

A Comparative study of Organizational Culture in Indian Multinationals and Foreign Multinationals of India

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ABSTRACT

Since organizational culture is an important dimension to be considered for approximately all aspect of the organization, the present project has taken up this issue for studying and analyzing the cultural similarities and differences between Indian multinationals and foreign multinationals. It has been generally observed that the organizational culture and climate differ a great deal from one organization to another and this is seen more clearly in Indian multinationals and foreign multinational organizations. The present study was concerned with the organizational culture of two multinationals and two national companies. For the purpose of the studies we have analyze four major dimensions organizational culture and twelve underlying factors of the organizational culture in Indian multinational as well as foreign multinationals. Analyses of both Indian multinationals and foreign multinationals have shown rich organizational culture in terms of all dimensions of culture. It was hypothesized that multinational companies will perform better than national companies in terms of their organizational culture. The findings of the studies generally supported the hypotheses. Multinational companies have scored high in organizational culture in all the dimensions of organizational culture. The study is having great impact in understanding the dimensions of organizational culture in Indian multinationals and foreign multinational and area of improvement to enrich the culture in both kinds of organizations.

Keywords: *Organizational Culture, Indian Multinationals, Foreign Multinationals, India*

Culture as a concept has had a long and checkered history. It has been used by the layperson as a word to indicate sophistication, as when we say that someone is very “cultured”. It has been used by anthropologists to refer to the customs and rituals that societies develop over the course of their history. In the last decade or so it has been used by some organizational researchers and managers to indicate the climate and practices that organizations develop around their handling of people or to the espoused values and credo of an organization.

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In this context managers speak of developing the “right kind of culture” or a “culture of the quality”, suggesting that culture is concerned with certain values that managers are trying to inculcate in their organizations. Also implied in this usage is the assumption that there are better or worse cultures, stronger or weaker cultures and that the right kind of the culture will influence how effective organizations are. Culture will be most useful, as a concept if it helps us better understand the hidden and complex aspects of organizational life. This understanding cannot be obtained if one uses superficial definitions.

Present Study

Since organizational culture is an important dimension to be considered for almost all aspect of the organization, the present project has taken up this issue for study and analyzing the focus between Indian multinationals and foreign multinationals.

It has been generally observed that the organizational culture and climate differ a great deal from one organization to another and this is seen more clearly in national and multinational organizations.

Assessment of the strengths and weaknesses of organizational culture to helps an organization get an insight into the problem and thus try to attain maximum benefits. The comparison of multinationals with national organizations will help to understand the cultural attributes in a particular organizational set up. Organizational traits are divided into four major traits along with 12 sub components. These enable the organization to identify the weaknesses if any worked to overcome the same.

Objectives

1. To examine the typical culture that exists in organizations.
2. To ascertain if this culture differs between Indian multinationals and foreign multinationals.
3. To find out if there exists a difference in the sub-dimension of the overall culture of Indian multinationals and foreign multinationals.
4. To ascertain if there is any association between the dimensions of organizational culture in regard to its twelve traits and whether their relationships vary between multinationals and national organizations.

METHODOLOGY

Hypotheses:

- (1) There will be a significant difference between the Indian multinationals and foreign multinationals in regard to organizational culture.
- (2) There will be an association between organizational culture and its various dimensions.
- (3) The sub traits of organizational culture in national and multinational companies will differ.

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Sample:

Two each, Indian multinationals and foreign multinationals were selected for the present study. The nature of both type of organization was industrial manufacturing. The employees' strength of their underlying was almost same. The sample size of both national and multinational companies is 1400 of which 350 subjects each are from two national and two multinational companies.

Tools:

Organizational Culture Survey (OCS) developed by researcher has been used in this research. This present test consists of sixty items on four major traits of organizational culture i.e., adaptability, consistency, involvement and mission similar to Denison scale of organizational culture. All the four dimensions have in all twelve traits in them are presented below:

Adaptability: Translating the demands of the business environment into action. The indices of the adaptability trait are:

- Creative change
- Customer Focus
- Organizational Learning

Consistency: Defining values and systems that are the basis of a strong culture. Under this the traits would be:

- Coordination and Integration
- Agreement
- Core Values

Involvement: Building human capability, ownership and responsibility. The sub-dimension include:

- Empowerment
- Team Orientation
- Capability Development

Mission: Defining a meaningful long-term direction for the organization. Indices of mission are:

- Strategic Direction and Intent
- Goals and Objectives
- Vision

Research design:

The research design is a comparative design, comparing the Indian multinationals and foreign multinational son organizational culture and its various dimensions.

ANALYSIS OF RESULT

The present study was concerned with the organizational culture of two foreign multinationals and two Indian multinationals companies. For the purpose of the studies we

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have analyze four major dimensions and twelve underlying factors of the organizational culture in Indian multinational as well as in foreign multinational organizations.

Both Indian multinationals and foreign multinationals have shown rich organizational culture in terms of all dimensions. It was hypothesized that foreign multinational companies will perform better than Indian multinational companies, as far as their organizational culture. The findings of the studies generally supported the hypotheses. Foreign multinational companies have scored high in organizational culture in all the dimensions of organizational culture. The analysis in all four dimensions is as follows;

1. Involvement Measures:

Involvement is building human capability, ownership and responsibility in the organizations to build organizational culture. Foreign multinational companies have shown rich organizational culture in this dimension of organizational culture. The underlying traits of involvement are empowerment, team orientation, and capability development.

In the present research team orientation shows significant difference in both Indian multinationals and foreign multinationals. And the other two-empowerment and capability development does not show any significant difference in Indian multinationals and foreign multinationals. This shows that foreign multinational companies' encourage their employees to be empowered and the atmosphere makes the employees feel they are part of the company with responsibility at work place. This does not obtain in national companies. In Indian multinational companies employees feel themselves as working "for the organization but not of the organization". There are number of studies which shows that if employees are not feeling themselves as a part of organization, it affects their behavior negatively which is ultimately affecting the performance negatively. (Sinha, and Verma, 1987).

Data reveals organizational cultures characterized as "highly involved" strongly encourage employee involvement and create a sense of ownership and responsibility. They rely on informal, voluntary and implied control systems, rather than formal, explicit, bureaucratic control systems. Out of this sense of ownership grows a greater commitment to the organization and an increasing capacity for autonomy. Receiving input from organizational members increases the quality of the decisions and improves their implementation. Thus high organizational cultures indicate high scores on empowerment, team orientation, and capability development. (Hofstede, 1980)

2. Consistency Measures:

Consistency is defining values and the organization's systems that are the basis of the strong culture. Neither consistency as a whole has shown any significant difference in Indian multinationals and foreign multinationals' organizations, nor its underlying traits, which are core values, agreement, and coordination and integration.

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There is same degree of importance on the context of consistency in Indian multinationals and foreign multinationals. Indian multinational companies have history of relatively slow growth and low profits but from the last one-decade these companies have transformed into highly standardized companies. These companies have a set of core values that evolved as a part of model culture. Now Indian multinational companies are also expressing work through cross functional teams, delegating authority, documenting evidence for sharing information and making joint decisions, maintaining high professionals ethics, balancing work and personal requirements, etc.

3. Adoptability Measures:

Translating the demands of business environment into actions is known as “adaptability”. In this dimension there is a significant difference in a score between Indian multinationals and foreign multinational organizations.

3.1 Creative Change: Findings indicate that in foreign multinational organizations there is more emphasis on creative change. Foreign multinationals encourage more new innovations in organizations as compared to Indian multinational companies.

3.2 Organizational Learning: Foreign multinational organizations believe in organizational learning of their employees at different perspectives, and thus they promote positive environment for that which is reflected in the findings of this study.

3.3 Customer Focus: Now a day, both Indian multinationals and foreign multinationals are trying to attract their customers in the best possible manner. These companies launch new package and scheme to attract the customer. Policies are also made to focus on customer demands by collecting demographic characteristics of the customer in a proper manner. Indian multinational organizations are also focusing on the best methods to attract the customers and concerned about their satisfaction level. Since both in Indian multinationals and foreign multinationals because of their similar interest to attract customer the adaptability factor has not shown much differences in between Foreign multinational and Indian multinational companies.

4. Mission Measures:

Mission is meaningful long-term direction for the organizations. In the present study mission has shown significant role in both Indian multinationals and foreign multinationals. According to the findings employees of both Indian multinationals and foreign multinationals holds long-term strategy to achieve the organization’s target in assigned time limit.

Issues related to organizational culture of national and multinational companies:

Intercultural encounters are as old as humanity; multinational business is as old as organized states. Business professor Karl Moore and historian David Lewis have traced the origins of foreign multinational business to the Assyrians trade with Anatolia around 1900 B.C., the Phoenician sea trade in the Mediterranean and beyond around 800 B.C., Greek exporting industries around 500 B.C., and Roman family corporations around 100 B.C. Foreign multinational companies has started coming in India from almost 300 years ago, when Britishers have established East India Company, in India. It was their company only that they

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started ruling in India. The present day scenario is totally different, number of multinationals companies has arrived in India but Indian companies have also been trying to maintain their strength to compete them. This is what the reason that in one dimension findings are not showing any significant difference of scores between Indian multinationals and foreign multinational organizations. Yet national companies need to improve their cultural dimensions (Involvement, Consistency, Adaptability, and mission) in order to reach the level of multinational companies.

DISCUSSION

India is a country of diversity or is the country of mosaic culture of various believes values and rituals. With the arrival of foreign multinational companies in India it has brought about more cultural variations both in foreign multinationals and Indian multinational companies. In the last one decade, diversity in work place is identified as a positive phenomenon. Because every company is trying to improve productivity by developing new markets, which require maximum possible alternatives to deal with the diverse groups of customers, companies are inviting employees from diverse cultural group. Also other reasons; include that it helps the organizations to increase alternatives for different situations; it also increases the capability of an organization to deal with the people of diverse group (Hofstede,1980, 1990, 2003).

The impact that the presence of multinational organizations has on Indian organizations is indeed very strong, and the organizational cultures are being created in both Indian multinationals and foreign multinationals in India. Both Indian multinationals and foreign multinational organizations carries Indian values such as caring for the employees, grooming them, respecting superiors, and maintaining personalized relationships etc and these are assimilated with the core values and facilitate work performance.

Work and culture are subsets of the larger societal culture. Societal culture may be conceptualized in different ways (Sinha 1990a). Briefly, a societal culture consists of the assumptions, beliefs and values acquired and held by the majority of people in a geographical area for the purposes of (a) adopting to the ever changing environment; and (b) developing an identity in order to maintain continuity in the core areas of their lifestyle. Assumptions, beliefs and values are implicit in varying degrees. Assumptions are taken for granted and hence generally drop out of awareness (Schein, 1987). Beliefs signify how people feel things happen or get done, where as values reflect people's preferences. 'As the values begin to be taken for granted, they gradually become beliefs and assumptions and drop out of consciousness, just as habits become unconscious and automatic'. Assumptions and beliefs manifest themselves through values in physical artifacts and social system, institutions and relationships, as well as, in the behavior of the member of a culture. All these components of culture are interconnected through multidirectional influence processes. Together, they enable people to develop their identity and to maintain continuity in their lifestyle. (Sinha, 2004).

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Global perspectives with local management of the subsidiaries of multinationals in India reflect a global approach (Braasch, 1998) that was required particularly in transactional organizations (TNOs). This tended to maintain a strong cooperative identity and global perspective on management leading to integrative managerial practices at the local level (Dowling, 1999).

The societal cultures of Indians, Americans, Scandinavians, Koreans, and Japanese have been described so as to illustrate how societal cultures influence organizations located in the respective countries. Indian cultures present a complex combination of collectivism, individualism, and hierarchical orientation (Tripathi & Sinha, 2003). Indians' sensitivity to contextual demands and the orientation to combine collectivist and individualist behavior point to the possibility that the multinational organizations in India will be able to forge strategies for managing the interface of their own and Indian culture demands. In the changing business environment, it is probably this context sensitivity that propels many domestic companies either to restructure them by emulating multinationals or effectively integrate Indian familial ethos with multinationals strategies to realize synergy in their organizational culture (Sinha, 2003; Pande and Naidu, 1992).

India like Japan and South Korea has a collectivist culture. The ancient Indian texts posit a worldview of cosmic collectivism where diverse-compatible as well as conflicting –elements of the universe are interconnected and held together by an underlying principle of unity. Marriott (1976) conceptualized Indians as, in contrast to western people, “individuals” that are unalienable parts of collectives arranged in the form of concentric circles of in-groups. Of them, family is the most central (Sinha & Verma, 1987). According to Roland (1988), Indians, like Japanese, have a familial self-characterized by emotional connectedness, identification with the responsibilities and obligations, etc. Roland noted.

Blends of collectivism, hierarchical orientations, and spiritualism- Collectivism in India are blended with strong hierarchical orientation resulting in what Triandis and Bhawuk (1997) called “vertical collectivism). Indians believe that the whole cosmos and everything within it are arranged in a hierarchical order of being superior to some of inferior to others (Sinha, 2003) that cannot be altered by a person's will, no matter how strongly he feels about it. Further, because of the collectivist orientation, hierarchical relationships are permeated with emotional interdependence and a sense of reciprocal responsibilities (Roland, 1988; Sinha, 1990b). Unlike the Japanese culture, collectivism in India is also blended with spiritualism that is expressed in a complex set of beliefs in gods and goddess, religious rituals, and goodness and morality. There may not be any particular effort to relies spirituality, but its imprints on the Indian psyche are deep and clear (Roland, 19880. people often associate other person with mythic characters and draw ideas from the latter to deal with them. Drawing on spiritual traditions, advocated the need to realize inner transformation. By practicing yogic exercise, meditation, and stilling the mind, managers can purify their mind (chittashudhi), expand the self to include others, help others unconditionally, and thereby create a purely

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altruistic climate at the workplace. This “giving” (daan) theory of motivation negates the western reinforcement and social exchange theories. In the west giving, an important resource obliges the recipient and thereby gives the donor an edge in status, but not in the idealized traditional Indian thinking. Daan enriches both the recipient and the donor, because it is believed to be a moral process of establishing an emotional bond between the two. Another traditional normative approach of a spiritual nature is to develop a detached view of work and relationships (nishkam karma) by focusing on the process rather than the outcome that often fully concentrating on his performance (Pande & Naidu, 1992).

Collectivism, blended with spiritualism and hierarchical orientation, creates an environment that is conducive to mutually supportive interpersonal relationships. Sinha’s (1980; 1990a) conceptualized of nurturance in leadership signifies such a relationship where the leader cares for the well being of the subordinates, is warm and affectionate (sneh) towards them, and they reciprocate by being different (shradha) to the leader. Subordinates seek and receive the leader’s guidance and directions, and grow up to assume responsibility for working on their own. This kind of authority relationships Roland (1988) observed in some of the organizations that have changed their system of authority from the usual structural hierarchy of unquestioned subordination and locality to the superior to one in which there is a benevolent leader in a hierarchy by quality, and in which the subordinates deeply respect him and profoundly need the reciprocal relationship to function well. In turn, the leader encourages maximum individual participation and initiative, with a minimum of structure hierarchy. The person involved all form the extremely close emotional bonding of extended family relationships and spend a great deal of time together, not only freely exchanging ideas but also socializing together in after-hours-something that rarely occurs in the usual Indian work situation.

CONCLUSION

From the findings of this research, it is clear that foreign multinational organizations have rich culture as compared to Indian multinationals companies. Foreign multinational companies are concern to involve their employees in their respective work and tries that employees should acquire business strategy into their day-to-day life dealings, to make them enjoy their work at their workplace. This aspect of enriching organizational culture of the organizations came from Karl Marx – ‘alienated labor’ concept in late 1960s- early 1970s. As a result, foreign multinational organizations did researches on organizational culture (Geert Hofstede, 1979 in IBM) and found to enrich the organizational culture to make their employees to feel at home, committed to their organizations by performing their work within the four boundaries. On the other hand Indian multinational companies are also striving hard to compete with foreign multinational organizations, but still these companies have to achieve many mile stones to reach the destinations. As both Indian multinationals and foreign multinationals shown same degree of importance on the two dimensions, which are, consistency and mission, but Indian multinational organizations have shown lesser significant difference on involvement and adaptability dimensions. Indian multinational organizations

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need to focus more on coordination, integration, agreement of the employees. They need to trained their employees to understand more clearly the core values, goals and objectives, along with the visions of the company.

LIMITATIONS

The limitations of the studies as follows:

- This was a very small sample based study on the data obtained form 1400 employees of national and multinational companies. For the generalizations of the findings, we need to study with larger sample size. We have compared only two Indian multinational and two foreign multinational organizations, yet for the implications of the findings, we need to study organizational culture of some more Indian multinationals and foreign multinational organizations for generalization.
- Due to the limitations of time we have only been able to study only one phenomenon (organizational culture) of work place, yet for the purpose of extensive research we need to study some more related phenomenon which are related with organizational culture such as, the effect of organizational culture on performance, job satisfaction, job enrichment, and motivation etc.
- In the same manner often the organizational culture in one organization also vary from one department to another department, such as marketing department to production department. The limitation of this study is that we have not been able to make interdepartmental comparison of organizational culture in all the four companies.

SUGGESTIONS

- ◆ If organizational culture is high or low in a particular organization, then one need to study what are those practices of the organizations which make the organizational culture of a company rich or poor and then to work on strengthening the rich practice in organization.
- ◆ Findings are showing that Indian multinational organizations have relatively low organizational culture in some of the dimensions of the organizations. In this particular issue always intervention is required to change the anticipatory negative consequences into positive one. Hence, research study in relation to intervention programs in behavioral as well as functional level is required in organizational settings. It is the role of researcher to study the mode of interventions programs through which a required change can be implement to enrich the organizational culture.
- ◆ When cultures of foreign multinational companies are affecting the people, it is not only affecting the employee of same organizations but it also affects the organizational culture of competitive national companies. In the same way Indian multinational companies are also affected by the foreign multinational companies, which are coming and setting up in India. Thus a study is required to analyze the interactional effect of organizational culture of these companies.

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- ◆ It will also very be interesting to study how these foreign multinational companies are maintaining and inculcating culture in new settings and what are those changes they adopt when they move from one societal culture to another societal culture.
- ◆ When foreign multinational companies are entering with different work culture then what are those challenges with which Indian multinational companies should prepare themselves before the processes of alteration.

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