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# **Organisational Culture and Diversity**

## **Within the Modern MNC**

## INTRODUCTION

Culture may be described as “the way we do things around here”, or more formally as something referring to a system of meaning, values, beliefs, expectations and goals, this shared by members of a certain group of people distinguishing them from members of other groups. It is a product of “the collective programming of the mind” (Hofstede, 1991), and is learned through regular interaction with other members of the group. National culture enlightens corporate culture, and developing a corporate culture inside MNC is a big challenge. There are companies who developed corporate culture in a way that their employees do not take their jobs as just a job in fact; it is something much more important and it ultimately becomes a competitive advantage.

There has been a lot of discussion going on about the importance of diversity among different Multinational Companies’ cultures. The 21<sup>st</sup> century laid down the foundation of diversified cultures and there has been a number of researches conducted in this area so far. Multinational organizations are not facing an intimidating task of managing this diversity within their cultures. Diversity management practices are widely spread due to several reasons and have become more common at workplaces in all over the world. There have been a huge number of people crossed borders to make their careers and this topic started getting attention by the passage of time. There are a number of organizations all over the globe where people are working which actually belong to different cultures, religion, races, ethnicity etc. Effective diversity management has become an important job for the multinationals. They have to manage diversity across geographic borders while keeping unique history and local traditions for each country under the one corporate umbrella. It is important to understand each employee’s perception while managing the diversity.

There’s no question that it is simple to deal with people who are from the same culture, however one is not—and it is not their similarities that influence one’s problems.

—Jim Braham (1989)

The diversity brought several positive changes as well as a few negative impacts in the corporate world. Organizational cultures welcome this change and accept it with full liberty but it also made cause of generating a number of other small issues inside the cultures of organizations.

There are number of multinationals around the globe that develop such culture where they encourage their diversified employees in terms of creating sense of ownership, encouragement, reward and empower them.

### **What Is Diversity**

Diversity can be defined as: The different or dissimilar attitudes, values, and way of life between people based on race, religion, color, national origin, economic status and gender (Mor, 2005).

### **What Is Organizational Culture**

While not always easy to capture or define, culture is an observable, powerful force in any organization. Made up of its members' shared values, beliefs, symbols, and behaviours, culture guides individual decisions and actions at the unconscious level. As a result, it can have a potent effect on a company's well being and success (Haworth, 2011)

### **What Is Modern MNC**

Multinational is defined as a business entity whose main operational functions, (such as production, marketing, selling, and purchasing), embrace at least two nation states whose managers and employees differ in cultural orientation (Schnapper, 1980)

### **Role of Culture and Climate**

There is another school of thought who takes culture as glue that accumulates everyone together. Multinationals usually operates in a larger spectrum where culture develops a one goal for all the team mates. It also provides a language that interprets all the important events and problems.

There is a sense of order that we receive from culture which make everyone aware about what is actually expected. It also plays a significant role in creating a sense of unity and continuity. It also gives you a vision that define company's path. Culture becomes absolutely obvious at a certain level within an organization's climate, behavior and strategies that are controllable to sustain organizational goals.

## **Elements of Organizational Culture**

Organizational culture may possess number of elements but the common elements are;

**Organizational Values:** Each multinational has its own core values that reflect the important things inside the organisation. These values may work as guiding principles of behaviour for the entire organisation. For instance, core values of an organization may include mutual respect, innovation, humour, commitment, corporate social responsibility, kindness etc.

**Organizational Beliefs:** It may include like achievement of particular goals in a best way. These goals can be boost productivity and job motivation. For example, an organization may convey the belief that the expression of humour in the workplace is an effective way to increase productivity and job motivation (Sherman J, 1980)

**Organizational Norms:** Norms defines the typical behaviour that is widely accepted within an entire organisation. Norms also belong to the values and beliefs of an organisation. It reflects the ways how people communicate with each other, how official tasks accomplished and distinctive leadership styles. For instance, the work environment of an organisation can be defined as stress-free, calm, cheerful and enjoyable. In addition, the particular organisation may have an atmosphere of collaboration where decisions are made with full participation.

## **Managing Diversity within Multinational Corporations**

Managing diversity within multinational corporations has become a greatest challenge for these all organizations. It is a daunting task to manage under a one corporate umbrella. A MNC engages in multiple activities to manage the workforce diversity. All the departments of a multinational corporate especially HR department are involved in managing these activities to meet the diversity challenge. According to number of researches, organizations may receive more benefits where work environment is more collaborative and cooperative rather than organizations that focus on individualism. It has also been found that an emphasis on teamwork fosters better relationships within a department and can promote identity within the department or organization that moves beyond surface level differences (Ashley M. Guidroz, 2009).

We can derive a true hypothesis from the previous statement that departments which create a collaborative environment where employees development is an important element, empower them, give them rewards and motivation and enhance their confidence to work as a productive team member. In this way, these departments will surely have a more effective way to handle workforce diversity as compared to a weak involvement culture.

This is an important aspect to explore that national culture will affect the relationship among involvement culture and diversity. The countries are categorized on different grounds of low or high masculinity, power distance, uncertainty avoidance and individualism (Hofstede, 1997). Power management and individualism are the two dimensions of national culture that could make an impact over the diversity management. Countries where power distance is high differentiated by a common understanding that differentials of power are normal and legitimate.

Involvement culture in today's modern MNCs is stronger and perceived as an effective tool of handling workforce diversity because of low per distance and high collectivism. Low power distance and stronger effects of collectivism can easily find in multinational corporations of Australia, New Zealand, US, UK, Canada, German and Sweden.

It is believed that people from individualist societies primarily focus on their own best interests and the interests of their immediate family. At the opposite end, collectivistic societies are characterized by a loyalty to one's own in-group and, as a consequence, are more tightly integrated. Countries high in collectivism, such as Brazil, Chile, Ecuador, Hong Kong, Malaysia, Pakistan, South Korea, or Thailand, should see stronger effects of Involvement on diversity perceptions than individualistic countries because of the emphasis on team work and inclusion (Ashley M. Guidroz, 2009).

### **Understanding an Organization's Culture**

Anthropologists have invested number of years to develop methods of classifying and analyzing organizational culture. In current period, we start looking towards people, processes and products

to identify culture as well as espoused values of leadership. These are the clues exist in the environment.

Based on decades of study, professors Kim Cameron and Robert Quinn have identified four basic types of organizational culture: Collaborate, Create, Control, and Compete. Each one carries different attitudes, behaviours, and work patterns that must be recognized to enhance effort and performance (Haworth, 2011).

**ONE FACT-** There is no culture which is better than other. The true value lies in understanding an organization's internal culture or team environment and how the existing culture provides support towards achievement of business goals.

### **Cultural Diversity In MNC**

The social, political and enterprise structure depends on everyone in the company, so the internal area and the human resources, one of the most important areas of a company, must be developed with the rest of the company to achieve their goals (Seyman, 2006).

The misunderstanding and ignoring of different cultures, language and historical background lead to disasters in the field of setting up multinational business. To avoid this, a general knowledge of another nation's culture and history is essential. So general cultural knowledge, if coupled with prejudice and prejudgment, is an obstacle to effective global management (Ali & Camp, 1996).

### **Advantages of Diversity Within the Modern MNC**

If we talk about the advantages of workforce diversity; these are; increased productivity and creativity, excellent language and communication skills, regeneration of processes, global understanding and entirely new solutions to complicated issues.

- 1. Creativity Increases** in a mutual collaborative environment where people work with harmony and collectivism. Creativity enhances in this type of environment and whole

team work towards generating a better solution. This workforce diversity comes forward with different solution but for a single problem, so creativity grows in such environment.

2. **Productivity increases** tremendously when people of different cultures come closed for a single join goal. For instance, foreign executives are really successful in US Corporate world due to globalization. People of different ethnicities take full advantage of this collectivism.
3. **New attitudes** came at front due to people that belongs to diverse cultures. Let's take an example of time in US context where "time is money" or "*come to the point*" is dominant in business. But time considers building relationships in most of the other countries.
4. **Language skills** are a must in today's diverse world. People usually have proficiency in the required language. .
5. **Can Prevent Groupthink** It surely prevents from the situation of groupthink. Social compliance and stresses on individual members of a group to be traditional and arrive at an agreement.

### **Diversity- A Source of MNC's Competitive Advantage**

As employees in any workforce structure either formally or informally diversity in the workplace it will become one of the most significant challenges in human resource management (Nick, 2009).

Diversity has taken as a link between the place of work and the market place. It has become essential to IBM's skill to win in the worldwide market.

### **Why Diversity Is Important in Organizational Culture?**

1. A multinational corporation is supposed to be fully operational in number of countries as such it requires accepting the norms of behavior and different cultures.



- 2.** It is easy to integrate and assimilate global learning and latest developments in multinational organizational practices.
- 3.** Diversity helps to create environment of reward, motivation, encouragement and merit not considering of nationality.
- 4.** Multinationals require to expand the horizon beyond the small sets of diversity like gender, religion, race and exposed into a complete way of life entrenched into an organizational culture.
- 5.** Expression of vision and mission statements is absolutely mandatory in order to share leadership's beliefs about diversity.
- 6.** The movements of diversity must be started from the initial recruitment process and must reflect among all other organization's practices and decision making. Senior management's cooperation with HR should become an important factor in diversity implementation.
- 7.** Training programs conducted by the HR must be consistent and should equip with all the required diversity units.
- 8.** The inclusion of a vibrant and talented woman at board level changes the entire dynamics of work behaviors and decisions.
- 9.** According to an article published in McKinsey Quarterly explains that decreasing birthrates and increasing rate of retirements are the challenges facing by the developed market but developing markets are also generating a handsome pool of young talent even double than the developed countries. There are number of countries focused on this pool of diversity.
- 10.** As we are observing huge number of retirements by the baby boomers, organizations start facing shortage of experience resources. Generation Y has given a particular set of challenge that people born after 1980 possess an entirely different value system. They do not show any interest in working for longer hours. They influence more towards meaningful jobs, higher salaries, comfortable environments, freedom and much better work-life balance distinct from their seniors.

**11.** Diversity is facing a major challenge in today's modern MNC that it needs to cut loose the intrinsic "ethnocentric" state of mind and change into "geocentric". Therefore, ideas will flow with full independence inside the internal communication of MNC.

### **Initiative By the Nissan Motors**

As per McKinsey Research – Career advancement for a woman in Japanese firms has been quite difficult. Nissan Motors started specific programs of mentoring networking and educating young female managers. It helps to increase female senior managers.

### **The Challenge- MNC**

Over the past couple of years Multinational Companies (MNC) had to face a number of new challenges in their daily business. But if they neglect these new challenges coming up with the globalization they might not be successful anymore (Mendenhall *et al.*, 2003). A big challenge MNC's have to manage is their workforce diversity (Stern, S. 2008).

Diversity work is one of the few toughest challenges that an employee has to meet inside an organization. Valuing and managing diversity touches people's emotions, values, and beliefs (Nick, 2009).

It is not easy to resolve problems concerning differential treatment of women and people of color when such problems cannot be discussed. This reluctance to speak out or stand out on diversity matters has kept many organizations from making progress on diversity (Thomas, 1996).

### **Guidelines for Effectively Managing Culturally Diverse Groups**

1. Select team members for their task-related ability
2. Team members must recognize and be prepared to deal with their differences
3. Team leader must help the group to identify and define its overall goal
4. Members must have equal power so that everyone can participate in the process

5. All members must have mutual respect for each other.
6. Managers must give teams positive feedback on their process and output (Hodgetts, 2006)

### **Does Globalization Diminish Cultural Diversity?**

There are few major reasons that make us believe that globalization might damage diversity;

- Multinational organizations uphold particular kind of consumerist culture where general supplies promoted by worldwide marketing movements take advantage of fundamental needs, develop related lifestyle like “Coca-Colonization”.
- Western principles are wrongly developed as global dominant local customs- cultural imperialism.
- Talk about McDonaldization- Present contemporary organizations have increased intrinsically thrust, change human practices into more proficient practices, handy and predictable, as demonstrated by the increase of fast food.
- US exercise hegemonic power in advancing its customs and behaviors via famous culture and news media.

### **Working Across Cultures- European Telecom Operators**

There was a collaborative effort made in 1991 by the “Euroteam”. It was an amalgamation of 5 European telecom operators that included BT, France Telecom, STET, Deutsche Telekom and Telefónica de España. The aim behind this cooperation was make their contribution in frequent workshops and exchanged internationalization of teleco operators. Later, more countries became part of this network. They hold a series of workshops consecutively conducted by the each member which main subject is Europe and Telecommunication. A regular event conducted with the name of “Working across Cultures”, and a winning pilot version of a hypothetical workshop “Understanding Cultural Diversity”. These training sessions helped managers to cope up with the issues of diversity and enhance their output and promoted cross-cultural working partnership.

## **Cultural Diversity of Ford Motor Company Employees**

Ford motor company is a big name in American automobiles market and second biggest automakers in the whole world. There are around 345,000 employees on six different continents. The owner of this company “Henry Ford” started his diversity journey when he started offering \$5 per day wage in 1914. If we talk about this century, a lady became the executive vice president and CEO of America in 2005. Her name was Anne Stevens.

### **Employee Resource Groups- Ford Motors**

For about more than a century, Ford Motors continuously providing different development programs to their employees who share religion, race, ethnicity, disability etc. Employee Resource Groups conducted educational and cultural events as well as college recruiting.

### **Ford-Employees African-Ancestry Network (FAAN)**

FAAN champion diversity is a step towards African-American community. It enhanced leadership development via seminars, workshops, counseling and group discussion. There were different programs conducted like members support summer internship. There were events conducted like minority-focused career events.

## **Conclusion & Recommendations**

Diversity has become an important element in not just any MNC. The acceptance of diversity of culture helps a person to join a large firm who actually belongs to a small area. In a same way, it is the acceptance of religion which helps a person to keep fasting in Ramadan. It is the recognition of a gender that why a pregnant woman cannot work for longer hours. Today’s modern MNCs are taking number of benefits from workforce diversity through effective management.

## **Recommendations**

- Take management diversity as an opportunity tool for enhancing productivity and learning.
- Senior management must show full commitment and interest in managing workforce diversity.
- Focus on the value of diversity inside an entire organization.
- Give value to all the employees because diversity talks about a point of difference that each person possesses but there should be no biasness.
- You have to remain communicative at all the communication channels that why diversity among modern MNCs is important.
- Focus on unity among all the employees of a department.
- Involve workgroups on different projects so the effect of in-group/out-group may be eliminated. There should be team-building exercises and combined work activities.
- Evaluate the progress and effect of diversity management programs so you can overcome any issues.
- Identify the metrics of analyzing effectiveness of these programs and keep a check on them.

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