Organizational Culture in a Cross-Cultural Context

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Abstract

Research questions: Do similar national cultures support the transfer of organizational culture from a company's headquarters to its subsidiaries?

Methods: Empirical study across different subsidiaries of one company using the OCAI and semi structured interviews

Results: Similar national cultures support the transfer of organizational cultures


1. INTRODUCTION

From an economic point of view the world has become a small place. Keywords like “the global economy” or “globalization” are constant companions in today’s news and press. Even though the geographic distances between countries are large, economic crises in only one of them can lead to massive impacts on the entire economy of countries on the opposite side of the world.

This close connection of the world also reflects on organizational level. Many companies have opened subsidiaries in foreign countries to expand their businesses. Entering foreign markets implies facing a lot of challenges. Language, laws, economies and business customs differ to a high extent across the world. One factor which has not been mentioned yet but whose impact on everyday life of organizations must not be neglected is culture.

Societal culture influences many different aspects of life and deviates widely across countries and regions of the world. A lot of research has been undertaken on understanding and explaining these differences.

Another layer of culture which has received an increasing attention over the last decades is organizational culture. It has become a very important part of business literature. Its role in connection with many aspects of organizational life has been subject to a wide range of literature and many scientific studies.

The interactions and interdependencies between these two levels of culture have been subject to scientific research and business literature. Companies are also increasingly concerned about the effects that international expansion might have on their organizational culture as it forms their identity and is in parts responsible for their success (Bellin & Pham, 2007).

As new markets will emerge in developing countries and geographic expansion is an important aspect of business growth (Douglas, 2009) it is of heightened interest to determine the influence that national cultures might have in the transfer of organizational cultures across borders.
2. LITERATURE REVIEW

Culture is an intangible and wide ranging concept whose theoretical basis are several traditional fields of research including anthropology, management, psychology and other social sciences (Oxford Dictionaries, 2010; Wikipedia, 2012). Culture reflects the accumulated learning of groups over different periods of time dealing with two major sets of problems: survival, growth and adaption to their environments as well as internal integration which permits daily functioning and the ability to adapt and learn (Schein, 2010). Such problems will be finally solved subconsciously and become part of a system of absolute assumptions (Trompenaars & Hampden-Turner, 1997). These implicit taken-for-granted beliefs, which are not necessarily rational, reduce uncertainties and ambiguities. Values and norms are deducted from these basic assumptions (Trice & Beyer, 1993).

In summary, culture provides man with guidance and orientation, value, identification and furthermore rules, order and legitimization. It is therefore essential for human interaction and reduces the complexity of life. Culture is a coherent whole which integrates all these different aspects into a larger paradigm. Such patterning or integration derives from the basic human need to make the environment as sensible and orderly as possible (Schein, 2010).

One very commonly found definition of culture in literature is given by Hofstede et al. (2010) who use an analogy of the way how computers are programmed and defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from others” (Hofstede et al., 2010, p.6). Culture is learned and derived from the social environment, not innate. It perpetuates itself as it is transferred from older to newer members of a group. Different groups or categories of people have different cultures. People are usually born or find their places in different groups in the course of their lives. Thus they carry several layers of mental programming within them. These levels of culture are not necessarily in harmony but can rather be partly conflicting (Hofstede, et al., 2010).

Hofstede et al. (2010) list up different categories or levels which compete and intermingle. Cultural levels of significance in people’s life according to him can be caused by national and regional origin, ethnic affiliation, religion, gender, social class, occupations and organizations. Schein (2010) argues accordingly clustering the different cultural categories in four groups, macroculture, organizational cultures, subcultures and microcultures.

One group to which nearly every human being belongs is a nation. Currently there are 193 United Nation Member States (United Nations, 2012) and 13 more regions whose sovereignty is disputed (Wikipedia, 2011). Some of them have a very long history, others were just recently born. As cited in d’Iribarne (2009) the idea of nations is expressed in old sociological notions such as “the spirit of the nation” (Montesquieu, 1748) or “national character” (Weber, 1905). Hofstede et al. (2010) explain how even such huge groups can share common basic assumptions, values and practices. Nations that have existed for a longer period demonstrate strong forces, which promote further integration. Amongst these forces are one (or more) dominant national language, a common national mass media, a national political system, national government agencies, national representation in sports events with a strong symbolic and emotional appeal and a national market. Although today’s nations do not attain the degree of homogeneity which traditional tribal societies have reached they can be seen as the source of a considerable amount of cultural elements (Hofstede, et al., 2010).

Hofstede’s pioneering work (Hofstede, 1984) has been incorporated and updated by the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program. This study involved 825 organizations in 62 countries (House, Hanges, Javidan, Dorfman, & Gupta, 2004). The study identified nine different cultural dimensions.

Gupta and Hanges (2004) grouped the 61 countries of the GLOBE research program into a set of ten clusters. These clusters proved to be highly predictive regarding intercultural similarities. These clusters are shown in Figure 1.

These descriptions of implications which the different cultural dimensions have for organizations are not comprehensive. Nevertheless they give an impression of the wide range of possible boundary
Organizational culture

Trice and Beyer (1993) state that “organizational culture, like other cultures, develops as groups of people struggle to make sense of and cope with their worlds” (p. 4). A simple and superficial way to describe organizational culture is “the way to do things around here” (Deal & Kennedy, 1982, p. 4). The formation of organizational culture is a process which starts with the birth of an organization and develops during its initial stage of life. Founders and leaders have strong influence in terms of beliefs and assumptions which manifest in the organization (Schein, 2010; Gagliardi, 1986). Schein (2010) defines three levels of organizational culture which are artifacts, espoused values and basic underlying assumptions. Artifacts are tangible structures and processes. Espoused beliefs and values encompass ideals, goals, values and aspirations as well as ideologies and rationalizations. The deepest level is formed by underlying assumptions which are unconscious, taken-for-granted beliefs and values.

A very important facet of organizational culture is its link to the performance and success of an organization (Baetge, Schewe, Schulz and Solmecke, 2007). Organizational performance can be seen as a function of an organization’s ability to adapt to its environment. Three aspects are considered to play a role in this complex scenario. Firstly the product market strategy which a company chooses, secondly the company’s organizational culture and finally the fit between these two factors on order to enable the effective and efficient implementation of the product market strategy (Yarbrough, Morgan, & Vorhies, 2011).

Ogbonna and Harris (2001) point out that the creation of a strong, inflexible culture and an according strategy will prevent a company from being successful in the long term. In times of radical environmental changes adaption cannot come through incremental improvements but the ability to discover alternative routines and purposes hence adaptability should form part of a strong culture (Baetge, Schewe, Schulz, & Solmecke, 2007). Nevertheless must the environment in which the company operates reward a strong culture of exploration to make these efforts worthwhile (Sørensen, 2002).

Schein (2010) described two phenomena that occur in organizations in case of continued success. Many of the basic assumptions are more strongly held and organizations develop espoused values and ideals that start to drift away from the actual assumptions by which the company operates. As a consequence some of the assumptions can become a liability in changing environments due to their strength. If the discrepancy between the enacted and the actual environment becomes too great, organizations might act in a way that threatens their survival. Denison (1990) argues accordingly by saying that an organization needs to be able to react and to control its environment which may be inhibited by a highly consistent, strong culture. Hence the dilemma for the company is to develop and elaborate its culture and at the same time avoid becoming so stable that it loses its ability to perceive its environment correctly and to adapt, innovate and grow.

A theory that explains the various boundary points and manifold effects of national culture and its interdependencies with organizations is the Culturally EndorsedImplicit Theory of Leadership (CLT). It was developed by House, Wright and Aditya (1997) integrating different theories and used as the conceptual model for the GLOBE research program (House, et al., 2004).

The theory consists of a series of propositions which are shown in Figure 2 in form of a system diagram (House, et al., 2004). The following
section explains their interactions and impacts. The numbers given in brackets correspond to those displayed in the diagram. The model incorporates all the aspects which have been explained in the previous paragraphs. It demonstrates in a very clear way how national culture affects many aspects of organizational life and how they engage with each other like gears. Societal cultural norms of shared values and practices affect leaders’ behavior. Founders and original members of organizations are immersed in their own societal culture (1). Their leader behavior and management practices are likely to reflect behavior patterns favored in that culture. Their values spread through wide range mechanisms such as selection and promotion criteria. Prevalent values and practices in the respective societal culture influence founders and leaders in the same way they affect employees. Founders and leaders exert a great deal of influence in connection with the formation of organizational culture and other factors regarding the organization. Leadership affects organizational form, culture, and practices. Founders and subsequent leaders continue to influence and maintain the organizational culture (2). The significance of founders and leaders in terms of the foundation of organizational culture has been described earlier. The boundary point with national culture is explained by this model. Societal cultural values and practices also affect organizational culture and practices (3). Organizational culture and practices also affect leaders’ behavior. Over time founders and subsequent leaders in organizations respond to organizational culture and alter and their behaviors and leadership styles accordingly (4). Societal culture and organizational culture and practices influence the process by which people come to share implicit theories of leadership. Over time CLT profiles are developed in each culture in response to both societal and organizational culture and practices (5,6). Strategic organizational contingencies such as organizational environment, size and technology influence organizations. They are largely directed toward meeting the requirements imposed by organizational contingencies (7). Strategic organizational contingencies also affect leader attributes and behavior. Leaders are supposed to meet the requirements of organizational contingencies and adjust their behavior accordingly (8). Relationships between strategic organizational contingencies and organizational form, culture and practices will be moderated by cultural forces (9).

Figure 2: Theoretical model
Within the framework of the GLOBE research program a study was conducted to determine the influence of national culture and industry sector on organizational culture practices as well as the effect of industry sector-by-societal system interaction on organizational culture (Brodbeck, Hanges, Dickson, Gupta, & Dorfman, 2004). The results showed differences in organizational culture practices among the societal systems investigated. There were almost no worldwide effects of a specific industry sector on organizational practices across nations. However the study found that the societal systems locally influence industries, which had an effect on organizational practices.

3. RESEARCH QUESTION & METHODS

The literature review draws a conclusive picture of the significance that national and organizational cultures have in a business context. The culture of an organization affects many facets of its life. Its formation process starts right with the foundation of the organization. Organizational culture is shaped by founders, employees and markets. Successes and failures of an organization influence the basic assumptions, which form the core of its culture. The relationship between performance and organizational culture has also been underlined in the previous chapter. Thus it plays an important role in managerial considerations (Bellin & Pham, 2007). National cultures and organizational culture have several boundary points and interdependencies. Organizational culture cannot be seen independently from its societal context. Given the importance of organizational culture and the increasing globalization of industrial organizations and growing interdependencies among nations the relevance for companies, which intend to open international subsidiaries is evident.

The empirical part will investigate the relationship between the organizational culture of company headquarters and its international subsidiaries. The hypothesis which will be tested for its validity reads:

Hypothesis:
Different company sites will share the same distinctive organizational culture of the company’s headquarters, given the fact that the national cultures of the different sites are similar to each other.

The study (n=29) was conducted with an Australian service provider specialized in recruitment as well as labor hire services. It was founded in Brisbane and expanded quickly opening subsidiaries within Australia, New Zealand and the United States. In line with the literature that has been reviewed in the Chapter 2 organizational culture is influenced by national culture. Hence offices which are located in countries with similar cultures should experience the same sort of influences. The company in focus of this study runs offices in three different countries, Australia, New Zealand and the USA. The countries’ national cultures are analyzed using the results from the works of Hofstede et al. (2010) and the GLOBE research program (House, et al., 2004). The results and their implications which can be derived from the two models show a certain degree of consensus but also differences in the way they characterize the countries’ cultures. A separate consideration of each model’s results leads to the conclusion that Australia, New Zealand and the USA are relatively similar regarding their cultures.

In the scope of this research a multi-method approach was applied using qualitative and quantitative data to assess the company’s organizational culture. The methods consisted of a standardized questionnaire and semi-structured interviews.

The quantitative research instrument used to analyze the company’s organizational culture is the Organizational Culture Assessment Instrument (OCAI). Reliability, simplicity and free availability of the instrument were the reasons for its selection. The OCAI was developed by Kim S. Cameron and Robert E. Quinn based upon the Competing Values Framework (CVF). It has been used to diagnose the organizational culture of many organizations (Cameron & Quinn, 2011; OCAI online, 2011) in a variety of industry sectors. The CVF itself was
developed from a list of organizational effectiveness criteria, which was submitted to statistical analysis. As a result two major dimensions or continuums were identified (Quinn & Rohrbaugh, 1983). One dimension differentiates effectiveness criteria that emphasize flexibility, discretion and dynamism from criteria that stress stability, order and control. The second dimension differentiates effectiveness criteria that emphasize an internal orientation, integration and unity from criteria that highlight an external orientation, differentiation and rivalry. These two dimensions form four quadrants, which represent sets of organizational effectiveness indicators. These indicators then represent what people value about an organization’s performance. They are therefore representations of the core values on which judgments about organizations are made.

The interview questions were formulated based on the research results of standard works (Deal & Kennedy, 1982; Hofstede, et al., 2010; Trompenaars & Hampden-Turner, 1997) on organizational culture. They can be clustered in questions regarding the company’s success, its personnel, promotion criteria, employee participation, organizational rituals and organizational symbols. The answers to the questions give information about prevalent, underlying values, which are shared within the company.

4. DETAILED EMPIRICAL RESULTS

Questionnaire

The numerical results from the OCAI questionnaire can be found in Table 1. The hypothesis states that there is no difference between the organizational culture of a company’s headquarters and its international subsidiaries in Christchurch (sample 2) and Denver (sample 3). This null-hypothesis compares the means of two populations since the dimensional scores yielded by the OCAI represent the means of all respondents’ answers. The results obtained from Brisbane office were used as reference level to perform the statistical analyses. It represents the company’s place of foundation and headquarters. Due to the small sample sizes the results had to be checked for their normal distributions. A correlation analysis between the expected normal scores and the observed data should prove that the normal scores were calculated using the Blom (1958) position as well as the according table (p=0.05) for the critical r values as presented by Looney and Gulledge (1985). All observed data were well above the critical r values which proved that the population distributions were approximately normal. As the alternative hypothesis in this case simply stated an inequality between the two means, two-tailed two sample t-tests (p=0.1) were conducted. The overall results did not show statistically significant differences between the different subsidiaries. The test results can be found in Table 3 and Table 4. As previously mentioned the sample sizes of the different offices were small. According to Devore and Peck (2005) sample sizes of 30 and above are considered to be the minimum size for reliable, statistical surveys. These requirements could not be met in the framework of this research. Hence the results of the survey certainly give an impression of the company’s organizational culture but the absolute numeric values should not be over-interpreted. The questionnaires’ results are described using graphical plots as recommended by Cameron and Quinn (2011) in combination with the results of the statistical analysis. The results can be found in Figure 3.

The overall result is the mean of the six cultural key dimensions. The headquarters have two dominant types of culture – clan and market. The organizations focus lies on high cohesion, commitment and individual development as well as on result orientation, achievement and competition. Not as highly developed but still strongly noticeable is the aspect of adhocracy with its elements of dynamics, innovation and growth. The least degree of development is attributed to the hierarchy culture which means that the organization does not put a lot of emphasis on formal rules and stability.
Table 1:
*Means of OCAI overall results (n₁=21, n₂=4, n₃=4)*

<table>
<thead>
<tr>
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<th>Mean n₁</th>
<th>Mean n₂</th>
<th>Mean n₃</th>
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<tbody>
<tr>
<td>Clan</td>
<td>32.50</td>
<td>32.71</td>
<td>30.63</td>
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<td>Adhocracy</td>
<td>20.95</td>
<td>25.63</td>
<td>22.92</td>
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<tr>
<td>Market</td>
<td>29.60</td>
<td>22.50</td>
<td>26.25</td>
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<tr>
<td>Hierarchy</td>
<td>16.94</td>
<td>19.17</td>
<td>20.21</td>
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Table 2:
*Standard Deviations of OCAI overall results*

<table>
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<th>SD n₂</th>
<th>SD n₃</th>
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<tr>
<td>Clan</td>
<td>15.62</td>
<td>8.07</td>
<td>8.51</td>
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<td>Adhocracy</td>
<td>11.59</td>
<td>6.31</td>
<td>6.74</td>
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<td>Market</td>
<td>18.94</td>
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<td>Hierarchy</td>
<td>11.71</td>
<td>8.56</td>
<td>8.91</td>
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Table 3:
*t-test for independent samples 1 and 2*

<table>
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<tr>
<th></th>
<th>Mean n₁</th>
<th>Mean n₂</th>
<th>t</th>
<th>t&lt;sub&gt;critical&lt;/sub&gt;</th>
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<tbody>
<tr>
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<td>32.71</td>
<td>-0.04</td>
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<td>Adhocracy</td>
<td>20.95</td>
<td>25.63</td>
<td>-1.16</td>
<td>1.86</td>
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<td>29.60</td>
<td>22.50</td>
<td>1.29</td>
<td>1.77</td>
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<tr>
<td>Hierarchy</td>
<td>16.94</td>
<td>19.17</td>
<td>-0.45</td>
<td>1.94</td>
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</table>

Table 4:
*t-test for independent samples 1 and 3*

<table>
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<th>Mean n₁</th>
<th>Mean n₃</th>
<th>t</th>
<th>t&lt;sub&gt;critical&lt;/sub&gt;</th>
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<tbody>
<tr>
<td>Clan</td>
<td>32.50</td>
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<tr>
<td>Hierarchy</td>
<td>16.94</td>
<td>20.21</td>
<td>-0.64</td>
<td>1.94</td>
</tr>
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</table>
Figure 3:

*Overall results*

From a statistical point of view there are no significant differences.

The plots of the overall results display a very high degree of similarity. The basic pattern that all offices share and which corresponds to the founders’ perception of Stellar Recruitment’s organizational culture is the dominance of the clan and market culture. The company can be characterized as a friendly and family like place which is also very result oriented. Commitment, individual development, teamwork and consensus on the one hand face an emphasis on winning, competition and goal achievement on the other hand. These two quadrants compete with each other but form an equilibrium at the same time. Not as distinct as the two dominant cultural types but still noticeable are the aspects of adhocracy and hierarchy in the organization. Elements of dynamics, innovation and growth slightly outbalance those of predictability and stability.

*Interviews*

The qualitative data were gathered using semi-structured interviews with employees in different positions in the company and various lengths of employment. The interviews were carried out in the Brisbane office either in person for the local staff and over the phone with interviewees from the other offices. A total of 11 employees were interviewed.

The interviews revealed two very prevalent themes. On the one hand the company is very people focused, on the other hand its absolute commitment
to performance is evident. High performance and the achievement, or even surpassing, of set goals are values which were present in many of the answers to the interview questions. The employees were described in the interviews as young, dynamic, like minded, motivated, ambitious, hard working as well as development and career oriented. Continuously high individual and group performance were lined out in the interviews as key factors for further advancement. A crucial prerequisite of group affiliation is to perform well and to demonstrate progress and the will to develop. Meaningful persons from the interviewees’ point of view are the directors and managers as they impersonate the ideal of performance and hence set an example for the other employees. The workplace was depicted as busy, challenging and competitive. Part of every end of the week meeting is praise and acknowledgement of performance.

A balancing factor that prevents the company from a being dysfunctional competitive environment is its priorly mentioned strong focus on people and the associated social competencies. This symbiosis of performance and group cohesion was described in the interviews as “positive competition” which means that it does not cause a “cut-throat environment” or “tall poppy syndrome”. This stems from the founders’ strong belief, which they stated in the interviews, that people form the core of every business. For them work is a vehicle to help people reaching their goals outside work. Therefore they want people to develop and grow. Growth and success of the individual employee will lead in consequence to company growth and success. The work environment, which they created for that reason has strong social cohesion elements. These themes can be found in the interviewees’ answers to the same extent as the previously analyzed ideal of performance. The interviewees described people who work in Stellar Recruitment with attributes such as honest, genuine, respectful, helpful, friendly and socially competent. According to the interviews the employees need to have these attributes and must demonstrate their ability to work in teams for further career advancement. The previously analyzed prevalent themes in the company form two opposite poles which keep the company balanced. On the one hand there is the strong commitment to performance.

The company does not put a lot of emphasis on formalities in the eyes of the interviewees. The hierarchies were described as very flat, the office layouts are open offices and employees are not bothered to address more senior colleagues or managers. According to the interviews the work activities are not overly constrained by procedures. The last aspect which should be mentioned is openness to ideas and innovation. According to the interviewees the company fosters an atmosphere in which people are encouraged to openly express their opinions and ideas. This does not depend on the length of company affiliation. Employees should get actively involved in the company and contemplate improvements.

5. CONCLUSIONS

The article presented a research project whose purpose was to investigate the influence of different national cultures on the organizational culture of international subsidiaries. The hypothesis that was deducted from the findings of the literature review stated that organizational cultures of international subsidiaries share their headquarters’ organizational culture in case that the national cultures are similar. In order to validate the hypothesis a multi-method approach was applied using qualitative and quantitative data as well as secondary data. The sample sizes of most offices were very small which is a problem regarding the validity and reliability of surveys. Interviews were conducted in order to reduce this effect and to integrate more detailed information to the analysis.

The interviews and the results of the questionnaire depicted a congruent picture of Stellar Recruitment’s organizational culture across all offices. The prevalent themes which were drawn from the analysis are strongly focused on people and performance. They were extracted from the
interviews and reflect in the two dominant cultural types clan and market that were the outcome of the questionnaires’ analysis. The aspect of quality, which was merited in the interviews to the employees and their good relationships with customers and candidates can be attributed to the two previously mentioned quadrants. The lack of formalities expressed in the interviews corresponds to the comparably weak development of the hierarchy culture. The openness towards ideas and innovations reflects in the degree of development of the adhocracy quadrant.

The results of the research project support the theory found in the literature that national cultures have a considerable influence on organizations. Similar national cultures facilitate the transfer of organizational culture. Nevertheless it must not be forgotten that culture is only one determinant of human behavior. The personality of an individual reflects past experiences, socialization and unique traits. Culture can be seen as profile of a society that modifies individual behavior. Not every member of a group shares the same assumptions and beliefs to the same extent, some will not share them at all. As described in the literature review values are largely acquired very early in life. For that reason well-conceived human resource practices are essential for companies which are interested in the maintenance and transfer of their organizational cultures.

Future research could investigate the relationship of human resource practices and national cultures. Many companies might be interested in emerging markets of countries whose national cultures differ significantly from their own. As indicated in the literature review this can lead to elementary differences regarding the thinking about organizations, their structures, leadership behaviors, compensation systems, employee motivation and many other facets of organizational life. Furthermore large scale studies on the research subject of this work are highly recommendable. They could give more profound insights of the relationship between national and organizational culture which is of high significance for companies which wish to expand their business to foreign countries with similar national cultures.

6. ABOUT THE AUTHOR

Thomas Kalkschmidt is a System Engineer at Cassidian in Manching, Germany. Before he worked for the German Air Force as a Software Engineer at Alenia Aermacchi in Turin and in the National Support Center Eurofighter in Manching. He holds a MBA degree from the University of Applied Sciences in Kempten and a Diploma in Aeronautical Engineering from the University of the Armed Forces Munich. As part of his MBA studies he spent 10 months in Australia at the Queensland University of Technology and did his Master Thesis research with an Australian service provider specialized in recruitment.

7. REFERENCES


Kalkschmidt, Organizational Culture in a Cross-Cultural Context


