Developing Knowledge of Organisational Culture in Multinational Enterprises

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Abstract - This paper investigates the sharing and development of knowledge of organisational culture during foreign assignments in multinational enterprises (MNE). Drawing on interview data with expatriate, inpatriate and third-country assignees, twenty-one cases of foreign assignments are analysed. The data reveal that expatriates and third-country assignees play a role in sharing knowledge of organisational culture and that the utility of this knowledge is, in part, defined in the context of the host unit’s access to perspectives from the assignee’s previous unit. The data also reveal a conspicuous role for assignments in the development of what is labelled a Comprehension of Substantive Heterogeneity.

Keywords – organisational culture, foreign assignments, multinational enterprises

Introduction

This paper considers organisational culture in the multinational enterprise (MNE) as a category of intra-organisational knowledge (Nordhaug, 1998). The value of enhancing our understanding of a category of knowledge derived from organisational culture is discussed in the context of how assignments can act as an integration mechanism for the MNE through the sharing and development of this knowledge. Within this conceptual framework, interview data from is analysed and the overarching themes from the data are reported, based on the use and sharing of knowledge of organisational culture and its development and utility as a category of knowledge in MNEs.

Knowledge of Organisational Culture

In contrast to authors who have provided frameworks for depicting and measuring organisational culture (Cameron and Quinn, 1999; Denison and Mishra, 1995; Hofstede, 1994, 1997; Hofstede et al, 1990; O’Reilly, Chatman and Caldwell, 1991), this paper considers organisational culture through a knowledge lens, investigating it as a category of intra-organisational knowledge. Intra-organisational knowledge has been succinctly defined by authors examining work-related competencies, as including a variety of firm-specific knowledge types that are broadly applicable across a number of different tasks such as knowledge of political process, organisational culture, interpersonal networks (Nordhaug, 1998). Although this intra-organisational knowledge has not previously been explicitly considered in the context of managers in MNEs, it can be argued that it is particularly applicable to the study of knowledge of organisational culture in MNEs. Knowledge of
organisational culture in an MNE is complicated by the cultural distances that may exist between the global units and/or the size and geographic scope of MNEs, all of which have implications for the integration of, and relationships between, global units (Bartlett and Goshal, 2002).

If organisational culture is defined in line with seminal thinking, at its most basic level it represents a set of tacit assumptions about how the world is and ought to be, that is shared and determines perceptions, thoughts and to a degree the overt behaviour of people in the firm (Schien, 1992). As a consequence, knowledge of organisational culture amongst the employees of a firm often represents a tacit form of intra-organisational knowledge, which is acquired by the experience of working and learning in the workplace through social interaction (Doving and Nordhaug, 2002).

The Value of Knowledge of Organisational Culture and Foreign Assignments in MNEs

Competitive and operating conditions are such in a MNE that the ability to integrate the MNEs global network may be a principal factor that differentiates losers and survivors (Bartlett and Ghoshal, 1987; 2002). With this realisation has come an acknowledgement that integration requires mechanisms other than formal systems. However, while it is recognized in the international business field that formal structures have a limited capacity in the integration of the MNE, theories explaining the form and creation of informal approaches need to be developed further (Kostova and Roth, 2003). Formal structures must be complemented with softer coordinating methods, and recommendations from the literature, such as the development of interpersonal networks and the development of a common organisational culture, accentuate the important role of people and therefore, foreign assignments (Bartlett and Ghoshal, 1987; Bartlett and Ghoshal, 2002; Doz and Prahalad, 1984; Kostova and Roth, 2003). Since prescribed informal coordinating mechanisms (e.g. organisational culture) include a common understanding of tacit assumptions that determine perceptions (Schien, 1992), and therefore can be defined as a category of intra-organisational knowledge, it is apparent that sharing and developing such knowledge is not always feasible absent the transfer of people.

The expatriation literature has long identified a role for assignments in the transfer of corporate culture (Jaeger, 1983; Baliga and Jaeger, 1984; Martinez and Jarillo, 1989; Ferner, Edwards and Sisson, 1995) and has presented the argument that the transfer of corporate culture during
assignments, acts as an effective coordination and integration mechanism in MNEs (Martinez and Jarillo, 1989; 1991). More recently, the use of inpatriate assignments to corporate HQ has also been prescribed as a means by which an understanding of corporate culture can be developed in employees from the MNEs global units (Harvey, Speier and Novicevic, 2001), thus improving coordination and integration of the MNE when they return to their home unit. The emergence of a portfolio of assignments types within MNEs (Scullion and Collings, 2006), suggests that international movements, other than those by expatriates from Head Office, should be considered as means by which such knowledge can be developed. Assignments between subsidiary units of the MNE (third-country assignees) or from subsidiary units to HQ (inpatriates) may also facilitate the sharing and development of knowledge of organisational culture.

Despite the literature’s identified role for assignments in the transfer of corporate culture, it is not clear that the ‘core organisational or management orientations’ that might constitute an organisational culture (Hofstede, 1997) are what expatriate assignees share or what inpatriate assignees might be expected to develop, nor is it clear exactly how such knowledge is shared or developed as a result of a foreign assignment. Moreover, because of a paucity of studies of process when examining knowledge transfers and developments during assignments, there is still considerable scope for research into the functions of foreign assignments in this regard (Riusala and Suutari, 2004).

**Exploring Knowledge of Organisational Culture during Foreign Assignments**

Recommendations of informal approaches to integration, such as the development of common organisational culture across the MNE, are an established function of foreign assignments (Edstrom and Galbraith, 1977; Harzing, 2001; Sparrow, Brewster and Harris, 2004). Other insights in the extant literature which are pertinent, include the use of assignments are a form of management development (Harzing, 2001), one outcome of which is the development of globally competent managers who are believed to have a better understanding and appreciation of how decisions taken in one unit of the MNE are likely to affect another. These employees, which Welch *et al* (2002) label ‘corporate elites’, are also capable of viewing issues from a multi-unit perspective, a competence that has obvious implications for the effective management of inter-unit relations and the coordination and integration
of the MNE. Such insights are particularly significant in the context that culture is both a multi-levelled and multi-layered\(^1\) construct and therefore, organisational culture can neither be easily isolated for study, nor necessarily understood as a constant.

Leung et al (2005) who provide “a state-of-the-art review of recent advances in culture in international business research” (357:2005), stress the dynamic nature of culture in the context of its multiple-layers and levels. They highlight that culture at all levels of the construct is shaped and reshaped by changes that occur at other levels and suggest that, while MNEs use organisational culture to develop common values and perspectives across their geographically distant units, these units can also cause changes in the global company culture. At the individual level of employees sent on assignments, the knowledge of organisational culture that they share or develop can also be expected to be dynamic in that the experience of being sent on assignment can afford the opportunity to share knowledge of organisational culture and refine it through the assignment experience. This contention is, in part, supported by Tinsley and Brodt’s (2004) discussion of how culture at the individual level is sensitive to environmental influences. Moreover, these conclusions are also supported by research addressing individual learning, where studies have indicated that knowledge-sharing increases individual learning (Clark, Amundson, and Cardy, 2002). In light of this, knowledge of organisational culture may also be developed as a result of the assignment experience through the process of sharing or transferring what the assignee knows or perceives to be the organisational cultural in the MNE. In this context, understanding how an assignment facilitates the sharing and development of knowledge of organisational culture requires some understanding of how it is used during the assignment or experienced and understood as a part of the assignment experience. As a category of knowledge the focus must be on assignees perception of what the knowledge of organisational culture construct is, and how it is used, shared or developed as a result of an assignment. Moreover, as “there is a lack of studies of perceptions of culture, especially as related to specific organisational settings” (Holmquist and Boter 2004:356), this approach addresses a recognized research need. This focus on how the assignment context facilitates the sharing and development of this knowledge is important in the

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\(^1\) Culture as a multi-level construct consists of nested levels - national culture, organisational culture, group cultures and individual cultural values (Leung et al, 2005). Culture as a multi-layer construct consists of – observed artefacts, behaviours, underlying values (Schien, 1992).
context that the tacit dimension of knowledge is “displayed and manifested, in what we do” (Tsoukas, 2005:426).

With the objective of enhancing our understanding of the nature of knowledge of organisational culture in the MNE, and how assignments might facilitate this informal approach to integration, this paper explores the sharing and development of this knowledge by asking the following research question: How do foreign assignments facilitate the sharing and development of knowledge of organisational culture in multinational enterprises?

Research Methodology

In this study, the processes of interaction, knowledge sharing and development are set in the context of a particular event (i.e. a foreign assignment) and thus require the collection of rich empirical material around that event. Within this unit of analysis (a foreign assignment) this research aims to gain an understanding of the nature and form of certain phenomena and to further develop concepts (Ritchie, Lewis and Elam, 2003). In light of this goal, a non-probability sample was created that could effectively inform such understanding (Ritchie, Lewis, & Elam, 2003). To create this sample, unsolicited research proposals were sent to the human resources department in the subsidiaries of foreign owned MNEs operating in both Australia and Ireland. A total of twenty-one in-depth interviews were conducted. A semi-structured interview was chosen as an appropriate strategy for data collection, as it offered the opportunity of assessing the experiences and views of the actors, and gaining detailed accounts of events (Whipp, 1998).

The sample of assignments included thirteen expatriates sent from HO to subsidiaries, four inpatriates sent from subsidiaries to HO and four third-country assignees sent on assignments between two subsidiary units. Analysis of the interview data followed a cumulative process culminating in interpretive coding, which focused on abstract concerns like the conditions under which this knowledge featured during the foreign assignment and assignees perceptions’ of what form knowledge of organisational culture took during their assignments. In order to generate information regarding knowledge of organisation culture, assignees were asked to consider the sharing of such knowledge during the assignment, to consider any differences in the values, norms or patterns of behaviour in the
host unit and to reflect on what they learned about organisational culture in the MNE as a result of the assignment. The overarching themes from the interview data are reported, based on the use and sharing of knowledge of organisational culture (coded at Role Expectations and Perspective Taking), and its development and utility as a category of knowledge in the MNE (coded at Comprehension of Substantive Heterogeneity). Interviewees and participating firms are described based on country of origin of the MNE, a number assigned to the interviewee and whether the assignment was to a subsidiary (Expat), to HQ (Inpat), or between subsidiaries (Third-Country Assignee).

Data Analysis and Findings

Role Expectations

In line with contentions in the literature, expatriates and to a lesser extent third-country assignees believed that an implicit function of their assignment was to embody and share organisational cultural values. This was particularly evident in comments made by assignees in senior roles in the host unit. This function of the assignment was explained by these expatriates in the context of their role as corporate representatives in the subsidiary. For example,

*I have been with [USA3] since 1975 and I believe that it is part of every trip that I have taken... a requirement to spread the [USA3] culture in subsidiaries... (USA3Expat1).

A variation in the responses coded at this node reflected that being sent on a foreign assignment created the expectation amongst assignees that they would play a role in sharing corporate culture in their respective host units, irrespective of an implicit or explicit expectation that the assignment should fulfil this function in the MNE from an organisational perspective.

*Once you are being sent to work out there you kind of take on that role [refereeing to transferring corporate culture] for yourself without any sort of prompt (Ireland1Expat1).

Data leading to the node Role Expectations reflected that interviewees (with the exception of inpatriates) believed that there was an expectation embedded in their role as foreign assignees to represent organisational culture in “foreign” subsidiaries (USA4Third-CountryAssignees1), which resulted from firms explicit and implicit expectation that they should do so, as well as their own expectations. Significantly, this third-country assignee (USA4Third-CountryAssignees1) referred to the French “foreign subsidiary” having been on an assignment from the Irish subsidiary (which was
the European regional HQ). This suggests that a subsidiaries’ foreignness from an organisational culture perspective is relative to the home unit from which the assignee has expatriated. This may be a combination of both the relative importance of the home unit in the broader MNE and the home units’ cultural closeness to the exposed corporate culture (a conclusion informed by the analysis of heterogeneity discussed later in this paper).

Some assignees emphasized that the more senior the position held by an assignee, the more intense the Role Expectations. Assignees who stressed that transferring knowledge of culture was part of the ‘mission’ of every assignment (USA4Expat1) were in relatively more senior positions. Other assignees stressed that sharing knowledge of organisational culture is more important for the upper management echelons (USA3Expat1 and France1Expat1). However, a recurring theme in responses from the expatriate assignees, irrespective of seniority, was that the manner in which knowledge of organisational culture was utilized during assignments was driven by the host unit. That is, when questioning sought working examples of when or how assignees had, or could, fulfil these Role Expectations, interviewees reported that they were called upon to fulfil this role by their host unit peers. This data was coded at the node Perspective Taking.

**Perspective Taking**

Many recollections of when assignees shared what they reported as values and perspectives representative of organisational culture were at the behest of their host unit peers. This finding suggests that assignees role in sharing knowledge of organisational culture may be, to an extent, a self-fulfilling prophesy because of what is expected of them in the host unit irrespective of any explicit expectations that their assignment tasks should include the sharing of corporate perspectives in foreign subsidiaries. This finding also suggests that the codification of tacit dimensions of knowledge of corporate culture (such as the perception or assumptions another unit may have about a topic) occurs, in part, as a result of the assignee interpreting the reactions of others rather than them epitomizing such perspectives themselves. They may also have exemplified corporate culture through their actions during their assignment, however, the finding that some of the knowledge sharing occurs through Perspective Taking is significant, not least because it provides validity to the knowledge of
organisational culture construct in that it distinguishes assignee perception of their previous unit’s culture from that which is attributable to the assignee as an individual. For example,

*I was asked in meetings “what would they think of this” this makes you a bit like an overseer but it is what you are asked to do by your colleagues... to judge it from an American perspective and they will build that into their assessment of where it fits ... (USA2Expat1)*

This finding demonstrates that the process of sharing and mobilizing knowledge of organisational culture, in part, occurred on a pull (from host unit) rather than push (from assignee) basis. The assignment provided the host with an opportunity for Perspective Taking of HQ attitudes in an informal and ongoing basis, and assignees had an opportunity to articulate this knowledge in response to host questioning. One assignee commented that he was expected to take on this role “too much” (USA3Expat1) and suggested that he was being explicitly used in this way by his peers in the host subsidiary. Significantly, this assignee had also said that he believed transferring corporate culture was part of ‘every trip’ and there that is ‘always a requirement’ to spread corporate culture in subsidiaries. The assertion that his peers ask him to take on this role ‘too much’, suggests that, in this case, the process of sharing assumptions and perspectives occurs as much a consequence of the host units expectations as the expatriate assignee.

Despite the assessments of assignees role in the sharing of knowledge of organisational culture expressed above, all responses were conditioned by considering the role that formal policy and procedures play in moulding the values, norms and patterns of behaviours in every unit of the MNE, and by emphasizing the need to see a very limited number of core values shared between units.

*As far as the company is and the way we work, it’s the USA1 way. [For example] You hear people talk about the ‘Intel way’ I don’t imagine the Irish ‘Intel way’ is all that different to the American ‘Intel way’. I think that every company has their policies and procedures which give method to their madness..... What’s written in stone makes sure that doesn’t happen (USA1Expat2)*

Initially, examples in the data of procedural homogeneity were accounted for as elements that make up ‘the cultural web’ (Johnson and Scholes, 1997) of the firm, such as the structures, routines and control systems that reflect the basic organisational cultural paradigms of these MNEs and their functioning in practice. However, as all assignees reported diversity, of varying degrees, in patterns of behaviours and even basic organisational cultural paradigms across their host units, the relative
prominence of the procedural homogeneity theme faded significantly relative to the emerging theme based on heterogeneity in culture across units. Heterogeneity in organisational culture across the MNE was discussed in a variety of forms and emerged not only as the dominant theme in the discussion of how knowledge of organisational culture featured during the assignment, but actually how assignees were defining this category of knowledge. That is, on the basis of this data, knowledge of organisational culture is most accurately defined as knowledge of organisational cultural heterogeneity across the MNE, rather than knowledge of a corporate culture that represents the core cultural paradigm of corporate HQ. The data in these interviews suggests that, as a category of knowledge, knowledge of organisational culture requires a comprehension of the substantive heterogeneity that shapes the “real” (IRL/USAExpat1) culture of the MNE, in addition to the corporate cultural paradigm underpinning the formal commonalities.

Comprehension of Substantive Heterogeneity

The interview data discussing procedural compliance in ensuring that the operation of all units reflected what was most important about the way these firms operate, represented a regulatory guide to subsidiary culture, despite substantive differences. However, this procedural safeguard was highlighted in the content of interview responses stressing that knowledge of organisational culture should include an understanding of the differences in organisational culture across units. For example,

*The commonality between subsidiaries is created because of reporting structures etc in [France1]. Having said that… in every subsidiary the atmosphere can be very different. I guess that is something that we [the French] need to understand (France1Expat1).*

In some interviews cultural heterogeneity was discussed first, followed by an explanation of procedural similarities despite substantive differences in the organisational culture experienced during the assignments. This interview pattern made it is easier to explain why the replication of key procedures does not counterbalance substantive heterogeneity in organisational culture across units that “should be understood” (India1Expat1). Moreover, the suggestion that organisational culture should be understood as a heterogeneous phenomenon, with corporate HQ culture as one of its many components, was furthered on a number of grounds. In certain cases (e.g. IRL/USA1 and Norway1)
the corporate component in the MNE’s “real” (IRL/USA1) organisational culture needed to be understood as a minor organisational cultural influence because of where the MNEs primary markets and operations were located. For example, a senior expatriate assignee who had completed foreign assignments to several subsidiaries commented that,

*I think if you asked where you can see the culture of this organisation everybody would answer in headquarters but I think the reality is that if you ask when you see the real culture of this organisation, it’s subsidiaries...There are new directors there who do not consider the nature of the organisation and the fact that they only represent a quarter of our business..... You have to go to see what the real needs are.* (IRL/USA1Expat1)

The perception that there is a ‘real’ organisational culture is significant in itself. However, while the above stresses the importance of going out to experience the “real” culture of the MNE, it does little to explain the type and source of heterogeneity that needs to be understood.

Data coded at the node *Comprehension of Substantive Heterogeneity* included a variety of contextual differences reported by assignees that they believed held practical importance and effect relative to the sharing and development of knowledge of organisational culture during assignments. Interrelated explanations such as the size of host unit, the level of hierarchy experienced, the number of support functions, the singularity of role, historical development of the host unit, national cultural context, and perceived risk of divestment, were all examples of the data coded at the node *Comprehension of Substantive Heterogeneity*. National cultural differences also arose regularly within explanations of substantive heterogeneity, reflecting a fusion between the two in creating substantive heterogeneity. However, while acknowledging that contextual differences were compounded by national cultural differences, the inclusion of many assignments to culturally close locations² provided for a valid analysis of the data within the frame of organisational, rather than national, culture. Moreover, as there was no assignment where national cultural differences were used to explain heterogeneity that did not also include at least one of the other factors leading to heterogeneity, it was concluded that national cultural differences were just one of a collection of factors in assignees’ *Comprehension of Substantive Heterogeneity*. Moreover, other consequences of heterogeneity such as ‘innovativeness’ (IRL/USA1), ‘creativity and accountability’ (USA1Expat1), ‘a survival instinct’

² Assignees in this sample that moved between the USA and Ireland and assignees moving between USA and Australia stated that they believed their assignments were to a culturally close country. These assignees made up twelve of the twenty-one assignees interviewed.
based on a fear of divestment (USA4Third-CountryAssignee1) and ‘inclusiveness’ (France2Expat1) were explained with an explanation of organisational context, rather than national cultural difference.

A final component of the data coded at Comprehension of Substantive Heterogeneity, that provided an unexpected source of validation for this analysis, was the views of inpatriate assignees. Although inpatriate assignments are expected to facilitate the learning of corporate culture and values (Harvey, Speier and Novicevic, 2001), the inpatriate assignees interviewed, who acknowledged the distinctive corporate culture they experienced during their assignments, in turn reflected on their development of a new appreciation of necessary difference between units and the necessary dissimilarity of organisational culture across their MNEs. This finding is not at odds with the contention that inpatriates learn corporate culture and values during their assignments. However, it does suggest that inpatriates’ development of knowledge of organisational culture should not be exclusively defined by what they learn to be the corporate component of the MNEs culture.

A lot of cultural differences are necessary between plants… You can send a team of expats to do a culture transfer at the start but when you compare here [HQ] and [the Irish subsidiary] the role of the two; you need to have a very fluid idea about what organisation culture should look like….It doesn’t matter what nationality you are or what plant you have come here from, your approach has to be different because you are now in the centre (USA4Inpat1)

The unanimity with which assignees chose to accentuate the diversity in MNE organisational culture, and the sources and consequences of heterogeneity which lead them to this conclusion, suggests that the development of knowledge of organisational culture during assignments needs to be understood in a way that takes this heterogeneity into account.

Discussion and Conclusion

The findings presented in this paper suggest that knowledge of organisational culture in the MNE requires an understanding of substantive heterogeneity in behaviour and perspectives, and that development of such knowledge can occur though a process of illuminating different tacit assumptions and perspectives that are known to exist across the MNE. Through the assignment, the assignee both shares and develops perspectives about the broader MNE, thus supporting contentions that MNEs can
use organisational culture to develop common perspectives across their distant units, but that these units can also influence the global company culture (Leung et al, 2005).

Our understanding of organisational culture as an informal approach to integration in MNEs can evolve in the context of the findings that assignees perceive a comprehension of heterogeneity to be so important when defining knowledge of organisational culture. The form and creation of this informal approach to integration should not be understood exclusively in its ethnocentric manifestation. Although the corporate manifestation is important through its presence in, and shaping of, practices and procedures across the MNE, as well as its credence amongst senior employees, this paper’s findings challenge this potentially limiting understanding of how knowledge of organisational culture impacts informal integration.

Moreover, to date, the importance of ‘cross-cultural literacy’ (Hill, 2007) in selling across international markets has lead to the prescription of cultural competence that is overtly externally focused, with globally competent managers defined solely by their understanding of diversity in the global business environment (Matveev and Nelson, 2004). The findings presented in this paper suggest the more attention needs to be given to the internal challenges of MNE management and the knowledge and competencies managers might use to address them. Studies, such as Pothukuchi et al (2002), which demonstrated that the negative effect of cultural distance on the performance of international joint-ventures stemmed from differences in organisational rather than national culture, lend support to the proposition that a greater consideration of organisational cultural heterogeneity in international management research is justified.

While acknowledging that research has demonstrated that an MNE can transfer or shape culture throughout its global units (Erez-Rein, Erez and Maïtal, 2004), the findings presented in this paper indicate that there is still the potential for a multitude of differences that could impact this process and the MNE’s relative effectiveness in such an undertaking. An enhanced understanding of the process of sharing knowledge of organisational culture, and an understanding of the substantive heterogeneity that could impact this process, can increase the effectiveness of the MNE to organize internationally. This paper makes a contribution in this regard.
References


