Interpreting the Impact of Culture on Structure: The Role of Change Processes

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Abstract
Research in multinational organizational structures has traditionally used either a rational, conscious perspective in which decision makers, through a single-loop change process, strategically choose to interpret the environmental culture to shape the organization's structure or a nationalistic view, in which through a double-loop change process, organizational members of one culture impose their favored structures on organizational members of a different culture. This article considers a third perspective, one in which organizational culture and structure are socially constructed phenomena. Through a case study of a multinational office staffed by members of two distinct national cultures (Japanese and American), this research demonstrates how cultures and structures can be simultaneously created through single-, double-, and triple-loop change processes. These processes can lead to a third-order level of change. Ideas for “actionizing” this concept are discussed.

Keywords
multinational culture, structure, organizational change process

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Interpreting the Impact of Culture on Structure: The Role of Change Processes

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Keywords: multinational culture; structure; organizational change processes

The study of multinational organizations has become an important research topic, due not only to the increasingly global nature of today’s organizations but also because more traditional multinational research has been conducted through a rational, modernist lens (Boyacigiller, Kleinberg, Phillips, & Sackmann, 1996). Yet multinational organizations are fundamentally different from the hierarchical, bureaucratic structures that underlie more traditional organizational theory and research. Their multidimensionality and heterogeneity require new theoretical models (Birkinshaw, 1994), ones that move beyond a rational decision-making frame.

This article offers the beginnings of a new model. To understand how multinationals can evolve, take shape, and sustain themselves, I examine the impact of culture on organizational structure. Through applying organization learning concepts to a case study of a Japanese-American organization,
and using a framework designed by Gibson (1994), I consider the role of structure through single-, double-, and triple-loop change processes. I show how these processes can lead to first-, second-, and third-order levels of change and offer a dialectic model by which this happens. As a result, I explore the complex issues that surround how organizational culture and structure are conceptualized.

This article has three sections. In the first section, I present framing concepts of organizational culture and structure and demonstrate how different frameworks used to examine culture and structure happen through single-, double-, and triple-loop processes and reflect first-, second-, and third-order levels of change. In the second section, the case study is used to explore these processes and levels of change in greater depth. In the third section, I analyze the case and discuss its implications for research on organizational culture and structuring.

Culture, Structure, and Change Processes

Organizational Culture

To set the context for linking culture and structure, the constructs are first briefly examined. Many seminal definitions of organizational culture (i.e., those of Davis, 1984; Schein, 1985; Smircich, 1983; Trice & Beyer, 1993), which examine underlying values and assumptions that guide and shape individuals’ behaviors, are rooted in theories from cultural anthropologists (i.e., Geertz, 1973; Goodenough, 1971; Spradley, 1980). These researchers argue (in an integrationist manner [Martin, 1992, 2002]) that culture reflects traditions of a societal group. An example is Keeling (1981), who offers that culture refers to an individual’s “theory of what his fellows know, believe and mean, his theory of the code being followed, the game being played, in the society into which he was born” (p. 58). In a similar framework, Geertz (1973) views culture as a symbolic system (i.e., shared codes of meaning) that reflects understandings shared by social actors. These definitions all imply that culture affects ways members think, feel, and act.

With any interpretation of culture, what matters is not the “cultural manifestation” but, alternatively, researchers’ interpretations of this manifestation (Martin, 2002). Interpretations of this relationship will form the guiding basis for both theoretical and empirical studies of culture and its impact. Fundamental differences in approaches to examining culture resulted in the culture wars (Martin, 2002; Martin & Frost, 1996), referring to the various theoretical and methodological approaches researchers use to examine culture’s impact on organizational performance, and the evolving disputes these differences evoke.
Regardless of the approach researchers employ to understand culture, logic would suggest that if culture manifests itself through how people think, feel, and act, then individuals’ thoughts, feelings, and actions will likely be reflected through the structures they design and, as a result, the organizations they create (Swidler, 1986). To frame the analysis next, organizational structure is briefly examined.

Organizational Structure

Similar to the cultural wars, organizational structure and how it creates and sustains itself have been an important, ongoing, and debatable question in organizational research. Ranson, Hinings, and Greenwood (1980) suggest that the notion of structure “is usually understood to imply a configuration of activities that is characteristically enduring and persistent; the dominant feature of organizational structure is its patterned regularity” (p. 1). Yet Barley (1986) suggests that structure can be “simultaneously viewed as a flow of ongoing action and as a set of institutionalized traditions or forms that reflect and constrain that action” (p. 80). Riley (1983) calls structures “the rules and resources people use in interaction.” Much of this research is based on Giddens’s (1979) theory of structuration, which suggests that structure is a socially constructed phenomenon that is both the medium and outcome of interaction.

A social constructionist perspective argues that structure is created by and reflective of members’ behaviors and interpretations (Barley, 1986). Cultural anthropologists would suggest these behaviors and interpretations represent members’ cultural perspectives. The notion that structures are socially constructed is similar to arguments that culture reflects shared interpretation systems. The questions these arguments bring forth are, How does organizational culture create structure? and What role do change processes play in linking culture to structure? Applying organizational change processes to Gibson’s (1994) framework, I examine these questions and consider their implications.

The Role of Culture in Shaping Structure

Gibson (1994) offers a two-dimensional framework for examining the influence of culture on an organization’s structure (see Figure 1). Gibson contends that culture is often viewed as external to an individual or group. Using this perspective, organizational structure is seen as a purposeful activity that results in purposeful design. At the other end of the continuum, culture is viewed as a phenomenon embedded within individuals’ interactions and systems. Theorists who hold this perspective view culture as inseparable from the individual. Here, structure is viewed as the result of a subjective and sometimes unconscious process of social negotiation.
What do these dimensions suggest for ways to examine culture’s influence on structure? Gibson (1994) suggests that viewing culture as external to individuals and structure as purposeful defines more traditional perspectives of organizational design: organizational structure as the rational adoption of cultural rules. An example of this perspective would be resource dependency and structural contingency theories (Salancik & Pfeffer, 1977; Van de Ven & Drazin, 1985), as well as most strategy-based research. Researchers who use this perspective suggest that successful organizations are able to manipulate their structures to obtain a differentiating advantage. Viewing culture as embedded in individuals and groups and structure as purposeful is a phenomenon Gibson terms \textit{organizational structure as manifestation of cultural values}. Hofstede’s (1991, 2001) as well as Ouchi’s (1981) research falls within this perspective. These theorists examine how societies and organizations are controlled and structured by values, norms, and social pressures. Viewing culture as embedded within individuals and enacted through structure reflects the third perspective: organizational structure as reflection of cultural enactment. Under this lens, “structure is viewed as an enacted phenomenon that results from semi-subconscious social processes internal to the cultural system” (Gibson, 1994, p. 7). The third quadrant reflects the social constructionist view of theorists such as Barley (1986), Schein (1985), and Van Mannen and Barley (1984). Culture and structure are viewed as subjective, interpretive phenomena. Under the fourth perspective—organizational structure as product of distal cultural moderators—culture is viewed as external to the individual or group, and structure is viewed as enacted. Gibson contends that this fourth perspective has not been delineated in research and, for the time being, is considered empty.


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\textbf{FIGURE 1: Culture and Structure}  
\textit{SOURCE:} Gibson (1994).
The Role of First-, Second-, and Third-Order Levels of Change

These frameworks are offered as ways to consider culture’s influence on structure. I extend Gibson’s work through suggesting that the first, second, and third quadrants in Figure 1 represent first-, second-, and third-order levels of change. These levels of change are brought about by single-, double-, and triple-loop processes (see Figure 2; Argyris, 1990; Argyris & Schon, 1978, 1996; Bartunek & Moch, 1987; Nielsen, 1993).

The first-order level of change happens through single-loop processes. When individuals engage in single-loop behaviors, they alter their strategies or approaches to solving a problem, without examining or changing their underlying or governing values (Argyris & Schon, 1978). When examined in the context of organizational learning, single-loop behaviors often result in a disconnect between an individual’s espoused and enacted theories. Individuals will engage in the same unproductive behaviors in place of questioning the governing beliefs that drive these behaviors, unaware that these behaviors have unintended negative consequences (Argyris, Putman, & Smith, 1985). Yet when viewed in the context of change processes, single-loop actions can also be productive, whereby individuals change their approaches to achieve their goals. Single-loop behaviors lead to a first-order type of change, in which individuals make small, behavioral adjustments based on a set of beliefs about the way organizations should be structured (Bartunek & Moch, 1987, 1994).
When individuals engage in double-loop processes, they actually engage in a conversation whereby they hold their governing values open for examination (Argyris et al., 1985). If they become willing to alter their values, individuals can create new strategies or ways of thinking, feeling, or acting that actually improve their effectiveness and, in the Argyris and Schon (1978) model, reduce the disconnect between their espoused and enacted theories. A double-loop shift in individuals’ governing values is considered a second-order level of change. With this type of change, individuals alter their guiding frameworks that drive their actions (Bartunek & Moch, 1994).

Action-learning researchers (i.e., Austin, 1997; Foldy & Creed, 1999; Nielson, 1991, 1993) have argued that a limitation of the Argyris and Schon model is that the unit of analysis is the individual within the organization. The organization—and its embedded cultural systems—is not open for question. To address this limitation, researchers identified a triple-loop change process (Nielson, 1991, 1993). This type of process moves beyond an individual level of change. At this level, individuals reconsider the wider social traditions of which they are a part. These traditions or cultures shape individuals’ governing values and behaviors. As Nielson (1993) frames it,

In triple loop action learning, the embedded social tradition system is both criticized and treated as a partner in mutual action-learning. . . . The agent considers changes in actions, governing values and the embedded social tradition system within which governing values are nested. (p. 121)

Altering shared tradition systems—or, in this case, cultural traditions systems—is in line with a third-order change process, whereby organizational members become able to see the benefits and limitations of their shared understandings and become more effective at evaluating and changing them (Bartunek & Moch, 1994).

I suggest that all three types of change processes can simultaneously occur and that, in fact, in a third-order level of change, individuals engage in single-, double-, and triple-loop processes, whereby their individual actions, individual underlying values, and wider tradition systems all shift (Austin, 1997). Using the case, I show how depending on whether one views the change process at a first-, second-, or third-order level, different answers will explain the role culture plays in shaping an organization’s structure. I also suggest that Gibson’s (1994) third quadrant, organizational structure as reflection of cultural enactment, is a third-order level of change that can happen through a dialectic process. In this type of process, individuals’ values and behaviors are both affirmed and negated, and new shared cultural systems and structures are created (see Figure 3). These concepts are demonstrated through a case study of a Japanese-American multinational organization.
Research Method

Data Collection

This research employs case study methodology (Eisenhardt, 1989; Yin, 1981, 1984). Case study research is an iterative process in which the “strategy [is to] focus on understanding the dynamics present within single settings” (Eisenhardt, 1989, p. 534) to build theoretical understandings of a phenomenon. To generate these understandings, the methodology requires a constant comparison between extant literature and empirical data. The empirical data for this case were obtained for 2 years through both structured and unstructured interviews with each of the 16 members of the corporate office. Structured interviews were conducted quarterly. In addition, I recorded hundreds of hours of observation and completely reviewed relevant materials, such as corporate office policy manuals, memos, and meeting minutes.

Data Analysis

Once data were collected, they were coded for key concepts that reflected members’ thoughts and behaviors. Where applicable, I identified the underlying cultural values these thoughts and behaviors reflected and checked my understanding and interpretations back with respondents. In doing so, I identified the role culture (at the national and community levels) played in influencing the organization’s structure. I report on the perspectives of the American and the Japanese employees, specifically findings that reflect at least 75% of members’ perspectives in each of these two groups.

Similar to Gibson (1994), to examine this organization’s structure, I applied Pugh, Hickson, Hinings, and MacDonald’s (1969) more functionalist view of structure. Pugh et al. define structure as reflective of four characteristics: (a) specialization or the degree of differentiation of activities, (b) standardization or the degree by which procedures are specifically defined, (c) formalization or the extent to which procedures are written down, and (d) centralization or the degree to which authority is contained in higher levels of the hierarchy. The way an organization fulfills these four criteria defines its
structure. (As an example, Lincoln, Hanada, and McBride, 1986, contrasted organizational structures in U.S. and Japanese manufacturing plants through determining the degree of vertical differentiation, centralization, formalization, and division of labor that characterized each plant.) At four different points in time, I asked respondents to analyze the structure of the office according to each of these four features. Again, answers that reflect the majority voice are reported.

Thus, through determining members’ cultural values—and the behaviors these values reflect—and applying Pugh et al.’s (1969) structural framework, I considered the question, How does organizational culture create structure? In addition, what role do change processes play in linking culture to structure? After first describing the structure of the corporate office, I analyze the case using each of the three quadrants in Figure 2 to explain why the structure of the corporate office evolved the way it did.

The Case

The setting for this case was the U.S. headquarters (known as the corporate office) for a Japanese organization that was partially owned by the Japanese government. This company owned a major Japanese airline, as well as more than 30 hotels worldwide. The New York corporate office was the liaison between the company’s Tokyo head-quarters and its five U.S.–based hotels. The office was staffed by 4 Japanese (3 of whom were executives) and 12 Americans.

The Structure of the Corporate Office

The major functions of the corporate office were centralized purchasing, marketing, central information systems, corporate human resources, and corporate finance. The office employed one receptionist, three administrative assistants, four managers, three directors, and two vice presidents, all American. One administrative assistant was a Japanese woman who had moved to the United States 7 years previously. In addition, the office staffed two Japanese vice presidents and one Japanese president of this U.S. division. The Japanese expatriates were assigned to the corporate office for a 3-year appointment. When this case study began, one administrative assistant had been with the company for 9 years; she reported she was interacting with her “third round” of Japanese expatriates.

During the interviews, respondents were asked to analyze the structure of the office according to Pugh et al.’s (1969) definitions of specialization, standardization, formalization, and centralization. Members reported that the corporate office was highly specialized; individuals’ responsibilities were extremely differentiated. Duties were determined by the Japanese president and made explicit through
meetings, memos, and detailed organization charts. As new duties arose, the president assigned them to the appropriate people based on their expertise. Individuals reported they often discussed ideas and thoughts with one another but that each specialist was in charge of his or her area and knew it best. On a weekly basis, directors and vice presidents met to update one another on where each was on his or her list of “duties.”

Members reported that the office was moderately standardized; some procedures were specifically defined. For example, the president determined proper correspondence procedures with the Tokyo head office, and he instructed the vice president of human resources to communicate these procedures to everyone in the office via memo. Other procedures were verbally communicated in a more informal manner, such as the proper way to formally receive a Japanese visitor to the office. Yet respondents reported that standardization was often not necessary. Because duties in the office were so specialized, respondents reported that no one questioned the ways others did things; it was assumed the expert knew best.

Degree of formalization or the extent to which procedures were written down was minimal. Procedures for many human resource-related functions in the office were documented, such as clocking in and out and dress code. Yet the human resource manager estimated that only one-quarter of formalized procedures was recorded in policy books. Again, this was in part due to the fact that duties in the office were so specialized.

Members reported that the structure of the office was highly centralized. Higher rank and position carried more authority. In fact, the president constructed an emergency call list for the general managers of the U.S. hotels to use to notify the corporate office of an emergency. Vice presidents and directors were listed in order of rank first and tenure second. As a second example, the president retained decision-making authority for any purchase greater than $5,000. The vice presidents approved any purchases greater than $1,000, and directors were given a $999 limit. Managers had a $50 limit. The higher the level, the more formal control the person held.

At the start of the case study, the office was facing major changes. The parent organization had financially overextended itself through rapid expansion, and both the airline industry and hospitality industry were in the middle of a downturn. The U.S. hotels were losing money, in part due to the exchange rate of the U.S. dollar to yen. The president reported that the Japanese parent company decided to take greater control of U.S.-based operations. This newly arrived president of the corporate office made everyone’s duties more specialized and emphasized that everyone needed to focus on accomplishing their tasks. Because all members of the office reported feeling the pressure to help the
U.S. hotels earn money, their work intensity increased. The president also insisted that critical procedures be defined and written down. As a result, the structure of the organization became extremely centralized. The president acted as the chief coordinator. The vice president of human resources would collect information, and the president would review it and make the appropriate decision.

At the same time that these changes took place, two new Japanese executives arrived at the corporate office for a 3-year appointment. Employees mentioned that all three new Japanese executives (one of whom was the president) appeared to be both exhilarated and somewhat nervous at being in New York. These expatriates were reported to be earning salaries in yen that included compensation for all living expenses; separately, the Japanese commented on the large amount of living space that Americans could enjoy. The American respondents reported that during their first days in the office, the Japanese executives did not work except to talk on the phone and send and receive faxes—all in Japanese. The Japanese expatriates’ desks were clear, and their in and out boxes were empty. One American manager reported that these three executives usually arrived at work between 9:30 a.m. and 10:00 a.m. They lunched together for about 2 hours at fine-dining restaurants. Following lunch, they stayed at the office until about 8 p.m., after which they went out for dinner. A second American manager commented that she rode the same train line into Manhattan as one of the Japanese vice presidents. Only once in the 1st year of data collection for this case did she bump into this executive. It was his regular 11:32 p.m. train, and he was asleep.

The American employees reported working what could be termed a normal American day. They arrived between 8:00 a.m. and 8:30 a.m. and worked until about 6 p.m. A walk-through of the office showed that the Americans’ desks were cluttered with paper and sometimes lunch; the Americans reported that they used their lunch hour to complete errands. Between visitors, the ringing phones, and the twice-daily deliveries by FedEx, the Americans reported that the office seemed haphazard and frantic but also functioned well. Although the Americans worked steadily throughout the day, they rarely worked past 7 p.m. and only occasionally socialized together. Most spent between 1 and 1½ hours commuting home.

As reported by the Japanese staff-level employee, the Japanese viewed the Americans as reckless and uncommitted. They thought the American work style was disorganized and unproductive. They were also shocked at the aggressiveness of individuals, as they observed Americans arguing over ideas and interrupting each other as they worked. They viewed the Americans as people who were not
aware of the impact of their own behaviors, and they felt that the Americans adopted a fairly short-term focus. At the same time, they admired the Americans’ seeming confidence in themselves.

The Americans reported viewing the Japanese as lazy. They believed the Japanese arrived late to work. It appeared they did nothing but eat together. Although very polite, they were often too formal. The Americans in the office reported the Japanese took “forever” to make a decision. The Japanese executives kept saying “be patient” and “let’s see.” The Americans became frustrated, as the Japanese “apparently” could not decide what to do. At the same time, they did admire the Japanese’s graciousness and appreciation of ceremony.

At 15 months into the data collection period, the president and vice president of human resources agreed that the Americans in this office, and at all five U.S.–based hotels, needed to learn more about the Japanese culture. This decision also happened during the end-of-year holiday season. Through a number of planned and unplanned interventions, including a Christmas party when the entire office rode a “party bus” around Manhattan for 3 hours and a formal training class in which “everything you wanted to know about the Japanese but were afraid to ask” was the topic, this group of Japanese and Americans began to talk more openly with each other. The Americans reported they asked the Japanese executives why they said “let me think about it” when they meant “no.” In turn, the Japanese executives asked the Americans why they made decisions without looking 5 or 10 years into the future. More important, the Japanese executives reported that they began to identify with the American lifestyle. They too act in a rushed manner, and they became concerned with spending more time with their families. The Americans reported that they began to appreciate that they were working for a Japanese employer. They came to relish the formal ceremony and protocol that the Japanese organized around anyone’s retirement. They identified with the symbol of fountains and water that the company used to express its life. They also said they learned to understand the tone and expressions that the Japanese used to convey the meaning behind their words.

Members of this small office reported feeling like they had become a family that created its own culture and traditions. The Japanese and Americans formed a pattern of communicating that was understood only by members. They reported that staff meetings became altering patterns of both individual aggressiveness and concern for the group—by both the Japanese and Americans. The Japanese executives tended to work less hours, and the Americans tended to socialize more with them after work. The Americans altered their work patterns to accommodate the Japanese. Meetings were moved from 9:00 a.m. to 10:00 a.m. The Japanese began to consult Americans in their decision making—and often conducted important business during the day. The Japanese began to interrupt
Americans at their desks (ever so politely), and Americans reported they began to respect each other’s solitude at their desks.

A corporate office subculture formed, one that was completely understood only by its members. The Japanese executives became more like the Americans in the office, and the Americans became more like these Japanese executives. However, respondents reported they identified only with members of their group or “family.” The president and the American vice president of marketing were like the “cofathers,” who were not considered a Japanese man and an American man, respectively, but, simply, the primary decision makers. Even if a member of the company visited the office, respondents reported they would view this person as an outsider and not as a member of the “mini–corporate family.”

How did culture shape the structures that formed in this office? What role did change processes play? I analyze events that occurred in this case using each of Gibson’s (1994) three perspectives. I refer to the first perspective, organizational structure, as the rational adoption of cultural rules, as single-loop processes leading to first-order change. I refer to the second perspective, organizational structure as a manifestation of cultural values, as single- and double-loop processes leading to second-order change. Finally, I refer to the third perspective, organizational structure as a reflection of cultural enactments, as single-, double-, and triple-loop processes leading to third-order change. In doing so, I explore how culture shapes structure through these change processes. Examining the first perspective offers one interpretation.

Analysis

Single-Loop Processes Leading to First-Order Change

This first perspective views culture as separate from individuals. Researchers who adopt this perspective (i.e., Salancik & Pfeffer, 1977) argue that individuals can rationally manipulate the structure to achieve their goals. Organizational members (usually leaders) interpret the environment’s cultural rules to determine the type or degree of specialization, standardization, formalization, or centralization they will adopt. Thus, leaders interpret the “rules of the game” in their strategy formation and purposefully design the organizational structure as a means to making the organization successful.

Resource dependency and strategic contingency theories define this perspective. Researchers who use these theories contend that organizations design their structures to minimize their dependency on those with whom they interact. The biggest motivator behind these models is to reduce uncertainty (Salancik & Pfeffer, 1977). This perspective is rooted in an open-systems framework, in which researchers argue that the structure of an organization cannot be understood and managed until its
context, or the rules and norms reflective of the cultural environment, is considered (Scott, 1992). Consistent with this perspective, yet in a less rational and more enacted manner, Daft and Weick (1984) suggest that organizations scan the environment to collect data, give the data meaning through interpretation, and take action or engage in the process of learning.

This perspective offers a single-loop framework. Under this framework, individuals design strategies to achieve their goals in support of their underlying values (Argyris & Schon, 1978; Nielsen, 1993). Thus, organizational leaders make decisions to modify the organization’s structures so they are aligned with and reflective of the values of the organization’s environment and, as a result, ensure the organization is successful. The organization goes through a first-order change process or “incremental modifications that make sense within an established framework or method of operating” (Bartunek & Moch, 1987, p. 484).

How can the structure of the corporate office in this case be understood from this perspective? In response to shifting environmental pressures (i.e., an industry slump and cash flow needs of the parent organization), the president altered the structure of the corporate office. He made decisions in response to pressures he felt to make the U.S. division profitable. His rational actions were reflective of single-loop change processes, whereby he altered his strategies (altering the degree of specialization, standardization, and centralization throughout the office) to solve a problem (losing money). His response was reflected in the office’s resulting structure. For example, the president centralized decision making so that he could remain aware of all critical issues the office was facing. He insisted that some procedures be documented, such as the proper way to communicate with the Tokyo head office. He also encouraged all members of the office to focus intensely on their own jobs. As a result, duties became even more specialized. The president’s actions resulted in a first-order change effort, in which the organization’s structures were shifted to be more closely aligned with the nature of its operating environment. Yet the values of the organization did not shift in any appreciable manner.

Although relevant, this case can also be analyzed from a second perspective. For example, the events in this case can be explained as occurring because Japanese values were imposed on the structures of a U.S.–based office. This second perspective also explains ways the structure was shaped in this corporate office.

*Single- and Double-Loop Processes Leading to Second-Order Change*

In this second perspective, organization structure as a manifestation of cultural values, “culture is depicted as an implicit underlying value system somewhat unique to a given society” (Gibson, 1994, p.
Here, organizational structure is still viewed as purposeful, but organizational members cannot simply adopt a rational approach to interpret the environment’s cultural rules and use them to design structure. Organizational structure is viewed as reflective of cultural values. Thus, when members create and alter their organization’s structures, they unconsciously act from their own value systems. They impose these value systems on other organizational members. By doing so, they invite other members to undergo both single- and double-loop change process; the imposed members shift some of their values and resulting behaviors to be aligned with the value system held by the dominant culture.

This perspective examines the influence of national culture clash and modification. The international research in Ashkanasy, Wilderom, and Peterson’s (2000) recent handbook reflects work grounded in this perspective. As a second example, Erez and Earley (1993) examined universalistic cultures (characterized by having a broad set of guidelines for individual action) versus particularistic cultures (in which individuals act according to the specific circumstance). These authors suggest that organizations founded in universalistic cultures design structures with higher degrees of standardization and formalization than do those founded in particularistic cultures.

Perhaps the best-known work on cultural values, particularly at the national level, is Hofstede’s (1980, 1991, 2001) research. Hofstede’s cross-cultural study of more than 40 different nations suggests forces of nature, trade, or conquest shape cultural design that, in turn, influences norms and value systems (Gibson, 1994). Based on his work, Hofstede (1980, p. 19) defines a value as being on a continuum defined by degree of power distance (reflecting views of human inequality), tolerance for uncertainty, individualism (or the relationship between the individual and the collective), and masculinity (reflecting assertiveness versus the nurturing aspect of femininity). Thus, if a particular culture is defined by a high degree of power distance, it might be reflected in structures that are highly centralized. A strong individualistic culture may be reflected in structures that are specialized.

Hofstede (1991) characterizes the Japanese culture as having a large power distance in a collectivist manner. Thus, individuals are born and integrated into “strong cohesive groups, which throughout the people’s lifetime, continue to protect them in exchange for unquestioning loyalty” (p. 51). These groups are structured with a strong hierarchy. Contrary to Japan, Hofstede characterizes the United States as favoring an individualistic orientation and a much smaller degree of power distance (reflecting the U.S. traditional value system of equality and opportunity). Japan is also categorized as scoring even higher on the masculinity index than is the United States, reflecting the importance in Japan of recognition and advancement. Also, the Japanese have a low tolerance for uncertainty and
ambiguity, whereas the United States is characterized as having a high tolerance for the unknown (Hofstede, 1991).

Hofstede’s work reflects the values held by the two cultures represented in this case. As indicated by their late working hours, the Japanese executives’ priorities were to their company first and their families second. The Japanese worked in a collaborative manner, often consulting others before arriving at a decision. The executives explained that relationships and processes that would benefit the overall group appeared to be valued rather than individual heroics. While at work, the Japanese executives said they believed that managers sitting at empty desks staring into space were not to be disturbed; it was assumed they were deep in thought. The Japanese reported valuing neatness and preciseness rather than disorganization. The values of this culture were embedded in a deep social tradition system of identity through duty to country and higher principles.

The Americans’ priorities were to their own individual achievement, as well as to their families. As indicated by the hours they worked, although the Americans worked hard, their company came second to their families, and many were unable or unwilling to work late hours. Thus, although socializing after work was occasionally fun, it was not the norm. The Americans reported they viewed relationships as important but also as instrumental—part of what they had to build to do their jobs. They reported they admired the busy manager who could seemingly accomplish “10 things at once” and the fast and efficient decision maker who could “get things done.” The Americans believed that managers sitting alone at their desks staring into space could be interrupted for answers; these managers obviously had a free moment. This American tradition system was rooted in the notion of the individualistic “cowboy” or “pioneer” conquering the land. Americans created their identities through individual success and family.

Hofstede (1991) suggests that organizations in societies (such as Japan) with a large power distance and strong uncertainty avoidance will tend to be structured as “pyramids of people” defined by hierarchical structures. Organizations in societies (such as the United States) with a small power distance and low uncertainty avoidance will tend to be structured as a “village market” and have specialized functions organized in a more horizontal and flexible manner. Lincoln et al. (1986) studied the influence of Japanese and U.S. values on organizational structure. They found that Japanese structures were less specialized and had taller hierarchies and greater formal centralization than did those in the United States.

If researchers analyzed this case according to Hofstede’s work, they would conclude that there will be a culture clash, as Japanese management, with Japanese-based values, try to impose their
Japanese structure on U.S. employees, with U.S.-based values. Culture clash would occur because the imposed Japanese structure would not fit into the American value system, and to succeed within the organization, Americans would be asked to go through a double-loop change process and align their values and corresponding actions to those of the Japanese.

Using this perspective, how did the organizational structure of this corporate office form? Based on his country’s value system, the Japanese president imposed a centralized, control-based organizational structure on the corporate office. To be properly consistent with all subsidiaries of this company, he wanted important procedures to be standardized, and he wanted to be in control of decisions. However, the degree of specialization and formalization was the result of the 3-year Japanese tenure process. Every 3 years, a “new round” of Japanese vice presidents and a president arrived. The American members of the office knew that some procedures would change with each new group of expatriates. To not upset the office routine too greatly, they reported they avoided writing down procedures. They knew that the president and vice presidents would be figuring things out in the beginning of their terms and would be too polite and embarrassed to ask for assistance. Thus, the Japanese would allow the Americans to continue with their specialized responsibilities. The Americans reported they hoped that by the time the Japanese figured out how the Americans did things, the Japanese would believe that the Americans knew what they were doing and could remain with current procedures.

In the multinational literature, as well as in popular culture, what happened in this office is consistent with ideas of cross-cultural conflict and ways members of one national culture impose their values on members of a second one, as well as the corresponding backlash that can occur (Kleinberg, 1998). Many change consultants work to make the organizational members’ values explicit, hoping a dialogue exploring reasons for both similarities and differences will lead to new understandings and improved action. (Linowes’s [1994] proposed model is an example.)

These ideas are consistent with Argyris and Schon’s (1978) notion of double-loop learning. In this type of learning process, individuals are invited to reconsider and modify their governing and often subconscious values, specifically ones that cause a disconnect between their espoused and enacted behaviors. As a result of bringing these values to light, change agents cannot only help individuals alter them, but they can help individuals shift their behaviors to reflect these altered values. Individuals undergo a second-order level of change.

Through engaging in a double-loop dialogue, mostly through the formal training session titled “Everything You Wanted to Know About the Japanese but Were Afraid to Ask,” the Americans and
Japanese began to talk more informally with one another. Although it began as a Japanese knowledge-sharing session, it turned into a knowledge-sharing session about both cultures. With the assistance of the facilitator who led the session, the Japanese and Americans in this office questioned and learned about the value systems reflected in the “other” culture’s behaviors. As mentioned in the case, the Americans reported they asked the Japanese executives why they said “let me think about it” when they meant “no.” They learned that the Japanese did not want to cause the Americans to “lose face,” and by acting indirectly, the Japanese were attempting to preserve and show respect for their relationship with the Americans. In turn, the Japanese executives asked the Americans why they made decisions without looking 5 or 10 years into the future. The Japanese executives learned that the Americans were taught in business and in life to focus more on the present and less on the future. The Americans explained that this orientation is further supported by the fact that many investor-based decisions in American businesses are based on comparisons of current quarterly and annual performance to prior predictions.

Through this dialectic conversation, in which some behaviors and values were affirmed and others were negated, members of both cultures were asked to explain the reasoning behind their behaviors, specifically the values they reflected. As a result, individuals became more willing to understand and appreciate ways members of the other culture thought and acted. As a result of this new understanding, members of both cultures were ready to alter some of their own values, as well as the behaviors these values reflected.

An example is the American habit of interrupting the Japanese sitting and staring at their desks (a single-loop behavior). This habit was based on the Western notion that a person staring into space is not busy. The underlying value is that activity is good because it is equated with productivity. Once the Americans understood the value underlying the behavior of the Japanese (thinking time is important), they began to respect the Japanese mannerism and altered their own behavior and the value it represented (a double-loop behavior reflective of second-order change). As a second example, the Americans reported that they came to see significance in formal ceremonies (second-order change) and would act in an extremely gracious and respectful manner (a double-loop behavior) when anyone was being honored. They understood these types of ceremonies were important to the traditions and history of the company. Thus, the office’s structure around ceremony became more standard and formalized.

Alternatively, the Japanese felt that Americans were too rushed and that “purposeful, deliberate” actions were best (a single-loop behavior). This is reflective of an underlying value of making effective decisions through a careful consideration of all alternatives and perspectives. Yet while immersed in the American culture and New York City way of life, the Japanese began to understand how
by rushing, one could accomplish many little things in a short period of time. They too began to respect the concept of being very busy, and they altered their own behavior (a double-loop behavior reflective of second-order change). As did the Americans, the Japanese reported they began to appreciate time spent with their families (second-order change); the Japanese began to leave work when the Americans did (a double-loop behavior).

In these examples, the Americans changed some values and behaviors and did not change others. So, too, the Japanese altered some but not all of their behaviors and the values these behaviors represented. A “give-and-take” process occurred in which on some occasions the Americans adapted and, in others, the Japanese did. Sometimes, behaviors alone changed (i.e., one party accommodated the other “for the sake of the relationship”), and at other times values changed (i.e., one party developed a new understanding of and appreciation for the value underlying the other party’s behavior and altered their own beliefs and behaviors in the process).

In addition to altering individuals’ values and behaviors, a double-loop process can also enable individuals to consider new possibilities, such as third-order change, in which one’s wider tradition or cultural system shifts (Nielsen, 1993). How does this type of shift influence an organization’s structure? This concept—and the third perspective, organization structure as reflective of cultural enactments—is considered next.

*Single-, Double-, and Triple-Loop Processes Leading to Third-Order Change*

In this third perspective, culture is also viewed as embedded within individuals and organizations. Culture, though, is not viewed as distinctive and purposeful, nor is it viewed at the national level. Rather, it is an enacted phenomenon reflective of the collective perceptions of a particular group and is a subjective experience (Gibson, 1994). Geertz’s (1973) notion of context shaping meaning or Berger and Luckmann’s (1967) consideration of the relationship between subjective meaning and objective fact define this view. Similarly, Meyer and Rowan (1977), with their work on institutional theory, argue that “formal structures are manifestations of powerful institutional rules” (p. 343). The social construction view holds that not only does culture influence structure, but in turn, structure influences culture. Barley (1986) considers this concept in his study of the introduction of CT scanners to two different hospitals. Bartunek (1984) examines this reciprocal relationship in a study of the restructuring of a religious order.

Here, Schein’s (1985) work takes shape. Schein describes culture as “the basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic
‘taken for granted’ fashion, an organization’s view of itself and its environment” (p. 6). Schein suggests that this created culture manifests itself through members’ basic assumptions, which are reflected in values and artifacts. Schein is alluding to culture as a third-order phenomenon, in which embedded social tradition systems are created and sustained (Austin, 1997; Foldy & Creed, 1999; Nielson, 1993).

This perspective can explain the experience of office members in this case. As discussed, the members created their own double-loop processes, in which they questioned one another’s values and developed new shared understandings. Once this occurred, the “ground was clear” to create new meaning systems reflected in new shared values, strategies, and, ultimately, structures. When individuals engage in triple-loop change, they move beyond questioning their own values and consider the wider tradition system or culture of which they are members (Nielson, 1993). Through engaging in this type of change process, individuals are able to shift not only their own governing values and behaviors but also their wider cultural systems in meaningful ways. An example of this type of shift is Austin’s (1997) account of how Branch Rickey fostered racial social change in baseball in the late 1940s or Foldy and Creed’s (1999) analysis of companies that took on gay and lesbian workplace advocacy. What happened in these cases can be viewed as a third-order level of change, in which the embedded, wider social tradition systems of those involved are altered.

On a small scale, through a process of mutual consideration, members of this corporate office created a new working culture. As mentioned, the Japanese and Americans formed a pattern of communicating that was understood among themselves. For example, staff meetings became altering patterns of both individual aggressiveness and concern for the group—by both the Japanese and Americans. The Americans altered their work patterns to accommodate the Japanese, as meetings were moved from 9:00 a.m. to 10:00 a.m. The Japanese reported they began to conduct important business during the day. The Americans began to relish protocol and follow procedures, and the Japanese acted in a more relaxed and reckless manner. A corporate office subculture formed, and a new way of working evolved; this culture reflected a blend of shared values and behaviors. The values that were not shared were at least understood and accepted by members of the other group. As mentioned, the Japanese executives became more like the Americans in the office, and the Americans became more like these Japanese executives. Everyone came to respect and value the input and expertise of other members, especially the two primary decision makers. This office culture was completely understood only by its members.

The organizational structure that emerged was reflective of this newly created culture. The office was highly specialized because members appreciated others’ expertise. The office culture
recognized and rewarded each member’s contributions. The office was moderately standardized because some procedures were necessary to define and others were simply understood, such as delaying the staff meeting. It was not necessary to standardize the time for starting the meeting; everyone knew when it would start. The degree of formalization was limited because, again, procedures were socially constructed and understood by most. But when new members joined the office, it became necessary to “indoctrinate them.” Written procedures assisted this process. Finally, the group was highly centralized, reflective of the group’s beliefs and assumptions about who the decision makers were.

The creation of this culture happened through dialectic conversations in which both the Japanese and Americans affirmed their single-loop processes, that is, ways of doing things within the office and similar values. Yet there were also moments of negation, in which through a double-loop dialogue—which involved a questioning of underlying values—problems implicit in the “single-loop” way of doing things were addressed and discussed. Eventually, members engaged in a triple-loop process in which they questioned their wider cultural traditions (such as, in this office, ways meetings were conducted, how people interacted with one another, and ways people completed their own work) and became willing to alter them. Emergent from these moments of affirmation and negation was the cocreation of a broader, shared hybrid cultural system. This system was unique to and understood only by the members who created it. And although this culture or tradition system blended parts of each member’s national culture, it also superseded them. Through single-, double-, and triple-loop processes, a third-order change process occurred and a new culture emerged. As part of this new culture, members began to identify with a new way of relating to one another and behaving. These new behaviors were reflected in the structures that emerged.

Discussion

A Dialectic Change Process

This case demonstrates ways change processes shape culture’s influence on structure. I argue that an organization’s culture and structure will emerge through a dialectic process. In a dialectic process, change happens when the status quo (thesis) is challenged by an opposing force (antithesis). Emergent from this conflict is a new “state of affairs” or entity (synthesis) that is different from either the status quo or opposing force (Van de Ven & Poole, 1995). Phrased a second way, dialectic change occurs when individuals oppose or contradict one another. Through a process by which both parties conflict about their differences and affirm their areas of agreement, they create a new outcome that is a different position from where either individual previously stood (Bartunek & Moch, 1987; Nielson,
1996; Van de Ven & Poole, 1995). The opposition and tension between the two parties play themselves out so that both parties emerge in a new place.

In a dialectic that leads to third-order levels of cultural change, members engage in single- and double-loop change processes, whereby through conversation they examine their own behaviors and their underlying values, as well as those of members of other groups. Some of their own behaviors and values will be affirmed and some will be negated—by both themselves and others. They will also do the same for the values and behaviors used by members of other groups. This type of change process clears the way for members of an organization to question their own cultural systems and, as part of this process, to be willing to engage in a third-level of change and socially construct and enact a new one. This process reflects a “Hegelian transformation” in which there is “evolving affirmation of positive aspect(s) of a socially embedded idea, negation of negative aspects of a socially embedded idea, [a] transformed socially embedded idea and [a] transformed social group” (Nielsen, 1996, p. 281). As Figure 3 demonstrates, through creating a new cultural system, members will act from newly shared values and behaviors. These values and behaviors will be reflected in the organization’s structure. Thus, through a dialectic process, organizational members’ values and behaviors, their shared cultural system, and the structures they create all are reshaped and altered.

Implications for Action

Although this dialectic change process is presented through the socially constructed third perspective, I do not mean to suggest that this view is better than the previous two or that the evolution from the first to the third perspective implies some notion of progress. The case can be analyzed from any of the three perspectives. This article attempted to examine the reasons we, as researchers, offer for how and why organizational structure happens, especially because organizational research on multinationals has often failed to consider the shared interpretive systems that can form when two different cultures work together. (Kleinberg’s [1994, 1998] ethnographic studies are exceptions.) More important, this research explores the process by which culture shapes structure via organizational change processes.

This work presents a concept of adaptation that is framed in different views from those of most cross-cultural interventionists. It suggests that those seeking to help members of multinationals work together more productively should reach beyond the notion that national culture solely influences the behaviors of its members. Instead, interventionists should consider the possibility that people in a multinational work group can move beyond a national identity framework and create new ways of
thinking and behaving, using dialogue that includes moments of both affirmation and negation to create a shared cultural system. As this case demonstrated, in time, this process can happen naturally for members of multinational offices. Yet interventionists can facilitate (and perhaps hasten) the path. Interventionists working to help members of multinational offices need to be aware of their own influences, frameworks, and biases in creating new tradition systems, as they cannot help but be part of the process.

Finally, returning to Gibson’s (1994) first frame—organizational structure as rational adoption of cultural rules—suggests that multinational organizational leaders seeking to infuse global offices with the company doctrine, culture, and value systems should be aware that they can never completely accomplish this feat. Nor should they wish to. Members of each office will naturally create their own cultural systems that incorporate aspects of the corporate culture. Yet they will also incorporate aspects of national culture. The newly created cultural system, and the structures it reflects, will be unique to each office. Thus, the notion of complete corporate control is an illusion. As such, organizational leaders may wish to consider not the issue of control but, instead, ways they can support the creation of culture and structure.

Conclusion

Researchers who study multinationals are invited to consider their own assumptions of culture and its relationship with organizational structure. This article has suggested that traditional notions that culture can be rationally applied in strategy formation—in a single-order manner—are far too simplistic an idea and an inappropriate framework for solely examining multinational organizations. So, too, examining culture as the second-order enactment of national values fails to capture members’ subjective experiences. Adopting a third-order framework can shed some understanding on how meaning systems are created and enacted. Although all of these perspectives are simultaneously valid, they should be very loosely held. Those seeking to understand how multinationals—and organizations—shape their structures need to consider the role of single-, double-, and triple-loop change processes, as meaning systems are construed and reasons for structuring are offered.

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