Organizational versus National Culture

By Lothar Katz

A question many people have asked me is how national and organizational cultures relate and which of them is stronger. My answer is? "It depends".

There is no doubt that the two kinds of culture both exert powerful influences on people. It is anything but rare for employees, especially those of foreign companies, to be facing conflicts between them. A company's culture may be informal while a country's culture could be rather formal. A company may be encouraging and rewarding risk-taking in a country where people are generally risk-averse. Or, vice versa. All of these call for some kind of resolution to realign the company's and its individual employees' beliefs and behaviors.

National Cultures

As researchers have found over and over, the influences of national cultures shape strong value systems among their members. The resulting shared values, preferences, and behaviors of population groups differ widely between countries. That is frequently also the case between different subgroups within a country, so keep in mind that the term "national culture" can be misleading. It may only be referring to part of the people in a given country.

Organizational Cultures

The benefit of cultivating a pronounced organizational culture is that it helps establish common values and align behaviors among employees. Many multinational companies use employee handbooks, corporate ethics guidelines, written value definitions, and other tools for their employees world-wide in order to drive this kind of alignment.

One may ask to what extent organizational cultures are based on national cultures. Available research results in this field are insufficient for a conclusive answer. However, a few published results, combined with anecdotal evidence, suggest that while there is a strong correlation, organizational cultures are also shaped by many other influences.

Especially in the United States with its strong preference for individualism, a wide and diverse range of company cultures exists. An organization's culture may reflect the personality and preferences of its founder or founding team, as with Hewlett-Packard and Apple. In other instances, charismatic leaders molded or amplified their enterprise's culture, such as Jack Welsh at GE or Lee Iacocca at Chrysler. Sometimes, organizational cultures have been nurtured over such a long time that they seem to have acquired a life of their own, regardless of the person at the top; IBM comes to mind in this category.

Which is Stronger?

In her book *International Dimensions of Organizational Behavior*, McGill professor Nancy Adler asks whether organizational culture does "erase or at least diminish national culture". Her surprising conclusion is that there actually is more evidence to the contrary. Adler cites researcher André Laurent's finding that cultural differences were "significantly greater among managers working within the same multinational corporation than they were among managers working for companies in their own native country. When working for multinational companies, Germans seemingly became more German, Americans more American, Swedes more Swedish, and so on." The reasons are not well-understood, but it appears that employees may be resisting a company's corporate culture if it is counter to the beliefs of their own national one.

Adler's observations support the conclusion that national culture outweighs organizational culture. However, one factor may offset this: at some multinationals, a combination of targeted hiring processes and employee self-selection increasingly establishes foreign workforces that are more in harmony with the respective corporate culture. Those who fit well stay with the company, those who do not either do not get hired in the first place or leave within a few years. This appears to have intensified over the last decade. Companies strongly nurturing the trend may be able to maintain a fairly homogenous culture across their foreign locations. However, from my experience such companies are giving up several of the benefits of cross-cultural diversity. On top of that, they risk becoming estranged from national cultures with possible consequences to local relationships.

All of this drives important conclusions for multinational companies:

- One cannot safely assume that even a very powerful corporate culture will render national influences insignificant. Employees facing actual conflicts between the two are likely to respond in ways typical of their national culture, not their organizational one. Seeking to employ only those in a country who are "sufficiently compatible" comes with its own set of drawbacks.
- It is in a company's best interest to carefully assess its organizational culture against the local cultures in all countries and regions it is engaged in.
- When recognizing potential conflicts between organizational and foreign national cultures, a company should strive to take preventative action in order to keep local employees motivated and committed. This may require changing or toning down aspects of the organization's culture, even if they work well elsewhere.
- Similarly, the company must develop ways to resolve actual conflicts in ways that keep its foreign employees at ease. Again, this may require some compromising between the cultures.

Lothar Katz is the founder of Leadership Crossroads. He has a wealth of experience in achieving productive cooperation across cultures and driving business success on a global scale.

A seasoned former executive of Texas Instruments, a Fortune 500 company, he regularly interacted with employees, customers, outsourcing partners, and third parties in more than 25 countries around the world. These included many parts of Asia, e.g., China, India, and Japan. Originally from Germany, he has lived and worked both in the United States and in Europe.

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