



# The globalization of operations in Eastern and Western countries: Unpacking the relationship between national and organizational culture and its impact on manufacturing performance

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## ABSTRACT

Understanding national and organizational culture becomes increasingly important in the era of transnational manufacturing. As the world becomes flat and boundaries break down, manufacturers need to understand the proper role of culture in order to obtain competitive advantage. Thus, the current study conducts a multilevel investigation of the impact of eight national and organizational culture dimensions (according to GLOBE framework) on manufacturing performance. An ANOVA comparison of 189 manufacturing plants between Eastern (Japan and South Korea) and Western (Germany, United States, Finland, and Sweden) countries indicates that organizational culture inside plants differs in three dimensions (power distance, future orientation, and performance orientation). Hierarchical Linear Modeling analysis further suggests that organizational culture has more of an effect on manufacturing performance than national culture or the fit between them. In addition, Country Developmental Indexes, both Economic and Infrastructural, do not impact manufacturing performance, reinforcing our conclusion about the weak influence of the national level factors on manufacturing performance. In an era of globalization, these results have practical implications for organizations expanding across national boundaries by developing an internal organizational culture consistent with high performance manufacturing.

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## 1. Introduction

In the age of transnational manufacturing (Ferdows, 1997), as organizations expand overseas there is a growing need for multi-country and cross-cultural research in operations management (Prasad and Babbar, 2000). Such research can provide both the theoretical underpinnings and practical implications to manage processes such as offshoring and adoption of best practices (Mettters and Verma, 2008). Research shows that national culture can play a significant role in international operations (Flynn and Saladin, 2006; Nakata and Sivakumar, 1996; Pagell et al., 2005), but research also shows that organizational culture can affect operations (Bates et al., 1995). The question then becomes: what is the interplay between

national and organizational culture in global manufacturing? Addressing this question requires investigating culture at multiple levels—national and organizational. Several scholars call for empirical research that crosses levels of analysis (Hackman, 2003; Rousseau, 1985). For example, Klein et al. (1999) discuss the benefits, barriers, gaps, and new developments of multilevel theories and encourage additional multilevel research, particularly in the area of culture. Developing a better understanding of the interplay between organizational and national culture can assist in the implementation of operations management practices.

Scholars have debated the effect of national culture on management practices. From the management literature, the convergence hypothesis implies that as nations develop, they embrace work-related behavior common to industrialized countries (Ralston et al., 1997, p. 182). Consequently, organizations in different industrialized countries will become more alike and adopt universal practices about work and corporate culture (Shenkar and Ronen, 1987; Child and Keiser, 1979). Thus, organizations can alter the behavior of people and undermine the effect of national culture (Von Glinow et al., 2002). Conversely,

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**Table 1**  
Definition of GLOBE culture dimensions.<sup>a</sup>

Power distance	The degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government.
Institutional collectivism (collectivism 1)	The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.
In-group collectivism (collectivism 2)	The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.
Future orientation	The degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying individual or collective gratification.
Performance orientation	The degree to which an organization or society encourages and rewards group members for performance improvement and excellence.
Gender egalitarianism	The degree to which an organization or society minimizes gender role differences while promoting gender equality.
Assertiveness	The degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships.
Uncertainty avoidance	The extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices.
Humane orientation	The degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others.

<sup>a</sup> Source: House et al., 2004, pp. 11–13.

the divergence hypothesis argues that “national culture, not industrialized practice, drives values, and that, even if the country becomes industrialized, the values systems in the work force remain will largely unchanged” (Ralston et al., 1997, p. 183). Thus, “even if organizations located within different societies do face similar contingencies and adopt similar models, deep-rooted cultural forces will still re-assert themselves in the way people actually behave and relate to each other” (Child and Keiser, 1979, p. 253). Consequently, the divergence viewpoint argues that organizations in different countries will vary.

This study investigates the convergence versus divergence debate (Child and Keiser, 1979; Shenkar and Ronen, 1987) in the manufacturing context. Despite the growing body of cross-cultural studies, the debate on the convergence or divergence of management practices has not subsided (Rungtusanatham et al., 2005). Furthermore, the debate has gained more importance in an era of globalization, when organizations increasingly expand across international boundaries. In order to enlighten the debate through an operations management prism, this study investigates whether organizational culture in plants differs across countries and how it relates to national culture. In addition, the study examines the effect of organizational culture, national culture, and the congruence between them on manufacturing performance.

In an era of a “flattening world” (Friedman, 2006), it is important to understand the interplay of national and organizational culture. On the one hand, as firms share innovative practices through benchmarking, mimicking and mergers, they may become more efficient and more *homogenous* (convergence). On the other hand, the values and norms underlying new practices may conflict with the beliefs embedded in the local culture and thus retard adoption and potential organizational performance (divergence). This is the fundamental issue addressed in this paper: does national or organizational culture dominate, and what is the resulting effect on manufacturing performance?

The following section reviews the literature and related theory to establish a set of research hypotheses. Next, we describe the data, sample, and measures. Analysis of variance and Hierarchical Linear Modeling provide the basis for analyzing the data. We then discuss the results, limitations, and future avenues for research. Finally, we point out the contributions to both the academic and practitioner literature.

## 2. Theoretical background and hypotheses

### 2.1. GLOBE culture framework

Over the last three decades, several scholars have developed frameworks for measuring the dimensions of national culture

(Hofstede, 1980; House et al., 2004; Schwartz, 1994; Smith, 2006). GLOBE (Global Leadership and Organizational Behavior Effectiveness) provides the most updated data gathered in the recent decade on national culture in 61 different countries (House et al., 2004). The GLOBE framework consists of nine cultural dimensions: power distance, institutional collectivism, in-group collectivism, future orientation, performance orientation, gender egalitarianism, assertiveness, uncertainty avoidance, and humane orientation<sup>3</sup>. Table 1 provides definitions of these cultural dimensions. Although GLOBE provides data only at the national level, the conceptual definitions of the GLOBE cultural dimensions also apply to the organizational level, which can measure the organizational culture inside the firm (House et al., 2004, p. 21).

### 2.2. The interplay between organizational and national culture

The interplay between national and organizational culture can potentially lead to tensions that could present a double-edged sword to globalization. While the best practices might be shared globally (homogenized), this might provoke local cultural conflicts. Sharing best practices globally could potentially be problematic if they conflict with national cultural values. As a result, we examine the possible tensions between national and organizational culture through the convergence/divergence hypotheses.

On the one hand, several studies suggest that national culture does not constrain people's behavior (Dastmalchian et al., 2000; Muijen and Koopman, 1994). These studies assume that individuals enter the organization as malleable entities. Management can create, maintain, and change the organization culture. People are independent and their choice of behavior has the potential to erase the effects of national culture (Adler and Jelinek, 1986).

On the other hand, national culture could affect organizational culture since managerial assumptions about employee nature and behavior may be influenced by national culture. A study by Aycan et al. (1999) on cultural fit gives support for this perspective. They find that several dimensions of national culture influence organizational culture. For example, power distance and uncertainty avoidance at the national level create low autonomy in the organizational level. In addition, the national cultural dimensions of paternalism, loyalty toward the community, and self-reliance influence managers' assumptions about employee reactivity and obligations towards others. In a similar vein, Schneider (1988) argues that employees and managers bring their cultural background to the workplace.

<sup>3</sup> The current study discusses eight out of the nine GLOBE culture dimensions. Unfortunately, the important dimension of gender egalitarianism could not be included because lack of data (i.e. the original survey did not inquire the respondent's gender).

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