

Organizational Structure and Culture: Do Individualism/Collectivism and Power Distance Influence Organizational Structure?

Summary

Cultural differences and their implication for organizations have been studied by many researches. Hofstede's four dimensions of culture such as individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity assist managers to understand how cultural differences affect organizations and management methods. The organizational structure generally can be described by four dimensions; specialization, standardization, formalization, and centralization. In the paper some considerations on individualism/collectivism and power distance possible influences on four dimensions of organizational structure are presented.

1. Organizational structure.

There are many different opinions and definitions on organizational structure. Structure in one sense is the arrangement of duties used for the work to be done. This is best represented by the organization chart [22].

What determines organizational structure? Classics in the field of organization theory represent many different schools. Some believe that certain factor, such as size, environment, or technology, determine organizational structure. They argue that these factors impose economic or other constrains on organizations that force them to choose certain structure over others. Thompson [31 p.51] said that structure "is the internal differentiation and patterning of relationships." He referred to structure as the means by which the organization sets limits and boundaries for efficient performance by its members, by delimiting responsibilities, control over resources, and other matters. Katz and Kahn [24 p.21] say that "structure is to be found in an interrelated set of events which return to complete and renew a cycle of activities." Jackson and Morgan use a modified definition originally formulated by Child [7]. They defined structure "as

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the relatively enduring allocation of work roles and administrative mechanisms that creates a pattern of interrelated work activities and allows the organization to conduct, coordinate, and control its work activities" [22 p.81].

As far as this paper does not concern the definition of organizational structure, dimensions of structure are much more important issues. The usual approach to structural dimensions is to assume that each dimension of structure can vary independently. Perhaps the principal disadvantage is that we have many dimensions of structure to deal with rather than a simple typology. Hall [18] studied bureaucracy and he showed that an organization can be very bureaucratic in one characteristic and much less bureaucratic in another characteristic. Jackson and Morgan [22] compared three studies of the fundamental dimensions of organization structure; those done by Aston group [27], by Child [7], and by Reimann [28]. The comparison shows that the studied dimensions were very similar and they can be grouped in four main dimensions:

1. structuring of activities (specialization, standardization, formalization, vertical span of control),
2. concentration of authority (centralization, autonomy),
3. line control of work flow,
4. supportive component.

In this paper the following dimensions are taken into consideration:

- **specialization** - the division of labor within the organization, the distribution of official duties among a number of positions,
- **standardization** - procedures that occur regularly, are legitimized by the organization, have rules that cover circumstances, and apply invariably,
- **formalization** - the extent to which rules, procedures, instructions, and communications are written,
- **centralization** - „place” where the authority to make legitimate decisions that affect the organization is located.

2. Culture.

Although there are almost as many definitions of culture as there are anthropologists, most anthropologists view culture as the sum total of the beliefs, rules, techniques, institutions, and artifacts that characterize human populations. Culture

consists of the learned patterns of behavior common to members of a given society - the unique lifestyle of a particular group of people [3, p.270].

Culture, in the organizational context, may be broadly defined as the sum of group's or nation's way of thinking, believing, feeling, and acting. Culture is the way of life of a group of people. More formally culture is defined as the complex whole which includes knowledge, belief, art, morals, customs and any other capabilities and habits acquired by members of a society. A society can be represented by members of a nation as well as by members of an organization. Some authors [22],[1],[2] distinguish terms of national and organizational culture. Organizational culture is defined as a complex set of values, beliefs, assumptions, and symbols that define the way which a firm conducts its business. Alkhafaji [1], for the purpose of his comparative study, defined culture as the accepted, patterned and distinctive designs of living. Alvesson [2] argues that it is difficult to separate clearly what is culture and what is outcomes, he suggests treating culture as a root-methafor. Considering organizational culture, he proposes a conceptualization of culture in terms of levels, arguing that too much attention has been given to the influence of "strong-figures" in the process of culture creation while too little attention has been directed to the level of "great culture" which includes professional cultures, national cultures, class cultures, etc. The organization is a meeting place for these "long wave" broad cultural patterns, and because their coexistence within the organization is a cultural characteristic, it may also explain some ambiguities. In order to identify unity as well as diversity, Alvesson recommends three levels of research perspective:

- the organization as a culture,
- the organization as a meeting place for great cultures,
- local perspectives on organizational sub-cultures.

Hofstede's [19] favorite definition of culture is "precisely that its essence is collective mental programming: it is that part of our conditioning that we share with other members of our nation, region, or group but not with members of other nations, regions, or groups".

As it can be seen there is no commonly accepted language to describe such complex thing as a culture. Statements about national character have often been based on impressions only. To avoid such statements Hofstede [20] proposed four different criteria, called dimensions, for describing national cultures. They are largely independent of each other:

- individualism versus collectivism
- large or small power distance
- strong or weak uncertainty avoidance
- masculinity versus femininity.

Fundamental issue involved in "individualism versus collectivism" dimension is the relation between an individual and his/her fellow individuals. At one end of the scale there are societies in which the ties between individuals are very loose and everybody is suppose to look after his/her own selfinterest and maybe the interest of his/her immediate family. At the other end of scale there are societies in which the ties between individuals are tight.

The fundamental issue involved in the second dimension, "power distance", is how society deals with the fact that people are unequal in physical and intellectual capacities which can grow over time into inequalities in power and wealth. In organizations, the level of power distance is related to the degree of centralization of authority and the degree of autocratic leader leadership. The relationship shows that centralization and autocratic leadership are rooted in the mental programming of the members of a society, not only those in power but also of those at the bottom of power hierarchy [21].

In the case of uncertainty avoidance the fundamental issue involved is how society deals "with the fact that time runs only one way; that is we are caught in the reality of past, present and future, and we have to live with uncertainty because the future is unknown and always will be" [19].

The "masculinity versus femininity" dimension concerns the division of roles between the sexes in society and it is social, rather than biological, sex role division.

The four dimensions developed by Hofstede will be used as representant of culture for this paper purpose.

3. Organizational structure and culture.

Cultural differences and their implications for organizations have been studied by many researchers, but the way culture has been treated as a variable central to the study differs quite considerably.

There are some cross-cultural researchers who ignore culture, real people and real events altogether, ostensibly on the grounds of their being difficult to study.

Instead, adopting what one might call a looking-glass approach to cross-cultural studies, they concentrate on recreating and simulating reality in group experiments, the groups usually consisting of students attending social psychology courses or business courses (as it can be observed in Table 1, in more than 50% cases there were students).

Another serious drawback from which many of the cross-cultural studies of management and organization suffer is the way they treat culture as a residual factor. The researchers often compare a group of managers and observe some differences in the way they view certain aspects of their work, and then, in the absence of non-cultural explanations for these differences, attribute them to culture. Frese [15, p.73] gives an example of "double" culture in former socialist countries: "A good generalization is that there was an *official* culture of participation in decision making and of a social orientation by a company. However, the *actual* culture was quite different".

Table 1. Management and Culture Research - survey of samples.

Author(s)	Sample description
[8]	93 MBA students (54 were students attending a large metropolitan university in USA, 39 were students from two metropolitan Japanese universities)
[26]	executives/firms: 51/20 -US, 5/3 -French, 11/6 -Dutch
[4]	78; final sample 38 MBA students and 21 non-MBA students (response 76%); all were male!!!
[25]	252 usable questionnaires in USA (response rate 46.6%), 225 in South Africa (25%), 25 in Portugal (33%).
[17]	209 participants (55% male and 45% female), 45 from Norway, 55 from Sweden, 64 from Australia, 45 from USA.
[29]	4405 individuals in 43 organizations (response rate 50.8%)
[9]	44 full-time students of an undergraduate accounting program, they received cash payment based on their performance in the task
[10]	93 MBA students (54 attending large metropolitan university in USA, and 39 from two Japanese universities)
[11]	55 business students , they were told that cash would be earned in the experiment
[12]	192 undergraduate accounting majors (half from USA, half from Singapore).
[13]	40 college students.
[5]	86 volunteers from undergraduate business classes.
[14]	121 students enrolled in a senior level finance course.

If we assume that organizational structure is measured by four dimensions (specialization, standardization, formalization, and centralization) and culture is

defined also by four dimensions (individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity), relationships between these dimensions will describe the relation between organizational structure and culture (Fig.1). It means that the model contains sixteen (4x4) relationships and only when all relationships are the same we can talk about similarity of culture influence on organizational structure. Other questions arise when we try to estimate if the model fits to the reality: does the model consider all variables connected with organizational structure as well as with culture, are variables really independent from each other, are they residual factors, should the model include an extra variables (time), etc.

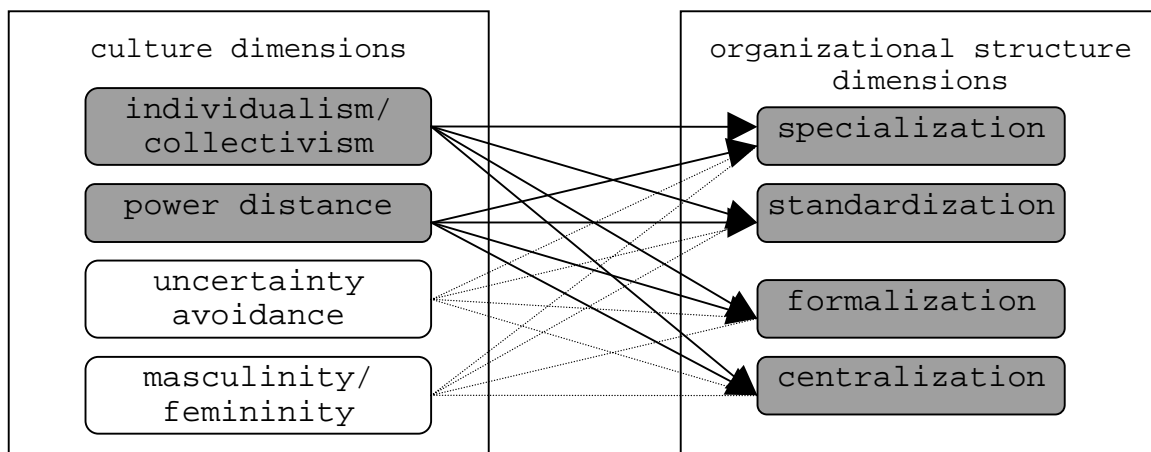


Fig.1. The model

Acquainted with simplification of the proposed model we will try to find whether culture influences organizational structure. This paper focuses only on two cultural dimensions: individualism/collectivism, and power distance.

3.1. Individualism/collectivism - specialization .

High individualism is positively related to independence and power seeking. High independence is connected with high individual responsibility. High individualism also means focusing on personal goals and this leads to competitiveness. High individualism expresses high diversity. High diversity as well as high competitiveness positively influence specialization. But on the other hand high power seeking is against sharing power of decision making and, if specialization ("the division of labor within the organization, the distribution of official duties" - decision

making too?) means delegation of decision making power, then specialization is reversely related to individualism.

All above considerations show that there is no simple answer on relation between these two dimensions; high individualism can cause high specialization as well as it can be an obstacle.

Similar considerations can be done for collectivism and specialization. Because collectivism is considered to be in opposition with individualism, it can be expected that simple answer concerned the relationship between these two dimensions does not exist, i.e. high collectivism can cause high, as well as low, specialization within the organization. In my opinion, the following hypothesis can be formulated:

H1 a. High individualism tends to cause high specialization.

H1 b. High collectivism tends to cause low specialization.

3.2. Individualism/collectivism - standardization.

Individualism would probably influence standardization the same way as it influences specialization. Standardization was defined as any procedure that occurs regularly, is legitimized by the organization, has rules that cover circumstances, and applies invariably. Procedures occur in the organization if it is such a need. Needs for procedures grow when specialization, i.e. the division of labor within the organization grows. It suggests that these two variables, specialization and standardization are not independent, or even if they are independent, they are positively correlated and high standardization within the organization cannot exist without specialization.

Does collectivism influence standardization? High collectivism calls out for individual sacrifice which is against individual achievements. Low individual achievements do not require any procedures which can serve as evaluation criteria. It seems that high collectivism would cause low standardization (inverse relationship). High collectivism also means high group responsibility, which in turn does not require specialization on narrow task and accompanying procedures (standardization). Once again, high collectivism should be assisted by low standardization (inverse relationship). On the other hand, high collectivism can be followed by high routine task. Because high routine task means high standardization then if high collectivism is followed by high routine task, it leads to high standardization (positive relationship). Collectivism can be identified rather with the group task than with the individual task, and because the group task does not lead to standardization high collectivism should be

followed by low standardization (inverse relationship). Again, we can see that there is no simple answer to the question "how collectivism influences standardization"; it can cause high as well as low standardization. The hypothesis can be formulated as follows:

H2. Individualism/collectivism influence level of standardization but it must be some other factors which serve as catalysts.

3.3. Individualism/collectivism - formalization.

Formalization is the extend to which rules, procedures, instructions, and communications are written. First of all we should notice that high standardization is required to achieve high formalization; if rules or procedures do not exist there is nothing to write. Than we can say that high formalization means high standardization but it does not mean that high standardization is followed by high formalization. If we assume that high individualism causes high specialization and standardization than we can expect high formalization provided there are no any other factors influencing formalization. The assumption that standardization is the only factor influencing formalization is wrong. Language, specially written language, can influence the level of formalization. In Japan it is very complicated to express what you want by writing. You can make several interpretations of what is written down. You can pronounce it in several different ways and what is more important, the meaning can change completely. Another important point in a company is that costs a lot of time to write in Kanji-Hiragana-Katakana. This is because there is only little written information on the shop floor level and you have to discuss all written information given to the shop [16]. Gipsy nation is another example of the nation that uses only spoken language. Does it mean that language and its simplicity or complexity are the factors that should not be omitted while considering formalization?

The above shows that interdependence between individualism/ collectivism and formalization is not simple. First, because we are not able to identify its (individualism's) influence on specialization and standardization, and second, because individualism is one of many factors that influence formalization and individualism's influence could be meaningless.

H3. High individualism can lead to high formalization provided there are no factors that serve as constrains or strong obstacle.

3.4. Individualism/collectivism - centralization.

Individualism means strong independence and individual responsibility. Individualism is characterized by strong personal goals and competitiveness. Independence seeks for power. In an environment with a strong power desire, competitiveness plays important role. High independence and competitiveness ask for decision making power. Taking into account what is said above we can state that

H4. The probability of highly centralized organization within the society with strong individualism is very low.

3.5. Power distance - specialization, standardization, formalization.

The three organizational structure dimensions: specialization, standardization, and formalization depend on each other. High standardization is possible if there exists high specialization, high formalization requires high standardization (but existence of high standardization within the organization does not mean that high formalization is characteristic for the organization). It looks that if we come to the conclusion that high power distance causes high standardization, we can expect that it also causes high specialization.

Everybody seeks high power (self-esteem), a subordinate as well as a superior. High standardization means many procedures and rules that subordinates have to follow and, as a consequence, the number of decisions they can make and their competencies become very narrow (because their tasks and activities are fully described by procedures and rules). Then, from the subordinates' point of view high power is against standardization. Superiors' point of view is totally different. Standardization helps to control subordinates; the higher standardization level the easier control. Power distance is defined as the extent to which people accept unequal distributions of power - the higher power distance, the greater acceptance of unequal distributions. High standardization takes away decision making from subordinates, but if they belong to the culture with high power distance they will accept the situation much easier than those belonging to the culture with low power distance. We can formulate the following hypothesis:

H5. High standardization is more probable within societies with high power distance than within those with low power distance.

3.6. Power distance - centralization.

Centralization is identified as high power for decision making. Power distance is defined as the extent to which people accept unequal distribution of power. Members of a nation with high power distance being subordinates probably much easier accept the power of decision making of their superiors. It seems that the following hypothesis can be stated:

H6. High centralization is much more probable within societies with high power distance than within societies with low power distance.

Decision making depends not only on centralization. There are other factors that strongly influence decision making. Janssens and Brett [23] argue that "Universalism versus particularism is another cultural value with profound implications for decision making. Management policies also may be perceived differently depending on cultural values and societal norms".

4. Conclusion.

Cultural continuity and coherence between organizations and the society within they operate is the aspect which has to be addressed fully while doing any cross-cultural research [30]. It is very important to avoid the situation when the entire work is based upon author's own view, like it is in the case of Chapman [6]. Her work concerned negotiation between American and Japanese managers, is based upon her own view what such a negotiation might be like. The view is then projected upon an experimental group who share her background and perceptions, and who confirm her hypothesis back to her.

The opinion on culture influence on organizational structure fully represents my own point of view. In order to find more general and proved relationships between culture and organizational structure dimensions wide research need to be done. Research should concern culture of many nations and many organizations formed by these nations. Also other factors, like national politics, language, etc. should be considered. Such factors can be treated as variables or as constrains for the model.

One more should be considered while talking about culture: it is difficult to write dispassionately about one's own country. We also should remember that culture is hidden when it is not contrasted with a different one.

Cultural continuity should be considered while applying any organization model or organizational structure. An organizational solution that was found effective and efficient within one culture could appear very unsuitable for others.

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