MULTINATIONAL ENTERPRISES
– ORGANIZATIONAL CULTURE VS.
NATIONAL CULTURE

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Abstract
Multinational enterprises are the engine of the world’s economy. Reason enough to focus exactly on this kind of organizations within this paper.

Analyzing multinational enterprises it has to be recognized that such an organization is in fact not one homogenous company but most often a conglomerate of companies spread out around the world. Most of these multinational enterprises try to establish a common organizational culture within their companies (e.g. workshops to communicate the values).

Although the efforts are high to create such a culture there are still national or regional cultural influences which can not be avoided. Assuming that the organizational culture or at least the efforts to establish such a culture are the same within one international enterprise, differences in certain behaviour may come from these national differences.

This is exactly what researches like Hofstede (2001) together with Hofstede and Minkov (2010) discovered, analyzed and summarized in 6 dimensions of cultural differences. To have a detailed look at national and organizational culture is the goal of this article.

Key-words: Multinational Enterprises, Cultural differences, Organizational Culture, National Culture

Introduction
The term “Multinational Enterprise” implicates already that the according organization not only makes business or is located in one single country but in many (multi) different countries (nations). This situation brings a lot of advantages (less dependence on the economy or political situation of one single country; differentiated marked position; economy of scale through the size of the business; use of synergies; etc.) but also comprises the challenge to combine many different nationalities and with this also diverse cultures under one roof.

To be able to use the advantages mentioned above, it is important that not too much energy within the organization is lost through cultural barriers. Therefore, many multinational enterprises try to establish an own organizational culture to find a common “language” or way to collaborate all around the world.

However, it is not possible to fully neglect the influence of the national/regional culture. Therefore, although these enterprises often run expensive programs to establish a common organizational culture, the behaviour and thinking may differ from one unit within the multinational enterprise to another. The following literature research will show a summary of both aspects, national and organizational culture, and how a multinational enterprise may handle this challenge.

Cultural differences – National level
The name Hofstede and his IBM study (company internal employee attitude survey program, executed between 1967 and 1973, with more than 116,000 responses from 72 countries and 20 languages) are undeniably the most prominent ones when it comes to cultural research. Researches all around the world have used the results of Hofstede for their studies. Meanwhile not only Geert Hofstede (1928) but also Gert Jan Hofstede (1956) his son focus their research efforts on cultural differences. Almost 50 years of studying national cultural differences in more than
70 countries bring a broad and deep knowledge of the topic (Hofstede, Hofstede & Minkov 2010).

The originally four dimensions of cultural difference (Power Distance, Uncertainty Avoidance, Individualism and Masculinity) have over the years been complemented by two additional ones (Long Term Orientation, which was included 1991 in collaboration with Michael Bond and Indulgence vs. Restraint, which was only lately added as a result of a collaboration with Michael Minkov). (Hofstede 2011a)

But there are also other names, which should be mentioned with regard to research on cultural differences.

One of the earliest researches on cultural differences was Edward T. Hall and his wife Mildred Reed Hall (Hall / Hall), who “developed a cultural model that emphasized the importance of nonverbal signals and modes of awareness over explicit messages. These insights proved invaluable in studying how members of different cultures interact and how they often fail to understand one other.” (Hall 2011)

Hall / Hall summarize the cultures mainly in high and low context cultures, whereas high context means that there are many ‘unwritten rules’ and low context indicates that more explanations are needed but the chance of misunderstanding is lower. Furthermore, they also take Time (monochromic time vs. polychromic time) and Space (high territoriality vs. low territoriality) into consideration when talking about cultural differences (Missana 2011).

Looking at Hall / Hall’s research results some similarities to other important cultural scientists can be found. Trompenaars (a Dutch culturalist) and Hampden-Turner (a dilemma enthusiast) for example define Universalism vs. Particularism (low / high context) as well as Sequence and Synchronization (monochromic / polychromic) as two of their seven different cultural factors. The others are Analysing vs. Integration / Individualism vs. Communitarianism / Inner-directed vs. Outer-directed / Achieved status vs. Ascribed status and Equality vs. Hierarchy (Missana 2011; Changing Minds 2011).

Last but not least the GLOBE study (Global Leadership and Organizational Behavior Effectiveness) shall be mentioned. The initiator of this research was Robert J. House (Wahrton University Pennsylvania, USA), who originally focused on generalizability of “Charismatic Leadership” (in 1991). Nowadays the worldwide research program concentrates on the relation between different cultures of societies but also has a look at organizational culture and leadership (TU Chemnitz 2011).


There are of course a lot more scientists worldwide who do research on cultural dimensions. Nevertheless, the above mentioned studies show a broad overview about the certain aspects of culture differences. And although the certain researchers identified not only a different amount of but also various kinds of dimensions, one common message is clear: The cultures of certain countries differ from each other. Furthermore, there are certain aspects of culture (dimensions), which can be used to get a better understanding of how people in different countries may think / act.

The following overview tries to show all dimensions of the above mentioned research programs at one glance.

Comparing the results of the studies mentioned above it can be seen that certain dimensions or variations of a dimension are mentioned in more than one approach. It seems that Power distance, Uncertainty avoidance, Collectivism, Time orientation and Gender orientation are the most important aspects, which differ from culture to culture.
Talking about national cultural differences as well as multinational enterprises the term “nations” also has to be examined. Hofstede, Hofstede and Minkov (2010) define nations as political units into which the entire world is divided and to one of which every human being is supposed to belong. And even if their research is in many cases based on national culture differences, they also question, if national borders are the right criteria to distinguish culture or if regions, societies or even religious or ethnic affiliation should be preferred. However, although the common identity within such groups might be higher than within a certain nation, the use of national boarders as differentiator has some significant advantages like the good availability of statistical data, an easy definition and the research already done on national cultural differences.

“Some nations are more culturally homogeneous than others... With these limitations, comparing national cultures is still a meaningful and revealing venture. Research by Geert and others has shown that national cultures differ in particular at the level of, usually unconscious, values held by a majority of the population. Values, in this case, are ‘broad preferences for one state of affairs over others’. This differs from the often used meaning ‘cherished moral convictions’, as in ‘company values’. The Hofstede dimensions of national cultures are rooted in our unconscious values. Because values are acquired in childhood, national cultures are remarkably stable over time; national values change is a matter of generations.” (Hofstede 2011b)

Organizational level

According Martin (1992, 2004) there are three theoretical traditions when it comes to organizational culture research: the Integration, Differentiation, and Fragmentation perspectives. The Integration perspective, represented for example by Schein (1985), Collins and Porras (2002) as well as Schultz and Hatch (1996), assumes that a culture is characterized by consistency, organization-wide consensus, and clarity through the values of people at a high level of the organization. The Differentiation perspective, represented by Bartunek and Moch as well as Van Maanen’s (both in Frost et al 1991), views organizations “as composed’ of overlapping, nested subcultures that coexist in relationships of intergroup harmony, conflict, or indifference” (Martin 2002). Last but not least the representatives of the Fragmentation perspective like Robertson and Swan (2003) are
the opinion that ambiguity (multiple meanings, paradox, irony, and inescapable contradictions) is the defining feature of cultures in organizations. (Martin 2004)

All of these perspectives have somehow a raison d’être. Nevertheless, the Integration perspective is probably nearest to what, from a pragmatic (and practical) point of view, is commonly understood under organizational culture. Therefore, the main focus of this research lies on this perspective and his representatives.

As mentioned above, one of them is Schein, who defines organizational culture as “… a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems.” (Schein 2010, p 18)

This definition would imply that organizational culture cannot be imposed through expensive programs developed by externals (like “Value transfer trainings” or “Our-company-way events”) but only through an internal development of culture. Only if an organization is able to fill this intrinsic knowledge and shared basic assumptions into a common framework, value transfer or company culture programs make sense. This might be the reason why people immediately feel if such a program is authentic and developed as mentioned above or implemented at command.

For Cameron and Quinn (1999) organizational culture goes in a similar direction. They mention taken-for-granted values, underlying assumptions (unwritten and unspoken guidelines), expectations, and collective memories but also prevailing ideology that people carry inside their heads as aspect of an organizational culture.

Or in other words: “In essence, being a global organization implies having a universal corporate culture. Since corporate culture grows out of the values held by organizational members, especially the influential members of the organization, a universal corporate culture is one where all members of the organization – regardless of where in the world these individuals grew up or now work – have similar views and beliefs that guide their behaviors when transacting business with members from other societies, as well as with members from their own society.” (Ralston et al. 2007, p 1).

The question is now: Is organizational culture a given fact or can it be influenced? The answer to this question is maybe “both”. Organizational culture is a given fact. It has somehow developed itself. Of course, not really developed itself but the company / multinational enterprise has a history of its own (like a nation) and the people of the company, who share this history have their own mind set of values, assumptions, and way of doing business. Each one of them has somehow contributed to develop the actual culture / is part of the culture. This is a given fact and cannot be changed. Nevertheless, as the culture also developed and probably changed over the years, the future organizational culture can possibly be influenced. Hofstede (2011b) shares this opinion “Because organizational cultures are rooted in practices, they are to some extent manageable; national cultures, rooted in values, are given facts for organization management.”

National culture vs. Organizational culture in Multinational Enterprises

At this point the chicken-and-egg problem of cultural research within multinational enterprises starts. Is the organizational culture a given fact from which national cultural differences can be deduced or is it vice versa?

The research of Hofstede (1980, 2001) shows that the same survey within one multinational enterprise (IBM), executed in many different countries, leads to results from which cultural differences can be deduced. This would imply that the organizational culture itself is a fact and the same all around the world. He also mentions that “IBM had a distinct corporate identity – a strong corporate culture – and it successfully encouraged in its employees a sense of pride” (Hofstede 2001, p 42). This might raise the question, if the outcome would have been different in an organization with a weak corporate identity. Or would the differences between the countries still be the same? – Probably yes, as the results / dimensions identified were not only mentioned by Hofstede but also other researchers (Trompenaars, GLOBE research program, etc.) in the same or a similar way. Therefore, it can be said that it is possible to deduce national differences by
doing research with multinational enterprises with a certain organizational culture. The advantage in this case is that differences arising through another organizational situation can be excluded.

Nevertheless, as mentioned above, organizational culture may change over the time or through specific actions / a desired change process. If this cultural change is on purpose (e.g. business need) it has to be considered that the reactions in different countries might vary according their national culture. People responsible for change management within a multinational enterprise would be wise to study the above mentioned literature about cultural differences.

Summary / Outlook

All in all it can be said that multinational enterprises, although they have a lot of advantages through their size, differentiated market position and power, should not forget about the challenge of different national cultures within their organization. Even if they install the most fancy value transfer training to establish a common organizational culture, national cultural influences cannot be avoided. Furthermore, such programs only make sense, if these programs derive from the actual lived culture (and further develop it) and if the management teams all around the world act as a role model. Nevertheless, it also has to be considered that different cultures not only bring challenges but also widen the view and with this enable the multinational enterprise to face unimagined opportunities.

References


