

Interdepartmental Master Program in Business Administration

Thesis

**THE ROLE OF ORGANIZATIONAL CULTURE IN MULTINATIONAL
CORPORATIONS**

ARGYRIOS G. MASTORAS

Supervisor: Professor Yannis Hajidimitriou

Submitted in partial fulfillment of the requirements for the Master degree in
Business Administration (MBA)

September 2017

Acknowledgements

First of all, I would like to express my gratefulness to my family for their multifaceted support for the acquirement of this Master degree.

I would like especially, to express my sincere gratefulness to my supervisor Professor Yannis Hajidimitriou for his guidance and patience, as for assigning me the writing of the current thesis.

ΠΕΡΙΛΗΨΗ

Η επιχειρηματική δραστηριότητα στο παγκόσμιο στερέωμα είναι μια από τις πιο πολυσύνθετες δραστηριότητες για τις διεθνείς επιχειρήσεις εξαιτίας της πολυπλοκότητας των αγορών και του εργασιακού περιβάλλοντος. Η ομαλή λειτουργία ενός διεθνούς οργανισμού προϋποθέτει την αρμονική συνύπαρξη των διαφόρων κουλτούρων.

Ο όρος «κουλτούρα» στο οργανωσιακό πλαίσιο μιας πολυεθνικής επιχείρησης ήρθε στο επίκεντρο τις τελευταίες δεκαετίες. Η οργανωσιακή κουλτούρα αποτελεί ένα σημαντικό κεφάλαιο για την επιτυχία των επιχειρήσεων επειδή επηρεάζει κάθε οργανωσιακή τους πτυχή. Αυτή η πτυχιακή έχει σαν σκοπό να αναλύσει τον ρόλο που διαδραματίζει η οργανωσιακή κουλτούρα στην λειτουργία των διεθνών επιχειρήσεων και πιο συγκεκριμένα στα πεδία της διεθνούς διαχείρισης ανθρωπίνου δυναμικού και στο οργανωσιακό πλαίσιο. Μελετά όρους όπως αυτούς του οργανωσιακού κλίματος, της οργανωσιακής δομής και της οργανωσιακής αλλαγής και υπολογίζει την συμβολή της οργανωσιακής κουλτούρας στην απόδοση του οργανισμού.

Σκοπός της πτυχιακής είναι να ρίξει φως και να σταθμίσει την σημασία της οργανωσιακής κουλτούρας και τους τρόπους με τους οποίους αυτή επηρεάζει τις επιχειρήσεις με την μορφή παραδειγμάτων. Πραγματεύεται τα κρίσιμα ζητήματα με διαφορετικές προσεγγίσεις και παρέχει το απόσταγμα αυτών θέτοντας νέα στάνταρ για την λειτουργία των επιχειρήσεων.

ABSTRACT

Operating globally is one of the most complicated activities for international organizations due to the complexity of the working and market environment. The regular function of an international corporation prerequisites the harmonic coexistence of different cultures.

The term “culture” in the organizational context of multinational enterprises (MNEs) has drawn the attention during the last few decades. Organizational culture comprises an important asset for the businesses’ success because it affects every organizational aspect. This thesis aims to analyze the role that organizational culture plays in multinational companies (MNCs) operation and more specific at the field of International human resource management, at the organizational context. It studies terms such as organizational climate, organizational structure and organizational change, and estimates organizational culture’s contribution to business performance.

This thesis’ objective is to shed light on and weigh the gravity of an organizational culture and the fashion in which it affects business by giving certain paradigms. It administers crucial issues with different approaches and supplies with the refinement of those insights by setting new standards in business operation.

List of Contents

Introduction.....	1
Chapter 1 All about culture	2
1.1 Meaning of culture	2
1.2 Characteristics of culture.....	3
1.3 Elements of culture.....	4
1.4 Levels of culture.....	7
1.5 Fundamental cultural model's and their evolution.....	10
1.5.1 Hofstede's cultural dimensions model	10
1.5.2 Trompenaars's two culture level dimension model.....	14
1.5.3 Schwarz's approach to mapping dimensions of culture	15
1.5.4 Globe paradigm: An expansion of Hofstede's and Trompenaar's model	17
1.6 The path to the cultural reconciliation.....	19
Chapter summary	20
Chapter 2 Organizational culture in multinational environment	22
2.1 The importance of organizational culture	22
2.1.1 Organizational culture perspectives.....	23
2.1.2 The nature of organizational culture.....	24
2.2 Organizational culture in multinational environment	27
2.2.1 The early era of international business	27
2.2.2 International business attributes	28
2.2.3 Organizational culture in multinational environment.....	29
2.2.4 The corporate culture response.....	30
2.3 Denison organizational culture model.....	34
2.3.1 The organizational culture traits and sub traits.....	36
2.3.2 Denison model and the relationship to performance	39
2.4 Competing values framework	42
2.4.1 The structure of the CVF.....	42
2.4.2 Culture types underlying the CVF.....	43

2.5 The coexistence of organizational and national culture	45
Chapter summary	48
Chapter 3 International Human Resource Management: An important player at the global arena.....	50
3.1 Defining the territory for International HRM	50
3.1.1 Human capital theory.....	50
3.1.2 Internationalization of Human Resource division	52
3.2 Key tasks in International Human Resource Management: Practices, policies and development.	55
3.3 Organizational advancement of IHRM	61
3.3.1 Organizational culture as an HRM practices guide	61
3.3.2 Impact of HRM in organizational performance	63
3.4 Culture as a transformational factor to future IHRM development	63
Chapter summary	65
Chapter 4. The organizational context of a corporation.....	67
4.1 Mapping organizational culture	67
4.1.1 MNCs organizational characteristics.....	67
4.1.2 Organizational culture profiles	69
4.1.3 Building the organizational culture	70
4.1.4 Diagnosing organizational culture.....	72
4.2 Designing the working environment.....	73
4.2.1 Basic organizational structures	74
4.3 Organizational change.....	83
4.3.1 Preparing the territory for organizational change.....	85
4.3.2 An overview to Kotter’s change model.....	89
4.3.3 Case study: Huawei, an exemplar of organizational change in a modern environment.....	90
4.4 Organizational climate	94
4.4.1 Organizational climate: Issues and the road ahead.....	94
4.4.2 Descendants of organizational climate	96
Chapter summary	98

Chapter 5: International Business Performance	100
5.1 Competitive advantage principal.....	100
5.1.1 Organizational culture as a sustained competitive advantage	100
5.1.2 Firm resources formulating competitive advantage.	101
5.2 Knowledge transfer	102
5.2.1 The role of organizational culture in the knowledge management process	102
5.2.2 Knowledge management and organizational effectiveness	103
5.2.3 Managing knowledge transfer in the MNCs: The interaction between headquarters and subsidiaries	104
5.2.4 Case study: Knowledge management between dispersed units at BMW.....	106
5.3 Elements of organizational culture affecting MNC’s activity	108
5.3.1 Organizational culture affecting business performance	109
5.3.2 Organizational culture empowering innovation	110
Chapter summary	113
Final Conclusions and Recommendations	114
References	116

List of Figures

Figure 1 Elements of culture.....	5
Figure 2 Low context-high context approach (Hall, 1976).....	7
Figure 3 A typical model of culture.....	7
Figure 4 The dynamic of top-down-bottom up processes across levels of cultures.....	9
Figure 5 Hofstede’s power distance against uncertainty avoidance index.....	11
Figure 6 Hofstede’s power distance against individualism-collectivism index.....	12
Figure 7 Hofstede’s masculinity against uncertainty avoidance index.....	13
Figure 8 International management: culture management and behavior.....	19
Figure 9 Development of cross-cultural competence.....	20
Figure 10 How three theoretical perspectives complement each other.....	Error! Bookmark not defined.
Figure 11 Organizational culture characteristics model.....	25
Figure 12 Exports of goods and services (current US\$).....	28
Figure 13 Trompenaars corporate culture model.....	31
Figure 14 Corporate Culture types.....	34
Figure 15 Denison organizational culture model.....	35
Figure 16 Denison organizational culture model and business performance indicators.....	38
Figure 17 The performance impact of organizational culture in relation to (ROS).....	40
Figure 18 The performance impact of organizational culture in relation to (ROI).....	41
Figure 19 The competing values framework.....	43
Figure 20 The competing values framework’s four culture types.....	44
Figure 21 European’s perception of the cultural dimensions of U.S. operations (A) and European operations (B) of the same MNC.....	47
Figure 22 European Management Characteristics.....	48
Figure 23 Foreign direct investment, net flows (%GDP).....	52
Figure 24 Factors contributing to the complexity of Human Resource Management in the international context.....	55
Figure 25 Key features of preparation and training for international employees.....	58
Figure 26 Human Resource Management Practices in Select Countries.....	59

Figure 27 Five critical capabilities that European companies' HR departments will have to compete in the future.	64
Figure 28 Internal versus external networks.....	68
Figure 29 Organizational culture score assessment with OCAI.....	73
Figure 30 Pressure for local responsiveness.....	74
Figure 31 International division structure.....	75
Figure 32 Samsung Corporation's Global Product Design.....	76
Figure 33 A global Area Division structure.....	78
Figure 34 British Airways Global Functional Design.....	79
Figure 35 Kodak's Global Customer Design.....	80
Figure 36 A Global Matrix Design.....	81
Figure 37 Nissan USA's Hybrid Design.....	83
Figure 38 Culture change mechanisms.....	84
Figure 39 Approaches of change nature.....	85
Figure 40 Dimension and items for organizational culture.....	95
Figure 41 The impact of organizational climate towards organizational commitment.	97
Figure 42 Layers of an organization culture that supports innovation.....	111

Introduction

A constant challenge for international businesses is the adaptiveness to deal with different cultures. The adaptation procedures prerequisite perception of cultural diversity, its stereotypes and values, which ensure organization's sustainability.

Corporations with vigorous cultural orientation and updated enterprise insight, obtain a compass which enables them remaining at the forefront of evolution. Multinational corporations are like a living organization, namely are subjected to constant evolution and interaction with new cultures and operational challenges.

This thesis summarizes literature review about organizational culture and its role to the internationalized businesses. It is analyzed under the prism of the effects on human resource practices, the structural form and its overall organizational function of the organization and its performance.

Various authors and researchers, considered to be among the fathers of organizational culture studies, highlighted the strategic importance of organizational culture which leads to leadership and high efficiency. Literature on human resource management and organizational procedures, such as organizational change, organizational structure, organizational climate and knowledge transfer confirms the narrow bonds of organizational culture with performance and efficiency.

Finally, after emphasizing the importance of having an appropriate organizational culture in a multinational corporation, this thesis comes to conclusions and gives directions according to findings on how to set the fundamentals for efficient building and operating an organization.

Chapter 1 All about culture

1.1 Meaning of culture

The word “culture” stems from the Latin “Cultura” and refers to the result of human interaction. At the field of International Management, culture is acquired knowledge that people use in order to interpret experience and generate social behavior. This knowledge forms values, creates attitudes and influences behaviors (Luthans, Doh, 2012, p. 108).

Sociologists generally talk about culture concerning the socialization process, referring to the influence of parents, friends, education and the interaction with other members of a particular society as the basis for one’s culture. These influences result in learned patterns of behavior common to members of given society (Ball, McCulloch, 1999).

Traditionally there are two levels of culture according to Nordström and Vahlne (1994), the psychic-psychological level which focuses on the internalized norms, attitudes and behavior of individuals from a particular culture (psychic distance is a measure of differences between groups) and the institutional level which looks at national (or group) culture embodied in institutions (government, education and economic institutions as well as in business organizations).

The perception of culture can be expressed in different fashions. Hofstede and Minkov (2010) to their book “Cultures and organizations: Software of mind”, support the insight that every person carries with himself/herself special patterns of thinking, feeling and potential acting, and these are his/her heritage through lifetime. The greatest part is being acquired in early childhood, in which people show great levels of acceptance, try to filter a vast amount of information while indicating high levels of learning which formulates a person’s character. Such patterns of thinking, acting and feeling are called mental programs. A person follows partially these patterns when acting. Behavior is being configured and works like a pallet with colors, deviates from creative to destructive, from receptive to isolated or to the unexpected. The sources of one’s mental programs extend to the social environment one grew up and collected one’s life experiences. The programming takes place within the family and supported also within neighborhood, at school, in youth groups, at the workplace and in the living community. A customary term for such mental software is called culture.

Trompenaars at his book “Riding the waves of culture” (1997) formulates the insight that culture is the way in which a group of people solve problems and reconciles dilemmas. The essence of culture is not what is visible on the surface. For instance in business, local managers if confrontation and defiance is not culturally fit to local managers, they make no judgement about the appraisal system or reject the matrix organization. In substance, the implicit forces of culture begin to operate a destructive process, aiming at the roots of developed operations which do not “fit” locally.

An anthropologists insight about the term of culture supports that there a more than 160 different definitions about culture that have been identified. Specifically (Kroeber, Klucklhon,1952) defined culture as ”that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society”. More recently (Kluckhon, Kelly, 1945) have referred to culture as “all the historically created designs for leaving, explicit and implicit, rational, irrational, and non rational, which exist at any given time as potential guides for the behavior of men.” At last M. J. Herskovits (1955) spoke about culture as being “the man made part of the environment” and James Downs (1971) defined culture as being “a mental map which guides us in our relations to our surroundings and to other people”.

1.2 Characteristics of culture

The importance of understanding the impact of culture or behavior is critical for the evolution of international business. A society’s culture forms the perspectives of a firm’s operation in the society. Luthans and Doh (2006) formulated culture with the following attributes:

1. *Learned.* Culture is not inherited or biologically based, it is acquired by learning and experience. Some elements of culture are conveyed from generation to generation, as learning children table manners. Other elements conveyed through generations, are the freshmen’s education by seniors according to school’s tradition.
2. *Shared.* People as members of a group, organization, or society share culture; it is not specific to single individuals.
3. *Transgenerational.* Culture is cumulative, as we mentioned above, passed down from one generation to the next.

4. *Symbolic.* Culture is based on the human capacity to symbolize or use one thing to represent another.
5. *Patterned.* Culture has structure and is integrated; a change in one aspect will cause changes in another.
6. *Adaptive.* Culture is based on the human capacity to change or adapt, as opposed to the more genetically driven adaptive process of animals.

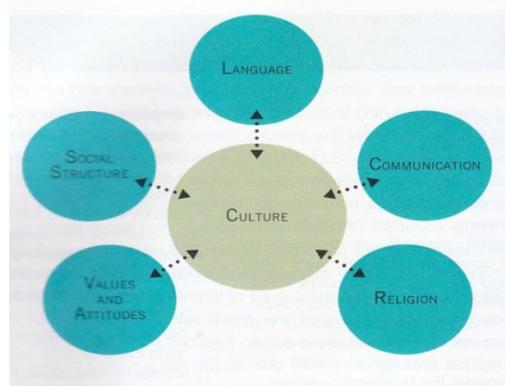
The fact that in Africa are approximately 850 separate and distinct cultures, gives us an estimation of world cultural variation. This fact offers an understanding of the impact of culture on behavior and its critical importance to the study of international management. If international managers do not know something about the cultures of the countries they deal with, the results can be quite disastrous.

Companies and businesspeople who want to implement an extrovert policy, soon perceive that foreign business customs, definitions and values of ethical behavior differ from their own. Businesses which aiming to compete in the international market have to realize that the sum of the operations such as production operations, human resource management policies, marketing decisions and even negotiating contracts can be highly affected by cultural characteristics. Culture can be proved a competitive advantage for a firm.

1.3 Elements of culture

Culture sets the standards about interaction and communication in a society. The basic elements of culture are language communication, social structure, religion, attitudes and values (see figure 1). This interaction influences the local environment in which international businesses operate.

Figure 1: *Elements of culture*



Source: *Griffin R. and Pustay M., "International Business"*

Language

Language describes in an efficient way the interaction between cultural groups or society's members. Experts listed 3000 different languages and more than 10.000 distinct dialects worldwide (Terpstra, David, 1985).

Additionally formulates viewpoints about the world, configures perceptions and induces messages when members of the society try to communicate. Characteristic paradigm is given by John Schermerhorn in 1987: In a famous experiment in Hong Kong, 153 bilingual undergraduate students, were given the same assignment written in Chinese and in English. The professor in charge for the experiment took every precaution to ensure that the translations were perfect. Remarkable was the fact that the answers given by the two groups differed significantly, indicating that the language itself altered the nature of the information being conveyed.

Communication

Communicating with success at the cultural limit either verbally or non-verbally is a significant skill for an international manager. Sometimes communication goes wrong between people of the same culture, the level of miscommunication increases highly between people stemming from different cultures. The transmitters compose messaging according to their filters and the receivers translate the same messages in compliance to theirs. This misunderstanding often can be solved in an expensive fashion. For example, "a contract between Boeing and a Japanese supplier called for the fuselage panels for Boeing's 767 aircraft to have a "mirror finish". Labor costs for every part were higher than expected because the Japanese supplier polished the panels

to achieve what it believed to be the desired finish, when all Boeings wanted was a shiny surface” (Lane, Distefano, 1992).

Religion

Religion plays a significant role in the way members of society are related. Approximately 85 percent of the world population implies religious connection. The impact of religion on international business varies geographically, affected by the country’s legal system, it’s homogeneity of religious beliefs and by the tolerance with other religious aspects.

Values and attitudes

Values are principles or convictions that members of society keep in high appreciation. Attitudes include actions, feelings and thoughts that arise from values and regarding them people categorize what is salutary or not, important and unimportant. Cultural values accrued from beliefs such as family and social hierarchy. Cultural attitudes are being expressed from connotations such as time, age, education.

Characteristic example is the perception of time value between different cultures. Anglo-Saxon cultures are fanatic supporters of the motto “time is money”. So time plays the role of a variable which adjusts the productivity and profit of a business. As a result U.S. and Canadian businesspeople start their meetings on time. On the contrary, meetings in businesses with Latin American culture often start 45 minutes later of the appointed time (Ferraro, 1990). In Arab cultures meetings not only start later of the appointed time but are being interrupted very often from friends and family.

Hall’s Low-context-High context Approach

One useful way to discriminate cultures is the low-context-high-context approach developed by Edward Hall (fig. 2). A low-context culture is characterized by explicit message transmission from the speaker to the listener. Canada, United Kingdom and the United States and Germanic countries categorized as low content cultures. In high-context culture the cultural clues are of critical importance, not the words actually spoken. Such examples are Arab countries and Japan.

Figure 2: *Low context-high context approach*

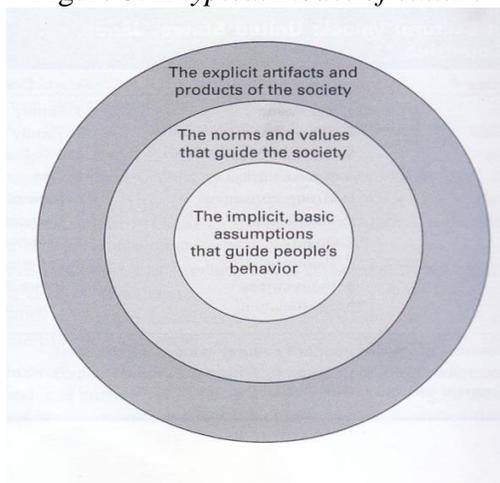


Source: Hall, E. (1976). *How cultures collide*.

1.4 Levels of culture

The term “level” is being explained by Edgar Schein (2004, p. 25) as “the degree a cultural phenomenon is visible to the observer”. We could define the cultural model dividing it in three different layers which are constituted from the artifacts, norms and values and the basic assumptions as shown in the figure 3 below:

Figure 3: *A typical model of culture*



Source: Luthans F., Doh J. (2012). *International management: culture, strategy and behavior*.

The first level includes visible structures and processes such as architectural environment, language, stories, physical configurations, behaviors and emotional displays. This mixture

constitutes the artifacts of a cultural model. Also the climate between members of a group is an artifact of the deeper cultural levels (Schein, 2004). Important to mention about this level is that it is easy to observe and difficult to decode.

In the middle layer we reach the “norms and values” term. Norms are the mutual consideration of a group about what is “right” and “wrong”. Norms can be in format of written laws in the formal level or in social control in the informal. The result of setting and implementing norms is the conformity feeling in a group of people which embeds socializing and lays roles and ideals for a more efficient operation of a business. The term “values” could be defined as the “ideals shared by a group” (Trompenaars, 1998). Values can vary between individuals or groups, this could be better explained by giving an example. In a company which confronts a decrease in sales, a manager proposes that the solution is to increase advertising. The manager convinces his team to act according to his beliefs. If the result justifies his beliefs then the perceived value that increasing advertising becomes gradually transformed first as a shared value and ultimately into a shared assumption, which is the third and last level of culture (Schein, 1992)

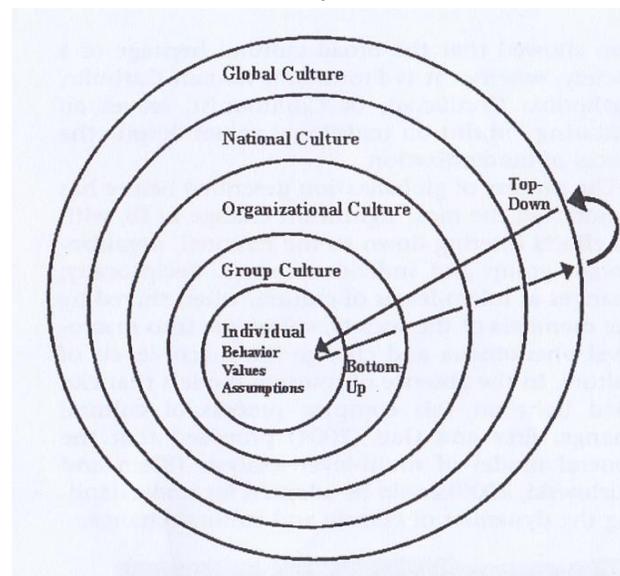
When an assumption gives repeatedly a solution to a problem, then the assumption tends to be taken for granted. These assumptions supported by a value gradually treated as a reality. Basic assumptions reflect the best preferred solution among other alternatives. The alternatives exist in the culture and can be adaptable from members, whose behavior can vary according to the alternatives which inspire them. Basic assumptions let a little degree of variation within a social unit and this is owed to the successive cultivation of certain beliefs and values as described before (Kluckhohn and Strodtbeck, 1961).

Basic assumptions are extremely difficult to change because it is demanded a resurrection of the most stable cognitive structure. This process is called “double loop learning” or “frame breaking” (Argyris et al., 1985, Bartunek, 1984). So culture is defined by a set of basic assumptions which drive our reactions, emotions and formulate our theories. Once we have developed such assumptions we develop “mental maps” or “mental programs” according to Hofstede’s terminology.

Figure 4 indicates the existence and influence of culture, in a multi-level construct, through various levels, from the macro level of global cultures to the national cultures and then to organizational cultures, group cultures and at last to cultural values. The present model elects the

existence of culture in every level, from the global to the individual and that at each level change first occurs at the most external layer of behavior and when shared then becomes a value that characterizes a social group, organization or nation.

Figure 4: *The dynamic of top-down-bottom up processes across levels of cultures*



Source: Schein E. (2010). *Organizational culture and leadership*.

How these elements affect international management?

But how these basic beliefs, assumptions and behaviors mentioned above, exert cultural impact on international management? We display below some of the basic issues that can be affected from management approaches and are being confronted from every international organization.

- *Centralized vs decentralized decision making.* In some societies top management takes all important organizational decisions. In others the decisions are being diffused to the middle and lower management.
- *Safety vs Risk.* In some societies organizational decision makers can not be efficient under conditions of uncertainty. In other, risk taking is encouraged and is a part of the daily job.

- *Individual vs group rewards.* Persons who are high efficient enjoy rewards with the form of bonuses. According to other organizations cultural norms rewards are in group format.
- *Informal vs formal procedures.* In some societies formal procedures are followed strictly in others accomplishments made in informal fashion.
- *High vs low organizational loyalty.* In some societies, people come to a commitment with their employer or organization probably because their values/beliefs are strongly identified.
- *Cooperation vs competition.* Some societies promote cooperation and socialization and others competition between them.
- *Short term vs long term horizon and stability vs innovation.* Some cultures setting long term goals and follow their vision. Other cultures focus on short term goals and results.
- *Stability vs innovation.* The cultures of some countries show their preference in stability, how we say one step at a time. Other cultures have in discriminant position values as innovation and encourage change and evolution.

1.5 Fundamental cultural model's and their evolution

Around 1980 there were many efforts of developing a model which would classify national cultures according to attributes such as job satisfaction, work roles, and interpersonal work relations were conducted, in an attempt to identify clusters of countries sharing congenial cultural values that could influence business practices. The most influential studies analyzing cultural differences and similarities are those performed firstly from Geert Hofstede and secondly from Fons Trompennars and Shalom Schwartz.

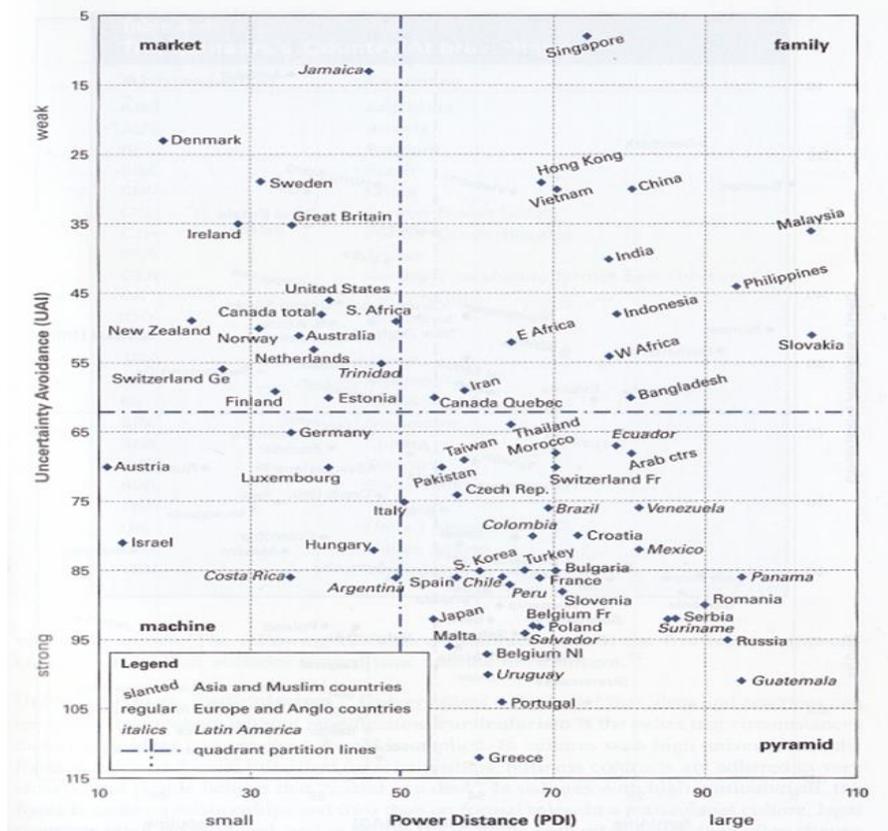
1.5.1 Hofstede's cultural dimensions model

Nowadays Hofstede is considered to be the “father” of the cultural dimension model. He conducted one of the most comprehensive studies of how values in the workplace are influenced by culture. He gathered data through IBM operations, with over 116.000 respondents from 72 countries around the world in 20 languages (Hofstede, 1983). He developed a four factor cultural model with the following dimensions:

Power distance: The extent to which people’s orientation in a culture considering about the legitimacy and equality of power distribution among organizations. Organizations with low power distance tend to be easier decentralized and have flatter organizational structures.

Uncertainty avoidance: Is the extent to which people avoid situations which lead to uncertainty and ambiguity (Hofstede, 2002). They tend to adopt beliefs which offer assurance and protect conformity. Organizations with high uncertainty avoidance used to have more specific rules, low risk taking by managers and lower labor turnover.

Figure 5: Hofstede’s power distance against uncertainty avoidance index

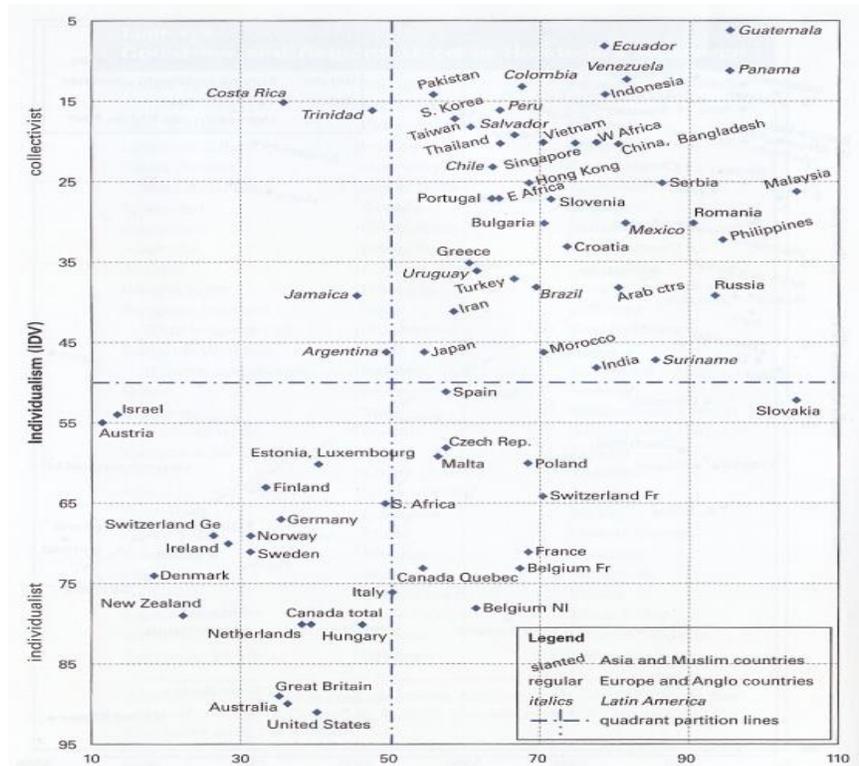


Source: Hofstede G. (2005). *Cultures and organizations: Software of mind*.

Individualism vs collectivism: It is considered as one dimension with two poles. Individualism is the emotional independence and absence of “us”, the belief that the person comes first. Consequently collectivism is the cultural tendency of people to believe and work in group

formats (Hofstede, 2002). Remarkable is that individualism has an inversely relation to power distance as shown in the figure 6, as individualism is the opposite of the acceptance of hierarchy.

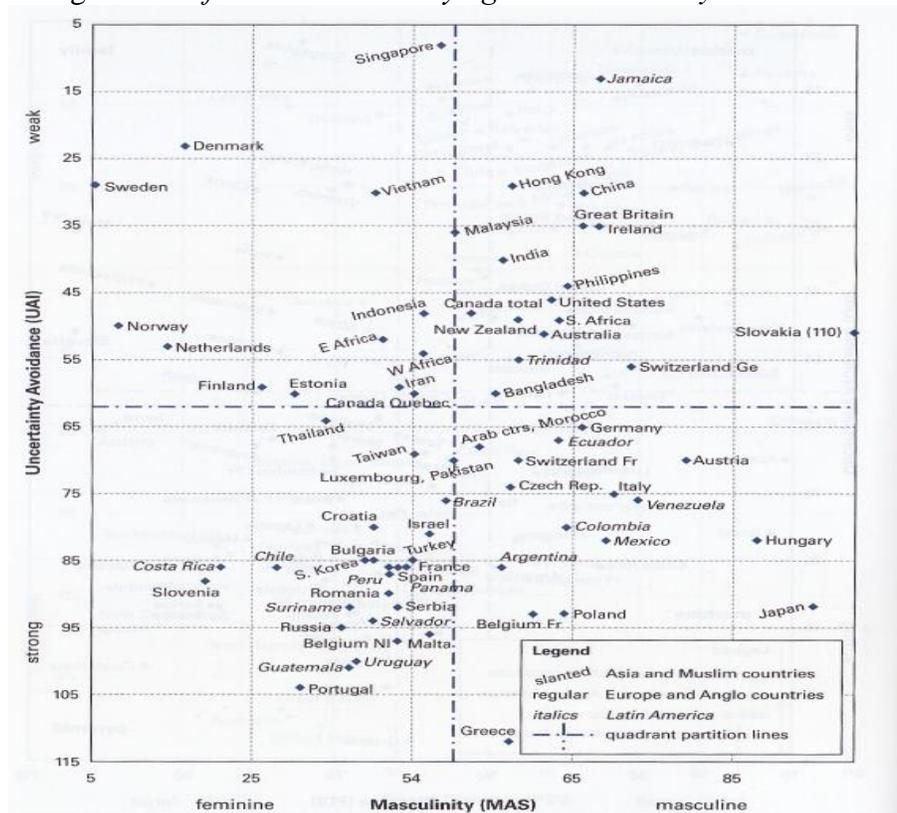
Figure 6: Hofstede’s power distance against individualism-collectivism index



Source: Hofstede G., (2005) *Cultures and organizations: Software of mind.*

Masculinity vs femininity: This bipolar refers to the values that composite success. So masculinity refers to achievement, assertiveness and material success and femininity to values such, relations, care for others and quality of life. Organizations with high masculinity index are often characterized by high job stress and it is believed that managers are under some degree of control. On the contrary businesses with high femininity index cultivate low stress environment which promotes cooperation and offers employment security.

Figure 7: Hofstede's masculinity against uncertainty avoidance index



Source: Hofstede G., (2005) *Cultures and organizations: Software of mind*.

The collocation of these cultural factors into two dimensional plots elects the complexity of perceiving culture's effect on behavior. The conclusion is that empirical evidence on the impact of cultural dimensions may differ from wide held beliefs or stereotypes.

Long vs Short term orientation: This dimension was recently added and it was firstly identified by Michael Bond. According to Hofstede the long term cultures are characterized from future planning and orientation, by perseverance, thrift and hard working in order to achieve long term goals. On the other side short term orientation referred to cultures which emphasize to present, take into account tradition and fulfillment of social obligations and generally tend to focus on the past and present.

Nonetheless his work in management studies, Hofstede received intense criticism. Main allegations were firstly the data collection period which was between 1968 and 1973 and the

outcomes were relevant for that certain period, secondly the formulation of certain bias due to the fact that the data were taken from one only organization, and that was IBM. And last the sole use of attitude survey and its results validity (B. McSweeney, 2002).

1.5.2 Trompenaars's two culture level dimension model

Fons Trompenaars built on Hofstede's fundamentals and expanded the existing framework. His study is widely recognized and comprehends survey in more than 15000 employees in 50 countries. Its main extension is that focuses in comparing different national cultures and focalizes on the management implications of cultural differences. Trompenaars's research took a 10 year period and was published in 1994.

Trompenaars came across to a seven dimension model which comprises relationship orientations that refer to the way people deal with each other and other orientations electing attitudes toward both time and environment. The results of his research give important information for MNC's effective operation in various countries (L. Hoecklin, 1995).

Universalism vs particularism: In universalistic cultures dominates the viewpoint that rules, values and laws come before relationships and can be applied everywhere without modification. Inversely particularism supports that circumstances define how ideas and practices should be applied. Namely the response to a situation responds to the evolution of the moment (mindtools.com, 2015).

Individualism vs communitarianism: This dimension stems from Hofstede's cultural model. According to him individualism is the perspective that the person comes first. On the other side is communitarianism which gives importance to the group in exchange of loyalty.

Neutral vs emotional: This bipolar refers to the degree people choose to reveal their feelings. A neutral culture refers to persons at the workplace that try to control their feelings in order to achieve effective decision making. On the other hand in emotional cultures emotions are naturally expressed (mindtools.com, 2015).

Specific vs diffuse: in specific cultures people tend to keep working life separately from their personal life. They consider not of great importance developing relationships in working environment. In diffuse cultures there is a remarkable overlap between personal and working life. People spend time on developing relationships outside working hours with associates and clients (mindtools.com, 2015).

Achievement vs Ascription: An achievement culture is a performance oriented culture, which means that their status based on their efficiency at the workplace. Ascription culture supports that power, title and position define a person's treatment (Luthans, Doh, 2012).

Time: As in Hofstede's cultural model, time plays a distinguished role according to Trompenaars model. There are two approaches, the *sequential time* which refers to people who set events in a punctual controlled sequence. What characterizes them is working with plan, catching up deadlines and focusing on one project at a time. The second approach is *synchronous time*, which refers to people who work on several projects at the same time. They are characterized by great flexibility and setting in priority relationships instead of schedules.

Environment: This dimension comprises clearly religious and philosophical differences. According to Trompenaars there are managers who believe that they can control nature or their environment forces, and this is known as internal directed environment. Others believe that their environment controls them and they must work with their environment in order to achieve goals. This is known as outer directed environment. The work of Trompenaars provides insights to the kind of problems that arise in the business environment between companies, employees and companies to customers. His dimensions also indicate the organizational characteristics from specific countries or certain nationalities and give the chance to measure changes in cultural values and behavior through a period.

1.5.3 Schwarz's approach to mapping dimensions of culture

Shalom Schwartz is an Israeli sociologist, he developed an alternative theory of the structure of cultural values to that developed by Hofstede (1984). His model comprises seven universal value types which are grouped into three bipolar cultural dimensions (Schwartz, 1994; Hofstede, 1984; Triandis, 1990):

Conservation: Characterized by security, conformity and tradition in priority. These values ensure the avoidance of any actions caused by individuals which try to change the established order.

Hierarchy: Focalizes in the legitimacy role discrimination and fixed resources such as social power, authority and wealth. Hierarchy in combination with conservation constitute the nucleus of the collectivism, a dimension that was developed by Hofstede.

Intellectual autonomy: Describes the component of values that characterize an autonomous person (curiosity, open mindedness and creativeness) who is in pursue of his intellectual interests.

Affective autonomy: Promotes and protects the positive experiences, such as pleasure and exciting life, of affective attainments. These values in combination with intellectual autonomy compose the opposite pole of collectivism.

Competency: These values define the environment according to self-affirmations through ambitions, successes and risk. It is connected with affective individualism through the desire for activity which prerequisites the change of the status quo.

Harmony: These values oppose to the active change of competency. Supporting harmonious fit with the nature and environment.

Egalitarian compromise: Characteristic of societies that care for wellbeing of others. These values are less important for collectivist cultures and positive related to affective and intellectual autonomy.

The seven cultural value types mentioned above can be structured in two bipolar dimensions (Hofstede, 1984; Kagitsibaci & Berry, 1989; Schwartz & Ros, 1996; Triandis, 1990, 1994):

Autonomy vs conservation: Closer to the bipolar individualism-collectivism, it constitutes values referring to the individuals and extends to values mostly benefit the collective.

Hierarchy and competency vs egalitarian compromise and harmony: Here is an obvious contrast in the aspect how should people be treated. Should they be treated as equals? Compromise and harmony are opposed more specifically at the area of change versus adaptation to the social environment.

Ros and Schwarz (1995) offered a different approach to mapping dimensions of culture and founded the insight that cultures do not have to subscribe to a strictly individualist-collective pattern. Schwartz's cultural values model comes to a contradiction to Hofstede's model, they end up to a consensus that western European culture is characterized by individualism in one sense but in the other there is a deviation observed, whether western European culture promotes selfishness, social power, ambitions and not elements such as concern for others.

1.5.4 Globe paradigm: An expansion of Hofstede's and Trompenaar's model

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) is a research program that integrates previous analyses of cultural attributes and variables evaluation of nine different cultural attributes. Based on Hofstede's and Trompenaar's findings, it began in 1992 implemented in 951 organizations in 62 countries (Javidan, House, 2002). A team of 170 scholars surveyed over 17000 managers in three industries, financial services, food processing, and telecommunications. For a more efficient analysis there were introduced country economic prosperity indexes, countries which took part represented every major geographical location in the world with any type of political and economic system (House *et al*, 2004).

The objective of GLOBE was to develop an empirically based theory which could describe, analyze and predict the impact of cultural variables in leadership and organizational processes and their effectiveness. Hoping to provide a standard global guideline that allows managers to focus on local specialization, GLOBE aims to answer in fundamental questions (Javidan, House, 2001):

- Are there leader behaviors, characteristics, and organizational practices that are widely accepted and efficient in all types of culture?
- Are the factors mentioned above efficient in specific cultures?
- How are the accepted leader behaviors and organizational practices being affected from effective societal patterns and organizational cultures?
- What are the consequences of violating cultural norms that are suitable to leadership and organizational practices?
- What is the classification of each of the cultures that were studied in compliance to the nine core dimensions of culture?
- Can these cultural aspects of leader behaviors, attributes and organizational practices be patterned in terms of an underlying theory for variations across cultures?

The GLOBE project discerned nine cultural dimensions, the first six have their origins from Hofstede's model. Those that have been analyzed in previous cultural models are cited above in referential form only (House *et al*, 2002):

Uncertainty avoidance: Stems from the Hofstede model, Sweden, Switzerland and Germany are characterized from high levels of uncertainty avoidance, on the contrary are Russia, Bolivia and Greece.

Power distance: Russia, Thailand and Spain support in their culture that power should be unequally shared. Cultures which advocate this notion are Denmark, Netherlands and Israeli.

Collectivism I: Societal collectivism refers to the degree to which organizational and societal institutional practices are being encouraged and rewarded through collective distribution of resources and collective action.

Collectivism II: In-group collectivism is the degree to which feelings such pride, loyalty and cohesiveness are expressed in organizations or family.

Gender Egalitarianism: Defines the extent to which gender discrimination is minimized within organizations or social groups.

Assertiveness: High assertiveness means that social or working environment encourages toughness, confrontation and aggressiveness.

Future orientation: Similar to Hofstede's dimension "Time orientation".

Performance orientation: Societies or organizations that are high performance oriented encourage and reward their members for performance achievements.

Humane orientation: The final dimensions refer to the extent to which organizations or societies promote and reward values such fairness, altruism, generous, kindness and generally helping others.

Comprehensive results of the GLOBE analysis are shown in the table below. Generally the results are in consensus with Hofstede and Trompenaars allegations and some vary according to the variable definitions and methodology. Hofstede criticized the GLOBE analysis and pointed out the key differences. The differences in axle points were his sole research and his focus in one institution and surveyed employees, while GLOBE consisted of team of perspectives and interviewed managers dispersed in many corporations. The disparity of the terminology between these two, makes interesting the commitment of these two approaches (Hofstede, 2006).

Figure 8: *GLOBE variables ranking among nations*

GLOBE Cultural Variable Results			
Variable	Highest Ranking	Medium Ranking	Lowest Ranking
Assertiveness	Spain, U.S.	Egypt, Ireland	Sweden, New Zealand
Future orientation	Denmark, Canada	Slovenia, Egypt	Russia, Argentina
Gender differentiation	South Korea, Egypt	Italy, Brazil	Sweden, Denmark
Uncertainty avoidance	Austria, Denmark	Israel, U.S.	Russia, Hungary
Power distance	Russia, Spain	England, France	Denmark, Netherlands
Collectivism/societal	Denmark, Singapore	Hong Kong, U.S.	Greece, Hungary
In-group collectivism	Egypt, China	England, France	Denmark, Netherlands
Performance orientation	U.S., Taiwan	Sweden, Israel	Russia, Argentina
Humane orientation	Indonesia, Egypt	Hong Kong, Sweden	Germany, Spain

Source: *Luthans F., Doh J. (2010). International management: culture management and behavior.*

P. Christopher Early (2006) tried to clarify the situation, and give his insight about what was each one's contribution in the field. He concluded that Hofstede made an improvement in the psychology of culture but not in the continuous changing world. From the other side GLOBE, having in mind the difficulty of in-depth understanding of all facets of culture, provides a current comprehensive overview of stereotypes that can be further analyzed to reach greater findings.

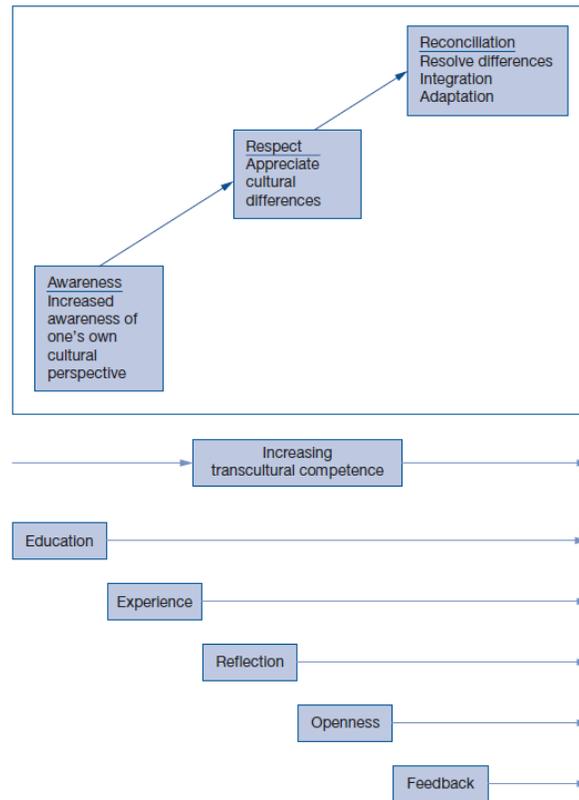
Hofstede, Trompenaars, Schwartz and GLOBE mapping studies faced some critical appraisal, which helps us better to evaluate their weaknesses and strengths. There were some methodological issues associated with this kind of studies which provide us the knowledge in order to avoid blind acceptance of these researches (Early, 2006; Hofstede, 2006; Smith, 2006).

1.6 The path to the cultural reconciliation

The first step to develop a cultural model is to have knowledge of the fundamental cultural theories. The second step which is of crucial importance is the capability to recognize the attributes of new cultures that are introduced to an organization. As figure 9 shows, this procedure takes three stages. This approach to building knowledge about a group's or person's

behavior and values and eventually adapting, sets as prerequisite that the person awareness of his or her own beliefs and cultural values. Then he or she can develop an appreciation and respect for cultural differences which leads to the final stage which is reconciliation and integration with differing national and organizational cultures (Briscoe, Schuler, 2004).

Figure 9: *Development of cross-cultural competence*



Source: *Briscoe D., Schuler R. (2004). International human resource management.*

The three stages mentioned above require constant progress with education and knowledge about others culture through gaining experience of them and which will be reflected by expressing openness and temper to be related and as reward gain feedback. Extensive study of the development of global executives concluded that the best way to deal with the complexities of culture is by living a different culture (McCall *et al*, 2002).

Chapter summary

At this chapter the meaning of culture which is “the sum of total of the beliefs, rules, techniques, institutions, and artifacts that characterize human populations” was defined. There was an

introduction to the elements that constitute culture and then were presented the fundamental frameworks that better explain culture. From the “father” of cultural theory Hofstede, to the continuer Trompenaars, then to Schwartz’s alternativity and finally to the great research program of GLOBE, succeeded to highlight and clarify the term and attributes of culture which underpin differences in the design of organization and help managers anticipate employee’s behavior.

Culture is subjected to constant evolution, it adapts to ecological circumstances which are rapidly changing both in physical and in social sense. Studying culture lets us measure indexes which elect variations among societies. As a consequence, we have to keep in pace, learn from history and prepare social and business structures which will prove sustainability and contribution to society’s evolution.

Regarding the business environment, culture can prove to be a competitive advantage for organizations that will discriminate and understand better their cultural evolution. As a result, organizations that show cultural understanding progress, develop more efficient internal functions, such as explicit organizational culture structures with certain roles, teamwork environment which is critical to business success, employment commitment probably in a lifetime due to employee’s satisfaction, necessary attitudes toward ambiguity and last but not least a special problem solving mentality which ingrains and “defects” the whole organization, which tend to be the necessary weapons for business long-term sustainability and competitiveness.

Nowadays, in a fully globalized world, organizations understand that the way to their sustainability and prosperity passes by extrovert policies which lead to internationalization. In western societies management approaches have a technical rational form, which gives more importance in statistical analysis, forecasting techniques and operational studies. This technical rationality cannot characterize the human element in an organization. Internationalization of business life requires knowledge of cultural patterns and its processes should take the function of local society seriously. As Ambrose said “when in Rome, do as the romans do”, and the Japanese have moreover added another dimension, “When in Rome understand the behavior of the romans, and thus become an even more complete Japanese” (Trompenaars, 1998).

Chapter 2 Organizational culture in multinational environment

2.1 The importance of organizational culture

In the previous chapter the term of culture was defined, summarizing culture represent all the information, procedures shared by the members of a group or a company according to Triandis (1996).

In fact the working environment is surrounded by culture which forms relationships and processes in the organizations. As a result someone entering a multinational company (MNC) has to realize that actually enters into an organizational culture. Employees in MNCs have to “fit in” culturally. Edgar Schein in 1997 defined organizational culture as a “pattern of shared values and beliefs that enable members to understand their roles in and the norms of the organization”.

An element that makes great the importance of organizational culture, is that it influences the way organizations react to the challenging demands of the business environment. Remarkable is that we behave as the organizational environment dictates (Gomez-Mejia et al, 2010), and the way an employee perceives the organizational environment plays a significant role to his attitude, motivation, and performance (Parker et al., 2003). As Schumacher and Ybema (1997) ended up, organizational growth leads to high levels of professional specialization that motivates organization being up to date and adaptive to changes remaining globally and locally competitive.

Frequently the term organizational culture used to show an insight of organizations characterized by a standard set of meanings. Organizations considered to be micro societies, and are dominated by pluralism which means that different groups of people express different viewpoints. These are often counted as organizational subcultures. The ability of those viewpoints and values to be accepted of broader groups of people, affects civilizations, nations, regions, organizations and occupations in various ways. This means that local and macro contexts need to be considered in order to detect cultural manifestations at the organizational level (Parker, 2000). Likewise key features of cultures are organization-wide consensus, consistency, and clarity.

2.1.1 Organizational culture perspectives

An influential structuring of organizational culture theory was conducted by Martin and partners (Martin 1992, 2002; Martin *et al.*, 2006; Martin & Meyerson, 1988) splitting up organizational culture theory in three perspectives: integration, differentiation and fragmentation-ambiguity.

Integration

The integration perspective refers to cultural consensus through shared understandings in an organization. Mutually consistent interpretations indicates the existence of consistency across cultural manifestations (Meyerson, Martin, 1987). Moreover culture is by its own an integration mechanism which tries to show consistency by incorporating basic assumptions under the same umbrella (Schein, 1992; Alvesson, 1993, 2001).

Differentiation

This perspective occurs from lack of consensus, in a variety of divisions or functions, stemming from inconsistent interpretations and different assignments of meaning in organizations (Parker, 2000; Louis, 1985; Von Zugbach, 1988; Meyerson and Martin, 1987). Many cultures coexist in an organization, and it is often argued that some cultures are superior to others. The others are considered as subcultures.

Fragmentation-ambiguity

The mentioned perspective is characterized by lack of lucidity towards cultural manifestations, stemming from differences in meanings and interpretations. Furthermore at the process of redefining and creating meanings, supporters of varied cultures orient themselves differently (Parker, 2000; Pidgeon & O' Leary, 2000). Consensus relates with this perspective transiently and elects the uncontrollable uncertainties that derive from contemporary life (Martin et al., 1996).

Figure 10: *How three theoretical perspectives complement each other*

Source: *Martin. (2001). The scrum culture: introducing agile methods in organizations.*

	Integration perspective	Differentiation perspective	Fragmentation perspective
Orientation to consensus	Organization-wide consensus	Subcultural consensus	Lack of consensus
Relation among manifestations	Consistency	Inconsistency	Not clearly consistent or inconsistent
Orientation to ambiguity	Exclude it	Channel it outside subcultures	Acknowledge it

2.1.2 The nature of organizational culture

It is widely observed in the literature that there are many controversies at the field of organizational culture. That is to say, it can be analyzed from many different perspectives. The recent years, variant models of organizational culture rose up, based on few or large number of dimensions which have as starting point the same core values, and often overlapping one each other.

Organizational culture dimensions

We cite a model that will give an insight about the multidimensionality of organizational culture based on seven dimensions in terms of involvement, collaboration, learning, care about clients, strategic direction, reward and incentive system, system of control, communication, coordination and integration. The model is based on organizational culture analysis by Ginevicius and Vaitkunaite (2006):

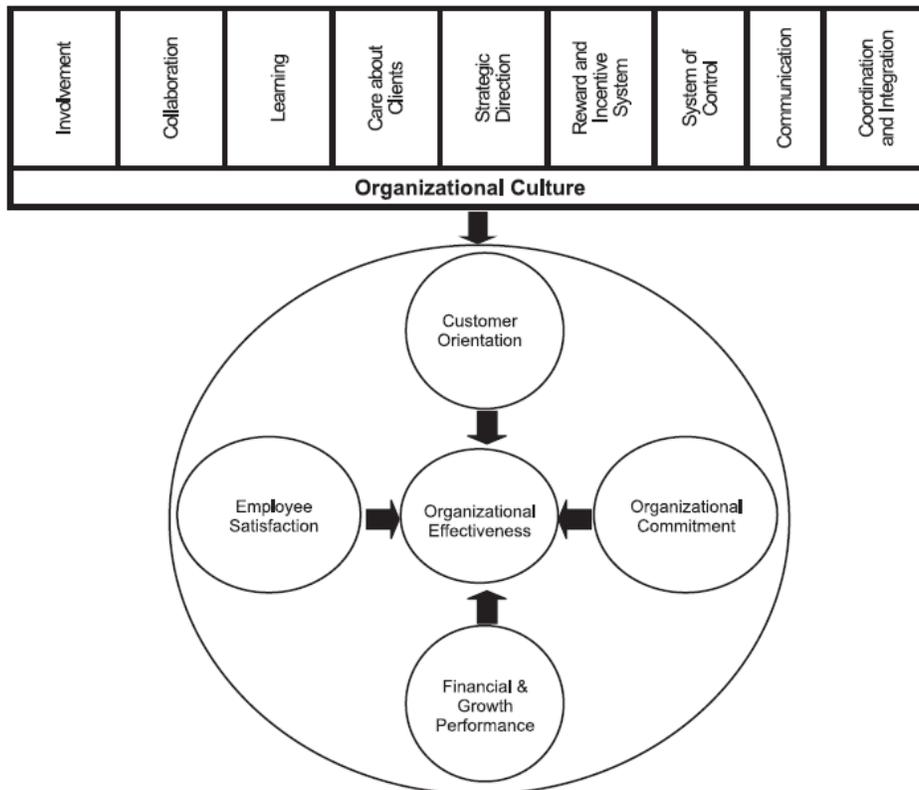
- *Involvement* comprises the deployment of proper conditions for the members of the organization, targeting in active taking part in decision making, contributing with their suggestions and ideas.
- *Collaboration* is a term that encourages collectivism versus individualism. People are motivated to act in a teamwork fashion.
- *Transmission of information* is the diffusion of new or important information to the employees in a certain time.
- *Learning* comprises all the procedures aiming to increase the existing knowledge.
- *Care about clients* is being directly related with customer satisfaction.
- *Strategic direction* deals with setting goals to be achieved, making plans for the organization and auditing their implementation.
- *Reward and incentive systems* motivates employees being more productive and augmenting their performance in the organization. The incentives are not necessary cash, it can be trips, stocks of the company, taking part in events, time off etc.
- *System of control* enables managers supervising employees and operations.

- *Communication* is the blood running in the organization's veins, through which bridges of relations between members are being set up. It is an important component which contributes in building organizational environment and efficiency.

- *Coordination and integration* somebody could describe it as the head of a body. It ensures that employees work effectively through groups and departments of the organization when carrying out common activities.

As shown in figure 11 below, these nine characteristics of organizational culture act like a mixture which composite efficient organizational culture. Effective organizational culture is the prerequisite which leads an organization to set a right approach of customer orientation. Supplying employees a proper environment to be deployed, organizations achieve employee satisfaction and their contribution to organizational commitment. These ingredients (customer orientation, employee satisfaction and organizational commitment), along with financial & growth performance build organizational effectiveness character.

Figure 10: *Organizational culture characteristics model*



Source: Ginevicius, R. and Vaitkunaite, V. (2006). *Analysis of organizational culture dimensions impacting performance.*

Organizational culture characteristics

As mentioned above there are many doctrines and definitions about organizational culture from different insights. Regardless those definitions, a number of significant characteristics are associated with organizational culture. The characteristics of a desired organizational culture can be summarized as (yourarticlelibrary.com, 2016):

- *Individual autonomy*: The level of freedom, responsibility and initiatives taking individuals enjoy in an organization.
- *Structure*: The degree to which an organization allocates certain roles to divisions according to performance and expectations. Also contains the ability to implement direct supervision in order to control employee supervision.
- *Management support*: The level of communication, assistance and support managers administer to their subordinates.
- *Identity*: The degree to which, an organization is being attributed by its work in aggregate and not by certain groups expertise.
- *Performance reward system*: The degree to which, exist incentive systems in the organization rewarding employees according to their performance and not to their seniority.
- *Conflict tolerance*: Refers to the existence of conflicts between colleagues or working groups, as also the degree to which employees are encouraged to conflict and criticize openly.
- *Risk tolerance*: Refers to the encouragement for innovation, aggressiveness and risk taking in the organization's culture.
- *Communication patterns*: Is the kind of organizational communication implemented in the organization. Indicates if it is restricted to the formal hierarchy of authority or not.
- *Outcome orientation*: Indicates the focus of management to the results or outcomes rather than to the processes to achieve them.
- *People orientation*: The degree to which, management decisions take into consideration the impact of outcomes to the human factor within the organization.

When proceeding with the organization appraisal in compliance to the characteristics mentioned above, we get a complete picture about organization's culture. We have a perception about the operations, norms, beliefs and how organization members supposed to behave.

2.2 Organizational culture in multinational environment

2.2.1 The early era of international business

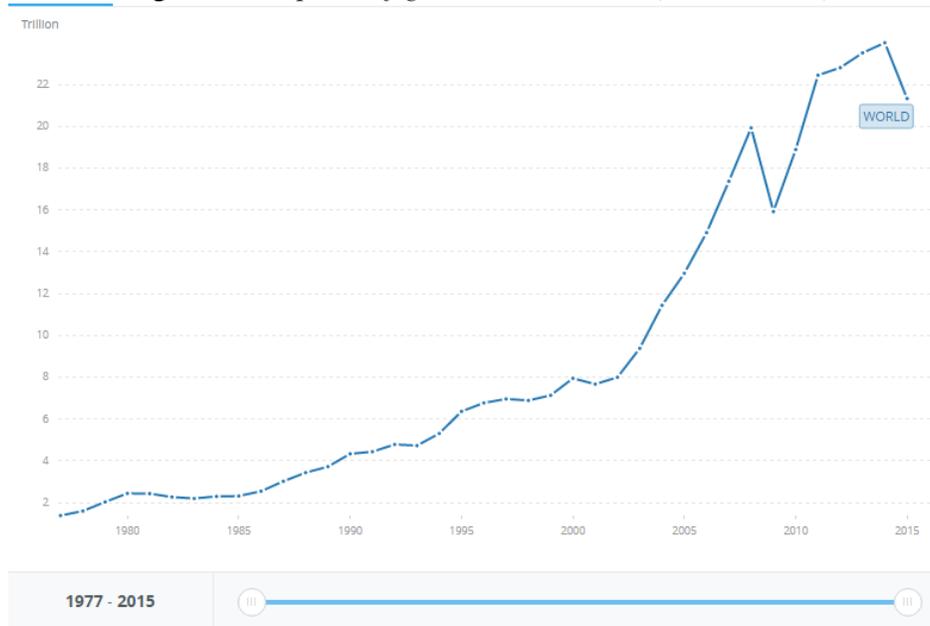
The first international business structure arises between 1900 and 100 B.C. in the Mediterranean area and run by Assyrians, Phoenicians, Greeks and Romans according to business professor Karl Moore and historian David Lewis. Successful international trading often has led to politically and military power indicating its importance from ancient years. First Greece and then Roman Empire prospered due to their dominance and exploitation of international trade.

For example the North Africa city Carthage turned into an international trade center in the third century B.C. as merchants from Europe exchanging precious metals and glass for grains, Ivory and textiles. During the middle ages, Italy due to its geographical position, became a world market for international trade and commerce banking with the political and military help of Genoa, Venice and Florence and linked trade from Europe to China. International business met great prosperity at the age of imperialism during 16th century, where many foreign direct investments and multinational corporation's (MNC's) action took place. European capitalists as United Kingdom, France, Netherlands, Portugal, Spain, and Belgium nurtured new businesses in their colonial empires by establishing networks of transportation, banking and trade that persist even these days (S.D. chapman, 1985).

During the 19th century the invention of the steam engine coupled the railroad network opening new roads to new markets lowering dramatically the cost of transporting goods. This evolution broadened foreign direct investments (FDI), new contemporary MNCs were established and became giants by investing in facilities throughout Asia, Europe and America (J. Dunning, 1993).

Nowadays international trade activities showing augmenting trends according to figure 12 Extroversion seems to be the rational way for a business which sets goals for sustainability and prosperity.

Figure 11: *Exports of goods and services (current US\$)*



Sources: *International Monetary Fund, World bank*

2.2.2 International business attributes

Taking into consideration the above can be concluded, that multinational business is an organization conducting business operations abroad (Steiner & Steiner, 2003). Examples of international business operations includes buying materials from one country and shipping them to another country to be processed or assembled, shipping products to another country for retail sale, investing in a foreign country by building a plant in order to take advantage of lower labor cost or lower borrowing cost to finance their operations.

International businesses differ from other types of businesses because they don't focus on domestic markets (Mabey, 2008). The markets they operate may use different currency, impelling a part of the organization being occupied with currency conversions. Every foreign market has its own legal system, forcing organizations being compatible in order to operate. An issue of great importance is the difference in culture deriving from country to country and businesses have to fight for cultural adjustment. Such issue could be, lack in resources by country, such as skilled labor force or natural resources.

Multinational enterprises (MNE) success depends on marketing advantages, which means clear marketing coordination in a such value added activity. MNE's scope is not to go with low wage (Porter, 2005) or low cost product/service but to take advantage of MNE's competitiveness (Hymer, 1976; Hult, 2011).

2.2.3 Organizational culture in multinational environment

Every international organization lies its organizational culture, and it is compulsory because it heightens employee's engagement, and embeds MNE's long-growth development (O'Reilly, 1989; Wu & Lin, 2013). Organizational culture of MNC is formed by a number of factors in compliance to leaders' and employees' cultural preferences. In the international environment, there are subsidiaries which the only thing that have in common to the parent company is the logo and the reporting procedures (Hughes, 2003). This happens due to the fact that many international expansions are the result of mergers and acquisitions, and the integration of those organizational cultures is a critical issue for managers. In order to be attained a smooth transition from one organizational culture to another, Numeroff and Abrahams (1998) have suggested four critical steps: The two groups have to set goals and the purpose of their merger. They have to deploy mechanisms to evaluate the most important organizational structures and management roles. They have to define who is in charge of the sources for getting things done. And last they have to determine the expectations for every involving party and establish efficient communication between departments and individuals in the structure.

Companies that are engaged in mergers and acquisitions soon understand that this process is something more than sharing resources and capturing greater market share. Differences in culture in the working environment can be bridged with proper management frame and execution. It is the duty of the sponsors and managers to create, maintain and develop the perception of a united front. If this assimilation occurs, then an international merger or acquisition can be judged as successful (Numeroff & Abrahams, 1998).

Charles O' Reily (1989) classified two criteria to determine whether a culture is strong or not. He mentioned that: "Firstly, there is the act of approval or disapproval on employee attitude in the organization; and secondly, there is an agreement on shared organizational values among employees in the organization". Any organization who fail to meet those criteria shows weak organizational culture.

Moreover, there are three aspects of organizational functioning that define MNC organizational culture: first of all, the relationships among employees and the organization, secondly the structure of the hierarchical system of authority that gives certain roles for managers and their subordinates, and thirdly what is employees' perception about the organization, its purpose and goals (Trompenaars, 1994, p. 154).

Therefore, it is essential for MNE to establish its own culture within the host countries, and pass its culture to its managers and employees. MNEs which give no importance to organizational culture frame establishment, cannot survive in the long run.

2.2.4 The corporate culture response

How MNCs respond to the challenge across cultural boundaries? What kind of corporate culture have been developed in order to cope with differences among people and unite them under the same umbrella?

Generally, good performing multinational enterprises (MNE) develop a sense of awareness about cultural differences among their managers and employees. They encourage adaptation of new cultural behaviors, organizational practices and products or services that might fit culturally to the firm or subsidiary to their activities in key markets.

Corporations such as Shell, Nestle, PepsiCo, Hyatt, McDonalds and Microsoft consider to have strong corporate cultures. They invest tens of millions annually in the selection and doctrine of employees into company's practices. They deploy training programs, range of activities, at the induction level, job rotations aiming to enrich manager's awareness about different countries-markets.

On the other hand, strong corporate culture can lead to negative consequences for employees or stakeholders. For instance many corporations are in an improvement process with management driven by a vision of the future and a set of corporate values. Under these circumstances leadership's main role is to help employees to adapt to the new work ethics and to the organization's vision and values (Deetz, Tracy & Simpson, 2000). This kind of organizational culture is characterized by attention to process improvement.

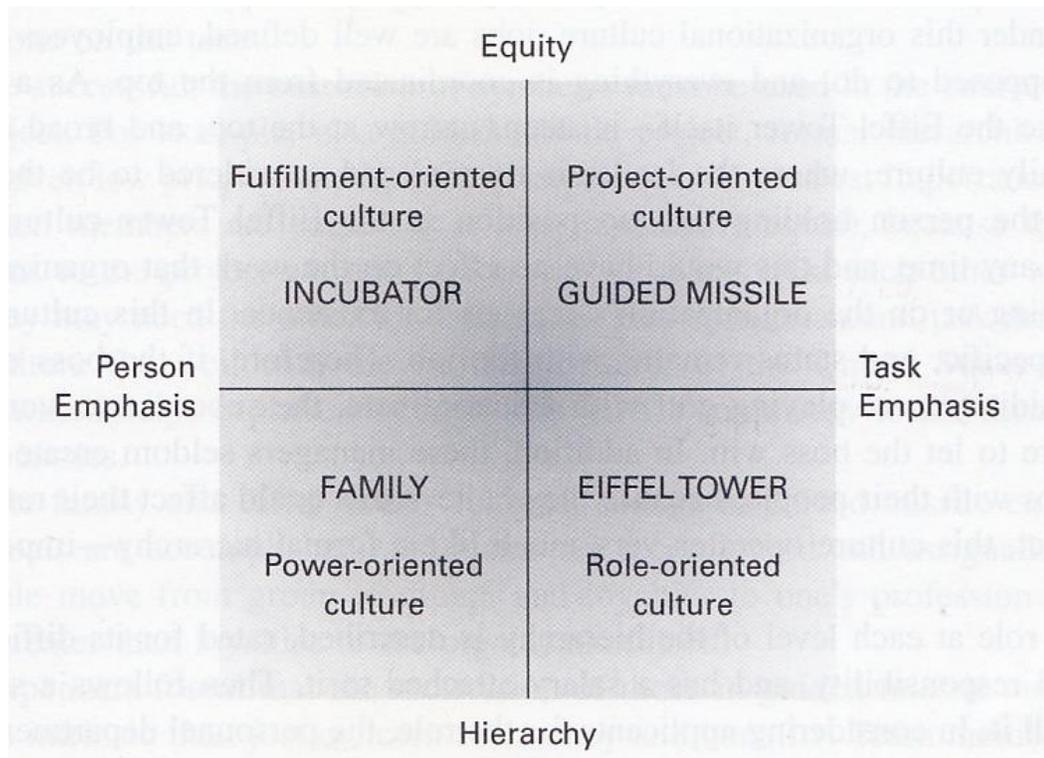
For an efficient corporate culture, John Kotter and James Heskett (1992) concluded that value consensus can enhance organizational performance provided that people are receptive to change

and continuous improvement, corporation leaders respond sufficiently to change and corporation's business strategy meets the organization's visions and values.

In the previous chapter we have distinguished cultures by single dimensions, such as universalism-particularism and individualism-communitarianism. Fons Trompenaars (1994) at his book "Riding the waves of culture: Understanding Diversity in Global Business", developed two dimension based model and defined types of corporate culture. He based his model on the bipolars equality-hierarchy and person-task emphasis. He ended up into four corporate culture types:

1. The family
2. The Eiffel Tower
3. The guided missile
4. The incubator

Figure 12: Trompenaars corporate culture model



Source: Fons Trompenaars, *Riding the waves of culture: Understanding diversity in global business*.

The family culture

This type of culture gives strong emphasis on hierarchy and is oriented to the person. It's about family environment, the position of the leader belongs to the parent regarded as a caring father who knows better what is best for personnel. Relations between members are attributed by respect to the individuals who are in charge and asking them for guidance, strong bonds among them, tradition and customs oriented. These types of culture are often seen in Turkey, Pakistan, Venezuela, Hong Kong and Singapore. Promotion is done by age and means that people are not valued according to their abilities and achievements but according to their age, the older person will typically be in charge. The relationship with the organization is long term and devoted.

The Eiffel Tower culture

Eiffel tower culture is characterized by strong emphasis on hierarchy, and orientation to task. Everything is well coordinated from top, certain roles are given and as a result it has a steep structure as culture, narrow on top and broadened to base. The dealings between members are certain and as a consequence managers of the organization seldom keep contact with people of the job because they believe that this can affect their judgement. People at the top management can be easily replaced without any effect on the organization.

The organizational aspect comprises adequate job description for every position, rated for its difficulty and responsibility attached by the correspondent salary. These organizations also deploy assessment centers, training and development programs and job rotation aiming to manage efficiently their human resource. When recruiting, people having the qualifications and meeting the demands for the roles are chosen. The same procedures are followed in evaluation and promotion processes (Trompenaars, 1994). These kind of corporate cultures are mostly met in Northwestern European countries and more specifically in Germany, Denmark and Netherlands.

The Guided Missile culture

Guided missile culture emphasizes on equality in the workplace and it is task oriented. This type of culture is adapted by teams or project groups. Unlike to Eiffel Tower culture, where assignments are fixed and limited, every person is the guided missile and does whatever it takes

to get the job done. The name derived from high tech organizations like NASA which introduced the use of project groups working on space probes that resembled guided missiles. In such projects groups consist of hundreds of different types of engineers responsible for building, any team's member contribution can be crucial at any time during the project's evolution without being known in advance. Hierarchy in these groups is of low priority and individual's expertise is of great importance. All team members are equally treated and there is respect between teams. This type of culture can be seen in the USA and UK, where many high tech corporations are placed.

In contrast to Family and Eiffel Tower cultures, change in guided missile culture comes quickly. Projects are accomplished groups are reformulated for the need of new projects. Remarkable is the high loyalty level that members show to the groups, which sometimes overcomes the loyalty to the organization. That presumably happens because their motivation is not identified with money but with goals attainment.

Incubator culture

Incubator culture characterized by strong emphasis on quality and it is person oriented. This culture supports the philosophy that organizations should behave as incubators for the expressions and the fulfillments of its members and they enjoy creating and innovating. Members have roles such as confirming, criticizing, developing, finding resources or helping for the development of an innovative product or service. This kind of culture can be seen mostly in start-ups in Silicon Valley in California and in Silicon Glen in Scotland.

This kind of corporate culture are being set up from creative people who left Eiffel Tower large organizations. Their environment enhances participants to thrive on intense and develop emotional commitment to the nature of work. For instance, the group may be in the process of a medical breakthrough which will extend life. These corporations are underfunded and they are profitable when the expected breakthrough happens. When the organization follows growth development track, then tends to hire more people to ensure smooth flow of operations. Then the organization adapts another type of culture (Family, Eiffel Tower or guided missile). Changes happen at a fast pace and spontaneous, member's motivation level remains high and intense and in contrast to the family culture leadership is achieved not "gifted".

Summarizing, the four corporate cultures described by Trompenaars are not fixed and rarely exist in practice. What happens in fact, is a culture that dominates and borrows elements from the other three cultures. Successful businesses combined by a mixture of cultures and they thrive to reconcile. In figure 14 below is being cited a comprehensive summary characteristics of the four corporate culture types.

Figure 13: *Corporate Culture types*

Characteristic	Corporate Culture			
	Family	Eiffel Tower	Guided Missile	Incubator
Relationships between employees	Diffuse relationships to organic whole to which one is bonded.	Specific role in mechanical system of required interaction.	Specific tasks in cybernetic system targeted on shared objectives.	Diffuse, spontaneous relationships growing out of shared creative process.
Attitude toward authority	Status is ascribed to parent figures who are close and powerful.	Status is ascribed to superior roles that are distant yet powerful.	Status is achieved by project group members who contribute to targeted goal.	Status is achieved by individuals exemplifying creativity and growth.
Ways of thinking and learning	Intuitive, holistic, lateral, and error correcting.	Logical, analytical, vertical, and rationally efficient.	Problem centered, professional, practical, cross-disciplinary.	Process oriented, creative, ad hoc, inspirational.
Attitudes toward people	Family members.	Human resources.	Specialists and experts.	Co-creators.
Ways of changing	"Father" changes course.	Change rules and procedures.	Shift aim as target moves.	Improvise and attune.
Ways of motivating and rewarding	Intrinsic satisfaction in being loved and respected.	Promotion to greater position, larger role.	Pay or credit for performance and problems solved.	Participation in the process of creating new realities.
Criticism and conflict resolution	Management by subjectives.	Management by job description.	Management by objectives.	Management by enthusiasm.
	Turn other cheek, save other's face, do not lose power game.	Criticism is accusation of irrationalism unless there are procedures to arbitrate conflicts.	Constructive task-related only, then admit error and correct fast.	Improve creative idea, not negate it.

Source: Trompenaars F. and Hampden-Turner C. (2011). *Riding the Waves of Culture*.

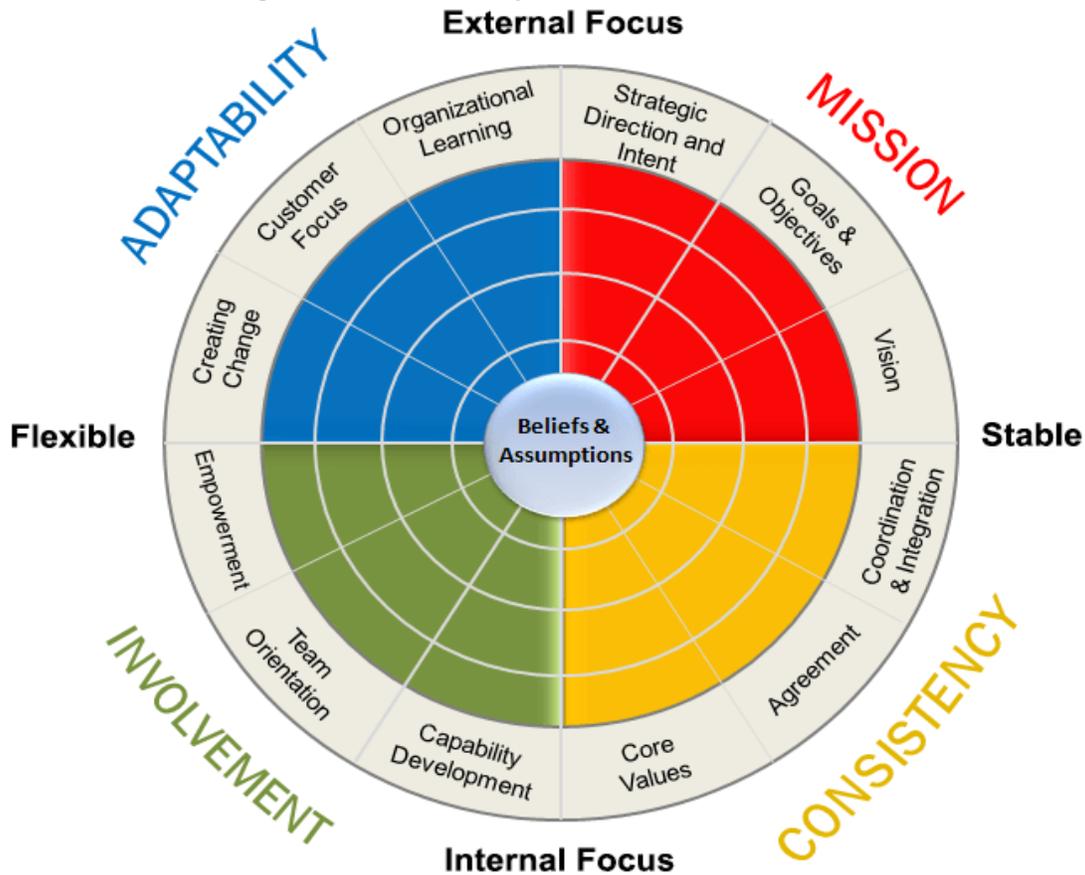
2.3 Denison organizational culture model

After an over a decade research, Dr. Denison developed an organizational culture model in 1996, which highlights specific dimensions of organizational culture and measures organizational effectiveness. The findings of the model were supported also from other researchers. But what was the important finding of the research? A number of performance indicators, such as return on assets (ROA), return on investment (ROI), product development, sales growth, market share, quality and employee satisfaction, which define organizational effectiveness, were examined in

relation to cultural traits, such as *Involvement*, *Consistency*, *Adaptability* and *Mission*. Dr. Denison's survey ended up that there is a significant positive correlation between organizational effectiveness and the four cultural traits. Using this framework one can understand how each set of organizational culture traits impact on organization performance (Denison, Mishra, 1995).

The first twenty years, Denison organizational culture survey was approved by more than 500 companies. Using the model, organizations wanted to benchmark their organizational culture and develop plans to impose their current practices.

Figure 14: Denison organizational culture model



Source: www.Denisonconsulting.com

2.3.1 The organizational culture traits and sub traits

As we mentioned above the model is based on four main cultural traits, *Involvement*, *Consistency*, *Mission*, *Adaptability* that are separated in four quadrants and having at the center of the model *basic beliefs and assumptions* which are included at the organization's daily activity. Each culture defines three indices of managerial practices, which define the level to which a trait is satisfied. A circumplex graphic of Cartesian system is used to show how the traits and indices relate to each other.

Involvement

Organizations in order to be competitive aim to keep their employees in pace with the changes. Involvement means taking initiatives, cooperation and development in reaching goals. Through this trait organizations achieve employee commitment and more efficient decision procedures (Becker, 1964; Lawler, 1996; Likert, 1961).

The sub traits of involvement are empowerment, team orientation and capability development. Empowerment means that people have the capability and initiative to manage their work. Team orientation refers to the cooperation of members toward common goals giving to employees a mutual accountability feeling. It also refers to the levels of team effort an organization is being relied on. And last capability development refers to the employee's skill development in order to remain the organization competitive (Denison, Neale, 1996).

Consistency

Consistency is measured through three indices: core values, agreement, and coordination and integration. According to Denison (2000) these indices indicate the degree to which all employees work together under common goals. Consistent organizations deploy a specific mindset and a set of organizational system of governance. They have clear rules about do's and don'ts, highly committed employees and distinct method of doing business.

The indices of consistency are coordination and integration, agreement, core values as mentioned above. The term coordination and integration refers to the ability of different functions and units of the organization to work together for the achievement of common goals. Agreement indicates the level of consensus that can be achieved, under the pressure of critical issues. And last, the term core values refers to the values that are developed and give to the organization an identity of a clear set of expectations.

Adaptability

Adaptability refers to the organization's ability to deal with external influences and conform in order to grow and develop. What is worth mentioning, is that it works as a communication channel facilitating the organization by giving feedback about their expectations and the social and economic changes (Fey, Denison, 2003).

The three aspects that make up adaptability are customer focus, creating change and organizational learning. Customer focus indicates the degree to which the organization is driven by a concern to satisfy their customer. That means that the organization understands and adjusts to their customer needs and keeps up to anticipate to their future needs. The term creating change refers to the ability of the organization to read the business environment react to current trends and proceed changes aiming to anticipate future changes. And at last the term organizational learning refers to the capacity to exploit signals from internal or external environment and convert them into opportunities to encourage innovation and develop skills and knowledge.

Mission

The trait mission refers to the degree to which a company sets clear goals and having explicit vision. The significant of this cultural trait is the stability of the organization and it is observed to organizations having the greatest market share and overall performance.

The sub-elements of mission are strategic direction and intent, goals and objectives, and vision. Strategic direction and intent means that having clear strategic intentions the organizations purposes are more conceivable and everyone understands better how to contribute to the growth of the organization. The term goals and objectives is an easily explained sub-trait. It refers to the need of setting clear goals and objectives, which in compliance to mission, vision and strategy provide to the organization clear and explicit directions. Vision is the last sub-element of mission, and defines the need of the organization for a common desired future state. It also enables people of the organization have in their minds certain guidance and direction.

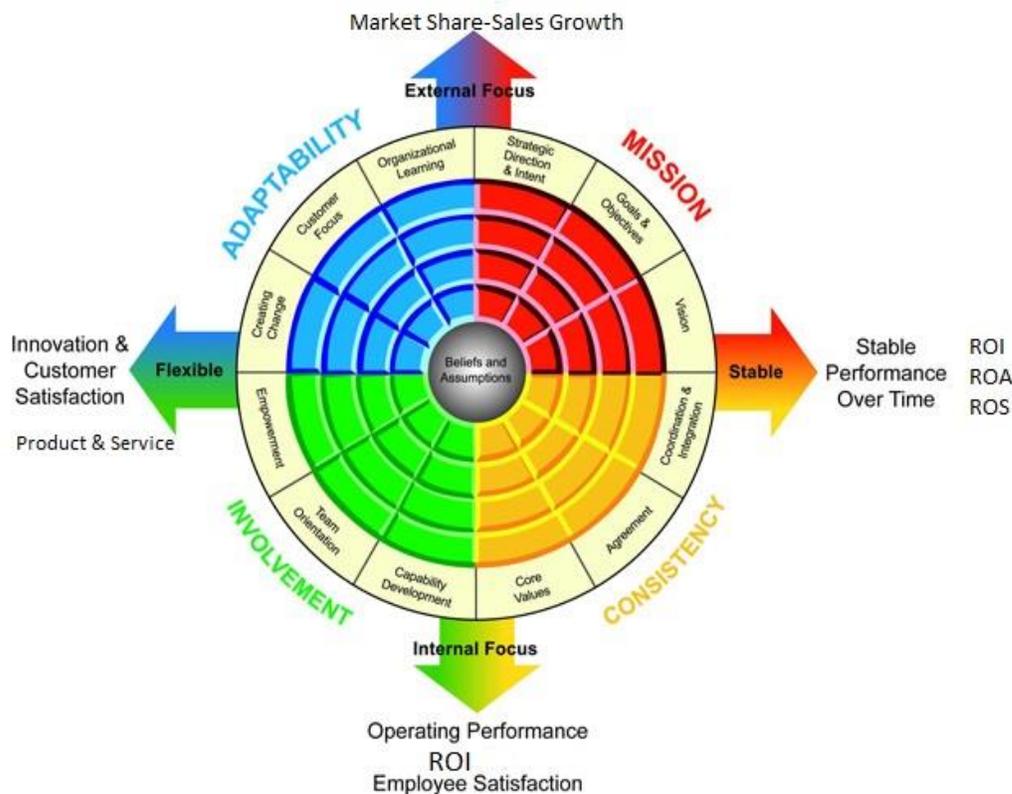
Every area on the Cartesian system, top, bottom, left and right refers to different aspects of the organization. So, the traits at the bottom line of the Cartesian system, *Involvement and Consistency*, are related to the organization's internal focus. In other words, this means that the organization is focusing on internal integration of systems, processes and structures. It evaluates its employees and the quality of product and services.

While the two traits on the top line of the Cartesian system, *Adaptability* and *Mission*, refer to the external focus. That means that the organization is focusing on external incentives that receives and surveils the market evolution.

The elements at the left of the Cartesian system, *Adaptability* and *Involvement*, are related to the company's flexibility and its openness and responsiveness to the external influences. These are linked to the quality of products, innovation creativity and employee needs.

The elements at the right side of the Cartesian system, *Mission* and *Consistency*, refer to values maintaining to integration and vision of the organization. *Mission* and *Consistency* are linked to performance indicators such as return on assets, investment and sales helping organizations to predict profitability.

Figure 15: *Denison organizational culture model and business performance indicators*



Source: www.Denisonconsulting.com

2.3.2 Denison model and the relationship to performance

Dr. Denison in 1984 published a research on the relationship between organizational culture and financial performance. At this survey he compared organizations scoring in the top half with those in the bottom half and monitored their financial performance in a time frame of 5 years after the measures were taken. To prevent contradictions about his results he restricted himself being occupied with firms whose data was obtainable by Standard & Poors statistical service and Compustat.

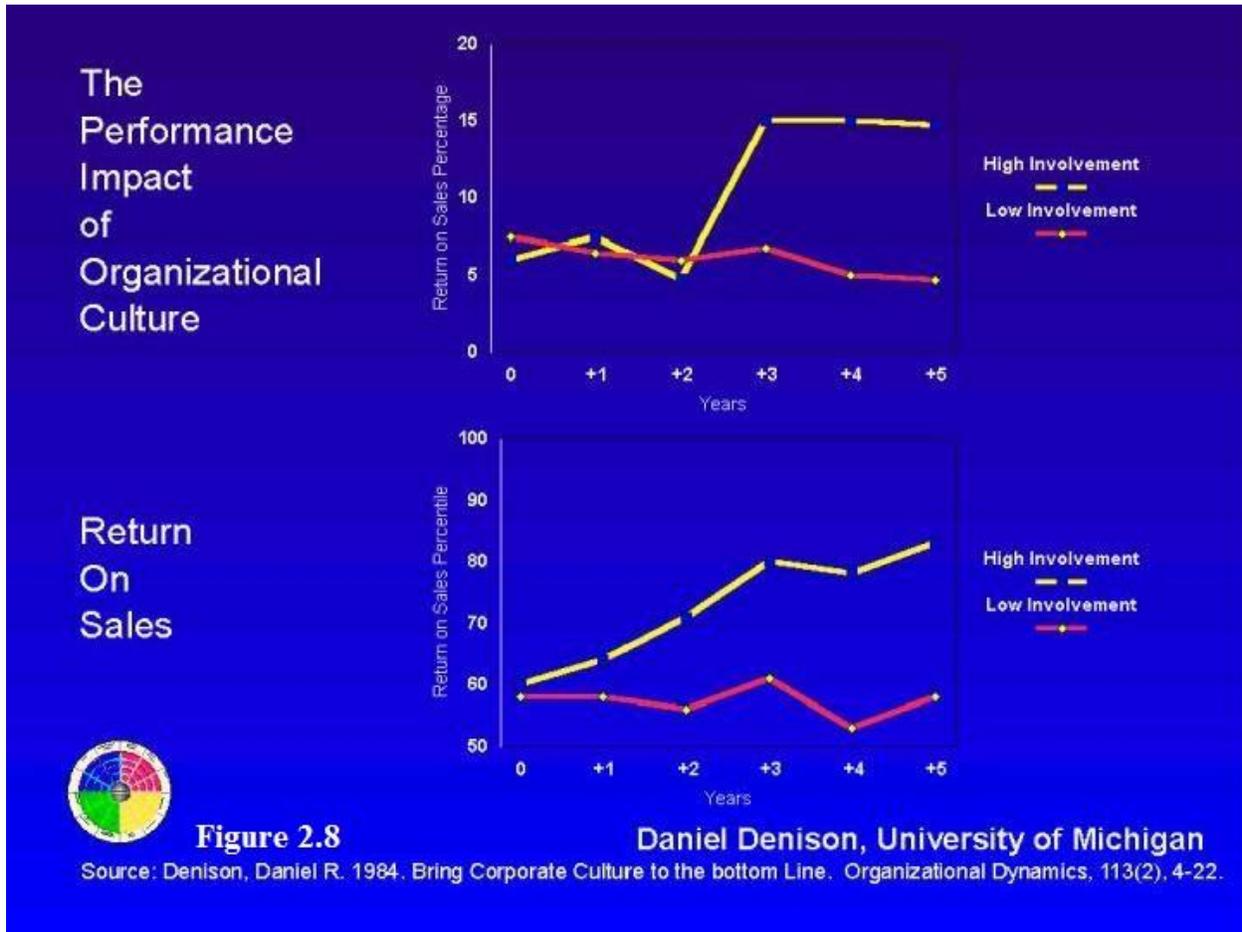
He conducted his research using the following performance indicators:

Return on investment (ROI): Is a way to evaluate the efficiency of an investment. It gives the opportunity to compare performance between organizations and it is held the ultimate investor's criterion of success.

Return on Sales (ROS): Is a simple ratio of income to sales. It is a good indicator for the company's operations. Actually it calculates what percentage of company's revenues converted into company's profits.

The conclusion of Denison's research shown in figure 17 below emerges the impact of organizational culture (measured by *involvement* trait) in relation to (ROS) performance indicator. What worth mentioning is that organizations with stronger culture display better financial performance. The remarkable is that by the end of 5 year period the efficiency contrast of high and low involvement organizations is dramatic and shows no variance trend.

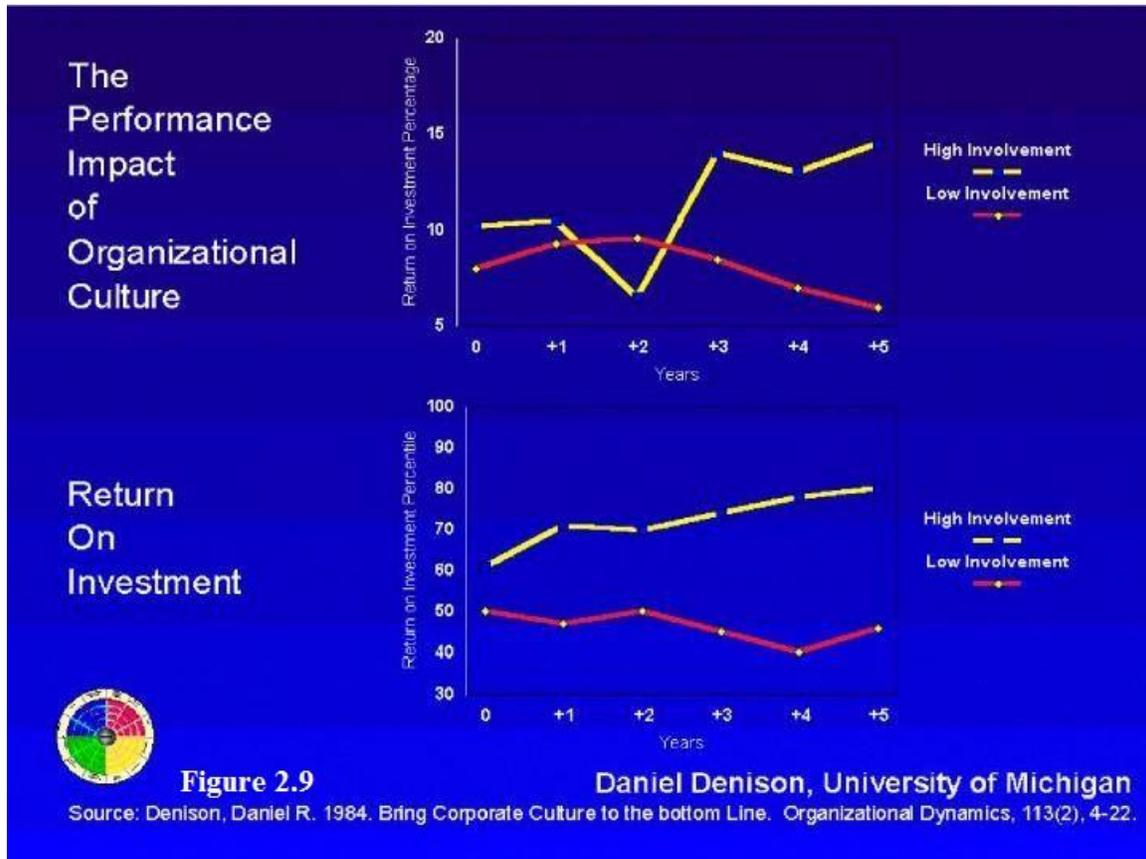
Figure 16: The performance impact of organizational culture in relation to (ROS)



Source: Denison, D. (1984). Bring Corporate Culture to the bottom Line.

The same result derives also from figure 18 below which measures the impact of organizational culture (measured by *involvement* trait) in relation to another financial performance indicator (ROI). After the second year organizations with stronger culture perform much better and it is observed no convergence trend.

Figure 17: *The performance impact of organizational culture in relation to (ROI)*



Source: Denison, D. (1984). *Bring Corporate Culture to the bottom Line*.

The above tables were based on cultural indicator *involvement*. Dr. Denison studied a number of indicators including (Denison, Neale, 1996):

- Job reward
- Decision making practices
- Inter-unit coordination
- Human resources
- Organization of work
- Supervisory leadership

The results of the measurements of the above mentioned indicators in relation to financial performance indexes displayed notably correlation to financial performance. However the most substantial long term effects were observed to inter-unit coordination and involvement indicator. Researchers in various countries used Denison's organizational culture model, in order to ascertain its validity. Through these years the model proved its functionality and validity and nowadays is a tool at the service of managers who tend to improve their organizations culturally.

2.4 Competing values framework

The number of values that could be used to define organizational culture is infinite and solely and depends on the insight of scholars and practitioners to conceive new domains (Denison, 1996). Managers often require a structure to rely on, in order to decide which culture to implement in order to foster different aspects of the organization.

The Competing Values Framework (CVF) was developed initially from research conducted by University of Michigan faculty members on the major indicators of effective organizational performance. This framework was developed by Quin and Rohrbaugh in 1983 aiming to understand and organize a variety of organizational phenomena such as theories of organizational effectiveness, leadership competencies, organizational culture, organizational design, stages of life cycle development, organizational quality, leadership roles, financial strategy, information processing, and brain functioning (Cameron, 2016). This framework is identified to be one of the 40 most important frameworks in business history.

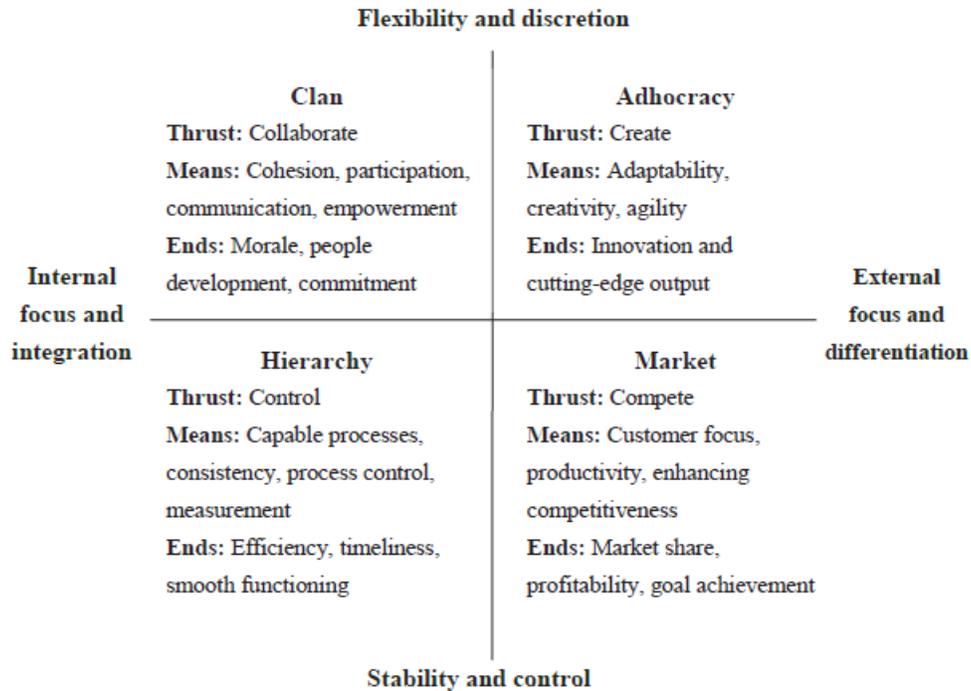
2.4.1 The structure of the CVF

The competing values framework is defined from four cultural types that will be presented in next chapter, and these are: clan, adhocracy, market, and hierarchy.

The CVF is based on 3 dimensions, *focus*, *structure* and *means-ends*. Figure 19 illustrates how these cultural types being overlaid with the dimensions of focus and structure. The focus dimension is represented by the horizontal axis and differentiates effectiveness criteria, unity of processes, and integration from those having external orientation. The structure dimension is represented by the vertical axis, and differentiates effectiveness criteria that emphasize criteria and control. The third dimension, *means-ends* has a theoretical basis, elucidating which types of

culture are being associated with certain strategic and effectiveness criteria. In particular, elucidates behaviors stemming from values and beliefs. Behaviors are the mechanisms (*means*) through which culture types being connected with effectiveness criteria (*ends*). In other words, a team’s values and beliefs are the social normative expectations that inform members how it is supposed to behave (Meglino & Ravlin, 1998; O’ Reilly, Chatman & Caldwell, 1991).

Figure 18: *The competing values framework.*



Source: Cameron, K., Quinn, R., DeGraff J. and Thakor, A. (2006). *Competing Values Leadership: Creating Value in Organizations.*

2.4.2 Culture types underlying the CVF

The *clan culture type* is internally oriented indicating flexibility. As shown in figure 20 clan cultures having as main assumption that positive affective attitudes through human affiliation can be achieved. In other words, “organizations succeed because they hire, develop, and retain their human resource base” (Cameron et al., 2006). The main belief about clan cultures efficiency is that organizations through employee commitment achieve employee’s active involvement and open communication.

The *adhocracy culture type* is externally oriented and characterized by a flexible organizational structure. The fundamental assumption in adhocracy cultures is that through change organizations show adaptability, risk taking and creativity by giving an autonomy sense to employees, providing a stimulus work environment which is characterized by growth and attention to detail (Quinn, Kimberly, 1984). Consequently, values such as risk taking, creativity, and adaptability cultivate innovation and cutting edge output (Denison & Spreitzer, 1991).

Figure 19: *The competing values framework's four culture types.*

Culture Type	Assumptions	Beliefs	Values	Artifacts (behaviors)	Effectiveness Criteria
Clan	Human affiliation	People behave appropriately when they have trust in, loyalty to, and membership in the organization.	Attachment, affiliation, collaboration, trust, and support	Teamwork, participation, employee involvement, and open communication	Employee satisfaction and commitment
Adhocracy	Change	People behave appropriately when they understand the importance and impact of the task.	Growth, stimulation, variety, autonomy, and attention to detail	Risk-taking, creativity, and adaptability	Innovation
Market	Achievement	People behave appropriately when they have clear objectives and are rewarded based on their achievements.	Communication, competition, competence, and achievement	Gathering customer and competitor information, goal-setting, planning, task focus, competitiveness, and aggressiveness	Increased market share, profit, product quality, and productivity
Hierarchy	Stability	People behave appropriately when they have clear roles and procedures are formally defined by rules and regulations.	Communication, routinization, formalization, and consistency	Conformity and predictability	Efficiency, timeliness, and smooth functioning

Source: *Quinn R. and Kimberly, J. (1984). Paradox, planning, and perseverance: Guidelines for managerial practice.*

The *market culture type* is externally oriented and is reinforced by a focused and controlled structure. According to figure 20, the main assumption underlies market culture organizations is achievement, through which derives competitiveness and aggressiveness resulting in high productivity in the short term (Cameron, Quinn, 1999). In market cultures clear objectives and adequate rewards motivate employees to show more efficient performance in order to meet employer's demands. Project values such as communication competence and achievement. Behaviors that are elected, are planning, task focus, centralized decision making and goal setting. Hypothetically, could anyone reach to the conclusion that these attributes result to a company beating competitors, achieving goals, improving product quality, and enhancing market share and profitability (Cameron *et al.*, 2006).

The *hierarchy culture type* is internally oriented and its organizational structure characterized by controlled mechanisms. As shown in figure 20 hierarchy culture types organizations having as

core assumption stability, which in combination to control and predictability enhances efficiency. Their values are precise communication, routinization, formalization and consistency (Quinn, Kimberly, 1984). Behaviors that derive from these values are conformity and predictability, which are expected to enhance efficiency and smooth functioning (Denison, Spreitzer, 1991).

In aggregate, the CVF is a combination of organizations focus and structure. They have unique attributes in values, behaviors, beliefs and assumptions, and influence the organization's performance depending on the organizational objectives. Although these culture types seems to be incompatible, they can coexist in an organization (Jones *et al.*, 2005; Zammuto *et al.*, 2000). It is occupied with different aspects of the organization: people, adaptation, stability and task accomplishment which are of importance. The opposing quadrants highlight the manger's dilemma to their effort to find a balance between stability and adaptation as well as between people and task accomplishment. Organizations that show overemphasis in one culture type are likely to face dysfunctionality (Quin, 1988).

2.5 The coexistence of organizational and national culture

Just as countries deploy unique patterns of values, norms, beliefs and behaviors, Companies do the same. National culture plays a significant role in shaping an organization's culture (Adler & Jelinek, 1986; Doktor, 1990; Hofstede, 1991, Kilman *et al.*, 1985; O' Connor, 1995). Hofstede claimed that national level cultural differences reside mostly in values and less in practices, in contrast to the organizational level that cultural differences reside mostly in practices and less in values. He also supports the existence of positive correlation between national culture and organizational performance and that the cultural values employees bring with them cannot be easily changed from the organization.

It derives from the literature that a home country's culture exerts influences on the management practices and organizational cultures of overseas subsidiaries (Hofstede *et al.*, 1990; O' Connor, 1995; Rosenzweig & Nohria, 1994; Yuen & Hui, 1993).

Management must identify national culture traits and evaluate their impact to the organization. The impact can be reflected in various ways, from the environment which it must operate to the mentality and habits of organizational members. There is a conclusion that confirms the above,

Rosenzweig and Nohria in 1994 found that there were sharp differences in the human resource management practices of US affiliates of Canadian, Japanese and European MNC's.

Andre Laurent's research came to the conclusion that the greatest differences are more observed among foreign employers working at the same multinational organization than among personnel working for firms in their native lands. For instance when working in a multinational corporation, it seems that Americans become more Americans, Germans more German and so on. This surprised Laurent who imposed his research in two other multinational corporation with operations in the same nine western European countries and the United States. Similar to the first sample corporate culture did not manage to extinguish national differences to those corporations. Summarizing organizational culture not only do not succeed to smoothen national differences but maintained and enhanced them (Adler, 1991).

There are often observed differences in organizational culture between different subsidiaries and this can lead to coordination problems. For example when Upjohn Company from Michigan merged with Pharmacia AB of Sweden which operates also in Italy, there were cultural differences which could not be realized by Americans. Swedes used to take off the entire July for vacation and the Italians in August. In Michigan were unaware of such information and as a result, although this cooperation made with great prospects strategically at the end did not work. The two parts cooperated closer in order to meet each other culturally and to set a list of "dos and don'ts" of doing business together.

When both companies came together, they didn't expect facing such problems. Upjohn had a stable product line without breakthrough products so it had to be merged with Pharmacia, while the second deployed innovative products against allergies, human growth hormone and other drugs. Pharmacia confronted distribution problems in the United States and its product line was aging. So a merge seemed to be an ideal solution for both. The three headquarters, in Michigan, Stockholm and Milan as well a new headquarter in London had to be coordinated and that was the bet.

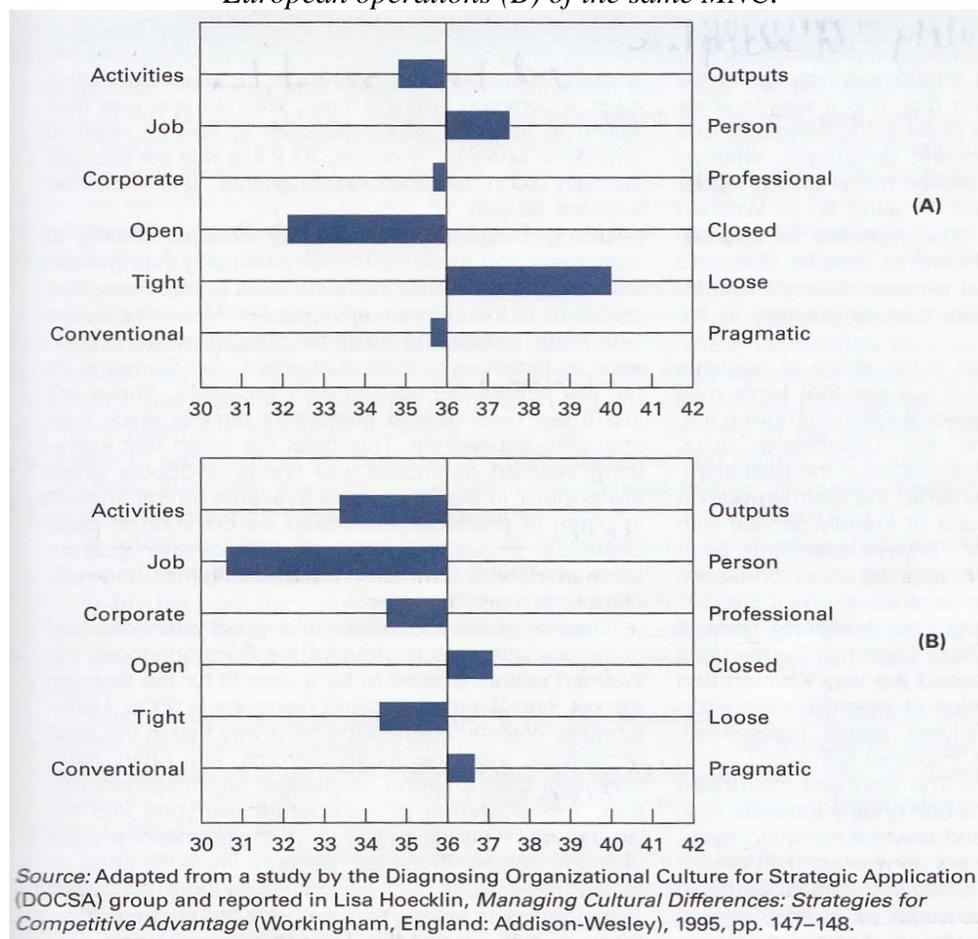
The main problems at this phase were integration problems. The Italian managers got used to reporting to local bosses, the London headquarter couldn't coordinate operations in Sweden and Italy. It seemed that American cultural values added problems to this cooperation. For example

the Upjohn workers were tested for drugs abuse while the Italians at afternoons drank wine and the Swedish executives smoked during meetings.

As we can infer the way nations perceive how business is done differs and this can cause basic problems to the operations of a business. Hofstede at his effort to diagnose and address differences between organizational cultures, deployed a cultural analysis technique known as DOCSA (Diagnosing Organizational Culture for Strategic Application). With the assistance of the above mentioned technique, there are indexes provided (figure 21), which indicate the cultural dimensions of a California-based MNC and its European subsidiary as perceived by the Europeans.

The main conclusion is the existing gap between nations and how they held things. Their point of view distance occurs due to different organizational culture, values, ethics and practices.

Figure 20: *European's perception of the cultural dimensions of U.S. operations (A) and European operations (B) of the same MNC.*



This gap is reflected on the management operations. Below we cite a figure (22) which highlights the management characteristics of basic European management schools. The approaches of management dimensions varies between “schools”.

Figure 21: *European Management Characteristics*

Dimension	Characteristic			
	Western (United Kingdom)	Northern (France)	Eastern (Germany)	Southern (Italy)
Corporate	Commercial	Administrative	Industrial	Familial
Management attributes				
Behavior	Experiential	Professional	Developmental	Convivial
Attitude	Sensation	Thought	Intuition	Feeling
Institutional models				
Function	Salesmanship	Control	Production	Personnel
Structure	Transaction	Hierarchy	System	Network
Societal ideas				
Economics	Free market	Dirigiste	Social market	Communal
Philosophy	Pragmatic	Rational	Holistic	Humanistic
Cultural images				
Art	Theatre	Architecture	Music	Dance
Culture	(Anglo-Saxon)	(Gallic)	(Germanic)	(Latin)

Source: Adapted from Ronald Lessen and Fred Neubauer, *European Management Systems* (McGraw-Hill, London), 1994 and reported in Lisa Hoecklin, *Managing Cultural Differences: Strategies for Competitive Advantage* (Workingham, England: Addison-Wesley), 1995, p. 149.

Such comparisons elucidate the difficulty for an MNC with strong organizational culture to enter in a foreign market without being familiar to their national cultures. Undoubtedly there is a strong interaction between national and organizational culture, MNC’s which take over this challenge must show understanding to the nature of the country and institutional practices, in a way to moderate and adapt their operations that facilitate the company and customer base.

Chapter summary

This chapter is dedicated to the role of organizational culture in the multinational environment. First of all, it starts with the term of organizational culture. As Schein formulated is a “pattern of shared values and beliefs that enable members to understand their roles in and the norms of the organization”. Denison was the one that developed an organizational culture model and tried to

measure organizational effectiveness according to certain elements-traits. He proved the validity of his model and indicated positive correlation between organizational culture and financial performance.

Organizational culture can be defined by different factors and these are integration, differentiation and fragmentation-ambiguity. It is constituted by a number of dimensions which lead to the formulation of an organization having as succession ingredients employee satisfaction, organizational commitment and customer orientation.

In order to shape an organizational culture, there are a number of conditions that should be satisfied. These are the relationships between employees and the organization, the hierarchical system and the roles of managers, employee's perception about the organization and their place in it. During the examination of these differences Trompenaars introduced a system based on two continua: equity-hierarchy and person-task orientation which elucidates and separates corporate cultures in four kinds: Family, Eiffel Tower, guided missile and incubator.

Organizational cultures when acting in the international arena have to anticipate versatile issues. They have to guarantee cultural balance to their operations by managing multiculturalism and diversity effectively. National culture indicates great impact in MNC's organizational culture. It affects employee's mentality and practices at the organizational level. Remarkable is the example of how Europeans perceive U.S. and EU operations of the same MNC. The struggle for cultural integration is a significant bet for every organization, since it will enhance them exploit mergers' and alliances' competitive advantages in order to sustain antagonistic at the global scene.

Chapter 3 International Human Resource Management: An important player at the global arena

3.1 Defining the territory for International HRM

In the mid-1980s the field of international human resource management was in its infancy. International Human Resource Management (IHRM) according to Stahl and Björkman (2006), Sparrow and Braun (2008), found fertile ground not to meet opportunistic expansion but through a sequential development of thinking that occurred from coping with cultural, geographical and institutional challenges faced by the MNC.

Drawing upon other theories, Scullion (2005) observed that IHRM comprised the need to understand, “how MNC manage their geographically dispersed workforce in order to leverage their HR resources for both local and global competitive advantage”. Subsequently, Briscoe and Schuller (2004) concluded that IHRM has to be about human resource management in an international environment, solving problems created in an MNC performing business in more than one country.

Peltonen (2006) gave a different insight about IHRM role. He focalized on the need of perceiving both the design and the effect of the solutions to problems facing MNCs. Specifically he stated that “IHRM is a branch of management studies that investigates the design and effects of organizational human resource practices in cross cultural contexts”.

Epigrammatically what we derive from the theories mentioned above is that organizations deploy IHRM departments in order to coordinate their operations and cope with constantly and rapidly changing and developing market demands. These departments strive for all human resource activities in the internal and external environment, providing proper work conditions aiming to enhance productivity and creativity which will preserve organization at the competition forefront. More specifically IHRM refers to planning, selection, training, employment and evaluation of employees for international operations (Cavusgil *et al.*, 2012).

3.1.1 Human capital theory

The term human capital refers to the training, experience, education, intelligence, relationships, and insight of individual managers and employees in a firm (Barney, 1991; Schulz, 1971; Platonova, 2005). Human capital theory is occupied with the ratio between labor costs and return

on investment in order to develop employee skills and knowledge (Becker, 1993; Lepak, Snell, 1999).

Employee's knowledge and skills acquisition leads to economic value creation (Schultz, 1961). This capacity progress derives from a steadily growing amount of human capital per worker and it is a strategic asset for organizations (Gee, Nystrom, 1999). Pfeffer (1994) came to the conclusion that knowledge and skills are a product of investment and combined with other human investments which are in charge of the productive superiority of the technically advanced countries. His allegations were based on the fact that between 1929 and 1982, education before work accounted for 26% of the growth in productivity in the United States, with learning on the job contributing to an additional 55%. More specifically, recent research claims that intangible assets, including human capital constitute 80% of the value of the organization (Hogan *et al.*, 2002).

It is widely observed that the economic growth done in the mid of 20th century, happened because of intense investments in human capital. Garry Becker (1993) described the importance of human capital by giving a characteristic example. This was the outstanding economic records of Japan, Taiwan, and other Asian countries in recent decades demonstrating the importance of human capital in those nations. Although lacking in natural resources and facing intense competition from western economies, they managed to grow up rapidly relying on a well-trained, educated, and hard-working labor force.

Human capital is one of the three subcomponents of intellectual capital or knowledge repositories accessible for a firm (Wright *et al.*, 2001). Human resources (employees and managers) are an asset in which firms need to invest. Nowadays, it is observed that there is a shortage of highly skilled workers and that puts pressure on businesses to remain aggressive, setting as goals to obtaining, training and retaining competent employees which will guarantee sustainability and growth (Gardner, 2002). Considering all the above anyone can understand the difficulty for a business to "build" its human resources. Moreover when a firm loses a person who holds particular knowledge, it seems as if the organization is bleeding. This missing knowledge is not accumulated within the firm (Yamao *et al.*, 2009).

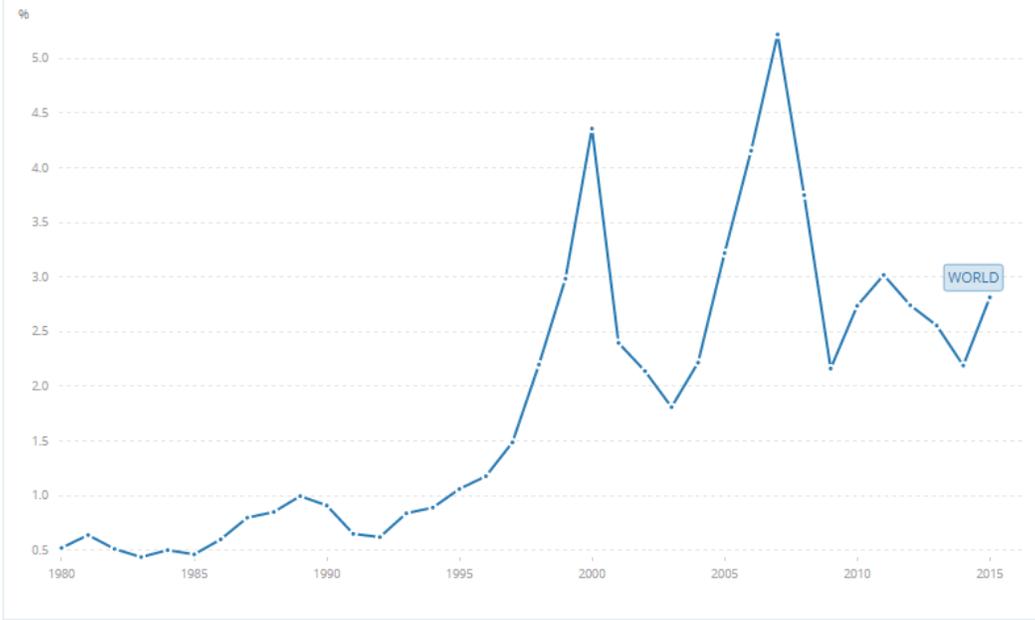
3.1.2 Internationalization of Human Resource Division

The need to globalize

In the past 30 years an unparalleled growth in multinational corporations (MNCs) has been observed (Birkinshaw, Prasantham, 2012; Brenner, 2009). Corporations followed the path of globalization. It is estimated that there are approximately 60,000 MNEs which are active, about twice as many as in 1990. International trade boosted during this period and that was the archangel for organizations to internationalize. The international trade evolution was made through years by creating institutions such as the World Trade Organization, signing agreements like NAFTA (North America Free Trade Agreement), the EU (European Union), and APEC (Asia Pacific Economic Cooperation), which lowered trading barriers and created International trade zones characterized as regional trade areas (Harzing, Ruysseveldt, 2004).

Foreign direct investments met high prosperity in the last 30 years as figure 23 indicates. Multinational firms' investments led global economy in high growth levels. In recent years, businesses strategically scanned the world in order to find new markets, which would give them access to cheap raw materials or making alliances that would ensure them meeting rising cost pressures and indicate stamina to global competition.

Figure 22: Foreign direct investment, net flows (%GDP)



Source: www.worldbank.org

In the early stages, the HR impact was limited, with the firms relying on a few key managers in order to negotiate, develop alliances and transfer technology if necessary to a licensee or subcontractor. When foreign sales reach over 10-20% of total revenues or global sourcing reach an equivalent level of impact, firms choose to form international divisions that will take over all international operations (Segal-Horn, Faulkner, 1999).

At the level which an organization expands rapidly and is leveraged from its international activities, the HR department role expands dramatically profoundly due to the increase of the number of parent-company employees on international assignment. But also, the most important challenge is that HR department has to imply and develop HRM policies, practices and decisions for its foreign operations.

Types of employees in the MNC

The organization's structure becomes more complex and the labor force mixture differs significantly from its function before internationalization. In an MNC three types of international employees are met: parent country nationals (PCNs), host-country nationals (HCNs), and third country nationals (TCNs). The most considerable category is PCNs, who are typically citizens of the country where the MNC is headquartered. HCNs are citizens of the country of a foreign subsidiary or joint venture who are hired to work in the subsidiary located in their home country. They usually work in manufacturing, assembly or basic service activities and other non-managerial functions. Lastly TCNs are about citizens stemming from countries other than the home or host country. Most of them hold managerial positions and possess special knowledge or high skills (Dowling et al., 2008).

Employees in any of the categories mentioned above, usually assigned to work and reside in a foreign country for an extended period, are called expatriates. For example, a U.S. firm might employ a German manager in its subsidiary in France or transfer a Japanese executive to its U.S. headquarters. Both these managers are expatriates.

Having to manage these kinds of employees, international human resource managers face the challenge of finding the right person for the right position at the right place with the counterpart

compensation. Sometimes their effort becomes tougher if we consider the lack of highly skilled labor force in some countries and the political obstacles that emerge.

Differences between Domestic and International HRM

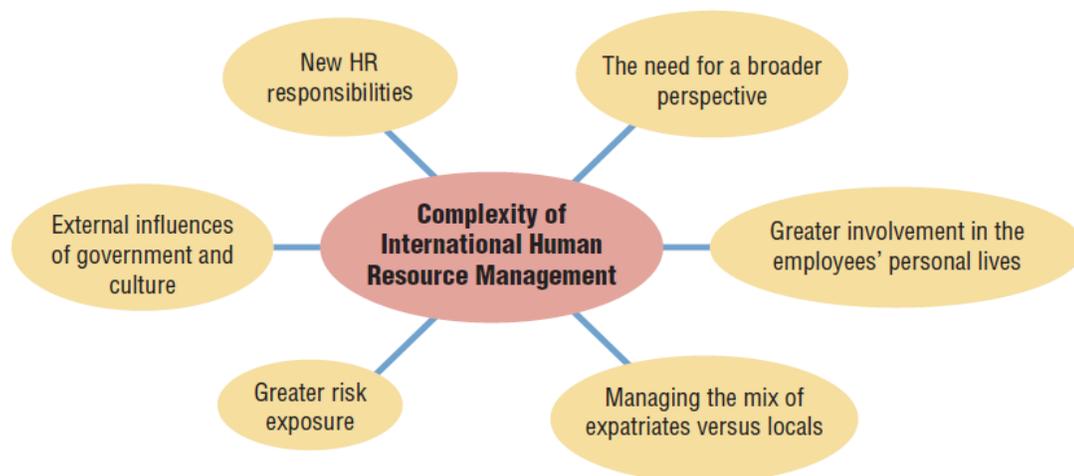
International human resource departments have a more complex role than domestic human resource departments. There is a number of factors that drive this complexity.

1. *New responsibilities for the IHR.* The internationalization of Human Resource (HR) department obtains a number of new responsibilities for activities concerning management of international assignees such as foreign taxation issues for expatriates, work visas, family relocation and orientation, administrative services for expatriates, host government relations, language translation services and returning procedures for the expatriates to their countries (repatriation).
2. *The need for an international perspective in international compensation policy.* Management has to act for all its labor force (PCNs, TCNs, HCNs) by establishing different staffing policy, a fair compensation scale system and benefits practices. For instance an Australian national posted to Brazil can be burdened with income taxation by both governments. Tax equalization is a complicated procedure (Briscoe, 2004).
3. *Greater involvement in employees' lives.* Human resource departments help expatriates and their families get established in their new destination. They are involved in their housing arrangements, health care, children schooling, safety and security.
4. *Interaction between expatriated and locals.* As it was analyzed above, MNCs are staffed by the home country, the host country and third countries. HR professionals have to find the ideal ratio of this mixture which depends on many factors such as the international experience of the firm, cost of living in the foreign location, and availability of qualified local staff.
5. *Greater exposure to risks and difficulties.* HR departments have to be vigilant for every difficulty which emerges in their operations. Difficulties such as workers' strike, employees' productivity and key managers leaving the firm, directly affect the international business activity. Taking into account the political unsteadiness that many countries have been facing in recent years, political risk tend to be a major problem for

HR professionals who have to give compensation and security guarantees to employees and their families.

6. *External influences of the government and National culture.* Employees are hired and evaluated according to the regional customs and the country's regulations. Working hours and the firm's ability to dismiss employees is a critical issue. Also, HR professionals often have to cope with labor unions authority, which is so active that it affects the management of the firm.

Figure 23: *Factors contributing to the complexity of Human Resource Management in the international context.*



Source: Cavusgil, S., Knight, G., Riesenberger, J. (2015). *International Business: The new realities.*

3.2 Key tasks in International Human Resource Management: Practices, policies and development.

A challenge of great complexity that MNC cope with is the diversity of following and implementing different management approaches and mechanisms (Stalk *et al.*, 2002; Jackson, 2013; Dupuis, 2014). Living in an era of intensive global competition and financial crisis, organizations change their organizational structures and reformulate their complex strategic management orientation in an effort to sustain resilient. In order to succeed, they weigh their focus on how to apply human resource practices throughout the organization (Darwish *et al.*, 2015).

Human resource practices are characterized by four dimensions that are acknowledged to be of strategic importance: recruitment and selection, training and development, performance appraisal, and compensation. The aim of these practices according to Soderberg and Holden (2002), is to preserve MNC's competitive advantage operating at international level and assist in a culture creation with the advantages of separate cultures.

Recruitment and selection

When setting their staffing policy, firms take into account the level of centralization, and the scope of internationalization and staffing philosophy in order to attract international managers with the acquired skills and abilities. Recruitment offices search for potential job candidates and selection accumulates information to evaluate and allocate employees in particular jobs (Cavusgil et al., 2012). Once international business determines the skills and abilities an international manager must have, then develops a pool of qualified applicants for the job and then recruits and selects the ideal applicant.

When International organizations begin the staffing process, they do it in versatile fashions. A conventional source is the internal recruitment. Businesses seek to cover their staffing needs among employees already working for the organization either in the host or in the home country. Sometimes organizations select particular staffing ways, such as dipping into their pool of retired executives to fill short-term international assignments.

Often international businesses act like great sport clubs. They attempt to detect promising managers who work for other firms and attract them. However, for high level positions organizations usually rely on recruitment firms that take over seeking qualified managers for staffing positions in organizations.

During the staffing procedure businesses set a number of criteria that must be met. It has been observed that experienced MNCs develop a short list of hiring criteria than companies entering the international arena for the first time. Typically, organizations set both technical and human criteria.

Completing the first step, a pool of prospective managers has been identified and HR managers decide about the fitting of the positions. At the forefront of the demanded characteristics for candidates are managerial competencies such as technical and leadership skills, and suitable

training which means formal education, knowledge of the host market and its culture and language, resilience to new situations, namely the ability to multitasking and adapting to the working environment, working with HCNs and getting used to the new culture.

Additional selection criteria that characterize potential managers are physical and emotional health that enables managers to withstand cultural shock and assignment difficulties. HR professionals look for balance between age, experience and education in order to recruit high performance executives. It is observed that the younger the manager is, the more eager for international assignment he\she is. Education functions like an additional asset but it is not a determinant factor. Experience acts as a significant role to employees' efficiency.

Motivation is a required trait that organizations set as prerequisite. They hunt for an employee's desire to work abroad, dominated by an element of idealism or a sense of mission. Family conditions is a factor that corporations take seriously into account. If the family is not happy then the manager performs poorly or thinks of leaving the organization. For this reason, businesses develop a procedure called "adaptability screening", which in fact is a process of evaluating how a family stands up to the stress of overseas life (Luthans, Doh, 2012, p. 507).

In conclusion, an ingredient that is required especially for top positions is leadership ability. It is important to determine whether an employee who is an effective leader in the home country will be equally effective in an overseas environment.

Training and development

Training is the process of altering employee behavior and attitudes in a way that enhances specific job-related skills and abilities that increase the probability of goal attainment. Development is generic education which goes along preparing managers procedure for new assignments or higher level positions.

The assessment of training needs is a crucial part of International HRM. Training programs that run from parent organization to the subsidiaries, aim to assess the needs of host country workers and compile training programs enhancing them to achieve their work objectives whether in marketing sales, manufacturing, language, after sales services or business processes such as accounting and records management (Cavusgil, *et al.*, 2012).

Those programs are constituted by three area of interest. The first part covers factual knowledge about historical, political and economic environment of the host country, the second part is about practical information which means awareness of the necessary knowledge and skills to carry through including housing, health care, education and daily living, and the third part concerns cultural awareness which provides candidates with the knowledge to interact effectively with people of other cultural background (Harris et al., 2007).

Figure 24: *Key features of preparation and training for international employees*



Source: *Cavusgil S., Knight G., Riesenberger J. (2015). International business: The new realities.*

MNCs develop standard or customized training programs in order to assist potential candidates to obtain the required skills and abilities. Larger organizations often have their own training and development departments where programs are run. Training programs differ not only between MNCs but also internally in the organization between subsidiaries because human resource practices differentiate between countries.

The above mentioned is verified by Sparrow's and Budhwar's survey. They used their HRM approaches on a comparative country by country basis which brought forth the difficulty and complexity of human resource practices. As figure 26 indicates none of the 13 countries that took part in the survey had the same profile. These findings also point the need for MNCs to focus constantly on HRM programs satisfying the needs of local personnel.

Figure 25: *Human Resource Management Practices in Select Countries*

Human Resource Management Practices in Select Countries										
	Structural Empowerment		Accelerated Resource Development		Employee Welfare Emphasis		Efficiency Emphasis		Long-Termism	
	High	Low	High	Low	High	Low	High	Low	High	Low
United States	X			X	X		X			X
Canada	X			X	X			X		X
United Kingdom	X			X		X		X		X
Italy		X		X		X		X		X
Japan		X		X	X		X			X
India		X		X	X			X		X
Australia	X		X			X	X		X	
Brazil	X		X		X			X		X
Mexico	X		X		X			X		X
Argentina		X	X		X			X		X
Germany		X	X			X		X		X
Korea		X	X		X		X			X
France		X	X			X		X		X

Source: Adapted from Paul R. Sparrow and Pawan S. Budhwar, "Competition and Change: Mapping the Indian HRM Recipe Against Worldwide Patterns," Journal of World Business 32, no. 3 (1997), p. 233.

Training methods vary, lectures and assigned readings are common, as well as video and web-based instruction. Additional methods are books, case studies, critical incidence analyses, simulations, role playing, language training, field experience and long term immersion. The most updated method that constantly gains ground is multimedia technologies.

Regarding development, MNCs act proactively, by putting their managers into action earlier in their career and assigning them individual career plans in order to deploy international awareness and competence in them. For instance General Electric provides language and cross-cultural trainings to their staff even though they are not to take over scheduled overseas postings.

Performance appraisal

Performance appraisal is a formal process for assessing how effectively employees perform their jobs. This procedure provides feedback to the employees about their progress. It also gives feedback about rewarding the top performers, warns about problem areas in which additional

training and resources are needed, and identifies areas that a change in assignment may be necessary (Cavusgil *et al.*, 2012; Griffin, Pustay, 2010, p. 564-565).

Performance appraisals of an organization's top management must keep up with the foreign operation's goals. International managers submit reports on performance regularly based on results. As long as their reports satisfy the acceptable parameters, the firm conducts performance appraisal usually on an annual basis.

To assess a manager's actual performance, organization must take into account the market's characteristics such as sales, profit margin, market sales growth or any other indicator considered as important.

At this point we have to consider culture as a significant factor that makes performance evaluations more complex. This can be easily understood by giving the following example: one bipolar that attributes culture is *individualism vs collectivism*. Individualistic cultures identify normally organizational outcomes to a manager's performance, while collectivist ones complicate the procedure because of the appraiser's and appraisee's different cultural stem.

Compensation

An important issue in International HRM is defining managerial compensation. It includes ongoing issues that affect international long term assignments. Managers when designing compensation packages for employees, mainly focalize on in four aspects: a) base remuneration, b) benefits, c) allowance, d) incentives.

Base remuneration is the wage level an employee receives in his or her country. For example a Japanese manager working in the United States, would receive a base salary that corresponds to managers of the same level working in Japan. Also the department has to define in what currency expat's salaries will be paid. They are usually paid in the home currency, the local or in a combination of both.

Benefits could be health care programs, life insurance, unemployment insurance and a certain number of paid vacations. Expatriates normally receive the benefits pertained to home country employees.

Allowance is the counterbalance that enables employees to maintain their living status similar to that at home. That includes housing, food, clothing, relocation, children's education, travel and business related entertainment. Those benefits are usually ministered to employees working in countries facing political instability or other dangers, or in developing economies which lack in basic amenities (Hodgets, Luthans, 2003).

Considering the difficulties of working abroad, some organizations provide incentives to expatriate employees. The incentive "works" as a bonus aiming to motivate the employees to accomplish the company's goals.

3.3 Organizational advancement of IHRM

In a context of organizations expanding beyond geographic borders by creating MNCs, management professionals investigate the chances and obstacles of managing a diversified workforce aiming to increase the organizational performance.

International businesses, when expanding, increase the number of employees, countries and cultures. Cultural interactions between employees increase and people issues of cross-border coordination, control teamwork, learning and integration issues emerge. These are all at their core international human resource management issues. HR departments have to analyze the engaged organizational cultures attributes and affect them by deploying the needed practices and enhancing the corporation's organizational performance.

3.3.1 Organizational culture as an HRM practices guide

IHRM and organizational culture are characterized by a complementarity relation. As mentioned in a previous chapter, organizational culture describes work settings as dynamic and live systems, using notions of sharedness and social survival (Rodriguez, Stewart, 2017) to highlight how individuals perceive, create and share ideas about the proper way to behave in the organization.

Hoogervorst *et al.* (2004) underlines that organizational culture provides behavioral guidance, helping organizational members to guide their actions and perceptions. In practical terms organizational culture has its foundation in cultural indicators such as symbols, ideologies, rituals and myths. These indicators have a diagnostic function and enhance HR professionals to

understand organizational culture and how it reflects on practices and how it fits in the organization (Ulrich, 1984).

Human resource executives play a key role in managing cultural symbols. Corporate slogans are a kind of cultural symbols and are communicated to workers of all levels through training materials, written communications and recruiting presentations. HRM penetrates in to the organizational boundaries with the processes of recruiting, hiring and reducing labor force. As individuals enter the organization, socialization programs running through HRM departments configuring the desirable corporate culture.

Rituals are actions that have a cultural meaning to the organizations. For instance, rituals are relationships between customers and representatives, employees and managers, unions and management that could be characterized by honesty, directness and interest. By knowing rituals culturally, organizations bring to the surface the values espoused for their goals attainment (Sarason, 1982).

Mechanisms that undergird organizations in variable issues are not explicit and not barely visible. Such mechanism is ideology. Strong ideology background is an attribute of best managed corporations. Strong ideology means establishing certain values and beliefs that influence main organizational functions such as decision making and patterns of working and behaving. For instance an executive who continually emphasizes adherence to rules and regulations, boosts stories of people who do things by the book and keeps records of mistaken records of actions, delivers a particular personal ideology. By these idiosyncrasies a human resource manager could infer that obedience to rules is an important element in the ideology of this director. The conclusion is that human resource managers can formulate their corporations' organizational bible by vaccinating the suitable organizational culture attributes to their practices.

In conclusion, there is a prevalent role of organizational culture as a regulating mechanism that is supported by HRM practices. Organizations use their knowledge to develop their essential characteristics within their respective environments. The HRM executive can increase influence to the organization through sensitivity to the traditions, myths, biases, political maneuverings, and moral dilemmas that define organizational realities.

3.3.2 Impact of HRM in organizational performance

There are many different conceptualizations regarding HR systems literature. HR systems are oriented toward distinct strategic objectives. A set of carefully aligned HRM practices are often called a high performance working system (HPWS).

There is evidence to suggest that HPWSs have a positive effect in employee's attitudes as well as organizational performance (Huselid, 1995; Becker, Huselid, 1998; Whitener, 2001). As underlined Huselid (1995), "High performance working practices can improve the knowledge, skills and abilities of a firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees while encouraging non-well performers to leave the firm".

A high performance work system can improve organizational performance from many aspects. One aspect is the behavioral perspective which supports that an effective HRM system that is in consistency to the organization's competitive strategy, acquires, develops, and motivates desirable behaviors that embed organizational performance (Wright, McMahan, 1992). Moreover, treating workers with respect could be a potential competitive advantage which fosters their trust in management.

Generally, HPWS are constituted of programs that make selective staffing, set in compliance to the circumstances of the individual, group incentives and benefits. Characterized by intensive training, development and work-life balance programs which lead to employees' higher commitment and involvement, and to favorable organizational outcomes (Lu *et al.*, 2015).

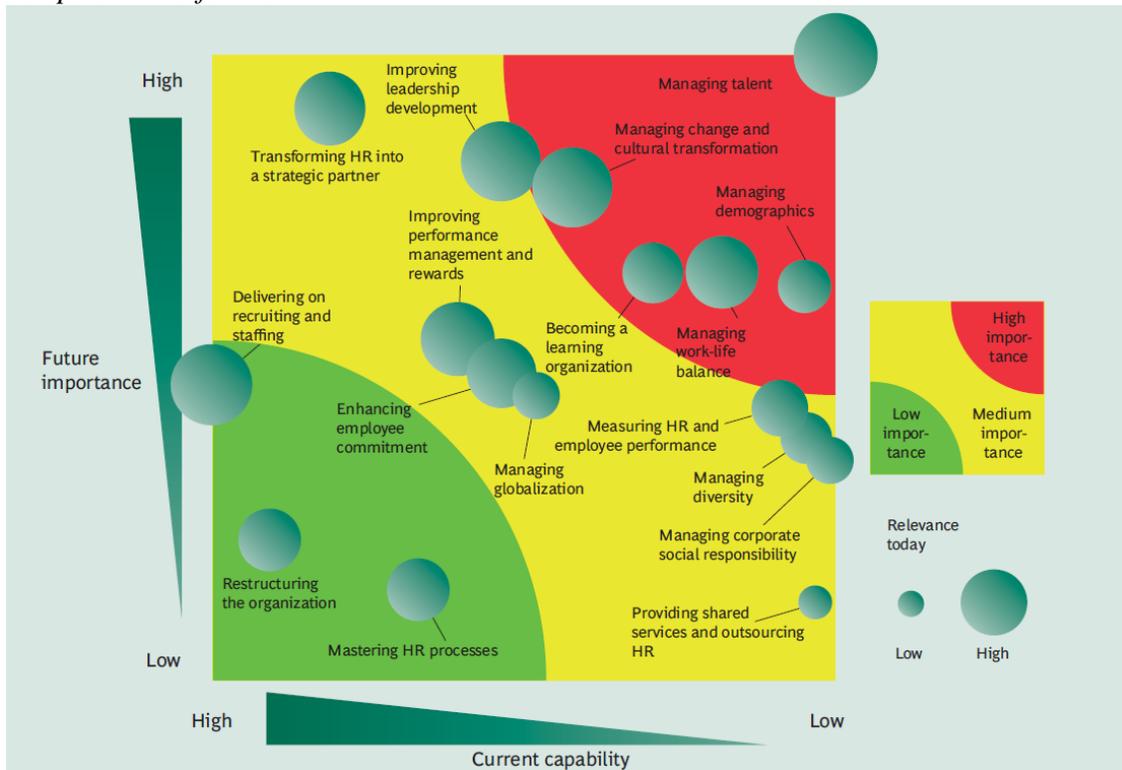
Researchers proved the use of such HRM systems to be associated with employee turnover as well as financial and market based measures of organizational performance (Lepak *et al.*, 2006).

3.4 Culture as a transformational factor to future IHRM development

Undoubtedly, we perceive living in a globalized fast forward era where cultural transformation happens dramatically and the future evolution of HRM is prognosticated intensively. Corporations that will manage to balance culturally will build and sustain competitive advantage.

As figure 27 indicates according to the Boston Consulting Group research, one of the most critical capabilities that European organizations HR departments will have to face in future is managing change and cultural transformation.

Figure 26: Five critical capabilities that European companies' HR departments will have to compete in the future.



Source: Boston Consulting Group/EAPM analysis: "The future of HR in Europe".

Societies change dramatically in the ethnical and racial context. Characteristic is the fact that the USA will become a majority-minority nation by 2043. This cultural mixture will ruin cultural identities as we have known before and new types of cultures will emerge. Unfortunately, there has been little HR research on the cultural values of ethnic minorities.

Another cultural reclassification will be caused by the aging workforce. Organizations will be staffed by members of different generations which vary in work values, attitudes and behaviors. (Cennamo, Gardner, 2008; Twenge *et al.*, 2010). For instance, research showed that baby boomers (born 1946-1964), placed a strong emphasis on hard work and achievement, valued intrinsic rewards and stressed loyalty to the organization. On the contrary, members of

generation X (born 1965-1981) were more likely to value extrinsic rewards, leisure time, steady employment, work family balance and promotion opportunities than baby boomers. Millennials (born 1982-1999) show many common attributes with generation X, but they were more likely to emphasize freedom than any other generation (Stone, Deadrick, 2015).

In order to face this cultural transformation, HR companies will be engaged in front line actions including top leader's initiatives and support, executing change management programs, continually assessing employee behaviors and attitudes. As a result, processes will have to be redesigned according to the emerging cultural values, new reward and benefit systems will be developed and policy changes in talent retention. Due to this transitional period, change management officer positions will rise nearly 200% among responding companies (Boston Consulting Group, 2015).

Chapter summary

In the mid-1980's, international trade flourished, businesses expanded their operations all over the globe and international business structures met important growth. After an identifying period, organizations understood that they had to develop human resource divisions in order to cope with cultural, geographical and institutional challenges.

International human resource management is a set of activities directed at attracting, developing and maintaining the effective workforce in compliance to a firm's objectives that are set from the top management.

IHRM has a more extended role than its domestic counterpart. It is more engaged in employees' lives, regulating their work-life balance, enhancing their adaption in every aspect of their stay. Recruitment and selection, training and development, performance appraisal and compensation are the elements composing main practices of IHRM.

An organization's roster is constituted by three employee types. Host country nationals (HCN), third country nationals (TCN) and parent country nationals (PCN). During selection procedure organizations deploy a certain pattern of selecting candidates by setting a bundle of criteria depending on the corporation's orientation and international experience.

Training and development encompasses two crucial parts. First of all, assessing training needs and secondly, the selection of basic training methods and procedures assisting potential candidates to obtain the required skills and abilities.

A firm must also assess its performance by deploying performance appraisal programs. Organizations use it as a convergence tool of performance and operation goals.

Compensation procedure is the design of packages that include base remuneration, benefits, allowance and incentives as a counterbalance in order to satisfy foreign assignees.

Considering how difficult it is to shape a business's culture, organizational culture, when identified, gives managers the ability to direct HRM practices in order to formulate the desirable corporate culture identity, which gives an advantage of great significance to organizations.

HRM is a source of competitive advantage. Through carefully aligned HRM practices, organizations influence attitudes and behaviors which further affect organizational performance.

HR will play a strategic role in future. Organizations will face crucial problems due to cultural transformation. New cultures with new attributes will emerge and this will lead to the configuration of a new cultural map. Organizations that will respond faster to this transition will gain a privilege position against competition.

Chapter 4. The organizational context of a corporation

After setting the fundamentals for IHRM, another challenge for global firms is to operate under a certain organizational context. Global organizations need appropriate coordination in order to effectively conduct business in the chaotic global economy. To their effort to sustain competitive advantage, organizations choose to preserve an organizational orientation which creates and diffuses knowledge, integrates and shares learning and experience in a global basis under common policies in areas related to overall performance.

The synchronization of centralized control and integration with localized product and managerial adaptation constitutes a challenge for MNEs. As Jay Galbraith, one of the foremost researchers on issues related to the design of the global corporation, stated “Organizing a company to do business on a global scale remains one of the most complex organizational responsibilities” (Briscoe, 2004).

4.1 Mapping organizational culture

In second chapter, a presentation about fundamentals of organizational culture model, characteristics, sub-traits and their contribution to performance takes place. As it is inferred, building organizational culture is a product of many factors that should be considered at the internal and the external environment.

Organizations build their organizational culture profile based on organizational characteristics that they select in their effort to formulate a business with certain operations and working attitudes.

4.1.1 MNCs organizational characteristics

Although MNCs share similar organizational structures, they operate in various ways due to a number of factors. These factors include overall strategy, employee attitudes, and local conditions. The central role, the organizational characteristics of formalization, specialization, and centralization act at this level.

Formalization

Formalization is the use of certain structures and systems in decision making, communicating and controlling. This procedure affects day to day organizational functioning. The formalization

grade depends on the national stem. For instance, studies found that U.S. MNCs manage their subsidiaries operations through formalization tools such as budgets and financial data in contrast to Japanese MNCs which base their management on more informal controls.

In recent years organizations realized the existence of two dimensions of formality-informality traits and their role to intense scrutiny (Yeh, Tagi, 1987). As Yoshino and Rangan concluded firms have to be developed in two aspects. They have to deploy their extensive internal networks of international subsidiaries in certain markets and embed their external networks of their alliances globally (Yoshino, Rangan, 1995).

External networking with joint venture partners is a complex situation which demands less emphasis on systems and more on people and which often produces ambiguous lines of authority. This is in contrast to internal networking attributes, which are characterized by strong formality and organizations which rely on shared vision, clear organizational mandates and carefully developed systems and lines of authority.

Figure 27: *Internal versus external networks*

Managerial Dimensions	Internal Network	External Network
Shared vision	Yes	No
Animating mindset	Cooperation	Cooperation and competition
Organizational mandates	Clear	Ambiguous
Organizational objective	Global optimization	Develop win-win approaches
Emphasis on systems	More	Less
Emphasis on people	Less	More
Lines of authority	Clear	Ambiguous at best

Source: Yoshino, M. and Rangan, N. (1995). *Strategic alliances*.

Specialization

Specialization is the accomplishments of individuals to specific well defined tasks. Specialization in the international arena can be distinguished into horizontal and vertical.

Horizontal specialization comprises jobs that individuals act in a given context and people tend to remain within this area width. Such examples are customer service, sales, recruiting, training, purchasing and marketing research positions.

Organizations with horizontal specialization are characterized by the employee-centered approach and teamwork, because the individual's capacity has to be coordinated for the essential outcome. Also, those environments cultivate workplace culture which is characterized by performance incentives.

Vertical specialization comprises of jobs to groups or departments where individuals have the aggregate responsibility for performance. It is characterized by top down hierarchy with distinct power distance. Employees are individually responsible for a specific set of duties and report to the person above them in the organizational structure (Myers, 2017).

Vertical organizations are efficient because they can make decisions quickly and result in greater job routinization. Japanese organizations are characterized by vertical specialization and their departments are more differentiated than those of U.S. firms. The negative aspect is that vertical specialization organizations are attributed by many rules which makes employees feel stifled or is their contribution underestimated.

Centralization

Centralization is a management system where decision making is consolidated on top. This term better describes the extent to which a firm follows centralized or decentralized strategy. The meaning of centralization may differ according to the local environment and the goals of the organization.

Variant management trends are observed in this direction. For instance U.S. firms chose to move toward decentralization, pushing decision making to lower levels by aiming to engage them. German MNCs, on their part, follow an intermediate path by centralizing strategic headquarter-specific decision of the host country and decentralizing operative decisions in compliance with the local conditions in the host country. On the other hand, the Japanese school permits greater involvement in decisions by employees of lower hierarchy and at the same time manage to preserve strong control over lower layers by limiting their authority, orchestrating their involvement and participation in quality circles (Lehrer, Asakawa, 1999).

4.1.2 Organizational culture profiles

Sinha (1990) discriminated three kinds of organizational culture a) Soft culture, b) Technocratic culture, c) Work centric nurturant culture and d) Amoral work centric culture.

Soft culture is attributed by goals and objectives identification with individual and sectarian interests. It is usually seen in the public sector where ownership is not the reason. Employees of such organizations hold the belief that the organization is obliged to employ them, ensure job security and supply them with comfortable working conditions as well as benefits without pressure for profit generation.

Technocratic cultures are deployed to organizations which are set at the forefront of technological considerations instead of human needs, expectations and attitudes. Using the cutting edge of technology or equipment is not enough for them. They are in a constant improving procedure for operational efficiency, introducing new practices and management systems, innovating and pioneering products, penetrating new market or asserting greater share of the existing market and looking ahead to the business environment. Such organizations are among the best globally.

Work-centric nurturant culture is characterized by centralized work in the technocratic culture. Employees have the belief that hard work is rewarded, individual value is recognized, clear standards of performance are being set and workload is at high levels. Superiors have expectations for supervision in order to provide directions and reward those who work hard. Formalization procedures are at the level to enable the organization to realize its goals. The management provides a nurturant task-oriented leadership (Sinha, Mohanty, 2004).

Amoral work centric culture has at its core working capacity which is directed by one's selfish orientation. This orientation has as a doctrine that everybody should contribute for one's prosperity, and social norms and regulations can be discarded as long as they have the power to get away with it. Working rhythms are nerve-racking under intense supervision and unsuitable conditions.

4.1.3 Building the organizational culture

It is believed that organizations will ultimately get only as far as their organizational culture will take them. This phrase encompasses the importance of creating organizational culture which leads to organizational identity existence, working efficiently under certain patterns and remaining sustainable.

As it is presented in a previous chapter culture stems from three sources: 1) The beliefs, values and assumptions of the founders of organization, 2) the learning experiences of the members while organization evolves and 3) new beliefs, values and assumptions brought in by new members and leaders.

Building an organizational culture starts from the founder's perspective by cultivating the idea of establishing an organization and transferring his vision to the right group of people aiming to create a new good or service in the market (Schein, 2004, p. 226).

According to Pascale (1985) the path to organizational culture creation comes through an organizational socialization process for employees that involves seven steps:

1. *Selection of employees*: There has to be a fitting of employees in the organization, not necessarily in terms of skills and educational qualifications but culturally sharing the desired values and attitudes.
2. *Humility-inducing experiences*: The organization should deploy a mechanism to create the sense in employees that their old beliefs and values may not fit into the organization and motivate them to unlearn them and acquire the appropriate ones.
3. *Training*: The organization should take care of their employees, direct them to acquire skills, experiences, beliefs, values and practices that assist the organization in performing effectively.
4. *Meticulous appraisal and adequate rewards*: The organization must develop mechanisms to assess properly and precisely the employee's performance and give congruent rewards in order to embed performance.
5. *Careful adherence to the firm's transcendent values*: These values work as a guide in organizational values and this is a critical step.
6. *Reinforcement of folklore*: Organizations have to formulate organizational culture by referring and creating their own success stories, incidents, folklore and myths. Employees are affected by those accidental learning facts rather than learning formally.
7. *Consistent role models*: Concrete role models enjoy greater resonance than formal systems and procedures. Employees always show greater devotion to the leader's genuine trustworthy words.

4.1.4 Diagnosing organizational culture

It is said that the best way to predict the future is to create it. To this direction, organizations which want to improve their performance and their operations for their future goals attainment have to act proactively. Understanding organizational culture has become an essential approach to implementing strategic management in the business field (Sasaki *et al.*, 2017).

There are versatile methods in calculating organizational culture, therefore the Organizational Culture Assessment Instrument (OCAI) will be presented as the more contemporary and effective tool.

As mentioned above, the OCAI is a validated research method for diagnosing and changing culture, developed by Kim Cameron and Robert Quinn and it is based on Competing Values Framework (CVF). In other words, it consists of a competing values framework that corresponds to four types of organizational culture (clan, adhocracy, market and hierarchy culture) (Bremmer, 2015).

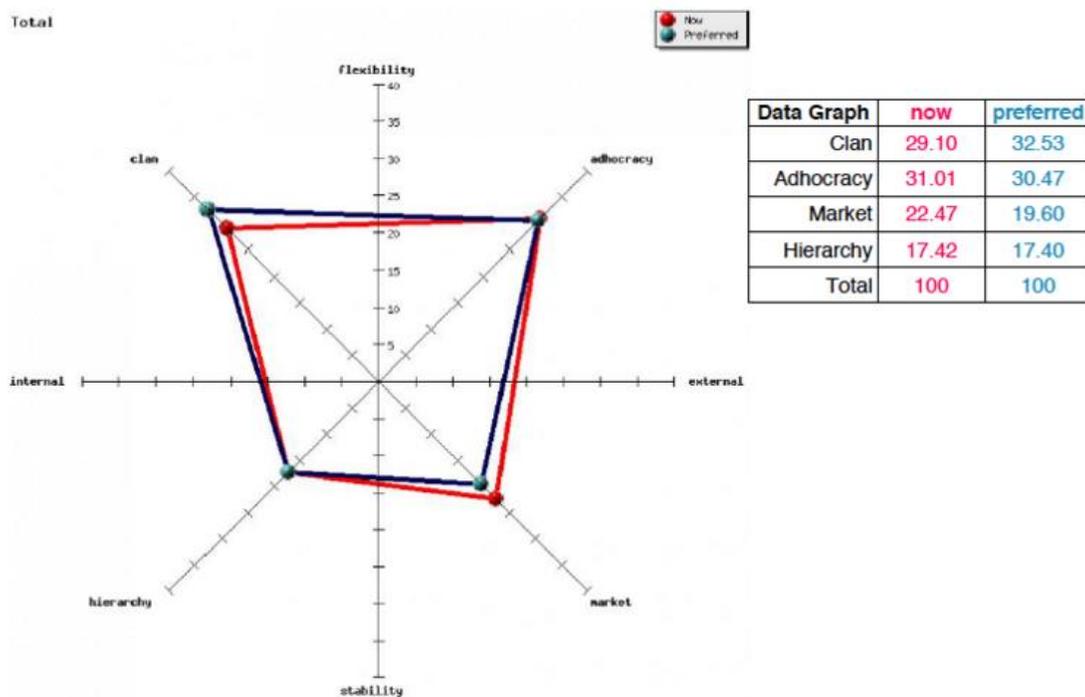
According to Cameron and Quinn (2011) the OCAI includes six cultural subsystems:

1. *Dominant characteristics*: This determines whether an organization is a) a very personal place like a family, b) entrepreneurial and risk taking, c) competitive and achievement oriented and d) controlled and structured.
2. *Leadership style*: that is translated as the way an organization is directed and refers to a) mentoring, facilitating or nurturing, b) entrepreneurial, innovative, c) no-nonsense, aggressive, results oriented and d) coordinating, organizing, efficiency oriented.
3. *Management of employees*: This encompasses a) teamwork, consensus and participation, b) individual risk taking, innovation, freedom and uniqueness c) competitiveness and achievement, or d) security, conformity, and predictability.
4. *Organizational glue*: This gives consistency to the organization, and they are a) loyalty and mutual trust, b) a commitment to innovation and development, c) emphasis on achievement and goal accomplishment or d) formal rules and policies.
5. *Strategic emphasis*: This focuses on strategy such as, a) human development, high trust openness, b) acquisition of resources and creation of new challenges, c) competitiveness and winning or d) permanence and stability.

6. *Criteria for success*: setting milestones for success such as, a) development of human resources, teamwork, and concern for people, b) offering unique products or services, c) winning in the marketplace and outpacing the competition, or d) being dependable, efficient and low cost.

There have been developed longer editions but this six items version is equally predictive and parsimonious. It has been implemented in more than a thousand organizations and proved to be efficient. A typical graphic of theOCAI assessment method (figure 29) is cited below.

Figure 28: *Organizational culture score assessment with OCAI*



Source: www.leadershipandchallengemagazine.com

4.2 Designing the working environment

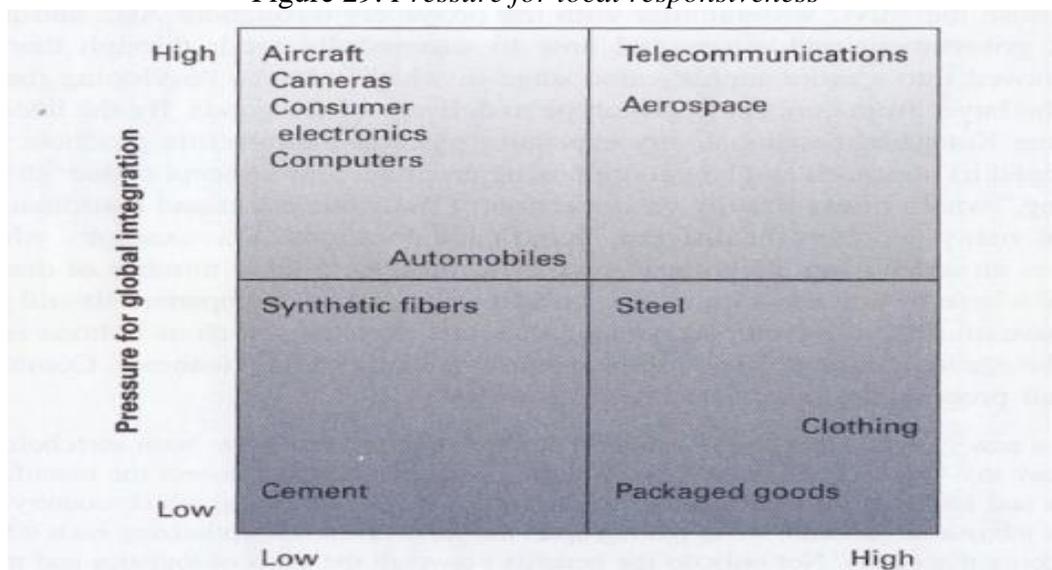
Establishing the function of an organization witnesses the existence of organizational structure as a backbone of the corporation. The existence of organizational structure means three things: the formal division of the organization into subunits, the location of decision making responsibilities within that structure (centralized or decentralized) and the establishment of integrating mechanisms to coordinate the activities of subunits (Hill, 2013).

The location where critical decisions are taken, determine the level of autonomy, power and control of subsidiaries. Such decision making could be centralized or decentralized. The centralized approach means that the decision making authority is accumulated at the corporate headquarters. On the contrary, the decentralized approach means the distribution of substantial autonomy and decision making authority to subsidiaries all over the globe. The management of the organization has to devise a consistent structure which must keep up with its strategy and vision. Hence, MNEs that emphasize global integration tend to have a centralized structure and those who aim at local responsiveness are attributed by the decentralized structure. As it is inferred both centralization and decentralization offer advantages to the MNC, therefore most firms select a mixture of those two in order to have the best outcome in terms of overall strategy (Prahalad, Oosterveld, 1999).

4.2.1 Basic organizational structures

An organization's strategic decision to centralize or decentralize depends also on the industrial area they operate. As figure 30 indicates, organizations adjust their pressure for global integration and local responsiveness for different kind of products.

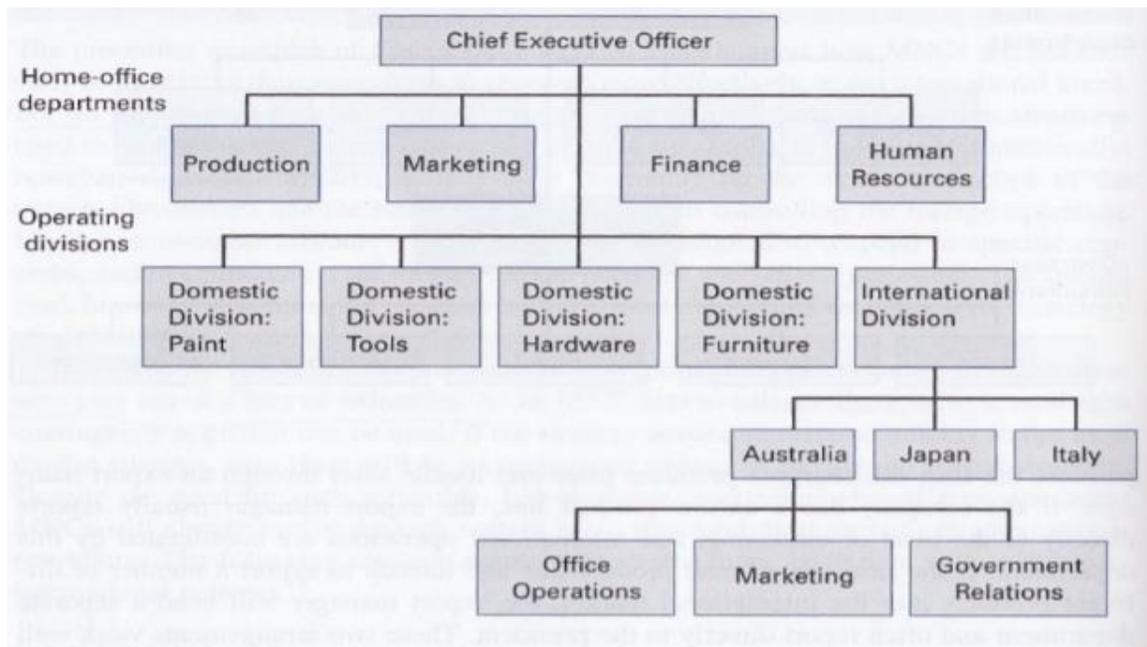
Figure 29: *Pressure for local responsiveness*



Source: Beamish, P., Killing, P., LeCraw, L. and Crookell, H. (1991). *International management: Text and cases*

At the early stage of internationalization, the organization tries to control its foreign operations through an *International division*. In other words, the organization adds a unit which commissions international issues while the original organizational structure is left untouched. This kind of structure facilitates CEO for monitoring both domestic and foreign operations. Also, the international division coordinates and monitors overseas activities and reports directly to the CEO. Figure 31 provides an example of this structure.

Figure 30: *International division structure*



Source: Luthans, F. and Doh, J. (2012). *International Management: Culture, strategy and behavior*.

As the international operations grow larger, the organization tend to transform its organizational structure in a global format which will enable it to act strategically and allocate resources on a global basis. It is essential to underline that the selection of structural framework comes after strategy formulation. The global design is adopted by any firm and must integrate three types of knowledge: product, area, and functional (Gupta, Govindarajan, 2000).

- *Area knowledge*: Managers must perceive the cultural, commercial, social and economic conditions in each host country market in which the firm operates.

•*Product knowledge*: Manager should be aware of factors like technological trends, customer needs, and threats affecting the goods the firm produces.

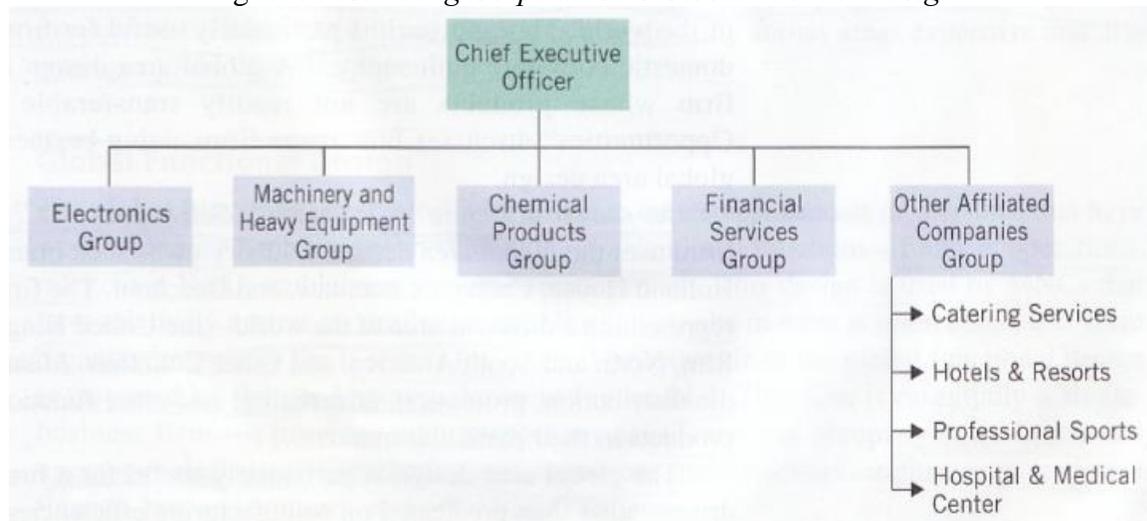
•*Functional knowledge*: Managers must have instant communication with partners being experts in vital business functions such as finance, production, marketing, accounting, human resource management, and IT.

Global product design

The most common organizational structure adopted by MNCs works better when the firm has diverse product lines or its product lines address diverse markets and there is no coordination needed between them.

Such an organizational form is adopted by Samsung Group, which is the largest business in Korea with 254,000 employees. The organization is divided into five major divisions: the electronics group, the machinery and heavy equipment group, the chemical products group, the financial services group, and another group of small unrelated businesses as figure 32 shows. Each of these groups has different functions and they are not related, especially the other affiliated companies group which comprise businesses such as catering, hotel chains, a professional baseball team and medical centers.

Figure 31: *Samsung Corporation's Global Product Design*



Source: Griffin, R. and Pustay, M. (2010). *International Business*.

The global product design encompasses competitive advantages. First of all, managers that are engaged have an extra expertise in all aspects of the product and that renders it more competitive globally. This kind of design is characterized by cost efficiency, because managers can manufacture the product in low cost countries. It also allows managers to coordinate production by shifting it according to global demand and cost conditions. Furthermore, global product design offers flexibility both to technological changes and to marketing a product or a group of products due to managers' high expertise level. Finally, global product design asserts managers in thinking globally and accumulates great international skills internally (Khana, Palepu, 1999).

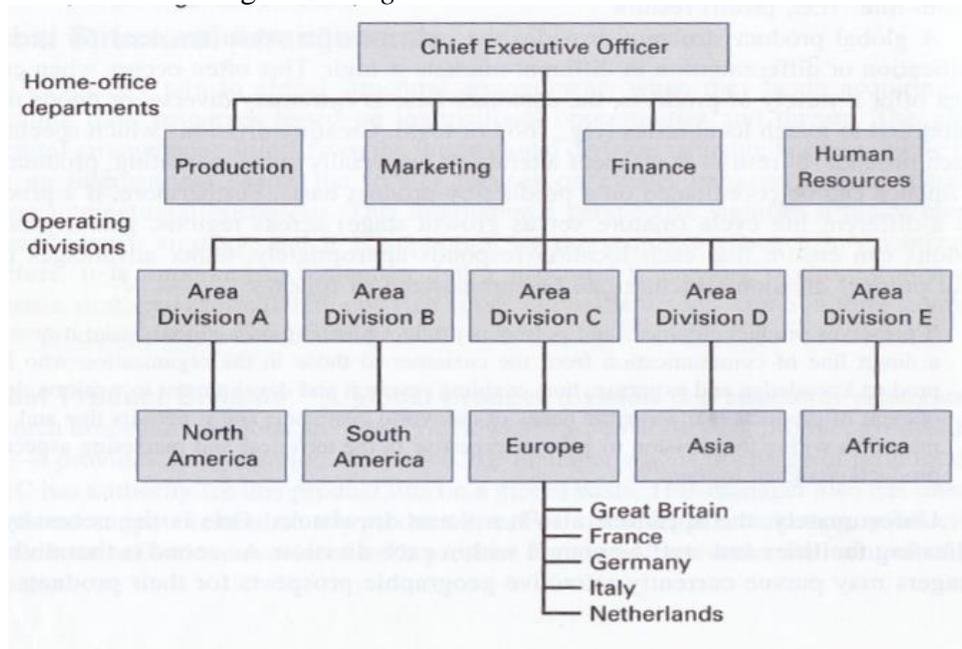
This organizational configuration has certain disadvantages. More specifically, it is expensive as it demands its own functional area skills such as marketing, finance, information management and physical facilities for production and distribution. In the same way, each product group prerequisites the knowledge of culture and the legal and political environment of different operating markets.

Global area design

The global area design operates the firm's activities around specific regions of the world. This organizational structure is appropriate for firms with a multidomestic or polycentric corporate philosophy (Bartlett, 1988). His ideal for companies whose products cannot be transferred immediately across regions.

Cadbury and Schweppes PLC are businesses using global area structure. As figure 33 indicates the organizations' expansion is geographical rather than product-oriented. Managers in each area division handle distribution, promotion, advertising and other functions.

Figure 32: A global Area Division structure



Source: Luthans, F. and Doh, J. (2012). *International Management: Culture, strategy and behavior*.

Moreover, this structure applies better to corporations which have at their core strategy marketing or their competitive advantage is product reputation, and they are not driven by manufacturing efficiencies or technological innovation. Those corporations are easily adopted, respond to new markets' demands and develop high expertise in local markets.

The disadvantages of this set up are that firms lose cost efficiencies that global production pays. Also, the diffusion of technology is slowed down due to area's different characteristics. Furthermore, it is an expensive structure as it duplicates resources such as product experts and production facilities and it discourages global production planning because of lack in coordination.

Global functional design

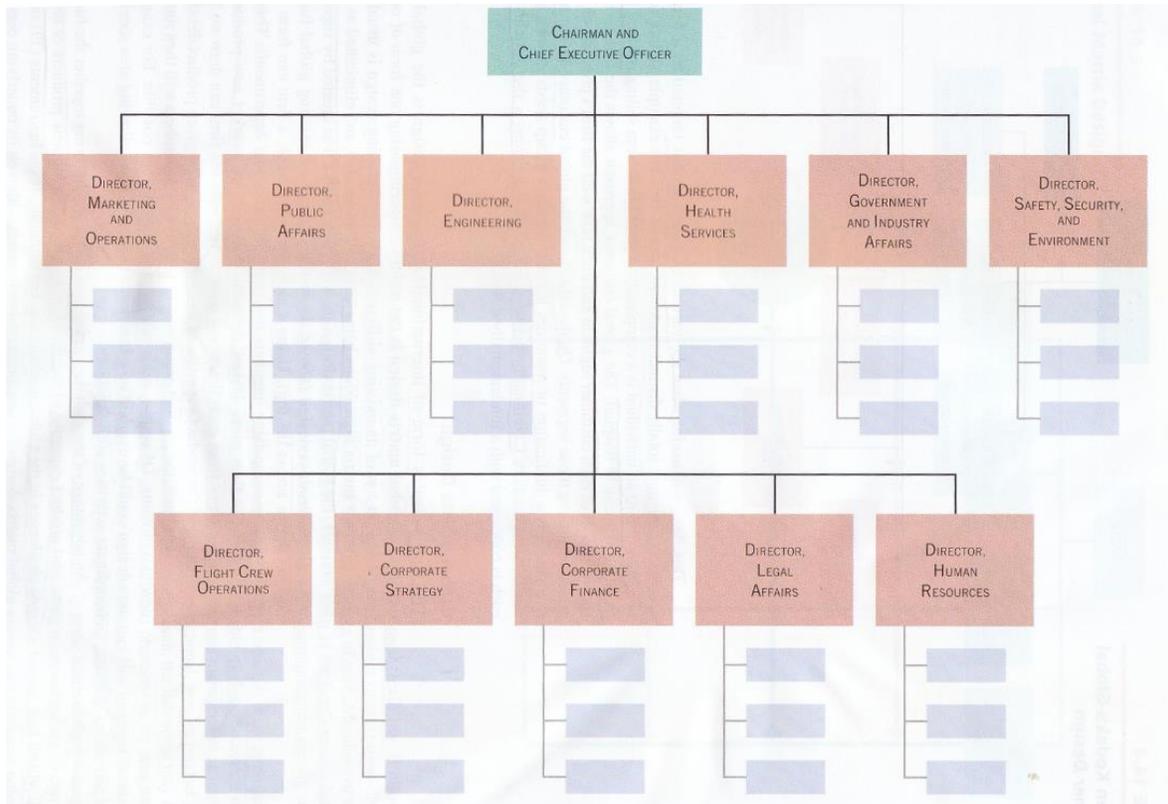
Global functional design is applied to departments that have responsibility for the common organizational functions such as finance, operations, marketing and human resource management. This structure is used for narrow or similar product lines.

Such a paradigm is British Airlines (figure 34). It provides worldwide transport services and it runs functional operations which focus on marketing, public affairs, engineering, corporate finance, human resources and other basic functions.

Its advantages are the transfer of expertise within each functional area. This set up enables managers to isolate a problem, for example, in marketing, and distinguish it from other activities in the functional area. However, there are disadvantages like the duplication of resources and whose structure addressed to businesses with few products and customers.

As a result, global functional structure is adopted by firms that need tight, centralized coordination and control of integrated production processes. This structure often met in energy industries and in corporations which transport raw materials from one geographic area to another.

Figure 33: *British Airways Global Functional Design*



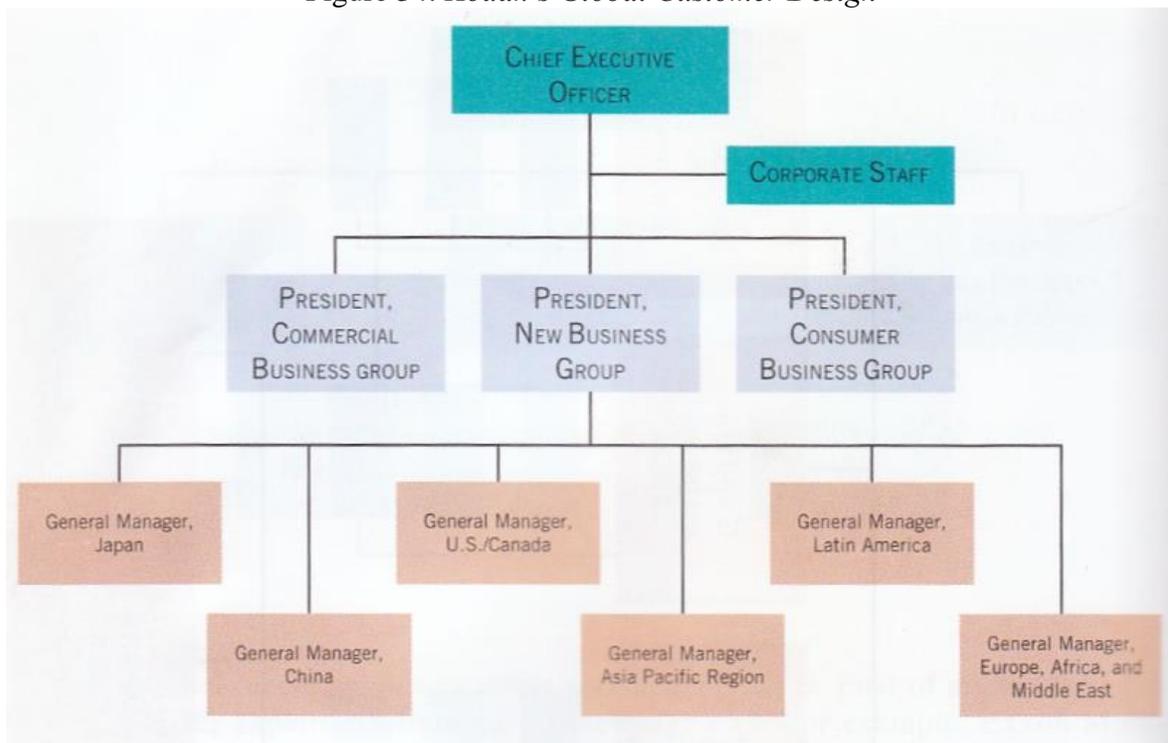
Source: *Griffin, R. and Pustay, M. (2010). International Business*

Global customer design

Global customer design is applied to businesses which offer special expertise and attention. Characteristic paradigm is Kodak (figure 35) whose products are so diverse and require totally distinct marketing approaches. Kodak supplies individuals with 35mm film and at the same time sells medical imaging supplies to a cancer hospital.

Obviously this design enhances organizations to meet the needs of each customer and get feedback about their products or services among different segments. But it usually duplicates resources of each customer group needs and discourages coordination between different divisions.

Figure 34: *Kodak's Global Customer Design*

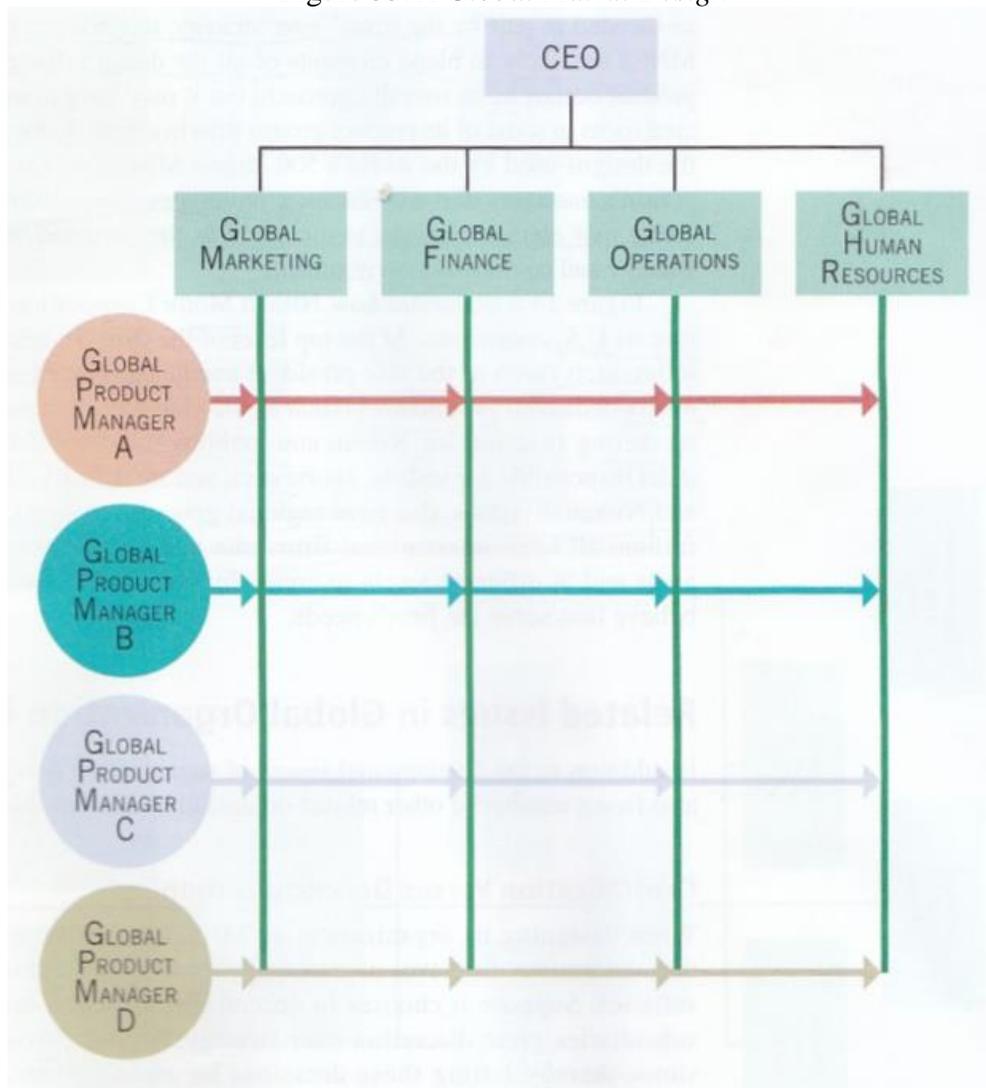


Source: *Griffin, R. and Pustay, M. (2010). International Business.*

Global matrix design

Global matrix design is the most complex form of international organization design. It is the result of superimposing one form of organization design on top of an existing one (Griffin, Pustay, 2010, p. 398). What is derived is downscaled and eliminated matrix dimensions. The matrix of figure 36 is derived from the superimposition of global product design of an existing global functional design.

Figure 35: A Global Matrix Design



Source: Griffin, R. and Pustay, M. (2010). *International Business*.

With this organizational orientation a business has the ability to form specific product groups comprised of members from already existing departments. These groups can proceed further to plan, develop, design, produce and market new products based on appropriate know-how of both functional and product expertise areas.

The advantages of global market design is that it unites functional area and product expertise into teams aiming to develop new competitive products in the global arena. It also promotes organizational flexibility. In other words, it enables firms to take advantage of the functional area, and customer and product organization by decreasing the disadvantages of each. Finally, it boosts coordination and communication among managers from different divisions.

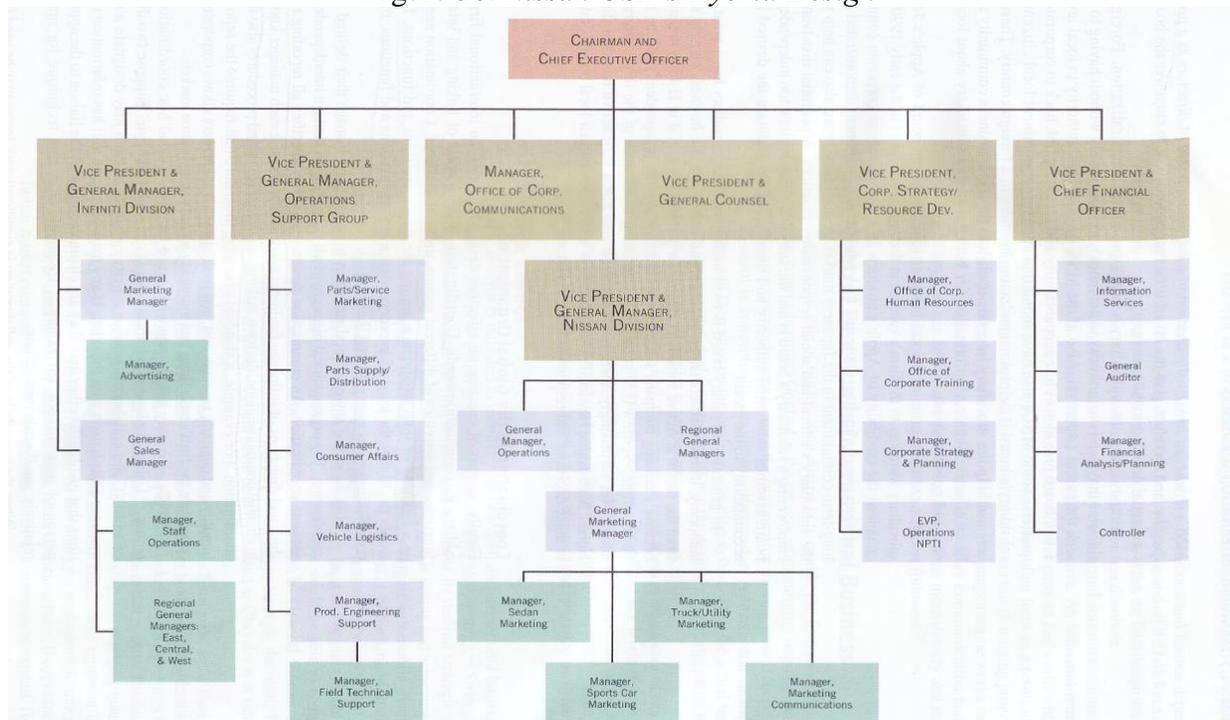
As every kind of organizational structure, so global matrix has limitations as well. It is not suitable for firms which have small products portfolio and that operate in stable markets. It also usually sets employees between split loyalties, being accountable to more than one manager and often being through counterbalancing demands. Furthermore, global matrix design promotes compromises or decisions relied on every managers engaged political beliefs.

Mixed organizational structure

The above mentioned forms of international organization is a pure basis for evolution. Hence, most firms create a hybrid version that best suits them, according to their size strategy, technology environment and culture.

Such paradigm is the organizational structure of Nissan Motor Corporation (figure 37) in its U.S. operations. At the top level of the firm, Nissan has a number of managers who are responsible for products, and others responsible for function. The marketing function of Nissan Automobiles is divided by product with specific units responsible for sedans, sports cars, trucks and utility vehicles. In the same way all great international firms look for the ideal organizational form that best serves its needs.

Figure 36: Nissan USA's Hybrid Design



Source: Griffin, R. and Pustay, M. (2010). *International Business*.

4.3 Organizational change

It is the fate of every business which tries to adapt to a constant changing environment in order to remain competitive, sustainable and to follow a growth path (Biedenbach, Soumlerholma, 2008). Factors such as technological advancement and growing global competition puts businesses in a continuous changing procedure (Armenakis, Harris, 2009).

As Charles Darwin stated, “it is not the strongest of the species that survives, nor the most intelligent, but the one that is most responsive to change”. Nevertheless, change depends on the organization’s evolution phase, which means that in every stage there are different change mechanisms that enhance cultural change (figure 38).

Figure 37: *Culture change mechanisms*

<i>Organizational Stage</i>	<i>Change Mechanism</i>
Founding and early growth	<ol style="list-style-type: none">1. Incremental change through general and specific evolution2. Insight3. Promotion of hybrids within the culture
Midlife	<ol style="list-style-type: none">4. Systematic promotion from selected subcultures5. Technological seduction6. Infusion of outsiders
Maturity and decline	<ol style="list-style-type: none">7. Scandal and explosion of myths8. Turnarounds9. Mergers and acquisitions10. Destruction and rebirth

Source: *Schein, E. (2010). Organizational culture and leadership.*

Change is an inevitable process as there are shades of grey between planned and unplanned change. An unplanned change could be measures that an organization takes in order to restore its previous successful function. Planned changes can be addressed to the whole organization or to a part of it and could be a changed program that no matter how well designed and implemented it is, could be effective or ineffective. An unanticipated program's outcome is by itself an unplanned change. Another approach for change is its source that is divided in the internal and external environment as shown in figure 39. Changes are aimed at creating appropriate and adequate conditions for effective functioning.

Figure 38: *Approaches of change nature*

Two-dimensional View of Organizational Change		
<i>Locus of Change</i>	<i>Nature of Change</i>	
	<i>Unplanned</i>	<i>Planned</i>
Internal	Employees' demographics, critical incidents, and accidents	New human resources (HR) initiatives and new administration
External	Government policy shift, oil prices, and socio-economic events	Adoption of new technology, merger and acquisition

Source: *Sinha, J. (2008). Culture and organizational behavior.*

4.3.1 Preparing the territory for organizational change

There are numbers of ways to embed organizational change in an organization from different insights and these could be through communication with leadership, staff restructuring and change policy. Top down theories advocate for clear and consistent objectives, sufficient causal theory, connection of change policies to results, motivation for new effective approaches and capable leaders committed to change policy (Schultz *et al.*, 2016).

On the other hand, bottom theorists emphasize the need for ambiguous and flexible policies and skilled leaders who will gain the support of local stakeholders in order to achieve beneficial changes (Chackerian, Mavima, 2001; Deleon, Deleon, 2002)

After selecting the suitable approach, there have to be steps taken for designing the organizational culture change process. A six step process is presented below which should be followed when designing and implementing an organizational change effort according to Cameron and Quinn (2006, p. 90-112).

The six steps for organizational culture change are:

1. Reach consensus on the current culture
2. Reach consensus on the desired future culture
3. Determine what the changes will and will not mean
4. Identify illustrative stories
5. Develop a strategic action plan
6. Development and plan implementation

Reach consensus on the current culture

Identify a number of key employees in the organization that have an overview of the organization's culture perspectives. Be careful to engage employees that have the will to implement change initiatives. Consider carefully that the individuals are in a consensual view about the organization's culture. Discussion about consensus builds trust, opens communication lines and extends appreciation among team members.

Finally, after the group reaches a consensus on a current organizational culture profile, a number of questions should be answered. Questions such as, what is being ignored in the organization? What is most highly valued by members in the organization? What changed in the organization in contrast to the past? What manifestations reflect and formulate our culture?

Reach consensus on the desired future culture

Repeat the process from step 1 and discuss the current culture separately from the preferred one. In an effort to formulate a new desired culture there are questions to be discussed about what should be done for the organization's future progress, future difficulties that will emerge, awareness of trends and the organization's strengths, and measures that should be taken in order to prevail in the industry. Consider that in this procedure everyone's participation is needed on a real basis with specific examples and verified data.

Determine what the changes will and will not mean

Plot the current and desired organizational profile in an organizational culture model form. Search for discrepancies or small shifts. A small increase in the adhocracy may require the same effort as a large increase. On the plotting form, the discrepancy areas between the two types of culture (current and preferred) constitute the changes that have to be made.

At this point, every person has to complete the organizational culture form, indicating his/her direction on how to emphasize or de-emphasize a certain cultural type. Questions that should be answered concern attributes that should be enhanced in order to move to a preferred quadrant, characteristics that our new culture should consist of and those that should be left out, characteristics that will be preserved during our departure from a quadrant, strong characteristics

of the abandoned culture even though we intend to emphasize another culture, the counterbalances that will be formed and the perception of the new derived culture.

Identify illustrative stories

Organizational culture is best communicated and illustrated by stories (Martin *et al.*, 1983). Key values, desired orientations, and behavioral principles that characterize an organizational culture are easily conveyed through stories than from motivational CEO speeches, lists of strategies and a number of culture plots. For instance, a common story at Southwest airlines describes the CEO working at the baggage line on holidays to facilitate on employee's vacation. The message that is clearly and quickly transmitted, is that employees are in a number one position in Southwest airlines. This story shows us in the most efficient way the organization's values, morals and attributes to its employees.

Develop a strategic action plan

At this stage, stable beliefs are formed about which elements of the existing culture should be changed and which values should be reinforced. There is also a more targeted plan for the culture change process. The questions that are set concern the starting point of the change, the non-beneficial activities that should be stopped, the alliance actions which support change, the processes and systems that should be redesigned, the direct and clear conveyance of the new cultural values and the metaphors that should be deployed and will reflect the new culture.

A useful guideline where to start from, which actions stop and which continue:

Identify small wins: Try to find small things to change. Small successful steps create momentum and when used in the right direction it assists in taking over difficulties.

Generate social support: Build relationships with supporters of change and enhance them. Engage them in the change procedure, make them feel cozy and appreciated by giving importance to their insights.

Design follow-up and accountability: Specify time durations for the changes to be completed. Implement follow-up and reporting procedures and make sure through deployed mechanisms that employees show commitment and assign their tasks in order to make change happen.

Provide information: Diffuse information in a broader fashion on a regular basis. In a lack of information situation, people tend to create their own. So, in order to avoid ambiguity, situations provide feedback to the involved members and show extroversion to the organization's attainments.

Measure: Identify the factors that advocate successful organizational change. Create a data gathering system and evaluate the results. Reassure that you measure the most critical change factors.

Create readiness: Radical changes are accompanied always by resistance. Creating readiness helps to enforce the change procedure and this can be facilitated by identifying the advantages of the future state. This will indicate gaps of current and future performance and provide resources to implement change and reward behaviors compatible to change.

Explain why: When giving explanations resistance trends are bending. Communication transfers both caring and esteem to those involved in the cultural change process.

Hold a funeral: Inevitably at a change process we tend to criticize our past negatively. That kind of criticism tend to diminish our past effort, so consider holding a funeral, which means celebrate the past and prepare for the transition to the future situation.

Implement symbolic as well as substantive change: Change of symbols signifies the coming of a new future. It is a visual change which affects people's subconscious significantly and helps their mental interpretation systems to perceive the transition.

Focus on processes: Considerable change procedures cannot leave core business processes unaffected. That means that processes such as selecting, appraising, rewarding should be subjected to changes to presage the new culture. Core processes, such as designing, engineering, manufacturing, delivering and servicing products may also need to be redesigned. The list of action steps should be laconic so that they are possible to implement.

Develop an implementation plan

The last step is to formulate an implementation plan in compliance with timetables and short term milestones that will initiate the process of change. Notice the key ways that a cultural change process can unfold. Hold the main themes that emerge from steps 4 and 5. Decide where

to weigh your attention and energy. Form task force teams, discuss key themes, distribute roles and specify the behaviors and competencies that every member has to take over in order to reflect cultural change.

Obviously changing culture is a long term issue which in the meantime will need reassurance that every aspect is aligned to the preferred culture. An efficient way to control all aspects is the “seven S model” which was introduced by Waterman, Peters and Philips (1980). It alleges that a successful cultural change will occur in compliance to change in *structure* (the organization’s architecture), *symbols* (the images that reinforce culture), *staff* (the selection and development of human resources), *strategy* (behavioral manifestation of the organization’s vision), *style of leaders* (the attitudes and examples set by the top leaders) and *skills of managers* (the competencies of individuals who mostly carry out the change processes).

The key questions at this step concern the employee’s adoption in the new era and accomplishment of the change strategies, the transfer of the new cultural values, the information network that should be settled, the signs that witness progress to change and the measurement system that should be implemented.

It is of great importance for the involvement, commitment and active support of organization members throughout the organization.

4.3.2 An overview to Kotter’s change model

Kotter’s model is a key reference in the field of change management. In his model, he distinguishes the change process in eight critical steps as follows (Kotter, 1996; Smith 2005):

1. Cultivate the urgency of the need to change. People will not be motivated if they cannot feel the need to do so.
2. Create a support team by assembling a group motivated with influence to the organization to lead the change.
3. Develop a vision and strategy- create a vision explaining about change necessity and how this will be achieved.
4. Transfer the change vision by communicating, and explain to people the why, what and how of the changes.

5. Enhance broad-based action, engage people actively in the change effort and induce them to a different way of thinking on how to make change happen rather than thinking of why they don't like changes.
6. Create short-term wins, observe the change happening and recognize the progress being done from people to the change direction.
7. Accumulate benefits and ask for more change. Take advantage of the momentum created from successes, and embed people in turning them into change agents.
8. Introduce new approaches to the corporate culture which is critical to long-term success and capitalizes changes. What functions as weakness, is people's turnaround process directing to the old way of doing things.

Kotter places strong emphasis on the creation of a support coalition team. He insists that when changes are boosted by people with high position power, these change initiatives cannot be blocked (Kotter, 1996).

It is also alleged that managerial attitude should be out of the rational "command and control", otherwise the whole effort is committed to fail (Paper, 2001). Change attainment depends on the facilitative disposal and continuous support of the top management.

4.3.3 Case study: Huawei, an exemplar of organizational change in a modern environment

Huawei Technologies Inc. is a world leading information and communications technology (ICT) solutions provider. It has become the world's largest telecommunications maker by overtaking Swedish Ericsson in annual revenues (Economist, 2012).

Mr Ren Zhengfei, the founder of Huawei, and a veteran of China's army, started as a one man sales agent selling entrepreneurial telephone systems (PBX's). In 1993 Zhengfei built his own R&D team designing its own digital PBX. 25 years later Huawei employs approximately 150,000 employees having operations in more than 140 countries which serve over one-third of the global population (Huawei, 2013), therefore being transformed into a telecommunications equipment giant. By evaluating the result, one thing is definite Huawei is a master of change.

The telecommunications industry

Telecommunications industry is a growth trace and is characterized by intensive competition. It is a fast pace sector in which price, functionality, service quality and timing of new products and

services affect competitiveness significantly. Huawei's competitors include giant companies such as Alcatel-Lucent, Cisco systems, Hewlett Packard, Ericsson, Nokia Networks Solutions, Motorola Solutions and ZTE. These companies strive to preserve their market share in a highly pressured environment (Zhu, Jones, 2014).

Another characteristic of this industry is the rapid technological development, the high expectations for technical advancement, short product lifecycles with low return on investment in combination with the high bargaining power of large players which formulate offensive market conditions called red ocean environment (Kim, Mauborgne, 2005).

The need for organizational change

In 2006 significant strategic movements occurred in the competition field. Great mergers and acquisitions made competitors powerful, posing great threat to Huawei's market share. In the meantime, there were additional factors that influenced the need for change in the internal and external environment.

Huawei's transformation has been subjected to political pressures. More specifically in February 2011, Huawei was dissuaded from obtaining assets of a U.S. networking hardware start up. In the same year, Huawei was blocked by U.S. authorities from constructing a nationwide public safety LTE network. In 2012, for the third time U.S. authorities rejected Huawei's effort to penetrate the American market by alleging that Huawei's equipment could be used to spy on Americans (Gorman, 2012). In the same year Australian government dissociated Huawei from bidding to build the national broadband network (Zhu, Jones, 2014). These incidents were political barriers for Huawei's expansion.

The global financial crisis in industrial economies (2007-2008), and particularly in Europe which is the key market for Huawei's development, decelerated its expansion rhythm due to investments cancellation and cutting costs policies.

The allies to the change effort

In the internal environment, Huawei has many allies. One of them is the certain vision of enriching life through communication and its focus to offer maximum value services for its customers (Huawei, 2013). Furthermore, Huawei's leadership style reflects its CEO's

philosophy, characterized as visionary and inspirational with great influence to organizational development.

The corporation's organizational culture play a significant role which is attributed by high scores in collectivism and long term orientation. Its strategy is to sacrifice temporal profits in order to gain ground and market share.

Huawei's governance structure is a strong asset for the change procedure it is clearly defined with supervisory board and board of directors supported by key function committees and well defined Business Groups with well shared group central enhanced functions. To encourage and enforce its employees' devotion, Huawei rewards its employees in compliance with their performance by offering growth platforms and development opportunities.

Managing the change

Ren Zhengfei is the change agent whose role is critical to this turnaround process. He initiated, sponsored, led and executed changes. He indulged the notion that a business should not wait for the ideal circumstances in order to expand, but go through and familiarize with markets and through the process of learning conquer them.

Sense of urgency

The first and most critical step of Kotter's 8 step process of leading change is the sense of urgency. An emotional fire up is necessary in order to light up the prosperity self-righteousness feeling (Zhu, Jones, 2014). This sense of urgency was cultivated in Huawei's culture. Zhengfei once said in a motivational and urging speech: "We don't have the reputation and networks that our international rivals do. Thus, we have no choice but to make strenuous efforts" (Luo *et al.*, 2011). He used to share his insights about life, strategy and the company through speeches with his employees. This is how he penetrates with ideas and preserves Huawei in a constant transformational and change attitude.

Collective learning

Another characteristic in Huawei's attitude to change is the quality of organizational learning. De Geus (1988) states that the ability to learn faster is the only sustainable competitive advantage. Learning plays a significant role in the organization's development. Huawei is an example of

organizational learning. In order to catch up, it tried to learn from international competitors. It deployed an imported world class management system borrowing IBM's technology to establish and refine its technology management. Also, Huawei made collective collaborations with leading management and consulting companies such as IBM, Hay group, KPMG and PwC from which gained essential advanced knowledge increasing its global profile. Huawei indicated a "double face identity" which allowed it to be a contributor as well as a learner.

Communication

An efficient communication process enhances organizational change. Huawei established communication channels to ensure credible timely acquisition by creating forum channels for employees, communication channels for customers and suppliers and the management meeting of all levels. The system is up-to-date and organized by managers with training programs and internal control ensuring qualitative and up to date information.

Acknowledgements

Huawei gradually became from an imitator to a leader innovating to many organizational aspects of the corporation. Not only did it maintain its market share but it also managed to increase it according to 2013 Huawei's annual review.

In 2010 the Economist awarded Huawei the prestigious "Corporate Use of Innovation Award" in recognition of their output of creating innovative environments. With its far sighted vision Huawei achieved in contributing to the global technological progress and more specifically to 4G and 5G networks.

Nowadays, according to Huawei's 2016 annual report, Huawei signifies an outstanding financial performance by increasing profits and market share, continues innovating and offering advanced products and keeps progressing by entering the energy industry. It runs corporate social responsibility programs, such as the establishment of electronic platform of the historic Library of Alexandria. Huawei had also made a turnaround to financial technology platform for African countries, minimizing the return time of investments. It also engages to art by creating an online platform called "digital academy", which promotes performances of the National Opera of Paris. Its cultivating change and adaptive culture is the key to creating a leader organization.

4.4 Organizational climate

The most valuable and evolving part of business is the human factor. Managers daily have to interact and motivate subordinates and colleagues in order to achieve their individual and organizational goals. Organizational climate is a necessary element with its unique characteristics within organizations.

4.4.1 Organizational climate: Issues and the road ahead

Many scientists occupied with the issue of organizational climate formulated their own interpretation. “Organizational climate is defined as the way which organizational members perceive and characterize their environment in an attitudinal and value based manner” (Denison, 1996; Moran, Volkwein, 1992). Verbeke, Volgering and Hessels (1998), describe organizational climate as an important and influential aspect of satisfaction and retention as well as institutional effectiveness”.

Benjamin Schneider (1974) gave the following definition of the term: “An organization’s climates are the concepts people share about the organization. As concepts, climate perceptions are meaningful abstractions of sets of cues, the cues being the many specific events, conditions, practices, and procedures that occur in the daily life of the organization. As concepts, climate perceptions helps individuals reduce information overload and function as frameworks against which people identify behaviors and will adapt them to their situation”.

Organizational climate is defined as a psychological state influenced by conditions, such as systems, structure and managerial behavior. Except for describing organizations with the term of climate, it can also describe people’s perceptions of groups or job assignments in which they work.

Setting up a positive workforce environment nowadays is a vital attribute for an organization. It has a direct and tangible effect on an employee’s motivation. According to Hay group (Nair, 2006), organizational climate is constituted of six different dimensions:

Figure 39: *Dimension and items for organizational culture*

Dimension	Item
Clarity	<ul style="list-style-type: none"> • Knowing what is expected from you; • Understanding how those expectations relate to the goals of the organization.
Standards	<ul style="list-style-type: none"> • Emphasis that management puts on improving performance; • Degree to which challenging but attainable goals are set; • Extent to which mediocrity is not tolerated.
Responsibility	<ul style="list-style-type: none"> • Feeling that you have authority delegated to you; • Feeling that you can do your job without being micromanaged; • Accountability.
Flexibility	<ul style="list-style-type: none"> • Degree to which you feel there are no unnecessary rules or procedures; • Feeling that new ideas are easy to get accepted.
Rewards	<ul style="list-style-type: none"> • Being recognized for good work; • Degree to which recognition is directly related to levels of performance.
Team Commitment	<ul style="list-style-type: none"> • Feeling proud and expressing pride in belonging to the organization; • Trusting that everyone works towards a common objective; • Working positively together and cooperating across organizational structures.

Source: *Permarupan, Y., Saufi, R., Kasim, R. and Balakrishnan, B. (2013). The impact of organizational climate on an employee's work passion and organizational commitment.*

Organizational culture vs organizational climate

There is an ambiguous relationship between organizational culture and organizational climate (Schneider, 1985; Ryder, Southey, 1990). Those two terms frequently used synonymously. The efforts of proving the differentiation between the two terms concluded in not a very precise result.

Culture is widely accepted as a set of fundamental values and belief systems which give meaning to organizations (Pettigrew, 1979; Schein, 1985; Sackmann, 1991; Hatch, 1993). Moran and Volkwein, when referring to organizations, argue that there is an overlap between the two terms. Verbeke, Volgering and Hessels (1998) concluded that organization climate is a reflection of the way people perceive and describe characteristics of their environment, and organizational culture reflects the way things are done in an organization.

To this direction organizational culture is considered to have more implicit sense than organizational climate, which consists of more empirical elements such as attitudinal characteristics (Drexler, 1977; 'O Driscoll, Evans, 1988; Moran, Volkwein, 1992). Another division is that climate is constituted essentially by shared perceptions, whereas the culture of an

organization is made up of shared assumptions (Ashforth, 1985). Their borderline is not easily visible and it needs depth analyzation.

4.4.2 Descendants of organizational climate

Organizational climate plays a significant role on organizational goals accomplishment. It is a necessary ingredient for every organization looking for organizational alignment, building an efficient corporation with certain roles and functions.

The physical environment (furniture, equipment), the technological environment (work processes, machines, workplace organization), the social environment (employee's attitudes, rules, support, rewards), the political and the economic environment are constituted by the elements or organizational climate influencing employee motivation, performance and job satisfaction, and organizational commitment.

Employee motivation

Motivation improvement is a continuous procedure, which requires organizational factors determination in order to stimulate employees attaining organizational goals. Organizational climate has to be preserved in employee's daily activities keeping them in vigilance for their efficient daily tasks accomplishment.

There are two types of motivation coordinating actions and these are intrinsic and extrinsic according to Herzberg's two factors theory (Currie, 2009). Much research concluded that there is a direct correlation between organizational climate and employees' motivation. Organizational climate exists in every aspect of a business. The motivational factors that are affected by organizational climate and which penetrate and formulate indices for employees are: job security, which is the most important motivational factor, work conditions, which play a significant role in job performance, the manager's competencies because it is very important to have an efficient manager, recognition, which means the acknowledgement from colleagues and managers, reward, which influences employee's activities and promotion and personal development chances which is the fuel for greater effort.

Performance and job satisfaction

The impact of organizational climate on firm performance was an issue that preoccupied many academics in the last forty years (Clark, 2002; Koene *et al.*, 2002; Patterson, 2005). Herzberg *et*

al.'s (1959) ended up that less supportive environments lead to employee dissatisfaction and to performance reduction.

Avery (2004), claims that leaders influence followers' performance indirectly by parallel actions such as creating an environment in which employees can work effectively, deploying a culture that keeps employees committed to organizational goals and strategy. In consistency to this insight, Perryer and Jordan (2005) allege that successful leaders tend to create a climate in the work environment through which they are able to enhance employees to achieve individual and team organizational objectives.

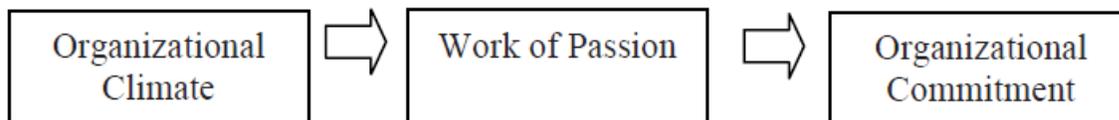
Koene *et al.* (2002), puts forward that a positive affective climate is comprised of interactive communication between leader-members and organizational efficiency which is interpreted as an explicitness of tasks and new ideas encouragement. These factors affect positively business performance and job satisfaction. Finally, what employees consider as supportive climate affects many facets of business (Avery, Bergsteiner, 2010).

Organizational commitment

Organizational commitment is defined as the employee's alignment with the goals of an organization. It is used to explain differing terms which are attitudinal and behavioral (Permarupan *et al.*, 2013).

Salary is not the factor that ensures employee commitment. Employees expect to gain benefits from their work such as appreciation towards achievements, career development and growth, positive organizational climate and supportive managerial style in order to remain loyal to the organization. It is accepted that organizations which show the mentioned above attributes, will enjoy leverage in hiring and retaining valuable people nowadays.

Figure 40: *The impact of organizational climate towards organizational commitment.*



Source: Permarupan, Y., Saufi, R., Kasim, R. and Balakrishnan, B. (2013). *The impact of organizational climate on an employee's work passion and organizational commitment.*

Allen and Meyer (1997) contemplate that organizational commitment is comprised of three components: affective, continuance and normative. Affective commitment is a member's commitment based on emotional attachment. Employees with affective commitment will remain in the organization because they want to. Employees with continuance commitment are those who weigh the cost of living in an organization. Those employees will remain in the organization because they have to. And the third component, normative commitment, has to do with feelings of obedience to the organization based on a person's norms and values.

As perceived, it is not an easy task for management to design and adapt organizational climate strategy without the employee's contribution. However management and organization can plan the best fit approach keeping in mind to remain valid to all involved parties. There are much more than the monetary benefits nowadays that affect human capital to remain committed and involved. One thing that can be inferred is that the higher the satisfaction with organizational climate, the higher the employee's organizational commitment.

Chapter summary

Organizational function is based on characteristics that define versatile aspects in the organization, such as communication and controlling, task allocation and decision making policies. Based on those attributes corporations deploy certain organizational culture profiles depending on the needs and goals that they set.

Establishing a particular organizational culture means that the organization has an explicit plan about its future evolution. The development of a new organizational culture sets as a premise the diagnosis of the existing one, with the assistance of certain methods, which intrude and embed the weak aspects of the businesses' organizational culture.

The design process of the working environment encompasses the selection of a particular organizational structure, which comprises the spine of international businesses' operations. The criteria of choosing the ideal organizational structure model are based on the type of communication, control, decision authorities and global or local market approach between headquarters and subunits. In recent years, where organizations try to quarry competitive advantage from their operational type, businesses resort to hybrid organizational structure types.

International businesses show their potential for vanguard through their capability to adapt in constantly changing demands and conditions. Organizational change has preparation stages in versatile fashions aiming to convince the involved members to adopt and be inspired to implement new era ideas.

To this direction Huawei proved to be a master of change by transforming from a small business to a leading industry through change adaptability. Nowadays, it is among the greatest telecommunication industries influencing and defining the branch's future horizons.

Describing the organization as a chain, all the mentioned above elements constitute a link to this chain. Organizational climate is a prerequisite to this chain, ensuring the organization's efficacy to affect crucial aspects such as employee motivation, performance and job satisfaction, and organizational commitment.

In conclusion, what has to be emphasized is the crucial role of the human factor in all organizational procedures. It is found that approximately 70-80% of re-engineering and total quality management organizational initiatives have failed in the past ten years because of obsessive focus on system processes while ignoring and underestimating people's processes.

Chapter 5: International Business Performance

5.1 Competitive advantage principal

Competitive advantage is what gives a precedence to an organization towards competition in the customers' minds. Competitive advantage cannot be understood by examining a firm as a whole. It is derived from certain activities a firm performs in designing, producing, marketing delivering and supporting its product. A firm gains competitive advantage by performing the above mentioned activities more costly effective or better than its competitors.

5.1.1 Organizational culture as a sustained competitive advantage

As it is inferred from cumulative knowledge of studies over the past twenty years, organizational culture gives strong support to the perception that culture matters.

Corporations look for a fashion to liquefy their advancement and progress in different aspects of the business and turn them into a competitive advantage which will enable them sustain as an organization or even improve their position in the market. Organizational culture is one of the intangible resources a firm owns, and which is of great significance for the development of competitive advantage.

Recent researches showed that the superior financial performance that IBM, Hewlett Packard, Proctor and Gamble and McDonald's have, is due to the managerial values and beliefs that were injected by their organizational culture (Deal, Kennedy, 1983). Furthermore, culture has pervasive effects on a firm because it defines not only the employees', customers' and suppliers' relevance, but also their interaction with the firm (Louis, 1983).

It's not enough for an organization to have a rare and valuable culture in order to sustain competitive advantage, but it also has to be imperfectly imitable. There is evidence that valuable and rare organizational cultures are difficult to imitate. The valuable and rare aspects of an organization's culture often become part of the unspoken, unperceived common sense of the firm which are difficult to estimate and analyze.

A strong culture can be a sustainable competitive advantage, because it cannot be imitated unlike a product, price point or delivery system. A healthy company culture not only ensures an environment that supports overall functions but it especially supports stronger recruiting,

employee retention, increased customer intimacy and loyalty, which end up in greater productivity and a strong sense of employee ownership (Aileron, 2017).

5.1.2 Firm resources formulating competitive advantage.

It is believed that organizations are bundles of resources, as Barney (1991) supports, and that the resources that facilitate organizations confronting environmental threats, can offer an organization a competitive advantage which is seldom seen and difficult to imitate. This view is in compliance with the universalistic view on organizational culture that a healthy culture represents a critical resource. The same perspective applies to other human resource management practices and activities that a firm executes.

If a firm's cultural characteristics are easily transferred, this means that these resources cannot be a source of sustained competitive advantage. Human resource management systems can act as a facilitator for the deployment of organizational competencies. Among these are managerial competencies which comprise the ability to unfold a strategic vision, input-based competencies which address a firm's human and capital resources, transformational competencies that are related to the ability of converting inputs into outputs, and output-based competencies that refer to intangible, strategic resources such as reputation, culture, service or product quality and customer loyalty.

The above mentioned competencies, from the resource-based viewpoint of strategic management can provide to the organization sustained competitive advantage (Lado, Wilson, 1994). At the formulation strategy stage, culture can act as a regulator if it rewards risk taking and creativity and addresses an industry which based on new and innovative products output. Such companies are Sony and 3M that need to be innovative in order to survive. Counterpart technological skills, combined with innovative behavioral norms are culture's representative valuable assets.

The mentioned values of culture can be considered as organizational resources on the condition they take advantage of external opportunities or neutralize threats. Resource-based view theorists allege that organizations can create sustainable advantage due to resource heterogeneity and the imperfect mobility of such resources (Barney, 1991, 1997).

5.2 Knowledge transfer

The world economy came through a transitional period from the industrial age to the information age which has characterized by digital convergence of internet, computer and telecommunications enabling organizations to achieve competitive advantage (Drucker, 1999; Senge, 1990; Stewart, 1997). Important aspects that an organization may profit from one creation, capital, technology and other resources but organizations are driven primarily by knowledge. Even by perceiving high productivity and profitability, organizations have to rely on to the stock of expanding knowledge (Owens, 1990).

In organizational theory, knowledge transfer aims to create, organize and diffuse knowledge from one department of the organization to another. Like knowledge management, knowledge transfer also intends to ensure availability to future users.

5.2.1 The role of organizational culture in the knowledge management process

Organizational culture has been analyzed widely in previous chapters. According to studies, there is a positive relation between organizational culture and knowledge creation processes. The formulation of organizational culture defines the firm's ability to manage knowledge effectively (Janz, Prasarnphanich, 2003; Lee, Choi, 2003; Wei, 2005; Ajmal, Koskinen, 2008). Therefore, the ability to shape organizational culture is of great significance in enhancing learning environments (Wei, 2005).

A learning culture organization enforced the rational that skills and knowledge development is not only a state of employee responsibility but the sense being encouraged by organizational member's interaction. During knowledge transfer, organizational values are being shared which influences the individual's perception of holding knowledge and subliminally formulates tendencies for sharing knowledge with others (Gibbert, Krause, 2002; Jarvenpaa, Staples, 2001; Wasko, Faraj, 2005; Tan *et al.*, 2009; Lin, Dalkir, 2010). Additionally knowledge sharing prerequisites the organizational members' willingness to subscribe their knowledge to the organization (Politis, 2003; Wei, 2005; Eskerod, Skriver, 2007; Ajmal, Koskinen, 2008).

Eventually, culture may motivate individuals to take part actively into knowledge practices implementation (Bock *et al.*, 2005). Organizational efforts will fail to foster knowledge management processes, unless a counterpart cultural environment exists which will encourage

knowledge practices application (Markus *et al.*, 2002; Orlikowski, 2002). Therefore, it is obvious that organizational culture will affect knowledge management processes by formulating employee's behavior. Furthermore, organizational culture is crucially important because it facilitates knowledge creation, transfer, storage and application (Gupta *et al.*, 2000; Bhatt, 2001; Janz, Prasarnphanich, 2003; Leidner *et al.*, 2006).

Consequently, the cultural type that characterizes an enterprise is a crucial factor for knowledge activities. It is perceived that corporations interact with their environment by absorbing information converting it into knowledge and behave according to their experiences, values and internal rules.

5.2.2 Knowledge management and organizational effectiveness

Knowledge is considered as “information possessed in the minds of individuals” (Alavi, Leidner, 2001), or as “individual's experience and understanding” (Marwick, 2001), or as a “high value form of information that is ready to apply to decisions and actions (Davenport, Prusak, 2000).

Knowledge management plays the role of the potential connection between organizational context and organizational effectiveness. Successful knowledge management enhances an organization's competitive advantage, employee relations and development, innovation and ensures lower costs (Skyrme, Arnindon, 1997). Knowledge management can prove to be an intervening mechanism affecting organizational effectiveness.

Knowledge management is a “systematic and integrating process of coordinating organization-wide in pursuit of major organizational goals (Rastogi, 2000). It is widely believed that when knowledge management practices fit with organizational context, then create a competitive edge (Zheng *et al.*, 2009). Anyone can perceive the significance of knowledge management, by Nonaka's state (1991) that with the current economy conditions “the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge”.

There were many frameworks about knowledge management identified. The three most approved processes theory were: knowledge generation, sharing and utilization. Knowledge generation refers to the extent to which knowledge acquired from external sources or within the organization. Knowledge sharing often named knowledge transfer or knowledge diffusion, refers to the process by which knowledge is transferred from one person to another. Knowledge

utilization often called knowledge implementation or knowledge application refers to the extent to which process is oriented through use of knowledge (Gold *et al.*, 2001).

Organizational effectiveness is “the degree to which an organization realizes its goals” (Daft, 1995). “It is what the organization comes to know that explains its performance” (Argote, Ingram, 2000). Empirical studies confirm the positive linkage between knowledge management and organizational effectiveness. It is found that knowledge creation and sharing embed innovation and improved performance (Darr *et al.*, 1995; Epple *et al.*, 1996; McEvily, chakravarthy, 2002). Knowledge integration leads to prosperity to product development effectiveness, reduced defect density, lowered warranty defects and increased software development efficiency (Tiwana, 2004), reduced manpower and infrastructure costs as well corporate efficiency and customer services. Based on those findings, anyone can conclude that knowledge management multidimensional positive influences organizational effectiveness.

5.2.3 Managing knowledge transfer in the MNCs: The interaction between headquarters and subsidiaries

Strategy and management professionals agree that globally distributed subsidiary’s networks are a potential competitive advantage for MNCs (Ghosal, Bartlett, 1990; Birkinshaw, Hood, 1998; Rugman, Verbeke, 2001). By estimating the knowledge that passes by these networks, MNCs can take advantage of these knowledge repositories and solve and explore new issues (Frost, 2001).

While transferring knowledge across MNC units, a significant design problem which emerges for top management is the selection of organizational mechanisms that embed knowledge flows (Foss, Pedersen, 2002). There are also barriers at the transfer knowledge procedures owed to motivational factors (Szulanski, 1996). For instance, a subsidiary may hesitate to transfer knowledge to other units due to fear of losing a position of superiority or because they are insufficiently compensated for the completion of this procedure. Sometimes knowledge transfer depends on subsidiary’s willingness, and they chose not to be engaged even though this would enhance overall MNC performance.

Headquarters will use different kind of mechanisms as a safety valve against opportunism. It has been found that knowledge flows in MNCs that affect the use of corporate socialization

mechanism positively (Gupta, Govindarajan, 2000), and the existence of close relationships among MNC units (Björkman *et al.*, 2004).

First, a problem that occurs, is the intra-MNC competence transfer related to the competences, recipients and senders, and with the relationship between them. For example, the idiosyncrasy, accuracy and codification or not of knowledge is difficult to be conveyed from one unit to another (Zander, Kogut, 1995; Grant, 1996; Spender, 1996; Szulanski, 1996, 2000; Hansen, 1999). Moreover, there are also problems depending on the recipient's ability or willingness to absorb new information (Allen, 1977; Cohen, Levinthal, 1990; Szulanski, 1996).

Sometimes, the complexity and idiosyncrasy of interaction processes that derive from a subsidiary's external alliances produce competencies that cannot be transferred in other corporate units. That happens due to lack of understanding the absorptive capacity of the competencies that are produced during the unique interaction process. Therefore long-term cooperation with a specific partner embeds the unit's absorptive capacity, problem solving capability and its ability to create new knowledge. If the solutions are more context specific the knowledge transfer procedure becomes more difficult and costly to other units that do not obtain the same absorptive capacity and requires additional support from the side of the sender (Szulanski, 2003).

Second, at the subsidiary level regardless of whether knowledge is internally accumulated or created through relations with external organizations the deployment process requires scarce and expensive human resources. In order to transfer this knowledge to other units, the same human resources or facilities may be engaged. This concurrent action at the deployment and diffuse process may be costly for the subsidiary. In order to decrease such issues an exchange of resources during competencies development takes place, while knowledge transfer to other units. Also, knowledge transfers can be affected from the subsidiary's ability to focus on certain aspects of its operations that managers consider as more crucial for the unit's performance.

Third, subsidiaries often have different goals and limited stimulus to transfer know-how to other units, especially if the engagement of their best human resources or cutting edge technology is needed (Porter, 1985). For a subsidiary diffusing knowledge may mean losing a part of their uniqueness. Conceding knowledge for a subsidiary could mean politically a critical determinant of its survival.

Consequently, subsidiaries have many reasons not to be engaged in the knowledge transfer procedure to other MNC units even though it is about corporate performance. Top management has to find the way to overcome those conflicts of interest for the corporation's prosperity.

5.2.4 Case study: Knowledge management between dispersed units at BMW

At BMW, event and exhibition units (E&E) are located as subdivisions or marketing units, acting a significant role in implementing marketing tactics and communication concerning campaigns such as sponsoring, tradeshow, and firm owned events.

In this case study knowledge transfer is examined between BMW dispersed units, and the utility when knowledge used from a third unit of those interacting. For many years, the dominant aspect was that knowledge is diffused through headquarters to sub-units (Egelhof, 1988; Ghoshal, Bartlett, 1988).

BMW is a highly innovative and technologically advanced MNC. Its brand awareness procedures are initiated from E&E units. Although BMW products are standardized all over the globe, units in different regions seem to act independently by differentiating and implementing their approaches while marketing their products.

During interview with managers with extensive firm specific experience, distinguished five elements were as the most affective to efficient intra-organization knowledge transfer between individuals or E&E units, and those are: Strength of network ties, formality of network ties, absorptive capacity, learning adaptiveness, and communication channels.

Network ties

All managers agreed that network ties affect to a large extent knowledge transfer procedure between E&E units. They argue that Knowledge transfer is not required between units because of local markets characteristics which demand localized actions. The exchange of knowledge is a time spending procedure which produces knowledge that it is not applicable to most other units.

But BMW boosts a culture establishing trustful relationship and cooperation with a small cluster of units, and little communication with other units. The majority of managers alleges that strong network ties are not of great importance because most E&E units rarely base their activity on obtaining knowledge from those alliances.

Formality of network ties

It is accepted that both formal and informal network ties between E&E units enhance knowledge transfer between them. Informally formed structures did not exist among E&E units basically due to the high employee turnover at those units, where most managers are with short term contracts, and secondly BMW's organizational culture does not support the deployment of informal networking among managers. In spite of the inhospitable for informal ties environment, the existing friendships from the working environment derived mainly from the annual E&E conference and other international events and exhibitions organized by cross-unit teams.

In conflict to informal network ties, knowledge is being conveyed through formal networks. Those ties characterized by managers as highly effective. This happens because of three main reasons. First, information is being filtered through formal networks and only relevant and applicable knowledge passes by. Second, through annual conferences managers stemming from all E&E units exchange knowledge in a common to all understandable manner. And third, formal social networks support informal networking, for instance E&E conferences and cross-unit campaigns embed informal networking between managers.

Absorptive capacity

All managers reported the feeling that their E&E units were embed positioned in their local markets. The capacity to perceive and implement knowledge deployed in their unit's respective markets, was acquired through unique processes to these markets between stakeholders and E&E employees. So, managers stated that knowledge transfer was achieved through absorbing knowledge from their local markets and through sharing among employees. Therefore, while the absorptive capacity of each E&E unit from its local market was at high levels, on the other side the absorptive capacity between units was relatively small.

Learning adaptiveness

Learning capability facilitates knowledge transfer and it is undoubtedly beneficial to every E&E unit. At the same time managers reported that learning is dependent on the complexity, usability and adaptation of the acquired knowledge. Managers had little awareness of the unit's experiences via BMW's knowledge repositories. Instead, feedback of particular campaigns is being shared through personal networks or E&E annual conferences.

Cross-unit teams and annual E&E conferences boost learning through knowledge exchange about the implementation of global and local campaigns, operations management and campaign tracking, and expertise issues market-related to event management. Managers reported that despite the knowledge exchange for campaign outcomes concerning other E&E units, small part of this knowledge was effective and helpful due to the context-specificity of knowledge. This kind of knowledge can be helpful for E&E units operating in regions or markets that share similar customer and market characteristics.

Communication channels

Despite the existence of digital portal for marketing related knowledge issues, most managers consider this as the least effective communication channel in comparison to face to face, e-mails communication and telecommunications. Little knowledge through digital channel was transferred. That mainly happens because of the high complexity of knowledge being not easily conceivable. Second, generating and conveying this kind of knowledge through this communication channel is time consuming. Third, regional characteristics render this type of knowledge useless and rarely applicable to other units. Fourth, the intranet is a one way disseminating channel managed exclusively by central management and leading markets. Managers suggested an infrastructure that will classify certain region markets with similar characteristics and encourage knowledge transfer between them.

Surprisingly, the findings of the results indicate that knowledge transfer effectiveness requires different strengths and formalities of social network ties in an intra-unit environment. However, strong network ties between employees and units increase knowledge transactions, which proved to be not always desired. What is of great importance is the notion that derives that weak ties allow wider diversity in knowledge end enhances knowledge transfer through units.

As Burt (1997) states, a fair degree of a unit's autonomy has positive effects in organizational coordination and individual motivation because managers act free and voluntarily rather than being forced to execute bureaucratic rules.

5.3 Elements of organizational culture affecting MNC's activity

Emerging markets is the fuel for the growth engines of the world economy. Multinationals from developed countries are attracted by the potential of those markets, but their success record is

being additionally mixed. Cultural incompatibility is a reason for lack of performance and time consuming procedures in the consolidation of business (Bijlsma, Frankema, 2001).

5.3.1 Organizational culture affecting business performance

As shown in the second chapter, according to Denison's model the cultural and behavioral aspects of organizations are linked to short term and long term performance. Organizational culture does not directly affect organizational performance, but through certain functions and procedures it shapes behaviors of organizational members.

Thus, organizational systems can be described in terms of values and practices of their members (Garibaldi, 2006). Many researchers have studied and confirmed the correlation between organizational culture and performance. Kotter and Heskett (1992), found that corporate culture has a significant positive impact on business performance.

Cameron and Freeman (1991), reported a relationship between types of organizational culture and performance. They found that certain types of culture correspond and are related to certain aspects of effectiveness and performance. For instance, a clan culture (which stresses tradition, trust and shared values) is more effective than other cultures on human relation issues, while a market culture (which emphasize competition and exchange of relationships) is more relevant and leads to resources acquisition.

There are also many arguments that support the notion that organizational culture is related to organizational performance and long term effectiveness (Ahmed, 1998; Cameron, Quinn, 2006; Saffold, 1998; Zheng *et al.*, 2010). They argued that organizational culture is one of the key organizational assets and play a crucial role in the determination of the organizations' effectiveness (Peters, Waterman, 1982).

Meanwhile, there were many empirical studies that diffused the evidence that organizational culture influences a variety of organizational processes and performance outcomes. The strength of cultural values was found to be correlated with the organizational performance of firms in a few cases. Also a number of more analytical studies emerged the effect of certain cultural types to performance and more specifically alleged that competitive and innovative cultures influence performance in greater amount (Yesil, Kaya, 2013).

5.3.2 Organizational culture empowering innovation

Nowadays, living in the most considerable crisis period of the last fifty years, organizations operate in an ever demanding and augmenting global competition environment, characterized by radical changes and a great deal of uncertainty. Under these conditions, innovation is a key driver for corporation's sustainability and growth development (OECD, 2010), and plays a crucial role in competition in both national and firm level (Cefis, Marsili, 2006; Tellis, Prabhu, Chandy, 2009).

Innovation has been conceptualized in versatile fashions, but according to Axtell *et al.* (2000), innovation is referred to as “a process that involves the generation, adoption, implementation and incorporation of new ideas, practices and artifacts within organizations”.

However, this conceptualization is divided to two different paths, product and process innovation which are difficult to distinguish. Hogan, Soutar, Mc-Coll Kennedy and Sweeney in 2011, developed a three-point model conceptualization. The model was composed of innovative behaviors addressed towards the deployment of client-focused, marketing-focused and technology-focused innovation activities.

On the other side, organizational culture has been extended and analyzed in previous chapters. Giving a term it could be said that organizational culture refers to organizational values communicated through norms, artifacts and observed in behavioral patterns (Homburg, Pflesser, 2000; Schein, 1992). Organizational culture is faced by Schein as a set of cultures that exerts multilayered influence to innovation (figure 42).

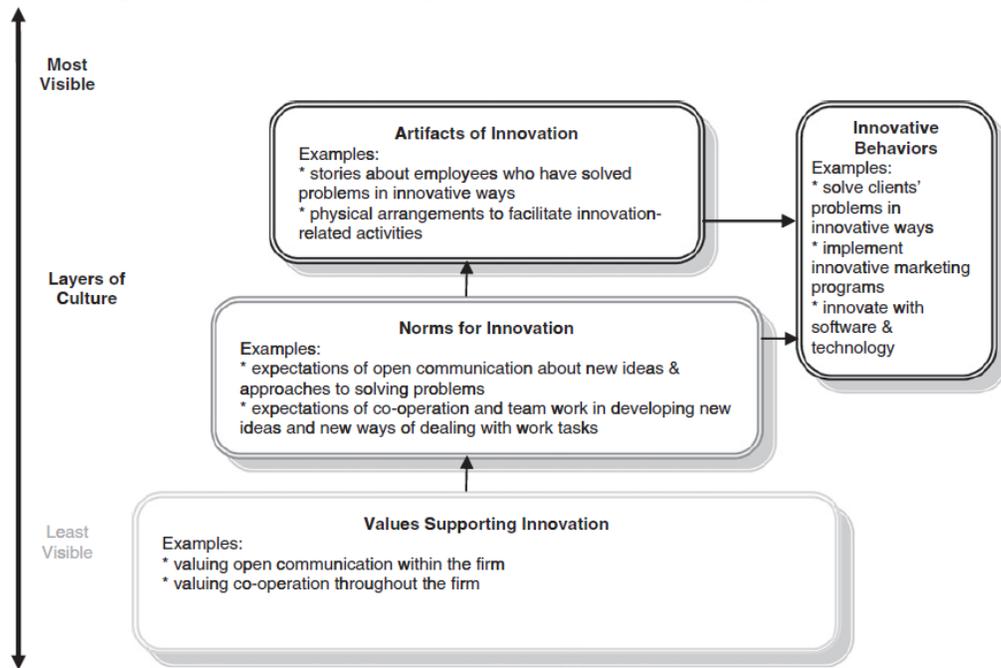
Organizational factors determining innovation

A large number of variables have attributed as innovation determinants. These can be classified as individual, organizational and environmental factors. There are many aspects of business function that affect innovation, such as strategy, leadership, human resource practices and organizational design but the most influential factor is organizational culture.

The main reason is that organizational culture can stimulate innovative behavior among organizational members since it can lead them to a consensus of innovation as a value

characterizing the organization, and can embed commitment (Hartmann, 2006). According to Martins and Terblanche (2003), the basic elements of culture have an effect on innovation and creativity from the insight of coordination and socialization. Through socialization individuals perceive whether these kinds of behaviors are part of the business desired culture. Meanwhile, corporations can, through activities, policies and procedures, elect values which improve creativity levels and innovative capacity.

Figure 41: *Layers of an organization culture that supports innovation*



Source: *Organizational culture, innovation, and performance: A test of Schein's model.*

Cultural types fitting innovation

It is known from literature review that there is a positive correlation between organizational culture and innovation. Cameron and Quinn go a step further by trying to give an empirical answer about organizational cultures influence on innovation.

They used the competing values framework (CVF) to their effort by shedding light on which types of culture enforce or inhibit innovation. The CVF is one of the most extended used tool in empirical studies estimating and analyzing cultures (Valencia *et al.*, 2010). Cameron and Quinn

investigated four cultures - adhocracy, clan, market and hierarchy using two dimensions flexibility and discretion versus stability and control.

Using the above mentioned dimensions and six attributes of the organization, such as the most dominant characteristics, organizational leadership, management of employees, organizational glue, strategic emphases and criteria of success defined properly the four cultural types. Adhocracy culture emphasizes flexibility and change, it is external oriented, and emerges key values such as creativity, risk taking, entrepreneurship. Clan culture emphasizes flexibility but it is internal oriented. Values emerging are teamwork, employee involvement, and corporate commitment to employees. Market culture is external focused but it is control oriented. Core values that characterize market culture are competitiveness and productivity. And finally, hierarchy culture is externally oriented but characterized with control. Its core values are efficiency, coordination and close adherence to rules and regulations.

As it is perceived, a necessary ingredient for the enhancement of innovation is extroversion. That is accredited by Deshpande *et al.* (1993), who underlined that cultures with internal emphasis lead business to being less attentive to market changes, a fact that deters innovation. On the contrary, a business with externally oriented culture indicates greater willingness to obtain information from its business environment and enforce its innovative trends.

Concerning the dimension flexibility/stability, the dominating insight is that flexibility oriented cultures enforce innovation. Stability oriented ones, due to high levels of formalization and centralization, hinder it. The distillate from Cameron's and Quinn's (1999) conclusions is that adhocracy culture is the one that most favors innovation and its two characteristic emerging values are flexibility and external orientation.

Corporations as paradigms of innovation

Firms that emphasize their distinguished culture are known for their ability to create and commercialize new technologies. Such paradigms are Apple, 3M and Google. 3M is launched as a science-based company, while Google as an employer offering cutting edge working environment and practices, and Apple as the corporation bringing to life new ground-breaking technologies.

Innovative organizations, being always at the forefront of evolution, are held as leaders to their operating areas, enjoying universal acceptance and achieving outstanding overall performance. In other words, innovation acts as an ally which when fostered by the suitable culture dignifies competitive advantage.

Chapter summary

Corporations that give basis to the deployment of organizational culture, enjoy the privilege of obtaining competitive advantage. Organizational culture is related to firm performance and has the capacity to affect overall functions of the organization.

To this effort achieving firm performance, knowledge management comprises one of the most important assets of a business. The way corporations manage their knowledge, testifies the organization's future goals and evolution. Organizational culture forms the fashion businesses handle knowledge. Efficient knowledge management leads to organizational effectiveness.

Knowledge diffuses through the organization's networks according to MNC's policy. The role of headquarters during the knowledge transfer process is of great significance and more specific the grade of freedom and motivation that headquarter supply to subsidiaries related to which stocks of knowledge should be transferred and which not.

The case study of BMW emerged useful information about knowledge management. Exchange of knowledge between subsidiaries has not always had a beneficial effect on the organization. All kinds of knowledge is not appropriate and applicable to all kinds of units. Information should be filtered and conformed to the unique characteristics of units and their operational environment, and transferred in a common perceived pattern for them. A fair degree of unit's autonomy is the key to organizational balance.

Besides direct influence on performance, organizational culture has an indirect influence on it through affecting other weighing factors. Such factor is innovation, which exists both in service and product oriented corporations. Organizational culture lies in every organizational level of a business, influencing mentally organizational members to structure their values.

Of course, it is not in every cultural type that facilitates growth of innovation philosophy, but some of them favor and prosper its deployment. What is worth mentioning is that organizational culture expands in all innovation stages, achieving eventually performance enhancement.

Final Conclusions and Recommendations

Organizations that perceive cultural differences and the need for contingency are making a critical step to successful operation in a multinational environment. The influence of organizational culture in the political, social and ethical MNC's context is taken for granted.

First of all, corporations have to realize their cultural mixture. Then, they have to assess their organizational culture and perceive their strengths and weaknesses. Afterwards, they have to set goals by setting a vision. According to their vision and goals, they have to run reforms in versatile aspects of the organization. Their main scope is to create a strong organizational culture. MNCs should reconsider their organizational structure and should build their own hybrid model having in mind that their aim is how to surveil and control efficiently and on time the organization's operations.

Such organizations must redefine the cooperation norms with their subsidiaries according to the market's geographical and cultural characteristics. Headquarters should concede a fair degree of autonomy to subsidiaries by giving authorities and decision making possibilities to subunits, especially when they operate in markets with certain and rare characteristics where local responsiveness is needed.

At the epicenter of the reforms should be the human factor. Organizations should deploy their human resource practices by modernizing and implementing their human resource operations, starting by selection, training and appraisal procedures. Organizations should target to accelerate their human resource development, invest in long term programs aiming to increase job satisfaction and employee commitment levels. These functions should be aligned with work ethics, values and norms that the corporation's culture represents.

In the meantime, organizations should build their organizational culture profile. This can be done by making their goals conceivable to their employees. Hence, organizations must project their former achievements in an influential manner reflecting their working ethics and values. Also, consistent role models should be exposed and mechanisms should be established which will impoverish values and beliefs which do not fit in the organization and at the same time will stimulate them to unlearn them and adapt the desirable ones.

MNCs should also give importance to knowledge management procedures. Knowledge of a business is an asset which is strong and difficult to replace and gives an implicit competitive advantage. Therefore, it should be disseminated in a manner that will add value to the organization and not decelerate its development. As was derived from the BMW case study, knowledge is not as useful to every subunit. There has to be a well-organized intranet, where knowledge should be filtered according to geographical, cultural and other customized characteristics. Headquarters should have a managerial role, evaluating knowledge and dividing it into general knowledge which can be addressed to every subunit and knowledge that can be exchanged through clusters of subunits sharing the same problems and operating in similar cultural and geographical environments.

Concluding, as it is inferred from this thesis, a certain prescription of successful organizational culture does not exist. Perception about communication, consensus, communication, leadership and decision making differs among cultural groups. Organizational culture is the tool to balance those inequalities. Corporate strategies depend on organizational culture and executive's capability managing cultural differences. While exerting organizational culture policies, managers must have the capability to analyze and perceive the logic of other cultures, find the suitable communication channels, indicate fast-pace adaptation in new environments, respect those cultures and manage to deal with cultural inequalities effectively for the organization.

References

1. Adler, N. and Jelinek, M. (1986). Is “Organizational Culture” culture Bound? *Human Resource Management*, Vol 25 (1), pp. 73-90.
2. Ahmed, P. (1998). Culture and climate for innovation. *European Journal of Innovation Management*, Vol. 1 (1), pp. 30-43.
3. Ajmal, M. and Koskinen, K. (2008). Knowledge transfer in project-based organizations: An organizational culture perspective. *Project Management Journal*, Vol. 39 (1), pp. 7-15.
4. Allen, J. and Meyer, J. (1997). The measurements and antecedents of affective, continuance and normative commitment to the organization. *Journal of Occupational Psychology*, Vol. 63, pp. 1-18.
5. Allen, t. (1977). *Managing the flow of technology: Technology transfer and the dissemination of technological information within the R&D organization*. Cambridge, MA: MIT Press.
6. Alvesson, M. (1993). *Cultural perspectives on organizations*. Cambridge: Cambridge University Press.
7. Alvesson, M. (2001). *Understanding organizational culture*. London: Sage Publications.
8. Argyris, C., Putnam, R., and Smith, D. (1985). *Action science*. San Francisco: Jossey-Bass.
9. Armenakis, A. and Harris, S. (2009). Reflections: Our journey in organizational change research and practice. *Journal of Change Management*, Vol. 9 (2), pp. 127-42.
10. Ashforth, B. (1985). Climate formation: Issues and extensions. *Academy of Management Review*, Vol. 10, pp. 837-847.
11. Avery, G. (2004). *Understanding leadership: Paradigms and cases*. London: Sage.
12. Avery, G. and Bergsteiner, H. (2010). Organizational climate and performance in retail pharmacies. *Leadership & Organization Development Journal*, Vol. 32 (3), pp. 224-242.

13. Axtell, C., Unsworth, D., Wall, K., Waterson, P. and Harrington, E. (2000). Shopfloor innovation: Facilitating the suggestion and implementation of ideas. *Journal of Occupational and Organizational Behavior*, Vol. 73, pp. 265-85.
14. Ball, D. and McCulloch, W. (1999). *International business: the challenge of global competition*. London: Irwin McGraw Hill.
15. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, Vol 17 (1), pp. 99-120.
16. Bartlett, C. (1988). Organizing for worldwide effectiveness: The transnational solution. *California Management Review*, pp. 54-74.
17. Bartunek, J. (1984). Changing interpretive schemes and organizational restructuring: The example of a religious order. *Administrative Science Quarterly*, Vol 29, pp. 355-372.
18. Becker, B. and Huselid, M. (1998). High Performance Work Systems and firm performance, a synthesis of research and managerial implications. *Research in personnel and Human Resource Management*, Vol 16, pp. 53-101.
19. Becker, G. (1964). *A theoretical and empirical analysis, with special reference to education*. New York: National Bureau of Economic Research.
20. Becker, G. (1993). *Human Capital*. Chicago: University of Chicago Press.
21. Bhatt, G. (2001). Knowledge management in organizations: Examining the interaction between technologies, techniques, and people. *Journal of Knowledge Management*, Vol. 5 (1), pp. 68-75.
22. Biedenbach, T. and Soumlerholma, A. (2008). The challenge of organizing change in hypercompetitive industries: A literature review. *Journal of change management*, Vol. 8 (2), pp. 123-45.
23. Bijlsma-Frankema, K. (2001). On managing cultural integration and cultural change processes in mergers and acquisitions. *Journal of European Industrial Training*, Vol. 25, pp. 192-207.
24. Birkinshaw, J. and Hood, N. (1998). Multinational subsidiary evolution: Capability and charter change in foreign-owned subsidiary companies. *Academy of Management review*, Vol. 23 (4), pp. 773-795.

25. Birkinshaw, J. and Prashantham, S. (2012). Initiative in multinational subsidiaries. In A. Verbeke and H. Merchant, ed. *Handbook of research on international strategic management*. Cheltenham: Edward Elgar, pp. 155-168.
26. Björkman, I., Barner-Rasmussen, W. and Li, L. (2004). Managing knowledge transfer in MNCs: The impact of headquarters control mechanisms. *Journal of International Business Studies*, Vol. 35 (5), pp. 443-455.
27. Bock, G., Zmud, R., Kim, Y. and Lee, J.(2005). Behavioral intention formation in knowledge sharing: Examining the roles of extrinsic motivators, social-psychological forces, and organizational climate. *MIS Quarterly*, Vol. 29 (1), pp. 87-111.
28. Boston Consulting Group (2015). The future of the HR in Europe: key challenges through 2015.
29. Bremmer, M. (2015). Holacracy: A new way of organizing. Available at: <https://www.leadershipandchangemagazine.com/holacracy/> [Accessed 10 March 2017].
30. Brenner, B. (2009). *Management control in Central and Eastern European subsidiaries*. Houndmills: Palgrave Macmillan.
31. Briscoe, D. and Schuler, R. (2004). *International Human Resource Management: Policy and practice for the global enterprise*, 2nd ed. New York: Routledge.
32. Burt, R. (1997). The contingent value of social capital. *Administrative Science Quarterly*, Vol. 42 (2), pp. 339-64.
33. Cameron, K. An introduction to competing values framework. Available at: <http://faculty.mu.edu.sa/public/uploads/1360773197.1216organizational%20cult125.pdf> [Accessed 20 December 2016].
34. Cameron, K. and Freeman, S. (1991). Cultural congruence strength and type: Relationships to effectiveness. In Woodman, R. and Pasmore, W., ed., *Research in Organizational Change and Development*, ed. Greenwich: JAI Press, Vol. 5, pp. 23-58.
35. Cameron, K. and Quinn, R. (2006). *Diagnosing and changing organizational culture*, revised ed. San Francisco: Jossey Bass.
36. Cameron, K. S. and Quinn, R. E. (1999). *Diagnosing and changing organizational culture: Based on the competing values framework*. Reading, MA: Addison-Wesley.

37. Cameron, K., Quinn, R., DeGraff, J. and Thakor A. (2006). *Competing values leadership: Creating value in Organizations*. Northampton: Elgar Publishing.
38. Cavusgill, T., Knight, G. and Riesenberger, J. (2012). *International Business: the new realities*, 2nd ed. New Jersey: Prentice Hall, p. 516.
39. Cavusgill, T., Knight, G. and Riesenberger, J. (2012). *International Business: the new realities*, 2nd ed. New Jersey: Prentice Hall, pp. 509-511.
40. Cefis, E. & Marsili, O. (2006). Survivor: The role of innovation in firms' survival. *Research Policy*, Vol. 35 (5), pp. 626-641.
41. Cennamo, L. and Gardner, D. (2008). Generational differences in work values, outcomes and person-organization values fit. *Journal of Managerial Psychology*, Vol 23 (8), pp. 891-906.
42. Chackerian, R. and Mavima, P. (2001). Comprehensive administrative reform implementation: moving beyond single issue implementation research. *Journal of Public Administration Research and Theory*. Vol. 11 (3), pp. 353-378.
43. Chapman, S. (1985). British-based investment groups before 1914. *Economic history review*, Vol 38, pp. 230-235.
44. Clark, M. (2002). The relationship between employee's perceptions of organizational climate and customer retention rates in a major UK retail bank. *Journal of Strategic Marketing*, Vol. 10 (2), pp. 93-113.
45. Cohen, W. and Levinthal, D. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, Vol. 35 (1), pp. 128-152.
46. Currie, D. (2009). *Introducere in managementul resurselor umane*. Bucharest: Codecs.
47. Darwish, T., Satwinder, S. and Geoffrey, W. (2015). The impact of human resource practices on actual and perceived organizational performance in a middle eastern emerging market. *Human Resource Management Journal*, Vol 55 (2), pp. 261-281.
48. De Geus, A. (1988). Planning as learning. *Harvard Business Review*, vol. 88 (2), pp. 70-74.
49. Deetz, S., Tracy, S. and Simpson, J. (2000). *Leading organizations through transitions: Communication and cultural change*. Thousand Oaks, CA: Sage.

50. Deleon, P. and Deleon, L. (2002). What ever happened to policy implementation? An alternative approach. *Journal of Public Administration Research and Theory*, Vol. 12, pp. 467-492.
51. Denison, D. (1984). Bringing corporate culture to the bottom line. *Organizational Dynamics*, Vol 13 (2), pp. 4-22.
52. Denison, D. (1990). *Corporate culture and organizational effectiveness*. New York: Wiley Publications.
53. Denison, D. (1996). What is the difference between organizational culture and organizational climate? A native's point of view on a decade of paradigm wars. *Academy of Management Review*, Vol 21 (3), pp. 619-654.
54. Denison, D. (1996). What is the difference between organizational culture and organizational climate? A native's point of view on a decade of paradigm wars. *Academy of Management Review*, Vol 21 (3), pp. 778.
55. Denison, D. (1996). What is the difference between organizational culture and organizational climate: A native's point of view on a decade of paradigm wars? *Academy of Management Review*, Vol. 21 (3), pp. 619-635.
56. Denison, D. and Mishra, A. (1995), Towards a theory of organizational culture and effectiveness. *Organizational Science*, Vol 16 (2), pp. 204-223.
57. Denison, D. and Spreitzer, G. (1991). Organizational culture and organizational development: A competing values approach. *Research in organizational change*, Vol 5, pp.1-21.
58. Denison, D. Neale, W. (1996). *Denison organizational culture survey*. Washington: Denison Consulting, LLC.
59. Denison, D., Cho, H. and Young, J. (2000). *Diagnosing Organizational Cultures: Validating a model and method*. Ann Arbor: University of Michigan Business School.
60. Deshpande, R. Farley, J. and Webster, F. (1993). Corporate culture. Customer orientation, and innovativeness in Japanese firms: a quadrad analysis. *Journal of Marketing*, Vol. 57 (1), pp. 23-37.
61. Doktor, R. (1990). Asian and American CEOs: A Comparative Study. *Organizational Dynamics*, Vol 18 (3), pp. 46-56.

62. Dowling, P., Festing, M. and Engle, A. (2008). *International HRM: Managing people in a multinational context*, 5th ed. London: Thomson Learning.
63. Downs, J. (1971). *Cultures in crisis*, Beverly Hills: Glencoe Press, p. 29.
64. Drexler, J. (1977). Organizational climate: It's homogeneity within organizations. *Journal of Applied Psychology*, Vol. 62, pp. 38-42.
65. Dunning, J. (1993). *Multinational enterprises and the global economy*. Workingham, UK: Addison-Wesley Publishing Company.
66. Dupuis, J.P. (2014). New approaches in cross cultural management research. The important of context and meaning in the perception of management styles. *International Journal of cross cultural management*, Vol 14 (1), pp. 67-84.
67. Earley, C. (2006). Leading cultural research in the future: A matter of paradigms and taste. *Journal of International Business Studies*, Vol 37, pp. 922-931.
68. Egelhof, W. (1988). *Organizing the multinational. An information processing perspective*. New York: Ballinger.
69. Eskerod, P. and Skriver, H. (2007). Organizational culture restraining in-house knowledge transfer between project managers- a case study. *Project Management Journal*, Vol. 38 (1), pp. 110-122.
70. Ferraro, G. (1990). *The cultural dimension of International Business*, Upper saddle river, NJ: Prentice Hall, p. 76.
71. Fey, C. and Denison, D. (2003). Organizational Culture and Effectiveness: Can American theory be applied in Russia?. *Organizational science*, Vol 14 (6).
72. Foss, N. and Pedersen, T. (2002). Transferring knowledge in MNCs: the role of sources of subsidiary knowledge and organizational context. *Journal of International Management*, Vol. 8 (1), pp. 1-19.
73. Frost, T. (2001). The geographical sources of foreign subsidiaries' innovations. *Strategic Management Journal*, Vol. 22 (2), pp. 101-123.
74. Gardner, T. (2002). In the trenches at the talent wars: Competitive interaction for scarce human resources. *Human Resource Management*, Vol 41 (2), pp. 225-237.
75. Garibaldi de Hilal, A. (2006). Brazilian national culture, organizational culture and cultural agreement: Findings from a Brazilian multinational company. *International Journal of Cross Cultural Management*, pp. 139-67.

76. Gee, M. and Nystrom, P. (1999). Strategic fit between skills training and levels of equality management: An empirical study of American manufacturing plants. *Human resource Planning*, Vol 22 (2), pp. 12-23.
77. Ghoshal, S. and Bartlett, C. (1988). Creation, adoption, and diffusion of innovations by subsidiaries of multinational corporations. *Journal of International Business Studies*, Vol. 19 (3), pp. 365-88.
78. Ghoshal, S. and Bartlett, C. (1990). The multinational corporation as an interorganizational network. *Academy of Management Review*, Vol. 15 (4), pp. 603-625.
79. Gibbert, M. and Krause, H. (2002). Practice exchange in a best practice marketplace. In Davenport, T. and Probst, G. eds, *Knowledge Management Case Book: Siemens Best practices*, ed. Erlangen: Public Corporate Publishing, pp. 89-105.
80. Ginevicius, R. and Vaitkunaite, V. (2006). Analysis of organizational culture dimensions impacting performance. *Journal of Business Economics and Management*. Vol 7, pp. 201-211.
81. Gomez, M., Balkin, L. and Cardy, R. (2010). *Managing Human Resources*. New Jersey: Prentice Hall.
82. Gorman, S. (2012). China tech giant under fire, Congressional probe says Huawei poses national-security threat to the U.S. *The Wall Street Journal*. Available at: <http://online.wsj.com/news/articles/SB10000872396390443615804578041931689859530>
83. Grant, R. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, Vol. 17 (Winter special issue), pp. 109-122.
84. Griffin, R. and Pustay, M. (2010). *International Business*, 6th ed. New Jersey: Pearson education Inc.
85. Gupta, A. and Govindarajan, V. (2000). *Knowledge flows within multinational corporations*. *Strategic Management Journal*, Vol. 21 (4), pp. 473-496.
86. Gupta, B., Lyer, L. and Aronson, J. (2000). Knowledge management: Practices and challenges. *Industrial Management and Data Systems*, Vol. 100 (1), pp. 17-21.
87. Hall, E. (1976). *Beyond culture*, New York: Anchor Press.

88. Hansen, M. (1999). The search-transfer problem: The role of weak ties in sharing knowledge across organization subunits. *Administrative Science Quarterly*, Vol. 44 (1), pp. 82-111.
89. Hartmann, A. (2006). The role of organizational culture in motivating innovative behavior in construction firms. *Construction innovation*, Vol. 6 (3), pp. 159-72.
90. Harzing, A-W. and Ruysseveldt, J. V. (2004). Internationalization and the international division of labor. In: A-W. Harzing, ed., *International Human Resource Management*, 2nd ed. Thousand Oaks, CA: SAGE Publications Ltd, pp. 9-10.
91. Hatch, M. (1993). The dynamics of organizational culture. *Academy of Management Review*, Vol. 18 (4), pp. 657-676.
92. Herskovits, J. (1955). *Cultural anthropology*, New York: Knopf Publishing.
93. Herzberg, F. Mausner, B. and Snyderman, B. (1959). *The motivation to work*. New York: Wiley.
94. Hill, C. (2013). *International Business: Competing in the global marketplace*, 9th ed. New York: McGraw-Hill Irwin, pp. 448-449.
95. Hodgetts, R. and Luthans, F. (2003). *International Management: Culture, strategy and behavior*, 5th ed. Boston: McGraw-Hill Irwin.
96. Hoeklin, L. (1995). *Managing cultural differences*. Workingham: Addison Wesley.
97. Hofstede, G. (1983). *Cultures and organizations; Software of the mind: Intercultural Cooperation and Its Importance for Survival*. London: Harper Collins.
98. Hofstede, G. (1983). The cultural relativity of organizational practices and theories. *Journal of International Business Studies*, Vol 14, p. 92.
99. Hofstede, G. (1984). *Culture's consequences: International differences in work – related values*. Beverly Hills: Sage Publications.
100. Hofstede, G. (1991). *Cultures and organizations: Software of the mind*. London: McGraw-Hill.
101. Hofstede, G. (2002). *Culture's Consequences: Comparing values, behaviors, institutions and organizations across nations*, 2nd ed. Thousand Oaks CA: Sage Publications, pp. 419-420.

102. Hofstede, G. (2006). What did GLOBE really measure? Researchers' minds versus respondents' minds. *Journal of international business Studies*, Vol 37, pp. 882-896.
103. Hofstede, G. and Bond M. (1984). The need for synergy among cross-cultural studies. *Journal of Cross-Cultural Psychology*, December 1984, p. 419.
104. Hofstede, G. and Minkov, M. (2010). *Cultures and organizations: Software of the mind*. New York: McGraw-Hill.
105. Hogan, J., Lehmann, D., Merino, M., Srivastava, R., Thomas, J. and Verhoef, P. (2002). Linking customer assets to financial performance. *Journal of Service Research*, Vol 5 (1), pp. 26-38.
106. Hogan, S., Soutar, G., McColl-Kennedy, J. and Sweeney, J. (2011). Reconceptualizing professional service firm innovation capability: Scale development. *Industrial Marketing Management*. Vol. 40 (8), pp. 1264-1273.
107. Homburg, C. and Pflesser, C. (2000). A multiple-layer model of market-oriented organizational culture: Measurement issues and performance outcomes. *Journal of Marketing Research*, Vol. 37 (4), pp. 449-462.
108. Hoogervorst, J., Van der Flier, H. Koopman, P. (2004). Implicit communication in organizations: The impact of culture, structure and management practices on employee behavior. *Journal of Managerial Psychology*, Vol 19 (3), pp. 288-311.
109. House, R., Hanges, P., Javidan, M., Dorfman, P. and Gupta V. (2004). *Culture, leadership, and organizations: The GLOBE Study of 62 societies*. London: Sage Publications.
110. Huawei. (2013). *Annual Report*. Huawei Investment & Holding Co., Ltd. Available at: http://www.huawei.com/ucmf/groups/public/documents/annual_report/hw_u_25603_2.pdf
111. Hughes, R. (2003). Weekend journal: Futures and options: Global culture. *The Wall Street Journal*, Vol 10, p. W2.
112. Hult, T. (2011). Toward a theory of the boundary-spanning marketing organization and insights from 31 organization theories. *Journal of the Academy of Marketing Science*, Vol 39, pp. 509-536.

113. Huselid, M., (1995). The impact of Human Resource Management on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, Vol 38, pp. 635-672.
114. Hymer, S. (1976). *The international operations of national firms: A study of direct foreign investment*. Massachusetts: MIT Press.
115. Jackson, T. (2013). Culturalists versus institutionalists: A false debate? *International journal of cross cultural management*, Vol 13 (1), pp. 3-4.
116. Janz, B. and Prasarnphanich, P. (2003). Understanding the antecedents of effective knowledge management: The importance of knowledge-centered culture. *Decision Science*, Vol. 34 (2), pp. 351-384.
117. Jarvenpaa, S. and Staples, D. (2001). Exploring perceptions of organizational ownership of information and expertise. *Journal of Management Information Systems*, Vol. 18 (1), pp. 151-183.
118. Javidan, M. and House, R. (2001). Cultural Acumen for the Global Manager: Lessons from project GLOBE. *Organizational Dynamics*, Vol 29 (4), pp. 289-305.
119. Javidan, M. and House, R. (2002). Leadership and cultures around the World: Findings from GLOBE: An introduction to the Special Issue. *Journal of world Business*, Vol 37 (1), pp. 1-2.
120. Jones, R., Jimmieson, N. and Griffiths, A. (2005). The impact of organizational culture and reshaping capabilities on change implementation success: The mediating role of readiness for change. *Journal of Management Studies*, Vol 42 (2), pp. 359-384.
121. Kagitsibasi, C. and Berry, J. (1989). Cross-cultural psychology: Current researches and trends. *Annual review of psychology*, Vol 40, pp. 493-531.
122. Khana, S. and Palepu, K. (1999). The right way to restructure conglomerates in emerging markets. *Harvard Business Review*, pp. 125-134.
123. Kilman, R. H., Saxton, M. and Serpa, R. (1985). *Gaining control of the corporate culture*. San Francisco, CA: Jossey-Bass.
124. Kim, W. and Mauborgne, R. (2005). *Blue Ocean Strategy*. Boston: Harvard Business School Press.

125. Kluckhohn, C. and Kelly, W. (1945). *The concept of culture*, New York: Appleton-Century-Crofts.
126. Kluckhohn, C. and Kroeber, A. (1952). *Culture: A critical review of concepts and definitions*. Peabody Museum of Archaeology & Ethnology, Harvard University, vol 47 (January), pp. 85-89.
127. Kluckhohn, F. and Strodtbeck, F. (1961). *Variations in value orientations*. New York: HarperCollins.
128. Koene, B., Vogelaar, A. and Soeters, J. (2002). Leadership effects on organizational climate and financial performance: Local leadership effect in change organizations. *The Leadership Quarterly*, Vol. 13 (3), pp. 193-215.
129. Kotter, J. (1996). *Leading change*. Boston: Harvard Business School Press.
130. Kotter, J. and Heskett, J. (1992). *Corporate culture and performance*. New York: Macmillan.
131. Lane, H. and Distefano, J. (1992). *International management behavior*, Boston: PWS-Kent Publishing, p. 214.
132. Lawler, E. (1996). From the ground up: Six principles for building the new Logic Corporation. San Francisco: Jossey-Bass publications.
133. Lee, H. and Choi, B. (2003). Knowledge management enablers, process, and organizational performance: An integrative view and empirical examination. *Journal of Management Information Systems*, Vol. 20 (1), pp. 179-228.
134. Lehrer, M. and Asakawa, K. (1999). Unbundling European operations: Regional management and corporate flexibility in American and Japanese MNC's. *Journal of world Business*, Vol. 34 (3), pp. 267-286.
135. Leidner, D., Alavi, M. and Kayworth, T. (2006). The role of culture in knowledge management: A case study of two global firms. *International Journal of e-Collaboration*, Vol. 2 (1), pp. 17-40.
136. Lepak, D., Liao, H., Chung, Y. and Harden E. (2006). A conceptual review of Human Resource Management Systems in Strategic Human Resource Management Research. *Research in Personnel and Human Resources Management*, Vol 25, pp. 217-271.
137. Likert, R. (1961). *New Patterns of Management*. New York: McGraw-Hill.

138. Lin, Y. and Dalkir, K. (2010). Factors affecting KM implementation in the Chinese community. *International Journal of Knowledge Management*, Vol. 6 (1), pp. 1-22.
139. Lu, C.M., Chen, S.J., Huang, P.C. and Chien, J-C. (2015). Effect of diversity on Human Resource Management organizational performance. *Journal of Business Research*, Vol 68, pp. 857-861.
140. Luo, Y., Cacchione, M., Junkunc, M. and Lu, S. (2011). Entrepreneurial pioneer of international venturing: The case of Huawei. *Organizational dynamics*, Vol. 40 (1), pp. 67-74.
141. Luthans, F. and Doh, J. (2012). *International Management: Culture, strategy and behavior*, 8th ed. New York: McGraw-Hill.
142. Mabey, C. (2008). Management development and firm performance in Germany, Norway, Spain and the UK. *Journal of International Business Studies*, Vol 39, pp. 1327-1342.
143. Markus, M., Majchrzak, A. and Gasser, L. (2002). A design theory for systems that support emergent knowledge processes. *MIS Quarterly*, Vol. 26 (3), pp. 179-212.
144. Martin, J. (1992). *Cultures in organizations: Three perspectives*. New York: Oxford University Press.
145. Martin, J. (2002). *Organizational culture*. Thousand Oaks: Sage publications.
146. Martin, J. and Frost, P. (1996). *The organizational culture war games*. *Handbook of Organizational Studies*. London: Sage Publications.
147. Martin, J. and Meyerson, D. (1988). Managing ambiguity and change. In L. Pondy Ed. *Organizational cultures and the denial, channeling and acknowledgement of ambiguity*. New York: Wiley Publications.
148. Martin, J., Feldman, M., Hatch, M. and Sitkin, S. (1983). The uniqueness paradox in organizational stories. *Administrative Science Quarterly*, Vol. 28, pp. 438-452.
149. Martin, J., Frost, P. and O' Neill, O. (2006). *Organizational culture: Beyond struggles for intellectual domination*, 2nd ed. London: Sage Publications, pp. 725-753.

150. Martins, E. and Terblanche, F. (2003). Building organizational culture that stimulates creativity and innovation. *European Journal of Innovation Management*, Vol. 6 (1), pp. 64-74.
151. McCall, M. and Hollenbeck, G. (2002). *Developing global executives: The Lessons of International experience*. Boston: Harvard Business School Press.
152. McSweeney, B. (2002). Hofstede's model of national cultural differences and their consequences: a triumph of faith – a failure of analysis, *Human Relations Journal*, vol. 55 (1), pp. 89–118.
153. Meglino, B. and Ravlin, E. (1998). Individual values in organizations: Concepts, controversies, and research. *Journal of Management*, Vol 24, pp. 351-389.
154. Meyerson, D. and martin, J. (1987). Cultural change: An integration of three different views. *Journal of Management Studies*, Vol 24, pp. 623-647.
155. Mindtools.com. The seven dimensions of culture. Available at: <https://www.mindtools.com/pages/article/seven-dimensions.htm> [Accessed 16 November 2016].
156. Moran, E. and Volkwein, J. (1992). The cultural approach to the formation of organizational climate. *Human Relations*, Vol. 45, pp. 19-47.
157. Myers, C. (2017). The definitions of horizontal and vertical organizations. Available at: <http://smallbusiness.chron.com/definitions-horizontal-vertical-organizations-23483.html> [Accessed 5 April 2017].
158. Nair, R. (2006). Climate studies and associated best practices to improve climate issues in the workplace. In: *Proceedings of the 2006, WEPAN conference, WEPAN-woman in engineering programs and advocates network*.
159. Nordstrom, K. and Vahlne, J-E. (1994). International Trade: Regional and global Issues. In M. Landeck, ed. *Is the globe shrinking? Psychic distance and the establishment of Swedish sales subsidiaries during the last 100 years*, ed. New York: St Martin's Press, pp. 41-56.
160. Numeroff, R. and Abrams, M. (1998). Integrating corporate culture from international M&As. *HR Focus*, Vol 6, p. 12.
161. O' Driscoll, M. and Evans, R. (1988). Organizational factors and perceptions of climate in three psychiatric units. *Human Relations*, Vol. 41 (5), pp. 371-88.

162. O' Reilly, C., Chatman, J. and Caldwell, D. (1991). People and organizational culture: A profile comparison approach to assessing person-organization fit. *Academy of Management Journal*, Vol 34, pp. 487-516.
163. O'Reilly, C. (1989). Corporations, culture, and commitment: Motivation and social control in organizations. *California Management Review*, Vol 31, pp. 9-25.
164. O'Connor, N. (1995). The Influence of organizational culture on the usefulness of budget participation by Singaporean-Chinese managers. *Accounting, Organizations and Society*, Vol 20 (5), pp. 383-403.
165. OECD (2010). Launch of the OECD's strategy. [Online] Available at: http://www.oecd.org/document/12/0,3343,en_2469_34273_45330700_1_1_1_1,00.html [Accessed 18 May 2017].
166. Orlikowski, W. (2002). Knowing in practice: Enacting a collective capability in distributed organizing. *Organization Science*, Vol. 13 (3), pp. 249-273.
167. Paper, D., Roger, J. and Pendharkar, P. (2001). A BPR case study at Honeywell. *Business Process Management Journal*, Vol. 7 (2), pp. 85-99.
168. Parker, C., Baltes, B., Young, S., Huff, J., Altman, R., LaCost, H. and Roberts, J. (2003). Relationships between psychological climate perceptions and work outcomes: A meta-analytic review. *Journal of Organizational Behavior*, Vol 24, pp. 389-416.
169. Parker, M. (2000). *Organizational culture and identity*. London: Sage Publications.
170. Patterson, K. (2005). *Leadership practices*. Virginia Beach: Regent University Law School Admissions.
171. Peltonen, T. (2006). Critical theoretical perspectives on international human resource management. In G. Stahl and I. Björkman, ed. *Handbook of research in International Human Resource Management*. Cheltenham: Edward Elgar, pp. 523-535.
172. Permarupan, P. Saufi, R., kasim, R. and Balakrishnan, B. (2013). The impact of organizational climate of employee's work passion and organizational commitment. In: *Evaluation for Learning for Performance Improvement International Conference*, pp. 88-95. Available at: www.sciencedirect.com

173. Perryer, C. and Jordan, C. (2005). The influence of leader behaviors on organizational commitment: A study in the Australian public sector. *International Journal of Public Administration*, Vol. 28 (5/6), pp. 379-96.
174. Peters, T. and Waterman, R. (1982). *In search of excellence-Lessons from America's best run companies*. London: Harper Collins Publishers.
175. Peterson, M. Smith, P. Akande, A. Ayestaran, S. Bochner, S. Callan, V. Guk Cho, N. Jesuino, J-C. D'Amorim, M. Francois, P-H. Karsten Hofmann, K. Koopman, P. Leung, K. Lim, T. Mortazavi, S.Munene, J. Radford, M.Ropo, A. Savage, G. Bernadette Setiad, B. Sinha, T. Sorenson, R. and Viedge, C. (1995). Role, Conflict, Ambiguity, and Overload: A 21-Nation Study. *Academy of Management Journal*, June 1995, pp. 429-452.
176. Pettigrew, A. (1979). Organizational climate and culture: Two construct in search of a role. In B. Schneider, *Organizational climate and culture*, ed. San Francisco: Jossey Bass, pp. 413-434.
177. Pfeffer, J. (1994). *Competitive advantage through people: Unleashing the power of the workforce*. Boston: Harvard Business School Press.
178. Pidgeon, N., O' Leary, M. (2000). Man-made disasters: Why technology and organizations (sometimes) fail. *Safety Science*, Vol 34, pp. 15-30.
179. Platonova, E. (2005). *The relationship among Human Resource Management, organizational culture, and organizational performance*. PhD. University of Alabama at Birmingham.
180. Politis, J. (2003). The connection between trust and knowledge management: What are its implications for team performance. *Journal of Knowledge Management*, Vol. 7 (5), pp. 55-66.
181. Porter, M. (1985). *Competitive Advantage*. New York: Free press.
182. Porter, M. (2005). What is competitiveness? *IESE Business School, Spain*.
183. Prahalad, C. and Oosterveld, J. (1999). Transforming internal governance: The challenge for multinationals. *Sloan Management Review*, pp.31-41. Available at: <http://sloanreview.mit.edu/article/transforming-internal-governance-the-challenge-for-multinationals/> [Accessed 10 February 2017].

184. Quinn, R. (1988). *Beyond rational management: Mastering the paradoxes and competing demands of high performance*. San Francisco: Jossey-Bass.
185. Quinn, R. and Kimberly, J. (1984). Managing organizational transitions. In J. Kimberly and R. Quinn, ed. *Paradox, planning and perseverance: Guidelines for managerial practice*, ed. Homewood, IL: Dow Jones-Irwin.
186. Rodriguez, J. and Stewart, P. (2017). HRM and work practices in Chile: the regulatory power of organizational culture. *Employee Relations*, Vol 39 (3), pp. 378-390.
187. Rosenzweig, P. and Nohria, N. (1994). Influences on Human Resource Management practices in multinational corporations. *Journal of International Business Studies*, Vol 25 (3), pp. 229-251.
188. Rugman, A. and Verbeke, A. (2001). Subsidiary-specific advantages in multinational enterprises. *Strategic Management Journal*, Vol. 22 (3), pp. 237-250.
189. Ryder, P. and Southey, G. (1990). An exploratory study of the Jones and James organizational climate scales. *Asia Pacific Human Resources Management*. August, pp. 45-52.
190. Sackman, S. (1991). Uncovering culture in organizations. *Journal of Applied Behavioral Sciences*, Vol. 27 (3), pp. 295-317.
191. Saffold, G. (1998). Culture traits, strength and organizational performance: Moving beyond strong culture. *The Academy of Management Review*, Vol. 13, pp. 546-558.
192. Sarason, S. (1982). *The culture of the school and the problem of change*. Boston: Allyn & Bacon.
193. Sasaki, H., Yonemoto, N., Mori, R., Nishida, T., Kusuda, S. and Nakayama, T. (2017). Assessing archetypes of organizational culture based on the competing values framework: The experimental use of the framework in Japanese neonatal intensive care units. *International Journal for Quality and Health Care*, Vol. 29 (3), pp. 384-391.
194. Schein, E. (1985). *Organizational culture and leadership*. San Francisco: Jossey Bass.

195. Schein, E. (1992). *Organizational culture and leadership*, 2nd ed. San Francisco: Jossey-Bass Publishing, pp. 25-26.
196. Schein, E. (1997). *Organizational culture and leadership*, 2nd ed. San Fransisco: Jossey-Bass Publishing, p. 12.
197. Schein, E. (2004). *Organizational culture and leadership*, 3rd ed. San Francisco: Jossey Bass.
198. Schermerhorn, J. (1987). "Language effects in cross cultural management research: An empirical study and a word of caution". *Proceedings of the academy of management*, Vol 3 (issue 1), p. 103.
199. Schneider, B. (1974). Organizational type, organizational success, and the prediction of individual performance. *Unpublished manuscript*, Department of Psychology: University of Maryland.
200. Schneider, B. and Bowen, D. (1985). Employee and customer perceptions of service in banks: Replication and extension. *Journal of Applied Psychology*, Vol. 70, pp. 423-433.
201. Schultz, C., Mattor, K. and Moseley, C. (2016). Aligning policies to support forest restoration and promote organizational change. *Forest Policy and Economics*, Vol. 73, pp. 195-203.
202. Schultz, T. (1961). Investment in human capital. *American Economic Review*, Vol 51 (1), pp. 1-17.
203. Schultz, T. (1971). *Investment in human capital: The role of education and research*. New York: Free press.
204. Schumacher, T. (1997). Cultural complexity in organizations. In S. Sackmann, ed. *West Coast Camelot: The rise and fall of an organizational culture*, 1st ed. Thousand Oaks: Sage publication.
205. Schwartz, S. (1994). Are there universal in the Structure and contents of human values? *Journal of Social Issues*, Vol 50 (4), pp. 19-45.
206. Schwartz, S. and Ros, M. (1996). Values in the West: A theoretical and empirical challenge to the individualism-collectivism cultural dimension. *Word Psychology*, Vol 1, pp. 91-122.

207. Scullion, H. (2005). International HRM: An introduction, In H. Scullion, J. Storey, ed. *Human Resource Management: A critical text*. Basingstoke: Palgrave Macmillan, pp. 3-21.
208. Segal-Horn, S. and Faulkner, D. (1999). *The dynamics of international strategy*. London: International Thomson, and in Galbraith (2000).
209. Shina, K. (2016). Organizational Culture: Meaning, Characteristics, Typology and Other Details. Available at: www.Yourarticlelibrary.com [Accessed 15 December 2016].
210. Sinha, J.B.P. (1990). *Work culture in the Indian context*. New Delhi: Sage
211. Sinha, J.B.P. and Mohanty, S. (2004). *Tata steel: Becoming world class*. New Delhi: Sri Ram Centre for industrial relations and human resources.
212. Smith, I. (2005). Continuing professional development and workplace learning 11: Managing the “people” side of organizational change. *Library Management*, Vol. 26 (3), pp. 152-155.
213. Smith, P. (2006). When elephants fight, the grass gets trampled: the GLOBE and Hofstede projects. *Journal of International Business Studies*, Vol 37, pp. 915-921.
214. Soderberg, A. M. and Holden, N. (2002). Rethinking cross cultural management in a globalizing business world. *International Journal of Cross Cultural Management*, Vol 2 (1), pp. 13-21.
215. Sparrow, P. and Braun, W. (2008a). HR strategy theory in international context, In M. Harris, ed. *The handbook of research in international human resource management*. Mahwah, NJ: Lawrence Erlbaum, pp. 77-106.
216. Spender, J-C. (1996). Making knowledge the basis of a dynamic theory of the firm. *Strategic Management Journal*, Vol. 17 (Winter special issue), pp. 45-62.
217. Stahl, G. and Bjorkman, I. (2006). *Handbook of research in International Human Resource Management*. Cheltenham: Edward Elgar Publishing.
218. Stalk, G., Evans, P. and Schulman, L.E. (2002). Competing on capabilities: the new rules of corporate strategy. *Harvard Business Review*, Vol 70 (2), pp. 57-69.
219. Steiner, G. and Steiner, J. (2003). *Business government, and society*. New York: McGraw-Hill.

220. Stone, D., Deadrick, D., Lukaszewski, K. and Johnson, R. (2015). The influence of technology on the future Human Resource Management. *Human Resource Management Review*, Vol 25 (2), pp. 216-231.
221. Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal*, Vol. 17 (Winter and special issue), pp. 27-43.
222. Szulanski, G. (2000). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal*, Vol. 82 (1), pp. 9-27.
223. Szulanski, G. (2003). *Sticky knowledge: Barriers to knowing in the firm*. London: Sage.
224. Tan, N-L., Lim, Y-S. and Ng, T-H. (2009). Trust: Facilitator of knowledge-sharing culture. *Journal of Communications of the IBIMA (CIBIMA)*, Vol. 7 (15), pp. 137-142.
225. Tellis, G., Prabhu, J. and Chandy, R. (2009). Radical innovation across nations: The preeminence of corporate culture. *Journal of Marketing*, Vol. 73 (1), pp. 3-23.
226. Terpstra, V. and Kenneth, D. (1985). *The cultural environment of International Business*, Cincinnati: South Western College Publishing, p.20.
227. The Economist. (2012). Who's afraid of Huawei? *The Economist*. Available at: <http://www.economist.com/node/21559922>
228. Triandis, H. (1989). Cross-cultural Studies of individualism-collectivism. In: *Nebraska Symposium of motivation*, Lincoln: University of Nebraska Press, pp. 41-133.
229. Triandis, H. (1996). The psychological measurement of cultural syndromes. *American psychologist*, Vol 51(4), pp.407-415.
230. Triandis, H., Kagitsibasi, C., Choi, S-C. and Yoon, G. (1994). *Individualism and collectivism: Theory, method, and applications*. Thousand Oaks CA: Sage Publications, pp. 41-51.
231. Trompenaars, F. (1994). *Riding the waves of culture: Understanding diversity in global business*. Bur Ridge, IL: Irwin.
232. Trompenaars, F. (1998). *Riding the waves of culture: Understanding cultural diversity in business*, 2nd Ed. London: Nicholas Brealey Publishing.

233. Tseng, S. (2010). The correlation between organizational culture and knowledge conversion on corporate performance. *Journal of Knowledge Management*, Vol. 14 (2), pp. 269-284.
234. Twenge, J., Campbell, S., Hoffman, B. and Lance, C. (2010). Generational differences in work values: Leisure and extrinsic values increasing, social and intrinsic values decreasing. *Journal of Management*, Vol 36 (5), pp. 1117-1142.
235. Ulrich, W. (1984). HRM and culture: History, ritual, and myth. *Human Resource Management*, Vol 23 (2), pp. 117-128.
236. Valencia, J., Valle, R. and Jimenez, D. (2010). Organizational culture as determinant of product innovation. *European Journal of Innovation Management*, Vol. 13 (4), pp. 466-480.
237. Verbeke, W., Volgering, M. and Hessels, M. (1998). Exploring the conceptual expansion within the field of organizational behavior: organizational climate and organizational culture. *Journal of Management Studies*, Vol. 35 (3), pp. 303-330.
238. Wasko, M. and Faraj, S. (2005). Why should I share? Examining knowledge contribution in networks of practice. *MIS Quarterly*, Vol. 29 (1), pp. 35-57.
239. Waterman, R., Peters, T. and Philips, J. (1980). Structure is not organization. *Business Horizons*, June 1980, pp. 50-63.
240. Wei, Z. (2005). The impact of organizational culture, structure, and strategy on knowledge management effectiveness and organizational effectiveness. *UMI Dissertation Services*, Minneapolis.
241. What is competitiveness? Porter, M. (2005). Available at: www.iese.edu [Accessed 9 February 2017].
242. Whitener, E. (2001). Do High Commitment Human Resource Practices affect employee commitment? *Journal of Management*, Vol 27, pp. 515-535.
243. Wright, P., Dunford, B. and Snell, S. (2001). Human resources and the resource based view of the firm. *Journal of Management*, Vol 27 (6), pp. 701-721.
244. Wright, P. and McMahan, G. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, Vol 18 (2), pp. 295-320.

245. Wu, Y-H. and Lin, M-M. (2013). The relationships among business strategies, organizational performance and organizational culture in the tourism industry. *South African Journal of Economic and Management Sciences*, Vol 16, pp. 1-8.
246. Ybema, S. (1997). Cultural complexity in organizations. In S. Sackmann, ed. *Telling tales: Contrasts and commonalities within the organization of an amusement park- Confronting and combining different perspectives*, 1st ed. Thousand Oaks: Sage publications, pp. 160-183.
247. Yeh, R-S. and Tagi. S-N. (1987). Organizational characteristics of American and Japanese firms in Taiwan. *National Academy of Management Proceedings*, pp. 111-115.
248. Yesil, S. and Kaya, A. (2013). The effect of organizational culture on firm financial performance: Evidence from a developing country. In: *1st World Congress of Administrative & Political Sciences*, pp. 428-437. Available at: www.sciencedirect.com [Accessed 16 March 2017].
249. Yoshino, M. and Rangan, N. (1995). *Strategic alliances*. Boston: Harvard Business School Press, p. 195.
250. Yuen, E. and Hui, T. (1993). Headquarters, host-culture and organizational influences on HRM policies and practices. *Management International Review*, Vol 33 (4), pp. 361-383.
251. Zammuto, R., Gifford, B. and Goodman, E. (2000). Handbook of organizational culture and climate. In N. Ashkanasy, ed. *Managerial ideologies, organization culture, and the outcomes of innovation*, ed. Thousand Oaks: Sage, pp. 261-278.
252. Zander, U. and Kogut, B. (1995). Knowledge and the speed of the transfer and limitation of organizational capabilities: An empirical test. *Organization Science*, Vol. 6 (1), pp. 76-92.
253. Zheng, W., Yang, B. and McLean, G. (2010). Linking organizational culture, structure, strategy and organizational effectiveness: Mediating role of knowledge management. *Journal of Business research*, Vol. 63, pp. 763-771.
254. Zhu, H. and Jones, M. (2014). Huawei: An exemplar in for organizational change in a modern environment. *Journal of Information Technology Education: Discussion cases*, Vol. 3 (1).