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A Perspective on the Generalization from Organizational to National Culture: A Cautionary Note on the Biconditional Assumption

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Abstract:

We argue against the generalization from organizational culture research to its national culture. Our starting premise is that organizations are homogeneous structures with set thresholds for membership. Selecting members of an organization is not a random process of sampling that represents the population; membership in an organization is established through selection criteria. Second, managers hire members with similar attributes to their own to ensure loyalty and compliance to the organizational culture. Third, the scientific method requires a single counterexample to break down the validity of generalization from the organizational culture to the national culture; this, in turn, threatens external validity. Fourth, economic development and education management styles migrate toward essential principles and values of the core of management, that is, convergence. We conclude that such generalization is a proposition that should be presented with caution, and conversely, national culture is not solely a measure of the effectiveness of management performance.

Keywords: *Organizational culture, national culture, culture models, economic development, social development, cross-cultural research, institutional theory, critical analysis*

1. Introduction and Purpose of Research

The research expresses a concern about generalizations put forth in research done on cultures within organizations with respect to the national culture within which the organizations operate or reside. By organization, we think of an entity that sets certain entry criteria. We admit that cultural taxonomy is more difficult than, for example, classification of mathematical objects. The choice of descriptive words for the attributes of a culture is a linguistic challenge to the cultural researcher, as well as to users of their research. Because words tend to have several meanings, an overlap between classes exists (Mohr, 1998; Needham, 1967), as can be seen in the different correlations in various cultural models (Javidan, House, Dorfman, Hanges, & de Luque, 2006; Kaasa, 2015; Papamarcos & Watson, 2006; van Everdingen & Waarts, 2003). Culture, then, is extremely complex and variegated, and generalization is thus unreliable.

This paper contributes mainly to hypotheses/propositions and academic practice; we attempt to assimilate existing knowledge from different fields such as economics, management, human resources, and operations management, and review recent history to critique the notion of generalization (Kauppi, 2013). Management is a discipline and a structure that is independent of a locale, yet, associated with that structure are the attitudes, ethical norms, and communication styles of managers (Hall, 1989), who are thought to represent the characteristics of a locale or national culture. The generalization from organizational culture to national culture does not reflect management effectiveness, but rather, such attempts at generalization confound attitudes, ethical norms, and communication with management proper. From a different perspective, generalizations are not robust predictors of management effectiveness since recent research has demonstrated a convergence toward the core of the discipline and structure of management under the constraints of level of education, years of experience in an indigenous culture, and exposure to different cultures (Al-Yahya, Lubatkin, & Vengroff, 2009; Bergiel, Bergiel, & Upson, 2012; Gupta & Wang, 2004, 2011; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Salk & Brannen, 2000; Sarala & Vaara, 2010). The caveat is human nature: When faced with uncertainty, humans tend to generalize; consequently, prejudice and stereotyping ensue (Duckitt, 2001; Lloyd & Trompenaars, 1993). Therefore, predicting management effectiveness based on attributes of national culture is an incomplete proposition.

2. A Counterexample to the Biconditional Assumption—An Organizational Culture can be a Discrepant Sample When Compared to National Culture

Kessapidou & Varsakelis (2002) investigated the possible influence of national culture on the performance of foreign affiliates in Greece. At face value, one would expect that the national culture would influence management styles and performance and thus

supersede or conflict with any form of foreign management, especially if the national cultural distance between Greece and the foreign affiliate is considerable. Greece is characterized as a low individualistic society on the individualism/collectivism dimension of several models. (See, for example, Hofstede, Hofstede, & Minkov, 2010; House et al., 2004; Trompenaars & Hampden-Turner, 2012; Trompenaars & Prud'Homme, 2004; and others.) Conversely, the international affiliates listed in Kessapidou & Varsakelis' (2002) research are characterized by higher value preferences on the individualism attribute. Kessapidou & Varsakelis (2002) modeled 478 foreign affiliates operating in Greece; examples of these affiliates and their cultural distances from Greece that were calculated using Kogut and Singh's (1988) index include: the Netherlands, with 4.03 index points; Germany, 1.81 points; the UK, 4.27 points; Switzerland, 2.26 points; Denmark, 6.21 points; and Sweden, 6.24 points. The authors found that performance of the Greek affiliate was better than comparable indigenous businesses, and that the attributes of the organizational cultures of these Greek affiliates matched the cultural attribute of the foreign firm because:

Greek executives . . . can be more attuned with the Greek culture, [and] they can more effectively cope with the personnel's financial and career uncertainty that arises when business decisions are announced. On the other hand, having their management practices considerably tempered by their experiences abroad, Greek executives have significantly adapted their autocratic and paternalistic national management style, conditioned by their national culture, to the international corporate culture studied abroad also point to the rapid convergence of management practices of the subsidiaries of multinationals operating in Greece toward a "Western-type/professional management." The convergence is accounted for by the quest for modernization, the expansion to neighbouring countries and the re-engineering of education. (Kessapidou & Varsakelis, 2002, p. 274)

Kessapidou and Varsakelis go on to observe that "this result contradicts the usual assumption of the literature which suggests that foreign firms from countries with small cultural distance are better performers than firms from countries with large cultural distance" (2002, p.273).

3. Argument against the Generalization from Organizational to National Culture under Incomplete Information

Culture is a construct, and constructs are abstractions of reality. The frequently used definition of culture according to Hofstede (2010) is, "the collective programming of the mind that distinguishes one group or category of people from another" (p. 6). The complexity of cultures is not reflected in this definition, and if one were to change the word "programming" to "scripting," the definition would suggest complexity, and it would then be conceivable that cultural shifts are more feasible than under programming since a script can be changed to adapt to an environment for survivability. With the notion of scripting, we expect that there is more variability in the modeled attributes than under programming, and this variation is broader within the national culture than it is in organizational cultures. This argument is explicated in the following paragraphs.

We build our argument on the premise that the extent of all cultural dimensions exists in all nations, and that nature plays a moderating role in defining the norms of a society (Earley, 2006). In modern times, and with the spread of technology and commerce, it has become easier than in the past for most cultures to be exposed to external ideas that are new and better than their own (Kessapidou & Varsakelis, 2002; Sarala & Vaara, 2010; Witte, 2012), and hence values and styles of interactions change. In a business context, that might translate to "access to diverse routines and repertoires, such as more aggressive sales approaches, performance based compensation packages, [and] bottom-up decision-making processes, . . ." (Kessapidou & Varsakelis, 2002, p. 273). In recent times, national institutions, with the support of technology, can mediate or even moderate shifts in a society's cultural attributes and values. Thus, technology offers tools for the dynamism of value change in these times of dominance of technology and globalization (Witte, 2012).

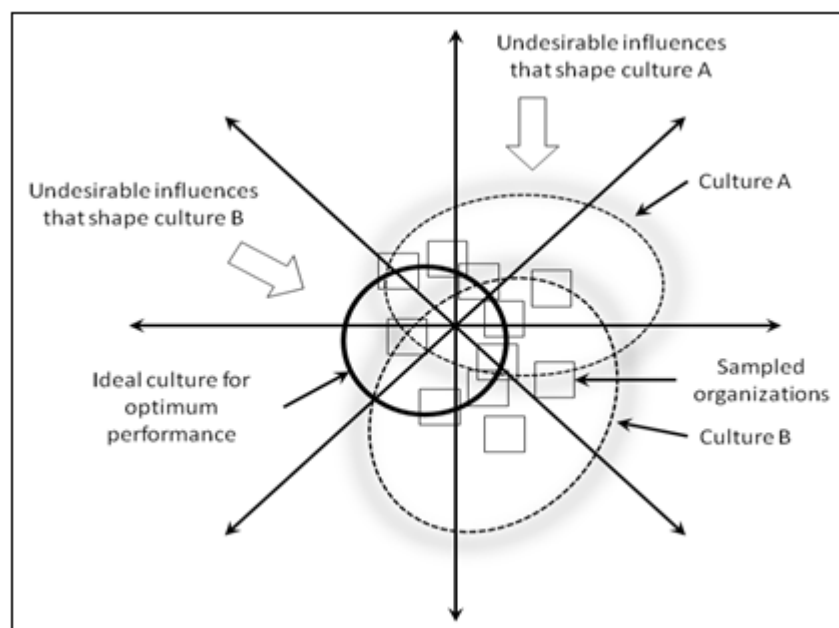


Figure 1

Figure 1. A conceptualization of the influence of dilemmas that led to shaping cultures over the course of hundreds of years. The diagram is rendered in two dimensions, yet is multidimensional with regard to the cultural models (Hofstede et al., 2010; House et al., 2004; Schwartz, 2006; Trompenaars & Hampden-Turner, 2012). A double pointed arrow represents a binary dimension as used in the organizational culture models. The solid circle represents variability in an ideal culture that could lead to business performance. Ellipses represent variability in national cultures, as in Culture A and Culture B, and dashed lines are placed around the ellipses to give form to the representation rather than to boundaries. The squares represent organizations surveyed by researchers in developing organizational culture models.

Figure 1 presents our concept of locating national or regional cultures based on modeled organizational cultural dimensions, derived from cultural organizational research. These dimensions of the diagram are abstractions of cultural models proposed in the literature (Hofstede, 2003; House et al., 2004; Schein, 1984, 1990; Schwartz, 2006, 2012; Trompenaars & Hampden-Turner, 2012; Trompenaars & Prud'Homme, 2004). These models are multidimensional, but, for demonstrational purposes, the diagram projects those dimensions onto a two-dimensional space. For example, Culture A was shaped by, say, an undesirable set of influences over the course of hundreds of years, driving variation within that culture to settle on a range of dimensions, as indicated by the ellipse designated by Culture A in the diagram. The location of Culture A spreads over different dimensions, establishing the social customs. The spread of culture over dimensions points to the correlation empirically observed between dimensions. There are no boundaries that limit the extent of variability of the culture on any of the dimensions, and the dashed lines are placed to give form to the representation rather than denote a boundary. The same approach applies to Culture B, which may have different responses to natural dilemmas with which culture had to cope. We included in the diagram a perfect circle that covers several dimensions and represents the ideal cultural attributes of a high-performance business culture; this circle represents a hypothetical organizational reference to culture. Our argument, as represented in the diagram, is centered on the inclusivity of favorable attributes from all national cultures, which result from the variability of attributes over cultural dimensions rather than the exclusivity of these attributes. Another conceptual model of the binary nature of cultures rather than the continuous one presented herein is that given by Hampden-Turner and Trompenaars (2006), namely, that “. . . the opposite value [of a cultural dimension] is always there buried beneath the surface value yet all the stronger for being hidden” (p. 62).

4. External Validity and External Reliability of the Research are Threatened by the Generalization from Homogeneous Bodies as Organizations to the Nation Level

External validity answers the question, Would the findings from organizations' cultures be generalized to the nations in which those organizations are embedded? (Krathwohl, 1985). Designing research for qualitative external validity (Lucas, 2003; Lynch, 1999; Winer, 1999) and proving the significance of external validity of models in the social sciences (Bernstein, Bohrnstedt, & Borgatta, 1975; Konečni & Ebbesen, 1979; Vissers, Heyne, Peters, & Guerts, 2001), education (Onwuegbuzie & Johnson, 2006), and economics (Armantier & Boly, 2012) are difficult tasks, and often, generalizations are confounded with many other factors (Bernstein et al., 1975).

We suggest that the correlations observed between the organizational cultural dimensions in different nations provide support for internal rather than external validity. We propose two reasons for this situation: The first is due to institutional isomorphism (explained in the section “Institutions' Effectiveness and Inter institutional Coordination”), and the second is the relative homogeneity between and within members of different organizations in a particular nation. The internal validity of the organizational cultural models, their component constructs, and the instruments used have already proven to be valid and reliable. The researchers of these models used samples that represent a variety of industries and firm sizes; thus, there is no doubt that the models present information about true organizational cultures at a point in time. We are not concerned about internal validity (i.e., whether the researchers' work actually measures what it intends to measure), selection validity (the defined sample), or construct validity (i.e., whether the operational measures used to determine the constructs actually calculate what those researchers set out to identify) of the instruments that were used. This is due to our confidence in the abilities and experiences of those researchers to draw conclusions about experimental variables or factors. In addition, the correlated output of the different cultural models points to some latent factors (implicit variables behind each of the explicit constructs) that are hitherto to be named, if they have a name, or as vocabulary permits. In this context of organizational culture research, the output of these models can be used for comparison between similar or other organizations across the world, and could be used as an assessment tool or diagnostics for performance. With cooperation and collaboration between some companies in the same sector, or similar public sectors, benchmarking and training schemes become viable considerations.

What is of concern is that a sample that one may use to generalize cultural attributes from the organizational level to the national level is of the non probability variety (partly for convenience—as in the GLOBE study by House et al. [2004], purposive or judgmental, or snowball sampling)—that is, selection by expedience (Bernstein et al., 1975). An organization, such as a business, a public service, or a school, comprises a homogeneous group of individuals due to its membership criteria. The sampled organizations are represented by squares in Figure 1. These organizations are located in or in proximity to the ideal business culture (represented by a circle) because their members have developed or have adopted the skills to emulate those desired cultural skills for their life objectives.

What concerns the generalization from the organizational culture to the national culture is external validity. Extrapolating information from samples that embody homogeneous groups of people (those members of the organization) to the national culture level is a threat to external validity—that is, the results, which may then not be valid. Furthermore, organizational cultures are known to change at a faster rate than that of nations, so an added concern centers on external reliability (the dependability of the generalization overtime); that is, external reliability of today's generalization would not be consistent with findings if the research was repeated by the same

researchers, say, five years hence, or replicated by another group of researchers (Blumberg, Cooper, & Schindler, 2014; Creswell, 2013; Saunders, Lewis, & Thornhill, 2015; Zikmund, Babin, Carr, & Griffin, 2013).

A few issues need to be pointed out in determining a meaningful generalization:

- The effectiveness and efficiency of nonbusiness institutions: This item is mapped to the infrastructure pillar of The World Economic Forum's Global Competitiveness Index, or GCI (Schwab, 2017). The approaches to establishing effective policies are defined by government–business relations and institutional leadership, and not by cultural attributes—although cultural attributes might facilitate the implementation of these policies. We do not equate government–business cooperation with bureaucratic control of business or investments (Williams, 1992).

- The general applicability of employment laws on foreign, versus national or domestic, businesses: It is not uncommon for governments to pass employment laws that are attractive to foreign businesses; these laws may be different from employment laws pertaining to indigenous national businesses. For example, in some countries the notion of layoffs is nonexistent for domestic companies but in the case of international businesses such a law may not be applicable. And since foreign affiliates generally recruit higher-caliber talent and connected individuals, the salaries offered are higher than those of competing domestic businesses; consequently, the attitude of managers and employees may be confounded by their concern about criticizing their leadership, as well as their determination to maintain their own positions. This situation may lead to a high-power distance, or equivalently, a distortion of the individualistic scale. The GLOBE's team approach (House et al., 2004) might have addressed this issue by designing their questions with regard to the “‘status quo’ versus ‘what it might be.’” Thus, there might be a statistical bias, small or large, between the responses of a manager in an international business affiliate and his counterpart in a domestic firm, or in the public sector. Further, there might still be an added bias between the manager in the international firm and a similarly educated and talented person who did not have the opportunity to access similar networks of friends or relatives, such as, for example, a manager who worked in the international affiliate.

- The mechanisms for hiring in businesses targeted for the surveys, in addition to the role of human networks conducive to securing a particular position, are not accounted for in the surveys. The research surveyed people who have some commonality, and then generalized their findings to the national level. The literature does not show how those participants in the surveys were recruited into their organizations. Selectivity in hiring and firing allows for specific attributes to dominate in an organization. Admission into an organization, or hiring, is not a random process (Mohamed & Terpstra, 1999); managers hire people who fit their own image, in order to have the utmost confidence that tasks will be done to workers' and their superiors' style and expectations, and managers do what is ultimately beneficial to themselves (Fang, 2001). These considerations cause a departure from randomness and lead to a clustering of cultural characteristics within an organization. We borrow an example from Hampden-Turner and Trompenaars (2006) and Fukuyama (2001) to make our point: Unselfish conduct within a collectivist organizational culture is reciprocated, and the individual is rewarded. The same unselfish conduct in the individualistic culture will lead to exploitation; and, in an organization in which an unselfish person's survivability is diminished, that person will be removed from the “sample” by attrition. The distribution of the dimension of individualism versus collectivism will then be skewed in the least desirable direction. That argument can be extended to the other dimensions of various cultural models. It should be noted that under this argument all constructs of cultural models exist in the national culture, but with different frequencies than within the organization.

5. Institutions' Effectiveness and Inter Institutional Coordination Rather than Cultural Dimensions are Predictors of Business Performance and Economic Development of a Nation

Institutional effectiveness and coordination conjoin with cross-border cooperation, as better predictors of national performance and development than national culture. Perhaps a well-known example is Japan's Ministry of International Trade and Industry (MITI, which, as of January 6, 2001, became “METI”—Ministry of Economy, Trade and Industry). After World War II, MITI was instrumental in supporting and coordinating research and development, and manufacturing. Also, MITI was an economic planning agency with power over credit allocation (Fukuyama, 2001). The other two important institutions operating during the postwar reconstruction of Japan were the Economic Stabilization Board and the Reconstruction Bank: All three of these institutions were important parts of the institutional framework around which an export-led economic recovery was built (Ananthram, Grainger, Miyamoto, & Yasumuro, 2010).

Japan could not have afforded a *laissez-faire* economy after the war because all her resources had dried up and her wealth had disappeared. This led to Japan's drive for adopting quality systems in their manufacturing—to preserve resources. The United States was the primary constituent for many of Japan's products, which helped Japan economically (Ozawa, 2007; Ravina, 2005, 2017). If the United States had not opened its markets to Japanese products after World War II, economic development would have been significantly curtailed. Japanese culture was instrumental in capitalizing on this particular opportunity. The lesson here is that the role of rational institutions, cross-border cooperation, and capitalization of an opportunity are essential factors for success—not solely culture. Rational institutions refer to institutions whose leadership and decision-makers are cognizant of conflicts, opportunities for cooperation, and possibilities for forward-looking strategies.

Economic history repeated itself with Taiwan and South Korea taking center stage during the 1960s and 1970s. Japan and the U.S. became the first markets for Korean and Taiwanese products (Kauppi, 2013). Again, we see here that cross-border cooperation, rather than purely intrinsic cultural attributes, led to economic development and growth motivated by multilateral benefits, ones that allowed Korea and Taiwan to catch up with the world's economic leaders. If it had not been for those markets, and the ensuing technological cooperation, the economic development rate of Taiwan and Korea may have been slower than observed. One would also be remiss in

not taking into account the collectivism and masculine cultural attributes in Japan, Korea, and Taiwan—all of which capitalized on available opportunities.

One can surmise that the ideal national cultural attributes for a high-performance organizational culture in modern times has been shaped by a combination of rational institutions, interaction of a favorable policy environment, and a dynamic cycle between the entrepreneurial efforts of firms, as well as wealth resulting from economic development (Nelson, 2004,2008; Nelson & Pack, 1999) vis-à-vis natural influences. We included economic development for its correlation with awareness of environmental performance across several cultures (Akbar & Vujić, 2014; Hadwick, 2011; Peng & Lin, 2009).

There are three other factors that have sustained the growth of the “Asian Miracle” (Nelson 2004; Nelson & Pack, 1999) and shifted organizational management culture toward higher performance levels. The first is the redistribution of wealth. In Korea and Taiwan, real wages increased by more than 5% per annum in the period of the 1960s and 1970s (Nelson & Pack, 1999). Second, the institutional focus on education to support the new economic sectors in Taiwan led to a narrowing of skill differentials (Nelson & Pack, 1999). Third, favorable policies that strengthened entrepreneurship in responding to profit opportunities drove the cycle of growth by expanding the modern sector, resulting in a phenomenal rate of economic growth. These policies were inclusive of small and medium enterprises (Nelson, 2008; Nelson & Pack, 1999). With these various economic developments presented above, there must have been a shift in the perspectives and attitudes of managers compared to what a researcher might have found in the 1960s or 1970s. With higher standards of living, better education, and social and political awareness come transparency and democracy—all which alters people’s cultural values (Wu, 2006). It has been shown historically that institutions have influenced cultural shifts, as was the case in Britain and the Netherlands (Fukuyama, 2002).

Organizational and institutional philosophies are not congruent: Organizational philosophy focuses on structure and practice, while institutional philosophy centers on socioeconomic concerns (Kauppi, 2013; Rogers, Purdy, Safayeni, & Duimering, 2007). Therefore, the attitudes of respondents to organizational cultural surveys will concern themselves with what is organizationally rational to effectively achieve their organization’s goals (Detert, Schroeder, & Mauriel, 2000) rather than on society as a whole. It is pragmatic for organizations to act in ways that appeal to local culture to gain legitimacy for doing business in that domain. Legitimacy is defined as “the degree of compatibility between an organization’s means and ends and the social values and norms” (Mohamed & Terpstra, 1999, p. 60). Another reason for refuting the generalization is the hypothesis of institutional isomorphism which predicts that “firms operating in similar fields are likely to adopt similar, or homogeneous, organizational forms and practices since they experience similar social pressures and stakeholder expectations” (DiMaggio & Powell, 1983, as cited in Rogers et al., 2007 p. 556). Institutional theory argues that “organizations adopt the HR practices that fit their external environment’s values and institutions” (Mohamed & Terpstra, 1999, p.57). Thus, organizations do not affect shifts in national cultures to gain legitimacy, but rather to seek an understanding of the national culture. The onus for a desired shift in national culture—for example, modernity—falls on the shoulders of rational institutions. Thus, the dynamics of creating value in an organization shape the outlook of respondents as recorded on a survey—an outlook that is different from that of a person who is not affiliated with any structure (Trompenaars & Woolliams, 2003). This is referred to as situational effects (Bernstein et al., 1975).

The role of institutions is paramount to predicting economic development and cultural shifts—more so than cultural attributes or cultural distances on their own. Economic development provides a fertile learning ground for developing effective and efficient management that moves in a positive direction.

6. Conclusions

The scientific method requires evidential proof of the biconditional logical statement, “If A implies B (the sufficiency condition), then B implies A (the necessity condition).” In the section entitled “A Counterexample to the Biconditional Assumption,” we presented an empirical counterexample to the inference that Greek culture implies a particular management culture, and consequently one cannot infer that organizational culture reflects national culture. Thus, the biconditional assumption is not satisfied, and generalization is not warranted or justified. Understanding organizational culture is relevant for understanding and comparing management effectiveness, as well as for relating to the national culture and gaining legitimacy within that culture. Hofstede, House, Trompenaars, Schwartz, and others pioneered the usage of terms and phrases intended for organizations, yet these same terms are used in explicating managerial activities and performances in the context of national cultures. The different shades of meaning and perhaps absence from the language of specific words that describe attributes of cultures render the exact meaning of the terms fluid. We also argued that organizations have a homogeneous membership, which is a reflection of HR policies and managerial preferences and therefore does not constitute a random sampling of the populace. By such generalizations, one would then assume—rather incorrectly, given the counterexample in section “A Counterexample to the Biconditional Assumption”—that national culture is predictive of organizational culture. The causal inference between the two has not been supported or made evident by empirical work.

We have presented historical economic accounts of the important role institutions can take. We argued that institutions can effectively shift cultural values in desirable directions, with the most relevant of those decisions being those related to education. In this age of technological advancements and communication, it is easier for institutions to affect shifts in culture during the course of shorter periods of time than perhaps was the case a few decades ago. With economic development, management matures and transforms along cultural dimensions that best fit the long-term strategies of the organization and rational institutions. Thus, “it is . . . more useful to compare societies in institutional rather than cultural terms” (Fukuyama, 2001, p.12).

Cartwright (2011; Cartwright & Efstathiou, 2011), the philosopher and science historian, pointed out that there is a tradeoff between internal and external validity. The philosopher of science, JulianReiss (2012), asserted that an inference to the best explanation either suffers from counterexamples, such as those provided in section “A Counterexample to the Biconditional Assumption,” or further, are

simply vacuous. Reiss (2012) affirmed Norton’s proposition (2003), that a requirement for a valid inference is a “material account of induction that is a matter of fact that holds only in specific domains” (p. 3). Econometrician Arnold Zellner(2007) stated that “. . . inductive inference . . . enables us to associate probabilities with propositions and to manipulate them in a consistent, logical way to take account of new information” (p. 333). He went on to emphasize that the requirements for “inductive generalizations” are, first, that “all variation is considered random or nonsystematic,” and second, that there exists the “simplicity postulate,”—that is, the simpler the model, the more likely it is to give correct predictions, because the “simpler laws have the greater prior probabilities” (p. 334).

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