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MULTINATIONAL TEAMS IN THE CONTEXT OF ORGANIZATIONAL CULTURE:

A MULTI-COMPANY CASE STUDY

by

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INTRODUCTION

Decades of research on the effects of diversity within multinational teams (MNTs) indicate that diversity can have both, positive and negative effects (Kochen et al., 2003). While some studies found that cultural diversity effects are positively linked to performance in MNTs (Ely & Thomas, 2001), others found that international diversity is detrimental to performance in the long run (Watson et al., 1998). One reason for this discrepancy in results is that so far research has been limited to the analysis of what happens within teams, largely neglecting the context in which teams operate. And if such contextual factors have been considered, they were mostly limited to a team's immediate (micro) surrounding (Zellmer-Bruhn & Gibson, 2006), while, moderating effects on the organizational (macro) level have seldomly been taken into consideration (Jackson et al., 2003). We suggest that one essential way of linking MNTs to their organizational context is through organizational culture. It is the organizational culture which delivers to team members from diverse cultures and nationalities a binding set of values and norms. To the best of our knowledge, not a single study has explicitly investigated the relationship between MNTs and the organizational culture in which these teams operate. The aim of this study is to explore this relationship by conducting a multiple-case study analysis. Our findings are based on 91 interviews across six different multinational corporations (MNCs).

THEORY

The concept of organizational culture has received much attention in the academic literature since the early 1980s (e.g., Deal & Kennedy, 1982; Schein, 1985). Researchers have argued that organizational cultures shape diversity dynamics. They found that the consequences of diversity depend on the degree of informal integration in the organization (Cox & Tung, 1997) and argued that diversity is more likely to lead to positive outcomes when the organizational culture emphasizes "integration-and-learning" (Ely & Thomas, 2001). In the last decade, the workforce of many companies has become more culturally diverse. Despite this changing context and the growing necessity to move to more culturally diverse workforces, not all companies are able to adopt an organizational culture that supports diversity in MNTs. Yet, if the larger organizational

cultures are not supportive, MNTs are unlikely to create the necessary team cultures within which to achieve the organizational goals (Butler & Earley, 2001).

Consequently, a natural extension of the work on organizational culture is to understand its impact on the functioning of MNTs. The focus of MNT research has been so far predominantly on MNT processes and outcomes (Hajro, 2009), largely neglecting the relationship between MNTs and the organizational culture (Sarin & McDermott, 2003). The organization's culture is a general interpretative frame for members of a MNT to understand their role identities within their team (Butler & Earley, 2001). Without common cognitive views among at least some members of the team, the link between comprehension and action would have to be constantly renegotiated (Langfield-Smith, 1992). Gundry and Rousseau (1994) argue that because organizations seek to manage the impressions they convey, common interpretations are made by individuals and teams, leading to agreement concerning behavioral norms (i.e., a "common" culture). To take proper advantage of MNTs requires a good understanding of the impact of organizational culture on such teams. As a source of variance in conceptualizations of teamwork, organizational culture has the potential to provide insight into the differences in preferred practices (Gibson & Zellmer-Bruhn, 2001).

The challenge for future researchers is to embrace the complexity of current team arrangements by addressing the aspects of macro organizational context that not only support but that also impede MNT functioning (Zellmer-Bruhn and Gibson, 2006; Kochen et al., 2003). By exploring the relationship between MNTs and different types of corporate culture we address the dynamic properties of culture in different organizational settings and investigate the aspects of organizational context that support and impede team functioning.

METHODOLOGY

Our research consists of six in-depth explorative case studies conducted in four regional and two local headquarters (HQs) of two German, one Finnish, one American and two Austrian MNCs in Vienna. In the absence of any theory that specifically addresses the relationship between MNTs and the corporate culture, we decided that for our study a theory building empirical approach would be the most suited. Multiple in-depth case studies provide a strong base for theory building (Yin, 1994), since propositions derived from such cases are more deeply grounded in varied empirical evidence (Eisenhardt & Graebner, 2007). Ninety-one problem-centered interviews were conducted with 42 MNT members and 49 MNT leaders across six organizations. On average, the interviews lasted for one hour. Interview transcriptions resulted in 1130 pages. Four researchers were involved in the data collection and analysis. Reliability was reached by coding first a sample of 18 interviews from three informant companies independently and subsequently re-analyzing the same data together, discussing the results and reaching an inter-coder agreement on the codes and categories derived from the analysis. Interviews were analyzed by qualitative content analysis using Atlas.ti software. The constant comparative method was applied in order to connect internal dynamics of MNTs with contextual aspects. In addition to conducting the

interviews, the researchers spent considerable time in the companies and observed how MNTs operated. The findings from the interviews and the observations were summarized in six reports. These reports were distributed to interview partners and HR managers in each company who were subsequently re-interviewed in order to investigate if our preliminary results and conclusions matched their views on how their organizations are managing MNTs and on how the various MNTs influence and are influenced by the organizational culture.

EMPIRICAL FINDINGS

The analysis of our in-depth interviews resulted in a first step in the development of the following seven organizational culture criteria that we considered of importance for the functioning of MNTs: role of expatriates; role of inpatriates; socialization; organizational values and norms; leadership; knowledge exploration and exploitation; communication, coordination and control. In a second step we analyzed our six case companies for systematic differences across these criteria. As a result we found three clearly distinguishable types of organizations (each represented by two companies) which we will present in the following. For space reasons we structure our description of these company types only along the first four of the seven criteria listed above.

TYPE 1 COMPANIES: PARTNERSHIP ORGANIZATION

Type 1 companies possess an organizational culture that is based on a value exchange between HQ and host-country subsidiaries and in which HQ and subsidiaries are regarded as partners. MNTs have a high degree of authority in determining their work strategies and managing their internal processes. While they are exposed from the start to the core values of the organizational culture and expected to follow them, given their high degree of autonomy, they also have the opportunity to develop important aspects of their own unique team culture. All of these team cultures combined have the potential to influence the organizational culture and ultimately co-create with HQ a corporate culture that is compatible with the basic conceptions of all involved parties. Consequently, individual teams both are influenced by but also exert an influence on the overall organizational culture. This compatibility between organizational culture and MNTs decreases the number of critical incidents in MNTs and creates a positive team climate.

Type 1 companies heavily rely on expatriates who are sent to host country subsidiaries to act as MNT leaders. Their mission is to transfer HQ practices to local subsidiaries but also to gain vital local knowledge and make it available throughout the company network. Of particular interest is also the integration of recent repatriates in MNTs. They are frequently asked to lead or participate in teams whose members come from the region where they used to operate.

To stimulate multiculturalism in the HQ's organization and to identify and diffuse best practices, these companies also transfer international employees from their overseas subsidiaries to their HQ on semi-permanent (one to two years) assignments. During this time inpatriates become

familiar with the values, and norms of the organization, so that they are able, upon return to their home countries, to transfer appropriate aspects of the HQ culture to their local subsidiaries. In addition, they have the mission to introduce their respective host-country corporate practices to the HQ.

In Type 1 companies cultural differences are conscientiously exploited. To become a member of an MNT requires a slow socialization process. During the socialization phase the individual brings new insights and perspectives. The team works to change the new team member but at the same time the new team member also changes the entire team. Critical events in the team's history and early behavior patterns that formed team expectations strongly impact the creation of MNT norms. These team norms are mediated by the corporate culture which leads to team members' adaptation of particular behaviors and social assimilation into the organization.

Employees are clear about the ultimate organizational objectives and, consequently, their behavior is congruent with the strategic goals of the organization. Nevertheless, employees describe their corporate culture as one in which values and norms are not seen as stable or fixed over time and which is, therefore, in a constant change process. MNTs, consisting of home-country, host-country and third-country nationals, play the major role in this ongoing change process. They have the authority to determine their own work strategies. Given such freedom, MNTs have more opportunity to develop their own unique cultures, which have the potential to infuse new values into the HQ culture, ultimately influencing the overall organizational culture.

TYPE 2 COMPANIES: CENTRALIZED ORGANIZATION

Type 2 companies put a strong emphasis on conformity with centrally determined organizational practices. The underlying assumption is that HQ-practices can easily be adopted in host-country subsidiaries. The desired change is usually enforced top down. It is assumed that team values and norms are consistent with the organizational culture which defines appropriate attitudes and behavior for employees throughout the organization. Consequently, a strong organizational culture provides a shared frame of reference for MNT members in different business units of the organization. The organizational culture exerts an influence on how team members interact and communicate with one another, make decisions and solve problems.

Great emphasis is put on the role played by MNC home country expatriates in achieving foreign operation success, at the neglect of host-country nationals. Expatriates are seen as key in transferring knowledge from HQ to subsidiaries. Their task is to implement HQ practices at subsidiary level in order for HQ to maintain centralized control over key operations. The effort to enforce the HQ organizational culture globally usually increases the number of critical incidents in MNTs and decreases host-country nationals' motivational disposition to share knowledge.

These companies have strong HQ-centered organizational cultures that exert a significant influence on their foreign subsidiaries. Organizational members from geographically dispersed

business units who work together in MNTs have to comply with centrally set corporate norms of behavior and are expected to hold the same work values. Team cultures mirror the HQ culture.

There is little decentralized autonomy and much more integration than differentiation. Organizational values, and norms are formulated in the code of conduct that applies throughout the entire organization. This enforced unity of organizational values, norms and objectives causes tensions and frictions in MNTs. Teams don't exert feed-back influences on corporate culture and, consequently, there is less potential for organizational innovation.

TYPE 3 COMPANIES: DECENTRALIZED ORGANIZATION

Type 3 companies have loose and poorly disseminated organizational cultures, allowing their foreign subsidiaries and MNTs a large degree of autonomy in defining their values, and norms of doing business. Subsidiaries and teams are consequently very decentralized and independent and they have the freedom to deviate from the organizational culture creating their own unique sub-cultures. This autonomy permits subsidiaries and teams to fully adapt to the specific local team context and respond quickly to changes in the external environment. The focus on the specific team context also facilitates the interaction within each team and improves cross-cultural communication. Given the lack of a strong organizational culture, employees derive their common identity mainly from their profession and less so from the organization.

While the inpatriate quota in Type 3 companies is very low, the expatriate quota is moderate. In the corporate context in which expatriate leaders operate it is more important to know what results HQ expects to get achieved and less how HQ would go about achieving them. Due to this lack of pressure by HQ to operate according to home country standards, they have more freedom to respond appropriately to cultural differences.

Moreover, MNTs develop their own unique cultures. By creating their own team cultures they form subcultures within the organizational culture. Cultural and professional norms, not organizational ones, have been identified as the most important influences on team processes. Our findings suggest that MNTs operate within an interconnected system of organizational, national and industry specific cultural knowledge.

The content of and consensus about organizational values and norms is very unspecific at Type 3 companies. They don't aim at transferring appropriate dimensions of HQ organizational culture to host-country subsidiaries. Consequently, the organizational culture is composed of multiple cultures that encompass simultaneously integrated, differentiated and fragmented aspects. It is characterized by loose control, as there are fewer rules and formal procedures. As a consequence of their higher level of autonomy, MNTs have more flexibility to respond to the dynamic environmental changes.

DISCUSSION AND CONCLUSION

Based on our 91 semi-structured interviews in the six case companies, we were able to 1. identify seven criteria that are of significance when studying the impact of organizational cultures on the functioning of MNTs and 2. on the basis of these criteria reveal clear differences in organizational cultures among our case companies which lead to significant differences in corporate approaches towards MNTs. Based on this analysis of organizational cultures and their impact on MNTs, we distinguished three different company types: partnership organizations, centralized organizations and decentralized organizations.

Our study shows that organizational culture is a very complex phenomenon. Prior research has mainly examined the relationship between strength of organizational culture and performance and has focused on the consequences of strong cultures showing that firms with strong cultures outperform firms with weak cultures (e.g., Deal & Kennedy, 1982). However, our empirical findings reveal a much more differentiated picture. Strong corporate cultures that are not open for change don't benefit from the cultural knowledge base of their diverse workforces and are ill-suited to exploratory learning. Rigidly defined corporate norms and values often refer to illegitimate practices in MNT members' cultural context and consequently lead to an increased number of critical incidents. With few exceptions the complexity of corporate culture has been underestimated or neglected. Yet if we wish to obtain a more nuanced understanding of the dynamics of organizational culture we must consider the interplay between both, organizational culture and MNTs. Depending on the type of organizational culture, MNTs will serve to reinforce its norms or they will serve as catalysts for organisational change. This has major implications for the management of MNCs. By striving to minimize complexity and implementing a standardized management approach, companies often face a paradoxical situation. A strong corporate culture is often perceived as an imposed culture and encounters resistance and resentment by its culturally diverse workforces, limiting their potential and willingness for exploratory learning.

The findings of our study will need to be followed up and specified through more empirical research. In a second step deductive, quantitative approaches should complement existing theory building efforts.

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