

REFLECTIONS OF ORGANIZATIONAL IDENTITY AND NATIONAL CULTURE ON MANAGERIAL ROLES IN A MULTINATIONAL CORPORATION

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ABSTRACT

We content analyzed CEO communications of a large MNC to examine the values that constitute its organizational identity and surveyed 4530 stakeholders to identify global and local managerial roles. Findings suggest that MNC CEO endorsed global culture values integrating local culture with company values that manifest in mid-level managers' roles.

INTRODUCTION

The need to compete in global markets has accelerated the emergence of multinational companies (MNC). MNC employ the most diverse workforce and hence strive to promote organizational values that enable employees from different cultures to identify with the company and to share similar role perceptions. Employees who work for MNC face potential tension between their local/national values and the values of the MNC (Naisbitt, 1994). Such tension poses a challenge for MNC management that attempts to develop a uniform corporate identity that enables employees from different cultures to identify with their corporation.

While previous research has mostly focused on differences in national cultures (Hofstede, 2001), the implications of these differences for the role of managers in MNC have hardly been researched. We propose that managerial roles in MNC consist of both local and global linking responsibilities. Managers in MNC add value by being able to develop independent strategies that focus on innovation and growth in unfamiliar global markets (Bartlett and Ghoshal, 1992). These global linking roles are over and above the classical focus on social exchange between managers and their employees, as reflected in the local leadership roles of task and employee orientation (Zaccaro & Klimoski, 2001).

One objective of the present study was to identify the global and local aspects of managerial roles in MNC. Second, we sought to examine whether local dimensions reflect cultural differences while global dimensions are more homogeneous across cultures. Finally, we examined CEO communication of organizational identity and values in speeches and in the company's annual report.

Managerial Roles in MNC

According to role theory, human beings behave in ways that are different and predictable depending on the situation and their respective social identities (Biddle, 1979:68). Social identities refer to the social categories to which one believes one belongs (Tajfel & Turner, 1979). In the context of MNC, individuals evaluate roles based on their organizational identity as well as their national culture. We propose an approach, which differentiates between local linking role aspects that are sensitive to cultural variation, and global linking role aspects that are universal to the global work environment across cultural borders.

Global and Local Linking Roles. Management in MNC subsidiaries involves both classic principles of effective leadership, referred to here as local linking functions, and global linking roles that are more specific to the MNC context (Bartlett & Ghoshal, 1992). Local linking roles focus on the relationships between leaders and followers and reflect a social exchange perspective to leadership that highlight task and people oriented leadership roles (Zaccaro & Klimoski, 2001). Global linking implies that managers become responsible for developing connections and interdependencies inside their subsidiary, with headquarters, and with other subsidiaries. MNC, more than other organizations, have decentralized structures that emphasize horizontal rather than vertical linking (Bartlett & Ghoshal, 1992). In such organizations quick response to changes implies that business unit managers are responsible for both strategic planning and fostering and managing their organization in high pace environments. MNC managers need to excel in both local and global linking roles, however, their evaluation of these roles may stem from different identification processes. They may base their evaluations of global linking roles on MNC corporate values and identity more than on their local culture. However, local linking roles that involve social exchange may be more sensitive to the cultural values with which managers identify. Hence we suggest the following hypothesis:

H1: Managers' self-evaluation of local linking roles will significantly differ across cultures, whereas self-evaluations of global linking roles will be homogeneous across cultures.

Stakeholders Views of Managerial Roles. Roles also evolve in response to feedback from key stakeholders both within and outside the organization, including subordinates, peers, managers, or customers who have expectations and can gain from the success of the organization (Scott & Lane, 2000). Stakeholders' expectations from the organization may be guided by organizational identity and the values associated with it or other sets of values, such as the values of the local culture, and can manifest in their evaluations of the corporate managers.

Organizational identity forms through iterative interactions among stakeholders and managers (Scott & Lane, 2000). Hence, agreement among stakeholders from multiple subsidiaries on managerial roles may suggest stronger impact of MNC identity as compared with the local culture of each subsidiary. We propose that when stakeholders evaluate managers on local linking roles they rely more on their cultural value system and hence we expect cross-cultural differences in their evaluations of these roles. Yet, we expect smaller differences among stakeholders regarding global linking roles, as they reflect the MNC global values.

H2: Stakeholders' evaluation of managerial roles will differ more on local than global linking roles.

Organizational Identity: The Values of the Global Culture

Extensive research and theory has documented the impact of CEOs' values on organizational choices, practices, and management styles. Trice and Beyer (1993) suggested that senior executives create an organizational identity to foster shared ideologies, and values of the organization. However, very little is known how MNC executives create a corporate identity that enables its diverse workforce to identify with the corporation. We argue that MNC executives will embrace global values that refer to a contextual level that is beyond national cultures. The new global environment can be likened to a new climatic layer: it changes our reality, and its impact cascades down to affect national cultures, organizational cultures, and personal identities (Erez & Gati, in press). We expect MNC executives to possess values that represent the global culture (Drucker, 1995), and are flexible enough to encompass diverse cultures. Western countries dominate the global activities. Therefore, the global culture reflects their dominant values of freedom of choice, free market economy, individual rights, and individualism (Friedman, 2000). Global culture also endorses the values of tolerance of diversity, as diversity is a major characteristic of the global environment; Competitiveness, which is a necessary condition for surviving in a free market economy; Innovation and Change, that enhance the competitive advantage of companies: interdependence and cooperation, necessary for maintaining the unity of the MNC (Bartlett & Ghoshal, 1992; Freedman, 2000; Govindarajan & Gupta, 2001).

Harzing and Hofstede (1996) argued that certain cultural values could facilitate adaptation to change, while others inhibit change. Societies that are more open to change are characterized by individualism, low power distance, and low uncertainty avoidance. In addition, they suggested that loose rather than tight cultures foster change and innovation. Loose culture also means high tolerance of diversity, as compared to tight cultures. We suggest that MNC CEO communication should advocate these values, especially in the context of high paced industries. This set of values differs than that characterized cultures at the national level for the following reasons. First, national cultures appear to be either individualistic or collectivistic. In a Global culture individualistic values coexist with the values of interdependence and cooperation, which are more characteristics of collectivistic cultures, because these features are necessary for coordinating MNC activities across geographical zones. In addition, values of high power distance, and high uncertainty avoidance, which characterize some societies, are not characteristics of MNC, as high power distance is dysfunctional to the decentralized structure of MNC, and high uncertainty avoidance is dysfunctional to adaptation to a changing work environment. Therefore, we hypothesize:

H3: CEO communication will reflect global values of individualism, interdependence, tolerance for diversity, performance orientation, uncertainty avoidance, and low power distance.

METHOD

Organization and Participants. We conducted this study in a single Fortune-30 high tech MNC that is a leading producer of electronic products. Headquartered in the United States, this organization has subsidiaries in more than a hundred countries. We obtained survey data from sites in 23 countries that we clustered into 6 regions, according to Ronen and Shenkar's (1985) classification of cultures according to distinct values (see also Javidan & House, 2002). The six clusters are: Far Eastern countries (n=268), Latin European (n=505), Germanic (n=533), Nordic (n=170), Anglo (n=274), and the USA (n=2753). Participants (n=4530) were mid-level managers self-ratings, their direct reports, supervisors, peers, and customers.

Unobtrusive Data. Annual Report and CEO speeches, obtained from the company's web site, overlapped with the period of survey data collection. Using the QSR N6 content analysis software, we analyzed a total of 225 text segments from the annual report and 4412 segments (sentences) of CEO speeches. Value patterns were consistent across the unobtrusive sources as evidenced by high correlations between those sources.

Values. We created a list of 146 search terms (see Table 3 for examples) based on existing value typologies (Hofstede's, 2001; House and Javidan, 2002) and added the value of tolerance for diversity. Although we could not use existing lists or dictionaries, we used sources that have been extensively used in the value research (e.g., see Gibson & Zellmer-Bruhn, 2001 for a similar procedure). Out of 146 search terms, the first and second authors agreed on 143 terms, which were then used in our analyses.

RESULTS AND DISCUSSION

Validation Procedures. We used both exploratory and confirmatory factor analyses and found support for a four-factor model of managerial roles: people-focused leadership, task-focused leadership, strategic planning, and innovation/change. This model was further validated across clusters using the chi-square group difference test. Finally, we tested the level of agreement within cultures and sources regarding each managerial role using r_{wg} . Except for customers' ratings, all off the r_{wg} values met the required .70 level.

Hypotheses Testing. Hypotheses 1 and 2 were supported. As expected, we found significant differences among clusters only with regard to the two local linking roles: task-focus $\{F(5,359) = 2.82, P < .05\}$, and people-focus $\{F(5,359) = 9.67, P < .001\}$. In order to examine hypothesis 2 we used a 6 X 4 MANOVA, including the 6 country clusters and the 4 sources of stakeholders – peers, superiors, subordinates, and customers. The MANOVA results indicated significant differences among stakeholders only with regard to local linking roles: task-focus $\{F(3,4137) = 10.80, P < .001\}$, and for people-focus $\{F(3,4137) = 14.96, P < .001\}$. As expected, stakeholders' evaluations were not significantly different with regard to global linking roles.

In order to test hypotheses 3, we examined whether CEO communication reflected the values of the global culture. MNC global values as manifested in the Annual reports and the CEO communication are summarized in Table 1 and Figure 1. Table 1 includes examples of the CEO statements that refer to the global corporate values of the MNC. In Figure 1 we depicted the frequency of occurrence of each value by counting the number of search terms used by the CEO. The CEO highlights values such as equality, openness to change, and individualism as one would expect from a CEO of a US-based organization (Hofstede, 2001). However, it is apparent that the CEO highly emphasized other values such as interdependence, collaboration, cooperation and contribution as values that shape the identity of the organization. Along with the emphasis on interdependence the CEO highlights the importance of individual input as manifested in creativity, self-expression, and merit-based rewards. Tolerance for diversity is one of the key values adopted by the CEO. The CEO recognizes the strategic value of diversity as a source for inventiveness, a method to harness participation, and as a mechanism for integration. Figure 1 also depicts the low level of uncertainty avoidance, and of power distance, and a high level of performance orientation in the CEO's communication as compared with other values expressed by the CEO.

Insert Table 1 and Figure 1 About Here

The above is the first empirical investigation of the construct of global culture. The challenge for MNC is to create a global culture, and managerial role perceptions without offending local cultural values. Our findings suggest that MNC global values and role perceptions balance local and global influences by endorsing the value of tolerance for diversity, which facilitates cultural heterogeneity in local linking roles, while in parallel endorsing the value of high interdependence, which facilitates the homogeneity in global linking roles. The values of low power distance, individualism, and low uncertainty avoidance empower managers in the local subsidiaries to think globally when adapting to changes, while acting locally in social exchange situations.

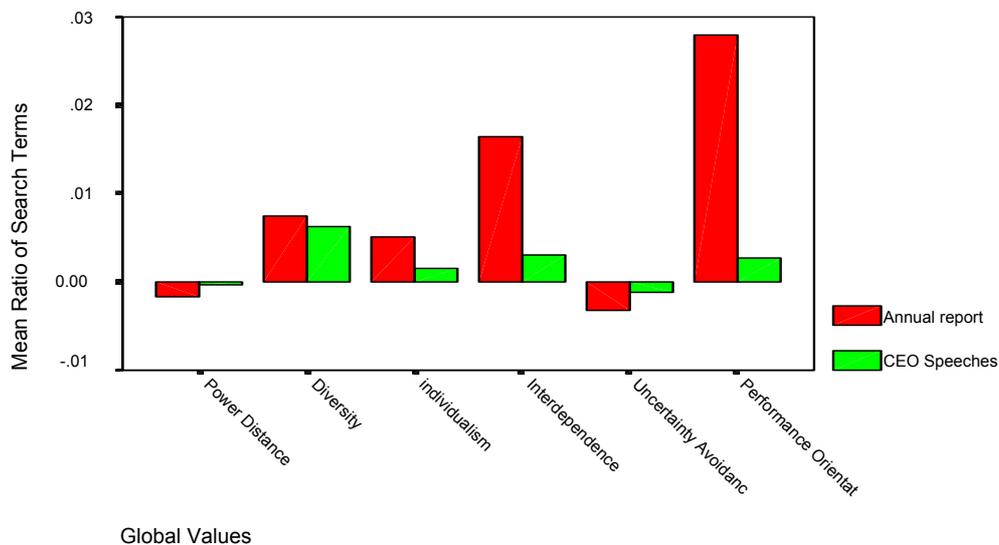
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Table 1: Search Terms And Sample Citations for Global Values

Dimension	Search Terms	Sample	
		Annual Report	Speeches
Power Distance	Prestige (-), hierarchy (-), respect (+)	“Our highly decentralized structure has enabled us to move quickly”	“Leadership in the digital renaissance will not be about hierarchy, title, or status.
Individualism	Self-interest, own, self-reliance	“the success of... the product... is a tribute to every individual who contributed in his or her own way to bring it to market.	The Digital Renaissance is about empowering all individuals by unlocking their richest core asset: a great idea, a great invention.
Interdependence	Together, collaboration, sharing	All meaningful advancements are not achieved through the bold acts of a few, but the everyday acts of many.	We have a vision of... empowering all people to participate
Uncertainty Avoidance	Control (+), change (-)	...as we enter increasingly uncertain economic times, our portfolio breadth and depth, will serve as important assets.	“The very structure of all our companies is going to change. What exact form they will take is yet to be determined”
Performance Orientation	Performance, results	“...how quickly we turn inventive ideas into world-class technology solutions”	“...working at world-class efficiency to deliver quickly and cost-effectively.
Diversity	Diversity, community	“Every community in which we live and work should benefit by our presence”.	“Diversity nourishes the soul of our company

Figure 1: Word Count* of Global Values Based on CEO Speeches and Annual Report



* Negative values represent use of the word opposite to the sense of the value (the word “control” in the following cite “leadership is not about controlling”).