

Understanding "Appropriateness" in Multinational Corporations

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Assessments of the appropriateness and inappropriateness of behaviors play an important role in interactions in multinational corporations (MNCs). We develop a model of appropriateness that illustrates how various arrangements in MNCs (e.g., geocentric staffing) may work to influence the frequency of (in-) appropriateness assessments as well as the magnitude of reactions to such assessments via their influence on members' ingroup-outgroup categorizations.

Keywords: appropriateness; intercultural; multinational corporations

Introduction

One of the challenges faced by multinational organizations is enabling diverse employees to work together effectively. Multinational corporations (MNCs) struggle to facilitate working relationships between employees from different national and cultural backgrounds. For example, research has shown that when employees of multinationals are assigned to work in foreign countries, these assignments are more prone to failure than home country assignments – and are extremely costly (Halcrow, 1999; Poe, 2002). These failures have been attributed, in part, to employees' difficulty adjusting to working with people with different cultural orientations -- the values and beliefs learned from a cultural group (Caliguri, 2000, Chao, 2000, Earley & Randel, 1997). Differences in cultural orientations may result in different perceptions of appropriate behavior, negatively impacting relationships within MNCs. More specifically, researchers have shown that culturally *inappropriate* behaviors often lead to conflict (Bailey, 2000; Sano & Di Martino, 2003) and difficulties in achieving organizational goals (Lindsley & Braithwaite, 1996; Shaw, 1998). On the other hand, cultural *appropriateness* has been found to be integral to resolving international conflict (see Fisher, 1997 for review). More generally, empirical research supports the argument that inappropriate behavior evokes negative reactions while appropriate behavior elicits positive reactions (Harris, 1970; Henry, Peterson, & Wilson, 1997; Smucker, & Creekmore, 1974; Stile & Kaplan, 1996; Yoshitake, 1992). These reactions, in turn, can influence the quality of relationships in an organization.

Despite recognition that appropriateness may be key to understanding the types of interactions and reactions that are prevalent in multinational organizations, there have been few explicit attempts to conceptualize appropriateness and to delineate those factors that influence both the frequency of appropriateness/ inappropriateness assessments as well as the important

outcomes associated with such assessments. Drawing on social identity theory (Tajfel & Turner, 1979) and self-categorization theory (Turner, 1987), we argue that the unique context (e.g., structural, staffing policies) of MNCs will influence *how likely it is* that member behaviors are viewed as inappropriate (versus appropriate), as well as the *intensity* of the negative (versus positive) outcomes that are expected to be associated with assessments of inappropriate (versus appropriate) behaviors.

Towards a Model of Appropriateness

Appropriateness.

While prevalent in studies of cross-cultural interactions and multinational corporations, the term “appropriate” is often treated implicitly and its importance in cross-cultural dynamics is often illustrated rather than defined. An illustration of inappropriate behavior (as may be used in a cross-cultural sensitivity workshop) is as follows:

Tom Bancroft, the top salesman in his Midwestern U.S. area, was asked to head up a presentation of his office equipment firm to a Latin American company. He had set up and appointment for the day he arrived, and even began explaining some of his objectives to the marketing representative who was sent to meet his plane. However, it seemed that the representative was always changing the subject; he persisted in asking a lot of personal questions about Tom, his family, and his interests. ...[]... During the next few days, Tom noticed that though they said they wanted to discuss details of his presentation, they seemed to spend an inordinate amount of time on inconsequential activities. This began to annoy Tom (Cushner & Brislin, 1996: p. 155-156).

Tom likely assessed the behavior of the Latin Americans as inappropriate, based on his culturally-based expectation that they should get down to business and get the job done. This appropriateness assessment is likely to influence the subsequent working relationship of these colleagues. The general impression one can take from illustrations such as these is that appropriateness involves an assessment of a behavior (e.g., spending time on personal issues) as

interpreted through the lens of the observer (e.g. the American manager). Two aspects of this impression are critical.

First, assessments of appropriateness often center on *behavior*, such as visible conformity to social norms (Harris, 1970; Miller and Kanazawa, 2000; Peak, 2001). We focus on behaviors as targets for such assessments for two main reasons. To begin, as we have noted, research on appropriateness has centered on behaviors, such as taking inappropriate actions or making inappropriate statements (e.g., Harris, 1970; Miller and Kanazawa, 2000; Peak, 2001; Fisher, 1997; Sano & Di Martino, 2003). Moreover, behaviors are good assessment targets because they are visible and publicly accessible. They are the primary mechanism for communicating aspects of an individual's inner world, such as thoughts, intentions, values, attitude and feelings.

Second, appropriateness centers on the *perceptions of behavior*.¹ Individuals often evaluate others using inferences based on assessments of observable behaviors (Carlston & Skowronski, 1994). Thus, appropriateness is a quality that is assigned (or not) to a given behavior of a target individual by an observer. In this paper, we define an *appropriateness assessment as an observer's belief regarding the extent to which an observed behavior fits the behavioral norms espoused by the observer*. Conversely, we define an inappropriateness assessment as an observer's belief regarding the degree of deviation between an observed behavior and the behavior norms held by the observer. As the fit between the observed behavior and the behavioral norm becomes closer the appropriateness assessment increases. As the gap between the observed behavior and the behavioral norm widens, the appropriateness assessment

¹ It is important to note, however, that each member in the interaction may make different assessments of appropriateness. That is, members need not achieve consensus about the appropriateness of each other's behaviors. One party may view a behavior as inappropriate, while the other party may see the same behavior as quite appropriate.

decreases (and inappropriateness assessment increases). In other words, as observed behaviors increasingly deviate from norms, these behaviors are assessed to be increasingly inappropriate.

In the past, research has used cultural orientation of the observer as the source of these behavioral norms (e.g., Fisher, 1997; Lindsley & Braithwaite, 1996). Following this trend, we focus on behavioral norms associated with individuals' cultural orientations, which are strongly associated with the particular socialization experiences prevalent in a given nation of origin. A defining characteristic of many multinational organizations is the presence of individuals from different nations with different cultural orientations. We differentiate culture from cultural orientation. In our paper, the term 'culture' is used to characterize the worldview of a group of people such as a nation (Triandis, 1994, 1998). This worldview may be comprised of the group's norms, values and assumptions for how people interact with each other (Distefano & Mavnevski, 2000; Kroeber & Kluckhohn, 1952; Triandis, 1982). By contrast, we use the term, 'cultural orientation' to characterize the worldview of an individual that is learned from their cultural group.² This reflects the distinction made by other researchers between the collective and individual levels of analysis in cross-cultural research (Hofstede, 2001; Schwartz, 1992). Although other scholars have examined a number of dimensions of cultural orientation, including individualism-collectivism, power distance (Hofstede, 1983; Triandis, 1994), and uncertainty avoidance, (Hofstede, 1983), for the sake of parsimony, we use the term more generally to denote a culturally-influenced mindset rather than making specific arguments based on particular dimensions.

² We do not assume that all individuals living in a particular country have been socialized to adopt a nationally shared set of cultural assumptions, mindsets and worldviews. In some countries, certain generations may have indeed participated in, and been socialized by, a unified national culture. In other countries or in other generations within that country, a national culture – comprised of shared assumptions, mindsets and worldviews – may have never existed. What is central to our model is the focus on the behavior of individuals who have been socialized by *some* cultural group – and who have internalized a shared set of assumptions, mindsets and worldviews, as represented by their cultural orientation. This cultural group may be their nation, a sub-culture within that nation, or the organization itself.

As cultural theorists have argued, cultural orientations influence not only how individuals behave, but also how they interpret the actions of others (Geertz, 1973; Bhagat & McQuaid, 1982; Triandis, 1998; Hofstede, 2001). Much research is suggestive that individuals' cultural orientations are associated with their preferences for, and responses to, the behaviors of others. For example, research suggests that individuals' cultural orientations are associated with their reactions to others' influence attempts (Ng & Van Dyne, 2001) as well as their emphasis on interpersonal relations in teams (Sanchez-Burks, Nisbett, & Ybarra, 2000). Because cultural orientations include behavioral norms, they - *by definition* - play an important role in assessments of appropriateness. The more observed behaviors differ from those behavioral norms that are included in individuals' cultural orientations, the more individuals assess such behaviors as inappropriate. Conversely, the more observed behaviors are congruent with behavioral norms that are included in individuals' cultural orientations, the more individuals assess such behaviors as appropriate.

MNC Characteristics and Appropriateness Assessments

MNCs vary in terms of how they are organized and how they manage human resources. We argue that these organizational arrangements have predictable effects on both the likelihood that behaviors are assessed to be inappropriate (versus appropriate), and the impact of both appropriate and inappropriateness assessments. These organizational arrangements are shown at the across the top of in Figure 1 and are discussed below. We begin by discussing those arrangements (e.g., foreign investment, staffing practices, and integration) that should influence the likelihood that behaviors are assessed to be inappropriate.

INSERT FIGURE 1 ABOUT HERE

MNCs and Frequency of Inappropriateness Assessments

1. *Foreign Investment.* MNCs vary by the degree of cultural orientation heterogeneity of their staff, as well as the probability that staff members with different cultural orientations will interact. With regard to the former, MNCs vary in the extent to which they are operate in many different nations and in the extent of their involvement in those countries (Cheng, 1991). Some MNCs invest heavily in foreign operations while other MNCs focus their investments in domestic operations. All other things being equal, as the amount of investment in foreign (versus domestic) operations increases, the probability that individuals with different national origins will interact should also increase. Cross-national interactions create the opportunities for cultural orientations to collide – resulting in assessments of inappropriateness (Adair, Okumura & Brett, 2001). Given that behaviors and behavioral norms are significantly influenced by cultural orientations (Triandis, 1994), employees are more likely to perceive a divergence between colleagues' behaviors and employees' behavioral norms when those involved have different cultural orientations acquired from their countries of origin.³

Proposition 1: Employee behaviors are more likely to be assessed as inappropriate in MNCs as the amount of foreign investment increases, mediated by the likelihood of cross-national interactions.

³ We note that the cultures of different countries are not equally different. For example, the culture of Australia differs more from the culture of China than it does from the culture of the U.S. For simplicity, we do not take such variations in differences in culture into consideration in this paper. We believe that role of such variations is worth pursuing in future research.

2. *Staffing practices.* Multinational organizations also vary in their approaches to staffing parent country headquarters and host country subsidiaries. Some MNCs choose to have more geocentric staffing approaches in which parent country headquarters and host country subsidiaries are meant to be staffed without consideration of nationality (Dowling, Schuler & Welch, 1994). Such staffing policies increase the likelihood of cross-national interactions occurring throughout the organization. Other MNCs choose to have more polycentric staffing approaches in which parent country headquarters are primarily staffed with parent country nationals and host country subsidiaries are primarily staffed with host country nationals. In MNCs with such staffing policies, cross-national interactions are relatively rare.⁴ Using a similar logic to that used in explaining the effects of foreign investment, MNC staffing policies that bring together individuals with different cultural orientations, and thus different behavioral norms, should result in an increase in inappropriateness assessments:

Proposition 2: Employee behaviors are more likely to be assessed as inappropriate in MNCs with staffing policies that are more geocentric (i.e. less polycentric) than MNCs with policies that are less geocentric (i.e. more polycentric), mediated by the likelihood of cross-national interactions.

3. *Integration.* In a similar vein, MNCs also vary in the extent to which they integrate their operations across nations and subsidiaries (Doz & Prahalad, 1984). MNCs choose different levels of integration based on their strategic needs for global efficiencies and knowledge-sharing (Bartlett & Ghoshal, 2000).⁵ In highly integrated MNCs, firm activities are linked across

⁴ MNCs may use other staffing policies, such as ethnocentric policies. However, we choose to contrast geocentric and polycentric policies. Polycentric policies have historically been most prevalent in MNCs, and research suggests that MNCs are increasingly utilizing geocentric policies (De Cieri & Dowling, 1995; Thompson & Keating, 2004).

⁵ MNCs may also differ in the extent to which they are responsive to the local environment. However, for the sake of parsimony, we do not address this in the model.

national subsidiaries and the firm's competitive position in one country is significantly influenced by its competitive position in another country (Porter, 1986). The extent to which MNCs are integrated is likely to influence the extent to which their organizational members are involved in cross-cultural interactions. In highly integrated MNCs, organizational members are likely to have a greater need to rely on and coordinate their activities with other members located in different countries. Hence, cross-national interactions are likely to be more prevalent in highly integrated MNCs than in MNCs that are less integrated.

Proposition 3: Employee behaviors are more likely to be assessed as inappropriate in MNCs that are more integrated than in MNC's that are less integrated, mediated by the likelihood of cross-national interactions.

Increases in assessments of inappropriateness are important for MNCs because individual reactions and associated organizational outcomes to inappropriateness tend to be negative (see Figure 1). Juvonen (1991) argues that inappropriate behavior by targets invokes feelings of anger in observers. Individuals experiencing anger, in turn, are less likely to help others (Reisenzein, 1986). Juvonen (1991) provides empirical support for the proposition that inappropriate behavior increases anger, which in turn increases withdrawal of help.

In addition to the emotions they evoke, reactions to inappropriate behavior may be triggered by more social motives (Millham & Weinberger, 1977), thus prompting more group-level reactions. For example, in order influence member behavior, deviants are often punished (Etzioni, 1997; Goodwin and Cramer, 2002; Horowitz, 1997) or rejected (Briggs, 1970; Maples, Dupey, and Torres-Rivera, 2001). These responses can be adopted by the larger collective-culminating in the ostracism of the offender (Briggs, 1970; Economist, 1998; Williams and Sommer, 1997). Punishment and rejection have been shown to correct deviant behavior –

increasing conformity in subsequent interactions (Saltzstein, 1976). Whether such responses are largely a product of emotional experience or of social motives, they are expected to influence the quality of interpersonal interactions, and hence, the effectiveness of organizations where they occur.

MNC Characteristics and the Consequences of Appropriateness

Beyond influencing the *likelihood of cross-national interactions*, the context of MNCs should also influence the *intensity of the outcomes associated with appropriateness assessments*. That is, while appropriateness is generally associated with positive outcomes and inappropriateness with negative outcomes (Harris, 1970; Henry, Peterson, & Wilson, 1997; Smucker, & Creekmore, 1974; Stiles & Kaplan, 1997; Yoshitake, 1992), we argue that certain organizational arrangements are likely to result in either exacerbating or dampening the consequences associated with assessments of appropriateness versus inappropriateness. Specifically, appropriateness (versus inappropriateness) assessments may trigger a range of responses, ranging from strong positive (versus negative) responses to weak positive (versus negative) responses. Such responses are important because they have a significant effect on the subsequent interactions between the members involved. We use social identity theory and self-categorization theory to argue that different organizational arrangements are likely to cause members to categorize some individuals as “ingroup” members and others as “outgroup” members. These categorizations, in turn, will influence the strength of the outcomes of appropriateness assessments.

We argue that reactions to appropriateness/inappropriateness assessments may vary in strength depending on how one categorizes another individual. Social categorization is a process whereby individuals classify others as belonging to a certain category of people, such as

categories based on age, social status, and occupation (Klimoski & Donahue, 2001). Categories serve to reduce cognitive effort in person perception and to simplify the social world (Macrae, Milne, & Bodenhausen, 1994). When individuals categorize themselves and others in a particular situation, these cognitive structures provide individuals with a basis for making social judgments (Klimoski & Donahue, 2001). Ingroup and outgroup differentiation, a primary form of social categorization, identifies and groups together people who are like us, and distinguishes them from individuals who we perceive to be different from us. Thus, individuals who share a salient social category are often categorized as ingroup members, while those who do not tend to be categorized as outgroup members (Chattopahyay, George, & Lawrence, 2004). National origin in *multinational* organizations is likely to serve as a salient social category.

Individuals who are perceived of as outgroup members tend to be disparaged, while those who are ingroup members tend to be seen in a positive light so as to enhance an individual's self-esteem (Hogg, Terry & White, 1995). These differential evaluations are referred to as an "ingroup bias" (Turner, 1999). Much empirical evidence supports the existence of ingroup bias (see Mullen, Brown & Smith, 1992 for a review). Researchers have further argued that one way in which ingroup bias may be manifested is through differential reactions to normative and counter-normative behaviors by ingroup and outgroup members (see Marques, Abrams, Paez & Hogg, 2001 for review). We posit that these arguments can be extrapolated to include differential reactions to behaviors deemed either appropriate or inappropriate. When the behavior of an ingroup member is appropriate, this may reflect well on the entire group, and reinforce the group's collective sense of "who they are" – that is, their identity (Pratt, 2003). By contrast, when an individual is viewed as being part of the outgroup, his or her behavior is not seen as reflective of the collective or their identity. In this regard, the influence of the behavior of an

outgroup member on the intra-group functioning of the collective is less than it is for ingroup members. Thus, appropriate behavior by an ingroup member is more likely to lead to positive evaluations and to be reinforced by the collective – as compared with analogous behavior of an outgroup member. Empirical evidence supports these predictions (Marques, Abrams, Paez & Hogg, 2001; Marques, Abrams & Serodio, 2001; Marques, Yzerbyt & Leyens, 1988).

Individuals are also likely to react differently to perceived *inappropriateness* by ingroup members and by outgroup members. As described by the *black sheep effect*, inappropriate behaviors by ingroup members pose an important threat to the positive identity of the ingroup – and subsequently, interfere with individual self-enhancement motives (Marques, 1990; Marques & Paez, 1994; Marques, Yzerbyt & Leyens, 1988). Thus, the generally positive bias toward the ingroup *as a whole* may result in negative reactions toward *specific* ingroup members who threaten the ingroup (Marques, Abrams, Paez & Hogg, 2001). As noted above, inappropriate behaviors by outgroup members do not pose such a threat as they are not seen as reflective of the group or collective's identity. In fact, inappropriate behaviors by outgroup members may even serve to bolster the positive identity of the ingroup as they may serve to further “prove” the superiority of the ingroup – and subsequently, serve the individual self-enhancement motive.

Hence, individuals are more likely to derogate ingroup members who behave in inappropriate ways than outgroup members who behave in such ways (Marques, Abrams, Paez & Hogg, 2001; Eidelman & Biernat, 2003). Individuals are also more likely to pressure deviant ingroup members than deviant outgroup members to conform to behavioral norms. Eliminating the deviant behavior of ingroup members will bolster the positive identity of the ingroup, whereas eliminating the deviant behavior of outgroup members serves no such purpose. In fact, eliminating the deviant behavior of outgroup members may threaten the positive distinctiveness

of the ingroup vis-à-vis the outgroup. If deviant ingroup members do not respond to conformity pressures, other group members will eventually punish, condemn and ultimately reject such deviants as a way to reinforce the group's normative system, and reclaim its positive identity (Durkheim, 1912, 1982; Hewstone, 1995; Schachter, 1961). Research supports such predictions. For example, Marques, Abrams & Serodio (2001) found that individuals were more likely to hold negative evaluations of deviant ingroup members than of deviant outgroup members. They also found that individuals were more willing to attempt to reform the behavior of deviant ingroup members than of deviant outgroup members.

In sum, we have summarized arguments that individuals are likely to evaluate the behaviors of ingroup members in a more extreme fashion than the behaviors of outgroup members. They will more positively evaluate appropriate behaviors of ingroup members than of outgroup members. They will also more harshly evaluate inappropriate behaviors of ingroup members than of outgroup members. Such extreme evaluations will also be associated with more extreme interpersonal behaviors that are meant to reinforce (extinguish) appropriate (inappropriate) behaviors by ingroup members. If inappropriate behaviors cannot be extinguished, deviant ingroup members are expected to be rejected by other ingroup members. Such extreme behaviors - particularly rejection behaviors - are likely to affect the quality of interpersonal interactions, and subsequently, organizational effectiveness. Hence, we argue that the relations between appropriateness assessments and outcomes will be more extreme for ingroup members than for outgroup members (see Figure 2 for the graphical representation). Stated more formally:

Proposition 4: The relations between appropriateness assessments and outcomes will be moderated by ingroup-outgroup categorization, such that these relations will be more

extreme when targets are more likely to be categorized as ingroup members (i.e. less likely to be categorized as outgroup members) than when targets are less likely to be categorized as ingroup members (i.e. more likely to be categorized as outgroup members). Outcomes will be most favorable for appropriateness assessments for those categorized as ingroup members and least favorable for inappropriateness assessments for those categorized as ingroup members.

INSERT FIGURE 2 ABOUT HERE

The likelihood that targets are categorized as ingroup (versus outgroup) members depends on two key factors: the likelihood of using a particular criterion for categorization and the degree of interaction between potential members of each category. “Visible” characteristics, such as nation of origin, tend to be highly accessible as a basis categorizing members (Earley & Mosakowski, 2000; Hogg, 2003; Messick & Massie, 1989; Stangor, Lynch, Duan & Glass, 1992). Research suggests that such demographic dissimilarities between individuals in organizations can lead to organizational members from foreign countries being seen as outgroup members, despite their shared organizational membership (Chattopahyay, George, & Lawrence, 2004; Lau & Murnighan, 1998).

Hence, when nation is used as a basis for categorization, organizational members will categorize fellow countrymen as ingroup members and colleagues from foreign countries as outgroup members. If aspects of the context make it *likely* that nation will be a salient basis for categorizing coworkers, yet an employee *never encounters* any foreign coworkers while performing his job, he will have little opportunity to use the outgroup category in interpreting

social situations (i.e. nation never becomes salient). Hence, the extent to which an observer is likely to categorize a target as an ingroup (versus outgroup) member depends on whether the target satisfies the ingroup (versus outgroup) criteria, and whether the category is likely to be salient to the observer. When considering nation as a basis for categorization, the extent to which observers are likely to categorize targets as ingroup (versus outgroup) members depends on whether these targets are from the same (versus different) nation, and whether nation is likely to be salient to the observers. The extent to which nation is salient to observers depends on the amount of contact between individuals from different nations. Hence, we propose the following (see Figure 3 for graphical representation):

Proposition 5: The relation between the likelihood of cross-national interactions and the likelihood that individuals are categorized as ingroup members is moderated by the likelihood that nation is the basis for categorization. Hence, individuals are *least* likely to be categorized as ingroup members (most likely to be categorized as outgroup members) when both the likelihood of cross-national interactions and the likelihood that nation is the basis for categorization are highest. Individuals are *most* likely to be categorized as ingroup members (least likely to be categorized as outgroup members) when either the likelihood of cross-national interactions or the likelihood that nation is the basis for categorization is lowest.

INSERT FIGURE 3 ABOUT HERE

MNC Characteristics and Ingroup-Outgroup Categorization.

Various MNC characteristics should affect the extent to which employees are likely to use nation as a basis for categorization. These characteristics include the types of staffing policies used and the degree of integration of the organization's operations.

1. Staffing policies.

Staffing policies can influence employees' tendencies to use nation as a basis for categorization by affecting the physical proximity of employees from different nations and by affecting the sense of shared fate held by employees from different nations. Physical proximity is a factor which has long been associated with perceiving others as members of a shared category – hence, as members of one's ingroup (Ashforth & Mael, 1996; Pratt, Fuller & Northcraft, 1998; Turner, 1984). Proximity with other individuals can increase feelings of “ingroupness” because individuals tend to direct attention towards those who are in their immediate environment, which can facilitate interpersonal bonding (Kiesler & Cummings, 2002; Rockmann, Pratt & Northcraft, 2005). Furthermore, individuals tend to perceptually group people who are physically close to one another as compared to people who are physically separate because they appear more unified (Hamilton & Sherman, 1996).

Proximity may help to create a sense of belonging to a shared ingroup for individuals who are dissimilar in visible characteristics. For example, Rockmann, Pratt, and Northcraft (2005) found empirical evidence that team members who were from dissimilar subgroups were more likely to see one another in terms of their shared group membership when these dissimilar others were co-located than when they were physically separate (i.e., when members of different subgroups were also in different locations). These results have direct implications for MNCs that are comprised of individuals from different nations across different locations. For example,

MNCs that use more geocentric staffing policies tend to co-locate employees from different nations. By increasing the physical proximity of these employees, these MNCs increase their perceptions of being part of a shared ingroup, as what likely binds these people together is their connection to the MNC; as a result, the likelihood that differences in nation of origin will be used as a basis for categorization decreases. By contrast, in MNCs with more polycentric policies, individuals from different nations are more likely to be physically separate from other national subgroups. Therefore, national similarities are likely to be salient for these individuals; consequently, nation is likely to be the dimension along which ingroup-outgroup categorizations are made.

Proposition 6: MNCs that use staffing practices that are more geocentric (i.e. less polycentric) are less likely to have employees use nation as a basis for categorization than MNC that use staffing practices that are less geocentric (i.e. more polycentric)

2. *Integration.* Integration, as described earlier, is the extent to which firm activities are linked across national subsidiaries (Porter, 1986). We argue that the degree of integration of an MNC will influence ingroup-outgroup categorization by creating a sense of common or shared fate held among members from different nations. Perceiving a sense of shared fate with others increases the perception that individuals are a bounded group because they face similar outcomes (Lickel, et al., 2000). When individuals perceive that they have some degree of “common fate,” they are more likely to categorize themselves as a group and hence, see one another as ingroup members – despite differences in nation of origin (Campbell, 1958; Sherif, 1977). For example, Gaertner, Mann, Murrell & Dovidio (1989) findings suggest that shared outcomes- as compared to independent outcomes - enhance a sense of shared fate, thereby contributing to individuals’ perceiving themselves as one group.

When an MNC is highly integrated, individuals are likely to perceive themselves to be bound together as a group because they face similar outcomes (Lickel, et al., 2000). We argue that having a sense of shared fate decreases the likelihood that individuals will focus on their differences – such as differences in nation of origin- and increases the likelihood that individuals will feel a sense of ingroupness based on their interdependence. Therefore, we propose:

Proposition 7: MNCs that are more integrated are less likely to have employees that use nation as a basis of categorization than MNCs that are less integrated.

To summarize, certain organizational arrangements by MNCs may make nationality more or less likely to be the focus of ingroup-outgroup categorization. This, in turn, should influence whether or not an increase in cross-national interactions will lead to an individual co-worker being categorized as being part of a member's ingroup or outgroup. (See Figure 1). These ingroup-outgroup assessments are important because they influence the intensity of outcomes of appropriateness assessments. (See Figure 2). As we discuss below, ingroup-outgroup assessments also influence the outcome of appropriateness assessments in another major way.

Another Important Ingroup-Outgroup Effect: Miscategorizations.

In the preceding sections, we discussed how ingroup-outgroup distinctions may exacerbate or diminish outcomes of appropriate assessments (Proposition 5) and discussed how organizational arrangements may impact ingroup-outgroup assessments (Propositions 6-7). However, another way in which ingroup-outgroup categorizations may influence reactions to appropriateness assessments is through correct and incorrect categorizations. Categorizations may not be perfect and may be revised over time (Tajfel & Turner, 1979). Thus, an individual could incorrectly categorize an ingroup member as an outgroup member according to his own criteria for “ingroupness” and “outgroupness.” Furthermore, it is possible that an outgroup

member could be incorrectly categorized as an ingroup member. Moreover, it is also possible that these errors may be noticed and corrected. For example, nurses who wear street clothes rather than a medical uniform may be initially miscategorized by other medical personnel as being part of a medical outgroup (e.g. patients or patient families) (see Pratt & Rafaeli, 1997). When such mistakes are recognized and corrected, both parties may be embarrassed. In addition, these corrected mistakes may influence how miscategorized coworkers are subsequently treated and affect their ability to fulfill their job requirements. These and other possibilities prompt us to examine how miscategorization influences reactions to appropriateness assessments.

We believe that the multinational environment of MNCs can lead to miscategorization. For example, an individual may believe that a colleague was born in China, based on his physical features. However, that individual may later come to realize that the target was born in the U.S. If the individual chooses to categorize ingroup and outgroup members according to whether or not they were born in the U.S., this individual will change his categorization of his colleague from outgroup to ingroup member once his mistake is revealed. However, these changes in categorization are not without their implications.

In the short run, miscategorizing an *ingroup member as an outgroup member* is likely to reduce negative reactions to inappropriateness. This occurs because inappropriateness is more weakly associated with negative reactions for outgroup members than ingroup members. However, if an individual obtains knowledge of the target's "true" status as an ingroup member, and the target again behaves in a way that is perceived to be inappropriate, the intensity of their negative reactions towards the miscategorized individual may increase. As described earlier, behavioral norm violations by an ingroup member are likely to be dealt with more dramatically than the same violation by an outgroup member. These negative reactions may be intensified,

however, given individuals' tendency to attribute their unsuccessful behaviors to external causes (self-serving bias). An individual who mistakenly categorizes an ingroup member is likely to attribute his mistake to external causes – such as the miscategorized member (e.g. if they were really American, they should have dressed more like an American). Moreover, given the tendency to attribute others' behavior to internal causes (fundamental attribution error), individuals may believe that they were purposefully deceived by the target. The net result is that miscategorization of ingroup members may result in feelings of betrayal. Thus, we propose:

Proposition 8: The relations between appropriateness assessments and outcomes will be moderated by beliefs regarding ingroup-outgroup miscategorizations, such that observers will have more intense negative reactions to inappropriate behaviors by ingroup members who they believe were miscategorized (as an outgroup member) than those who they believe were correctly categorized.

Conversely, if an inappropriately behaving outgroup member is miscategorized as an ingroup member, then such miscategorization may actually have a beneficial effect. That is, if these perceptions are eventually corrected, the long term implications might be less negative than if the person was initially categorized as an outgroup member. This may occur because if the perceiver comes to realize his mistake, he may feel guilty for the misunderstanding and for his overly harsh treatment of what he thought was an ingroup member behaving inappropriately. Consequently, he may attempt to overcompensate for any poor treatment that may have resulted from incorrect expectations (Caprara, Barbaranelli, Pastorelli, Cermak, & Rosza, 2001). Such overcompensation may result in the perceiver softening his negative behaviors toward the target to a less intense level of negative behaviors than is typically directed towards inappropriate outgroup members. This additional softening of his negative behaviors may serve as a sign of

détente or reconciliation towards the unfairly punished target. Such positive behaviors would not be expected if the offender was initially identified as an outgroup member:

Proposition 9: The relations between appropriateness assessments and outcomes will be moderated by beliefs regarding ingroup-outgroup miscategorizations, such that observers will have less intense negative reactions to inappropriate behaviors by outgroup members who they believe were miscategorized (as an ingroup member) than those who they believe were correctly categorized.

Discussion

In this paper, we have offered a model of assessments of appropriateness in multinational organizations. We have offered a precise conceptualization of the concept of appropriateness (and inappropriateness) assessments. We have also explored how organizational arrangements in multinational organizations influence the likelihood that behaviors will be assessed as appropriate (versus inappropriate) as well as how characteristics of multinationals influence the outcomes associated with those assessments. More specifically, drawing on social identity theory and self-categorization theory, we have explored how variations in intensity of foreign investment, staffing policies and degree of integration of MNCs affect how behaviors in these organizations are likely to be assessed. We have also explored how these variations in organizational arrangements influence the intensity of observers' negative (versus positive) reactions to behaviors assessed as inappropriate (versus appropriate)

Theoretical Implications

We enrich existing research on appropriateness by (1) adding more conceptual rigor to the term by providing a clear definition of what appropriateness is and by (2) enriching our

understanding of appropriateness by considering the role of context – in this case the multinational context – on the frequency of appropriateness assessments and the magnitude of assessment outcomes.

First, previous research has often used the term appropriateness without providing a clear definition. By reviewing the literature that invokes this concept, we were able to construct a formal definition of the term that can be used to clarify future research. While there has been some informal consensus about its meaning, we believe that research in this area will be hampered if the meaning of appropriateness is not made explicit. Even if there is disagreement about the definition, explicitness invites debate about the boundaries surrounding the concept and illuminates certain avenues for research (e.g., an integration of behavioral attribution and appropriateness research).

Second, although one of the “core competencies” of organizational research is to understand how specific organizational contexts influence member behavior (House, Rousseau & Thomas-Hunt, 1995), previous research on appropriateness has been relatively a-contextual. Thus, while it is important to understand how such factors as cultural orientation play a role in appropriateness assessments, we also argue that top managers should have a greater understanding of how their policies and practices can serve to exacerbate or mitigate the impact of appropriateness and inappropriateness assessments. Specifically, we argue for the role of multinational organizational arrangements (e.g., staffing) in determining the likelihood that behaviors are assessed as appropriate (versus inappropriate) as well the responses to such assessments. We further argue that interaction frequency and ingroup-outgroup dynamics, in particular, play a critical role in understanding how organizational arrangements affect these appropriateness dynamics. Future research should continue to explore the relationship between

organizational arrangements and appropriateness.

In a similar vein, we enrich existing research on multinational organizations by examining how organizational features affect the complex day-to-day experiences and behaviors of MNC employees. Much research regarding the effects of the characteristics of MNCs on performance overlooks the complex dynamics occurring at the interpersonal level of the organization (Adler & Bartholomew, 1992; Cheng & Cooper, 2003). Research that examines how macro features of MNCs influence the quality of interpersonal interactions can provide a broader understanding of factors that influence MNC effectiveness. Additionally, some research tends to assume that MNCs are similar in the issues they face at the interpersonal level, such as the extent of intercultural interactions. We suggest that MNCs may vary in both the prevalence of such interactions and outcomes of these interactions.

We also enrich our understanding of cross-cultural interactions in organizational behavior by looking within rather than across contexts. While the majority of such research has focused on *comparing* organizational phenomena across nations or culture, much less attention has been paid to the role of cultural orientation within situations or contexts – such as an MNC -- where different cultural orientations *collide* (Adler & Bartholomew, 1992; Kirkman, Lowe & Gibson, in press; for notable exceptions, see: Adair, Okumura & Brett, 2001; Brett & Okumura, 1998). Researchers have argued that comparing organizational behavior across nations or cultures does not provide a complete understanding of what happens in cross-cultural interactions (Doucet & Jehn, 1997). Due to the growing frequency of cross-cultural interactions, particularly in MNCs, it is increasingly to understand such interactions. Our paper contributes to this stream.

We also contribute to research on cross-cultural interactions by focusing attention on the role of social categorization in interpreting behaviors in such interactions. Past research has

examined the interpretation of behaviors in cross-cultural interactions by exploring the behavioral norms and perceptual lenses associated with different cultural-orientations (Gao & Ting-Toomey, 1998; Shuster & Copeland, 1996). Although this research provides an important foundation for future research, little research examines other factors that are likely to influence interpretations of, or reactions to, behaviors in cross-cultural interactions (Leung, Bhagat, Buchan, Erez & Gibson, 2005). We contribute to the understanding of cross-cultural interactions by overlaying a new interpretive mechanism on such interactions – based on social identity theory and variations in MNC context. We do so by building on previous theoretical frameworks regarding the interpretation of behaviors as influenced by behavioral norms and perceptual lenses embedded in cultural orientations. Hence, our research extends previous foundational research.

Finally, we extend research on social identity theory in organizational contexts. While social identity has been linked to many organizational outcomes, including member attachment and turnover, much less work has focused on how these dynamics influence how members make sense of co-workers' behavior. Specifically, we argue that social identity dynamics, such as ingroup-outgroup categorizations, can play a major role in appropriateness dynamics. In this way, we expand our understanding of social identity outcomes in organizations. We also open the door for using social identity to explore other cognitive-perceptual concepts (e.g., perceptions of fairness).

We also contribute in a more directed way on the use of social identity theory in demography research. Much research on ingroup-outgroup dynamics in organizations has focused on demographic characteristics, such as nation, as a basis for categorizing other organizational members (e.g. Chattopadhyay, George & Lawrence, 2004; Tsui, Egan, &

O'Reilly, 1992). We extend this research in three ways. First, we contribute by examining how the *likelihood* of using a demographic category as a basis for categorization depends on *organizational features*. Second, our inclusion of appropriateness in our model may add new insight into why such categorizations are important. While demography has tended to focus on the relationship between categorization into demographic groups and intergroup conflict, they have viewed the relationship as being rather direct. Our paper suggests that conflict may also stem from assessments of appropriateness. Third, most research on ingroup-outgroup categorization in organizations explores situations in which categorizing colleagues as outgroup members – as compared to categorizing them as ingroup members - is associated with negative outcomes (e.g. Chattopadhyay, 1999; Thatcher & Jehn, 1998; Tsui, Egan, & O'Reilly, 1992). However, in this paper, we add to this research by suggesting conditions where negative outcomes may be *greater for ingroup members* as compared to outgroup members – when behaviors are assessed as inappropriate.

Practical Implications

More and more organizations, including multinational organizations and international joint ventures, are made up of members with different cultural orientations. Consequently, it is becoming increasingly important for managers to understand, predict and control potential effects of this diversity. Our model offers managers a variety of approaches for managing cultural diversity in multinational organizations.

In general, the implications of our model can be split into two main categories: 1) changes to the organizational context, and 2) education of employees regarding the causes and consequences of assessments of appropriateness. Since cultural orientation of employees is quite stable, attempting to manage diversity by changing cultural orientations is unlikely to be

effective. However, cultural diversity can be managed via organizational practices. As noted in Figure 1, practices such as staffing, integration, and investment can all influence appropriateness dynamics.

Our model further offers a framework for monitoring and understanding the frequency and outcomes of appropriate assessments by pointing to the importance of attending to both the *likelihood that behaviors are assessed as appropriate* (versus inappropriate) as well as attending to *ingroup-outgroup categorizations occurring amongst organizational members*. In particular, managers should be aware of the potential trade-offs that their practices may have on these two outcomes. For example, lowering the degree of integration should decrease the likelihood of cross-national interactions, and hence decrease the likelihood that behaviors are assessed as inappropriate, thereby increasing positive outcomes. However, over the long term, such a policy can lead to individuals' viewing themselves primarily in terms of their subgroup differences (e.g., nation of origin) as the lack of integration fails to create a sense of "common fate" among members. Similarly, managers need to be aware how changes in their practices (e.g., from polycentric to geocentric) may change the appropriateness dynamics in their organization.

Managers may also choose to educate employees regarding the causes and consequences of appropriateness assessments. Education remains a critical component of any cultural diversity management program because – as we have discussed above – practices that decrease the likelihood that behaviors will be considered inappropriate may also increase the chance that ingroups are defined by nation rather than by the MNC. This information may be used to avoid the potential organizational dysfunction associated with frequent cross-national interactions and different bases for categorizing co-workers. We also suggest that cultural diversity training should perhaps focus more explicitly on the causes and consequences of appropriateness.

Towards Future Research

Our framework suggests how differences in multinational context may translate into perceptions of, and responses to, appropriateness. In addition to the suggestions we have already made, future efforts could be directed in two main directions: 1) expanding the model of appropriateness by specifying additional factors or additional relations between factors and 2) exploring more contexts and types of categorizations.

First, it is likely that our model is underspecified. In particular, behavioral norms are likely to be affected by other factors than cultural orientation and categorization. For example, familiarity influences how we make sense of others' behavior (Park, 1986). If the relationship is fairly familiar, the behavioral norms of the observer are likely to be somewhat idiosyncratic and specific to the target. If the relationship is one of strangers, the behavioral norms are more likely to be based on cultural orientation and categorization. Factors such as relationship type and others should be explored in future research.

Behavioral norms may also come from organizational or occupational cultures (see Trice & Beyer, 1993 for review). Future research, therefore, should concentrate on those factors that influence which culture (nation, organization, or occupation) is likely to be the primary source for behavioral norms. We have argued that certain factors in MNCs (e.g., low levels of integration) may decrease the likelihood that one's nation is the basis for ingroup-outgroup categorizations. However, drawing upon the research of Rockmann and colleagues (2005), staffing policies may contribute to making the organization itself the basis for ingroup-outgroup comparisons. In these cases, perhaps organizational cultural norms become more potent than norms based on cultural orientation as influenced by one's nation of origin. But even this relationship may not be straightforward. Organizations may have multiple cultures that vary by

unit or subunit (Martin, 1992); thus an organizational subculture, rather than a superordinate organizational culture, may dictate behavioral norms. Further, if the MNC is organized around a profession (e.g., a medical profession), then these organizations may be infused with occupational cultures, which in turn, may also be fractured or fragmented (Pratt & Rafaeli, 1997). Thus, examining additional sources of behavioral norms, especially in MNCs, remains a challenging, but potentially fruitful endeavor.

Future research may also explore more characteristics of multinational organizations and more types of categorization. For example, we restricted our study of multinational characteristics to investment patterns, degree of integration and staffing policies. It would be interesting to examine other aspects of MNCs such as emphasis on national responsiveness (Bartlett & Ghoshal, 2001), cross-cultural training policies (Bhawuk & Brislin, 2000), and cultural distance among host countries (Kogut & Singh, 1988). It is likely that each of these factors, as well as others, is likely to play a role in determining the causes and consequences of appropriateness assessments.

Finally, future research could also move beyond ingroup-outgroup as a basis for categorization. These assessments tend to be based on broad social categories that operate at the group (e.g., unit, organization, society) level. However, categorization may also take place at the dyadic level (Brickson, 2000). For example, individuals may categorize others based on the type of relationship they have with them – such as boss, peer or client. It would be promising to explore the effect of these and other types of categorization on outcomes of appropriateness. Such categorizations tend to be more personal and less abstract. As a result, they may influence appropriateness assessments in a different manner.

In sum, we offered an explicit definition of appropriateness and have presented a model of the factors that lead to appropriateness assessments, and those that influence the outcomes of these assessments. More specifically, we offered propositions regarding the roles of the characteristics of multinational organizations in determining the likelihood that behaviors will be assessed as appropriate (versus inappropriate). We have also offered propositions regarding how the characteristics of MNCs are likely to affect the intensity of reactions to such assessments. We concluded by arguing that our model extends literatures in several key areas and offer a variety of implications for managers facing the challenge of managing nationally diverse employees in a multinational context. We believe that our research can be used as a springboard for future research in the under-examined area of appropriateness in organizations.

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FIGURE 1: Theoretical Model of Appropriateness in Multinational Corporations

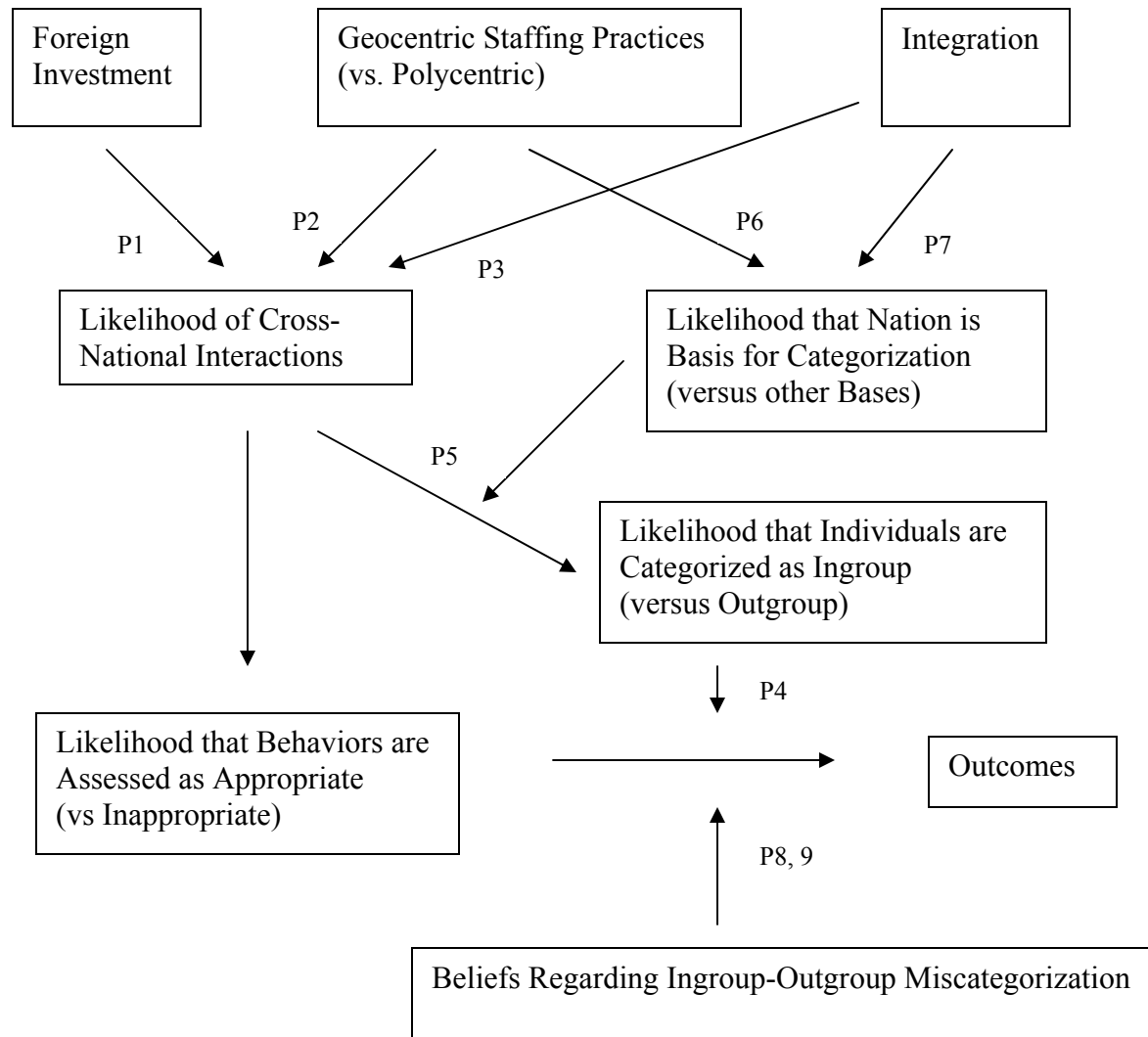


FIGURE 2: Joint Effects of Appropriateness Assessments and Ingroup-Outgroup Categorization on Outcomes

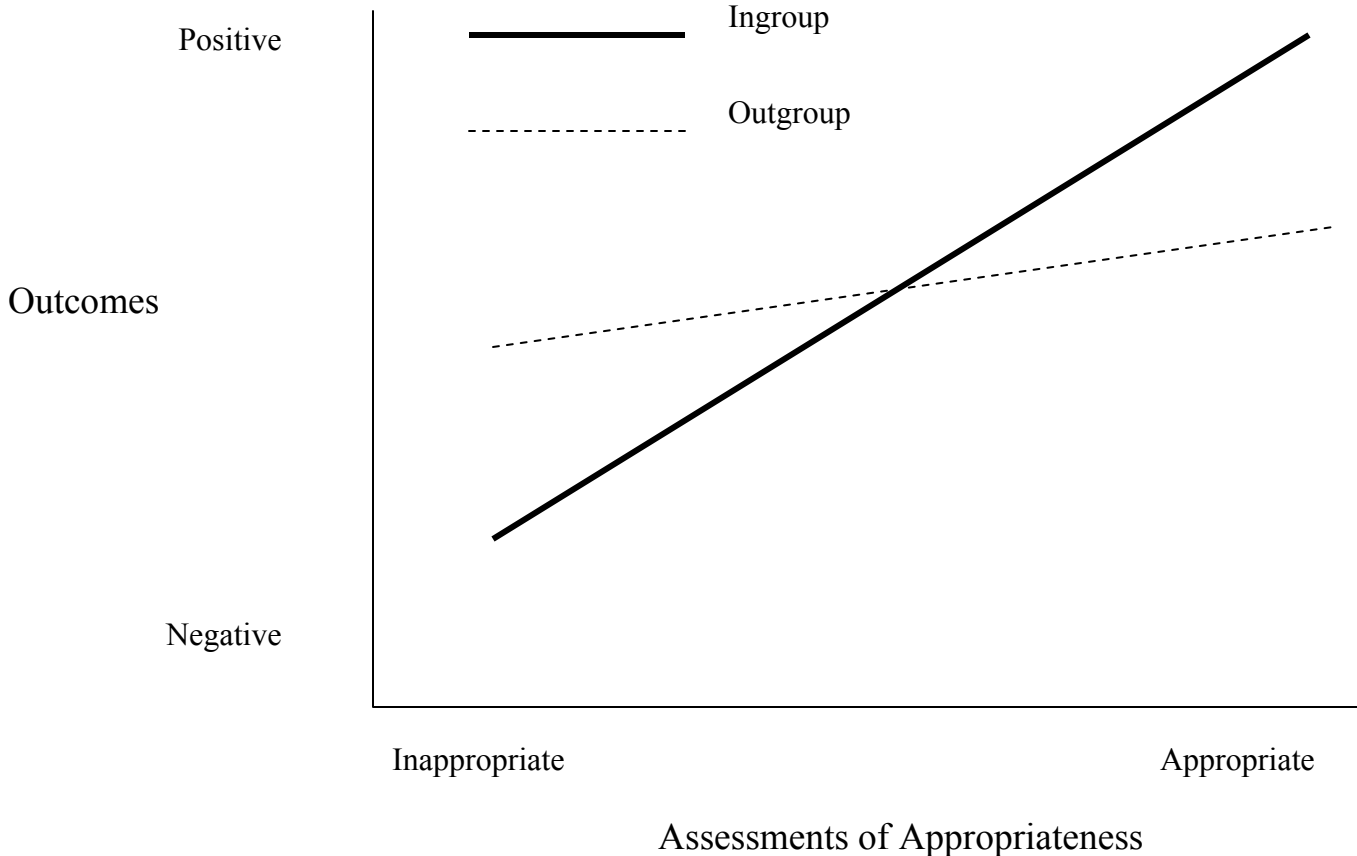


FIGURE 3: Joint Effects of Cross-National Interaction and Nation as Basis for Categorization on Ingroup-Outgroup Categorization

