

UDC 338

JEL Classification M21

Arsenii Litus

Lesya Leshchii (scientific consultant)

Leadership and Employee Performance: How Can We Leverage Cultural Differences in Matrix Organizations

The purpose of the article is to show the influence of cultural values on the style of management in general and leadership in particular in organizations. For this, the very concept of cultural differences, its interpretation in the scientific literature and the interpretation of its influence on management and leadership are investigated, as well as the importance of understanding environmental culture and differences in this area is emphasized. Considerable attention in the article is devoted to the study of the Hofstede's cultural dimensions theory and its research on the example of Ukraine and Poland, their comparison and considerations regarding further changes in the results. The given study is about the effectiveness of the democratic style of management and leadership. A need for greater collaboration and coordination between leaders across different geographic regions and business units is investigated. Based on these findings, in article developed a "2+1" Model for matrix organizations that outlines a comprehensive approach to adapting leadership models to fit cultural differences and enhance leadership effectiveness.

Keywords: leadership, cultural differences, management, "2+1" Model

DOI 10.37659/2663-5070-2023-10-57-63

Introduction

What characterizes a successful leader? Although excellent judgment, ethics, and people skills are the fundamental components of leadership everywhere, the whole recipe for effective leadership also calls for culture-specific seasonings. The primary cause of this is that cultures have different unspoken theories of leadership

or common assumptions about the characteristics that people must possess to be true leaders. A normal style and behavioral inclinations may be a strength or a weakness depending on the cultural situation. To put it another way, effective leadership is primarily determined by the proper personality fitting the proper place.

By examining and evaluating leadership in our article, we explore the impact of cultural differences on management style and effectiveness. Also, in modern realities, in addition to traditional cultural differences, such as regional differences, attitudes to the authorities, etc. ecological culture differences, which are currently not sufficiently researched, become important, the importance of which is difficult to overestimate. All this is closely related to solving an important question - is the democratic style of leadership and management appropriate in general and what are its future prospects.

Literature review

The issue of cultural differences has been studied to a certain extent in the economic literature. In particular, let us pay attention to publications Simha A., Idris I., Suyuti A., Supriyanto A.S., Nanang A.S., Taras V., Steel, P., & Stackhouse, M. [1; 2; 4] Culture is essentially a set of beliefs and predispositions that define our habits starting from foundations, like preferences for some food, and finishing with more abstract concepts, like emotional traits. [1] The term "culture" is a general one that refers to social behavior, institutions, and norms present in human societies as well as the people that make up these groups as well as their knowledge, beliefs, and talents. All human communities have certain cultural universals, these include technological advancements like tool use, cooking, housing, and clothing, as well as expressive forms like art, music, dance, ritual, and religion. For instance, the idea of "material culture" refers to the outward manifestations of culture, such as technology, architecture, and art, whereas "intangible culture" refers to the intangible aspects of culture, such as mythology, philosophy, literature (both written and oral), and science, as well as the guiding principles of social organization (including political organization and social institutions). [2]

To be able to effectively manage cultural differences, we have to first organize it. Hofstede's cultural dimensions theory is the most scientifically proven and respected in the global business environment. Geert Hofstede was a Dutch social psychologist who worked for IBM and is most recognized for his groundbreaking studies on cross-cultural teams and organizations. He was a researcher in the fields of organiza-

tional studies and, more specifically, organizational culture, as well as cultural economics and management. His research proved that local and national cultural groups have an impact on how society and organizations behave. The Cultural Dimensions theory was started in the IBM Europe Personnel Research Department which was established by Hofstede in 1965. (Which he managed until 1971). Between 1967 and 1973, he conducted significant survey research on the variations in national values among the global subsidiaries of this multinational firm, comparing the responses of 117,000 IBM-matched employee samples in various nations to the same attitude question. At the time, he had "perhaps the biggest matched-sample cross-national database accessible anywhere," and he originally concentrated his research on the 40 major nations before expanding it to 50 countries and 3 regions. In its preliminary research, four key dimensions—power distance (PDI), individualism (IDV), uncertainty avoidance (UAI), and masculinity (MAS)—were shown to have systematic variances among national cultures. Then, Michael Harris Bond and associates used a survey instrument created in collaboration with Chinese employees and managers to analyze students from 23 different nations in 1991. Long-term orientation, also known as Confucian dynamism, was included as the fifth component of Hofstede's model because of the findings of this research. Geert Hofstede discovered a sixth final dimension, indulgence vs restraint, because of Minkov's study of data from the World Values Survey, which included 93 representative samples of country populations.

The first dimension, Power Distance Index (PDI), measures how much less powerful members of society expect and accept unequal distribution of power. The second dimension, Individualism vs. Collectivism (IDV), measures how people are integrated into their communities. The third dimension, Masculinity, measures a society's preference for achievement and competition versus collaboration and quality of life. The fourth dimension, Short-term vs. Long-term Orientation (LTO), describes a society's focus on tradition and constancy versus adaptability and pragmatic problem-solving. The fifth dimension, Uncertainty Avoidance Index (UAI), measures a society's tolerance for ambiguity. Finally, the sixth dimension, Indulgence vs. Constraint (IND),

describes how much freedom society allows its members to exercise their human impulses [3].

Results

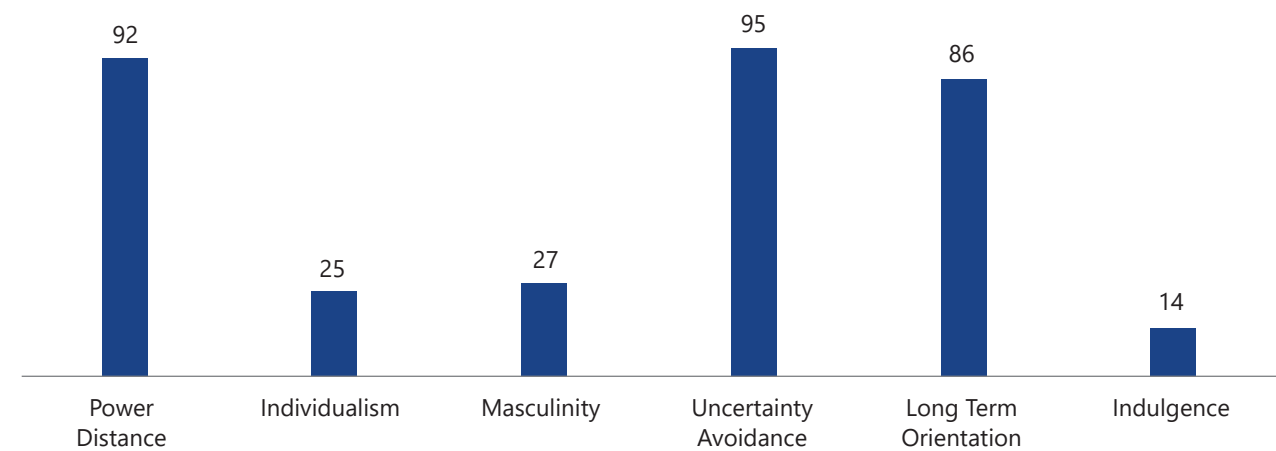
Doing business in Ukraine, for example, differs from doing business in other countries, particularly the United States, the United Kingdom, Germany, and other northern and central European countries. Ukraine has potential growth opportunities in various sectors, and ongoing reforms aim to improve the overall business environment. Decisions are made at the top, and the people on the ground have little influence. The authoritarian system is a relic of Soviet times, and no one seems to like it. Leaders in Ukraine tend to concentrate decision-making power in their own hands and to demand loyalty and subservience from their employees in addition to job-related skills (see Figure 1).

On the other hand, Polish business culture remains somewhat hierarchical. Managers will therefore be less democratic and participative than in other European countries such as the Netherlands or Sweden. It is expected that the manager knows the solution to difficult problems and gives clear instructions to employees. Because Poles have direct speech patterns, these instructions may appear to be given abruptly at times. If instructions are not given in a precise and comprehensive manner, subordinates may become frustrated, resulting in work remaining unfinished. More junior colleagues are expected to show great respect to their superiors, which often results in meetings being dominated by the most senior person present (see Figure 2).

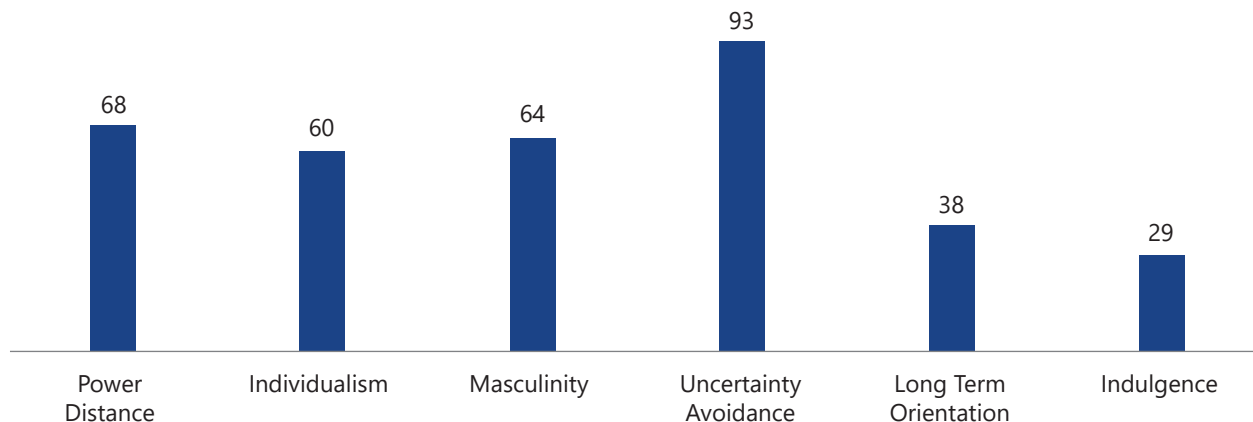
As we can see from the comparison, the Polish leadership culture is superior to the Ukrainian one in terms of contributions to power, individualism, masculinity, and others. However, this is understandable, because the historical imprint of the command economy is much deeper in Ukraine, in addition, Poland is more integrated into the Western community, it has long been a member of the EU and NATO, which brings its cultural values closer to European and pro-Western values. However, a sharp jump towards the Western world is currently taking place in Ukraine, caused primarily by the war of aggression on the part of Russia, when the Western world remains the only salvation from physical destruction and there is a deep reevaluation of values, the formation of new cultural values, which will definitely shift the indicators of Hotstede’s model for Ukraine.

One of the primary aspects to consider when developing a leadership approach in a certain culture is the worldly-popular tendencies that are common in almost all cultures. The biggest trend which will be the foundation of the recommendations below is the huge shift towards a democratic leadership style in international economic relations. It would be the first foundation of the organizational experiment.

So, the “style with two names,” also known as democratic/participative leadership, has gained popularity in recent years. Kurt Lewin, a renowned behavioral researcher, oversaw studies at that time that revealed the importance of democratic/participative leadership in businesses. [6] Why is it becoming a trend now? There are a lot of scientific foundations that assign a lot of benefits to democratic approaches. Em-



■ Fig. 1. Ukrainian leadership through the lens of Hofstede’s model
Source: [4]



■ Fig. 2. Polish leadership culture through the lens of Hofstede's model

Source: [5]

employees that are content work harder and generate more. This remark has previously been repeatedly shown to be accurate, thus it is far from being cliché. A report titled *Happiness and Productivity*, based on many studies conducted by researchers from the University of Warwick concluded that happiness increased productivity by about 12% [7]. Democratic leadership is founded on a set of values that enable businesses to develop strong cultures. Engaging your staff means allowing everyone to participate in the decision-making process. In the end, this results in a high degree of work satisfaction and pleasure with contentment as well. A team will be more productive if the manager couples that with excellent levels of direction and encouragement, another characteristic of the democratic leadership style. As for the post COVID-19 times, understanding the requirements and problems of remote workers is the first step that managers can take to increase their engagement and productivity, claim Barbara Z. Larson, Susan R. Vroman, and Erin E. Makarius in their study. [8]

The second important aspect which is common to fairly any cultural environment is, except for democratic leadership, the fact that people prefer leaders to be from the same culture as they are. Because of the many cultural distinctions, miscommunication frequently results in misunderstandings of other cultural situations. Those from particular cultures may handle conflict without difficulty, whereas people from other cultures frequently struggle to resolve it amicably. This encourages the practice of brushing it under the rug. Cultural differences between individuals within an organization or regular interpersonal interaction might

lead to conflict. The conflict between people from different cultures frequently results from this when people are unwilling to understand one another's cultural variety. [9] To prove this, Ayşe Gözde Koyuncu from Canadian Institute For Knowledge Development made a survey that emerged on cross-cultural foundations. The Near East University staff, who come from a variety of cultures, were the subject of the study. The participants, who represented both genders employed by the organization, ranged in age from twenty to sixty-five. Given that qualitative research focuses on a small sample size, the study sample was restricted to fifty individuals. He asked questions like "Have you encountered conflict before in the institution?" and followed it with "Do you think that conflict was influenced by the cultural differences that exist?" In the end, sixteen of the seventeen respondents who indicated their ethnicity as African agreed with the statement. Eleven out of seventeen respondents who identified as Arabic underlined the fact that they were raised in conservative families and as a result hold values from other ethnicities in high regard. Twelve of the sixteen Turkish participants emphasized the influence of people's varied cultural origins on disputes that arise between individuals or groups in society.

We also note that in recent years, in connection with the threats of global warming and the threats of destructive consequences of possible man-made disasters, more and more attention is being paid to ecological culture and ecological cross-cultural differences. Yes, let us pay attention to research Wormley, A.S., Kwon, J.Y., Barlev, M. [10] concerning the ecology-culture dataset: a new resource for investigating cultural variation.

Combining all these factors, we created a special model for matrix companies, which want to enhance their cross-cultural leadership models. How is it possible to combine both democratic leaders and managers from the same cultural dimensions as subordinates if some cultures directly interfere with free rein leadership style? It is impossible to combine these two features in one person, so that is why we propose the "2+1" Model. The main feature of this model is that you have different people for different employees' needs. The name speaks for itself: on each separate cultural dimension, the company should hire two native-like managers from the same cultural area and one manager who will have a free-rein approach as his prevailing leadership style. These three managers do not have to be hired for every single unit or team, the theory applies more to bigger-sized entities like departments, offices, or country locations. Also, the 2+1 Model does not suggest that the company have to put three managers and let them divide all work, that previously was done by a single manager. This is about distributing three leaders across a matrix organizational structure.

Also, it is important to note that the company does not need to reassign any responsibilities to new managers. Everything that must be done is just controlling that matrix model leadership positions are filled according to the ratio of two native managers to one democratic manager. Otherwise, the 2+1 model can be confusing from an average first-line employee perspective. If for instance a subordinate used to report both to his functional and divisional director, he knows what to expect and which information is relevant to them. In the case the company changes responsibilities for these positions when hiring new prospective leaders according to the model, it would be disruptive for previous employees. It is not only about reporting, but people are also just merely getting used to being managed by one or two people they know, and if two more random people suddenly pop up, it can directly impact the management and communication efficiency. That is why the best industry to implement the 2+1 Model is software development, because it possesses a clear matrix structure and has a managerial position with a defined set of responsibilities, which can be quickly reassigned to newcomer leaders.

Of course, a company could nurture its leaders breed that will have democratic values working in synergy with local peculiarities, but it can take years and can be quite costly. The biggest challenge in such an approach is not even the price, but the lack of supply. as if your newly nurtured leader resigns, you have to go on the market and find a new one that will not be such a good fit for your combination approach. Therefore, the 2+1 Model suggests that there is no need for the formation of new special job descriptions, employers can fill the positions as they used to fill before. Except for hiring efficiency, this approach also positively affects how communication is transferred and employees are managed. If the company has one democratic leader as the head of the unit division, employees of that department understand that they can approach their unit's tasks in a free manner and "work for the result". But if for example the head of the function is one of the two native-like managers, and he operates in a high-distance culture like Ukraine or Poland, colleagues of this function subconsciously understand that they need to prepare reports and be more vocal about their day-to-day activities. So, it is a good idea to distribute these three managers across the matrix according to the features you would like to leverage: if the company in one area the company needs just result, it is a good idea to hire a democratic leader there, while if at another it is beneficial to have higher control, this position might be filled with one of the two native-like managers. The implementation of the 2+1 Model can be divided into three main stages: setting the design, assessment of key metrics, and further adjustment\tuning. The primary stage covers the initial setup of the model and its first launch. During that period, an organization considering the approach should estimate their current condition. It includes a fair definition of the company's organizational structure not only in terms of overall conclusion about whether it is matrix or not, but also deciding if your system has suitable places to fit three leaders according to the 2+1 Model (when they interact with each other sometimes through common projects, but most of the time work independently). The managers should be only instructed before and controlled during their execution, but how they do it — it is totally up to them. Otherwise, if management will interfere it may cause an in-

interesting paradox when leaders forget that their primary aim is to do tasks efficiently, but instead they will be just focusing on obeying the rules of the 2+1 Model. The only moment the company should interfere is when their approach turns out to be wrong and higher management has to correct it after the three leaders.

As for the second stage, the assessment of key metrics, there is no nothing complex except for one point. This point is the initial identification of these main stats you will be measuring. Although it may sound simple, it is very easy to indulge in so-called “vanity metrics”. This term was coined by Eric Reis, an American CEO, entrepreneur, and one of the founders of the lean movement in business, in his book called “Lean Startup”. Vanity metrics are data that appear impressive on the surface but do not always correspond to significant business outcomes. [11] These are metrics that give the company a nice impression in the eyes of others but do not aid in the understanding of your performance in a way that guides plans. The opposite of vanity metrics is “actionable metrics”, the measurements that directly link certain business actions to discernible outcomes. They make it possible for the company to appropriately align its teams on the most crucial criteria to achieve strategic goals.

Finally, the third stage is for deciding what to do with the data, the company recently collected about the 2+1 Model. This includes an analysis of the key pillars mentioned above and overall performance results. There are three possible decisions the company can make after collecting and drawing conclusions from this information: keep it on as it is, abolishes the model, and tune some parts of it.

Conclusions

Overall, leadership is a fundamental element in organizational success, and it is imperative that leaders understand the importance of cultural considerations when working in diverse environments. It is well-known that cultures differ in values, beliefs, and practices, which can create challenges for leaders when trying to manage and motivate employees from different cultural backgrounds. This thesis has highlighted the need for leaders to adapt their leadership styles to fit cultural differences based on Geert Hofstede findings, and has evaluated the effectiveness of various leadership models in diverse cultural settings.

When conducting business internationally, it is more crucial than ever for individuals, especially leaders, to be able to adapt their own management style to the local cultural milieu. As we now know, leadership styles are greatly formed by cultures. Although sometimes it may be very hard to adjust management techniques and approaches to a particular cultural dimension, that is what modern leaders should do, and even must do, to achieve stellar results in our worldwide corporate environment. Effective leadership is impossible without the followers' willingness to be persuaded, which depends on how they see the leader. People are more open to being persuaded by a leader when they believe they have the traits, personality traits, abilities, and behaviors of a leader. Because of this, followers' perceptions of leaders are reflected in their leadership effectiveness. But effective leadership characteristics and behaviors may not always transfer to other cultural contexts.

One key takeaway from this abstract is the importance of understanding the impact of cultural factors such as individualism/collectivism, power distance, and masculinity/femininity on leadership practices and preferences. This knowledge is crucial for leaders when working in multicultural environments, as it enables them to tailor their leadership styles and practices to suit the cultural context in which they operate. This includes understanding how cultural differences influence communication styles, decision-making processes, and conflict resolution, among other things. We identified a need for greater collaboration and coordination between leaders across different geographic regions and business units. Based on these findings, we developed a “2+1” Model for matrix organizations that outlines a comprehensive approach to adapting leadership models to fit cultural differences and enhance leadership effectiveness. Finally, we want to end this paper with a brilliant quote coined by John C. Maxwell, businessman and a No. 1 New York Times bestselling author: “The single biggest way to impact an organization is to focus on leadership development. There is almost no limit to the potential of an organization that recruits good people, raises them up as leaders, and continually develops them.” [12].

References:

1. Simha, A. (2022, May 30). Personality, culture, and leadership. In A. Simha, Leadership insights for

- wisards and witches (pp. 7–16). Emerald Publishing Limited. <https://doi.org/10.1108/978-1-80117-542-520221002>
2. Idris, I., Suyuti, A., Supriyanto, A. S., & Nanang, A. S. (2022). Transformational leadership, political skill, organizational culture and employee performance: A case study from tourism company in Indonesia. *GeoJournal of Tourism and Geosites*, 40(1), 104–110.
 3. Taras, V., Steel, P., & Stackhouse, M. (2023). A comparative evaluation of seven instruments for measuring values comprising Hofstede's model of culture. *Journal of World Business*, 58(1). 10.1016/j.jwb.2022.101386
 4. Hofstede Insights. (n.d.). Country comparison: Ukraine. Retrieved on 4 April, 2023, from <https://www.hofstede-insights.com/country-comparison/ukraine/>
 5. Hofstede Insights. (n.d.) Country comparison: Poland. Retrieved on 4 April, 2023, from <https://www.hofstede-insights.com/country/poland/>
 6. Lewin, K., Lippitt, R., & White, R. K. "Patterns of aggressive behavior in experimentally created social climates". ISBN 1557981701
 7. Lewin, K., Lippitt, R., & White, R. K. (1939). Patterns of aggressive behavior in experimentally created "social climates." *The Journal of Social Psychology*, 10, 271–299. <https://doi.org/10.1080/00224545.1939.9713366>
 8. Warwick. (2021, March 19). We work harder when we are happy [Press release]. Retrieved on October, 2022, from https://warwick.ac.uk/newsandevents/pressreleases/new_study_shows/
 9. Larson, B. Z., Vroman, S. R., & Makarius, E. E. (2020, March 18). A guide to managing your (newly) remote workers. *Harvard Business Review*. Retrieved on 25 October, 2022, from <https://hbr.org/2020/03/a-guide-to-managing-your-newly-remote-workers>
 10. Rahim, M. A. (2023). *Managing conflict in organizations*. Taylor & Francis.
 11. Wormley, A. S., Kwon, J. Y., Barlev, M., & Varnum, M. E. W. (2022, October 11). The Ecology-Culture Dataset: A new resource for investigating cultural variation. *Scientific Data*, 9, Article 615. <https://doi.org/10.1038/s41597-022-01738-z>
 12. Ries, E. (2022, October 5). Creating the Lean Start-up: How Eric Ries developed a scientific method for launching profitable companies. Inc. Retrieved on 3 November, 2022, from <https://www.inc.com/magazine/201110/eric-ries-usability-testing-product-development.html>
 13. Kreso, N. F. (2020, May 21). LEAD program: The leadership metamorphosis. Maestral. Retrieved on 1 May, 2023, from <https://www.maestralsolutions.com/lead-program-the-leadership-metamorphosis/>

Літус А., Лещій Л. (наук. конс.)

Лідерство та ефективність працівників: як використати культурні відмінності в організаціях з матричною структурою

Мета статті — показати вплив культурних цінностей на стиль управління загалом і лідерства зокрема в організаціях. Для цього досліджується саме поняття культурних відмінностей, його тлумачення в науковій літературі та інтерпретація його впливу на менеджмент і лідерство, а також підкреслюється важливість розуміння екологічної культури та відмінностей у цій сфері. Значну увагу в статті приділено вивченню теорії культурних вимірів Хофстеде та її дослідженню на прикладі України та Польщі, їх порівнянню та міркуванням щодо подальших змін в отриманих результатах. У цьому дослідженні йдеться про ефективність демократичного стилю управління та лідерства. Досліджується потреба у більшій співпраці та координації між лідерами різних географічних регіонів та бізнес-підрозділів. На основі цих висновків у статті розроблено модель "2+1" для організацій з матричною структурою, яка окреслює комплексний підхід до адаптації моделей лідерства до культурних відмінностей та підвищення ефективності лідерства.

Ключові слова: лідерство, культурні відмінності, управління, модель "2+1"