchical structure was to have everyone know who has authority over whom. They did not believe that even a small organization could exist, let alone succeed, without a formal hierarchy.

Perhaps these different beliefs explain some potential problems that occur when Americans work with Indonesians. Americans, for example, typically approach a project by outlining the overall goal, designating each of the major steps, and then addressing staffing needs. Their approach goes from task to people. Indonesians, on the other hand, first want to know who will manage the project and who will work on it. Once they know who the leader will be and the hierarchy of people involved, they can assess the project's feasibility. The Indonesians' approach goes from people to task. Both cultures need to understand the project's goals and staffing arrangements, but the importance of each is reversed. An American would rarely discuss candidates for project director before at least broadly defining the project, whereas Indonesians would rarely discuss project feasibility before knowing who they would select as leader.

Similarly, in response to the statement, "In order to have efficient work relationships it is often necessary to bypass the hierarchical line," Laurent found large and consistent differences across cultures. As shown in Table 2-2, Swedish managers see the least problem with bypassing. They are task oriented and value getting the job done; to Swedes, solving problems means going directly to the person most likely to have the needed information and expertise, and not necessarily to their boss. Most

Swedish managers believe that a perfect hierarchy—in which their boss would know everything—is impossible; they therefore view bypassing as a natural, logical, and appropriate way for employees to work efficiently in today's complex and rapidly changing organizations.

By contrast, most Italians, being more relationship oriented than the Swedes, consider bypassing the boss an act of insubordination. Most Italian managers believe that frequent bypassing indicates a poorly designed organization. Italians therefore respond to bypassing by reprimanding the employee or redesigning the hierarchical reporting structure. Imagine the frustration and potential for failure when Swedes form joint ventures and strategic alliances with Italians. When Swedish employees begin working in a typical Italian organization, they will attempt to accomplish their work goals responsibly by continually bypassing hierarchical lines and going directly to the people in the organization whom they believe have the information and needed expertise. Because the Swedes do not consult their new Italian boss, the Italian will assume that the Swedes are insubordinate and hence a threat to both the alliance and the project. In the reverse situation, the Swedish boss, frustrated with the Italian subordinates' constant communication and requests for information and permission, will assume that Italian employees lack initiative and are unwilling both to use their personal judgment and to take risks. Why else, asks the Swedish manager, would the Italians always consult me, the boss, before acting on matters for which the boss need not be consulted? Is either side right? No, they are just different.

TABLE 2-2 *"In Order to Have Efficient Work Relationships, It Is Often Necessary to Bypass the Hierarchical Line."*

More Task Oriented — *Disagreement Rate Across Countries* — *More Relationship Oriented*

Sweden	*United States*	*Great Britain*	*France*	*Netherlands*	*Germany*	*Indonesia*	*Italy*	*P.R.C.*	*Spain*
26%	32%	35%	43%	44%	45%	51%	56%	59%	74%

Note: P.R.C. refers to the People's Republic of China.

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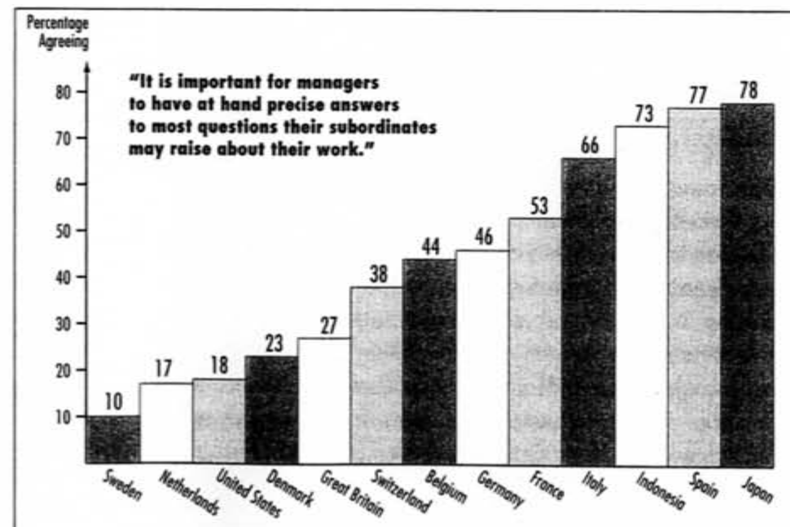
Managers: Experts or Problem Solvers?

Laurent found little agreement across national borders on the nature of the managerial role. As shown in Figure 2-2, more than four times as many Indonesian and Japanese managers as U.S. managers agreed with the statement, "It is important for managers to have at hand precise answers to most questions their subordinates may raise about their work." Most U.S. managers believe that the role of the manager is to be a problem solver: managers should help their employees discover ways to solve problems, rather than simply answering their questions directly. Furthermore, U.S. managers believe that merely providing answers discourages subordinates' initiative and creativity and ultimately diminishes their productivity. By contrast, the French generally see the manager as an expert. Most French managers believe that they should give precise answers to subordinates' questions in order to maintain their credibility as experts and as managers. They believe that their subordinates' sense of security depends on receiving precise answers. Most French believe

FIGURE 2-2 *The Manager's Role Varies Across Cultures*



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that people should not hold managerial positions unless they can give precise answers to most work-related questions. (See page 87, the Iranian's view, for another example of the expert perspective.)

Is a manager primarily an expert or a problem solver? Again, the question has no single right answer because organizations from different cultures maintain different beliefs. Problems, however, arise when managers from one culture interact with managers and employees from other cultures. When an American manager tells French employees, "I don't know the answer, but maybe if you talk to Simon in marketing he will know," the French employees do not assume that they have received appropriate problem-solving help but rather assume that their American boss is incompetent. Similarly misunderstanding the situation, American employees who receive specific answers from their French boss may consider the boss egotistical rather than competent: "Why didn't the French boss tell them that Simon in marketing is the expert and has the best answer?"

Laurent concludes that the national origin of Asian, European, and North American managers significantly affects their views on how effective managers should manage (14:77). Overall, the extent to which managers see organizations as primarily political, authoritarian, role-formalizing, or hierarchical-relationship systems varies according to their country of origin (14).

Dimensions of Difference

Differences in work-related attitudes exist across a wide range of cultures. Geert Hofstede, an eminent Dutch management researcher, corroborated and integrated the results of Laurent's and others' research. In a 40-country study (10), which was later expanded to more than 60 countries, including both Oriental and Occidental cultures (5;9;11;12), 160,000 managers and employees working for a U.S. multinational corporation were surveyed twice. Hofstede, like Laurent, found highly significant differences in the behavior and attitudes of employees and managers from each country even though they worked within the same multinational corporation—differences that did not change over time. Hofstede found that national culture explained more of the differences in work-related values and attitudes than did position within the organization, profession, age, or gender. In summarizing the most important differences, Hofstede initially found that managers and employees vary on four primary dimensions: individualism/collectivism, power distance, uncertainty avoidance, and career success/quality of life.[2] Later, Hofstede and his colleagues identified a fifth dimension, Confucian dynamism (5;12).

Individualism and Collectivism

Individualism exists when people define themselves primarily as separate individuals and make their main commitments to themselves. Individualism implies loosely knit social networks in which people focus primarily on taking care of themselves and their immediate families. *Collectivism* is characterized by tight social networks in which people strongly distinguish between their own groups (in-groups, such as relatives, clans, and organizations) and other groups. Collectivists hold common goals and objectives, not individual goals that focus primarily on self-interest. People in collective cultures expect members of their particular in-groups to look after them, protect them, and give them security in exchange for their loyalty to the group. Two-thirds of all surveyed Arab executives, for example, thought employee loyalty was more important than efficiency (17). This dimension reflects similar values to those of the individual/group values orientation discussed in Chapter 1 on pages 27–29 (6).

Determinism characterizes such collectivist cultures as the Japanese, where people believe that the will of the group should determine members' beliefs and behavior. This belief is reflected in the Japanese saying, "The nail that sticks out will be pounded down." By contrast, free will and self-determination characterize individualistic cultures such as that of the United States, where individuals believe that each person should determine his or her own beliefs and behavior. In each nation, cultural beliefs become self-fulfilling. People from individualistic cultures also tend to believe that certain universal values should be shared by all. People from collectivist cultures, on the other hand, accept that different groups hold different values. Being individualistic, most North Americans believe that democracy—especially North American–style democracy—ideally should be shared by all. Many people from collectivist cultures find such a view hard to understand.

Collectivist cultures control their members more through external societal pressure (shame) whereas individualistic cultures control their members more through internal pressure (guilt). Members of collectivist cultures place more importance on fitting in harmoniously and saving face. Members of individualistic cultures place more emphasis on individual self-respect. In many ways the two orientations trade off individual freedom against collective protection: Do I do what is best for me or what is best for the group? Do I take care only of myself or does the group take care of me? Do I expect the boss to hire me because I have the right education and work experience (individual) or because I come from the right family or social class (group)? Do I expect to be promoted on the basis of my performance in the company or on the basis of my seniority with the company? In times