WHY CULTURE TRUMPS STRATEGY:
The Influence of National Culture on Employee Attitudes

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Patrick Kulesa, Ph.D.
Global Research Director
ISR
Chicago, IL USA
Patrick.kulesa@isrsurveys.com
The Globalizing Corporation: Business Challenges

Corporations that begin to expand globally face many challenges

- Variations in laws and accounting practices
- Language and currency differences
- Unique social, political, and business customs
- And, among the most critical, the need to design an effective operation in a country very *culturally* unlike headquarters

Corporations apply various strategies to meet the globalization challenge*

- Multidomestic (‘Local’): Stress local and national responsiveness
- Meganational (‘Global’): Stress single integrated operations
- International (‘Glocal’): Stress adaptability, continuous innovation

* From Bartlett & Ghoshal (1989); Evans, Pucik, & Barsoux (2000)
As Corporations Expand, They Discover the Inescapable: Cross-National Differences in Employee Attitudes

<table>
<thead>
<tr>
<th>Country</th>
<th>% Favorable Response**</th>
<th>Difference vs. Global Average***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil*</td>
<td>65</td>
<td>5</td>
</tr>
<tr>
<td>Canada</td>
<td>64</td>
<td>5</td>
</tr>
<tr>
<td>United States</td>
<td>62</td>
<td>2</td>
</tr>
<tr>
<td>Germany</td>
<td>61</td>
<td>-4</td>
</tr>
<tr>
<td>China</td>
<td>59</td>
<td>-4</td>
</tr>
<tr>
<td>Spain</td>
<td>58</td>
<td>-5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>56</td>
<td>-8</td>
</tr>
<tr>
<td>France</td>
<td>55</td>
<td>-8</td>
</tr>
<tr>
<td>Italy</td>
<td>55</td>
<td>-8</td>
</tr>
<tr>
<td>Japan</td>
<td>45</td>
<td>-17</td>
</tr>
</tbody>
</table>

* Countries selected are the world’s 10 largest economies.

** Composite measure comprising employee views of how well they are trained, organized, rewarded, involved and managed, and the extent to which their company is felt to provide employment security, emphasize quality, offer good customer service and behave ethically.

*** Global average contains current data from over 1.2 million employees working in 37 countries across 16 industries.
These Differences are Consistent and Enduring

<table>
<thead>
<tr>
<th>Country</th>
<th>% Favorable Response**</th>
<th>36-Month Change by Country***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany*</td>
<td>61</td>
<td>3</td>
</tr>
<tr>
<td>UK</td>
<td>56</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>45</td>
<td>2</td>
</tr>
<tr>
<td>US</td>
<td>62</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>59</td>
<td>1</td>
</tr>
<tr>
<td>Canada</td>
<td>64</td>
<td>0</td>
</tr>
<tr>
<td>France</td>
<td>55</td>
<td>-1</td>
</tr>
<tr>
<td>Italy</td>
<td>55</td>
<td>-1</td>
</tr>
<tr>
<td>Spain</td>
<td>58</td>
<td>-1</td>
</tr>
<tr>
<td>Brazil</td>
<td>65</td>
<td>-3</td>
</tr>
</tbody>
</table>

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Suggesting an Influence of National Culture on Employee Attitudes: Data Sources

• Three data sources:

  - Nationally representative samples of 20,270 employees from 16 industries and 19 countries on 5 continents: Australia, Belgium, Brazil, Czech Republic, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Malaysia, Mexico, Philippines, Poland, Portugal, Singapore, Turkey, United Kingdom (collected 1992-2002)

  - More recent nationally representative samples of 9,123 employees from 19 industries and 10 nations on 5 continents: Australia, Brazil, Canada, France, Germany, Hong Kong, Netherlands, Singapore, United Kingdom, United States (collected 2004)

  - Three census surveys of multinational organizations (collected 2000-2002)
Studying Influence of National Culture on Employee Attitudes: Methodology

• Analytic steps:
  - Compare influence of country versus industry sector on explaining employee attitudes
  - Examine the role of social values in underlying employee attitudes
  - Construct a model for leveraging culture in the management of a multinational organization
Studying Influence of National Culture on Employee Attitudes: 19-Country Data

- Factor analysis of 55-item survey reveals 12 factors:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Number of Items</th>
<th>Reliability (Alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>5</td>
<td>.87</td>
</tr>
<tr>
<td>Reward</td>
<td>6</td>
<td>.85</td>
</tr>
<tr>
<td>Quality</td>
<td>3</td>
<td>.74</td>
</tr>
<tr>
<td>Supervision</td>
<td>6</td>
<td>.89</td>
</tr>
<tr>
<td>Teamwork</td>
<td>5</td>
<td>.76</td>
</tr>
<tr>
<td>Involvement</td>
<td>5</td>
<td>.76</td>
</tr>
<tr>
<td>Training and development</td>
<td>6</td>
<td>.83</td>
</tr>
<tr>
<td>Work pressure</td>
<td>5</td>
<td>.69</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>3</td>
<td>.74</td>
</tr>
<tr>
<td>Customer focus</td>
<td>5</td>
<td>.75</td>
</tr>
<tr>
<td>Job security</td>
<td>3</td>
<td>.72</td>
</tr>
<tr>
<td>Ethics</td>
<td>3</td>
<td>.69</td>
</tr>
</tbody>
</table>
Greater Proportion of Variance Explained by Country than Industry: 19-Country Data
Variance Explained by Country is Just as Strong among Managers as Non-Managers: 19-Country Data
Leadership and Engagement Models: 10-Country Data

**Cognitive:** Belief in and support for the goals/values of the organization

**Affective:** Sense of belonging, pride, attachment to the organization

**Behavioral:** Willingness to put in extra effort; Intention to stay with the organization

![Diagram showing the relationships between Position (Direction, Values), Persuade (Inform), and Perform (Energy, Respect, Role Model) for leadership and engagement models.](image)
Greater Proportion of Variance Explained by Country than Industry: 10-Country Data

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Affective</th>
<th>Cognitive</th>
<th>Behavioral: Effort</th>
<th>Behavioral: Stay</th>
<th>Position</th>
<th>Persuade</th>
<th>Perform</th>
<th>Leadership effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>0.06</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Country</td>
<td>Industry</td>
<td>Country</td>
<td>Industry</td>
<td></td>
<td>Industry</td>
<td>Industry</td>
<td>Industry</td>
<td>Industry</td>
</tr>
</tbody>
</table>
Variance Explained by Country is Just as Strong among Managers as Non-Managers: 10-Country Data

ETAS SQUARED

- Engagement
- Affective
- Cognitive
- Behavioral: Effort
- Behavioral: Stay
- Position
- Persuade
- Perform
- Leadership Effectiveness

Managers: 0.02, 0.03, 0.02, 0.04, 0.02, 0.01, 0.01, 0.01, 0.01
Non-Managers: 0.01, 0.01, 0.01, 0.01, 0.01, 0.01, 0.01, 0.01, 0.03
Focusing on National Culture: Impact on Organizations

Different societies have different assumptions and expectations about the various dimensions of the employment relationship. For example:

| THE RELATIONSHIPS WHICH SHOULD EXIST IN THE WORKPLACE | Conformity to group norms is expected | Individualism is encouraged |
| ATTITUDES TOWARDS THE STATUS QUO | Current situation should be accepted and adapted to | Status quo should be challenged and changed |
| TEMPORAL ORIENTATION | Emphasis on respecting and honoring tradition | Emphasis on breaking with the past and forging a new future |
| MODES OF COMMUNICATION | Use of implicit and tacit methods to achieve common understanding | Information has to be explicitly and formally stated if it is to be transmitted effectively |
| STYLES OF DECISION-MAKING | Bias towards building consensus during the decision-making process | Bias towards achieving compliance once decisions have been made |
These Differences in Thinking and Behaving Reflect Fundamental Differences in the Underlying Values of Societies

These can be analysed/classified in a variety of ways. For example:

**Hofstede***

“Software of the Mind”

- High/Low Power Distance
- Individualism/Collectivism
- Masculinity/Femininity
- High/Low Uncertainty Avoidance
- Long-Term/Short-Term Orientation

**Trompenaars**

“Cultural Dilemmas”

- Universalism/Particularism
- Specificity/Diffuseness
- Individualism/Communitarianism
- Achieved/Ascribed Status
- Sequential/Synchronous Time
- Person Oriented/Role Oriented


Let’s Test a Specific Hypothesis

There are significant correlations between the attitudes of employees in a particular country and the underlying value system of that society.

To test this hypothesis, we explored the relationships between values and employee attitudes, drawing on global data as well as data from three individual multinational organizations.
Social Values: Correlations with Employee Attitudes

VALUE-ATTITUDE CORRELATIONS (significant at $p < .05$ or lower) *

* Data from over 1.2 million employees working in 37 countries across 16 industries.
**BUT WAIT!: It Gets Even More Complex**

We also studied these relationships in three individual companies known for applying very unique models to manage globalization.

<table>
<thead>
<tr>
<th>MANAGEMENT MODEL</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
</tr>
</thead>
<tbody>
<tr>
<td>“LOCAL”: decentralized, individual autonomy stressed</td>
<td>“GLOBAL”: centralized, headquarters’ procedures reproduced in each country</td>
<td>“GLOCAL”: certain issues left to local control</td>
<td></td>
</tr>
</tbody>
</table>

| NUMBER OF COUNTRIES | 84 | 35 | 53 |
| NUMBER OF EMPLOYEES  | 279,000 | 350,000 | 91,000 |
| INDUSTRY            | Consumer Goods | Manufacturing | Chemicals |
| ANNUAL SALES        | $46 billion | $186 billion | $135 billion |
| HEADQUARTERS        | Europe | North America | Europe |
LOCAL COMPANY: Culture is Victorious!

VALUE-ATTITUDE CORRELATIONS (significant at $p < .05$ or lower)
GLOBAL COMPANY: Culture is Relatively Muted, but not Vanquished

VALUE-ATTITUDE CORRELATIONS (significant at \( p < .05 \) or lower)

![Graph showing correlations between leadership, strategy, customer focus, involvement, teamwork, and commitment in a global company context. The graph indicates relatively muted but not vanquished culture, with values for correlation coefficients and significance levels.](image-url)

- Leadership: 0.57, 0.34
- Strategy: 0.50, 0.44
- Customer Focus: 0.52
- Involvement: 0.39
- Teamwork: 0.37
- Commitment: 0.37

- Power Distance: -0.39, -0.53, -0.39, -0.40, -0.38
- Individualism: -0.8, -0.6, -0.4, -0.2, 0
- Particularism: -1
- Diffuse Orientation: 0

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### GLOCAL COMPANY: Correlations Reverse for Certain Issues

**VALUE-ATTITUDE CORRELATIONS** (significant at p < .05 or lower)

<table>
<thead>
<tr>
<th></th>
<th>Ethics</th>
<th>Advancement</th>
<th>Communication</th>
<th>Reward</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance</td>
<td>-0.39</td>
<td>0.36</td>
<td>0.48</td>
<td>0.50</td>
<td>0.59</td>
</tr>
<tr>
<td>Individualism</td>
<td>0.41</td>
<td>-0.41</td>
<td>-0.62</td>
<td>-0.55</td>
<td>-0.60</td>
</tr>
<tr>
<td>Particularism</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diffuse Orientation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Trends reverse*
Interpreting the Reversal for the Glocal Company

• In the Glocal company, individualist cultures tend to have more favorable employee attitudes toward Reward and Balance, a reversal of trends for other topics

• Reward and Balance issues are managed *locally* rather than *globally*

• This local style may be effective because the individualist cultures are more skilled at managing these individualized issues, resulting in more favorable attitudes in more individualist cultures

• This pattern suggests the upside of cultural influence – cultural diversity may be turned into a competitive advantage in specific ways

• CULTURE IS VINDICATED!!
But, How Can Cultural Diversity be Leveraged?

• Understanding how to leverage culture requires distinguishing two sets of workplace issues:

**Methods of Operating**

The shared understanding of the ways of doing business, including strategy, mission, values, goals, ethical standards, communication channels – topics positioned and managed at the most senior levels of leadership.

**Modes of Thinking**

Ways of seeing and thinking about the world, norms for behavior, assumptions regarding reality and how it should be faced – topics codified in procedures that govern serving customers and managing employee’s needs, such as work-life balance, pay, empowerment, development, and performance appraisal.
The Multinational’s Solution: BIPOLAR INTEGRATION

“Unify the Methods, leverage diversity in the Modes”

Methods of Operating

Fragmented

Unified

GLOBAL
- Strategic Direction
- Leadership
- Communications
- Values & Ethics

GLOCAL

TRANSFORMATION

LOCATION
- Work/Life
- Development
- Customer Focus
- Rewards

Narrow

Diverse

Modes of Thinking
Unify the Methods

- **Strategic Direction**
- **Leadership**
- **Communication**

- **Common Strategic Direction** to align the activities and aspirations of all
- **Coherent Leadership** to focus efforts and energies in the same direction
- **Consistent Communication** to reiterate and reinforce key corporate messages
Diversify the Modes

- **An Open Organizational Climate**
  to benefit from a wide range of external stimuli, to view products and markets from different perspectives, to hear new ideas, to learn new techniques and technologies

- **An Eclectic Approach to People Development**
  to access a broadly based talent pool, to create multi-functional and multi-cultural capabilities, to increase receptivity to change, to enhance engagement

- **A Decentred Focus on the Customer**
  to design business processes from the customers’ perspective, to empower staff to deal effectively with customers, to build transforming rather than transactional customer relationships
Does Bipolar Integration Actually Work? A Research Framework

• **UNIFYING METHODS:** Because these are issues that require one standard across the organization, successful companies should exhibit a *high degree of consensus across managers and employees* on topics such as strategy, mission, values, goals, leadership, and communication.

• **DIVERSIFYING MODES:** Because these are issues that require effective management at the local level, successful companies should exhibit *superior employee scores versus relevant national benchmarks* on topics such as customer focus, pay, and performance management.
Performance Profile by Management Style: Predictions

Modes of Thinking

Narrow

Diverse

Methods of Operating

Fragmented

Unified

GLOCAL

GLOBAL

Strong Consensus
Strong Nationally

Weak Consensus
Weak Nationally

Weak Consensus
Strong Nationally

Weak Consensus
Weak Nationally

LOCAL

Strong Consensus
Strong Nationally

Weak Consensus
Weak Nationally

Strong Consensus
Weak Nationally
Applying these Approaches to the ‘Local’ Company

• The ‘Local’ company profiled earlier is considered through this analysis of methods and modes

• This company is committed to a decentralized style of management, which suggests:
  - Strong performance versus national norms,
  - But potentially poor consensus among managers and employees

• The results of the analysis may be used to target the issues in need of more effective local management or increased efforts to promote alignment across the enterprise
‘Local’ Company: Lack of Consensus on the Methods

- Senior leaders provide leadership
- Leaders provide clear sense of direction
- Understand goals of department
  - Understand goals of division
- Understand goals of company overall
- Informed about company performance
- Employees kept informed
- Integrity in external dealings
- Company support for value of diversity
- Contact between leaders and employees
  - Challenging traditional ways valued
  - Pride in the company
- Pace of organizational change about right

Shaded difference bar denotes a statistically significant difference.
### ‘Local’ Company Case Study: Studying the Modes

Thirteen items and 13 nations are profiled:

<table>
<thead>
<tr>
<th>People Development</th>
<th>Country Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Understand how performance assessed</td>
<td>• Australia</td>
</tr>
<tr>
<td>• Performance assessed fairly</td>
<td>• China</td>
</tr>
<tr>
<td>• Training to improve skills in current job</td>
<td>• France</td>
</tr>
<tr>
<td>• Regular feedback on performance</td>
<td>• Germany</td>
</tr>
<tr>
<td>• Fair performance evaluation</td>
<td>• Greece</td>
</tr>
<tr>
<td>Organizational Climate</td>
<td>• Italy</td>
</tr>
<tr>
<td>• Pay as good or better than other companies</td>
<td>• Japan</td>
</tr>
<tr>
<td>• Supervisor communicates effectively</td>
<td>• Netherlands</td>
</tr>
<tr>
<td>• Supervisor receptive to suggestions</td>
<td>• Singapore</td>
</tr>
<tr>
<td>• Sufficiently involved in decision-making</td>
<td>• Spain</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>• Sweden</td>
</tr>
<tr>
<td>• Department understands customer needs</td>
<td>• United States</td>
</tr>
<tr>
<td>• Department responsive to customer needs</td>
<td>• United Kingdom</td>
</tr>
<tr>
<td>• Team gets feedback on customer satisfaction</td>
<td></td>
</tr>
<tr>
<td>• Flexibility to provide service to customers</td>
<td></td>
</tr>
</tbody>
</table>
Mainly Strong National Performance on the Modes

Individual Countries vs. Relevant Country Norms (Average of all Modes’ Items)

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>13</td>
</tr>
<tr>
<td>Singapore</td>
<td>11</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7</td>
</tr>
<tr>
<td>France</td>
<td>6</td>
</tr>
<tr>
<td>China</td>
<td>6</td>
</tr>
<tr>
<td>Australia</td>
<td>6</td>
</tr>
<tr>
<td>United States</td>
<td>5</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
</tr>
<tr>
<td>Greece</td>
<td>0</td>
</tr>
<tr>
<td>Spain</td>
<td>-2</td>
</tr>
<tr>
<td>Sweden</td>
<td>-7</td>
</tr>
</tbody>
</table>

Shaded difference bar denotes a statistically significant difference
Implications

• Poor consensus on methods’ items pertaining to communication, especially regarding company goals and performance, suggests need to increase efforts to inform all employees of corporate-level topics.

• Communication as a key issue area is not surprising, given the local, decentralized style of management in this company.

• Similarly, significant strong performance versus national norms is not surprising, given the local management style.
Solving the Duality of Globalization & Diversity

“The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function”

(F. Scott Fitzgerald)

Methods of Operating

- Strategic Direction
- Leadership
- Communications
- Values & Ethics

TRANSITION

- Work/Life
- Development
- Customer Focus
- Rewards

TRANSFORMATION

Narrow

Diverse

Modes of Thinking