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HIGH-PERFORMANCE ORGANIZATIONAL CULTURE AROUND THE WORLD

"It has been said that arguing against globalization is like arguing against the laws of gravity."

*- Kofi Annan, 7th Secretary-General of the United Nations,
2001 Nobel Peace Prize*

With increasing globalization, many organizations are facing the challenge of operating in new and different geographic locations, and therefore in new and different regional, and even societal, cultures. Given that regional cultures can and often do differ, the present research was undertaken to determine whether organizational cultures vary by geographic region; and further, whether the organizational cultures of multinational corporations (MNCs) differ systematically from locally-headquartered organizations.

Research at a glance

Key research questions

- Do organizational cultures differ systematically across geographic regions of the world?
- Do the cultures of multinational corporations differ from those of local organizations in different regions?

Methods

Statistical analyses were conducted using data from 422 organizations located in 48 countries and further grouped into six major regions.

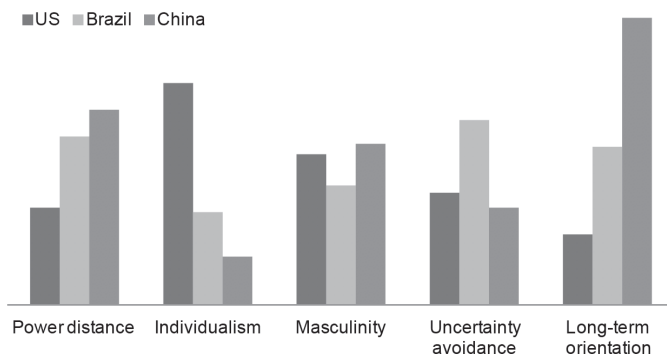
Key findings

The average organizational culture scores of organizations from different geographic regions exhibited a moderate-to-high degree of similarity. Possible exceptions to this overall trend were observed for organizations located in Central & South America—with typically higher-than-average culture scores across indexes, and organizations located in Europe—with lower-than-average culture scores on specific indexes (e.g., Core Values).

From Regional-Societal Culture to Organizational Culture

Organizations are embedded within an external environment, and this environment includes various factors that can influence the culture of an organization. In addition to economic and industry-level factors, organizations exist within regions and societies that have unique cultural characteristics. A number of studies have examined cultural differences across nations. Geert Hofstede's work on national cultures provides one example of the complex mosaic of cultural similarities and dissimilarities that are emerging from this line of research (Figure 1). For example, in both the US and China—nations with seemingly different societal cultures—people generally prefer achievement, assertiveness, and material rewards for success ("masculinity") and are not comfortable with uncertainty and ambiguity ("uncertainty avoidance"). At the same time, people from the US show unique preferences for equal distribution of power (low "power distance") and a social system where they are expected to take care of only themselves and their families (high "individualism"), as well as the belief that truth does not depend on situation, context, and time ("short-term orientation").

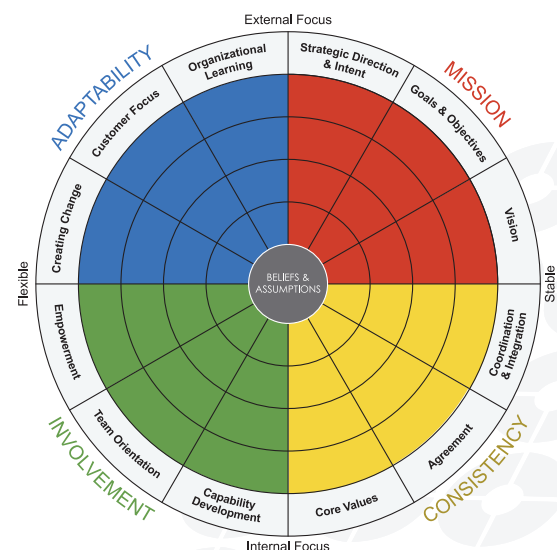
Figure 1. Cultural similarities and differences: US, Brazil, & China



Given these patterns of national culture differences (and similarities), it is natural to wonder how these broader cultural patterns trickle down to the organization level. Indeed, one international research project conducted in over 60 countries discovered that societal cultural values affect organizational culture and practices as well as leadership behaviors (the GLOBE project; Javidian, House & Dorfman, 2004).

However, it remains unclear whether the aspects of organizational culture that are directly related to organizational performance also vary across cultures, or whether these performance-related aspects of organizational culture are more stable. Thus, we specifically explored whether these performance-enhancing aspects of culture vary by societal culture, using the Denison Organizational Culture Survey (DOCS; Figure 2). The DOCS has been shown to relate to performance outcomes such as return-on-assets, sales growth, market-to-book ratio, and customer and employee satisfaction, among others. It uses 60 items to measure four cultural traits—Involvement, Consistency, Adaptability and Mission.

Figure 2. The Denison Organizational Culture Model



Methodology

Data from 422 companies (326,031 employees) in 48 countries were used in this research (Table 1). We grouped respondents by organization into one of six regions based on the United Nation's region classification. These companies came from a variety of industries, and 67% (n=343) were MNCs, with some MNCs represented in more than one region.

Table 1. Number of organizations for each region

Region	Multinational		Total	
	Non-MNC	MNC	Count	Percent
North America	37	161	198	38.7
Europe	59	95	154	30.1
Asia	33	36	69	13.5
Central & South America	21	27	48	9.4
Oceania	10	15	25	4.9
Africa	8	9	17	3.3
Total	168	343	511	100.0

Results

Greater Similarity than Dissimilarity: Levels and Patterns

The bar charts in Figure 3 display the average organizational culture scores by region and culture index within the Denison Model. These charts generally suggest that there is greater similarity than dissimilarity across regions of the world. Regions' scores typically did not deviate from the 50th percentile (or overall average) by more than 10 percentile points in either direction—as is particularly apparent for the North American, African, Oceanic, and Asian regions, in which culture scores consistently fell in the 40th to 60th percentile range with only a few exceptions noted (e.g., Asian organizations scored above the 70th percentile in organizational learning).

In addition to having culture scores that typically fell around the 50th percentile (i.e., similar overall levels), the pattern of culture scores across indexes was generally similar for different regions of the world. In other

words, the indexes that tend to be higher (or lower) in one region also tend to be higher (or lower) in the other regions. Scores across the Adaptability trait provide a clear example of this consistent pattern, as five of six regions (excluding North America) scored relatively higher on the Creating Change and Organizational Learning indexes and relatively lower on the Customer Focus index. Other examples of consistent patterns across regions include relative lows in Capability Development (Figure 3: third panel) and Core Values (Figure 3: fourth panel).

A Possible Exception to the Similarity Rule

As the rank-ordered bar charts show, Central and South American organizations generally deviated from the 50th percentile by more than +10 percentile points, scoring higher than organizations from other regions. For each index, we examined the gap between the region with the highest score and the region with the lowest score. The smallest difference existed in Customer Focus where there was a 20 percentile point difference

between organizations in the highest scoring region (Central & South America) and those from the lowest scoring region (Europe). The biggest difference was in Core Values, where there was a gap of 52 percentile points. In general, the gaps between the region with the highest score and the region with the lowest score were highest in the Consistency trait (on average, a 42 percentile point gap across the indexes). The average gap was 37 percentile points for the indexes of the Mission trait, and around 30 percentile points for the other two traits of Involvement and Adaptability.

In the Adaptability trait, Customer Focus scores were lower than other Adaptability index scores by 10 percentile points or more in all regions, with the exception of North America.

In the Mission trait, within each region, all three Mission Strategic direction & intent Goals & objectives Vision index scores were similar to each other and the differences were less than 10 percentile points.

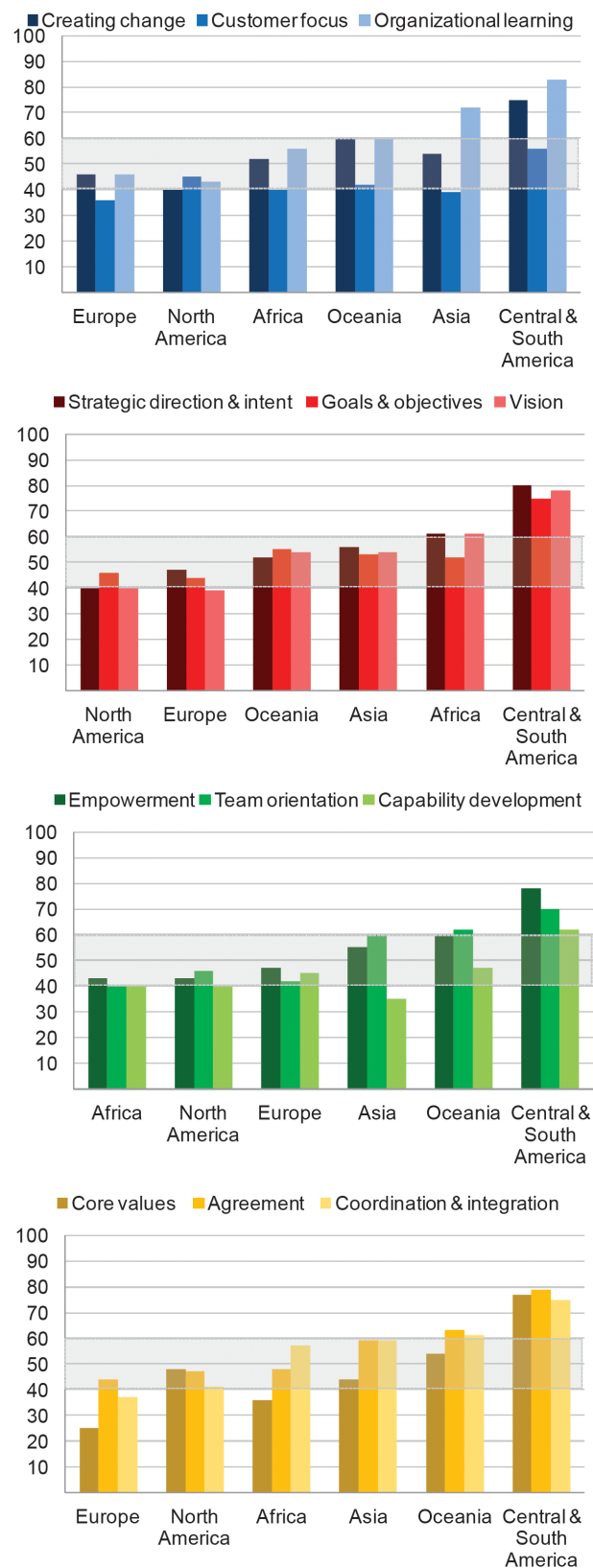
In the Involvement trait, it is interesting to note that in the Central & South America, Asia, and Oceania regions, Empowerment and Team orientation scores were higher than in other regions, though Capability Development scores were generally more comparable to the other regions.

The Consistency trait showed the biggest regional differences in organizational culture scores compared to other cultural traits. Also, for several of the regions, Core Values scores were lower than scores on the other traits.

MNCs vs. Non-MNCs: Are Their Cultures Different?

As we used a database of both MNCs (n=343; 67.1%) and non-MNCs (n=168, 32.9%), an interesting question remained. Specifically, it is possible that there is something inherently different about the culture of MNCs versus non-MNCs. For example, does the organizational culture of the Asian operations of an MNC differ from the organizational culture of a local Asian organization?

Figure 3. Percentile scores for the DOCS indexes



Statistical analyses were conducted to examine whether MNCs and non-MNCs were different in their culture scores, and to ensure that our research findings hold for both types of organizations. As seen in Table 1, each region included a similar percentage of MNCs (52–62%), except for North America (81%).

When comparing MNCs versus non-MNCs, regardless of their regions (see Table 2, "Overall" column), there were no statistically significant differences in culture index scores between the two types of organizations, and all differences were less than 10 percentile points.

When "region" was taken into account, we found few differences between MNCs and non-MNCs. Table 2 shows the DOCS percentile score differences between MNCs and non-MNCs within each region. Only those percentile score differences of 10 or larger are presented. In North America, MNCs reported statistically higher scores in Agreement and Core Values indexes.

Conclusions

Our research findings show many similarities in the organizational culture scores of organizations in different regions.

- In general, culture scores of organizations in North America, Europe, Asia, Africa and Oceania were largely similar, although organizations in the first two regions generally had lower culture scores than the latter regions.
- Organizations in Central & South America had higher culture scores across all four culture traits than organizations in other regions.
- There are few differences between MNCs and local organizations.

In terms of why Central & South America organizations tend to report higher culture scores compared to organizations in other regions, it is hard to say whether this means that the organizational culture in this region is inherently more positive, or that survey-takers in this region tend to provide more positive responses.

Table 2. MNCs (M) vs. non-MNCs (local; L): Culture score differences (M – L)

DOCS Index	Overall	<div>M = L M < L M > L</div>					
		North America	Central & South America	Europe	Oceania	Africa	Asia
Empowerment							
Team orientation							
Capability development			- 10			- 13	
Core values		+ 16		+ 11	+ 13	+ 16	
Agreement		+ 14			+ 11		
Coordination & integration							
Creating change							- 13
Customer focus					+ 15		+ 11
Organizational learning							
Strategic direction & intent			- 10			- 11	
Goals & objectives		+ 10					
Vision			- 11			- 12	

There is some evidence that Hispanics and Spanish-speaking people have a greater preference for extreme responses (e.g., "Strongly Agree") than do Europeans. Thus, organizational culture score differences may be due, not only to the actual culture of the organization, but also to the society in which they are embedded; and high scores may be reflecting the societal culture as well as the organizational culture. From previous cross-cultural research conducted on the DOCS, we do know that the culture-performance relationship was positive and strong in different regions of the world (Denison, Haaland, & Goelzer, 2003). These findings suggest that, regardless of what the average ratings are on the indexes, the impact of organizational culture on performance measures is the same around the world. Taken together, our findings combined with those from Denison et al. suggest that, even though we observed some differences across the regions in our study, organizational culture impacts performance in the same way across regions.

Best Practices

There are several important best practices that all organizations should consider following when undertaking a culture survey and subsequent change initiatives, and several of these practices have particular relevance when looking across the globe.

Clearly communicate the purpose of the culture survey.

Communicating the purpose and intent of the culture survey, as well as the need for candid responses, is key to a successful culture assessment. This is even more vital for organizations operating in more than one society, as various societies may react differently to assessments or change initiatives. In fact, studies show survey takers in different cultures report varying degrees of social desirability (e.g., Bernardi, 2006; Steenkamp, De Jong, & Baumgartner, 2010). Although these studies did not specifically examine social

desirability tendencies among organizational culture survey takers, the findings still seem to be relevant. Clear communication can help organizations minimize survey participants favoring positive response options, not because they indeed think or feel so, but because it is a cultural norm to speak favorably of the company for which they are working.

Use a global benchmark and learn the best practices.

Our research findings, combined with those of the previous research, offer a rationale for using a global benchmark rather than other types of benchmarks (e.g., region or country-specific benchmark). Organizations in different regions are largely similar when it comes to what a high-performance organizational culture looks like. Societal culture may impact organizational culture, but the link between organizational culture and performance stays strong across regions. Regardless of the societal culture, high-performance organizations are strong in cultural traits of Involvement, Consistency, Adaptability, and Mission.

Putting "scores" in the context of global practices, organizations can obtain information on their performance relative to others and on opportunities to learn the best practices from high performing organizations. Using a global benchmark is beneficial, not only to MNCs but also to non-MNCs. Organizations operating only in their native country and not directly competing against organizations in other countries or regions may consider the current research findings irrelevant to them. However, various parts of the world are now more connected than ever before; and the global playing field is becoming flatter (Friedman, 2005). Many organizations are faced with a greater degree of indirect competition and are being influenced by new rules and regulations created due to globalization.

Take the regional differences into account when implementing actions.

It is critical for MNCs to acknowledge that, regardless of mean differences, how these different aspects of organizational culture are expressed may differ depending on the societal culture. What works in one country may not work in another. In our research, organizations in Africa and organizations in the U.S. reported similar scores on the Empowerment index; but the actions needed to drive progress in this area may be very

different, and implementing the same actions that an organization is taking in one region may not yield the same results in other regions.

To conclude, societal culture can be an influencing factor in organizational culture, and should be taken into context when building a strategy toward a high-performance culture. Also, even though societal culture might impact organizational culture, high-performance organizational cultures have uniform traits of Involvement, Consistency, Adaptability, and Mission.

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