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# Accepted and strong organisational culture in multinational corporations

**Abstract** *The magnitude of organisational culture, whose significant role is reflected in multicultural entities, particularly multinational corporations (MNCs), is widely discussed in the field literature. Nevertheless, implementing corporate culture into foreign units of such entities encounters exceptional obstacles. Therefore, the aim of this article is to identify the barriers to and the determinants of building an accepted and strong corporate culture. The deliberations are based on the literature review and the empirical findings from the author's research. The empirical part of this article presents the local perspective, namely the viewpoints of managers in foreign subsidiaries of MNCs operating on the Polish market.*

**Keywords**: organisational (corporate) culture, foreign subsidiaries, multinational corporation(s) (MNC(s)), cultural barriers

## Introduction

There is a meaningful interest among scholars and practitioners in defining and understanding organisational culture along with identifying its role in managing companies [see e.g. Alvesson M., 2002; Czerska M., 2003; Sikorski Cz., 2006; Sułkowski Ł., 2002]. Yet, some researchers clustered around the Critical Management Studies stream claim that the interest in organisational culture reflects a pseudoscientific trend and fashion [Sułkowski Ł., 2012, p. 92]. Nevertheless, organisational culture as a subtle mechanism of exercising power and directing people plays a crucial role in a company's goals achievement. Therefore, organisational culture is perceived as "the Panopticon, controlling organisations and instilling systems of self-control in their members." [Sułkowski Ł., 2012, p. 93]

The role of organisational culture as the Panopticon seems to be even more significant in multinational organisations, namely Multinational Corporations

(MNCs) that need to create a consistent culture which combines all divergent subcultures in each country of their operations. What are the challenges in building an accepted and strong organisational culture within MNCs? How to build such a culture? This paper tries to address these questions, basing on the literature review and then the empirical findings of the author.

There is a sound literature on different aspects of organisational culture and its role in MNCs[1]. Nevertheless, the researchers have been primarily focused on the headquarters' point of view. What is missing in such research is a multinational subsidiary's perspective on this issue[2]. Therefore, the author tries to fill the gap identified above with some empirical insights.

### Literature review

Scheffknecht emphasises [2007, p. 74] that MNCs have to establish a common organisational culture to ensure collaboration around the world and, as a result, to utilise their competitive advantages. At the same time, developing a homogenous culture within a multicultural company such as a MNC is a tremendous challenge. Nevertheless, in contrast to national cultures that are rooted in values and therefore "are given facts for organisation management" [Hofstede G., 2012], organisational cultures derive from practices which make them, to some degree, manageable [Hofstede G., 2012]. It is assumed that MNCs' managers are able to develop an accepted and strong corporate culture if they understand the barriers to and the determinants of this process. Yet, managing corporate culture in the international business setting poses a serious challenge, making some researchers doubtful in its feasibility and efficacy [Welch D.E., Welch L.S, 2006, pp. 19, 25].

Cultural diversity in MNCs may result in cultural distance embedded barriers whereas a cultural gap fosters organisational barriers [Rozkwitalska M., 2010, p. 38-39] to the establishment of a unified organisational culture.

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[1]   For example, Lau and Ngo were interested in how a home country's culture affects a foreign subsidiary's organisational culture and then is reflected in the employees' satisfaction and commitment [Lau Ch-M., Ngo H-Y., 1996]; Taylor *et al.* focused on the impact of organisational culture on employee commitment in MNCs [Taylor S. *et al.*, 2008]; Hajro and Pudelko analysed the links between MNCs' organisational culture and multinational teams' performance [Hajro A., Pudelko M., 2009]; Michailova and Minbaeva tried to investigate the link between certain components of organisational culture in MNCs and cross-border knowledge sharing [Michailova S., Minbaeva D.B., 2012].

[2]   The examples of a multinational subsidiary's perspective in analysing organisational culture of MNCs can be found in the work of Boojihawon *et al.* who scrutinised entrepreneurial culture in foreign subsidiaries of MNCs [Boojihawon D.K. *et al.*, 2007] and, to some extent, in the article of Taylor *et al.* who analysed how affiliates' subcultures foster employee commitment [Taylor S. *et al.*, 2008] .

National culture bonded barriers as well as other cultural barriers[3] affect the perception of individuals within a MNC, which later influences their attitudes to the elements of a given company culture. The attitudes are then reflected in the behaviours of organisational members (see Figure 1.)[4].

The relationship between corporate culture and cultural barriers in MNCs is highly complex. For example, a cultural gap between a MNC's headquarters and its subsidiaries creates a barrier to mutual interactions by affecting the perception of, and consequently, the attitudes to the MNC's culture's elements. At the same time, a MNC's culture influences the employees' attitudes that can later impact on the specific behaviours, e.g. commitment to the organisational goals [Taylor S. *et al.*, 2008, p. 519]. Moreover, organisational culture is shaped by the national culture [Lau Ch-M., Ngo H-Y., 1996, p. 473], which may indicate that the values embedded in national cultures of foreign subsidiaries and their organisational subcultures accompanied by the values of a MNC's culture may produce tension [Berson Y. *et al.*, 2004, p. 1].

The implementation of corporate culture in multinational subsidiaries poses another challenge to MNCs along with the integration of many diverse subcultures, especially when mergers and acquisitions were used by a MNC to enter foreign markets [Stahl G.K., Voigt A., 2008].[5]

**Figure 1.** Cultural Barriers, Organisational Culture and Behaviours
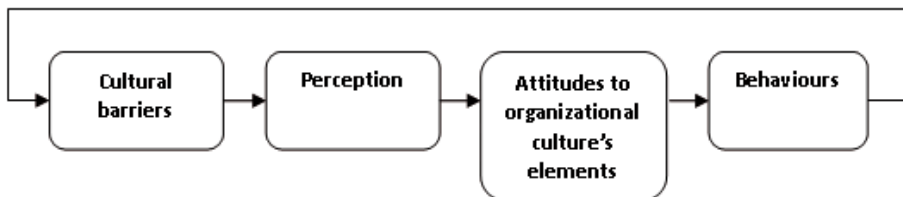


*Source*: adapted from [Rozkwitalska M., 2013]

Corporate culture can be perceived as one of the factors of a MNC's cultural effectiveness [Rozkwitalska M., 2011, p. 114], i.e. "an ability to reach business objectives in a culturally diversified international environment" [Rozkwitalska M., 2009, p. 97]. However, the role of organisational culture changes along with the models of MNCs. Shared common values are crucial in the global organisational model of MNCs and the role of company culture

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[3]    For the definition and classification of cultural barriers see [Rozkwitalska M., 2010, pp. 27-29; Rozkwitalska M., 2011, chapter 2].

[4]    The elements of organisational culture direct human behaviour. See [Glińska-Neweś A., 2007, p. 140].

[5]    See also the empirical finding section of this article.

is here significant. In the transnational model of MNCs some modifications and differentiations of the common values are allowed, yet the culture is of vital importance in managing the whole company [Nohira N., Ghoshal S., 1997, pp. 185, 188; McFarlin D.B., Sweeney P.H. 2006, p. 328]. Such organisational culture should additionally support a continuous learning process, create mutual trust among MNCs' members and value and respect cultural diversity and ambiguity. The core values are immensely crucial in this model. They should represent the internal integrity and be manifested in behaviours and artefacts, while the other elements of organisational culture can be flexibly adjusted if required by circumstances [Jacob N., 2003, pp. 92, 115-116].

According to the hybridisation approach to organisational culture, there are various cultures functioning within the same frames of MNCs, therefore a MNC is by definition the third space, where different cultures penetrate one another to create a new hybridised form of corporate culture. The hybridisation process begins when a MNC tries to impose its culture on its multinational subsidiaries. Then "the local managers review and appraise the MNCs' management practices, protect practices of their own management culture (those they regard highly) and only then adopt MNCs' practices to produce new hybrid forms of management that are almost like the corporations' but not the same" [Shimoni B., 2001, p. 33]. This hybridisation process is of crucial importance when a MNC attempts to develop an accepted corporate culture. It later involves an adaptation of the corporate values and practices to the local environment's needs. The acceptation can be further strengthened if the participative workshops with an external consultant are used to discuss and then implement the new managerial values and practices among the local staff [Shimoni B., 2001, pp. 34-35]. Such hybridisation is absolutely essential since the managers in multinational subsidiaries may reveal a unique attitude towards a MNC. This is the attitude of ambivalence, which combines a general positive view of the MNC with discontent caused by the necessity to adopt the elements of a new culture that are considered inferior [Shimoni B., 2001, p. 36]. Moreover, Shimoni claims [2001, p. 39] that hybridisation facilitates not only the imposition of a MNC's culture on the foreign subsidiaries but above all, the appropriate integration of cultures within a MNC. What is more, the hybridised culture is, at least potentially, more effective.

The field literature often suggests that a strong organisational culture is beneficial to the management of a company [e.g. Sřrensen J.B., 2002, p. 70; Chatman J.A., Cha S.E., 2003, pp. 20–34]. Nonetheless, Welch and Welch [2006, p. 15] indicate that imposing on a foreign subsidiary a MNC strong culture may produce negative consequences or at best mixed outcomes. Such a situation occurs when the environment is changing and demands a more

responsive approach. They further infer that since MNCs "operate in varied and increasingly unpredictable environments (...), promoting a strong culture across their global operations may have negative consequences" due to fostering rigidity in lieu of required flexibility [Welch D.E., Welch L.S, 2006, p. 18]. Thus, a strong culture can be effective only in a long run and only when it promotes innovation, risk taking behaviours and a change [Chatman J.A., Cha S.E., 2003, pp. 20–34]. However, what should be pointed out here is the fact that such a culture is also expected to foster tolerance to differences, deviant behaviours, and countercultures within a company [Welch D.E., Welch L.S., 1997, pp. 677–685].

The literature review in this section allows for some concluding remarks concerning corporate culture in MNCs. First of all, MNCs need a unified organisational culture, yet not the same as the homogeneous one. Secondly, corporate culture is rather a manageable construct, therefore managers may strive for the development of the desired values and norms within the whole company. A MNC's culture is affected by multinational subsidiaries' subcultures and many national cultures of its operation. This fact creates certain barriers to establishing a unified corporate culture. Thirdly, a MNC's culture contributes to its goals achievement as a cultural effectiveness factor, despite the fact that its role depends on the organisational model of a MNC. Finally, although it remains questionable whether a MNC's culture should be strong, it is indubitable that a MNC's culture is to be accepted. MNCs need a strong culture only if it is flexible enough to cope with their changing environment. It means that MNCs should value a continuous learning process that facilitates their ability to be responsive, while the acceptance of a MNC's culture may be achieved via the hybridisation process.

The empirical findings of the next section are also to contribute to a better understanding of what makes an accepted and strong corporate culture of a MNC. A local subsidiary's point of view is emphasised there.

### Empirical findings

This section provides the empirical findings from the qualitative research conducted in multinational subsidiaries of MNCs operating in Poland at the end of the year 2009[6], concerning corporate culture[7]. Although the research provides some insight into the issue of managing MNCs' culture, it is worth mentioning that the results obtained from this study cannot be generalised

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[6]    Details of the research project can be found in: [Rozkwitalska M., 2010, pp. 39–41].

[7]    The research project was broader in its scope and focused on cultural barriers to functioning of MNCs from the viewpoint of their multinational subsidiaries. See [Rozkwitalska M., 2010, pp. 39–41].

mainly due to the chosen method applied to select the sample and a qualitative type of conducted research[8].

The research disclosed that company culture is among major areas of concern in multinational subsidiaries where cultural barriers may occur with relatively high frequency[9]. The research also revealed the following barriers to the development of an accepted and strong corporate culture [Rozkwitalska M., 2013, chapter 2, Table 2.2; Rozkwitalska M., 2011, pp. 169, 259-261]:

– Local employees sometimes have a sceptical attitude to the new customs promoted in organisational culture. This fact results in their reluctant and unwilling approach to accept a MNC's habits and behaviours. For instance, the Poles were sceptical about introducing a lunch break, open space offices, political correctness in communication, the employee evaluation process, the performance feedback, the suggestion box, some company events, etc.

– Due to the local specific of multinational subsidiaries, implementing corporate symbols may appear unreasonable or even costly. Therefore, the subsidiaries' employees' resistance may arise.

– If implementation of corporate culture is not sufficiently assisted with trainings, the local staff would not like to understand or accept the new corporate culture.

– Subsidiaries' employees are suspicious if they observe that the actual actions contradict the declarations. In consequence, they question the authenticity of the promoted culture and all the effort aimed at implementing it is perceived as, so-called, "window dressing" behaviour.

– Multinational subsidiaries sometimes contest whether the promoted values are universal enough to be put into daily operation.

– MNCs' headquarters use the cultural dominance approach to implement a corporate culture.

The empirical findings allowed drawing some propositions on how to build an accepted and strong corporate culture in MNCs from the viewpoint of the local subsidiaries. These propositions include [Rozkwitalska M., 2011, p. 196]:

– a careful and appropriate selection of the employees in multinational subsidiaries,

– a necessity to ensure that each element of a MNC's culture is attractive to the local staff; this can be better facilitated if the local employees are involved in the process of a MNC's culture implementation,

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[8] The non-probabilistic sample consisted of 48 MNCs' subsidiaries. The information was obtained via semi-structured interviews from the local staff, in most cases they were top and middle level managers. See [Rozkwitalska M., 2010, pp. 39–41].

[9] The other areas included: communication, human resource practices and interpersonal relationships. See [Rozkwitalska M., 2010, p. 50]

– being open to cultural differences as an attitude of a MNC's staff that should be strengthened by cross-cultural trainings,
– the pursuit of consistency between the actual actions and the declared values and norms.

Table 1 portrays some examples regarding the propositions mentioned above as reported by the interviewees.

**Table 1**. Enablers in development and implementation of accepted and strong corporate culture – the examples from the research findings

| **A careful and appropriate selection of the employees in multinational subsidiaries fosters the development of an accepted and strong corporate culture** |
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| The implementation of corporate culture in an Anglo-Saxon MNC's subsidiary in Poland is a good evidence of how an appropriate recruitment process can facilitate the development of an accepted and strong corporate culture. In this subsidiary the selection process of the employees was well-deliberated. A perfect candidate was a college graduate, with a suitable personality traits and potential for the future development. Since the MNC had a strong reputation on the world market, the motivational package was competitive and abundant, and the job position's tasks challenging, the company recruiters could choose from a wide pool of talented applicants. HRM policy was aimed at continuous attracting fresh people with new skills, which, at the same time, allowed the more experienced staff quitting the company freely. Such a policy had an economic reason because younger employees possessed skills which the older ones lacked and they were less expensive. The trainings directed to instil the company culture were very effective since the young people' minds were easy to mould. Due to the fact that they had not had any prior work experience, they also did not have any habits that could be harmful or contradict the MNC's values and norms. |
| **The attractiveness of the elements of a MNC's corporate culture and the appropriate methods used to implement them promotes the development of an accepted and strong corporate culture** |
| The process of implementation of corporate culture in a Danish MNC proves that the attractiveness of the elements of the company culture and the right method used in the whole process were of vital importance in this case. For example, in a Polish subsidiary of the Danish MNC the employees were allowed to establish clubs where they could pursue their hobbies. These clubs were financially supported by the company. Another example concerns the reconstruction of the company's offices in the open space style, which was implemented with the involvement of the subsidiary's staff. First of all, they were asked in anonymous questionnaires about their fears regarding the planned changes in the design. Their opinions were included in the design project, which was also assisted by the local employees. After the reconstruction, a team for open space was established, which was comprised of the representatives of each open office's employees. They met once a week to discuss the issues concerning the employees' complaints with regards to working in open space and to propose solutions. Additionally, at the staff's special request, the meeting rooms for working groups were set up in a separate and closed area of the subsidiary's building. |

| The openness to cultural differences has a positive impact on the development of an accepted and strong corporate culture |
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| The example comes from a subsidiary of a Danish MNC. The headquarters of this MNC, in order to implement the company culture, decided to assign a team composed of the representative of each department and the organisational level. The team was responsible, among other issues, for translating the company's values from English (the functional language of the MNC) into Polish. The team was granted considerable autonomy to ensure that the values would be communicated properly to the employees, understood by them and accepted in accordance with the guidelines. For instance, when the team tried to translate 'freedom' into Polish they were afraid that, due to the cultural differences, this value could miss its precise meaning if translated literally. Thus, they decided to use the word 'independence', which was aimed at communicating the ability to make decisions and execute their realisation – being responsible for oneself. |
| The consistency between the actual actions and the declared values and norms contributes to the development of an accepted and strong corporate culture |
| In subsidiaries of Swedish MNCs the employees appreciated that there was consistency between the actual actions and the declared values and norms, especially in the treatment of the local staff. This contributed to the acceptance of the MNCs and their corporate cultures. |

Source: adapted from [Rozkwitalska M., 2011, pp. 270-271].

Human Resource Management (HRM) practices seem to be a matter of importance in the process of establishing an accepted and strong corporate culture. Therefore, HRM practices should [Rozkwitalska M., 2013, chapter 2, Table 2.2]:

– allow to attract and maintain both the employees and managers who have well-developed cultural competences,
– facilitate transfer of cross-cultural knowledge, which means creating this type of knowledge within a MNC's each subsystem,
– provide trainings that develop cultural competences in a MNC's system, including communication skills,
– promote the international careers of multinational subsidiaries' employees.

Nevertheless, HRM practices can be a source of cultural barriers, especially if they present an ethnocentric mindset of a MNC [Kopp R., 194, pp. 581-599].

## Conclusions

Due to cultural distance, organisational barriers and individual characteristics of employees, the development of an accepted and strong corporate culture in MNCs poses a huge challenge. Taking into account the deliberations provided in both the theoretical and empirical sections of this article, it is worth emphasising that MNCs should continue their pursuit of

establishing culture that will find acceptance among the whole local staff. The hybridisation process that allows local responsiveness, an active involvement of the subsidiaries' employees, appropriate HRM practices, the authenticity of the headquarters in a way of action as well as the attractiveness of the elements of organisational culture - they all should facilitate acceptance of a MNC culture. Furthermore, MNCs should be able to modify their corporate culture to cope with changes in their external and internal environment.

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