Chapter 10

Leadership of Culture, Ethics, and Diversity

Chapter 10

Learning Outcomes

- Explain the power of culture in the strategy execution process.
- Describe the characteristics of low- and high-performance cultures.
- Distinguish between symbolic and substantive leadership actions for shaping organizational culture.
- Differentiate between the four cultural value types.
- Describe Hofstede’s value dimensions of national culture.
- Explain the primary reasons for embracing diversity.
- Identify and briefly describe the obstacles that make it hard to achieve diversity objectives.
- Describe the key indicators of a culture that supports diversity.
- Define the key terms listed at the end of the chapter.
Culture

• Is the aggregate of beliefs, norms, attitudes, values, assumptions, and ways of doing things that is shared by members of an organization and taught to new members
• Gives meaning to each individual’s membership in the workplace and, in so doing, defines the organization’s essential purpose
• Is recognized as a source of competitive advantage

Culture (cont.)

• Is the operating system that brings to life the underlying core values of an organization
• Determines the way that an organization responds to problems of survival in its external and internal environments.
• Emerges from the history and experiences of individuals and groups in that particular organization’s context
The Power of Culture

• A deeply rooted culture that is well matched to strategy and external environmental trends is a strong recipe for successful strategy execution
• A weak or “shallow-root” culture can become an obstacle to successful strategy execution
• Culture serves two important functions in organizations:
  – It creates internal unity
  – It helps the organization adapt to the external environment

The Power of Culture (cont.)

• Internal unity
  – Organizational culture defines a normative order that serves as a source of consistent behavior within the organization
    – Provides organizational members with a way of making sense of their daily lives
    – Establishes guidelines and rules for how to behave
    – Provides a system of informal rules and peer pressures
    – Provides a value system in which to operate
    – Promotes strong employee identification with the organization’s vision, mission, goals, and strategy
    – Provides a shared understanding about the identity of an organization
The Power of Culture (cont.)

• External adaptation
  – Culture determines how the organization responds to changes in its external environment
  – The appropriate culture type can ensure that an organization responds quickly to rapidly changing customer needs or the offensive actions of a competitor

Low- and High-Performance Cultures

• The strength of any culture depends on the degree to which a set of norms and values are widely shared and strongly held throughout the organization
  – A weak culture symbolizes a lack of agreement on key values and norms
  – A strong culture symbolizes widespread consensus
Characteristics of Low-Performance Cultures

• Insular thinking
  – There is a tendency to avoid looking outside the organization for superior practices and approaches
  – This often prevents the organization from making the necessary cultural adaptation as external conditions change, thus leading to a decline in company performance

• Resistance to change
  – Avoiding risks and not making mistakes becomes more important to a person’s career advancement than entrepreneurial successes and innovate accomplishments

Characteristics of Low-Performance Cultures (cont.)

• Politicized internal environment
  – An environmental that allows influential managers to operate their units autonomously—like personal kingdoms—is more likely to resist needed change
  – What is best for the organization is secondary to the self-interests of individual players

• Unhealthy promotion practices
  – Low-performance cultures tend to promote managers into higher leadership positions without serious consideration of a match between the job demands and the skills and capabilities of the appointee
  – Promotions are often based on personal considerations (friendship, family ties, favoritism, and so forth) rather than professional considerations
Characteristics of High-Performance Cultures

• Culture reinforcement tools
  – Ceremonies highlight dramatic examples of what the company values, recognize and celebrate high-performing employees, and help create an emotional bond among all employees
  – Leaders tell stories to new employees to illustrate the company’s primary values and provide a shared understanding among workers
  – They also use symbols and specialized language (such as slogans) to convey meaning and values

Characteristics of High-Performance Cultures (cont.)

• Intensely people oriented
  – Organizations with high-performance cultures:
    – Treat employees with dignity and respect
    – Grant employees enough autonomy to excel and contribute
    – Cultivate a relationship with employees based on mutual respect and interdependency
    – Initiate unique one-to-one relationships with top performers
    – Give increased responsibility to the best employees
    – Implement major programs
Characteristics of High-Performance Cultures (cont.)

• Intensely people oriented (cont.)
  – Organizations with high-performance cultures (cont.):
    – Celebrate employee achievements
    – Hold managers at every level responsible for the growth and development of the people who report to them
    – Use the full range of rewards and punishment to enforce high performance standards
    – Encourage employees to use their own initiative and creativity in performing their jobs
    – Set reasonable and clear performance standards for all employees

Characteristics of High-Performance Cultures (cont.)

• Results oriented
  – Quantitative measures of success are used to identify employees who turn in winning performances
  – Emphasis is placed on individual goal setting, whereby employees draft performance goals and have them approved by their managers

• Emphasis on achievement and excellence
  – Achieving excellence requires a corporate culture that holds excellence above all and pursues processes that bring about persistent per-unit cost reductions, zero defects, improved product quality, and extraordinary customer service
The Role of Leadership in Culture Creation and Sustainability

• Making sure an organization’s culture is aligned with its strategies is among the most challenging responsibilities of leadership.

• To build and maintain a strong culture, senior managers must have a clearly defined vision, mission, and culture statements that define the way things are done.

The Role of Leadership in Culture Creation and Sustainability (cont.)

• Changing the culture of an organization to adapt to changes in the environment is a vital leadership responsibility.

• To create strong, high-performing cultures, leaders can initiate many different types of organizational processes.

• These processes represent actions that require significant leadership involvement or “engaging leadership.”
Symbolic Leadership Actions for Shaping Culture

• Leaders serving as role models
  – Employees learn what is valued most in an organization by watching what attitudes and behaviors leaders pay attention to and reward and whether the leaders’ own behaviors match the espoused values

• Celebrating achievements
  – Ceremonies reinforce specific values and create emotional bonds by allowing employees to share in important meetings

Symbolic Leadership Actions for Shaping Culture (cont.)

• Interacting face-to-face with rank-and-file
  – Effective leaders should appear at both ceremonial functions and nonceremonial events
  – They understand the symbolic value of their pressure at group gatherings and use the opportunity to reinforce the key aspects of the culture

• Matching organizational structure to culture
Substantive Leadership Actions for Shaping Culture

- Matching HR practices to culture
  - The strongest sign that management is truly committed to creating a new culture is replacing old-culture members who are unwilling to change with a “new breed” of employees
  - Leaders can also influence culture by establishing new criteria for recruiting, selecting, promoting, and firing employees
- Matching operating policies and practices to culture
  - Policies on budgets, planning reports, and performance reviews can be used to emphasize aspects of the organization’s culture

Substantive Leadership Actions for Shaping Culture (cont.)

- Creating a strategy–culture fit
  - It is the leader’s responsibility to select a strategy that is compatible with the prevailing culture or to change the culture to fit the chosen strategy
  - The lack of a fit will hinder or constrain strategy execution
- Aligning reward/incentive system with culture
  - Tying compensation incentives directly to new measures of strategic performance is a culture-shaping undertaking
    - It gives the leader leverage to reward only those performances that are supportive of the strategy and culture
Substantive Leadership Actions for Shaping Culture (cont.)

- Matching work environment design to culture
- Developing a written values statement
  - Written statements have the advantage of explicitly stating the company’s position on ethical and moral issues
  - They serve as benchmarks for judging both company policies and actions and individual conduct
  - Value statements serve as a building block in the task of culture creation and maintenance

Types of Organizational Cultures

- Degree of Environmental Turbulence
  - External
    - Competitive Culture
    - Bureaucratic Culture
  - Internal
    - Adaptive Culture
    - Cooperative Culture

Cultural Value Types

- Cooperate culture
  - Represents a leadership belief in strong, mutually reinforcing exchanges and linkages between employees and departments
  - Operating policies, procedures, standards, and tasks are all designed to encourage cooperation, teamwork, power sharing, and camaraderie among employees
  - Management thinking is predicated on the belief that organizational success is influenced more by employee relationships inside the organization than by external relationships
  - Employees are trained to think like owners rather than hired hands

Cultural Value Types (cont.)

- Adaptive culture
  - Represents a leadership belief in active monitoring of the external environment for emerging opportunities and threats
  - Made up of policies, procedures, and practices that support employees’ ability to respond quickly to changing environmental conditions
  - Members are encouraged to take risks, experiment, and innovate
  - Management thinking is based on the belief that organizational success is influenced more by events outside the organization than by internal factors
  - Employees are empowered to make decisions and act quickly to take advantage of emerging opportunities or avoid threats
Cultural Value Types (cont.)

• Competitive culture
  – Represents a leadership that encourages and values a highly competitive work environment
  – Organizational policies, procedures, work practices, rules, and tasks are all designed to foster both internal competition and external competition
  – Leaders focus on the achievement of specific targets such as market share, revenue, growth, or profitability
  – Values competitiveness, personal initiative, aggressiveness, achievement, and the willingness to work long and hard for yourself or for the team

• Bureaucratic culture
  – Represents a leadership that values order, stability, status, and efficiency
  – Leaders perceive their environments as basically stable with an internal strategic focus
  – Emphasizes strict adherence to set rules, policies, and procedures
  – Are highly structured and efficiency driven
How to Sustain an Organization’s Culture

• Define a strategic plan for implementing the company culture
• Use well-trained and experienced employees to train new hires
• Make sure that employees at all levels know what the culture is and accept it
• Institute a system by which new employees learn the written and unwritten parameters of the culture

Values-Based Leadership

• Values are generalized beliefs and behaviors that are considered by an individual or group to be important
• A leader’s decisions and actions reflect his or her personal values and beliefs
• Integrity and strong values are vital traits of good leaders
• Values-based leadership is about courage and character
Values-Based Leadership (cont.)

- How leaders’ ethical values influence follower behavior and performance is the subject of values-based leadership
- The leader’s values and behaviors are significantly related to the values and behaviors of subordinates
  - Followers take their cue from the leader

The Leader’s Role in Advocating Ethical Standards

- Some of the tools available for leaders to use in enforcing ethical behavior include:
  - Codes of ethics
  - Ethics committees
  - Training programs
  - Disclosure mechanisms
The Leader’s Role in Advocating Ethical Standards (cont.)

• Code of ethics
  – Written statements have the advantage of explicitly stating the company’s position on ethical or moral issues
  – They serve as benchmarks for judging both company policies and actions and individual conduct
  – Some organizations include ethics as part of their mission
  – Developing a code of ethics program should incorporate some key components:
    – Leaders model expected behaviors
    – Ethics is a core element of the corporate culture
    – Everyone participates in creating the guidelines
    – Ethics is discussed openly
    – Rules are applied consistently

The Leader’s Role in Advocating Ethical Standards (cont.)

• Ethics committees
  – Charged with overseeing ethical issues
  – Ethics ombudsperson
    – Is a single person entrusted with the responsibility of acting as the organization’s conscience

• Training programs
  – Teach employees how to incorporate ethics into daily behavior
  – Help align member behaviors with the organization’s values
The Leader’s Role in Advocating Ethical Standards (cont.)

• Disclosure mechanisms
  – Whistle blowing
    – Is employee disclosure of illegal or unethical practices on the part of the organization
    – Can be risky for those who choose to do it
      – Ostracization by coworkers
      – Demotion
      – Transfer
      – Termination

National Culture Identities—Hofstede’s Value Dimensions

• A nation’s values and norms determine what kinds of attitudes and behaviors are acceptable or appropriate
• The people of a particular culture are socialized into national values as they grow up
• Norms and social guidelines prescribe how members of a nation should behave toward each other
• Significant differences between national cultures exist and make a difference in how leaders and employees behave in organizations
A Framework of Value Dimensions for Understanding Cultural Differences

<table>
<thead>
<tr>
<th>Individualism</th>
<th>High Uncertainty Avoidance</th>
<th>High Power Distance</th>
<th>Long-term Orientation</th>
<th>Masculinity</th>
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</tbody>
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Individualistic to Collectivist Cultures

- Individualism is a psychological state in which people see themselves first as individuals and believe their own interest and values are primary
  - Examples:
    - United States
    - Great Britain
    - Canada

- Collectivism is the state of mind wherein the values and goals of the group—whether extended family, ethnic group, or company—are primary
  - Examples:
    - Greece
    - Japan
    - Mexico
High to Low Uncertainty Avoidance Cultures

• A society with high uncertainty avoidance contains a majority of people who do not tolerate risk, avoid the unknown, and are comfortable when the future is relatively predictable and certain
  – Examples:
    – United States
    – Australia
    – Canada

• A society where the majority of the people have low uncertainty avoidance has people who are comfortable with and accepting the unknown, and tolerate risk and unpredictability
  – Examples:
    – Italy
    – Japan
    – Israel

High to Low Power-Distance Cultures

• In a high power-distance culture, leaders and followers rarely interact as equals
  – Examples:
    – Mexico
    – Spain
    – Japan
    – France

• In a low power-distance culture, leaders and their members interact on several levels as equals
  – Examples:
    – Germany
    – United States
    – Ireland
Long-Term to Short-Term Oriented Cultures

- People from a culture with a long-term orientation have a future-oriented view of life and thus are thrifty and persistent in achieving goals
  - **Examples:**
    - Most Asian countries
- A short-term orientation derives from values that express a concern for maintaining personal happiness and living for the present
  - **Examples:**
    - Most European countries
    - United States

Masculinity–Femininity

- Masculinity describes a culture that emphasizes assertiveness and a competitive drive for money and material objects
  - **Examples:**
    - Japan
    - Italy
- Femininity describes a culture that emphasizes developing and nurturing personal relationships and a high quality of life
  - **Examples:**
    - Sweden
    - Denmark
Implications for Leadership Practice

- The growing diversity of the workforce and the increasing globalization of the marketplace create the need for leaders with multicultural backgrounds and experiences.
- Multicultural leaders possess competencies that enable them to relate effectively to and motivate people across race, gender, age, social strata, and nationality.
- Cross-cultural and international joint venture (IJV) studies often identify cultural differences as the cause of many interpersonal difficulties, including conflict and poor performance.

Changing Demographics and Diversity

- Demographic diversity
  - Is any characteristic that serves as a basis for social categorization and self-identification
  - Includes:
    - Race
    - Gender
    - Age
    - Ethnicity
    - Religion
    - Sexual orientation
- Diversity
  - Is the inclusion of all groups at all levels in an organization
Changing Demographics and Diversity (cont.)

• Generational diversity in the workplace
  – Traditionalists (1900–1945)
  – Baby Boomers (1946–1964)

Current State of Workforce Diversity

• The most significant increase in workforce diversity is due to:
  – National demographic changes
  – Greater minority representation in the workforce
• A greater likelihood exists that individuals will find themselves leading or under the leadership of someone demographically different from them
• In the new work environment, workers must often share work duties and space with coworkers of diverse races, social backgrounds, and cultures
Current State of Workforce Diversity (cont.)

• In the last 25 years, attitudes toward diversity have and continue to change
• Companies that can effectively manage diversity will be able to recruit from a larger pool, train and retrain superior performers, and maximize the benefits of this diverse workforce
• More organizations are highlighting diversity in their advertising, because they are competing for talent in a tight labor market
• They recognize that demographic shifts are going to dramatically change their marketplace over the next 20 years

The Impact of Globalization on Diversity

• Globally interconnected economies mean changes in one economy quickly impact others
• A global labor market is emerging, dominated by India and China
• Collaboration among competitors, suppliers, and financial institutions has become a common way to compete globally
• Global strategic alliances between independent firms are becoming more prevalent for the purpose of:
  – Achieving common goals
  – Overcoming domestic country bias
The Impact of Globalization on Diversity (cont.)

- Understanding cultural differences and learning to deal effectively with partners from different cultures will be critical.
- The increased need for leaders with global mindsets and cross-cultural leadership abilities has led to a shortage of qualified people.
- Organizational leaders need to recognize that:
  - Each person can bring values and strengths to the workplace based on his or her own unique backgrounds.
  - Cultural values and norms can shape employee receptivity to leadership styles.

Reasons for Embracing Diversity

- Can offer a company a marketing advantage.
- Can help a company to develop and retain talented people.
- Can be cost effective.
- May provide a broader and deeper base of creative problem solving and decision making.
The Downside of Diversity

• Despite its benefits, negative outcomes can result if diversity is not effectively managed
• Left unmanaged, workforce diversity is more likely to:
  – Damage morale
  – Increase turnover
  – Cause communication problems
  – Ultimately cause conflict

Obstacles to Achieving Diversity

• Stereotypes and prejudice
  – Prejudice is the tendency to form an adverse opinion without just cause about people who are different from the mainstream in terms of their gender, race, ethnicity, or any other definable characteristic
  – It is an assumption, without evidence, that people who are not part of the mainstream culture (women, African Americans, and other minorities) are:
    – Inherently inferior
    – Less competent at their jobs
    – Less suitable for leadership positions
Obstacles to Achieving Diversity (cont.)

• Ethnocentrism
  – Is the belief that one’s own group or subculture is naturally superior to other groups and cultures
  – Produces a homogeneous culture
• Policies and practices
• The glass ceiling
  – Is an invisible barrier that separates women and minorities from top leadership positions
  – Remains a pervasive problem in corporate America

Obstacles to Achieving Diversity (cont.)

• Unfriendly work environment
  – Sexual harassment, intimidation, bullying, and social rejection are all examples of actions that make the workplace unfriendly
  – Making the workplace friendly for everyone will go a long way toward alleviating the problem of high turnover and preserve diversity initiatives
Creating a Culture That Supports Diversity

• For organizations to embrace and value diversity, the concept itself must be embedded in the organization’s business model
  – A company’s business model defines its vision, mission, strategic objectives, and strategies for achieving those objectives
• When diversity leadership becomes part of the organization’s mission, all employees are given equal opportunities to contribute their talents, skills, and expertise toward achieving organizational objectives

Creating a Culture That Supports Diversity (cont.)

• A successful diversity program requires a team approach
  – A strong commitment to attract, retain, and promote employees of minority backgrounds
  – The creation of a culture that fully supports and rewards diversity initiatives throughout the organization
• Leaders have a responsibility to create a work culture that accommodates the needs of a diverse workforce
Factors Related to Diversity Success

Corporate philosophy

Culture of Diversity

Including diversity as a criterion for measuring success

Pro-diversity HR practices

Organizational communications on diversity

Top management support and commitment


Diversity Awareness Training and Leadership Education

- The ultimate objective of diversity training and education is to create a diversity sensitive orientation (DSO) within the entire workforce
Diversity Awareness Training and Leadership Education (cont.)

• Diversity training
  – Training sessions are aimed at increasing people’s awareness of and empathy for people from different cultures and backgrounds
  – Diversity training can include:
    – Role-playing
    – Self-awareness activities
    – Awareness activities
  – Training programs can last hours or days

• Diversity training (cont.)
  – They can be conducted by outside experts on diversity, or by existing members of the organization with expertise in diversity
  – Not all diversity-training programs are successful. Diversity training is most likely to be successful when it is not a one-time event, but an ongoing or repeated activity along with follow-up activities to see whether training objectives were accomplished
Diversity Awareness Training and Leadership Education (cont.)

• Education
  – Additional education is sometimes needed for leaders beyond diversity training
  – Leaders develop personal characteristics to make them better able to communicate and work with diverse employees
  – Leaders are taught to view diversity in the larger context of the organization’s long-term vision
  – They should be educated on the strategic significance of linking diversity to the organization’s competitiveness

Diversity Awareness Training and Leadership Education (cont.)

• Education (cont.)
  – Through education, leaders learn how to:
    – Communicate effectively
    – Encourage feedback from all employees regardless of background
    – Accept criticism
    – Adjust their behavior when appropriate
    – Mentor and empower employees of diverse cultures