Three decades of research on national culture in the workplace: Do the differences still make a difference?

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Abstract:

At one time, national culture was primarily the concern of tourists and diplomats, having little to do with the workplace. In the latter part of the 20th century, there were a series of international policy changes in many Asian and Eastern European countries that enabled a tidal wave of international joint ventures and outsourcing. Quickly, business partners realized that making these relationships successful required attending to national cultural differences. In particular, it did not take a long while to learn that the Japanese way and the American way were radically different. In 1986, for example, a popular film by Ron Howard, "Gung Ho," was based on the theme that you couldn't easily transplant these management styles across borders. Some would now argue that the needs for such cultural lessons are fading away, perhaps permanently. The breakthroughs in communication technology, increased travel, and the Westernization of some business practices around the world have shifted the focus from local differences to more global consistency. With the increase in global production, global employment, and global brands, are we also entering an era of global culture? Is the world now officially "flat?" Or is it just slightly flatter?

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At one time, national culture was primarily the concern of tourists and diplomats, having little to do with the workplace. In the latter part of the 20th century, there were a series of international policy changes in many Asian and Eastern European countries that enabled a tidal wave of international joint ventures and outsourcing. Quickly, business partners realized that making these relationships successful required attending to national cultural differences. In particular, it did not take a long while to learn that the Japanese way and the American way were radically different. In 1986, for example, a popular film by Ron Howard, "Gung Ho," was based on the theme that you couldn't easily transplant these management styles across borders. Some would now argue that the needs for such cultural lessons are fading away, perhaps permanently. The breakthroughs in communication technology, increased travel, and the Westernization of some business practices around the world have shifted the focus from local differences to more global consistency. With the increase in global production, global employment, and global brands, are we also entering an era of global culture? Is the world now officially "flat?" Or is it just slightly flatter?

Consider the following two contrasting globalization experiences. First, there is General Electric Co.'s (GE) expansion into Western Europe during the 1990s. Jack Welch, then chief executive officer (CEO), spearheaded the acquisition of over one hundred companies in such countries as France, Germany, Italy, and Spain. Rather than tailoring business practices to fit the cultures of the countries in which the acquisitions took place, GE implemented a whole host of American-based management practices – such as a standard worldwide accounting system, six sigma, Work-Outs™, and quick market intelligence. Managers were told titles didn't matter anymore, and employees would be valued based on what they knew, not their level in the organization. Such blatant disregard for cultural differences should, theoretically, have resulted in massive outflows of valuable European talent, as managers would likely resist the imposition of "foreign" business practices on their native soil.

So, did GE fail? No. Instead, it was wildly successful. By any measure of financial performance, GE pulled off the integration of these acquired companies with cool self-assurance. In fact, by 1998, Europe accounted for $24.4 billion (US) of GE's revenue. Any doubts about GE's success were summed up in a 2001 article in *Fortune* magazine entitled, "The American Way." In the article, Paola Fresco, at that time Fiat's chairman in Turin and a former vice chairman of GE, stated, "Everyone read Jack Welch's book, whether they were in Italy, India, or the U.S." John Viney, then the European chairman of Heidrick & Struggles, the Manhattan-based executive search firm, added, "The only durable business model that works is American. America is the only country in the world that has a business culture."

In great contrast to the GE story, Wal-Mart Stores has experienced more than its share of international expansion difficulties, most notably in Germany. Despite a more successful acquisition of Great Britain's Asda retail chain in 1999 for $10.8 billion, Wal-Mart's foray into Germany in 1997 and 1998 has met with much less success. In the summer of 2005, Wal-Mart

sold its 85 stores there to rival Metro at a loss of $1 billion, resulting in a substantial drop of profits during the second quarter. It was Wal-Mart's first stumble in a decade at that time. With initial successes in Canada and Mexico, what accounts for Wal-Mart's problems in Germany? Why didn't the American business model replicate in Germany as it did for GE?

Certainly, part of the reason for GE's success was its status in the global marketplace. Jack Welch's strategy was to be the first or second best performer in every industry in which GE competed. French, German, Italian, and Spanish managers likely viewed the chance to learn from GE management practices a sufficient reward for overlooking the imposition of American management business models. Indeed, those who supported the changes were rewarded with important jobs and glamorous training slots. Wal-Mart, which was pursuing a low-cost business strategy, did not benefit from having a similar status advantage.

Another possible reason why GE succeeded where Wal-Mart failed is having clear understanding of how much culture matters, and, perhaps more important, *when* culture matters. One key warning sign for cultural blunders of this type is turnover, especially at higher levels of the organization. Indeed, in contrast to GE, Wal-Mart filled top positions in Germany with expatriates, a move perceived as arrogant by German executives. As a result, talented German managers left Wal-Mart in a mass exodus, depriving the company of valuable local expertise. It also didn't help that Wal-Mart insisted that every remaining German store manager be shadowed by U.S. counterparts, sending costs through the roof. In 2006, Wal-Mart also sold all of its stores in South Korea and has had difficulties in Japan and even Great Britain because of similar problems.

Armed with stories like these, many business schools offer cross-cultural training, intended to recognize the enduring importance of cultural differences in the workplace. Unfortunately, international management courses often lack the technical rigor of accounting or economics and are often perceived by M.B.A. students and managers as too "touchy-feely" and impractical. Some note that national culture appears to explain everything and nothing – or, if you cannot explain a business challenge, "blame it on culture."

Fortunately, researchers and practitioners have been sharpening our understanding of culture in the workplace for decades now. By exploring, experimenting, trying and sometimes failing, they have been able to collect a substantial body of evidence about *how* and *when* culture affects employee attitudes and behaviors, providing in turn a foundation for developing culture-sensitive management systems that can actually improve organizational performance. A framework offered by Geert Hofstede, a Dutch researcher, has been particularly instrumental in this quest. Hofstede demystified national culture by breaking it into several separate dimensions. He thus provided a system for analysis and comparison of cultural differences and turned culture from a "touchy-feely" concept into a concrete phenomenon that can be included in strategic and tactical business planning.

Highly popular, tested and applied in various contexts around the world, Hofstede's framework of culture has helped generate an immense body of evidence that has been successfully utilized in business. Our purpose here is to provide a review of the most notable findings on the effects of national culture in the workplace emanating from the use of Hofstede's framework over the last 30 years. In doing so, we discuss how these findings can be used to optimize organizational performance and improve the bottom line. In other words, we hope to highlight how GE may have been able to avoid some of the cross-cultural pitfalls that have plagued Wal-Mart's international expansion efforts.

What is national culture? A brief overview of Hofstede's cultural value framework

National culture is a complex, multi-layered phenomenon. When one arrives in a new country, one observes how people dress, hears local language, sees different architecture, and tries novel cuisine. While such outward artifacts and symbols give some idea about local culture, there is certainly more to culture than what meets the senses. There have been many metaphors used to describe culture, such as an onion (with many layers that one must "peel back") or an iceberg (only a small part of culture is readily visible above the surface). We believe, rather, that culture is ultimately like a carrot: from its stalk alone you can identify it is a plant, but to truly understand what a carrot is, you must dig it out. Culture is more than clothing, cuisine and rituals. While these visible artifacts, communication and behavior patterns are indeed important, it is the shared implicit *beliefs* and tacit *values* that truly differentiate one cultural group from another. Understanding national cultural beliefs and values then provides a foundation for developing effective business practices in an international context.

A number of models of national cultural values have been offered and used in research on the effects of culture in business. While each paradigm added new knowledge about the role of culture in organizations, the inconsistencies in how culture has been conceptualized and studied limited reliable generalizations of the evidence to the workplace. Fortunately, one model of culture – that offered by GeertHofstede – is enormously popular and used by scholars and practitioners alike. About 40 years ago in over 50 different countries and regions, Hofstede conducted the first large-scale national cultural value comparison study, using the employees from the multinational company IBM Corp. Over time, scholars have incorporated Hofstede's framework in their own research and generated a substantial body of compatible evidence on the effects of national culture in the workplace; their findings are large and consistent enough to make remarkably accurate predictions and useful prescriptions for a wide variety of international business projects.

Hofstede's original model is based on four major cultural dimensions.[1] First, *individualism‐ collectivism* is the degree to which people look after themselves, versus feeling responsible to their community. In other words, individualist cultures (e.g., the U.S., Canada, Australia, Great Britain) assume that any person looks primarily after his/her own interests and the interests of his/her immediate family (husband, wife, and children). In contrast, collectivist cultures (e.g.,

Japan, South Korea, Mexico, Brazil) assume that any person, through birth and possible later events, belongs to one or more tight "in-groups," from which he/she cannot easily detach him/herself. The in-group (whether extended family, clan, or organization) protects the interest of its members, but in turn expects permanent loyalty.

Second, *power distance* is the extent to which persons in a society accept inequality in power and status. In high power distance cultures (e.g., Malaysia, Guatemala, India, Arab countries), subordinates are not expected to express disagreement with their supervisors, and supervisors are not expected to consult with their subordinates in the decision-making process. In low power distance cultures (e.g., Denmark, Israel, New Zealand, Sweden), employees are allowed more flexibility and autonomy and are encouraged to make decisions frequently without supervisory approval.

Third, *uncertainty avoidance* is the extent to which people are uncomfortable with situations that they perceive as unstructured, unclear, ambiguous, or unpredictable. In high uncertainty avoidance cultures (e.g., Greece, Japan, Portugal, Uruguay), people try to avoid uncertain situations by maintaining strict codes of behavior and a believing in absolute truths. For example, the concept of lifelong employment in Japan has been used to minimize the uncertainty and ambiguity that might accompany moving from company to company over one's career. In contrast, in low uncertainty avoidance cultures (e.g., Jamaica, Sweden, Hong Kong, Denmark), there are fewer formal guidelines and rules for how work gets carried out. Uncertainty avoidance should not be confused with risk avoidance, as it does not describe one's willingness to take or avoid risk, but rather is associated with preferences for clear rules and guidance.

Finally, *masculinity-femininity* is the degree to which masculine values such as advancement, assertiveness, earnings, and the acquisition of things are valued, and feminine values such as a friendly atmosphere, position security, physical conditions, and cooperation are devalued. In more masculine cultures (e.g., Japan, Austria, Italy, Mexico), employees will be more motivated to the extent that organizations emphasize performance, success and competition, while in more feminine cultures (e.g., Denmark, Finland, Norway, Sweden), motivation comes from maintaining warm interpersonal relationships, caring for the weak, and promoting societal well-being. There is also a gender role dimension to masculinity-femininity, as one would expect to see women in positions of higher power and authority in more feminine, rather than masculine, cultures.

While much still remains to be explored, the evidence generated using Hofstede's framework provides reliable answers to some of the most important questions about national culture including: How different are national cultures? How much does national culture affect employee attitudes, behaviors, and performance? Is the effect of national cultural values stronger than that of demographics, personality, cognitive abilities and other commonly used predictors of workplace outcomes? When does national culture matter most (i.e., does the predictive power of

culture differ across different contexts)? We review the available findings and discuss how this knowledge can be used next.

How different are national cultures?

Hofstede's data quickly revealed that people had different, and sometimes directly opposing, values and beliefs depending upon their country of origin. Though subsequent culture comparison studies have tried to improve Hofstede's methodology, refining the cultural measures and using different samples, they generally confirmed his main finding – national cultural differences exist and persist.

Cultures tend to form around regions that also share common economic systems, history, or environmental characteristics. For example, Western free-market capitalist societies (e.g., the U.S., Western Europe) tend to have individualist, low power-distance oriented cultures. In contrast, developing nations, in particular those with the Confucian legacy (e.g., China, South Korea), tend to be collectivist and high power distance-oriented. In regions where harsh climates or other factors limit food supply, as in Scandinavian countries, feminine values of equality, harmony, and cooperation prevail. In contrast, societies where competition among people, rather than natural conditions, was the greater challenge, such as Southern Europe, developed masculine values of achievement. Finally, uncertainty avoidance is higher in societies characterized by political and economic volatility and oppression (e.g., Guatemala, Venezuela), while stability and personal safety increases tolerance for uncertainty. In summary, according to all of the available evidence, national and regional cultures are significantly and predictably different from one another. However, this conclusion is based on looking at past data, at times decades old. Does it apply equally to today? Are cultures becoming more or less different from one another? Most important, does business success across national boundaries still rely on attending to cultural concerns?

Are national cultural differences increasing or decreasing?

In his bestselling book *The World is Flat*, Thomas Friedman declared that the modern world has flattened, meaning that differences in values and beliefs are vanishing, and one size will soon fit all. This statement echoes a number of cultural change theories, particularly modernization and convergence, that suggest that the spread of the Western capitalist free-market practices and intensifying globalization will shrink national cultural differences and ultimately result in a universal culture, at least in the business domain. Indeed, the cultural modernization and convergence propositions are supported by some preliminary empirical evidence. For example, based on our own comprehensive examination of hundreds of existing studies conducted over the past 30 years, we found evidence that national cultures are indeed converging around values more typical of Western capitalist societies. Does this mean that managers, particularly Western ones, can stop worrying about cultural differences and simply use Western practices around the world? Not quite.

The world may be flattening, but only like a slowly deflating beach ball. It still holds a lot of air, and is nowhere near becoming pancake-like. While we do see signs of cultural convergence, national cultural differences are still profound and are likely to persist for decades to come. Moreover, looking deeper into our data, we found that while some aspects of culture are indeed becoming more alike, others are actually growing more different. The economic turbulence of 2008‑2010 exposed persistent, and at times widening, gaps in our views on economic and political processes, many stemming from differences in cultural values. Clearly, the declaration that "the only durable business model that works is American" has received strong pushback worldwide as a result of the financial meltdown. National cultures are indeed changing, but often in different directions. Thus, as Wal-Mart found out the hard way, customizing business strategies and employee and customer management systems to match the local culture remains a necessary condition for building a prosperous international company. So, now that we have evidence that national cultural differences persist, the next logical question is: can knowledge about national cultural differences help managers predict important, organizationally relevant outcomes? And, if so, which ones?

What workplace outcomes are best predicted by national cultural values?

National culture is important, but not the only important issue for organizations operating globally. There are many forces that contribute to any organization's success, and since national culture is just one of them, its connection can be just moderate. Also, there is variability in the size and consistency of this connection, so national culture is a reliable predictor of some but not all attitudes and behaviors in the workplace. However, this still leaves several relationships that are persistent and significant across a wide range of conditions, including the following:

Preferences for leadership styles: People in individualist, low power distance cultures consistently display preferences for participative leadership. In contrast, collectivist and high power distance values are associated with a preference for more direct and charismatic leaders.

Group dynamics: Not surprisingly, due to its close ties to beliefs about groups, individualism‑collectivism has a strong effect on group dynamics. First, collectivist values are associated with the need for being with others and the need for social support. Further, collectivists are much more likely to prefer to work in a team and are much more committed to their team than are individualists. On the other hand, individualists are less likely to conform to group pressures. Consequently, collectivists show strong favoritism to the groups to which they belong, while individualists tend not to have such strong group affiliations.

Communication style: Masculine and individualist values have been consistently shown to relate to more direct communication styles, self-promotion, and openness in communication. In contrast, collectivism, femininity, and high power distance orientation tends to relate to indirectness and modesty. Communication in individualist cultures is also low context, meaning that the verbal, rather than the non-verbal (e.g., facial expressions, body language), aspects of

messages are ascribed the most importance. In contrast, communication in collectivist cultures tends to be high context, with non-verbal cues carrying the most meaning. Depending on the context and how it is conveyed, "Perhaps" can become "Definitely Yes" or "Definitely No."

Fairness perceptions and compensation: Individualist cultures display a preference for equity rules in distribution of rewards and punishments; that is, those who contribute more are believed to deserve a greater reward. Collectivist cultures tend to favor equality rules and are much more comfortable with each member of the group receiving equal compensation regardless of individual effort or input. Cultures characterized by high power distance are known for a strong preference for seniority rule that allocates the greatest reward or responsibility to the eldest or otherwise most senior group member. Regarding the perceived fairness of decision-making criteria, individualist cultures, in particular when individualism is coupled with more femininity (as in Northern European countries), show a strong preference for a cooperative style in decision-making, whereas masculine, collectivist and high power distance cultures tend to favor a top-down decision-making process and show a greater respect for authority.

Conflict handling preferences: In the related area of conflict resolution, collectivist cultures show a much stronger concern for interests of the other party and strongly favor involvement of a third party or a mediator. Individualists and people with masculine values tend to be much more vocal when faced with perceived unfairness and often display their disagreement by exiting the group or quitting. In contrast, collectivists and people with feminine values tend to react to perceived unfairness by diminishing their effort or simply ignoring the unfavorable outcome in an effort to restore group harmony and cooperative spirit.

Work design: Individualists and people with low power distance orientation have been consistently shown to favor work design that allows for personal autonomy, flexibility, involvement in the decision-making process, opportunities to make personal contributions beyond job descriptions, and quality of personal and family time. In contrast, people from collectivist, high power distance cultures tend to prefer more structured roles, clearer directions, and often feel uncomfortable with empowerment or the need to show initiative beyond traditional situations. They also show a strong preference for closeness with their immediate supervisors, feedback seeking, and expect and provide more paternalistic, caring, and trusting subordinate-supervisor relationships. While understanding which types of workplace outcomes are likely to be affected by national cultural values, managers would also benefit from understanding when culture is likely to matter most, a discussion to which we turn next.

When does national culture matter most?

Though all these organizationally relevant outcomes are significantly influenced by national culture, there are times when the strength of the connection can be increased or decreased. When national culture can be overlooked, and when it matters most, depends largely on the following four factors:

Level of analysis: Are we trying to predict how culture affects an individual, a team, or an organization? The three aren't equal. Like the weather, culture is harder to predict precisely at the local level and easier at the aggregate. For example, you might not know whether it will rain next month on your doorstep, but you can tell what months are rainy and whether there is more precipitation on the coast or on the plains. Similarly, the predictive power of culture is comparatively stronger for explaining group-level outcomes and weaker for explaining individual-level ones. Consequently, it may be difficult to predict attitudes and behaviors of a specific foreign citizen, but if you are setting up a plant in a foreign nation, attending to the local culture is critical. The prediction accuracy for groups also depends on the degree to which group members are more alike or more different. Some countries are more like mosaics, containing and permitting a wide variety of cultural values. In countries like China or the U.S., there may be substantial variations in culture across geographic regions or ethnic groups. Since there isn't a single dominant cultural profile, it is harder to predict what the culture of any group will be ahead of time.

Outcome type (emotions, attitudes and perceptions, behaviors, and performance): The effect of cultural values depends upon what outcome you are trying to predict. Values are generally considered broad tendencies, like how climate affects weather – they are more strongly related to broader outcomes such as emotions and attitudes, rather than to more specific criteria such as behaviors or job performance. Cultural values are most strongly related to emotions, followed by attitudes and perceptions, then behaviors, and finally by job performance. This is not surprising, given that emotions, attitudes, and perceptions are not as restricted by external factors. These directly reflect fundamental cultural values. Behaviors, on the other hand, are often influenced by social expectations and the task design, reducing behavior's relationship with cultural values. In other words, you can control your actions, and others can limit what you do, but neither of you can easily control anyone's feelings.

As for a person's performance, on average the relationship with cultural values is close to zero. This figure is misleading, however. Culture does influence performance, but whether it improves or diminishes it depends upon the fit between a person's cultural profile and the nature of the job. For some jobs, individualists perform better, while for other jobs it is collectivists, depending on the specific management system and work design. For instance, individualists would likely perform better if a job called for more autonomy, empowerment, personal responsibility, individual initiative and participative leadership (e.g., sales, entrepreneurs, lawyers, doctors, professors), while collectivists would have higher performance in jobs that require group cohesion and jobs with closer supervision, more frequent feedback, and limited opportunity to question supervisors or challenge group norms (e.g., firefighter crews, military teams, supervisor-led work teams). Similarly, people with masculine and low power distance values are likely to do well in jobs that offer employee empowerment and encourage direct communication and healthy competition, such as in jobs designed around self-directed work teams. However, the same employees may show very poor performance under an authoritarian manager with an

indirect contextual communication style and intolerance for conflict and deviance. Also, recall that if cultural values do affect people's emotions, attitudes, perceptions, and behaviors (and the evidence shows that all of these factors do directly affect job performance), national cultural values do ultimately affect job performance, albeit indirectly through these other factors. In summary, Fig. 1 shows that cultural values affect job performance through their initial effects on individual attributes such as emotions, attitudes, and perceptions and then individual behavior, which is, in turn, more strongly related to job performance.
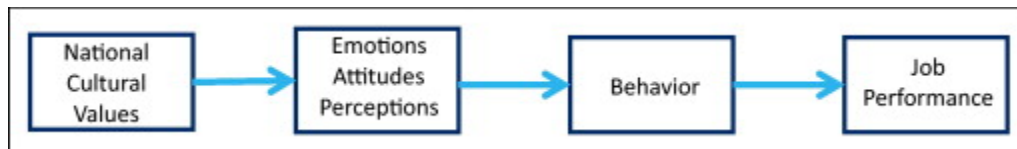

Figure 1. A Process Model of National Cultural Value Effects on Job Performance

Personal characteristics: Cultural values are a better predictor of employee outcomes for older, more educated, male, and working people. As people mature and gain more education, their values crystallize, resulting in a closer alignment between cultural values and behavioral responses. In other words, as we discover who we are, we act accordingly. Furthermore, it appears that men tend to act in accordance with their values, often disregarding the consequences of such acts, such as severing relationships with others. In contrast, women tend to be more concerned about harming interpersonal relationships and may act in a socially desirable manner even if this contradicts their values. In short, men view relationships as more replaceable than women do. Finally, studies that use working employees and managers as their research subjects tend to report stronger correlations than studies that use students. This is particularly important, indicating that culture should matter more to managers than professors.

Environment characteristics: Finally, the predictive power of culture depends on the environment, in particular cultural "tightness-looseness." Cultural tightness-looseness is the strength of social norms and the degree of sanctioning within societies. In tighter societies, societal institutions promote narrower socialization with higher levels of constraint and highly developed systems of monitoring and sanctioning behavior, whereas looser societies promote broader socialization with lower levels of constraint and weaker systems of monitoring and sanctioning behavior. Thus, in culturally tighter societies, individuals are allowed much less flexibility in the expression of their individual attributes compared with culturally looser societies. As a result, the relationship between cultural values and workplace outcomes is stronger in culturally tight societies, such as Japan, South Korea or Pakistan, and is weaker in such culturally loose societies as the U.S. or Brazil. Now that we have discussed when cultural values matter most, another important question is whether cultural values predict employee outcomes better or worse than other more traditional predictors, such as demographics, personality traits, and cognitive ability.

How do national cultural values compare to other predictors of workplace outcomes?

While national culture certainly does not explain everything, many might be surprised to hear that cultural values are actually one of the best predictors of many workplace outcomes. The predictive power of culture is much stronger than that of demographics, including age, work experience, gender, education level or race. While we do not question the importance of education and work experience, employee selection methods that use cultural value assessment will often yield better results than selecting people based on general level of education or work experience. Furthermore, although personality tests have become a standard component of personnel selection systems, tests of cultural values may actually do a better job for some outcomes. For example, cultural values generally are significantly stronger predictors of emotional display and many work-related attitudes and behaviors. Personality, however, will still play a role, particularly conscientiousness; it is a better predictor of diligence and performance. Finally, intelligence tests have been useful tools in selecting employees and students (e.g., the Scholastic Aptitude Test), but they have their limitations; cultural values are much better at predicting emotions and attitudes in the workplace. However, as jobs require more learning and problem solving, intelligence becomes more important for work performance and typically becomes the best predictor of performance in general. On the other hand, cultural values become an indispensible predictor of performance when the specifics of job design and management system are entered in the equation. Additionally, while intelligence may be preferred as a predictor of everyday performance and ability to solve problems, cultural values have a much stronger effect on job and co-worker satisfaction, organizational commitment, interpersonal relationships, ethics, communication and conflict resolution style – things that directly affect the work climate and the probability that your employees will enjoy their work and stick around.

Key lessons learned

Based on what we have discussed so far, it should be clear that culture has a profound impact on preferences for leadership styles and management systems, perception of authority, organizational fairness, interpersonal relationships, communication, and expectations about organizations and co-workers, and many other organizationally relevant outcomes. There are ample implications for job design, human resource policies, marketing, strategy, accounting, and innovation management. Understanding how culture affects workplace outcomes, and what management practices are the best fit for the given culture to achieve maximum performance are key to organizational success. The same practice that may lead to wonderful results in one culture can be a disaster in another, as shown by the Wal-Mart example discussed at the start of this article. A failure to align the organizational structure with the values of employees, customers, and partners may have a devastating effect on performance, sales, and cooperation and could undermine the success of any organization. As summarized in Table 1, implications of cross-cultural management research are most obvious in the following areas:

Table 1. Key Lessons Learned from Three Decades of National Culture Research.

Selection
· Select employees with values that best fit the existing organizational structure or job design
· In addition to other selection tools, use measures of cultural values to predict employee organizational attitudes and behaviors
· If only a limited number of tools can be used, cultural value measures may be more effective than other popular selection instruments, in particular for jobs where emotions and attitudes are critical
Job design and HR strategy
· When expanding into other countries, design jobs and HR strategies to match local culture
· Pay particular attention to organizational hierarchy design, the role of managers and their relationships with employees, the compensation, promotion, and decision making systems
Customer relations, public relations, marketing
· Design products and brands to meet values and tastes of local customers
· When advertising in local markets, highlight features of products and services that resonate with the local values
Employee morale
· Keep in mind cross-cultural differences in perceptions of the role of organization in personal life of employees
· Build your organization to satisfy employees' socialization and belonging needs in collectivist high power distance cultures and economic and self-actualization needs in individualist and low power distance cultures.
Cross-cultural training
· Educate your employees about the effects of culture in the workplace
· Use evidence from research to predict and prevent misunderstandings and conflict due to cultural differences and cope with challenges of working in multi-cultural workplace.

Selection: An assessment of national cultural values would be an effective tool for selecting employees with the set of values that best fit the existing organizational structure or job design. It

is important to remember that culture does not explain everything, and it is clearly not the only factor that affects workplace dynamics. We advise managers to use culture measures only in conjunction with other selection tools, particularly those that assess job-specific skills. However, if resources are limited, culture may be a better choice than other commonly considered selection indicators. In any case, cultural value assessments certainly could make a valuable addition to personnel selection systems. They can be used both to select employees with values that fit the culture of the specific organization and to select expatriates so that their values fit those of the society where they are sent to work. Such tools would be consistent with the research on person-job and person-organization fit, which finds that better fit is associated with a whole host of desirable workplace outcomes such as productivity, job satisfaction, and organizational commitment. Assessing national cultural values provides more information for managers to measure person-job and person-organization fit.

Job design and HR strategy: Knowing the values of a particular employee may help design a job that is the best fit for him/her. This is also true on a larger scale. Jobs at international joint ventures, foreign wholly owned subsidiaries, or franchisees need to be designed to fit the cultural values of the specific location. Particular attention should be paid to the organizational hierarchy design, the role of managers and their relationships with employees, the compensation system, promotion system, and decision-making system. As discussed, this becomes increasingly important in culturally "tight" countries and when the workforce is older and values have been "crystallized."

Customer relations, public relations, and marketing: Culture should be taken into consideration not only with regard to within-organization processes, but also when positioning the organization in the larger environment. The way an organization offers its products and services to the customers, partners, and the larger public needs to be adjusted to meet the expectations and the understanding of the extra-organizational parties. This need is particularly evident with respect to the marketing strategy (e.g., in individualist cultures, uniqueness of the product may need to be advertised, while in collectivist cultures its social aspect may need to be highlighted). Public relations (PR) messages, branding and organizational image in general may also need to be built accordingly. Again, the Wal-Mart example should stress the importance of managing external relations effectively in different countries.

Employee morale: It should be expected that depending on their cultural values, employees might have a different understanding of the role of the organization in their lives. For example, collectivists, with their high need for affiliation and socialization, are likely to see their job/company as a way to fulfill that need. Jobs that allow for frequent socialization with co-workers may work better for them. They may particularly cherish corporate events, celebrations, birthday and New Year parties, and other initiatives of this kind. For example, in traditional Asian and Eastern European companies, birthday parties, weddings and other personal celebrations are an integral part of organizational life, with all co-workers attending the events and the celebrations often held at the company premises.

In contrast, individualists are likely to see their jobs more as the means of making a living, possibly professional growth and self-actualization, but not necessary as a part of their personal life. Attempts to involve individualists too much into the life of their corporate family may be perceived as a waste of time, additional dues and responsibilities, and lead to dissatisfaction and complaints. As a result, it is common in individualist cultures for people working in the same office to not even know much about families and hobbies of their coworkers, and yet remain fully satisfied with their workplace experience.

Cross-cultural training: Finally, the results of the research into the effects of culture in the workplace can be used to improve cross-cultural training for expatriates, immigrants, and members of international workgroups. The available empirical evidence not only highlights the importance of culture in the workplace, but also sheds light on when culture matters most and should be taken into account to optimize performance. For example, courses in leadership or communication should take into account what type of leadership or communication styles would provide the best cultural fit. Learning how cultural differences can lead to discrepancies in perceptions and evaluations of business processes and outcomes can help predict where disagreement is likely, prevent misunderstandings and alleviate conflict, focus on business issues and not personal differences, and ultimately improve performance and provide a more enjoyable working environment.

Limitations of national culture as a predictor of workplace outcomes

While workplace attitudes and behaviors are rooted in national cultural values, simply knowing an employee's nationality is not sufficient to make accurate predictions about his or her functioning in an organization. A number of factors reduce the relationship between nationality and cultural values and consequently between cultural values and performance. The following are the factors to consider.

Within-country variation: Judging one's cultural values based on one's nationality (aka the "passport" approach) has serious problems. Studies have repeatedly shown that there is much within-country variation in culture, particularly in larger countries, such as the U.S. or China. Chinese culture is collectivist, for example, but this doesn't mean everyone from China is also collectivist, just as men tend to be taller than women, but there are many tall women and short men. Using the "passport" approach to predict individual attitudes and behavior easily leads to misleading results. Consequently, national averages, such as those reported by Hofstede, are useful for developing national marketing strategies or policies for subsidiaries in a geographic region, but they can become very limited when you hit strong subcultures within a nation. For example, what might be appropriate in Texas might not transplant to New York. Many times, it would be best to directly assess the cultural values of each individual in the group instead of relying on any sort of national average.

Cultural change: Times change, and so do national cultures. Hofstede's rankings show India to be highly collectivist and the U.S. highly individualist during the 70s. Is this still the case? Probably not. For example, there is ample evidence that as China's or India's wealth increases, so does individualism. Relying on old rankings of national culture is a bit like using your high school graduation picture for identification for the rest of your life. A few lucky people will remain recognizable, but most of us will need a more recent photo.

Acculturation: As international migration rises around the world, challenges emanating from cultural differences are no longer restricted to multinational corporations. Most domestic companies in North America and Europe, and increasingly in Asia and Latin America, employ immigrants and foreign nationals. As their stay in the host nation becomes significant, do these employees retain their original culture values, or do they acculturate over time? Research shows that people do acculturate, but that the process is fairly slow. Even long after immigrants have adopted local clothing styles, developed a taste for local foods, and acquired local accents, they still tend to retain their home cultural values. Thus, even if you never leave your hometown, as long as you hire others who have, culture can be a concern.

Conclusions and managerial applications

The cost of overlooking culture is hard to quantify, but we do know that it can be substantial. Money spent on making sure management practices and jobs match with the local culture is usually money well spent. Our evidence suggests that companies that make even moderate adjustments to selection, training, and work design systems based on national cultural value differences in a normally functioning organization are likely to yield a 10–20 percent improvement in performance. This may translate into several million dollars of additional revenue annually for medium-sized organizations.

More important, if management systems are devised without regard for culture or blindly generalized from one cultural environment to another, the result is often conflict, misunderstanding, dissatisfaction, undermined morale, and high turnover. The productivity losses can easily lead to a complete business failure, as happened to Wal-Mart in Germany.

Was national culture the sole culprit responsible for the differences in success between GE and Wal-Mart when expanding into Europe? Simply, no. GE did have its unique status advantage, allowing it to impose American-based management practices upon European managers without incurring significant turnover. In addition, while Wal-Mart has used its sheer size in the U.S. to get cost accommodations from suppliers, it was not able to quickly create similar economies of scale in Germany, partly due to Germany's restrictive zoning laws, leading to a failure of a key competitive weapon used successfully in the U.S. (and Canada and Mexico). However, Wal-Mart also made a series of cultural mistakes, from having sales clerks smile at customers (which many Germans found harassing or flirtatious) to trying to relocate German executives (who unlike their American counterparts, resigned in order to stay in their communities).

We now have plenty of evidence to suggest that national cultural differences remain, despite the talk of flat worlds and Internet-fueled mega-cultures. Nestlé, for example, is the world's largest food manufacturer and has operations around the globe. To maximize effectiveness, it gives a lot of autonomy to these local branches because "there is no such thing as a global consumer, especially in a sector as psychologically and culturally loaded as food." More important, we have substantial evidence that national cultural values are linked to a whole host of outcomes that organizations should care about. We also know that cultural values can predict employee outcomes with similar or even more strength than more traditional factors such as demographics, personality traits, and cognitive ability. And, finally, we know when culture is likely to have the biggest impact on workplace outcomes. With all of the available evidence in hand, adding cultural value measures to your toolkit is sensible way of enhancing productivity and profitability, along with creating a more cohesive and satisfied workplace. No matter what your own cultural background may be, these are outcomes we all value.

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Executive Summary

Management scholars and practitioners alike have long known that national culture plays an important role in the workplace. Unfortunately, both have often found it difficult to make sense of national culture, due to the overwhelming volume of previous work. We tackle this enormous body of research and offer an integrative review of national culture's role in organizations. We begin with a synopsis of culture's direct effects on organizational outcomes, determining where national culture matters most (e.g., leadership preferences and communication styles). Second, we review when national culture matters, that is, what situations increase or decrease culture's power. Third, we establish that national culture's predictive power can often be stronger than other predictors of organizational outcomes, such as personality or general cognitive ability tests. Finally, we provide some takeaways regarding national culture in the workplace, reviewing applications in areas such as selection, job design, and customer relations. As our review demonstrates, national cultural differences have persisted over time and remain a powerful explanation for a variety of important organizationally relevant outcomes.

[1] The fifth dimension, Confucian Dynamism, was later added to the model. Due to its limited use in culture research, we do not discuss it here.

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