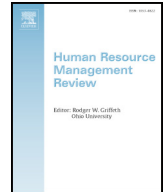




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The role of purposeful diversity and inclusion strategy (PDIS) and cultural tightness/looseness in the relationship between national culture and organizational culture

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ABSTRACT

The effect of national culture on organizational culture has long been debated by scholars. Institutional theory scholars argue for a strong effect of national culture on organizational culture through institutional isomorphism, whereas organizational culture scholars argue that organizations are capable of creating unique cultures that can bolster their competitive advantage. In this paper, we bridge the gap between the two literatures and propose that tighter cultures are less likely than looser cultures to tolerate deviance from the national culture surrounding them. At the organizational level, diversity strategy can vary dramatically; organizations that purposefully use diversity strategies are more likely to develop unique organizational cultures. Further, the interplay between national and organizational cultures result in greater constraining forces of national culture over organizational culture in tighter cultures than in looser ones; however, diversity strategies in tight cultures are more likely to foster distinct organizational cultures than those found in loose cultures.

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1. Introduction

What role does national culture play in shaping organizational culture? Is it a significant and detrimental role, as advocated by institutional theorists (e.g. [Aguilera & Jackson, 2003](#), [Nelson & Gopalan, 2003](#), [Zucker, 1977](#))? Or does a strong organizational culture outweigh national culture as proposed by the resource-based view (RBV) and organizational theorists (e.g. [Barney, 1986](#), [Gerhart, 2009](#), [Wernerfelt, 1984](#))? In this paper, we suggest a theory that takes into account insights from both institutional theory and the RBV perspective and postulate that the level of tightness/looseness inherent in a national culture, coupled with an organization's strategic approach to diversity and inclusion, shape the nature of the relationship between national culture and organizational culture. Specifically, we suggest that organizations embedded in loose national cultures are more likely to develop a culture that diverges from the national culture that surrounds them than organizations in tight cultures. However, organizations that are embedded in tight cultures and choose to foster cultural differences by implementing a strategic approach to diversity and inclusion are more likely to develop into unique, novel entities than those embedded in loose national cultures.

The interplay between national and organizational culture has been subject to continuous debates in the literature on organizational theory (e.g. [Gerhart, 2009](#), [Gerhart & Fang, 2005](#), [Hatch & Zilber, 2012](#), [Johns, 2006](#), [Kostova, 1999](#), [Pedersen & Dobbin, 2006](#), [Stone, Stone-Romero, & Lukaszewski, 2007](#)). Institutional theory (e.g., [DiMaggio & Powell, 1983](#)) postulates that organizations become similar to the national culture in which they are embedded – and to one another as a result – as they seek

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legitimacy in a given cultural environment. In line with institutional theory, different studies (e.g. Hofstede, 1980, 2001, Johns, 2006, Schneider & De Meyer, 1991) emphasize the constraining forces that national cultures impose on organizational cultures, arguing that between-cultural variance should be considered as a determinant of organizational culture. These arguments focus on processes, institutions, and forces that are external to the organization and which may demand measures or policies leading toward strict alignment of the organizational culture to the national culture through transmission, maintenance, and resistance to change (Zucker, 1977).

In contrast to scholars of institutional theory, organizational culture scholars argue that organizations develop distinctive cultures, which make them each unique from one another in significant ways (Pedersen & Dobbin, 2006). The RBV perspective, which originated in the strategy literature (Barney, 1986, 1991), suggests that organizational culture is a potentially inimitable resource that allows organizations to differentiate themselves from their competitors and establish sustainable, competitive advantages (Barney, 1986, 1991; Wernerfelt, 1984). Moreover, Oliver (1991) argues that organizations can actively take a strategic stance to resisting institutional processes and develop organizational cultures that distinguish themselves from other organizations. Elaborating on the constraining forces that national cultures impose on organizational cultures, Gerhart and Fang (2005); Gerhart (2009) criticize the methodological shortcomings of Hofstede's studies in particular Hofstede (1980, 2001), and conclude that the extent to which a national culture can constrain organizational culture has been overestimated. Instead, they argue that intracultural variability (Au, 1999) moderates the extent to which national culture constrains organizational culture: the larger the within-country cultural variability, the lower the effect of national culture on organizational culture will be (Gerhart, 2009).

The current paper aims to extend Gerhart's (2009) perspective and bridge the gap between institutional theory and the RBV perspective by adding two additional components to theorizations of the effect of national culture on organizational culture. Specifically, we discuss the importance of variability in the intra-national culture, operationalized by the continuum of tightness–looseness of a given national culture (Gerhart, 2009) and the role of a purposeful diversity and inclusion strategy, or lack thereof, at the organizational level. We define purposeful diversity and inclusion strategy (PDIS) as an overarching approach that guides an organization's actions. PDIS is a manifestation of organizational strategy and is incorporated in both the culture and identity of an organization through strategic, material, and symbolic processes. Rather than focus on the creation of multicultural organizations, PDIS invests its emphasis on the development of inclusive organizations that follow a diversity ideology as coined by Nkomo and Hoobler (2014) and also by inclusion/post-race ideology. As such, PDIS applies to all organizational operations with the intent of maximizing the utility of diversity and inclusion (e.g., generating ideas). We contrast PDIS with contingently-formed diversity that is subject to the demographic composition of the labor force as well as the geographic and legal environment in which organizations act.

It should be noted that contingent diversity is a policy and not a strategy; it implies lack of interest and any investment in diversity and inclusion and results in a culture that is reflective of the dominant national culture. Specifically, such organizations will be a reflection of the people who are traditionally positioned at the symbolic core of a nation's culture (e.g., White men in the U.S. or Yamato men in Japan) and while some within-organization diversity may exist, it will not be utilized to the benefit of the organization as much as organizations deploying PDIS. For theoretical clarity, we contrast PDIS and contingent diversity as categorical strategies or policies. However, organizations are likely to use varying levels of PDIS strategies as well as contingent policies.

We further argue that the interplay between variability in intra-national culture and PDIS moderates the effect of national culture on organizational culture. Extending Gerhart's work, we suggest a framework that attempts to unravel the dynamic relationship between national culture and organizational culture through the lens of PDIS. We suggest that a stronger strategic emphasis on PDIS will result in a weaker constraining effect of national culture on organizational culture; conversely, a contingent diversity and inclusion approach will lead to stronger constraining effects of national culture on organizational culture.

Finally, we emphasize the importance of categorizing cultures based on their tightness and looseness (Gelfand, Nishii, & Raver, 2006; Gelfand et al., 2011; Gerhart, 2009) as a factor that moderates the effect of national culture on organizational culture. Loose cultures have weak social norms and a high tolerance for behaviors that deviate from these norms, whereas tight cultures have strong social norms and low tolerance for behaviors that deviate from them (Gelfand et al., 2011). As such, tight national cultures constrain organizational cultures more than those within looser ones. Yet, contrary to the intuitions offered by Gerhart (2009), we argue that the level of tightness/looseness of a culture will amplify the moderating effect of PDIS on organizational cultures. Specifically, in a tight national culture, an organization that strategically engages in PDIS (positioning itself as distinct and occasionally opposing the national culture in which it is situated) will become more unique vis-à-vis the national culture, while organizations that do not engage in PDIS will be even more constrained by the national culture than those found within loose national cultures.

2. National culture as an institutional process shaping organizational culture

A core question of neo-institutional theory is why organizational structures and practices are homogeneous (DiMaggio & Powell, 1983). The concept of institutional isomorphism has been addressed in work by DiMaggio and Powell (1983), who suggest that organizations become similar to one another as they adapt to the same set of environmental conditions and seek political power and institutional legitimacy. DiMaggio and Powell articulate three specific paths of institutional isomorphism: coercive, mimetic, and normative. Coercive isomorphism occurs when organizations seek legitimacy and political power by adopting cultural expectations and adapting strict adherence to legal environments (e.g., governmental mandates); mimetic isomorphism appears when organizations mimic “model organizations” in response to uncertainty; and, normative isomorphism arises when there is an increasing amount of professionalization in an industry or profession. While the very notion of organizational culture

is not articulated explicitly by DiMaggio and Powell (1983), the coercive isomorphism they present in their discussion explains how organizations develop similarities in response to informal pressures from the societal culture in which they are immersed (DiMaggio & Powell, 1983).

Therefore, we focus our attention on coercive isomorphism when conceptualizing the interplay of national and organizational culture. Specifically, coercive isomorphism is particularly relevant in understanding the relationship between national and organizational culture for a few reasons: first, it postulates organizational culture as a possible dependent variable; second, it posits that organizations become similar to each other due to cultural expectations in the society in which they are embedded and where failing to meet these expectations is manifested as deprivation of legitimacy; and third, it captures the mechanism by which national culture constrains organizational culture through established social norms and social sanctioning of norm-violating behaviors (DiMaggio & Powell, 1983; Gelfand et al., 2006).

Other studies (e.g. Hofstede, 1980, 2001, Johns, 2006, Nelson & Gopalan, 2003) similarly suggest that national culture constrains organizational culture because national cultural norms, values, and beliefs are imposed upon organizations by societal institutions that provide them with human capital (e.g., schools and universities) and legitimacy (e.g., government agencies, government regulations, and government resources). Therefore, the effects of national culture on organizational cultures are multifaceted and derive from the institutions as well as from the human capital (i.e., employees) that are enculturated within the national context in which they work and live.

The greatest effect of national culture on organizational culture is facilitated both directly and indirectly by human capital. Individuals are immersed in national culture throughout their socialization process; individuals internalize social values and norms through national institutions and contexts, such as within family units, educational institutions, peer groups, and workplaces (Geletkanycz, 1997). As a result, an individual's socialization process reinforces national culture at the organizational level through individual agents. Multiple studies have demonstrated how socialization at an early age, well before individuals join the workforce, affects work-level behaviors once individuals do join the workforce (e.g., Dennis, Talih, Cole, Zahn-Waxler, & Mizuta, 2007; Farver, Kim, & Lee, 1995; Fitzsimmons & Stamper, 2014). Similarly, empirical studies have demonstrated how socialization within the framework of a national culture occurs at the organizational level; for example, through training, monitoring, control, and other socialization processes (Chow, Kato, & Merchant, 1996; Lincoln & Kalleberg, 1985).

Several scholars offer contingencies for the effects of national culture on organizational cultures. Gerhart (2009) has introduced a model suggesting that greater within-country variance in cultural values held at the individual level will provide more room for the operation of managerial strategy and differentiation (Gerhart, 2009), hence weakening the constraining effect of national culture on organizational culture. However, Gerhart acknowledges that national culture constrains organizational culture by acting as a 'context' or 'institutional force', and emphasizes the importance of managerial discretion and strategic human resource practices as important factors in developing a distinct organizational culture. Gerhart's (2009) model further suggests that intracultural variability (Au, 1999), which relates to the concept of cultural tightness–looseness, moderates the effect of national culture on organizational culture. Specifically, Gerhart (2009) argues that in the context of a loose national culture, organizations are more likely to develop a distinct organizational culture, whereas in the context of a tight national culture, organizations are less likely to do so. Still, while addressing variances in national culture, Gerhart (2009) focuses on the internal motivation of organizations to differentiate themselves as the driving force behind the development of organizational culture, while downplaying the role of adaptation to external environments, dependency on social institutions, and the level of embeddedness that organizations have within their given environment.

2.1. The moderating role of tightness/looseness of national culture

Building upon earlier work in anthropology, sociology, and psychology, (Boldt, 1978; Pelto, 1968; Triandis, 1989), Gelfand et al. (2006) define cultural tightness–looseness as “the strength of norms and degree of sanctioning within societies” (p. 1226). In so-called tight cultures, social norms are clear and strong; any deviation from social norms is likely to be sanctioned. In loose cultures, social norms are weak and accompanied by higher tolerance for deviation from the expected normative behavior (Gelfand et al., 2006, 2011; Pelto, 1968). National cultures vary in their tightness–looseness and as such researchers have defined tightness–looseness as a continuum rather than a dichotomy (Gelfand et al., 2006, 2011; Pelto, 1968). Gelfand et al. (2011) have conducted a 33-nation study and showed that tightness varies greatly among nations. For example, Pakistan, Malaysia, and India are on the high end of tightness with scores of 12.3, 11.8 and 11.0, respectively; Ukraine, Estonia, and Hungary are at the low end of tightness with scores of 1.6, 2.6, and 2.9, respectively, while the US and the UK had a moderate tightness score of 5.1 and 6.9, respectively. The reference point for the tightness score is a mean score of 6.5, which allows researchers to cluster relatively tight or loose groups of nations. For instance, East Asian countries such as Korea, Japan, and China with scores of 10.0, 8.6 and 7.9, respectively, are relatively tight compared to the reference point of 6.5, while European countries such as The Netherlands and Spain with scores of 3.3 and 5.4, respectively, are relatively loose compared to the reference point. The variance of tightness scores among East Asian countries, which are generally categorized as collectivistic societies, implies that cultural tightness–looseness also has divergent validity.

Tightness and looseness may also vary within cultures; it is possible for different subcultures to coexist within the same national context. We maintain that in cases where national boundaries encompass two or more strong and independent cultures, each subculture would have an institutional power on organizations under their influence. To put it differently, if a culture is bi- or tri-modal, the distribution around each mode will be determined by each subculture's accompanying level of tightness or looseness. For example, it might be argued that Hong Kong, while being a part of China, does not share the same culture as

mainland China (e.g., So, 1998). If this is indeed the case, we propose that mainland Chinese organizations would be affected by the cultural tightness/looseness found there, whereas organizations located in Hong Kong would be affected more by the tightness/looseness found in that historically distinct and autonomous region.

Among many important cultural dimensions, this paper is focused on cultural tightness/looseness (Gelfand, 2009; Gelfand et al., 2011; Gelfand, 2012; Pelto, 1968) and not on others, such as collectivism/individualism (Hofstede, 1980; Triandis, 1995) or uncertainty avoidance index (UAI) (Hofstede, 1980). Specifically, cultural tightness/looseness is useful in the context of exploring the role of national culture in constraining organizational culture through mechanisms of institutional pressure (DiMaggio & Powell, 1983; Oliver, 1991). To become isomorphic, cultural tightness/looseness captures the cultural difference in the relationship between national culture and organizational culture better than other cultural dimensions. The definition of cultural tightness/looseness (Gelfand, 2006) includes the notion of strength of social norms and sanctioning of norm-violating behaviors, which reinforces its relevance. Besides the relational aspect, the tightness/looseness perspective also has the potential to bridge different camps in organization research (i.e., institutional theory and RBV perspective) by bringing them into the arena of cross-cultural research. In sum, the notion of tightness/looseness enables us to theoretically capture the constraining and resistant nature of national-organizational culture relationships and to summon adjacent social theories (i.e., institutional theory) to the discussion about how these relationships operate.

Researchers have also proposed that national cultures constrain organizational cultures, which, with their isomorphic tendencies, tend to align themselves with the national cultures to which they are exposed. National culture also has a tendency to sanction organizations when they deviate from attendant norms. As a result, organizations in tight cultures are more likely to conform to the national culture with strong and strict norms and a limited range of acceptable behaviors (Gelfand et al., 2006; O'Reilly & Chatman, 1996). In contrast, organizations situated within loose cultures are not exposed to the same level of sanctioning and pressure to align themselves in an isomorphic manner; therefore, they are inclined to develop organizational cultures that tolerate a wide range of acceptable behaviors, with higher levels of acceptance, flexibility, and openness in interpreting these behaviors (Gelfand et al., 2006). Therefore, within loose cultures, organizations display greater cultural variability from one to the next.

In addition to the general tendency for the level of cultural looseness–tightness to affect organizational cultures, it is clear that they are also constrained by national cultures through active sanctioning processes. Two sanctioning processes are specifically relevant: deprivation of legitimacy (Meyer & Rowan, 1977) and organizational stigma (Devers, Dewett, Mishina, & Belsito, 2009). Institutional theory suggests that legitimacy is significant to organizations since it increases the likelihood of survival and conformity to cultural norms that are associated with gaining legitimacy (Covaleski & Dirsmith, 1988; DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Meyer & Scott, 1983; Oliver, 1991). To put it differently, organizations deviating from social norms encounter threats because of their lack of legitimacy, thus increasing risks which may endanger the likelihood of survival. For instance, in tight cultures, organizations displaying unique organizational culture are more likely to be perceived as deviating from the existing cultural context (Kim & Markus, 1999), which will result in lower levels of legitimacy and institutional support. Thus, the problems associated with lack of legitimacy (Low & Abrahamson, 1997) will impose pressure on organizations to conform to the national culture (e.g., Greenwood, Suddaby, & Hinings, 2002). However, in loose cultures, organizations incorporating unique organizational culture tend to be perceived as “legitimately distinctive” (i.e., entrepreneurial identities that possess both similarities to, as well as differences from, institutional conventions as outlined by Navis & Glynn, 2011), since such deviance from cultural norms is tolerated—and even facilitated—by alternative institutional forces.

In addition, organizations deviating from cultural norms are sanctioned by organizational stigma (Devers et al., 2009). Building on Goffman's notion of individual stigma (1963), Devers et al. (2009) define organizational stigma as a label that evokes collective, negative perceptions among stakeholders who perceive that a given organization possesses a fundamental, deep-seated flaw that results in its deindividuation and ultimately in it being discredited. In tight cultures, organizational stigma is more likely to be determined by the perceptions of stakeholders who value conforming to the societal norms (Devers et al., 2009; Kitsuse, 1962). In addition, because organizational stigma stems not from an organization's natural traits but from behaviors (Devers et al., 2009), those found in tight cultures displaying deviant behaviors (i.e., creating an organizational culture that poses challenges to the national culture) are more likely to be stigmatized by stakeholders who are conventionalized by national cultural norms. However, in loose cultures, organizations engaging in behaviors that are considered to be unconventional are less likely to be sanctioned socially or economically (Sutton & Callahan, 1987).

To summarize, national culture enforces limits on organizational cultures through various processes and mechanisms, and the typology of cultural tightness–looseness moderates this relationship. Hence, the complexity and multidimensionality of developing a unique and independent organizational culture stems partially from the embeddedness of organizations in the context of the national culture in which it is situated (Smircich, 1983); and, at the same time, from the organization being a culture-producing phenomena in its own right (Deal & Kennedy, 1982; Louis, 1980; Martin & Powers, 1983; Siehl & Martin, 1982; Tichy, 1982). The interplay between national culture and organizational cultures is moderated by the tightness/looseness of the former; and, as a result, it will affect the level of control that a nation's culture and institutions impose on individuals and organizations.

3. PDIS and organizational culture

Developing a distinctive organizational culture can follow multiple paths (Bass & Avolio, 1994; Gagliardi, 1986; Saffold, 1988; Schneider, 1987; Whetten, 2006). In understanding the relationship between diversity strategy and organizational culture, we identify two broad categories: organizational culture that can be actively shaped through PDIS; or, organizational culture that is contingently formed through a diversity policy based on compliance (e.g., not violating any discrimination laws). We define

PDIS as an overarching strategy that guides an organization's actions. PDIS is at the core of the organizational philosophy and is not simply limited to diversity and inclusion practices and policies. PDIS manifests itself as a heuristic that guides organizational approaches to problem solving, learning, discovery, and action; it is incorporated in organizational culture and identity through strategic, material, and symbolic processes. Rather than acting as a static concept, PDIS is a dynamic one, and it can take form as either a specific, proactive action that counters institutional pressures and maintains the organizational culture (Cole & Salimath, 2013) or, it can be one of strategic resistance to any cultural pressure to conform to institutional norms and values.

Contingently-formed organizational diversity originates from the environment in which organizations are situated. Organizations operate in certain geographical, legal, and cultural environments; and, as argued by institutional theory, their diversity and inclusion policies frequently conform to the pressures emanating from the external environment. For instance, organizations are more likely to attract and select individuals from communities that are physically proximal than from communities that originate in more distal locations. Similarly, compliance with legal requirements to increase the level of diversity (e.g., affirmative action and anti-discrimination laws) might also lead to varying levels of organizational diversity. However, within-organizational diversity that is contingently formed is unlikely to lead to the development of a distinct organizational culture because such efforts at creating diversity will only amount to reflecting the contingencies enforced by the external environment. As such, an organizational culture is likely to be similar to its corresponding national culture, as predicted by institutional theory (DiMaggio & Powell, 1983).

PDIS is a part of an organization's philosophy. As such, it is different from other meanings of diversity and inclusion that focus on specific categories or attributes such as gender, race, values, attitudes or other differentiators (Harrison & Klein, 2007) or definitions of diversity as the distribution of differences among the members of a unit with respect to a common attribute (Harrison & Klein, 2007). We expand upon these views of organizational diversity strategy to propose that "the way of thinking" and inclusion as a strategy is the overarching concept at the core of how PDIS is defined. Diversity in the way of thinking can stem from underlying attributes (Milliken & Martins, 1996) or deep-level diversity (Harrison, Price, & Bell, 1998), but it mostly stems from inclusion in a broader sense. Such inclusion encompasses ideas, behaviors, and heuristics that act as the cognitive fuel essential to the dynamic workings involved in organizational creativity, efficiency, and effectiveness. More concretely, PDIS is not simply focused on diversity in terms of arguably more external differences between individuals; rather it embraces the inclusion of multiple ways of thinking and various perspectives, the consideration of multiple approaches to solving the same problem, and connecting different sources of knowledge and ideas. Such an inclusive environment is fostered by developing a unique organizational culture that can accommodate the breadth of openness required to permit such inclusivity to flourish.

Organizations vary in their level of strategic engagement with PDIS. Exercising high levels of PDIS is likely to result in stronger organizational cultures that, when aligned with their strategic goals, may lead to greater success (Smircich, 1983). This view is supported by the strategy literature, and specifically, by the resource-based view (RBV; Barney, 1986, 1991) that perceives organizational culture as a resource of competitive advantage, which eventually leads to a stronger organizational performance. According to the RBV perspective, the success of an organizational culture in gaining competitive advantage requires three conditions to be met: the organizational culture should be valuable, rare, and inimitable (Barney, 1986). Being valuable can be broadly defined as possessing an organizational culture that is aligned with the organization's business strategy. Being rare and imperfectly imitable (Barney, 1991) can be perceived as requiring the organizational culture to be different than that of similar organizations, as well as different from the national culture in which the organization is embedded.

Distinctive organizational culture has been considered as a resource for competitive advantage (Barney, 1991). We conceptualize PDIS as part of a strategy that allows organizations to develop a unique organizational culture that is adapted to a specific environment and which helps them attain competitive advantages by allowing organizations to conduct themselves 'outside the box'. This view is supported by the strategic human resource management (SHRM) literature. Based on RBV and SHRM frameworks, McMahan, Bell, and Virick (1998) argue that diversity is related to competitive advantages for three reasons: diversity is valuable because it provides a variety of possible skill sets for organizations to utilize (Wright & McMahan, 1992); diversity is rare, because having a truly heterogeneous workforce at every level (e.g., at the level of occupations, experiences, heuristics, and demographics) is an outlying attribute; and, diversity is inimitable because it requires "deeply embedded" HR workforce management strategies derived from causal ambiguity and path dependency (Becker & Gerhart, 1996).

In sum, PDIS has two roles. First, it leverages the strategic component of diversity. Second, it prepares the ground for creating distinctive organizational culture as a resource for fostering competitive advantages. We focus on the latter and identify the moderating effect of PDIS on the tension between national culture and organizational culture. PDIS advances organizational performance by satisfying the three conditions of competitive advantage. For instance, PDIS supported by strong leadership and a HRM system in a tight-culture nation with demographic homogeneity, such as South Korea, leads to organizational culture that is rare and inimitable because other organizations are unlikely to be engaged in PDIS due to the potential risks involved

Table 1
Types of diversity strategy.

	PDIS	Contingent diversity
Source	Intra	Extra
Practices	Proactive	Reactive
HRM type	Strategic HRM	Traditional HRM
Leadership engagement	High	Low

(e.g., sanctions by institutions). To conclude, PDIS can be perceived as a strategy inspired by the aim of creating a valuable, rare, and inimitable organizational culture. Table 1 summarizes our arguments; and, as can be seen, PDIS comes from within the organization and includes internal investment, while contingent diversity comes from the organizational social environment. PDIS includes proactive practices to create a unique organizational culture in which it is positively enforced, while contingent diversity is reactive in nature; PDIS is implemented by using strategic human resource management, while contingent diversity exists when traditional human resource management is used; and finally, leadership engagement is high when organizations use PDIS and low when organizations are using contingent diversity.

4. The interplay of national culture variability and PDIS in shaping organizational culture

At its core, RBV postulates that organizations with a distinct culture that closely aligns itself with business strategy and goals enjoy a competitive advantage over those with weaker organizational cultures (Barney, 1986). However, the 'recipe for success' in developing a distinct organizational culture that is valuable, rare, and inimitable remains unknown. Strategically developing a unique organizational culture may be associated with many negative outcomes that can have both internal and external repercussions. Internally, for example, developing a distinct organizational culture is difficult and may end with unpredictable results (Cameron & Freeman, 1985; Chatman & Jehn, 1994; Kotrba et al., 2012; Sørensen, 2002), such as an increasing sense of alienation felt by employees as well as the repulsion of potential employees and other stakeholders (Sheridan, 1992). Such misalignment between the business strategy and goals and the emerging organizational culture may have a negative impact on organizational survival (Wilkins & Ouchi, 1983). Externally, a distinct organizational culture can result in the delegitimization of the organization by institutional forces (DiMaggio & Powell, 1983). Institutional forces can deny resources to non-compliant organizations and use legal, social, and other means to penalize what may be perceived as deviant behavior or practice from organizations (Jepperson, 1991; Lawrence, Winn, & Jennings, 2001; Phillips, Lawrence, & Hardy, 2000; Scott, 2001). The question then becomes one that addresses the circumstances, if any, under which organizations persist in engaging PDIS and risk some of the costs that are associated with developing a unique organizational culture.

We propose that the tightness and looseness of the external environment is likely to impact the likelihood that organizations will engage in PDIS. In accordance with Gerhart's (2009) conceptualization of the role of national culture in organizational culture, we argue that organizations are much more likely to attempt – and succeed – in developing a distinct culture using PDIS when they are operating within a loose national culture. This is because they are less likely to encounter internal resistance as well as delegitimization and withholding of resources by the external environment.

However, diverging from Gerhart's (2009) initial conceptualization, we propose that organizations that attempt and eventually succeed in developing a distinct organizational culture in tight national cultures will be more likely to possess a cultural uniqueness and specificity unsurpassed by those that succeed in deviating from within loose national cultures. To put it differently, in loose national cultures, the weak, restraining forces of national culture on organizational culture will result in a weaker effect of national culture on organizational culture and in a greater number of organizations that moderately deviate from the national culture. Organizations in loose cultures will be reluctant to assume risks that accompany developing an extremely unique culture because they can enjoy both worlds: they can cultivate a moderately unique organizational culture and still sustain institutional support. Yet a tight culture that harnesses stronger control over organizations exhibiting signs of potential deviation from the national culture will still witness the emergence of a small number of organizations that succeed in developing and maintaining unique and distinct identities demonstrating degrees of nonconformity from the national culture surrounding them. This happens for two reasons: first, both small and large deviations from the national culture are likely to result in delegitimization by institutional forces. As such, organizational culture that allows the organization to survive, even when institutional forces resist the organization, would need to be very unique and provide advantages and resources to the organization that overcome the lack of support, and resistance, from institutional forces. Second, most organizations that deviate from the national culture in a tight culture will simply not survive. As such, only a few organizations that are able to truly substitute institutional support with an independent, unique organizational model will survive. These select organizations will have to develop a unique and highly efficient culture that is aligned with their strategic goals if they are to withstand the toll an institutional environment is likely to take on them. Furthermore, this culture is likely to be very tight, like the national culture, but deviate substantially from the national culture in multiple ways. Propositions 1 and 2 formally state the relationship between national culture and organizational culture. Specifically, we propose that:

Proposition 1. *In loose national cultures, the proportion of organizations with an organizational culture that deviates from the national culture will be higher than those in tight national cultures.*

Proposition 2. *In tight national cultures, organizations that deviate from the national culture will have more unique and distinct organizational cultures than those that deviate from within a looser national culture.*

The specific manifestation of PDIS by an organization differs according to the national culture in which it is embedded. In tight cultures (e.g., South Korea; Gelfand et al., 2011), where tolerance to deviation from certain norms is low and the concept of diversity and inclusion is not well embedded, PDIS is perceived as an aberration from accepted norms and values (it is, in some instances, considered counter culture; Yinger, 1960). In loose cultures (e.g., the United States; Gelfand et al., 2011), where tolerance to deviation from certain norms is high and the concept of diversity and inclusion is well established, PDIS

is manifested as a proactive, and not reactive, response to the institutional pressure that induces organizations to incorporate diversity practices (Cole & Salimath, 2013).

When organizations choose to implement PDIS through their strategy, planning, and human resources practices (McMahan et al., 1998; Richard, 2000; Wright, Ferris, Hiller, & Kroll, 1995) they are aiming to create an organizational culture that is unique and inimitable, and which can also provide them with a competitive advantage over competitors. PDIS does more than increase the amount of within-organization diversity: it aims at developing a distinct organizational culture. PDIS is therefore embedded in an organization's culture, mission, and philosophy as well as being supported by leadership. Because PDIS by its very nature aims to be impermeable to the pressures to comply with the national culture and institutional forces surrounding it—and may even oppose the national culture within which it is situated—it is more likely to be implemented by organizations acting in a loose national culture than in a tight one. The severity of penalties and delegitimization enforced by the institutional environment will deter more organizations operating within tight cultures from adopting PDIS, while the tolerance of the institutional environment to divaricate or branch away from the national culture will result in greater adoption of PDIS in loose cultures.

However, there is a boundary condition for orienting strategic engagement in tight and loose cultures. Social situations (Gelfand, 2006) vary within culture. Specifically, in tight cultures some norms may still be weak; similarly, even loose cultures have some norms that are strongly enforced and followed. In other words, pockets of tightness can exist in loose cultures, while pockets of looseness can occur in tight cultures. We use the terminology pertaining to the strength of social situation (Gelfand, 2006; Mischel, 1977) to illustrate that tight cultures can have weak situations and loose cultures can have strong situations. A strong situation refers to the increased predictability of subsequent behavior by limiting the number of behavioral patterns, while weak situations have fewer constraints (Gelfand, 2006). We therefore suggest that our proposed model should take into account specific social situations, especially in loose cultures. We propose that:

Proposition 3. *Organizations in tight cultures that possess strong social situations are more likely to engage in contingent diversity policy than organizations in loose cultures.*

Proposition 4. *Organizations in loose cultures that possess weak social situations are more likely to engage in PDIS than organizations in tight cultures.*

4.1. PDIS as a moderator of the national and organizational culture relationship

In the previous section, we proposed that in loose national cultures, organizations have more opportunities for deviation than in tight national cultures. Yet, even in tight cultures, some organizations develop a unique and distinct organizational culture. In fact, we state in Proposition 2 that when organizations embedded in tight cultures choose to engage in PDIS, and assuming that the organization will survive and flourish, the resulting organizational culture is likely to be distinct and unique. Despite exposure to significant institutional pressures and sanctions aimed at imposing conformity, uniqueness and differentiation from national culture will occur because these organizations still choose to strategically and purposefully develop such traits. As such, organizations in tight cultures that engage in PDIS and which are willing to give up institutional support, legitimization, and resources are forced to develop an internal culture that has greater potential to be valuable, rare, and inimitable (Barney, 1986) thereby cultivating alternative resources to ensure their survival. In contrast, organizations which are embedded in loose national cultures are far less likely to risk the loss of institutional support, legitimization, and resources when engaging in PDIS. As such, incentives for organizations which are embedded in a loose national culture to develop a counter-culture that is unique and distinct are lower.

Take as an example a very tight national culture in which demographic diversity is undervalued and the workforce possesses a large degree of homogeneity. Most organizations situated therewith will conform to the national culture and attract, recruit, and promote members of the demographic majority. Such a strategy would allow most organizations to continuously receive institutional support, legitimization, and resources from the environment. However, the few organizations that decide to engage in PDIS and which counter the national culture by focusing on the creation of an inclusive organizational culture are likely to proceed in these developments in a fashion that substantially deviates from the national culture. Furthermore, these strong and unique organizational cultures must be successful enough to substitute institutional support and perpetuate the organizations' survival through alternative resources. Conversely, in a loose national culture in which demographic diversity is valued and the workforce is demographically heterogeneous, it is unlikely that organizations engaging in PDIS will develop organizational cultures with sufficient resilience to counter the national culture, or become distinct from them. In this loose cultural context, the incentives for creating a distinct culture are low given the ability of the organization to create a moderately unique culture while still maintaining institutional support and acceptance.

We further propose an opposite, moderating effect of contingent diversity policy on the relationship between national culture and organizational culture in both loose and tight national cultures. Specifically, because contingent diversity policy depends to a large extent on the external environment in which an organization is embedded, there will be a high rate of similarity between traits shared in national cultures and organizational ones in tight cultures. Conversely, because the external environment in loose cultures refrains from enforcing national cultural norms on organizations to the same degree as in tighter cultures, contingent diversity policy is more likely to result in deviations of the organizational culture from the national culture in loose cultures. Specifically we propose that:

Proposition 5. PDIS, when applied by organizations that are embedded in tight cultures, will result in organizations that are more culturally distinct from the national culture than PDIS applied in loose cultures.

Proposition 6. Contingent diversity policy, when applied by organizations that are embedded in tight cultures, will result in organizations that are more culturally similar to the national culture than contingent diversity policy applied in loose cultures.

Fig. 1 summarizes our theoretical model and presents the interplay between institutional context, contextual factors, cultural tightness/looseness, the organizational population and organizational culture.

5. Implications and future research

In this paper, we have tried to expand prior knowledge on the nature of the relationship between national culture and organizational culture. We propose that taking into account the type of culture in which the organization is embedded (tight versus loose), and the organizational diversity and inclusion strategy (PDIS versus contingent), can bridge the gap between institutional theory and the RBV perspective on the relationship between national and organizational cultures. In tight cultures, fewer organizations deviate from the national culture; in loose national cultures, more organizations develop distinctive organizational cultures (Gelfand et al., 2006). However, the degree to which organizational culture deviates from national culture is potentially greater in tight cultures than in those that are loose. We further suggest that PDIS and contingent diversity policy moderate the relationship between the type of national culture and the distinctiveness of organizational cultures. While more organizations will initiate PDIS in a loose culture than in one considered to be tight, the few organizations that initiate PDIS in tight cultures will develop markedly distinct and novel organizational cultures. Organizations choosing contingent diversity policy will demonstrate a cultural makeup that is similar to the national culture in a tight culture and less similar to those found in loose cultures.

Although we cannot address all the factors that affect the relationship between national culture and organizational culture, our model provides a new perspective on the relationship between national culture and organizational culture and suggests a mechanism that arguably provides a strong explanation for opposing views on the constraining forces that national cultures continue to maintain over organizational culture. Future studies may also examine which dimensions of culture are more important in shaping the relationship between national culture and organizational culture. For example, Gorodnichenko and Roland (2011) have suggested that individualism/collectivism, and to a lesser degree power distance, are key cultural dimensions in long-term economic growth. It is therefore possible that organizations adopting PDIS will be more successful if they narrow their focus to develop key dimensions in their organizational culture and/or resist alignment with cultural dimensions of the national culture; this may prove more important to their long-term performance than focusing on other dimensions that may have a lesser impact.

In a similar vein, future studies could investigate the context in which one cultural dimension might explain the various reasons for isomorphism more effectively than other cultural dimensions. For instance, in a culture where the level of uncertainty avoidance (Hofstede, 1980) is high, organizations may become similar as a result of imitation of role model organizations

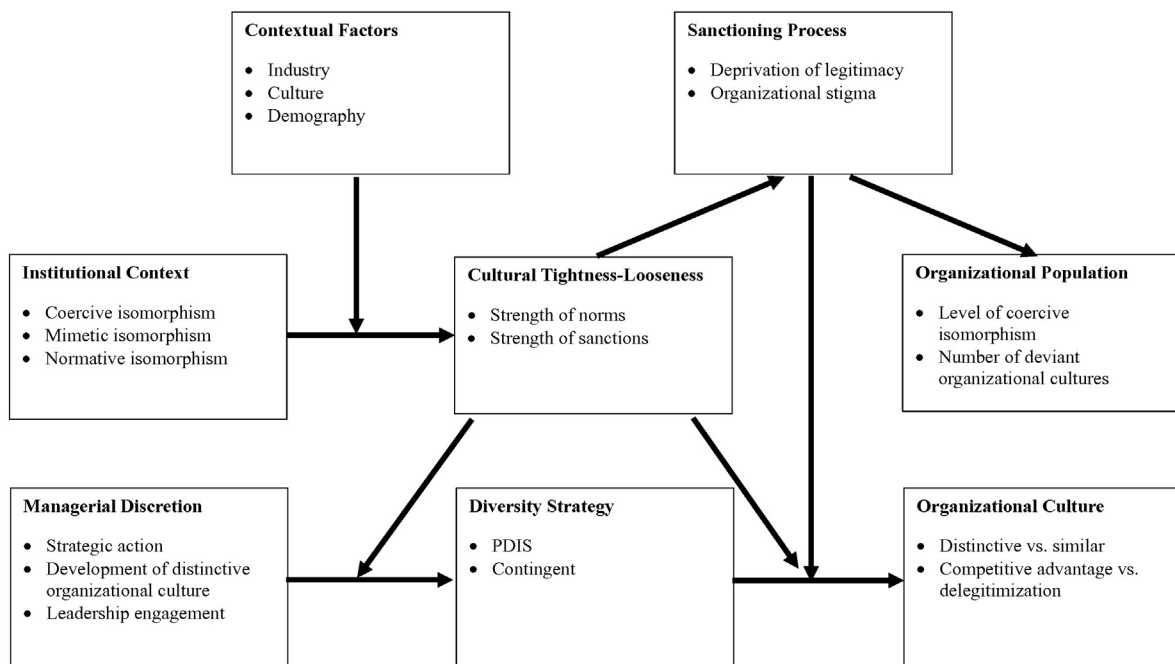


Fig. 1. Multilevel model of national culture variability, diversity strategy, and organizational culture.

(Cyert & March, 1963; DiMaggio & Powell, 1983). However, even in a culture low on uncertainty avoidance, strong governmental regulation may also result in isomorphism. Another line of future research may conceptualize a more sophisticated model of culture, considering various moderating factors like the content of social norms, within-culture variance (Jackson, 1966), and the strength of social situations (Gelfand, 2006). For instance, if the social norm, “question everything”, is embedded in a tight culture, the PDIS route of distancing the organization from certain social norms will be challenged and potentially create dissonance in the coherency of internal, organizational thinking. This is because PDIS could be perceived as containing values that are in favor of critical thinking, thereby paradoxically aligning an organization with the tight culture in which it is embedded. However, if organizations in loose cultures operate in a specific industry with strong norms, they are more likely to manifest contingent diversity policy.

5.1. Implications for national culture–organizational culture relationship

Our model makes several contributions to the ongoing discussion about the level of restraint national culture imposes on organizational culture. First, further developing upon Gerhart's (2009) work, we suggest that organizational diversity and inclusion strategy is an important moderator of the relationship between national culture and organizational culture. Specifically, our model proffers a new level of analysis; Gerhart (2009) has proposed that individual cultural variances translate into organizational level variances. As such, Gerhart's (2009) conceptualization addresses both the individual and inter-organizational level of analysis. We add an additional level by suggesting that intra-organizational differences in diversity strategy are important moderators of the relationship between national and organizational culture.

Second, our model provides a more comprehensive framework that permits a more precise and exacting analysis of the restraining forces that national culture can impose upon organizational culture. We do this by taking into account variations in organizational human resource strategy and variations in national cultures. We argue that organizations, as part of their strategic human resources, can use PDIS or contingent diversity policy; and, that organizations operate in a national, cultural context that is positioned on a spectrum from loose and tight. Similar to Barney's resource-based view (RBV; 1986), we argue that PDIS provides a competitive advantage for organizations that are attempting to develop a strong and distinct culture; but we extend the use of RBV theorization by arguing that organizational culture that is evolving as a result of PDIS has greater potential to create a unique, organizational culture in tight national cultures. Specifically, in such cultures, organizations that intentionally embrace and celebrate deviances from social norms and values are only able to withstand institutional pressure to conform if they develop an inimitable, resilient internal culture that leads to competitive advantages.

5.2. Implications for globalization, diffusion of practices, and cultural change

The proposed theorization offers several avenues that may be pursued in future research about the diffusion of practices, globalization, and cultural change. The concept of diffusion addresses how ideas and practices move between organizations and across cultural borders (Katz, 1999; 145). Diffusion has been shown to operate in areas such as shareholder rights (Fiss & Zajac, 2004), corporate governance (Davis, 1991), ISO 9000 quality certification practices (Guler, Guillén, & Macpherson, 2002), stock market exchange practices (Weber, Davis, & Lounsbury, 2009) and diversity practices (Yang & Konrad, 2011). These streams of research on the diffusion of practices have utilized both institutional theory and the forces of globalization to explain how different organizational practices move within, and across, national borders. While globalization has provided generative context (Weber et al., 2009) to understand the diffusion of practices at an international level, institutional theory has provided an explanation for the underlying processes that induce diffusion within countries. The conceptualization of PDIS and contingency diversity can contribute to current literatures on the diffusion of practices by pursuing different lines of questioning when studying them. For example, future research can examine whether or not PDIS allows greater organizational receptivity to change as well as more rapid adaptation to evolving demands by making diffusion faster and more efficient.

Future research could also explore the conditions under which the diffusion of diversity practices among organizations that operate in demographically homogeneous and tight societies occurs. For instance, using institutional theory framework to explain the diffusion of diversity practices, Yang and Konrad (2011) suggest that organizations implement diversity management practices as part of their formal institutionalization process. Others (e.g., Dobbin, Kim, & Kalev, 2011) suggest that the adoption of diversity programs by organizations is shaped by various factors, including organizational culture and institutional pressures. Dobbin, Simmons, and Garrett (2007) propose four mechanisms (coercion, competition, learning, and emulation) corresponding to institutional isomorphism to explain how practices diffuse internationally. However, cross-cultural differences have not yet been discussed in the literature on diffusion of diversity and inclusion practices. Therefore, future research could incorporate cross-cultural views to enhance our understanding of the mechanisms that trigger the diffusion of particular practices that remain foreign to certain cultural contexts, how the pattern of diffusion of practices differ cross-culturally, and how globalization affects these processes.

Finally, our model, which analyzes the role of PDIS within the context of the interplay between national culture and organizational culture, raises important questions regarding the relationship between the diffusion of practices and cultural change. If the concept of diversity is diffused among organizations, how does it affect national culture? Is there an interplay and reciprocity between organizational and national cultures? Can a unique organizational culture affect changes at the national level? And if so, at what point does the degree of prosperity gleaned from this diversity, and the practice of inclusion, induce macro-level cultural change? These questions will inevitably facilitate future research on the role that organizations play in society as agents of cultural

change (Weber & Dacin, 2011), and their capacity to resist and overcome the constraining forces of the broader cultural contexts that surround them, while becoming instrumental forces of progress and innovation at the national level.

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