Organization Development and Change in 21st Century
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Lecture – 30
Organizational Development - Cultural and Economic Contexts

Today's session is on Organization Development in global and trans organizational setting. We need to think about, why we need to understand about the culture, nature of societies and a nature of economy; to understand the nuances of the OD intervention. We must recognize that OD interventions or mechanisms and ways of bringing about change in the organization; at individual team or the collective and macro level are nuanced, are affected by the culture of that organization.

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And culture of that organization is affected by the societal culture of the organization; at the same time culture and nature of economy impact each other. So, if the question is; are OD techniques applicable in similar ways in all cultures, societies and economies? The answer is: No. OD interventions and ways of bringing about change in organizations differ according to culture, society and nature of economy.

For example, a culture tilted towards masculine values will naturally give importance to personal initiative and achievement; whereas a culture which is tilted towards more collectivistic orientation will give more importance to the collective identity and

collective achievement. All these notions will be different in the minds of the executives and managers in the two different cultures.

Similarly, economic development; there are some companies which are operating in the economies, which are pretty evolved; in terms of industrialization, education and customer awareness; whereas, there are some economies which are not so much industrialized and there are some, where the industrialization process has started in last few decades.

So, because of these different stages in the trajectory of economic development; organizations will behave differently, their concerns will be different and because of these reasons OD interventions are the most appropriate interventions to bring about change.. OD interventions will have to be implemented differently in the organizations which are operating in the economies that are at the different level or different stages of developmental trajectory.

So, let us continue to examine this question; to understand that how cultures affect the OD intervention, we must first understand what is organization culture.

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Organization culture is reflected in the characteristics such as power and authority, group dynamics, leadership and forms of work and social relationships; these are some of the predominant behavioral indicators of organization culture.

Organization culture is also reflected in different artifacts, nature of office, nature of the structure of the office, vision and mission statements, and the espoused values of the organization. So, these factors also affect the organization culture. But if we just look at the behavioral aspects like these one which are there in the slide; we can understand the nature of organization culture. And we must also recognize that organization culture emanates from societal culture.

Why is it so? It is so because organizations are open system. They are embedded in society and individuals who constitute that organization, acquire the societal values, beliefs, practices during their primary socialization. We all know that all the executives and managers have primary socialization in the societal culture. So, the shared values, beliefs, rituals; all these things of the societal values are carried forward in the organization.

We know that organization culture is reflected in the behavioral dispositions and general assumptions and norms about what are the dos and do nots in an organization and the source of organization culture is the societal culture.

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Why Societal Culture Matters for OD?

Philosophy and practices of OD are based on the certain values like

- Direct and honest communication
- Sharing power
- Respecting individuals with complex set of needs
- Seeking personal, team and organizational effectiveness
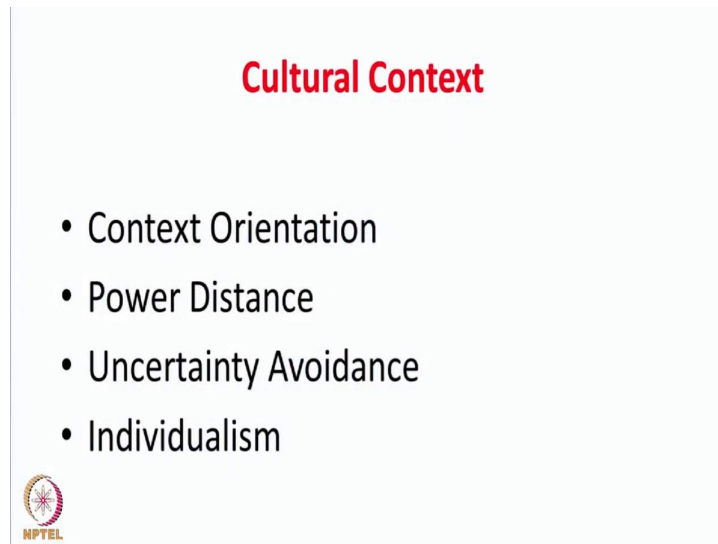- Confrontation
- Participation

OD as a field of practice also has certain specific values. OD is based on some of the values like direct and honest communication, sharing power, respecting individuals with complex set of needs, seeking personal, team and organizational effectiveness, addressing issues such as confrontation, participation etcetera.

Why culture affects and why OD interventions are affected by the organization and therefore societal culture - can be clearly understood by looking at the important values of OD. We can look at this list and understand that all these values are valued differently in different cultures. So, it is very natural that in the different cultures, OD has to be culturally nuanced. It means, OD has to be adapted according to the organization culture and societal culture.

Because in some societies; sharing power is very important espoused values whereas, in some societies, respect for elders or respect for authority is more important than sharing power. Same way, in some societies or organizational culture, confrontation might be more valuable whereas, in other societies, confrontation is avoided. Face saving is more important than confrontation.

So, in order to make the OD interventions effective; we need to consider the societal values and organizational values also. How do we distinguish organizational culture? That is the next natural question.

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There are different schemas given by different scholars and we are going to follow a schema given by Hofstede.

So, Hofstede suggested that a societal culture and in this way organizational culture can be distinguished based on context orientation, power distance, uncertainty avoidance and

individualism. These are also expressed in different terms like uncertainty avoidance. In some of the text this term appears as tolerance for ambiguity. Individualism is reflected as masculinity versus femininity, context orientation is about respect for the words or respect for the context.

So, these terms are reflected differently in the different cultures, but they mean almost similar thing which we are going to describe just now.

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First element is context orientation. What is the meaning of context orientation? Context orientation means the extent to which meaning in a communication is carried in the words or in the clues, other than the words. Those clues are in the form of ceremony or rituals, in formal communication, in the body language.

The cultures having more importance to context orientation, rely less on the formal contracts. For example, about a meeting; it is more important to maintain the relationship than following the punctuality. The formal setting or formal rules are less, whereas there are lot of informal rules. As such informal norms become very important ways of communication.

In an organization where context orientation is high or in other words, in organizations operating in societies having high context orientation - structure is less formal and you will find fewer written policies.

Over there, lot of management practices are affected by the informal norms and procedures. Maintaining relationships rather than the formal structure is considered more important. Example of these cultures are Japan, china and in the negotiation literature, these factors are examined in detail.

If you are negotiating in China or Japan and if you are negotiating a business deal in Scandinavian countries - the nature of communication will be very different. For example, in China generally in the very first meeting you might have to talk less about the business and it is only after some rapport building, that it is considered good to talk about exact details of the business deals.

Whereas in US, which is low on context orientation; you can talk about the business deals in a very first meeting; these are the examples. Now, these kind of cultural orientation naturally affect the OD intervention.

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Power Distance

- Extent to which members of a society accept that status and power are distributed unequally in an organization

- Organizations in these cultures tend to be autocratic, possess clear status differences, and have little employee participation

- Superiors consider subordinates as part of a different class and subordinates are not supposed to hold independent opinion.

- Powerful people are entitled to privileges.

Ex.

- High: Latin American and East European countries

- Low: Scandinavian countries

Next very important element of organization culture is power distance. Power distance means extent to which members of a society or an organization accept that status and power is distributed unequally in an organization.

Organizations in these cultures – that is cultures having high power distance, tend to be autocratic. They possess clear status differences and have little employee participation. The organizations which are operating in the societies, in these societies; you will see

superiors consider subordinates as part of the different class and subordinates are not supposed to hold independent opinions.

Even, if they have the independent opinion; they have to put forth these opinions in a certain manner. Either they have to avoid putting up in a direct manner or they have to put forth in a very sensitive, in a very mild way. In organizations, operating in these kinds of societies, powerful people are considered to be entitled for the privileges.

So, there are some examples of the high power distance; elements in the organizations and the societies come from Latin America or East European countries; whereas, in the Scandinavian countries; you will see less power difference, it means people will be more comfortable and sharing about their opinion with their supervisors and the individual initiatives and individual opinions matter equally within the organization.

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Next element about the cultural difference is around uncertainty avoidance. Uncertainty avoidance means the extent to which members of a society tolerate the unfamiliar and unpredictable situations.

Tolerance for ambiguity and vagueness in most day to day situations result into tendency towards risk and rules and a well structured environment over unknown or unstructured environment. What is the meaning of this element in the organizational context?

People in the cultures with the high awareness to uncertainty, in their organization will tend to establish laws, rules, regulations, control mechanism to prevent any ambiguity or risk.

Risk taking capacity or risk proneness will be less in the high uncertainty avoidance societies. Low uncertainty avoidance culture, on other hand are open for new ideas and influences. There we see more flatter organization structure and people are flexible and more willing to take risk.

Examples of such organizations come from Latin America. Japan, Germany which are high on the uncertainty avoidance. So, in the organizations; in these cultures or organizations originating from these cultures will be, will show extensive and more elaborate rules, regulations and laws; whereas, organizations emerging or operating in these; in the cultures with low uncertainty avoidance will demonstrate the values of risk taking, creativity and less formal rules and regulations. So, next element is individualism; it can be considered a kind of at the point of a opposite continuum of collectivism.

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Individualism refers to extent to which people in society believe, they should be responsible for themselves and their immediate family. Organizations in these cultures tend to encourage personal initiatives, they value time and autonomy, they accept

competition and in these societies and the organizations operating in these societies; autonomy is highly valued.

So, naturally in the organizations; in such organizations personal initiative is encouraged, there individual achievement is valued more, competitiveness is high and autonomy is valued and these things are acceptable in these organizations.

Again, we see USA is high on individualism versus Japan which is high on collectivism or team orientation. As an OD practitioner, we need to understand the cultural setting of organization. We need to take care of the societal values of the organization where we are implementing the change process and OD interventions. Organizations which are high on individualism, we can have OD interventions which promote personal initiatives. We can have HR related OD interventions which focus more on individual reward system.

But, in a more collectivist society; the financial incentives or performance incentive should be based on the team performance. Similarly, societies which have the high uncertainty avoidance, the OD process or the change process has to be delineated very clearly and in a elaborate way; whereas, societies and organizations which are low on uncertainty avoidance or which are more comfortable with the uncertainty, we can be more spontaneous and we can be more innovative.

We can just clarify the core values and the basic process and then we can go on with the OD intervention, with the spontaneity and the natural flow. Likewise, any OD intervention has to take care of the cultural context in which it is implemented. So, extending this discussion about the cultural context; let us discuss what are the primary or important cultural values in India.

If we look at the Indian cultural perspective; we find three very clear characteristics coming out in Indian society. And naturally those characteristics are also visible and prominent in the Indian organizations. What are those characteristics? These characteristics are about pluralistic worldview - it means receiving diverse cultural influences.

In the Indian mindset, old thoughts and new thoughts coexist, for example; people may move to a metro, but they remain connected to their local native places. They might be operating in a highly materialistic society and they might be pursuing the achievement and materialistic goal, but at the same time; they may have the spiritual bent of mind. Another characteristic of Indian culture is synthesizing mindset; Indians are very comfortable incorporating paradoxical truths and that is reflected in their deep cultural values.

For example, God is accepted to have the forms and is also accepted as someone which does not have any form. Indians have tendency to synthesize opposing thoughts and those thoughts which are very difficult to synthesize, they coexist in the society and Indians are generally comfortable about those. Indian culture is one of the few cultures which accept that ultimate truth can be achieved through multiple pathways.

Another important characteristic of the Indian culture, which is reflected in the Indian mindset, which in turn affects the behavior and general dispositions of the executives and

managers in the organization, is high context sensitivity. In India, one term is very popular; what we call; we have to behave according to desh kaal, paristhiti; desh meaning space, kal meaning time and paristhiti meaning situation.

So, there are no fixed rule to behave about something; the rules or the best course of action should be identified according to desh, kaal and parasthiti; that is, this is a very well articulated norm in the Indian mindset. That is why Indians have amazing capability to be context sensitive and they have the capability to change their behavior according to the context, according to the situation they are part of.

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Global Face of Indians

- Entrepreneurship
- Respect for knowledge
- Expansive orientation in global context
- Balance between Western values and larger purpose of life
- Sense of social responsibilities
- Creative value propositions, devising new products and services to meet the needs of large numbers of low-income consumers with extreme efficiency.

Sinha, J. B. (2009). Culture and organizational behaviour. SAGE Publications India.
Cappelli, P., Singh, H., Singh, J., & Useem, M. (2015). Indian business leadership: Broad mission and creative value. The Leadership Quarterly, 26(1), 7-12.

If we look at the more recent literature, where Indian mindset and Indian culture is studied; we find some of the characteristics being identified. And those characteristics are generally recognized around the world and that is why, we term those as global face of Indians. What are those characteristics?

Those characteristics are entrepreneurship. Indians demonstrate entrepreneurial characteristic. Indians have respect for knowledge. Expansive orientation in global context is also visible amongst the Indian managers. Indian business leaders are capable. They show the tendency to balance between western values which are more towards achievement and materialism; as well as larger purpose of life that is about spiritual growth and contributing to the wellness of the society.

In the studies, Indians are also found to have the strong sense of social responsibility. Another characteristic which is found to be peculiarly Indian is creative value proposition; in the Hindi term, we call it Jugad ; Jugad is now very well researched concept even in the field of marketing; that means, devising products and services to meet the needs with the minimal resources; this tendency is also reflected in the frugal innovations. Innovations, which are done to satisfy the need of the people; residing at the bottom of the pyramid in the socio economic state of the society. So, these are some of the features of the Indians and Indian mindset that is reflected in the Indian organizations. We need to take into account these characteristics while designing and implementing the change process and implementing the OD interventions.

Now, we look at how economic development impacts the nature of OD intervention.

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Economic Development

The level of economic development in a society is reflected in the management capabilities of information systems, project planning, strategic orientation, HR systems and so forth.

- Subsistence Economies
- Industrializing Economies
- Industrial Economies

The level of economic development in a society is reflected in the management capability of information system, project planning, strategic orientation, HR system and so on and so forth. According to economic development, we can have subsistence economies, industrializing economies and industrialized economies.

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Now, you will look at stages of economic development and which are the most preferred OD interventions in the organizations operating in those economies. First type of economy we discussed was subsistence economies, wherein the large portion of population is unfamiliar with the concept of employment and very few large organizations exist outside the government.

So, generally government owns large organizations in the form of health care, railways etcetera and there are very few privately owned large organizations. In these economies and organizations operating in these economies; OD interventions emphasize on the global social change means overall societal development and the OD intervention focuses on creating conditions for sustainable social and economic progress.

Then, we look at industrializing economies, India is industrializing economy or South Africa is industrializing economy these economies show rise of the manufacturing or service sector.

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The service sector evolved much faster than the manufacturing sector in India. In many other industrializing economy; manufacturing sector grew faster and then the service sector grew.

Few major features of these economies are increasing middle class, organizational focus on efficiency of operations and revenue growth. Managing growth is one of the most important priorities of the organizations operating in these economies. So, that concern is reflected in the OD interventions as well.

In the organizations operating in industrializing economies, OD interventions are generally designed to address the strategic, structural and work design issues. For example, in India; other than the strategic interventions, to realize the growth within the domestic market and outside of Indian market; we see the leadership development, team building, strategic planning retreats are the most commonly used OD intervention.

But at the same time, sensitivity training or what we call T group training, large scale OD interventions like appreciating inquiry or open space methods are also becoming popular.

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**Economic Development and OD Intervention Cont...**
Industrial Economies

These economies export the manufactured goods, are technologically advanced, have investment funds, strong internal market and consumptions, educated and skilled workforce and aware and active customers.

If we look at the industrialized economy or industrial economies; these economies export the manufactured goods, they are technically advanced, they have investment funds, a strong internal market and a very high level of consumption. There you also see educated and skilled workforce and customers in these economies are also more active or rather proactive and aware.

In this course, we looked at large number of OD interventions; starting from human process interventions, team based interventions, organizational process interventions, socio technical interventions, HR based interventions, technological based OD interventions; all these interventions are applicable in the industrial economies.

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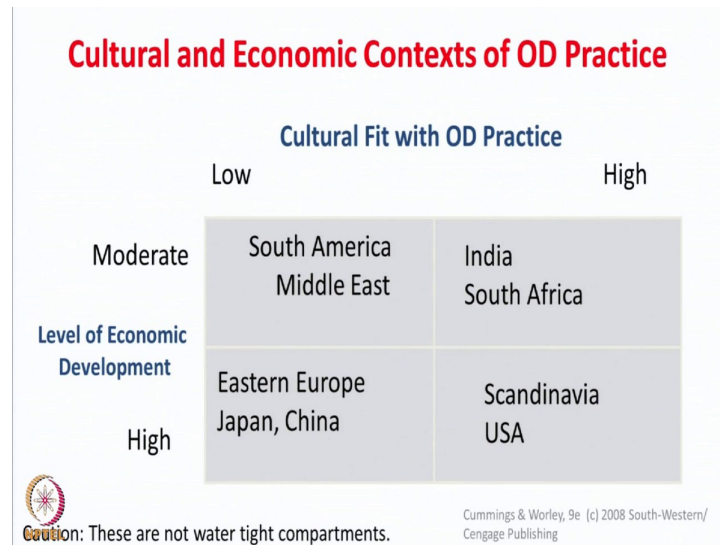
Now, we will look at how the cultural and economic contexts together affect OD practices. If we make this 2 by 2 matrix, one continuum reflecting the cultural fit with OD practice and another continuum reflects the level of economic development in that country and they; if we plot this curve between the low cultural fit or high cultural fit with the OD practices.

And at the another continuum, we look at the high level of economic development or moderate level of economic development, we are not considering low level of economic development. Then at the intersection of the cultural and the economic context, we see a different type of the most suitable OD interventions which are appropriate in these contexts.

For example, in situation or in the societies where the cultural fit with the OD practice is high and the economic development is also high and the example is Scandinavia or USA, - there large number of OD interventions are possible.

Because OD values openness, confrontation, enhancing effectiveness are the societal values as well and in that way they becomes the organizational values also. We also have examples, where cultural fit of OD practices; the OD cultural, OD values which we talked about; openness of communication, power sharing, confrontation; these values are not very much in line with the cultural values of the society in the organization.

But, those contexts where the high economic development is prevailing; you need to customize the OD interventions according to the cultural values; example of such societies and organizations are in the Eastern Europe, Japan and China; they are having high economic development, but the cultural fit is not very natural with the societal and organizational values. So, there has to be extra precautions to be taken to implement the OD interventions. Like rituals have to be respected, informal clues have to be respected; they have to be incorporated in the OD intervention.

In place of confrontation, there has to be a scope of face saving and that has to be recognized in the human process work; at the team or organizational level. So, these are some of the adjustment are necessary. These adjustments are necessary to implement the OD interventions in these settings.

India, South Africa and the societies like these have moderate level of economic development and a significantly high cultural fit with the OD practices. There, OD interventions are more related to the strategic success, growth management, work design, HR process implementation, HRM practices based OD intervention; like HRM practices based OD interventions are more popular or more relevant in these kind of organizations.

And then we have examples of some of the countries which are moderate on the economic development and the cultural fit with the OD practices in the societies and organizations is also on the lower side.

Organizations in these societies have a more autocratic decision making, and more emphasis of OD intervention is on enhancing efficiency and business results and less emphasis on human interaction, one to one interactions or opening up your world view and thoughts with the less familiar people; other than people within your closed circle. In these societies and organizations, OD intervention need to look at more efficiency, revenue growth etcetera.

So, again we need to understand that OD interventions have to be customized according to the economic development, the stage of economic development of organization and the culture in which this organization is operating.