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## ORGANISATIONAL CULTURE IN MULTINATIONAL ORGANISATIONS

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In the last ten years South Africa has seen a dramatic change in the way organisations and individuals, within the business environment, view culture, ethnicity, socio economics, gender and race. These recent developments are largely attributed to globalisation and diverse national and cultural origins. With more and more culturally diverse South African and foreign national employees entering the labour market, there has been a greater focus on culture than ever before.

As South Africans one have been exposed to diverse cultures within a business, organisational and occupational context, however in today's complex and fast changing world of multinational business where workforce has become increasingly diverse in national and cultural origins, and work assignments are more commonly performed by team members of varying nationalities, managing multinational teams is fast becoming an increasingly important function.

This paper will explore the concept of organisational culture, and determine how cultural diversity impacts the business environment and how leaders manage cultural diversity within a multinational organisation.

*Key phrases: Organisational culture, multinational context, diversity factors, managing diversity*

### 1 WHAT IS ORGANISATIONAL CULTURE?

Before one can define organisational cultural one need to establish what is culture and cultural diversity?

Culture as defined by Hellriegel, Jackson, Slocum and Stuade (2001:355), 'is the unique pattern of shared assumptions, values and norms that shape the socialisation activities, language, symbols, rites, and the ceremonies of a group of people.'

Hellriegel et al (1999:629) goes on to describe cultural diversity as 'the full mix of the cultures and subcultures to which members of the workforce belong.'

Newstrom and Davis (1989:90) define cultural diversity as "the rich variety of differences among people at work.' Newstrom et al (1989:102), further describes organisational culture as a set of assumptions, beliefs, values, and norms that are shared by an organisation's members.

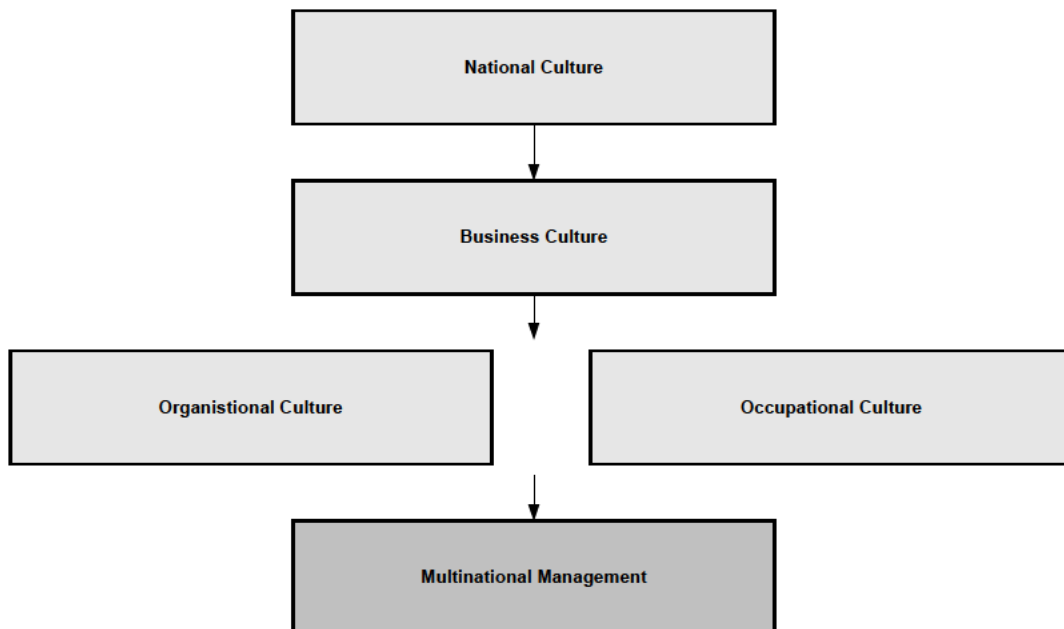
If one has been in that uncomfortable position of not really getting the punch line of a joke, this is commonly a result of not understanding the pervasive and shared beliefs, norms, and values as expressed by current group members, which is passed on to future group members through cultural rituals, stories and symbols. In a sense this implies not understanding the culture.



Source: Unknown

When looking at culture within a business context one need to understand that culture has three basic levels, which influence multinational management as illustrated in figure 1.

Figure 1: Levels of Culture in Multinational Management



Source: Cullen and Parboteeah (2005:45)

The three aforementioned levels of culture are displayed in order of influence, whereby 'National Culture' having the most dominance, represents the broader culture of the people within political boundaries of the population. The 'Business Culture' focuses predominantly on how values, norms and beliefs influence business operations. As defined by Cullen and Parboteeah, (2005:45), 'Business Cultures tell people the correct, acceptable ways to conduct business in a society.' while Occupational Culture and Organisational Culture highlights cultural traits adopted by specific occupational groups like lawyers and physicians or organisational members respectively.

## **2 WHY IS ORGANISATIONAL CULTURE SO IMPORTANT?**

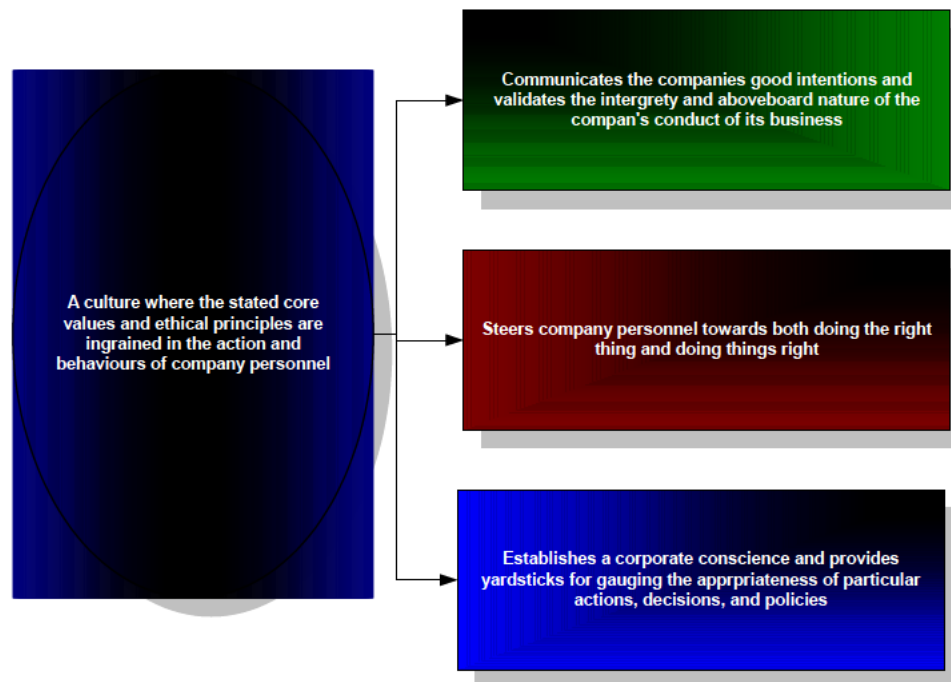
Organisational Culture refers to the character of a company's internal work climate and personality, which is underpinned by specific values; beliefs; business principles, traditions that are ingrained through employee behaviour.

A good aligned corporate culture can better realise organisational strategic efforts by encouraging actions, which are supportive of good strategy execution.

The benefits are largely associated with driving the right behaviours to facilitate delivery of positive organisational results, good operating practices as well as establishing strong employee identification with and commitment to the company's vision, performance targets and strategy.

According to Thompson Jr., Strickland III and Gamble (2005:374) 'When the culture is in conflict with some aspect of the company's direction, performance targets, or strategy, the culture becomes a stumbling block.' Therefore grounding the organisational culture in core values and ethical principles has a significantly positive impact on business performance as illustrated in figure 2.

Figure 2: How a company's Core Values and Ethical Principles Positively impact the Organisational Culture



Source: Thompson et al. (2005:387)

### 3 WHAT HAS CULTURE GOT TO DO WITH MULTINATIONAL MANAGEMENT?

To better understand how culture impacts Multinational Management one would first need to understand this concept of Multinational Management. Multinational Management as defined by Cullen and Parboteeah, (2005:45) as 'the formulation of strategies and the design of management systems that successfully take advantage of international opportunities and respond to international threats.' A typical multinational company engages in business operations both internally and externally to its domestic borders, which is mainly driven by globalisation and competition.

There are a number of factors, which have contributed to companies operating in multiple countries; a few of these factors are highlighted below:

- With the explosive growth of Information Technology and Internet communications, it is fast becoming far simpler for multinational organisations to access foreign or global economies. In essence the world has become a smaller place metaphorically speaking, particularly if you consider anyone regardless of where they are located within the world can purchase products via the Internet

through numerous multinational organisations like Amazon.com and e-bay and have these products delivered to their front door.

- Another important factor is that companies now have access to foreign markets brought about through the promulgation and negotiation of the General Agreement on Tariffs and Trade (GATT) as well as the World Trade Organisation (WTO) to name but a few, which encourages and supports the elimination of trade barriers among nations. This allows companies to benefit from having access to foreign consumers, having greater market share across a wider geographical populous.
- Multinational Companies are driven by competitive advantage which compels companies to explore foreign markets for opportunistic economic, political, technological and infrastructure or geographical gains that are conducive to business operation. A good example of this is the car manufacturing concern, BMW who make use of emerging markets like South Africa to manufacture, assemble and export their luxury sedans to other markets at a substantially lower cost than to have it manufactured locally in Germany.

Now having a better understood of Multinational Management, what impact does culture have on multinational organisations? One knows that organisational culture is an important component which helps drive behaviours, which support strategy and company objectives.

With the emergence of powerful multinational organisations that operate within multiple nations across the globe there is potential for cultural differences to occur between the Organisational Culture, the 'Business Culture' and that of the 'Nations Culture'.

During the last decade, managers and academics have realised that the concept of organisational cultural differences seems to answer questions such as to why two organisations with similar structures and strategies have different performance levels and why the successful merger of two otherwise successful companies failed as stated by Cullen and Parboteeah (2005:48)

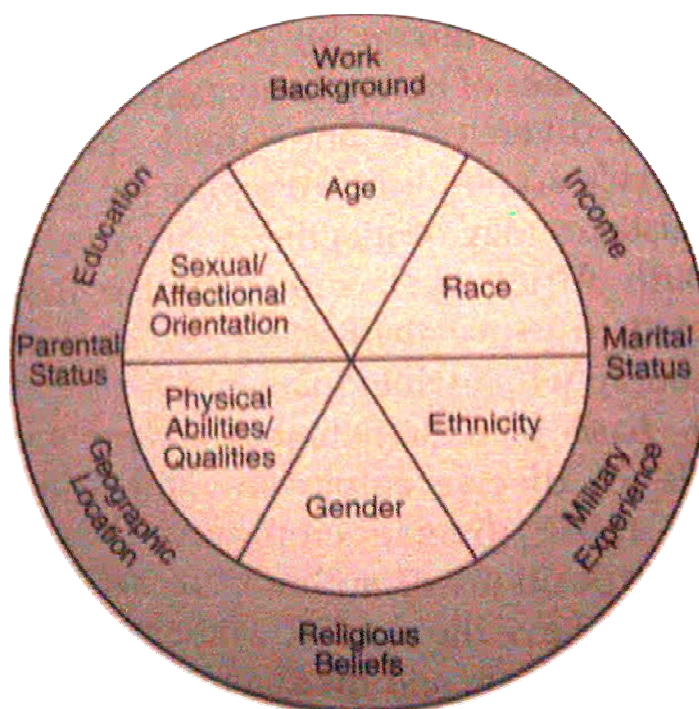
A good organisational culture can provide a powerful competitive advantage to multinational organisations particularly unlike technology and structural competitive advantages, organisational culture is very difficult to replicate and change. This further emphasises the importance of managements understanding of the effects of cultural diversity within a multinational environment and how management can use culture to positively drive performance and strategy by way of managing the cultural differences.

#### 4 WHAT ARE THE TYPICAL DIVERSITY FACTORS THAT NEED TO BE CONSIDERED BY MULTINATIONAL MANAGERS? (TAKEN FROM A SOUTH AFRICAN PERSPECTIVE)

The diversity factors illustrated are taken from the point of view as to what multinational managers must consider when operating within Southern Africa.

The diversity factors can be further segmented into primary and secondary dimensions. See figure 3 below.

Figure 3: Primary and Secondary diversity factors



**Source:** Cox and Blake (1991:46)

**Primary factors** are those factors which are more commonly used to generalise or differentiate individuals: They are age, race, ethnicity, gender, physical abilities / qualities and sexual / affectional orientation.

Typical primary South African diversity factors to be considered by managers are as follows:

##### **Age:**

A large percentage of the South African population is relatively young, and of that many do not possess formal education. This poses significant challenges to the

presently high levels of unemployment. Government with the aid of business managers have developed learnership programmes, which involves business's adopting graduates and school leavers within the organisation.

This is an attempt to try and address these challenges and bring about new talent within the business. Managers within the organisation need to understand the need to groom and introduce new prospective talented employees within the business. At the same time, managers also need to be aware of the potential disparity that may exist between youthful idea's and experience coupled with knowledge.

### **Ethnic groups:**

South Africa is made up of four ethnic groups, consisting of Asians, coloureds, whites and blacks. Within the four groups, 11 languages are spoken namely: Afrikaans; English; IsiNdebele; Sepedi; Sesotho; SiSwathi; Xitsonga; Setswana; Tshivenda; IsiXhosa; IsiZulu. This certainly adds complexity to many South African organisations particularly in respect to communication within the workplace.

This has led to most business's requiring sound communication policies in place. Managers as well as employees have to be socially aware of the differences in respect to the interaction between one another.

### **Gender:**

Although the perception of women within the workplace has started changing like the perception those women do not have business acumen and therefore their place is at home. There still are fewer women in senior positions within organisations. The glass ceiling effect is still in place, as certain positions within the business are still considered to be man's domain.

Management need to take cognisance of the fact that women are starting to play a more dominant role within the organisation, particularly now as many women choose career's over family.

Managers need to be cognisant of the differences between women and men and need to manage this and set the tone for these changes.

### **Physical Abilities / Qualities:**

With more and more individuals within South Africa suffering from emotional deficiencies and mental disabilities attributed to a stressful and chaotic lifestyle. As well as new technological advances within medicine and science one are finding

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more and more physically and mentally disabled individuals (Limited sight, hearing impaired and limited mobility, anxiety and depression disorders) entering the workplace. It is important that managers are aware of the potential anxiety felt by other surrounding able-bodied workers and manage this effectively.

### **Sexual / Effectual Orientation:**

South Africa is seen as one of the most liberal democratic countries in the world, this has seen the rise of many homosexual's openly celebrating their different sexual orientation. This can often pose problems for managers within the organisation particularly with the more conservative and religious sub segments within an organisation.

**Secondary factors** reflect those cultural diverse factors, which are not as easily identified without deeper probing and examination. These refer to education, religious beliefs, geographic location, income, marital status and the like.

An example of this is the perception some literate South Africans have over those individuals who are not as functionally literate or have low levels of education. An elitist type attitude.

Senior management and executives determine the organisational culture and are responsible for recognising and eradicating any prejudice and stereotyping related to cultural diversity. Thus it is important that managers understand and are aware of the impact cultural diversity can have within the organisation

## **5 BREAKING THROUGH THE CULTURE SHOCK**

Given the importance of managing the complexities around culture and cultural differences, it's extremely important to understand the differences between national and business culture so as to better manage successfully these differences within the business environment.

There have been several theories and studies undertaken examining cultural differences, however the two most comprehensive studies and models used most commonly today are, 1) the Hofstede model of national culture and 2) 7de culture model (discussed in less depth). These models were developed to aid the multinational manager.



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## 1 Hofstede Model of national culture

Cullen and Parboteeah et al (2005; 50) defines Hofstede's model of national culture as follows; a culture model based on differences in values and beliefs regarding work and goals.

Between 1967 and 1973, Geert Hofstede collected and analysed data taken from over 100 000 individuals working in more than 70 countries, based on the findings Hofstede developed a theoretical framework showing five primary dimensions that differentiate culture.

- **Power Distance** – expectations regarding equality among people
- **Uncertainty Avoidance** – typical reactions to situations considered different and dangerous.
- **Individualism** – the relationship between the individual and the group in society.
- **Masculinity** – expectations regarding gender roles.
- **Long-term orientation** – a basic orientation towards time.

This model applies to organisations and management, showing how cultural values affect numerous management practices in different cultures. Some of the practices include, **a)** Human Resource Management (*Management selection, training, evaluation and promotion as well as remuneration*); **b)** Leadership styles (*how leaders behave*), **c)** motivation assumptions (*beliefs of how people respond to work*); **d)** Decisions making and organisational design (*How managers structure there organisation and make decisions*), and **e)** strategy (*effect of culture on selecting and implementing strategies*).

*Power distance:*

Power distance refers to the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally. Those workers in large power distant countries, where centralised power tends to be accepted, “expect to be told what to do,” while workers in small power distance countries, where there tends to be less tolerance of centralized power, “expect to be consulted.” as reported by Levre and Portz (2006, 62), countries with large power distance dimensions have centralised structures with limited participative decision-making. This type of characteristic is often found in cultures within Asia, and South America. Small power distance countries like Great Britain and Northern

America tend to have decentralised management structures and management involves greater participation when undertaking decisions

Management practices associated with performance measures, decision - making and delegation of responsibilities vary significantly based on the power distance of the culture. In small power distance culture's management will measure employees based on tasks carried out by employee and not measure initiative or decision-making abilities as employees tend to have limited decision making authority. Low power distance cultures tend to have numerous management policies and procedures in place with tighter management controls.

*Individualism / collectivism:*

An individualistic society is made up of individuals who act according to their own interests, whereby management mainly focus their attention on hiring and managing individuals not groups. In a collectivist society the group is of utmost importance and employees act in the best interests of the group. In this context management techniques are largely focused on the group.

John and Kris (2005; 64) highlighted that those cultures which show greater individualistic characteristics respond better to individual performance measures and rewards, while the collectivist culture would be more open to group measurements and incentives.

Ubuntu is considered to be an African philosophy of humanism and co-existence, promoting values like human dignity, respect, compassion, honesty, conformity, collective unity and group solidarity. Ubuntu is closely aligned with a collectivist type approach.

An example of "Ubuntuism" can be found in Thabo Mbeki's African Renaissance programme, which consists of uniting Africa for the common good of all Africans alike. Ubuntu also underpins some of the concepts displayed within the "Proudly South African" campaign launched by government to encourage South African businesses and individuals to buy locally manufactured goods and services.

As summarised by Donald, Lazarus and Lolwana (1999:150) "Ubuntu may be very powerful, because emphasis is placed on the good of the community as a whole, and on the social responsibility of its members towards one another", if applied within a business context Ubuntu can help organisations foster an environment of togetherness and co-operation amongst the organisations members towards the mutual success of the organisation and the individual, despite cultural differences.

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If properly incorporated and successfully implemented within the business environment, the Ubuntu philosophy can certainly add significant value particularly to creating a workforce that is respectful of one another's differences, yet understanding the need to work together to bring about common success for the organisation and one another.

*Masculine / Feminine:*

Hofstede refers to the cultural expectations and differentiation, which societies have in association with the gender roles between men and women. Men are considered to be assertive, tough resilient and focus on material success, while women are associated with modesty, tenderness and the concern with quality of life.

Based on this dimension it has been identified that those who show masculine values tend to focus on work with particular emphasis on corporate growth and material success and respond well to job recognition, advancement and financial reward. Feminine culture values tend to give greater emphasis on quality of life, thus respond better to time off and vacations.

Masculine characteristics are often associated with a more analytic and logical approach to decision making while the Feminine culture counterpart makes better use of intuition to facilitate decision-making.

*Uncertainty Avoidance:*

This cultural dimension refers to the level of tolerance for uncertainty and ambiguity under risky situations. Low tolerant uncertainty and avoidance countries often institute laws, rules, regulations and controls to reduce the amounts of uncertainty and ambiguity. Those societies and countries with a high tolerance are substantially less rule orientated and are more susceptible to change.

This dimension has particular importance with regards to manager delegation of responsibility as well as their use of measures to evaluate performance. Those individuals with lower tolerance for uncertainty and avoidance often shy away from responsibility and thus would prefer to be rewarded based on specific agreed administrative task targets.

*Long-term orientation / Confucian Dynamism:*

A cultural dimension, which highlights long term or short term, orientated characteristics. Long term refers to characteristics associated with persistence, using

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status to order relationships. Thrift and having a sense of shame, while short term orientations characteristics include personal steadiness, stability, protecting 'face', respect for tradition and reciprocation of greetings, favours and gifts. It is has been identified that cultures with a short term orientation adapt more readily to change, while long term orientated cultures act against change.

Financial incentives would be more effective in short term orientated cultures where focus is largely on short term performance while long term orientated culture enjoy rewards which indicate status like titles, promotions or possible material benefits.

By better understanding the aforementioned cultural dimensions managers can apply appropriate management practice to elicit the best performance outcomes.

## 2 7d culture model

The 7d model is based on the approach that culture comes into existence because all humans must solve basic problems of survival. The model highlights the challenges which arise due to how one relate to one another over a period of time as well as how one relate to our environment. Cultures develop as one find ways to confront these problems; however the solutions are not the same, which is why cultures differ. Five dimensions illustrated by Cullen and Parboteeah (2005; 61), which deal with relationships among people include:

- **Universal versus Particularism** – the choice of dealing with other people based on rules or based on personal relationships.
- **Collectivism versus Individualism** – the focus on group membership versus individual characteristics.
- **Neutral versus Affective** – the range of feelings outwardly expressed in the society.
- **Diffuse versus Specific** – the types of involvement people have with each other ranging from all aspects of life to specific components.
- **Achievement versus Ascription** – the assignment of status in the society based performance versus assignment based on heritage.

The remaining dimensions show how a culture manages time and how it deals with nature.




- **Past, Present, Future, or a mixture** – the orientation of the society to the past, present, or future o some combination of the three.

- **‘Control Of’ versus ‘Accommodation With’ nature** – nature viewed as something to be controlled versus something to be accepted.




The table below attempts to provide a brief pragmatic summary of some of the different characteristics of three main world business cultures, namely: China, The United Kingdom and America. The comparison is based on the following elements; Workforce / Society; Business Communication; Organisational structure / Leadership, and Business Wear.

Figure 4: Different Characteristics of three main world business cultures




**Workforce / Society:**

		
<ul style="list-style-type: none"> <li>• System is hierarchical and structured.</li> <li>• Chinese are synchronic time planners.</li> <li>• Highly committed and work long hours.</li> <li>• Strong overlap between business and private life</li> <li>• Take a long-term view in business.</li> <li>• Leisure is not as important</li> <li>• Strong entrepreneurial attitude.</li> </ul>	<ul style="list-style-type: none"> <li>• Moderately good education system.</li> <li>• Many managers have university education – particular university is important.</li> <li>• Standard of living is high – expect similar abroad.</li> <li>• Very mobile nationally.</li> <li>• High staff turnover – move jobs regularly.</li> <li>• Highly individualistic.</li> <li>• Highly Meritocratic and achievement orientated.</li> <li>• Time is money – tough time planners.</li> <li>• Excessive working hours is encouraged.</li> <li>• High service orientation.</li> </ul>	<ul style="list-style-type: none"> <li>• Public school education relatively inefficient – Private schools limited to affluent families.</li> <li>• University is not considered as important as other European countries.</li> <li>• Traditional ‘old boys’ network.</li> <li>• Strong employment market.</li> <li>• Traditional class system – distinct upper and working class is still noticeable.</li> <li>• Very mobile nationally and internationally.</li> <li>• Long working hours</li> <li>• Flexibility of approach in job descriptions.</li> <li>• Significant overlap between private and business life.</li> </ul>




**Business communication:**

		
<ul style="list-style-type: none"> <li>• Leadership style is direct and authoritarian – orders given and complied with</li> <li>• Very task orientated</li> <li>• Business approach is more indirect compared to western approaches</li> <li>• There is a natural respect for authority.</li> <li>• Politeness and good values are highly valued</li> <li>• An appreciation of food is important.</li> </ul>	<ul style="list-style-type: none"> <li>• Communication relatively informal.</li> <li>• Task orientated and positive in approach.</li> <li>• Flat hierarchies.</li> <li>• Communicated very direct.</li> <li>• New idea's are widely encouraged</li> </ul>	<ul style="list-style-type: none"> <li>• Communication relatively informal.</li> <li>• Small talk and good humour is highly valued</li> <li>• Communication is not direct.</li> <li>• Automatic respect for authority.</li> <li>• Flat hierarchies – relatively democratic.</li> <li>• Politeness is important.</li> <li>• Time spent on small talk before approaching business issues.</li> </ul>

**Organisational structures / leadership:**

		
<ul style="list-style-type: none"> <li>• Hierarchical structure, leaders have natural authority</li> <li>• Education is extremely important – makes use of academic titles</li> <li>• No real strong identification with the business.</li> </ul>	<ul style="list-style-type: none"> <li>• Decisive leadership.</li> <li>• Networking is highly encouraged.</li> <li>• High salaries are important in defining social status.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a one-tier system (no non executive directors.</li> <li>• Leadership is team orientated – not authoritarian.</li> <li>• Emphasis on understatement and reserve is evident in business.</li> </ul>

**Business Wear:**

		
<ul style="list-style-type: none"> <li>• Relatively formal in business and social circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively formal in business otherwise more casual.</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively formal in business and social circumstances.</li> </ul>

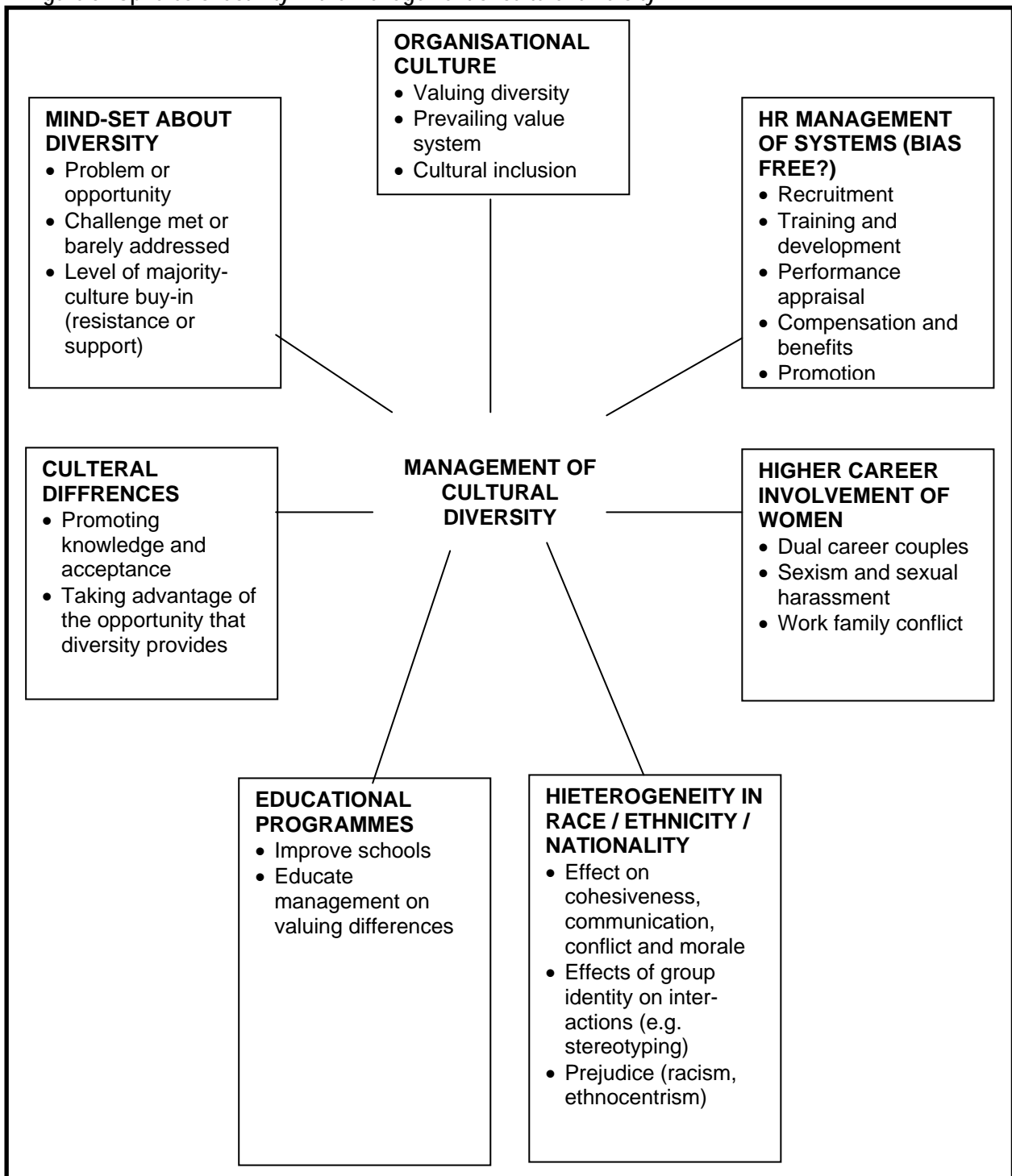
Source: Marx (1999:46)

**6 HOW TO MANAGE CULTURAL DIVERSITY?**

To implement cultural diversity management effectively within the organisation, management must understand and recognise the benefits that having a diverse workforce can bring, provided diversity is managed properly.

This requires the inculcation of cultural diversity within the various spheres of the organisation. Inter alia: mission statement, strategic plans, communication, processes, procedures, training, people and systems. See figure 5.

Figure 5: Spheres of activity in the management of cultural diversity



Source: Cox and Blake (1991: 46)

Successful cultural diversity management can bring about a positive organisational culture, which relates to increased motivation levels, a feeling of togetherness and respect among minority and majority subcultures. This also brings about the creation of economic value by allowing organisations to develop products and services for new markets; attract a broader range of customers, improve customer's satisfaction and increase business for repeat customers as well as reduce costs as identified by Hellriegel et al. (1999:632).

Cultural diversity management comprises of a continual process that if successfully implemented and sustained will ensure that organisations unleash the true benefits and opportunities associated with having a diverse cultural workforce.

The process includes the following steps:

- Management must have a clear understanding of the value of cultural diversity and have specific goals they would like to achieve.
- Must assess the organisations past as well as current situation in respect to cultural diversity.
- Must have specific strategic diversity programmes to address cultural diversity.
- Implementation of programmes to effect the required change. This includes communication.
- The inclusion of diversity awareness training.
- Monitoring results against expected outcomes, and making changes when necessary.

For this process to be truly successful, it must be wholly endorsed and supported by management. Managers must live and drive the values of an organisation's culture.

Therefore it is important that manager's possess strong communication skills, emotional intelligence as well as an appropriate management style (participative) to elicit cultural acceptance and teamwork between culturally diverse employees.

## **CONCLUSION**

The success of multinational organisations lies in its ability to harness the value of its rich abundance of culturally diverse people. To unlock this competitive advantage requires organisations to encourage and inspire people to perform at their best through strategically aligned common beliefs and values.



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Businesses have also seen the value of cultural diversity, which has brought about a change in the way they conduct business, manage, create and execute the organisations strategic plans from both an employee and customer perspective. Management within the business environment have recognised the opportunities of having diverse employees with unique strengths which can be best utilised within the workplace. Businesses are also now looking at ways in which to actively tap into new niche markets brought about through an internationally rich diverse culture.

The more a companies beliefs, culture and values are aligned to employee's beliefs, culture and values the less likely companies require user policies, manuals, rules and procedures to enforce discipline and norms and the more likely of teamwork and performance. This illustrates the importance of the organisations culture as an integral part of the organisations strategy.

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