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Japan Tobacco International: Managing and Leveraging Cultural Diversity

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1 Possible answers

1.1 Assess the degree of diversity within JTI. What are the potential benefits and challenges related to such diversity?

It should be clear to readers that the degree of diversity within JTI is very high. This can be observed from Figures 18.1 and 18.2. Moreover, the acquisition of Gallaher further enhanced the level of diversity in terms of corporate culture. It should be noted that JTI, from its very origins, was an international company: Japan Tobacco bought RJR and transformed it into JTI, covering most of the international markets outside Japan. Such a born-international nature not only created a high level of cultural diversity inside JTI but also a high level of acceptance of diversity. The concept of a global mindset at company level may be used to explain these characteristics and how JTI is capable of managing cultural diversity.

Benefits	Challenges
A wide range of talent pools to select suitable people from for various functions	Cultural differences in terms of values, priorities, understanding of business activities
Access to local talent to address specific markets	Difficulties in communication and mutual understanding
Great variety of perspectives towards business ideas and solutions to business challenges	Use of English, often the second language of most workers at JTI, as the main working language
Generation of new ideas for strategy formulation, marketing campaigns and product development	Integration of workers coming from different organizational cultures and systems

Table 1. Benefits and challenges of diversity

Instructors can also lead the class to discuss the particular challenges of handling multiple cultural diversities simultaneously, which represents a critical requirement for global leadership in multicultural teams (Lee 2012).

1.2 How does JTI manage cultural diversity in the company? Why have cultural differences within JTI not created obvious obstacles to cross-cultural collaboration?

You might find the framework developed by Shore et al. (2011) useful (Figure 18.3). Lecturers can ask the class to fill out this matrix together, and discuss the implications for the cultural diversity of each approach presented in it.

As a second step, lecturers can use this framework to show that the organizational culture of JTI tends to be that characterized as “assimilation”. For example, JTI downplays national identity salience. Employees mainly think of nationality as irrelevant. People respect differences but somehow differences are not openly discussed. The company seems to encourage a JTI identity.

Diversity per se may neither be a problem nor an asset. In fact, it depends on how diversity is managed. Instructors can identify the following factors that contributed to the smooth cross-cultural collaboration among workers from different cultural backgrounds:

- **Company background:** From its creation JTI inherited a very international structure plus the legacy of Japan Tobacco. Such a mixture offers a very particular atmosphere that encourages openness and tolerance towards cultural differences.
- **Corporate policies and culture:** JTI established clear policies and HR systems to create a solid organizational culture. From the beginning, the hiring decision was to put more emphasis on attitudes instead of skills, which can be trained afterwards. Examples of such attitudes are willingness and the capability to work with people from different areas of the world from different backgrounds, and to accept differences. Also, by focusing on both *what* and *how* in performance appraisal, JTI shows it does not only value technical contribution to the company but also relationships with colleagues. Such emphasis also fosters a wider acceptance of diversity. Also, the importance of international experience for promotion to senior positions signals the critical value of embracing diversity.
- **Managers’ cultural competences:** When the hiring is right, managers of JTI generally possess a high level of cultural competence, which allows them to understand cultural differences and find ways to connect to people from various cultural backgrounds.

1.3 How can JTI better leverage the diversity within the company to foster innovation?

One challenge JTI faces is that it seems not to innovate enough. This seems a bit paradoxical because normally diversity is related to idea generation and creativity. Instructors can ask students why this seems not to happen in JTI as it could have. An important aspect in innovation in multinational enterprises such as JTI is the need to balance global integration and local responsiveness, while in the same time enabling mutual learning and knowledge sharing. Innovation hence is not only an issue confined to one single location at headquarters or independently run by each regional office.

A possible answer lies in Shore et al's inclusion framework (2011) – which may help to encourage a higher level of unity at company creation as well as during subsequent acquisitions, JTI has deliberately downplayed the value of uniqueness. Although JTI has successfully shaped a solid culture, it may have missed the opportunity to leverage the inherent richness in its cultural diversity. For example, JTI may move from assimilation to inclusion, where people feel a strong sense of belonging and that uniqueness is highly valued. Instructors can then lead the discussion towards identifying concrete managerial actions and organizational policies for shaping a culture of inclusion.

One further challenge in this process is to maintain the high level of belongingness while uniqueness is valued and embraced. How can JTI prevent the salience of one's feeling of uniqueness from hindering the development of a sense of belongingness? A solution is developing managers with a global mindset. Defined as “a highly complex cognitive structure characterized by an openness to and articulation of multiple cultural and strategic realities on both global and local levels, and the cognitive ability to mediate and integrate across this multiplicity” (Levy et al. 2007: 244), a global mindset may enable managers to keep global strategic vision while attending to local specificities – hence connecting dots to foster innovation that makes sense at both global and local level.

In addition, the configuration of cultural identities of key managers may also play an important role. The first identity approach is for managers within JTI to develop bicultural identities when moving from one country to another. When managers simultaneously embrace two or more cultures, they may make more effective cultural code switching and leverage knowledge and ideas derived from multiple cultural contexts. Also they will develop a more complex cognitive capability and hence may be enabled to think outside of the box. Research shows that bicultural identities tend to drive creativity (Tadmor, Galinsky & Maddux 2012). All these aspects may facilitate knowledge sharing and innovation.

Moreover, managers may also consider consciously constructing a cultural identity of “marginalization” as another strategy when moving internationally. Marginalization refers to a state where individuals do not feel strongly identified with any culture. Such a state may not only enable managers to handle uncertainty and ambiguity; the freedom to navigate in various cultural frames may also enhance their capability to be creative in performing their job (see Fitzsimmons, Lee & Brannen 2013 for more detailed discussion). Having managers with marginalized cultural identities suggests that employees in different regions will be less likely to formulate the perception of “us versus them” (i.e. the in-group vs. out-group distinction) when sharing and receiving knowledge and information across borders. Individuals with marginal cultural identities may also be safeguards against groupthink in organizations. As they do not necessarily identify with any single culture, they tend to feel less constrained by the pressure of associating with the opinion of the group.

One example in leveraging these types of cultural identities is Carlos Ghosn, the chairman and CEO of the Renault–Nissan Alliance.¹ In an interview, he stated one reason for his success in implementing huge change in Nissan:

“When you have a more vague, hybrid, multicultural background, people feel they have a chance to talk to you. They say, ‘He is going to listen, he is not taken by one particular concept or representing one particular culture’” (Stahl & Brannen 2013: 499).

When managers develop multicultural identities, being strongly attached to multiple cultures or keeping at a distance from all of them, they may leverage unique advantages in achieving global–local balance in their managerial decisions, integrating multiple voices (including outsiders who usually hold new perspectives and ideas), and consequently they may foster innovation that fits the global strategy of multinational enterprises.

¹ See Renault–Nissan case.

2 References

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3 Further reading for the lecturer

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