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A Double-Edged Sword: Organizational Culture in Multicultural Organizations

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The primary premise explored in this paper is that organizational culture has the potential for even greater impact in multicultural organizations than mono-cultural ones because an organization's culture can intensify both the benefits and the challenges of employee cultural diversity, and thus indirectly, affect organizational performance, organizational learning and competitive advantage. The assumptions underlying this contention and relationships among variables that contribute to the impact are explored in this paper, along with practical organizational implications.

Despite the attention paid to organizational culture in both academic and popular management literature during the past several decades, we still do not fully understand it. After considerable emphasis on the power of culture in the 1980s and early 1990s, research on organizational culture has waxed and waned during the past decade. Yet we keep coming back to the importance of organizational culture, perhaps because the concept has genuine intuitive appeal for managers and almost certainly because the pervasive assumption has been that organizational culture somehow has a strong effect on performance and effectiveness in organizations (Dennison, 1990; Dennison & Mishra, 1995; Earley & Mosakowski, 2000).

The contention explored in the pages to come is that organizational culture is even more critical in multicultural organizations because of its impact on the benefits and challenges of employee cultural diversity – and thus on organizational performance, organizational learning and potential competitive advantage. The potential for magnified effect is applicable in all multicultural organizations, whether operating across national borders or within a single country with a culturally diverse workforce. The assumptions underlying this contention and relationships among variables that contribute to the impact will be explored, along with practical organizational implications.

Two changing realities make exploration of organizational culture's effect on multicultural organizations timely. First, globalization efforts and demographic shifts mean that multicultural organizations are increasingly the norm. In today's global environment employees may be working directly – in person or virtually - with people from all over the world; or they may be working side by side with immigrants from halfway around the world, or with people from the same country but of a different ethnic, racial or cultural background. Secondly, as interactions of numerous trends create altered business contexts, many organizations are learning that doing what made them successful ten or even two years ago does not guarantee success today. Thus in most organizations there is an on-going quest for ideas that might offer competitive advantage. Ironically, increasingly diverse workforces offer an often overlooked potential for competitive
advantage – if the organizational culture facilitates management of diversity’s challenges and harnesses its potential benefits.

Because there is no direct empirical evidence to support the contention that organizational culture will affect multicultural organizations to a greater extent than mono-cultural ones, the paper will draw insight from several relationships discussed in management literature and will propose ways to understand how organizational culture, essentially as a mediating variable, can significantly affect organizational performance and organizational learning in multicultural organizations. Thus our exploration of potential inter-relationships will proceed as follows. First is a brief overview of the organizational culture concept, highlighting ideas relevant to the contention at hand, with emphasis on the conceptual dichotomy of culture as practices and culture as underlying values, beliefs and assumptions. Following next is a discussion on the relationship between organizational culture and national culture. Then the focus turns to multicultural organizations, with discussions on benefits and challenges offered by cultural diversity and how diversity affects convergent and divergent processes in organizations. These ideas are important because they will offer clues on ways to maximize the potential of employee diversity. The final sections will integrate insight from relationships discussed to explore organizational implications and strategic approaches to shaping organizational culture in multicultural organizations.

**Approaches to Organizational Culture**

Organizational culture has been one of the most influential concepts and biggest management buzzwords of the last several decades. Hofstede (1997) reports that the term organizational culture appeared during the 1960s as a synonym for organizational climate. “Corporate culture” became a common management buzzword in the early 1980s after the publication of several popular press books (Davis, 1984; Deal & Kennedy, 1982). Although academic and popular management literature have reflected interrelated themes regarding culture and its effects, the pervasive assumption has been that organizational culture is closely related to organizational effectiveness (Denison & Mishra, 1995; Kilmann, Saxton & Serpa, 1985; Weiss, 1996). In practice, ambiguity of the concept has resulted in culture being used as a proxy for various phenomena affecting organizational performance. Thus culture often becomes a comfortably vague and all-inclusive reason for organizational problems.

A few examples of organizational culture’s proposed impact can underscore why interest in the concept remains strong. Culture has been explored as a source of competitive advantage (Barney, 1986; Ott, 1989; Peters & Waterman, 1982; Wilkins & Ouchi, 1983), although others believe supporting empirical evidence is limited (Denison & Mishra, 1995; Fey & Denison, 2003). Attention has also been given to organizational culture in post-merger/acquisition integration (Nahavandi & Malekzadeh, 1988; Olie, 1990 & 1994; Vaara, 1999; Veiga, Lubatkin, Calori & Very, 2000; Very, Calori & Lubatkin, 1993). Moreover, organizational culture has emerged as a prime factor in the success or
failure of large-scale change efforts (Beer & Nohria, 2000; Brill & Worth, 1997; Burke, 1994; Jick & Peiperl, 2003; Pascale, Millemann & Gioja, 1997).

In a review of recent diversity literature Jackson, Joshi and Erhardt (2003) report results of studies exploring effects of organizational culture on diversity dynamics. Ely and Thomas (2001) contend that diversity is more likely to lead to positive outcomes if organizational culture stresses integration and learning. Cox and Tung (1997) argue that the degree of structure and informal integration in an organization will influence outcomes of diversity. Polzer, Milton and Swann (2002) suggest organizational cultures may influence the process of identity negotiation and that teams are more likely to benefit from diversity when team members’ identities are verified by reflected appraisals of other team members.

Definitions of organizational culture reflect dichotomies in conceptualization, although some scholars have developed integrative frameworks (e.g. Martin, 1992; Ott, 1989). On one hand, culture is viewed at the level of practices and behavior – “how things are done around here” (Drennan, 1992, p.1). Others conceptualize organizational culture at a level underlying practices. Hunt (1992) defines culture as the beliefs, values and attitudes that guide how members of an organization perceive and interpret events. Likewise for Davis (1984), culture involves shared beliefs and values that give an organization meaning and provide members with rules for behavior. Schein (1985) argues that organizational culture “should be reserved for the deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously, and that define in a basic ‘taken for granted’ fashion an organization’s view of itself and its environment” (p. 6). Others, such as Hampden-Turner (1990), see culture as a concept bridging levels and functioning at levels from subconscious to visible and concrete. Hofstede (1997) defines organizational culture as “the collective programming of the mind which distinguishes the members of one organization from another” (p. 180), yet he also argues that “shared perceptions of daily practices should be considered to be the core of an organization’s culture” (p. 182-83).

In some regards, the distinction between culture as practices and culture as underlying values, beliefs and assumptions influencing practices seems a moot point, driven, at least partially, by the difficulty in empirically measuring culture. Indeed some have questioned whether culture can validly be measured and compared across organizations (Fey & Dennison, 2003). Yet the importance of the distinction becomes apparent in efforts to change organizational culture and will be relevant in developing strategies for maximizing the potential advantages of a diverse workforce. It is possible to change organizational practices via structures, systems, and clear expectations about standards, policies and procedures - which are then monitored and rewarded. Underlying values, beliefs and assumptions, however, which drive organizational practices, are much more difficult to change.

Values, beliefs and assumptions underlying individual behavior or organizational practices can also be understood as the building blocks of our cognitive frames of
reference — our mental models or paradigms, to use the rhetoric so popular in popular business literature (Pascale, 1990; Senge, 1990; Senge, Kleiner, Robert, Ross, Roth & Smith, 1999). Each of us screens and interprets everything through our own perceptual lenses, which are influenced by our cultural background and personal experiences. For commonly reoccurring situations we create mental models about how things work - a constellation of assumptions and beliefs about various factors in a situation. These frames of reference determine what we expect and notice, what we pay particular attention to, and what we evaluate positively or negatively – thus heavily influencing how we make sense of behavior, events, and situations.

Individuals have mental models, but organizations create them as well. Individuals in organizations use their personal mental models to interpret what the organization does but, over time, many common organizational frames of reference emerge to guide practices. Collective frames of reference significantly influence an organization’s culture. In organizations with a strong culture, there is a high degree of commonality in how people interpret and evaluate organizational issues and situations. A caveat is in order here, however. Although we talk about culture as if those mental models and values are held by everyone in an organization, that is rarely the case. Vaara (1999) argues that one of the major misconceptions regarding organizational culture is our tendency to conceive of it as unitary belief systems, even though beliefs may not be clearly articulated nor internally consistent. Large complex organizations rarely exhibit homogeneous behavioral norms and belief systems (Gregory, 1983; Young, 1989).

Vaara (1999) also stresses the importance of recognizing two different epistemological concepts of culture: “real culture,” which refers to characteristics of the organization or nation, and ‘constructed culture’ which refers to people’s interpretations of themselves or others as members of the group/orrganization/nation.” He advises that we must be aware of the constructionist processes in our cultural rhetoric and that we cannot automatically take stereotypical or superficial conceptions of culture as descriptions of organizational reality. Clearly, there are often substantial differences between constructed “espoused culture” and the real “culture in use” - that is, between the formal statements of senior management regarding organizational culture and the informal culture of various parts of the organization (Veiga, Lubatkin, Calori & Very, 2000). Moreover, there can be substantial differences in functional and divisional subcultures. Thus there will always be disagreement and varying degrees of acceptance of “how we do things around here.” Yet the more consensus there is about how to do things, the “stronger” the culture of the organization and the more influence it exerts on individual and group behavior.

However we conceptualize organizational culture, it clearly serves as a powerful means of shaping behavior. Just as societal culture teaches members how they are supposed to act, organizational culture provides the informal ground rules for how people behave in the organization. Newcomers to an organization are quickly influenced by both explicit and implicit rules on how things are done. At the practices level, they learn what types of behavior to avoid as well as the types of behavior that will be rewarded.
They learn the rules of the game for interacting with others, whether they should take a cooperative or competitive stance toward colleagues, and whether the expression of different perspectives is valued or discouraged. They learn the permissible ways to influence people who think differently.

At the level of beliefs and assumptions organizational culture teaches employees how business is to be approached. Employees learn to use the organization's existing shared frames of reference to understand the environment and what the organization does. The example of an organizational SWOT (strengths, weaknesses, opportunities, threats) analysis illustrates the power of shared assumptions and beliefs. A SWOT analysis assesses environmental factors and current realities in the organization. But we only assess what we look at; and we choose what to look at based on the prevailing organizational frames of reference, the constellations of assumptions and beliefs about our business and its relationship to the environment. Herein lies a potential downside of strong organizational cultures. Prevailing assumptions and beliefs can seriously constrict our analyses.

Organizational Culture and National Culture

One of the most interesting questions regarding organizational culture is its relationship with national culture. Many multinational companies assume that organizational culture will overcome the influence of national identity and that culture is the glue that holds geographically dispersed units together (Schneider & Barsoux, 2003). Yet the research of Hofstede (1980, 1997) and Laurent (1983) suggests the influence of national culture is amazingly persistent. Hofstede (1997) interprets his classic IBM studies as evidence that the effects of national culture are present even in a strong organizational culture. His results show that national culture is a major factor in differentiating work values. Laurent (1983) reports greater national differences in beliefs about management among managers in the same company than among managers working for different companies in the same country.

Certainly national culture influences and modifies organizational culture. Conversely, even if we view the organizational culture as homogenizer supposition as too simplistic, organizational culture does, undoubtedly, modify the impact of the national cultural background that individuals bring with them into the organization. In a study of cultural differences among team members in his organization in Luxembourg Klepper (1999) found that the organizational culture fairly rapidly begins to dissipate individual behavioral differences in team members resulting from their own cultural backgrounds. While individual and cultural differences certainly do not totally disappear, they are modified or downplayed in ways that enable individuals to fit within the team or organization.

Hofstede (1997) argues that at the national level cultural differences are evident mostly in values, whereas, at the organizational level, cultural differences reside mostly in practices and less in values. The relationship is important to the continuing discussions of cultural convergence, both at societal levels and organizational levels. While business
practices may begin to look more similar across - or within - companies in various parts of the world, Hofstede argues that underlying national \textit{values} remain divergent.

Each of the studies cited contributes to our understanding of the complex and multidirectional relationship between organizational culture and national culture. But none of the explanations can adequately describe the total picture. For example, one important missing piece is how personal mental models, which are heavily influenced by our native culture, may evolve with exposure to varied or even conflicting mental models, whether held by individuals or by the organization. The evidence so far would suggest that our ways of thinking, our approaches, and our personal mental models will remain relatively consistent even in the presence of a strong organizational culture. Such consistency is perhaps good news and bad news. That is, the consistency probably guarantees divergent values and thinking in multicultural organizations, but it may also mean that we must create processes through which we purposefully consider different approaches, values and assumptions.

\textbf{Multicultural Organizations: Opportunities and Challenges}

Much has been written about problems and benefits of diversity in cross-cultural management and diversity literature (e.g. Adler, 2002; Cox & Blake, 1991; Elron, 1997; Ely & Thomas, 2001; Gentile, 1996; Robinson & Deschant, 1997; Watson, Johnson & Merritt, 1998). During the past decade, however, there has been an interesting shift in the rhetoric of diversity. Thomas and Ely (1996) cite the increasing emphasis on diversity as a spur for greater organizational effectiveness. Robinson and Deschant (1997) argue that diversity makes good business sense. Popular diversity discourse aside, however, diversity does not automatically lead to greater organizational effectiveness. Although there is general acknowledgement that cultural diversity offers numerous \textit{potential} benefits to an organization, those benefits may not be realized unless they are purposefully pursued. Moreover, the challenges presented by diversity may negatively impact organizational performance unless properly managed.

What are the benefits and challenges of a multicultural organization? When employees representing nine nationalities, who work in eight multicultural organizations in Luxembourg answered those questions they discussed advantages and disadvantages for both organizations and individuals (Trefry, 2001). Without exception those interviewed saw multicultural diversity as an important asset for organizations. They reported organizational advantages such as: a) the possibility of matching employees with diverse customers/clients; b) ability to apply knowledge of different cultures to business projects; c) better decision-making and problem-solving after considering diverse perspectives; and d) more creativity and innovation in products, services and organizational processes. In addition, however, to echoing benefits described in the diversity literature, Luxembourg respondents emphasized \textit{personal} benefits such as: a) greater personal ability to cope with the unexpected; b) broadening of their perspectives on any given issue; c) greater tolerance and acceptance of others' differences; d) greater flexibility in their own personal behavior, communication and interaction styles; and
e) enhanced self-insight. Interestingly enough, it is understanding the logic of personal benefits cited and applying it at an organizational level that offers insight on how organizations can achieve maximum value from a culturally diverse workforce.

The challenges of working in a multicultural environment are summarized by Adler (2002) as an intensification of challenges inherent in workplace interactions and, consequently, the danger of being ineffective. She points out that although multicultural teams have potential for being the most effective and productive teams, they often become the least productive. Greater diversity among team members makes interaction and group dynamics considerably more complex. The challenges reported by the Luxembourg multicultural team respondents include: a) team development is slower because time required to build rapport and trust is longer; b) communication among diverse people is more difficult and time-consuming; c) creating common understanding requires considerably more effort; and d) different expectations held by diverse people often lead to misunderstanding, conflict and more negative evaluations of each other (Trefry, 2001). Such problems can decrease organizational performance and increase organizational costs through employee turnover and time required to solve the issues.

An explanation of the effects of diversity on convergent and divergent processes helps to better understand diversity's benefits and challenges as well as to presage the somewhat paradoxical effect of organizational culture on potential competitive advantage in multicultural organizations. Adler (2002) reports that diversity is most likely to cause problems in convergent processes in organizations - when employees need to think or to act in similar ways. Communication (converging on meanings) and integration (converging on actions) is more difficult because of the greater potential for misunderstanding, disagreement and conflict among diverse employees. In divergent processes, however, diversity is actually a benefit. Different perspectives are advantageous when an organization wants to expand its approach, reposition itself, explore a broader range of ideas, or assess issues.

Thus convergence in practices in a multicultural organization is challenging. When such convergence in practices or behavior is necessary a strong organizational culture will help to achieve it. The culture enables diverse people to come together and quickly learn what to do. Behavioral norms based on explicit values and operating principles enable people to work together more harmoniously. Yet a strong organizational culture can also stifle divergent thinking in an organization, especially if there is insistence on a single right way to do things or if there is little value placed on differences in perspectives and approaches. And it is divergent organizational processes that have the greatest potential for creating competitive advantage.

The advantages of divergent thinking for the organization are numerous. Different perspectives inherent in a culturally diverse workforce represent, in a sense, divergent views of reality; the more perspectives we understand on the situation in question, the more complete view we have of reality. By trying to understand and reconcile diverse perspectives, we challenge ourselves to think at higher levels of intellectual complexity.
and to recognize the principle of equifinality – that there are indeed many different ways to achieve goals. Taking into account diverse perspectives allows both individuals and organizations to see issues and possibilities not seen before because the mental frames of reference used did not highlight them. Moreover, exploring what the organization does and how it does it from multiple perspectives enables a more thorough evaluation, the challenging of underlying assumptions and beliefs, and, even more importantly, the expansion of existing organizational or frames of reference.

Implications for Multicultural Organizations

Although multicultural organizations are increasingly the norm, most are just beginning to strategically deal with their cultural diversity. Thus we come back to the primary premise of our exploration: organizational culture has the potential for even greater impact in multicultural organizations because it can intensify both the benefits and the challenges of cultural diversity, and thus indirectly, affect potential competitive advantage. Yet how is it that multicultural organizations manage the challenges and achieve the maximum benefit from their cultural diversity? The answer lies in the nature of the organizational culture as well as a strategic approach to harnessing diversity for benefit of the organization. It is the strategic utilization of cultural differences that creates real competitive advantage for the organization (Schneider & Barsoux, 2003).

A metaphor of organizational culture as a double-edged sword that cuts in numerous directions seems appropriate. Organizational culture can exacerbate the challenges of diversity. It can also intensify potential benefits. At the practices level organizational culture can facilitate integration; at the level of business assumptions and shared frames of reference guiding how the work of the organization is accomplished there is potential danger that a strong culture can downplay or even negate the advantages of cultural diversity. Too much uniformity in mental models about ways work is approached may encourage employees to accept existing paradigms for the organization’s work without ever questioning them.

An understanding of the dichotomy of culture as practices and culture as underlying beliefs, values and assumptions offers insight on development of a strategic approach to harnessing diversity’s benefits. Organizational culture as practices means we need to ensure that practices, processes and procedures reflect respect for diversity, enable employees to work through challenges of diversity, and promote learning from divergent ways of thinking.

How can organizations create a culture that values differences and purposefully facilitates “cultural synergy,” as it has been labeled by Adler (2002)? The question leads us to a paradox which needs to be explored at both practices and underlying values, beliefs and assumptions levels of culture. At the practices level organizational norms are operationalized by processes, procedures and policies. Yet acceptance of the value of multiple perspectives and approaches means there is both individual and organizational flexibility to sometimes act outside of delineated policies, processes and procedures and that diverse approaches can co-exist and influence each other. Pascale (1990) describes
this paradox as a vector of contention between mandatory and discretionary systems and charges managers with responsibility for “orchestrating the tension and harnessing contending opposites” (p. 34).

Managing this tension between opposites, however, is a significant challenge. The traditional western managerial mindset has stressed consistency of policies and procedures in order to reduce ambiguity and promote internal integration (Senge, 1990). Indeed the common assumption has been that effective organizations have strong, highly consistent and well integrated cultures (Saffold, 1988). Yet there has also been increasing recognition of an organizational irony: well-integrated organizations are often the least responsive to changing conditions (Kanter, Stein & Jick, 1992). Success in today’s continually changing environments requires that people in organizations think in different ways, learn, and adapt to evolving circumstances. It is such requirements that underscore the need to purposefully explore organizational culture at the underlying beliefs, values and assumptions level.

Thinking in different ways, learning and appropriate adaptation can only happen if there is continual questioning of organizational frames of reference – those constellations of beliefs, values and assumptions that determine how the organization approaches its business. Here the insight regarding personal benefits of working in a multicultural environment seems applicable. Multicultural team members in Trefry’s study (2001) attributed their broadened perspectives, increased personal tolerance, flexibility and adaptability to their exposure to different ways of thinking and their consequent re-examination of their own perspectives. Thus as Gentile (1996) so eloquently asserts, “it is precisely through our interactions and confrontations with difference—of perspective, of prior experience, of style, of identity—that we come to recognize the limits of our own perspectives, experiences, and styles” (p. 1).

The same logic can apply at both individual and organizational levels. Exposure to different values, beliefs, assumptions and perspectives can lead to broadening our frames of reference, whether at a personal level or an organizational level. Indeed Trefry & Vaillant (2002) suggest that individuals and organizations actually “learn” from expanding the frames of reference through which they view and interpret what they see and experience – thus increasing their awareness of alternative ways to act. Developing a greater range of options can promote organizational flexibility, enabling adaptation to the needs of specific contexts. Insight facilitated by expanded frames of reference can be used to generate new approaches to business issues and practices.

Thus challenging existing organizational assumptions and broadening frames of reference offers a rich potential for increased effectiveness and competitive advantage. The organizational “learning” must go beyond exploration of differences, however. The goal is to integrate different approaches and frames of reference into new, more sophisticated approaches and organizational frames of reference. Adler (2002) argues that “culturally synergistic organizations reflect the best aspects of all members’ cultures in their strategy, structure, and process without violating the norms of any single
They utilize the naturally divergent thinking of people with different cultural backgrounds to solve problems, make decisions, and develop new approaches to products, services, and organizational processes.

Bridging the practices and values/beliefs/assumptions levels of organizational culture is also critical. Cultural rhetoric concerning how the organization values differences and learning from differences will be insufficient, indeed meaningless, unless that rhetoric is also supported by concrete practices. Such support should involve explicit and routine strategies for individual and organizational learning and the development of learning infrastructures, processes and techniques employees can use in achieving the learning.

While no prescriptions can fit all organizations the questions to follow can guide thinking about shaping a culture of respect for differences, purposeful learning from differences, and strategic incorporation of differences in organizational decision-making.

- In what kinds of situations will diverse employees best learn from each other?
- What types of processes, procedures and policies can be developed to enable the exploration of different approaches and the assumptions underlying those approaches?
- What skills and capabilities do employees need to interact in ways respectful of differences? To learn from differences? How can the organization foster the development of such skills and capabilities?
- What ground-rules do employees need for airing and exploring differences?
- What expectations regarding interaction behavior need to be made explicit – and how can clarity of expectations be accomplished in ways that respect cultural differences?
- What methods of critical reflection can facilitate collective learning?
- What mechanisms or processes can aid the integration of different approaches?
- What kinds of feedback loops can be built in to occasionally assess how organizational frames of references are evolving?
- What will it take for employees to feel excited about learning from differences? How can employees feel rewarded for learning from differences?

Conclusion

This paper has proposed that organizational culture is particularly important in today’s multicultural organizations. Organizations that value the different perspectives and approaches inherent in a diverse workforce and that develop concrete ways to facilitate organizational learning from differences can optimize their processes, procedures and structures. Such potential is good news for organizations in today’s global marketplace.
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