

Global Business: Convergence vs Divergence

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Introduction

In recent years, there have been significant changes in the global economy due to technological changes and increasing globalization. International companies have encountered diverse value systems of their employees as a result of multinational workforces in their overseas operations. Hence, it is important for international companies to understand individual work values differences when these organizations attempt to adopt a unified approach to corporate culture across the globe.

Whether the differences in societal values and practices around the world are disappearing (the convergence perspective) or not (the divergence perspective) is of immense interest in multitude of social science disciplines, including the field of cross-cultural management. At the core of the contrasting perspectives is the question of how values and practices around the world are shaped and evolve over time.

The connection between national culture and work values is of considerable interest to international companies when they operate in different countries. This paper reviews the existing literature on values change and evolution with respect to convergence and divergence perspectives. The next section discusses the convergence perspective from a global business context. It is followed by a discussion of the divergence perspective that describes the individual work values of managers globally. A comparison of convergence and divergence is presented as a theoretical framework for analysis.

The Convergence Perspective

The most influential argument for convergence is engrained in the rationalist perspective which posits that traditional values and practices in different societies around the world that are incompatible with the modern technology are destined to be replaced with those that are. For example, the “logic of industrialism”, proposed by Kerr and colleagues in their book “*Industrialism and Industrial Man*” (Kerr, Dunlap, Harbison & Myers, 1960), asserts that, industrialization, driven by the advancement of technology, has resulted in a seismic societal transformation in the industrialized nations. The imperative of industrialization drives the necessity for massive capital investment, extensive human capital development, rapid urbanization, the creation of large-scale enterprises, and the establishment of workforce accountability. According to Kerr and colleagues, this imperative of industrialization “knows no national boundaries.” Developing nations are bound to converge toward this universal societal system as they gradually embrace industrialization. Therefore, following this logic, values and practices around the world will evolve in tedium with the introduction of new technology, and nations that achieve similar levels of technological advancement and income will come to adopt similar attitudes and institutions.

However, evidence has shown that not all process of convergence in societal system is driven by the need for technological compatibility and/or economic efficiency. For example, in a study of the educational systems around the world, Inkeles & Sirowy (1983) uncovered strong similarities across nations, even though some of these nations are at very different stages of technological sophistication and economic development. These authors attribute the finding to isomorphism, a process of change proposed by neo-institutionalist scholars (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Based on these scholars, not all changes in social systems take place as a response to the requirements of a technologically more advanced economic system. Instead, in

many cases, diffusion of standard practices around the world occur because organizations and societies succumb to isomorphic pressures as they seek to gain or maintain legitimacy and support (Kosova & Roth, 2002). It may take place as a result of the powerful moral forces of global institutions, such as the World Bank, the World Economic Forum, The Organisation for Economic Co-operation and Development (OECD), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Organization for Standardization (ISO), which endorse, and push for, the adoption of “universal” values and international standards around the world or within certain regions (Huntington, 1996; Inkeles & Sirowy, 1983; Leung, Bhagat, Buchhan, Erez & Gibson, 2005). This may also occur because lower-income nations aspire to emulate the leading nations, as was the case of the effort by Japan during the late nineteenth century to mimic the government system of the advanced Western industrial nations (DiMaggio & Powell, 1983).

In recent years, the globalization perspective further strengthens both the rationalist and neo-institutionalist arguments in support of the convergence perspective. From the rationalist angle, the growing connection and interdependence of the world’s economies and the increasing flows of people and information have given rise to an increasingly borderless world. It is argued that the force of globalization has, and will continue to, bring about large multinational companies (MNCs) that not only compete globally for cosmopolitan consumers but also standardize management practices around the world (Levitt, 1983; Hansmann & Kraakman, 2009). From the neo-institutional perspective, globalization has also helped to further propel a growing global consensus on many core principles, such as openness to foreign investment, rule of law, human rights, transparency, and environmentalism, which is driving the convergence of societal

governance and business practices around the world (Drori, Jang & Meyer, 2006; Meyer, Boli, Thomas, & Ramirez 1997).

The Divergence Perspective

However, the convergence perspective is fiercely contested by many scholars (e.g., Redding, 2005; Whiteley, 1999), who maintain that different value systems around the world have endured despite the diffusion of modern technology and the resultant rise in income (e.g., Hofstede, 1980; Schwartz, 2004). These value differences buttress the persistent cross-national diversity in management practices (i.e., House, Dorfman, Javidan, Hanges & Sully de Luque, 2014; Khanna & Palepu, 2004; Mayrhofer, Brewster, Morley & Ledolter, 2011) and societal institutions (e.g., Inkeles, 1998; O'Connor, 1988). For example, in a study examining changes in social welfare systems across 17 OECD nations, including mostly those in West Europe and North America, from 1960 to 1980, O'Connor (1988) found substantial, and in some cases growing, differences across these nations in their welfare provisions with respect to expenditure and policy orientation, even though these nations were quite similar in material wealth. In the field of cross-cultural management, a large study of human resource management practices in large private firms in 13 European countries between 1992 and 2004 found no clear evidence of convergence, despite the fact that these nations are all part of the European Unions or the European Economic Area (Mayrhofer et al., 2011). Likewise, an in-depth study of the Indian software firms did not reveal strong evidence that their corporate governance systems are converging toward the American standard, even though the Indian software firms compete vigorously with the American ones in the global market for software services as well for software engineers (Khanna & Palepu, 2004).

The convergence skeptics further argue that traditionalism and modernity are not necessarily incompatible (Smith & Bond, 1999) and similar technology can be successfully embedded in a variety of social systems (Dunphy, 1987), with Japan serving as an often-cited example.

Although the technology of modern industry was introduced into Japan from the West beginning in the late-nineteenth century, the Japanese factories, which emerged since, continue to be organized in ways that are consistent with the Japanese traditional values and norms as they existed prior to the introduction of modern industries. Low workforce mobility and seniority-based pay, for example, remain common in modern Japanese firms (Abegglen, 1973; Dore, 1973; Dunphy, 1987; Yoshino, 1968). Some scholars (e.g., Anable, 2003; Whitley, 1999) have further extended the argument and put forth the notion that there exist diverse versions of capitalism in the world, such as the American version, the Chinese version, the Japanese version, and the German version, each creating a business system that is congruent with the given nation's enduring societal traditions.

The detractors of the convergence perspective also contend that business systems that are ill-adapted to the social realms in which they embed are destined for failure. For example, MNCs which insist on the universal rollout of business practices that work in their parent country but clash with the local societal norms of some of their host countries have shown to suffer from negative performance consequences (e.g.: Siegal & Larson, 2009). Indeed, this line of thought has led to one of the core streams of cross-cultural management research that focuses on how MNCs can effectively respond to the local conditions of their host locations while maintaining some level of global efficiency (e.g.: Bartlett & Goshal, 1989; Rosenzweig & Nohria, 1994; Zaheer, 1995).

It should be mentioned that, even though “divergence”, in true sense of the word, implies growing diversity in values and practices around the world, most convergence skeptics merely asserts the persistence of diversity, rather than growing diversity. Therefore, in some way, the “divergence perspective” label, while widely used, may be somewhat imprecise.

Convergence vs Divergence

While convinced of the enduring diversity of social realms around the world, the advocates of the divergence perspective generally do not dispute the convergence of some societal practices driven by technology and globalization. On the other hand, supporters of the convergence perspective do not necessarily believe the disappearance of differences in all dimensions of social life around the world. Therefore, a more fruitful debate is what categories of values and practices around the world are converging and what categories are not. In a much narrower sense, a debate of this nature is reflected in a stream cross-cultural management research focusing on the convergence, divergence or cross-vergence of values around the world (summarized in Ralston, 2008), although much more conceptual specificity and refinement is needed (Witt, 2008).

However, in a broad sense, the convergence vs divergence debate is extremely complex due to both conceptual and methodological challenges. Conceptually, the wide scope of the focal issue requires interdisciplinary perspectives. Even within a single discipline, the debates on this topic are easily bogged down by selective evidence and partial arguments on both sides (Redding, 2005). Methodologically, it is also exceedingly difficult to interpret empirical findings obtained in any given point time. For example, it is not always easy to determine whether the observed

differences across nations are dying remnants of an increasingly irrelevant preindustrial era or lasting evidence of a rich cultural mosaic (Witt, 2008).

Conclusion

The issue of diverse work values is an important topic in international management that provides the basis for global business operations. This study aims to lay a foundation for a better understanding of the linkage between national culture and managerial work values across the globe. The debate on cross-cultural convergence and divergence is fascinating one. It is hoped that this paper will lead to further research in this area.

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