

Module 7: Cultural Synergy



Organizational Theory and Behavior

MGMT 630

In this module you will learn :

- The changing workforce demographics
- The impact of diversity on bottom-line results
- The use of cultural synergy and its importance for managing diverse groups

Module 7

Leadership to Achieve Cultural Synergy in Diverse Settings

Introducing the Use of Synergy

Scenario: Harold Masterson, an internal consultant to a large accounting firm, was transferred to Mexico City to work with the unit located there. Within the first week, his boss Xavier Manuel asked him to complete an accounting review, due at the end of the week. After Manuel described what was needed in the review, Harold responded that the deadline was not workable and that starting the review with a 5-day turnaround was a waste of time. Surprised and angered by Masterson's response, Manuel stated that the project would be done, stood and demanded that Harold get to work.

This exchange suggests a schism between Manuel and Masterson. Behind the words, there was a significant difference likely caused by cultural values and expectations. United States-born Masterson may hold a high regard for his individual, professional expertise as an accountant. In addition, he may be used to speaking up and offering his opinion. Manuel however, grew up expecting no one to challenge his authority as a manager and believes in appropriate respect for power distance between a leader and his staff.

Given the differences in cultural values, how could this situation have been approached differently? What can leaders do to effectively manage the interactions between people who have different backgrounds?

At-a-Glance Definitions:

- **Cultural synergy:** Cultural synergy is a term coined Nancy Adler of McGill University. Like any other synergistic effect, when you combine the strengths of both cultures, you form an organization that is stronger than either one alone.
- **Vision:** The identification of a desired future state that drives the organization forward. Leaders are responsible for creating, communicating and reinforcing the vision. Effective leading requires a compelling vision especially if you are managing a diverse work group, and/or working in multiple regions of the globe.

Research Trends: What's Being Discovered to Advance Understanding of Global Leader Skills?

- **Major Attention to Globalization**

Much research has been devoted to the topic of global leadership skills. Important themes have emerged pointing to the competencies that leaders must have in this new environment, such as

1. increased understanding of how cultural differences impact how work gets done, how people want to be led, and how leaders interact with their employees
2. increased attention to trust-building
3. increased need to raise one's emotional intelligence levels to deal with cross-cultural differences
4. increased understanding of cultural norms and business ethics that differ from culture to culture
5. increased awareness of the environmental footprint left by the organization
6. being aware of one's own ethnocentrism, stereotyping, and prejudices on relationships with employees
7. increased need to pay attention to issues related to corporate social responsibility

Making the Business Case for a Leader Using Cultural Synergy: An Overview

Indicators: Many demographic indicators point to the need to acquire the skills necessary to implement the ideas associated with cultural synergy. In fact, the American workforce is becoming increasingly diverse.

A 2012 brief published by the Center for American Progress reports the following:

- forty-seven percent of the workforce is comprised of woman
- people of color make up about a third of the workforce
- gay and transgender people make up about 6 percent of the workforce.

People with disabilities are, however, underrepresented in the workforce and have higher rates of unemployment than those without disabilities.

Diversity Leads to Better Business Results.

The Gallup Organization showed that gender diversity makes bottom-line business sense. As reported in a 2014 Gallup Publication, their study found that gender diverse workforce populations in retail and hospitality units had better bottom line business results than similar units where one gender dominated. Other studies have shown that diversity positively impacts bottom line performance. For example, Covenant Investment Management, which rated the performance of the Standard and Poor's 500 found the return for the 100 companies which rated lowest in equal employment opportunities average 7.9 percent, compared to 18.3 percent for the 100 companies that rated highest in their equal employment opportunities.

Diversity is a Smart Business Decision

We also know that it makes good business sense to have organizations mirror the population that comprises their customer base. According to the Society for Human Resource Management women make the vast majority of purchases, African Americans spend close to 500 billion each year on goods and services, and the buying power of Blacks, Hispanics, and Asians exceeds 750 billion annually.

Examples of Diversity in Successful Companies

Company	Increase in Diverse Work Staff	Business Advantage/Results
PepsiCo	2000 • 11% of management were minorities • 24% were women 2010 • 24% of management were minorities • 39% were women; 31% of executives were women	8% revenue growth, comparing 2000 to 2004 9% revenue growth in developing countries, 2011
IBM	1995-present • 52% of the IBM worldwide management council are now minorities and women	From \$10m to \$300m, comparing 1995 to 2001, for women and minority-owned contractors, who provided services to IBM
Harley Davidson	1995 • 5% minorities and women managers 2004 • 25% of management were minorities and women	24% of contracts awarded to minorities and women in 2004 CEO of Harley Davidson becomes chair of minority supply chain group, representing Blacks, Hispanics, and Asians, 2012

Measurement Tools Used to Make the Business Case for Diversity/Expanded Use of Cultural Inclusion

Tool	Description	Formula
DROI	Diversity Return on Investment	$\text{DROI\%} = \frac{\text{Diversity Initiative Benefits}}{\text{Diversity Initiative Costs}} \times 100$
BCR	Benefit/Cost Ratio	$\text{BCR} = \frac{\text{Diversity Initiative Benefits}}{\text{Diversity Initiative Costs}}$

(Society for Human Resource Management, 2003)

Achieving Cultural Synergy: The Leader's Role

When using the framework of cultural synergy, we are attempting to transcend the cultures of individual members to produce a situation where the values and norms of each culture are given equal voice and weight. Leaders and managers will encounter many instances where cultural differences may lead to misunderstanding, miscommunication, and even conflict. Managers must have the skills necessary to overcome these differences in a way that values both cultures. Using Nancy Adler's model, managers must learn how to help members from different cultures see how their cultural perspectives and assumptions are influencing their perceptions and behavior. They must also help the parties look at their cultural differences and similarities. By doing so, they may find the common ground from which they can create a synergistic solution to their cultural differences.

Summary

The world is changing, and so are the workforce demographics. Today's workforce demands a new skill set from our leaders which includes greater self-awareness, greater awareness of cultural differences, and an understanding of how diversity impact business results. Cultural synergy, an effective balance of different ideas, insights, and values, can emerge with appropriate leadership. Increasingly, your role is to develop and use cultural synergy.