A self-representation analysis of the effects of individualist–collectivist interactions within organizations in individualistic cultures

Lessons for diversity management

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Abstract

Purpose – Increasingly, organizations in the Asia-Pacific region are recognizing the importance of cross-cultural management to the sustainability of their competitive edge. Although the literature is replete with cross-cultural studies of individualism and collectivism, little information is available on the factors that foster effective individualist–collectivist interaction (ICI) within organizations. This paper attempts to provide a theoretical description of individualists and collectivists at the individual level of analysis, which offers specific testable hypotheses about the effect of self-representation on prejudice between individualists and collectivists (ICs).

Design/methodology/approach – In this paper, a theoretical model is presented in which intergroup prejudices and interpersonal prejudices mediate the effects of ICI and bicultural orientation toward cross-cultural experiences and, in which, the dissimilarity openness of the climate moderates the level and outcome of prejudices flowing from ICI.

Findings – The model depicts that the outcomes of ICI are mediated by the intergroup prejudices of collectivists and the interpersonal prejudices of individualists, which are moderated by the extent of diversity-oriented HRM policies and practices and individuals' orientation to cross-cultural experiences. When workforces become culturally diverse, organizations should modify HRM practices to enable the full use of the range of skills and talents available from the diversity, and to ensure affective and behavioral costs are minimized. As globalization and international competition will continue to increase, organizations including those in the Asia-Pacific region, should seriously re-evaluate their HRM policies to adapt and take advantage of an increasingly culturally diverse workforce.

Originality/value – The model provides a useful basis upon which organization researchers and practitioners can base their respective agendas.

Keywords Workplace, Individual behaviour, Equal opportunities, Team working

Paper type Conceptual paper

Introduction

In recent years, increasing diversity in the workforce has been recognized as presenting both opportunities and challenges to organizations for achieving efficiency,

innovativeness and international competitiveness (Barak, 1999; Ng and Tung, 1998). Utilization of the full range of knowledge, skills and activities available in organizations is crucial as escalating complexity in markets from globalization and rapidly increasing competition requires organizations to be more creative and innovative (Ng and Tung, 1998). Consequently, many organizations in the Asia-Pacific region are starting to realize the importance of cross-cultural management as the key to their success (Abdoolcarim, 1993; Beamer, 1998; Xing, 1995).

Cross-cultural studies have revealed that, across the cultures of the world, the most important dimension of cultural differences is the relative emphasis on individualism vs collectivism (Triandis, 1990). As the individualist–collectivist (IC) constructs reflect differences in racioethnicity and values (Triandis, 1980), the extent to which organizations will be effective will largely be determined by their ability to be open to dissimilar races, ethnic groups and the values associated with different cultures. This paper examines this issue of individualist–collectivist interactions (ICIs) within the context of individualistic societies such as Australia and the US.

Unfortunately, although the literature is replete with cross-cultural studies of individualism and collectivism, little information is available on the factors that foster effective ICI within organizations. In particular, it is proposed that the level of openness to diversity fostered by the human resource management (HRM) policies and practices of an organization moderate the relationship between the diversity constructs associated with individualism and collectivism and its outcomes for the individual and the organization. The paper also proposes that the effect of ICI is moderated by individuals' bicultural orientation toward cross-cultural experiences (Yamada and Singelis, 1999), which is influenced by individuals' openness to dissimilarity and intercultural experiences.

Although the different self-representations of ICs plays a major mediational role in the effectiveness of ICI, the absence of a theoretical framework describing its effects poses a serious limitation to this area of research (Brewer and Gardner, 1996; Brickson, 2000). This paper attempts to address this gap by providing a theoretical description of ICs at the individual level of analysis, which offers specific testable hypotheses about the effect of self-representation on prejudice between ICs.

Advantages of the ICI
IC cultures possess distinctive characteristics. Compared to collectivist cultures, individualist cultures place more emphasis on personal goals, personal values and competitive behavior (Cox, 1991; Stipek, 1998; Triandis, 1990). Although research findings suggest that ICIs may result in misunderstandings and impede work effectiveness (Barak, 1999; Harrison *et al.*, 1998), several researchers believe that cultural diversity in workforces brings competitive advantages to organizations by increasing creativity and problem solving skills (Copeland, 1988; Cox, 1991; Ng and Tung, 1998). Research shows that diverse groups composed of ICs are more cooperative on tasks and produce higher quality ideas than groups comprised of all individualists (Mclead and Lobel, 1992). As cooperative behavior has been identified as fundamental to the competitiveness of US firms (Hatcher and Ross, 1985), the collectivist orientation is believed to add unique value to organizational effectiveness in individualistic cultures. Therefore, it is proposed that IC organizations will have advantages over individualist organizations if ICI is managed effectively so that the wider range of perspectives that both cultures may bring into the organization is fully used (Copeland, 1988).

Effect of ICI on key outcomes for the individual and the organization
Key outcomes for the individual and the organization of racioethnic and value dissimilarity within IC
The individualism and collectivism dimension is strongly associated with racioethnic dissimilarity and values dissimilarity (Hostede, 1980; Probst *et al.* 1999; Triandis, 1990). For this reason, this paper focuses on these two types of diversity in the explication of ICIs. While racioethnic and values diversity coexist during ICIs, how these diversity types influence ICI effectiveness is complex. This is so because the effect is dependent upon how ICs perceive and react to dissimilar racioethnicity and values. In particular, the prejudices relating to racioethnicity and value diversity within ICs are linked to four outcome categories: individual experience of work, group dynamics, employee attitudes, and employee behaviors.

Effect of racioethnic diversity on key outcomes for the individual and the organization
ICs are dissimilar in racioethnicity. The evidence reveals that observable difference is likely to produce prejudices and negative short-term effects deriving from the stereotypes it evokes (Harrison *et al.*, 1998; Pelled, 1996). For example, minority group members of collectivists tend to perceive less support and feel less attraction and commitment that, in turn, results in higher rates of absenteeism and turnover (Greenhaus *et al.*, 1990; Tsui *et al.*, 1992). These negative findings reveal the costs involved with ineffective diversity management. On this basis, therefore, it is hypothesized that:

H1. The interpersonal prejudice of individualists and the intergroup prejudice of collectivists will be associated with negative effects on the variables of individual experience of work, group dynamics, employment attitudes and employee behaviors.

Effect of values diversity on key outcomes for the individual and the organization
The IC construct reflects differences in values and values shape attitudes and behaviors (Wagner and Moch, 1986). Although values refer to implicit differences and are not easily detected, Harrison *et al.* (1998) argue that actual dissimilarity in values has great potential for influencing organizational outcomes. The theoretical perspectives from organizational behavior (Schneider, 1987), sociology (Berger *et al.*, 1980) and social psychology (Byrne, 1971) support the idea that, during the initial stage of interaction, group members categorize other group members based on stereotypes prompted by overt characteristics. However, as members interact with one another, stereotypes are subsequently replaced by a deeper level knowledge of the psychological features of the other individuals (Harrison *et al.*, 1998).

Therefore, actual dissimilarity in values is argued to produce negative effects such as negative affect, negative group dynamics and work-related behaviors. In particular, it is argued that differences in values elicited in the independent orientation of individualists and the interpersonal orientation of collectivists may act as a powerful deterrent to achieving positive outcomes. For example, when Japanese managers (collectivists) operate overseas a company comprised of individualists, their collectivist orientation often conflicts with the employees' preference for individualism over collectivism (Ishida, 1986), reducing the effectiveness of the overall whole operation. Moreover, research suggests that American firms operating in China should minimize value judgments based on their cultures and maintain an open mindset for different management practices (Xing, 1995).

Nevertheless, some research shows that members who are dissimilar in values and beliefs can develop more creative and better alternatives in problem solving than do similar members (Mclead and Lobel, 1992). We propose that individuals' orientation to cross-cultural experience (i.e. bicultural self, open self and intercultural experience) and a diversity climate of openness are the key moderators of the relationship between ICIs and its outcomes. Although it may be more difficult to achieve, values dissimilarity between ICs is proposed to have cognitive benefits when members' prejudices toward actual dissimilar values are overcome.

Intervening processes of IC and its key outcomes for the individual and the organization
Prejudice evident in individualist dominated groups/organizations
Stephan (1999) defines prejudice as comprising an emotional reaction (e.g. hatred or affection) as well as evaluative reactions (e.g. dislike or approval). As has been argued, prejudice reflects the low affection associated with perceived dissimilar others (Stephan and Stephan, 1993), which impedes the effectiveness of IC groups.

Research indicates that members' prejudices toward actual dissimilarity are a major deterrent to the positive effect of racioethnic and values diversity. There is evidence that the large number of minority members of collectivists entering into individualist nations (Bochner and Hesketh, 1994; Fullerton, 1987) is resulting in many problems and tensions due to host nation prejudice. When prejudices operate in ICI, the costs are great, including psychological pain, physical suffering, economic costs, lost opportunities and denial of the rights to life, liberty and hope.

Collectivists' orientation toward cultural alienation
When collectivists perceive majority group members of individualists as having prejudice they find it difficult to integrate with individualists. In this situation, collectivists may perceive threats, which gives rise to intergroup anxiety. Intergroup anxiety refers to a concern for negative outcomes such as rejection and disapproval arising from in-group members' perceived dissimilarity of out-group members (Stephan, 1999). The intergroup anxiety perceived by minority group members, in turn, leads to prejudices toward majority members (Britt *et al.*, 1996). As a consequence, prejudices by individualists toward collectivists and vice versa facilitate collectivists' feelings of cultural alienation within individualist groups or organizations. Cultural alienation caused by perceived discrimination may, in turn, negatively affect the relationship between ICI and its key outcomes for the individual and the organization. Thus, the effect of ICI on key outcomes for the individual and the organization will be mediated by collectivists' cultural alienation. That is,

H2. Collectivists high in cultural alienation will display more intergroup prejudice than will collectivists low in cultural alienation.

Prejudices associated with individualism and collectivism
Although individualists possess prejudices against collectivists based on both racioethnicity and values, individualists place greater emphasis on defining the in-group according to similar values and beliefs than do collectivists (Triandis, 1990). Individualists' prejudices toward collectivists' dissimilar values therefore may present the greatest challenge to obtaining positive employee behaviors.

In addition to collectivists having prejudice against individualists as a result of intergroup anxiety, they may have their own prejudice even when they hold a minority position. In comparison to individualistic cultures, collectivist cultures place greater emphasis on interdependence such that the self is almost entirely defined in the context of significant others (Stipek, 1998). Collectivists define an in-group member as someone related to them through family or ethnicity (Triandis, 1990). Moreover, research reveals that collectivists tend to make in-group/out-group distinctions more than individualists (Gudykunst *et al.*, 1987). Within the IC context where racioethinic differences become salient, collectivists may elicit intergroup differentiation, classifying people of a dissimilar ethnic background as out-group members, which may result in prejudicial behavior toward individualists. The prejudices of collectivists toward individualists may also act as a partial cause of negative ICI effects. Positive key outcomes during ICIs are predicted to be largely impeded by members possessing prejudices against perceived dissimilar others. ICIs are therefore expected to achieve positive outcomes when prejudices among dissimilar members are overcome. Furthermore, the paradoxical effect of ICIs also indicates the need for organizations to take a proactive role.

Major deterrents to the full utilization of the knowledge, skills and activities in ICI

Negative effects of similarity attraction
Negative affective and behavioral effects of ICI are explained by human's inclination to be attracted to others perceived to be similar, leading to the exclusion of actual dissimilar others perceived as dissimilar (Byrne, 1971).

As collectivists' orientation toward perceived similarity differs from individualists' orientation, similarity attraction may act as a hindrance to the achievement of effective ICI. For example, dissimilarity in IC's perspectives of what constitutes a good employee may lead to unfair performance appraisal. While individualists define a good employee as one who explicitly states individual goals and stands up for his or her rights, collectivists define a good employee as one who follows collective norms and maintains social harmony in the group (Chen and DiTomaso, 1996). Therefore, in individualistic cultures, supervisors' similarity attraction toward individualistic employees may result in evaluating collectivist employees as too submissive, lacking confidence and lacking initiative, which translates into unfair performance appraisals (Chen and DiTomaso, 1996). As a consequence, collectivists may perceive threats and behave prejudicially toward individualists.

Negative effects of social identification
Social identity theory states that people tend to classify themselves and others into various social categories (Tajfel and Turner, 1986). The in-group/out-group distinction activates negative stereotypes and prejudices that cause group members to make biased attributions (Jackson *et al.*, 1993). Hence, within groups or organizations where diversity is high, minority group members will report higher levels of differentiation and in-group favoritism by majority group members, leading to intergroup anxiety and negative social identification (Brown and Smith, 1989). As a consequence, key outcomes for the self and the organization will suffer, resulting in organizations systematically driving out actual dissimilar minorities from the actual similar majority (Byrne, 1971; Schneider, 1987).

Interestingly, a number of studies have found that minority members display higher levels of intergroup differentiation and in-group favoritism than do majority members (Gerard and Hoyt, 1974). Minority group members discriminate less than majority group members, indicating their recognition of the superiority of members of the majority group (Moscovici and Paicheler, 1978). However, minority members have more in-group favoritism than majority members when minority group membership is salient (Kelly, 1990; Sachdev and Bourhis, 1987). Moreover, collectivists are more likely to make in-group and out-group distinctions than are individualists (Triandis, 1990). The findings are significant as they reveal that the effectiveness of ICIs may not only be impeded by the in-group favoritism of individualists but also by the in-group favoritism of collectivists.

ICI from the perspective of self-representation processes
The effectiveness of ICI is highly influenced by how individuals within ICI contexts represent themselves in relation to others (Brewer and Gardner, 1996; Brickson, 2000; Markus and Kitayama, 1991). A review of cross-cultural studies indicates that individualists define the self as using an independent perspective whereas collectivists take an interdependent view of the self (Markus and Kitayama, 1991). The independent self refers to a self-concept that is differentiated from all others whereas the interdependent self refers to the self-concept that reflects assimilation to others or significant social groups.

Effect of independent self of individualists
Individualistic cultures place great emphasis on self-reliance and independence of the self from the group (Triandis, 1990). Several literatures emphasize that self-reliance is a key feature of individualism (Perloff, 1987). Moreover, some researchers decry individualist's self-reliance as selfishness (Bellah *et al.*, 1985). For example, individualists place greater emphasis on personal goals and these typically overlap little with the group goals of collectivists directed toward their work group and racial group (Triandis, 1990).

Effect of interdependent self of collectivists
Collectivist cultures emphasize interdependence, overlap of the self with the group, and cooperative behavior with ingroup members (Probst *et al.*, 1999). Collectivists emphasize collective goals ahead of personal goals (Triandis, 1990). Moreover, research shows that collectivists pay more attention to in-group/out-group distinctions than do individualists based on race (Espinoza and Garza, 1985). In comparison with individualistic group members, research findings show that collectivist group members tend to have greater self-disclosure, attraction, and helpful attitudes with same race members but they tend to be more hostile and competitive toward racially dissimilar members (Espinoza and Garza, 1985; Triandis, 1990). As collectivists appear to stress group identity more strongly than do individualists, collectivists are expected not only to represent their self as interdependent but their interdependency is contingent upon the kinds of people they define as in-group members. When ICs encounter each other, the dissimilar self-representations are expected to pose potential psychological threats. This proposition is explored next.

Dissimilar self-representation explains negative ICI effects
When an individualist is in a group where the majority of members are collectivists, s/he may perceive negative stereotypes deriving from the dissimilar collectivist value of high group identity and in-group favoritism. In terms of group tasks, collectivists expect to gain group benefits from the group, whereas individualists expect to gain personal benefits from the group. Individualists desire to transcend the group and are no more likely to favor people within the group than from outside the group, as long as there is a personal benefit in the relationship. Therefore, individualists perceive that their personal benefit is thwarted by their need to be unconditionally loyal to the group.

In contrast, when a collectivist is in a group where the majority of members are individualists, the collectivist may feel that his or her group benefits are thwarted because of high independence within the in-group. Collectivists are expected to have negative stereotypes that derive from values dissimilar to the individualistic value of high personal identity and to also possess intergroup anxiety and fear of abandonment from the in-group. In terms of group tasks, collectivists are expected to find working with individualists difficult because their core competency is to work cooperatively with in-group members and to not seek personal benefits.

Intergroup perspectives of collectivists and interpersonal perspectives of individualists
The independent self of individualists and the interdependent self within the in-group of collectivists explains why individualists use individuals as the units of analysis for social behavior whereas collectivists use groups (Triandis, 1998). Thus, collectivists view things from an intergroup perspective, whereas individualists view things from an interpersonal perspective.

According to Ziller (1965), collectivists tend to create close groups that possess a stable relationship derived from long-term group membership. In contrast, individualists tend to create open groups that are flexible in changing their group memberships (Ziller, 1965). Individualists pay more attention to personal attributes and often find the intergroup perspectives of collectivists irrational (Triandis *et al.*, 1994).

Intergroup prejudice and interpersonal prejudice
Intergroup prejudice of collectivists
Within the ICI context, the intergroup perspectives of collectivists may lead to intergroup prejudices that negatively affect IC relationships (Perdue *et al.*, 1990). Collectivist cultures have an ethnocentric quality where the perception of the in-group is seen as universally valid and where the in-group is the center of everything and all others are scaled and rated with reference to it (Triandis, 1990). Research shows that intergroup prejudices by collectivists negatively affect the behavioral integration of individualists with collectivists. When cross-cultural groups are formed for the first time, members from collectivist cultures behave less cooperatively than members of individualist cultures. In other words, collectivists with intergroup perspectives see individualists as out-group members and act less cooperatively toward individualists.

Interpersonal prejudice of individuals
The openness of the group boundary of individualists gives the appearance of a cooperative orientation toward groups. However, individualists are also greatly concerned with winning, especially with attaining high status and distinctiveness

(Triandis *et al.*, 1994). While collectivists emphasize unconditional relatedness to their in-group, individualists emphasize conditional relatedness that carefully calculates the costs and benefits of their relationships with others (Kim, 1994; Triandis, 1998). Therefore, individualists often have greater skills in entering and leaving new social groups and in seeking groups that maximize their own benefits and minimize costs (Triandis *et al.*, 1988). When ICs meet for the first time, individualists are more open compared to collectivists as long as collectivists agree with individualists on issues that lead to their achievement. Individualists therefore are expected to possess interpersonal prejudices against collectivists, negatively affecting relationships between individualists and collectivists. Based on this theoretical argument, the following hypotheses are put forward:

> *H3a.* The individualist's interpersonal perspectives account for more variance in their prejudice than do intergroup perspectives and vice versa for collectivists.

> *H3b.* The effect of ICI on key outcomes for the individual and the organization will be mediated by individualists' interpersonal prejudice and collectivists' intergroup prejudices.

Moderators of intervening processes
Individual orientation to cross-cultural experiences
The paper proposes that full utilization of ICIs will be achieved once individualists overcome interpersonal prejudices and collectivists overcome intergroup prejudices. Those who overcome prejudices will contribute their strengths as well as accept the dissimilar talents brought by perceived dissimilar others. The present research aims to incorporate the concept of self with intercultural experience into a model linking ICI and key outcomes for the individual and the organization.

Bicultural self
Although cultural values are very influential in shaping the self-representation of individuals (Marsella *et al.*, 1985; Triandis, 1989), there are other factors that contribute. Singelis (1994) and Yamada and Singelis (1999) found that the independent and interdependent self could coexist in individuals regardless of one's culture. Similarly, Triandis (1989) suggested that both allocentrics (interdependent self) and idiocentrics (independent self) exist within a culture. Supporting these views is a study of stress coping behavior among American and East Asian students that revealed that East Asian students developed an independent self-representation similar to their American counterparts while retaining a more developed interdependent self-representation than their American peers (Cross and Markus, 1991). The self-representation that demonstrates this phenomenon of both high interdependence and independence is termed bicultural (Cross and Markus, 1991; Yamada and Sigelis, 1999). Individuals with a bicultural self are expected to demonstrate reduced prejudice associated with collectivist and individualist cultures. We propose two factors that lead to a bicultural self: individual's openness (open self) and intercultural experience. That is,

> *H4.* Bicultural self-representation will moderate the level of prejudice toward co-workers dissimilar on the IC orientation such that bicultural individualists will show less interpersonal prejudice and bicultural collectivists will show less intergroup prejudice compared to their same cultural counterparts.

Open self

The interpersonal prejudice and intergroup prejudice sometimes observed in ICIs indicate that ICs hold negative stereotypes toward each other's group (Ashmore and Del Boca, 1981). Interestingly, negative cultural stereotypes are automatically activated in the presence of the member of a stereotyped group regardless of one's prejudice level (Devine, 1989). This phenomenon is especially evident in interactions between majority members of individualists and minority members of collectivists. Research findings indicate that high prejudice and low prejudice whites categorized blacks as poor and aggressive (Devine, 1989). The low prejudice person, however, controlled the automatically activated stereotypes in considering black–white interactions, whereas high prejudice persons did not (Devine, 1989). Research findings also indicate that low prejudice participants are more accurate than high prejudice participants in estimating their partner's attitudes (Scodel and Mussen, 1953).

The individual with low prejudice is termed here the open self. Those with an open self are expected to accept and try to understand self-representations dissimilar to their own, which enables them to develop a bicultural self. In addition, in comparison with the bicultural self, the open self may encompass a more positive meaning of self in dealing with perceived dissimilar others. For example, those with an open self will not only be open to those with dissimilar self representations, they will also be open to others perceived as dissimilar such as persons dissimilar on gender/or knowledge. It is therefore hypothesized that,

H5. The openness of an individual will moderate the level of prejudice toward co-workers dissimilar on the IC orientation such that open individualists will show less interpersonal prejudice and open collectivists will show less intergroup prejudice compared to their same cultural counterparts.

Intercultural experience

Individuals' intercultural experience may shape self-representation so that it comprises both an interdependent and an independent self view (Singelis, 1994; Yamada and Singelis, 1999). Intercultural experience includes time abroad in another culture, daily interaction within a culturally diverse community, and may even include having parents from different cultures (Singelis, 1994; Yamada and Singelis, 1999). For example, Asian employees in Asia were more dissatisfied working with Canadians than Asian employees working in Canada were (Ng and Tung, 1998). Research shows that individuals with intercultural experience demonstrate cultural flexibility (Bhawuk and Brislin, 1992). That is,

H6. The intercultural experience of an individual will moderate the level of prejudice toward co-workers dissimilar on the IC orientation such that individualists high on intercultural experience will show less interpersonal prejudice and collectivists high on intercultural experience will show less intergroup prejudice compared to their same cultural counterparts who are low on intercultural experience.

In light of the foregoing discussion, it behooves organizations to develop techniques and procedures to facilitate increasing openness for actual individual differences and the ability to perceive the world from the view of actual dissimilar others (Byrne, 1971).

HRM policies and practices
Significant role of HRM policies and practices in ICI
The rapid expansion of the global market has contributed to the belief that HRM practices in one country do not necessarily have the same impact in another country. For example, research indicates that there are considerable differences in the use of rewards, performance appraisal and career development between China, a collectivist nation, and the Netherlands, an individualistic nation (Vergurg *et al.*, 1999).

Although organizations recognize the importance of diversity management, there is still a gap between recognition and action. One study showed that only one-third of US employers had any sort of diversity policy (Carrell and Mann, 1993). Similarly, only 34 per cent out of approximately 500 HRM professionals indicated that their organization had diversity-related written policies or programs. To date, little research has examined the moderating effect of different cultures toward establishing diversity-oriented HRM practices (Casio, 1995). Moreover, about half of the existing diversity practices are related to EEO/AA requirements (Carrell and Mann, 1993). While approximately 70 per cent of the world's population still live in collectivist cultures, organizations will find themselves competitively disadvantaged if they do not see the importance of and act to facilitate the relationships among ICs.

Diversity openness fostered by HRM policies and practices
The contextual features of an organization are likely to influence the self-representation of individuals and determine the effectiveness of the relationships that emerge between members (Brickson, 2000). HRM policies and practices that foster openness to dissimilarity may shape employee attitudes and behaviors and reinforce the organizational culture, thereby affecting the organization's ability to facilitate effective utilization of ICI (Härtel and Fujimoto, 1999; Kossek and Lobel, 1996). Specifically, it is proposed that HRM policies and practices are crucial contributors to ICs' experience, relational dynamics, attitudes and behaviors.

The key to gaining competitive advantage from employee diversity is for organizations to value differences (Dass and Parker, 1996). Organizations whose top management are committed to diversity management, that provide resources (human, financial, computer, etc.) for diversity oriented programs, that recognize ICI performance, that include as a selection criterion the ability to work with diverse members, and that pay based on merit are likely to be viewed as valuing differences. This perceived culture of dissimilarity openness is expected to reduce the prejudice level of IC members and, in turn, improve key outcomes for the individual and the organization (Härtel and Fujimoto, 1999). Consequently, it is hypothesized that:

H7. The effect of ICI on key outcomes for the individual and the organization will be moderated by diversity-oriented HRM policies and practices. In particular, a diversity climate of openness will moderate the level and outcome of prejudice flowing from ICIs.

Discussion and conclusion
The rapid expansion and globalization of marketplaces is increasing the significance of cross-cultural management for business success around the world. Research in psychology, sociology and anthropology shows that there are major differences in the cognitive processes of people from different cultures (Adler *et al.*, 1986). Hence, understanding the effect of the cognitive aspect of cultures on HRM is vital for organizational effectiveness

(Adler *et al.*, 1986; Brickson, 2000). Similarly, differences in the perception and regulation of emotional expression exist among cultures and appreciation and recognition of these differences is crucial to the promotion of a culture of tolerance (Ayoko and Härtel, 2003).

While individualism and collectivism are the most distinctive dimension of cultural differences across the world, little is known about the mechanisms affecting interactions among ICs, that is, IC's self representation. This paper proposes that differences in self-representation associated with the IC orientations create different prejudicial tendencies. Specifically, the model depicts that the outcomes of ICI is mediated by the intergroup prejudices of collectivists and the interpersonal prejudices of individualists, which are moderated by the extent of diversity-oriented HRM policies and practices and individuals' orientation to cross-cultural experiences.

Organizations need to recognize that HRM policies and practices will lead to positive key outcomes only when they are applied with sensitivity to the context (Vergurg *et al.*, 1999). In other words, when workforces become culturally diverse, organizations should no longer retain the same HRM practices developed for a homogeneous workforce. Instead, they should modify them to enable the full use of the range of skills and talents available from the diversity. For example, increasing cultural diversity within a Hong Kong shipping operation led to the need to foster in management skills in dealing with cross-cultural sensitivities and hiring in countries with different labor laws (Abdoolcarim, 1993). Furthermore, an American operation in China outlined their keys to success as maintaining an open mindset for different management practices and minimizing value judgments about Chinese ways of business (Xing, 1995).

Several studies indicate that there are positive and negative effects of cultural diversity (Harrison *et al.*, 1998; Watson *et al.*, 1993). Generally, diversity research indicates that it is associated with negative affective and behavioral outcomes that outweigh the positive cognitive outcomes (Milliken and Martin, 1996). For example, research showed that workgroups consisting of Chinese (collectivists) and Netherlanders (individualists) produced greater profit but reported low job satisfaction, organizational commitment and higher rates of turnover (Vergurg *et al.*, 1999). These findings stress the importance of developing diversity-oriented HRM so that cognitive benefits of diversity are increased and affective and behavioral costs are minimized. As globalization and international competition will continue to increase, organizations including those in the Asia-Pacific region, should seriously re-evaluate their HRM policies to adapt and take advantage of an increasing culturally diverse workforce.

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