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## **Degree of Doctor of Philosophy (PhD)**

### **TRANSMISSION OF ORGANIZATIONAL CULTURE FROM HQs TO OVERSEAS SUBSIDIARIES IN JAPANESE MNC: A METHODOLOGICAL FRAMEWORK**

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## ABSTRACT

This thesis unites the issues derived from the research on the relationship between culture and performance, where commitment is regarded as its vital index, in the domain of international business (IB). Despite its importance the concept of transmission of culture has not been examined quantitatively, regardless of qualitative studies proving that organizational culture has significant influence on a firm's overall performance, and particularly on commitment. In addressing the above gaps, *the present thesis develops a resource-based framework that examines whether organizational culture can be regarded as a strategic resource of a multinational company (MNC)*, what are the factors composing two concepts such as 'organizational culture' and 'organizational commitment' and whether there is a relationship between these concepts at three levels: a) HQs level in the home country, Japan, b) individual subsidiary level, located in the host country, Thailand, which is culturally very similar to the home country, and c) individual subsidiary level, located in the host country, India, which is culturally very distant to the home country. This theoretical framework essentially integrates theoretical perspectives on HQs-subsidiary relationship and transmission of culture in the multinational company in Asia under the Resource-Based View (RBV). This constitutes an innovative approach both in MNC-related literatures and literatures on culture and commitment. This study adopts positivism as a philosophical approach and uses the extensive review and analysis of literature to build a theory and three studies to test the theory. The methodology of quantitative research employs the three-stage research design; thus, triangulation, a research technique, is used to enhance the rigor of the research findings. Quantitative data analysis involved hypotheses testing using Correlation Analysis, Covariance Analysis, Factor Analysis, Discriminant Analysis, Multiple Regression Analysis and Structural Equation Modeling (SEM) research techniques. Major contributions to theory include *the development of a research methodology which provides robust conceptualization and measurement of the culture-commitment link and transmission of the culture of the HQs of multinational companies to their subsidiary operations in Asia under the Resource-Based View (RBV) theoretical framework for the analysis of multinational companies in the era of globalization*. The results of this research may lead to the conclusion that (a) culture can be regarded as a valuable strategic resource of a company based on the fact of the existence of a strong relationship between culture and commitment, where commitment is considered to be one of the indices of performance, and (b) the transmission of culture in the form of a successful transfer of its major value-components from HQs to subsidiaries indeed takes place. This enables the creation of commitment of the employees in subsidiaries similar to that in HQs, which in turn provides the company with unique and valuable resources that should be regarded as the sources of competitive advantage of this Japanese MNC.

## **Declaration of Originality**

This thesis is submitted in fulfillment of the requirements for the Degree of Doctor of Philosophy at the University of Glasgow. I declare that the thesis embodies the results of my own work. The work in this thesis is entirely original, to the best of my knowledge. None of the material has been submitted, either in whole or in part, for a degree at this or any other university.

*Victoria W. MIROSHNIK*  
.....

**Victoria W. Miroshnik**

## **Copyright Statement**

Copyright in text of this thesis rests with the author. Copies (by any process) either in full, or of extracts, may be made only in accordance with instructions given by the author.

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*To my Angel and my Angelique*

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# **CHAPTER 1: INTRODUCTION**

## **1.1 IMPORTANCE OF THE RESEARCH**

Rapid globalization of the world economy brings profound changes in the international business of the main manufacturing organizations. Companies are facing fierce international competition. They try to take advantage of the growing opportunities offered by the international market. These motives are driving companies of the industrialized nations to add more countries, to their list of possible locations for trade and profit, particularly in East Asia.

A multinational company (MNC) today is becoming the central agent promoting globalization. With the increasing globalization of business, rapidly growing level of economic activity now depends upon this form of organization (Andersson & Pahlberg, 1996; Basu, 2000; Birkinshaw, & Hood, 1998; Birkinshaw, Hood & Young, 2005, Child, Faulkner & Pitkethley, 2000). Thus, the multinational companies (MNCs) are becoming important subjects for scholarly study because their influence is growing along with internationalization of production in the era of globalization.

Operating across products and markets, nations and cultures, MNCs face diverse problems and complex situations and, therefore, create the most complex form of organization in existence. In the era of globalization, the issues on transmission of organizational culture from headquarters (HQs) of a multinational company to its subsidiaries are becoming increasingly important (Ouchi & Jaeger, 1978; Andersson, Forsgren & Holm, 2002).

The transmission of organizational culture (OC) from the headquarters to subsidiaries appears to be a core of the mechanism of managing overseas subsidiaries in multinational companies (Birkinshaw & Hood, 1998; Andersson, Forsgren & Holm, 2002; Basu, 2010). This research views the transmission of organizational culture as an important part of a coordination mechanism between headquarters and subsidiaries. During the process of transmitting culture, a parent unit of a company should successfully transfer the set of the core values that compose its organizational culture from their parent unit to the subsidiaries worldwide. The goal of transmission of culture is to create an organizational commitment in overseas subsidiaries similar to that in the HQs, and, thus, to enhance firms' overall performance. Organizational commitment

(OCom) can be regarded as one of the important intangible indices composing the concept of performance.

The organizational culture is viewed in the literature as an attribute of the company, but not as its important strategic resource due to the fact that it is questionable whether and how culture influences performance. Therefore, the classic question, that Barney has raised (1986) in relation to Porter's theory of the competitive advantage of a firm (1980, 1985), that is *whether culture can be a source of competitive advantage and, therefore, can be regarded as a strategic resource of a company*, still remains open (Barney, 1986, 1991, 2001; Barney & Clark, 2007).

This research following Barney (1986) regards organizational culture as an important resource of an MNC, which is unique and hard to imitate for competitors and which, in case it is successfully transmitted to the subsidiaries, may influence the overall performance of the company. Thus, organizational culture as a viable resource of the company may be analyzed by using the 'Resource-Based View' approach proposed by Barney (1991), which is implemented in the present research.

Also from the perspective of the relationship between organizational culture and performance, this research examines whether culture affects commitment, more precisely whether under the influence of organizational culture a similar level of commitment can be formed in overseas subsidiaries as it is in the HQs.

This research regards commitment of the workers as one of the vital intangible components of performance. Analysis of the relevant literature demonstrates the fact that performance is regarded as objective and perceptual by various researchers. Indeed, performance is a multi-faceted concept, which includes both tangible and intangible factors. Prior research used single and multiple measures to describe performance. This research has used organizational commitment as one of the indices of performance, the rationale of which is described in detail in Chapter 2.

## **1.2 RESEARCH DOMAIN**

This study aims to investigate the relationship between commitment as part of the corporate performance and organizational culture of a leading Japanese multinational company and the

process of transmission of organizational culture from the HQs of the company to its subsidiaries located in foreign countries. The concepts under investigation such as organizational culture and organizational commitment are viewed in this research not just as important characteristics of a multinational company, as it is in the domain of organizational behaviour (OB), but also as the potential strategic resources of the MNC, as it is in the domain of international business (IB). Thus, IB is the research domain for this study.

It is important to note that national culture influences significantly many aspects of business life even in the era of globalization (Hayashi, 2003; House et al., 2004; Sinha et al., 2004; Hofstede et al., 2010; Raoprasert & Sardar, 2010). This research acknowledges the crucial importance of national culture as the determining factor in the formation of organizational culture. However, the issues regarding the determinants and antecedents of national culture and its influence on organizational culture are beyond the scope of this research due to the length and time restrictions.

Although this research acknowledges the fact that performance is a complex multi-faceted concept, this study uses the single measure of performance, such as commitment, in relation to organizational culture; therefore, the assessment of the other components of performance is beyond the scope of this research.

### **1.3 KEY GAPS IN THE RELATED LITERATURE**

As many Japanese multinational companies come of age, successfully making their transformation into world famous firms, scholarly attention is shifting from the 'Japanese management' at home to how Japanese companies manage their overseas operations. The related issue is whether they are able to make that 'Japanese management' operate in a foreign environment, particularly, whether they are able to transmit their organizational culture from HQs to their overseas subsidiaries.

Analysis of the related literature reveals the key gaps in this area of research. This process of globalization might have a significant impact on the conclusions derived by the prior research in the related literature. Thus, a reexamination of the factors composing organizational culture of Japanese multinational companies is needed.



The literature does not provide much rigorous analysis of Japanese multinational companies and the transmission mechanism of organizational culture to foreign locations, how the subsidiaries adapt foreign organizational culture transmitted from the HQs, and what is the effect of that transmission on the employees' commitment. So far, exploratory applications are restricted to a few American and European multinational companies (Martinez & Jarillo, 1989, 1991; Ferner, 2000).

Despite the fact that there are many research efforts in the literature of 'International Business' on Japanese MNCs and their subsidiaries worldwide, there is no research that provides a methodological framework to compare and contrast the parent company with the subsidiaries located in culturally similar and culturally distant host countries. Also, the methodological and conceptual frameworks to evaluate the transmission of culture are not established so far. Thus, a study, which provides researchers with a much needed methodological framework for analysis of the nature of the organizational culture and commitment and their interrelationship in the context of multinational companies, particularly in Asian MNCs, is needed.

The value-components are frequently used in the analysis of the nature of both organizational cultures (Rockeach, 1973, 2000; Schein, 1992, 2010; Cameron & Quinn, 1999; Schwartz, 1994, 1996; O'Reilly, Chatman & Caldwell, 1991) and organizational commitment (Mowday, Porter & Steers, 1979, 1982; Meyer & Allen, 1984, 1991), but research on exact value-components of organizational culture and organizational commitment is rare, particularly in relation to Japanese MNCs. The research on the relationships between the value-components of organizational culture and commitment is very rare as well. Thus, research on how the organization promotes and transmits these values across national cultural boundaries is needed.

Current measures of commitment may not accurately reflect the way people experience their own attachment in an organization. The emphasis in the literature on commitment was on intra personal processes such as attitude and attribution formation or on the individual-organizational relationship. There is a lack of evaluation on the nature of commitment of the organization itself. The appropriate measurement tool to evaluate the link between organizational culture and commitment and its outcome may not exist in the literature. Thus, reexaminations of the measurement instruments assessing culture and commitment, and the links between them (if any) in the context of multinational companies are needed. Table 1.1 provides a summary of the information regarding the key gaps in the related literature.

**Table 1.1: Key Gaps in the Related Literature**

KEY GAPS IN THE RELATED LITERATURE	
1.	What are the main factors composing the organizational culture in a multinational company?
2.	Is it possible to transmit organizational culture from the parent unit to the overseas subsidiaries?
3.	What are the main factors composing the commitment in a multinational company?
4.	Does organizational culture affect commitment?
5.	Can organizational culture be a source of competitive advantage, and, therefore, should it be regarded as a valuable strategic resource of a multinational company?

## **1.4 RESEARCH OBJECTIVES**

The ultimate goal of this research is to examine what are the main factors composing organizational culture and commitment; whether the transmission of organizational culture as a coordination mechanism between HQs and subsidiaries exists in the leading Japanese multinational company (MNC) operating in Asia; and whether there is a link between culture and commitment and, if that link exists, how to measure it in a systematic manner.

This research views the transmission of organizational culture as a mechanism to represent the relationship between organizational culture and employees' commitment. Values composing organizational culture can influence values composing organizational commitment. These in turn may form a certain behavioural pattern, for example, creation of a particular type of commitment.

Thus, the main tasks of this research are (a) identification of the specific components composing organizational culture and commitment; (b) investigation of whether OC can be transferred from the HQs to the subsidiaries located in host countries that are culturally similar (Thailand) and culturally distant (India) from the home country, Japan; and (c) examination of the existence of the link between culture and commitment, where commitment is considered to be an index of corporate performance. The ultimate purpose is to demonstrate that commitment can be created in the overseas subsidiaries by transmitting organizational culture from the HQ to these subsidiaries.

According to the classical culture theory proposed by Schien (1992, 2010) there are three levels of components composing culture: 1) underlying assumptions, 2) values, and 3) behavioural patterns (artifacts). This research acknowledges the great importance of all three levels of culture; however, the scope of this research is restricted to examining the mechanism of the transmission of organizational culture through the level of value-components only. In other words, this research aims to investigate what are the main value-components forming organizational culture (OC) and organizational commitment (OCom). The analysis of the level of underlying assumptions lies in the domain of psychology, and therefore is beyond the scope of this research. An analysis of the artifacts or behavioural patterns, despite their importance, is beyond the scope of this research. The main reason for this is that it is too premature to analyze higher levels of culture such as artifacts, without clear understanding of its lower levels, such as values.

The concept and theory of organizational commitment needs reexamination in the light of recent business changes in the world. The strength of organizational commitment as a leading idea in management and behavioural sciences is continuously decreasing in the Western management literature (Baruch, 1998). Thus, it is extremely important to know why and how the Japanese multinational companies are assigning so much importance to the creation and maintenance of employees' commitment. In order to explore these issues, it is essential to investigate whether the relationship between commitment and culture exists in the environment of a multinational company of Japanese origin, and whether or not an MNC can manage to transmit these relationships to its subsidiaries across national boundaries. This research aims to analyse these issues.

## 1.5 RESEARCH QUESTIONS

Related to the above the research objectives there are four research questions to be analyzed in this research as described in Table 1.2 below.

**Table 1.2: Research Questions**

RESEARCH QUESTIONS
1. What are the precise factors composing the concept of ‘organizational culture’ in a Japanese multinational company?
2a. Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, Thailand, that is culturally similar compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?
2b. Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, India, that is culturally distant compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?
3. What are the precise factors composing the concept of organizational commitment in a Japanese multinational company?
4. Whether there is a link between organizational culture and organizational commitment in a Japanese multinational company?

The purpose of this study is to provide some detailed answers to the ‘Research Questions’ mentioned above and to shed some light on the key gaps (as shown in Table 1.1) in the related research domain.

## 1.6 RESEARCH DESIGN

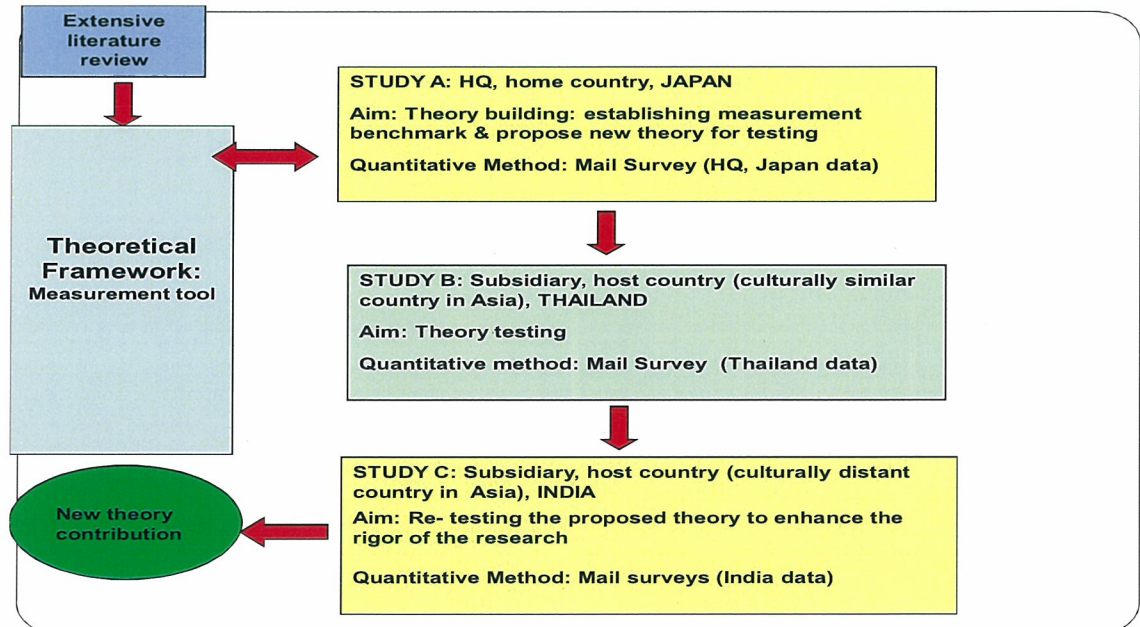
In addressing all the above mentioned key gaps in the related literature and an attempt to provide answers to the research questions, the methodological framework of this research integrates theoretical perspectives on the relationship between HQs and subsidiaries of the multinational companies, and transmission of organizational culture and commitment under a ‘Resource-Based View’ (RBV) framework proposed by Barney (1986, 1991). Thus, this research regards organizational culture not as a characteristic of an MNC, but as a valuable strategic resource. This

constitutes an innovative approach both in the literature on multinational companies and in the literature on the interrelationship between organizational culture and organizational commitment.

The research also examines the factors composing two concepts, organizational culture and organizational commitment, and their interrelationship in three locations enabling the triangulation research technique in order to enhance the overall rigour of the research:

1. STUDY A: this study was conducted in the headquarters (HQs) located in the home country, Japan, in order to establish the benchmark of measurement of the concepts under investigation, and thus to propose a new theory;
2. STUDY B: this study was conducted in the Subsidiary 1 located in a host country, Thailand, which is culturally similar to the home country, in order to test the proposed new theory;
3. STUDY C: this study was conducted in the Subsidiary 2 located in a host country, India, which is culturally distant from the home country in order to re-test the proposed theory.

**Figure 1.1 Research Design**





## **1.7 MAJOR CONTRIBUTIONS OF THE RESEARCH**

The present thesis contributes at two main levels: theoretical and managerial.

*At a theoretical level*, it brings together ideas from the fields of international business and strategic management since culture is regarded as a potential strategic resource of the company based on its influence on commitment. This research is aiming to create synergy in both areas. In particular, it develops a more holistic conceptualization of the HQs-subsidary relationship and particularly focuses on the most topical phenomenon of transmission of culture from HQs to the subsidiaries. Literatures on HQs-subsidary relationship and culture-commitment relationship are integrated under the Resource-Based View (RBV), which is an innovative approach in both domains. This thesis contributes to literature by identifying particular HQs-specific resources such as the organizational culture of a firm, as well as elements of the parent-subsidary relationship, such as transmission mechanism of culture/commitment that may drive MNC's overall performance. Also, this thesis contributes to organizational culture and commitment literatures through exploring the issues of existence of the link between these concepts, as well as the factors composing both of the variables at a firm-level.

*At a managerial level*, the present study provides key understanding into the factors that are most likely to affect firm's performance through the creation of the values composing culture and commitment in subsidiaries similar to those existing in HQs. At strategic level, the present study sheds light on particular strategic decisions that need to be considered in order to develop a population of culture-congruent subsidiaries in the host countries to further enhance firm's overall performance. Regarding the management at the corporate headquarters, for example, at the HR management level, this research allows managers to acknowledge the initial set of dominant value-components of organizational culture and commitment, as it was observed in the leading Japanese MNC, in order to emphasize the development of these precise values in their HR activities (for example, during hiring or training processes).

## **1.8 STRUCTURE OF THE THESIS**

The present thesis comprises of eleven chapters, which are structured as follows:

*Chapter One* briefly explains the importance of the research, identifies the research domain, research objectives, the key gaps in the related literature and the associated research questions. It provides a brief description of the methodological approach taken, research design and major contributions of the research and the structure of the thesis.

***Chapter Two and Chapter Three are two parts of the literature review.***

***Chapter Two: Literature Review: Conceptual Aspect of Research*** provides a detailed review of literature on measurement of the two major concepts under investigation, organizational culture and organizational commitment, major debates on the nature of these concepts and their measurement. Particularly in section 2.4 the concept of organizational culture is analyzed under the Resource-Based View theory and the proposition that organizational culture can be regarded as a valuable strategic resource of the company is described. Also multiple measures of performance, and the commitment as one of its intangible measures, are described. Justification of selecting a single part of the performance such as commitment is provided. Multiple types of commitment are also described.

***Chapter Three: Literature Review: Contextual Aspect of Research*** analyses international business literature on multinational companies. This chapter discusses the gradual evolution of the multinational business and subsidiary developments at various stages of development (Bartlett & Ghoshal, 1988, 1989, 1990) in the context of globalization and related international issues. More precisely, this chapter puts emphasis on three major issues the characteristics of the major types of MNCs (Bartlett & Ghoshal, 1988, 1989; Harzing, 1999, 2000; Paterson & Brock, 2002), the relationship between headquarters and subsidiaries from the perspective of their overall philosophical predisposition towards globalization/localization and centralization/autonomy, which determines their dominant strategy (Young & Tavares, 2004, Birkinshaw & Morrison, 1995; Birkinshaw, Hood & Young, 2005), and the transmission of organizational culture and organizational commitment from the HQs to the subsidiaries in MNCs (Selmer & DeLeon, 1993, 1996). The chapter also provides general characteristics of the different types of multinational companies, particularly of Japanese, Thai and Indian companies, focusing precisely on the analysis of their organizational culture. Concepts derived from the analysis of the related literature in Chapter 3 are utilized later in the quantitative research models which are described in detail in Chapters 6, 7, 8 and 9. Findings from Chapters 6, 7, 8 and 9 demonstrate step-by-step that the strategy of transmission of organizational culture of this MNC selected for analysis is practically implementable. Main results from these chapters are summarized and discussed later in Chapter 10.

***Chapter Four*** addresses methodological considerations of the present research. It includes an analysis of the philosophical position of the research, justification of the selection of the research

design among the alternative approaches, research methods, the sampling strategy and research techniques for data collection and data analysis. The tables with the detailed description of the main phases of the data collection and the characteristics of the main research techniques used in data analysis are presented in this chapter.

**Chapter Five** analyses the theoretical framework used in this research, justifies the measurement tools used in this research and formulates a set of hypotheses to provide precise answers to the research questions. Literature in the fields of international business, organizational culture and psychology were utilized to describe the theoretical framework used in this research.

The results of the quantitative research are presented in four chapters: 6, 7, 8 and 9.

**Chapter Six** presents the findings of the exploratory analysis which was conducted for the purposes of *theory building* during the first stage of the research design, named as Study A. This chapter initially explores the topic by establishing a benchmark for measuring major concepts under investigation in the parent company, and examines the existence of the link between culture and commitment, as it is in the headquarters in Japan. Explanation of the value-components of commitment in terms of the value-components of organizational culture is also presented to find out exactly which value-components of organizational commitment are explained by which value components of organizational culture in the HQs in Japan. Structural Equation Modeling methods are then employed to examine the degree of relationship between these two unobserved variables, *organizational culture* and *organizational commitment*, in the parent company in Japan.

**Chapter Seven** presents the findings of the exploratory analysis that was conducted for the purposes of '*theory testing*' during the second stage of the research design, named as Study B. This chapter further explores the topic of measuring major concepts under investigation in a subsidiary located in a culturally similar host country, Thailand. It also examines the existence of the link between culture and commitment in the Thai subsidiary.

**Chapter Eight** presents the findings of the exploratory analysis that was conducted for the purposes of '*theory re-testing*' during the third stage of the research design, named as Study C, enabling the usage of triangulation research technique to enhance the overall rigor of the research. This chapter further explores the topic of measuring major concepts under investigation in a



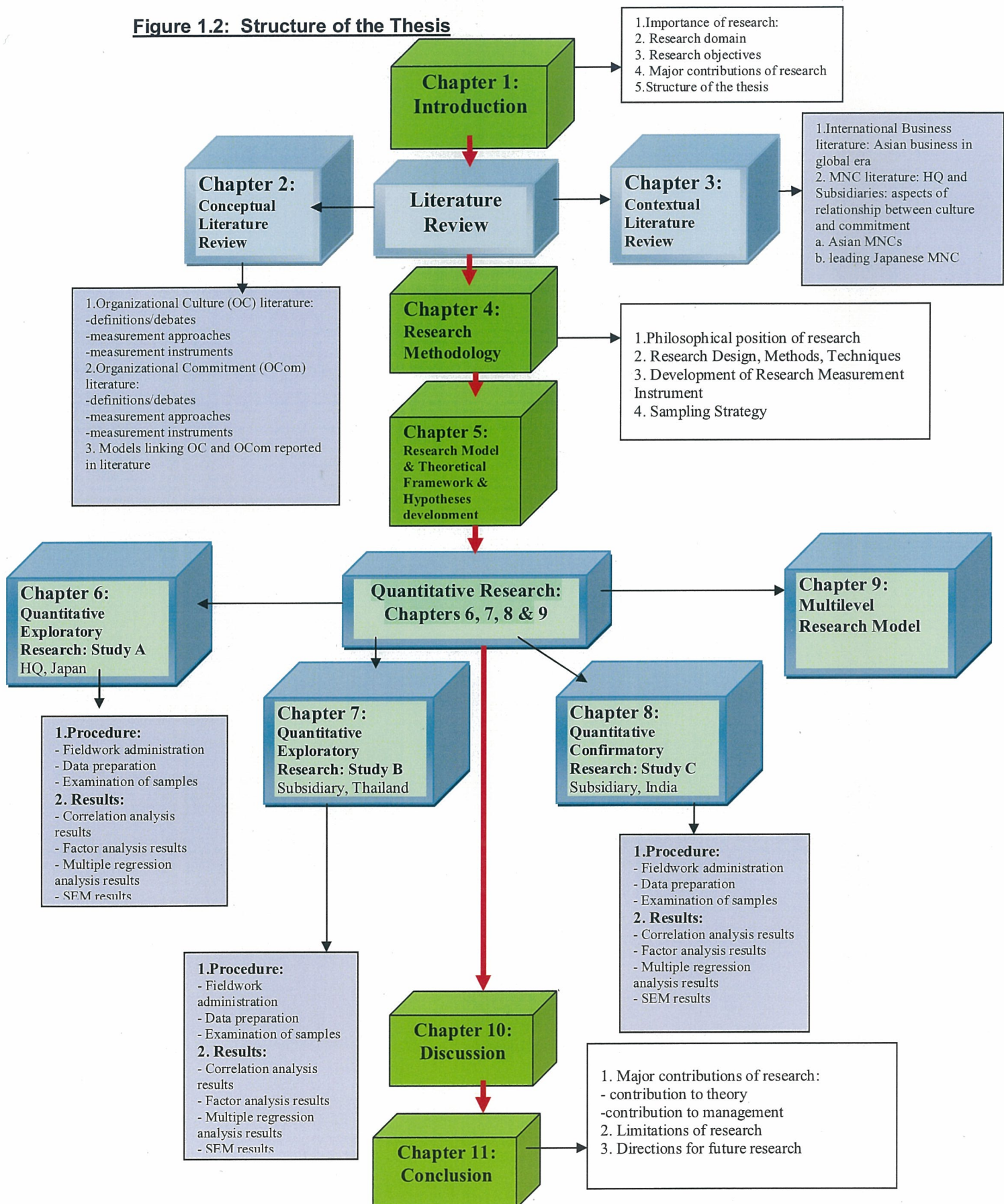
subsidiary located in a culturally distant host country, India. It also examines the existence of the link between organizational culture and commitment in the Indian subsidiary.

**Chapter Nine** presents the findings of the quantitative research, which was conducted for the purposes of *theory building, theory testing and theory re-testing*. It includes a multilevel analysis to compare and contrast these three units, the parent company and two subsidiaries regarding their organizational culture and commitment from the perspective of its value-components.

**Chapter Ten** discusses the findings of the present study in relation to the defined research objectives. This chapter constructively merges prior theory and results of the three studies in Chapters 6, 7, and 8 to draw generalized conclusions regarding the nature of the variables and their outcomes in HQs-subsidiary relationship of this leading Japanese MNC. This chapter discusses the issue of generalizability of this research (section 10.7.2) in the context of the recent development of research on multinational strategies of MNCs (White & Poynter, 1984; Bartlett & Ghoshal, 1988, 1989; Harzing, 1999, 2000; Young & Tavares, 2004).

**Chapter Eleven** concludes the research with a discussion of the contributions of the research for the literature in the fields of international business and strategic management. Finally, it acknowledges some limitations of the present study. It also addresses the question of generalizability and proposes relevant directions for future research. Figure 1.2 describes the structure of the thesis.

**Figure 1.2: Structure of the Thesis**



## CONCLUSION

This chapter described the steps this research has taken to examine the fundamental questions it has raised. These questions come from the gaps of research identified from the analysis of the related literatures, which is described in detail in Chapter 2 and Chapter 3. The design of the research is identified in this chapter.

Globalization has created competition among the multinational firms for domination of the global market. Multinational companies want to spread their activity to look for new markets and at the same time want to find out the cheapest place in the world to produce. That has provoked them to consider various options to coordinate their worldwide activities by having a smooth relationship between the HQs and their subsidiaries that are spread across the world.

As a result of this, the managers of multinational companies are expected to coordinate these subsidiaries so as to integrate them into a proper strategy to create unique resources against their rival companies. However, the most difficult part is to find a roadmap to implement such a strategy. Thus, the issues regarding globalization/localization (Bartlett Ghoshal, 1988, 1989; Harzing, 1999, 2000) and centralization/autonomy (White & Poynter, 1984; Birkinshaw, Hood & Young, 2005; Young & Tavares, 2002; Andersson & Pahlberg, 1996) in relation to the HQs-subsidary relationship are becoming extremely important, and thus in Chapter 3 these are analyzed in depth. Chapter 3 (sections 3.1 and 3.2) provides a review of the related literature from the perspective of the development of HQs-subsidary relationships, descriptions of various alternative subsidiary models, particularly hierarchical and heterarchical (Birkinshaw, 1997; Harzing, 2000; Paterson & Brock, 2002) and a description of the significance of the role of the subsidiary.

Organizational culture, particularly the successful transmission of culture from HQs to subsidiaries in association with commitment, as the one of indicators of the firm's performance, plays a crucial role in this coordination and implementation of the appropriate strategy of the multinational companies, and, thus, may be regarded as an important strategic resource of the company. It is important to examine these issues in a systematic manner, particularly under the influential framework of analysis such as the Resource Based View (RBV), as is the aim of this research. Thus, the detailed characteristics of the RBV and the implications of the RBV for the firm, particularly in relation to organizational culture issues as well as the requirements of a 'resource', as specified by Barney and Porter, are provided in Chapter 2 (section 2.4). Chapter 2

also includes: (a) examples of different resources, (b) explanations regarding the rationale on how organizational culture can be considered as a viable strategic resource within the Barney's classic definition, and (c) the comparison of organizational culture with other strategic resources.

The detailed characteristics of the two main concepts, organizational culture and organizational commitment, are provided in Chapter 2. Commitment in this research is regarded not as the organizational characteristic of the firm but as a component of performance. It is important to note that performance is a very complex concept consisting of various tangible and intangible components, where commitment is one of the intangible components. For that reason, the detailed characteristics of commitment and rationale on why it can be regarded as one of the indices of performance are provided in Chapter 2 (section 2.6).

The methodology of the research and justification of the choice of the selected research design with particular attention to characteristics of the alternative research designs with their advantages and disadvantages and the role of the researcher in the process of designing the research are described in Chapter 4. Chapter 4 also provides details of the research techniques and their purpose; a table summarizing the details of the data collection process with detailed explanatory commentary in the text that includes the answers to questions as to why was the particular MNC with the particular subsidiaries selected for the analysis rather than alternatives, details of the choice of the sample, the implementation procedures for the research (methods of distribution, translation issues, timescales, etc.)

Finally, issues regarding the generalizability of the research findings are discussed in Chapter 10 (section 10.7.2) and in Chapter 11 (sections 11.3 and 11.4) as well as discussions regarding the contributions and limitations of the current research and proposed lines for future research.

## **CHAPTER 2:**

### **LITERATURE REVIEW (PART 1): CONCEPTUAL ASPECT**

#### **INTRODUCTION**

This chapter elaborates various aspects regarding the definitions of the two concepts composing the research model: the organizational culture and commitment. It also reviews the literature regarding various theoretical models on organizational culture and commitment, and their interrelationship. The concept of organizational culture under the Resource-Based View theory is described. Multiple measures of performance, and commitment as one of its intangible measures, are described as well.

The issues regarding the concept '*organizational culture*' are described in sections 2.1-2.4. Section 2.1 defines the broad notion of culture both in general sense and in the sense of organizational culture. Section 2.2 describes critically the various theoretical models on organizational culture. Section 2.3 describes some controversies on the nature of organizational culture and discusses the whether values explains the concept of organizational culture. Section 2.4 analyses organizational culture under the Resource-Based View (RBV) and examines the issue of whether culture can be the competitive advantage and, therefore, the strategic resource of the company as is shown in prior research. Section 2.5 elaborates the conceptual studies that relate organizational culture and performance. Section 2.6 defines the concept of '*organizational commitment*' as one of the indices of corporate performance. Section 2.7 provides an overview of the conceptual studies on organizational commitment. And, finally, section 2.8 provides an overview of the theoretical models that relate organizational culture and commitment.

#### **2.1 ORGANIZATIONAL CULTURE: DEFINITION**

The term '*organizational culture*' emerged from a general concept of '*culture*' which has its roots in anthropological, historical, sociological, and psychological perspectives. Alfred Kroeber and Clyde Kluckhohn (1952) published a list of 160 (!) different definitions of culture, which

indicates the diversity of the concept of culture. Some of the important definitions of organizational culture are shown in Table 2.1.

**Table 2.1: Definition of Culture: (Source: Adapted from Kroeber and Kluckhohn, 1952)**

1.	a "total way of life of a people"
2.	a "social legacy the individual acquires from his group"
3.	a "way of thinking, feeling, and believing"
4.	a "set of values for adjusting both to the external environment and to other men"
5.	a "mechanism for the normative regulation of behavior"
6.	a "storehouse of pooled learning"
7.	a "set of standardized orientations to recurrent problems"
8.	a "learned behavior"
9.	a "behavioral map or matrix"

The cross-generational aspect of culture has led some anthropologists, especially Kroeber and Kluckhohn (1952), to treat culture as a super-organic entity, existing beyond its individual human carriers. Individuals are born into and are shaped by a pre-existing culture that continues to exist after they die. Kroeber and Kluckhohn (1952) described the following meanings of the broad view of culture combining all major sources, historical, sociological and psychological (in the Table 2.1).

Table 2.2 provides definition of organizational culture, where all existing definitions described by Kroeber and Kluckhohn (1952) were structured in a way to form three main groups such as historical, psychological and sociological. Thus, as shown in Table 2.2, the historical view of culture is considered as the heritage and tradition coming down from the past generations to the present and reflecting the soul of the nation. The psychological view of culture is a combination of ideas, habits, impulses, and way of life reflecting the personal preferences. The sociological view of culture is a combination of ideas, values, rules of the society, environmental adaptation of the people reflecting societal preferences.

**Table 2.2: Structured Definitions of Organizational Culture (Source: Adapted from Kroeber and Kluckhohn, (1952))**

<b><u>1. Historical:</u></b>
Culture is social heritage, or tradition, that is passed on to future generations
<b><u>2. Psychological:</u></b>
<b>(a) Behavioral:</b> Culture is shared, learned human behavior, a way of life
<b>(b) Mental:</b> Culture is a complex of ideas, or learned habits, that inhibit impulses and distinguish people from animals
<b><u>3. Sociological:</u></b>
<b>(a) Normative:</b> Culture is values or rules for living
<b>(b) Functional:</b> Culture is the way humans solve problems of adapting to the environment or living together
<b>(c) Structural:</b> Culture consists of patterned and interrelated ideas, symbols, or behavior
<b>(d) Symbolic:</b> Culture is based on arbitrarily assigned meanings that are shared by a society

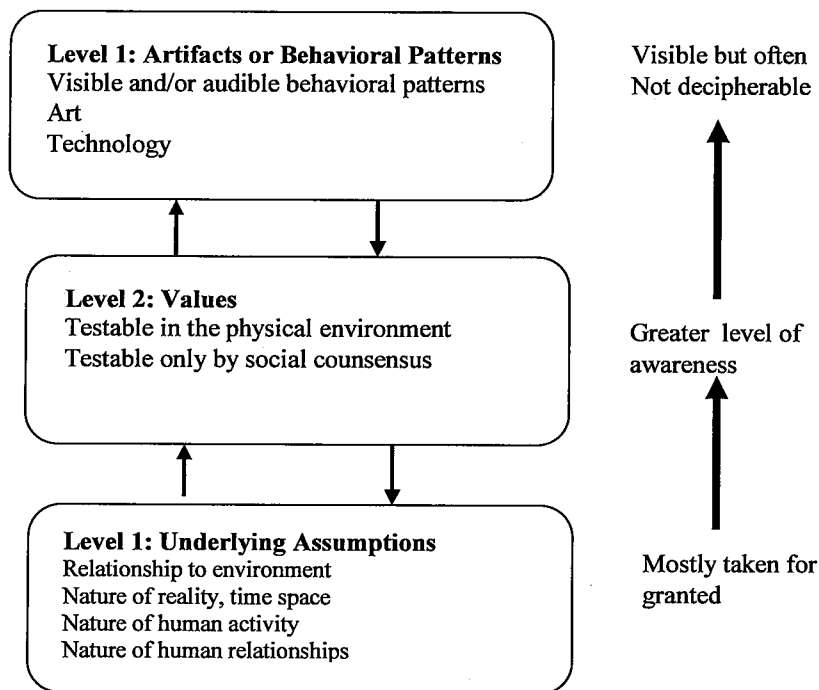
The definition of organizational culture as proposed by Schein (1992, 2010) emerges from the broad definition of culture (in Tables 2.1 and 2.2) as accepted by the most prominent researchers on culture (Adler & Graham, 1989; Hofstede et al, 2010; Denison & Mishra, 1995; O'Reilly, Chatman & Caldwell, 1991; Cameron & Quinn, 1999). Schein defines organizational culture as *a collection of unconscious beliefs and assumptions, which determine values of the organization and through these values, both organizational collective and individualistic, actions of the organizations would be shaped* (Schein, 1992: 16). Indeed, culture in a broad view involves at least two perspectives: what people think and what they do. Thus, according to Schein (1992) the various mental processes, beliefs, and most importantly values are components of culture, and

these are influencing behavior of the people who are working in the organization. In the sections below, a systematic analysis of the views of these major authors is provided.

## 2.2 THEORETICAL MODELS OF ORGANIZATIONAL CULTURE

This thesis accepts the Schein's theoretical model of culture as most comprehensive theoretical framework for the analysis of organizational culture, and this is the first reason for selecting it as the theoretical basis for the current study. Schein (1992, 2010) by combining values, behaviors, and artifacts into one comprehensive theoretical model of organizational culture proposed a three level model of organizational culture, which is given in Table 2.3.

**Table 2.3. Theoretical Model of Organizational Culture by Schein: (Source: Schein, 1992: 17)**



Indeed, the organizational culture has some basic assumptions or espoused values, as elaborated by Deal & Kennedy (1982). Ouchi (1981a and b) and Pascale & Athos (1981) emphasized the formal philosophy or mission of the organization from which the behavior of the organization emerges. Hofstede et al., (2010) and Kilman and Saxton (1983) concentrated on national values as important elements of culture. Gagliardi (1986), Smircich (1983), Hatch (1993, 1997) focused



on shared mental models, norms, symbols, ideas, feelings and images as important components of organizational culture. Artifacts and creations of patterns of behavior in organizations and organizational climate are also important according to Trice & Beyer (1991) and Schneider (1985).

Hawkins (1997) elaborated the Schein's model of three levels (1992) into five levels of organizational culture such as artifacts, behavior, mindset, emotional ground, and motivational roots as shown in Table 2.4.

**Table 2.4: Hawkins's Theoretical Model of Organizational Culture (Source: Hawkins, 1997: 426)**

<p><b>Level 1: Artifacts</b>  Policy statements/ Mission statements  Dress codes, furnishings/ PR etc.</p> <p><b>Level 2: Behavior</b>  What people do and say  What is rewarded  How conflict is solved  How mistakes are treated etc.</p> <p><b>Level 3: Mindset</b>  Organizational world view: ways of thinking that constrain behavior  Organizational values in use  Basic assumptions</p> <p><b>Level 4: Emotional Control</b>  Mostly unconscious emotional states and reeds that create a context within which events are perceived</p> <p><b>Level 5: Motivational Roots</b>  Underlying sense of purpose that links the organization and the individuals</p>
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Therefore, in Hawkins's model two extra levels, emotional ground and motivational roots are added. Although Hawkins's theoretical model of organizational culture is offering a way of accommodating different aspects of organizational culture, one problem with such clusters is that they usually do not cover sub- or micro-cultures (Mannion, 2008). Instead, they seem to assume that there is an overall organizational culture shared by all members within an organization, which may not be the correct description of organizational culture as noticed by Martin (2002).

According to Martin's theoretical model of organizational culture, it is useful to perceive organizational culture as an interwoven web of subcultures that combine individual values and organizational properties (Martin, 2002). Indeed, this notion might coincide with or diverge from

the exiting ideas on organizational culture (Lok, Westwood & Crawford, 2005). Moreover, if the divergence is in such a degree that an uneasy relationship exists between the overall organizational culture and a subculture, the latter can be perceived as a counterculture (Martin, 2002).

Martin's theoretical model of organizational culture distinguished three traditions in research on organizational culture: differentiation perspective, integration perspective and fragmentation perspective (Martin, 2002). Schein (2010) also accepted that in every organization there are essentially three different subcultures: those of the operators, of the engineers and of the executives. For instance, it is the operator group that typically becomes the target of change-programs and organizational-learning-efforts. Only by taking into account all three perspectives researcher can understand and explain the dynamics of organizational culture better (Kirchmeyer & Cohen, 1992; Lubatkin, Ndiaye & Vengroff, 1997). Thus, in Schein's three level theoretical model of culture (1992, 2010) there is also a synthesis of Martin's ideas about sub-cultures, which might be included in overall organizational culture, and this is the second reason for selecting it as the theoretical framework for the current study.

There are some important theoretical models of organizational culture that are reported in the related literature. For the purpose of this study, a list of some of the most prominent theoretical models of organizational culture is provided in Table 2.5.

**Table 2.5: Theoretical Models of Organizational Culture**

Authors	Focus	Research Method	Research Techniques	Key Findings	Limitations
Rokeach (1973, 2000)	Values of culture and nationalities	Quantitative Q-search method	Survey	Values should be emphasized	Provoked subsequent research, but failed to explore possibilities of the usefulness in organizational settings
Ouchi & Jeager (1978)	Nature of non-Western organizational culture	Qualitative Analysis	Analysis and Discussion	Long term views of organizational purpose and culture	Exploratory theory, but with little quantitative evidence

Hofstede, 1980; Hofstede, Hofstede & Minkov (2010)	Concept of culture and its relationship with national culture	Mainly qualitative analysis; partly quantitative	Analysis and Discussion	There are clear links between national culture and organizational culture	Analysis is based on authors' own assumptions, which are not critically analyzed in relation to many countries, particularly in Asia(i.e., Japan)
Smircich (1983)	Nature of culture	Qualitative Analysis	Analysis and Discussion	Culture defines a company or culture is a resource of the company.	Simple idea, but provoked subsequent research
Barney (1991)	Culture as a resource	Qualitative Analysis	Analysis and Discussion	Culture creates competitive advantage	Exploratory theory, but no evidence either qualitative or quantitative was submitted
Adler (1997)	Concept of culture and performance	Qualitative Analysis	Analysis and Discussion	Relationship between culture and performance	Conceptual theory; could not quantify the contributions of culture on performance
Kotter & Haskett (1992)	Relationship between nature of culture and performance	Quantitative; Cross section study of large number of firms in USA	Survey	Strong culture may be responsible for superior performance	Path-breaker in identifying typographical nature of culture in quantitative way
Schwartz (1994, 1996)	Nature of values in culture	Quantitative	Survey	Emphasis on values	Could not quantify the contributions of culture on performance
Schein (1992, 2010)	Concept of culture	Qualitative	Analysis and discussion	Emphasis on values	Could not quantify the contributions of culture on performance
Cameron & Quinn (1999)	Relationship between the nature of organizational culture and performance	Quantitative; Cross section study of large number of firms in USA	Survey; analysis and discussion	There are weak and strong culture; Culture sometime determine performance	Excellent quantitative unbiased analysis; only restricted to US domestic firms

Mintzberg, Simom & Basu (2002)	Organizational culture and altruism	Qualitative Analysis	Analysis and Discussion	Long term views of organizational purpose and culture	Follow up analysis of Ouchi and Jeager (1978) with a little qualitative evidence and with no quantitative evidence
Martin (2002)	Nature of Organizational Culture	Qualitative Analysis	Analysis and Discussion	There is combination of sub-cultures rather than one single culture	Stating the obvious for an organization with weak organizational culture; of very limited value for further research

These studies provided various theoretical models of organizational culture and its nature. There are much debates among academics regarding the nature of organizational culture and the answer to the question as to what effectively is organizational culture; whether it is something a company 'has' or whether it is something a company 'is' (Smircich, 1983). Smircich (1983) uses the metaphor of a plant root to represent culture, describing that it drives organizations rather than vice versa. According to Smircich, organizations are the product of organizational culture, therefore researchers are unaware of how it shapes behavior and interaction and, thus, how can researchers categorize culture and define it?

This concept has a serious implication from the point of view of corporate management to create new competency while reorganizing the organization, that the existing culture has to be wiped out and a new organization with a new culture should be formed (Adler, 1997). Thus, culture ties the company down to the past and must undergo transformations of the entire organizations to enable development of competences for the future. Moreover, culture is viewed as holistic, historically determined, socially constructed and difficult to change construct (Hofstede, 1980; Hofstede, et al., 2010).

However, according to Schein (2010), culture is also something that the group uses in its internal and external relations, with a view to its survival and preparation for the future. Moreover, a sustainable competitive advantage arises from the company's organizational culture, used at a higher standard than all other competitors (Cameron & Quinn, 1999; Kotter & Heskett, 1992; Barney, 1991, 2001). Organizational culture, therefore, may be thought as the manner in which an organization solves problems to achieve its specific goals and to maintain itself over time.

Organization that develops a distinct culture will have significant performance efficiencies under certain conditions and, therefore, can be viewed as the resource of a company that can be mobilized (Ouchi and Jaeger, 1978; Mintzberg, Simon & Basu, 2002).

Also, according to Schein (2010), organizational culture provides a body of solutions to problems that have worked consistently and are taught to new members as the correct ways to perceive, think about, and feel in relation to those problems. The sum of these shared philosophies, assumptions, expectations, attitudes, and norms are based on the sets of values that bind the organization together (Rokeach, 1973, 2000; Allaire & Firsirotu, 1984; Schwartz, 1992, 1994, 1996; Hofstede, 1980, 1993; Hofstede et al., 1990, 1993, 2010; O'Reilly et al., 1991; Cameron and Quinn, 1999). This leads to the contribution of values as being the main components that are forming a company's culture.

## **2.3 VALUES AS CORE COMPONENTS OF CULTURE**

According to the classic model of culture proposed by Schein (1992, 2010) the artifacts or behavioral patterns are forming the top level of an organization's culture and these are the most visible and tangible manifestations. These include the physical environment of an organization, its products, technology used (or not used), as well as patterns of behavior (for example, the various managerial activities, the use of language and other symbolic forms). The second level is made up of values which, influence behavior. A value system differentiates right feelings, thoughts and behavior from wrong feelings, thoughts and behavior. Values represent 'what ought to be' or the ideals of the organization. They incorporate moral and ethical codes, ideologies, and philosophies of the organization. These form the espoused values of the organization (Basu, 1999; Ouchi, 1981a, b). The third level forms the basis for fundamental cultural understanding. It comprises of basic underlying assumptions, enshrined fundamental beliefs and perceptions that have impacts on individuals' thinking, behavior, and feelings (Karahana, Everisto & Srite, 2005). All these levels are important components of culture, however, in the analysis of culture in organizational settings, the level of values is considered to be the imperative one (O'Reilly et al., 1991; Cameron & Quinn, 1999; Rokeach, 2000; Schein, 2010).

Values are defined as taken-for-granted presumptions about the personal and social reality (Maslow, 1954, 1968; Rokeach, 1973; Schwartz, 1994, 1996; Sagiv & Schwartz, 2000; Miroshnikov, 1999). According to Rokeach, *'values are incontrovertible, personal truths that*

*are unaffected by persuasion*' (Rokeach, 1973: 16); and can be changed only over a long time. Values have stronger affective and evaluative components than knowledge (Kahle & Kennedy, 1988; Kahle et al., 1997) and personal beliefs (Sagiv & Schwartz, 2000). Cultural values are transmitted across generations and maintain continuity through learning, technically termed as *acculturation* (Harrison & Carroll, 1998; Selmar & DeLion, 1996). Thus, the values can be used as the major traits of the culture and thus, the values are accepted as the core components of culture in this research.

Based on the prior research thus study views the culture as the combination of three sub-systems from the perspective of its value-components: (1) macro-value system, (2) meso value system, and (3) micro value system. A first sub-system of culture, a *macro-value sub-system* of culture or '*national culture*', combines basic values (religious, moral and habitual), which are common for a particular nation. A second sub-system of culture, a *meso-value sub-system* of culture or '*organizational culture*' embodies the myths, beliefs, and ideologies of the organization. Leaders attempt to influence the development of values and to define the organization's purpose, policies, and strategies to organize the work structure. For example, Deal & Kennedy (1982) identified the 'mythological' roles that leaders, as ceremonial heads of organizations, often play in the effort to clarify responsibilities, teach organizational values, and promote the organization's mission. Finally, a third sub-system of culture, a '*micro value sub-system of culture*' or '*individual culture*' is comprised of the values that belong to individuals within the organization who contribute their unique experiences, beliefs, goals, and personalities.

One of the first models of culture based on value-components was proposed by Rokeach (1973). Rokeach differentiated people in terms of their race, sex, religion, occupation, political ideology, and a variety of other characteristics in the U.S. on the basis of their value orientations in his study on US companies. The Rokeach Value Survey (RVS) is a classification system of two sets of values, *terminal values* and *instrumental values*, where terminal values refer to desirable end-states of existence and the instrumental values refer to preferable modes of behavior (Beatty et al., 1985).

Another model of culture assessing the *macro-value sub-system* of culture or '*national culture*' is based on value-components as proposed by Hofstede (1980, 1990). Based on the analysis of the one single major US company IBM (between 1967 and 1973 covering 50 companies) Hofstede describes culture as combination of five values which are *individualism/collectivism*, *power distance*, *uncertainty avoidance*, *masculinity/femininity* and *long/short term orientation*

(Hofstede & Bond, 1988). For example, according to Hofstede, *individualism* would reflect the emotional independence of the person with respect to groups and organizations, while its absence would be similar to an emotional dependence.

An alternative model of culture of the *macro-value sub-system* of culture was proposed by Trompenaars and Hampden-Turner (2004). They described several orientations which can categorize business and management practices such as (a) universalism vs. particularism, or what is more important, rules or relationships; (b) individualism vs. collectivism; (c) neutral vs. emotional, or do people display emotions; (d) specific vs. diffuse, or how separate people keep their private and working lives; (e) achievement vs. ascription, or do people have to prove themselves to receive status or is it given to them; (f) sequential vs. synchronic, or do people do things one at a time or several things at once; (g) internal vs. external control, or do people control their environment or are they controlled by it. According to Trompenaars and Hampden-Turner (1993) different cultures of the world can be differentiated by these categories. These orientations are similar to that of Hofstede's categorization of national culture (Hofstede, 1980, 1985). Like Hofstede, they assume that cultures of the organizations are fixed by the societal and national culture and cannot be influenced by any new management system from abroad but the managers must adapt themselves to these different cultural variations.

A theoretical model of culture assessing the *micro-value sub-system* of culture or 'individual culture' based on the value-components was proposed by Schwartz (1992, 1994, and 1996). According to Schwartz the individual cultures can be accounted for by seven basic cultural values such as *conservation* (values that emphasize the status quo and propriety, and traditional social order); *hierarchy* (values, which emphasize the legitimacy of the hierarchical ascription of roles); *intellectual autonomy* (values that situate the person as an autonomous entity); *affective autonomy* (values in promoting and protecting the attainment of positive affective experiences); *competency* (values that give priority to self-affirmation); *harmony* (values promoting harmonious fit with nature and the environment); *egalitarian compromise* (values that share a concern for the well-being of others) (Schwartz, 1994).

The theoretical model of culture assessing the *meso-value sub-system* of culture or 'organizational culture' based on value-components was proposed by a number of researchers (Cooke & Rousseau, 1988; O'Reilly et al., 1991; Cameron & Quinn, 1999).

Cooke and Rousseau (1988) in a descriptive analysis of organizational culture distinguish four common types of organizational culture: *cooperative*, *competitive*, *passive*, and *aggressive*. A cooperative culture encourages behaviors such as goal attainment, enjoying one's work, and maintaining one's personal integrity and standards. A competitive culture encourages decisiveness, rewards achievement, and creates an environment of high expectations; this type of work environment can limit organizational effectiveness by minimizing constructive expression of ideas and opinions, suppressing innovation, and stifling flexibility. An aggressive culture promotes such behaviors as procrastination, and could also cause service quality to become confused with winning power and pointing out the flaws of others. And a passive culture promotes such behavior as waiting for direction from superiors before acting and inflexibly following rules and procedures. According to Cooke and Rousseau (1988), these four alternative types of cultures may form four types of commitments, based on the sets of values, which in turn have their effects on performance. These phenomena were observed and confirmed by Marcoulides and Heck (1993) and Cameron and Quinn (1999).

Cameron and Quinn (1999) in their theoretical model of organizational culture, namely '*Competing Values Framework*' (CVF), proposed that values that characterize an organization's culture significantly affect performance and may create competitive advantages. Cameron and Quinn used the values to characterize firms into four separate organizational types with different styles of leaderships, which are: (a) clan, (b) adhocracy, (c) hierarchy, and (d) market, which are related directly to the four types of organizational culture such as *cooperative*, *competitive*, *passive*, and *aggressive* suggested by Cooke and Rousseau (1988).

In the '**Clan**' type of organization, leaders are accepting the role of *facilitator*, *mentor*, and *parent*. The effectiveness criterion is a combination of cohesion and proper development of human resources. The basic management philosophy is: participation fosters commitments.

In the '**Adhocracy**' type of organizations, the leaders are accepting the role of *innovator*, *entrepreneur*, and *visionary*. The effectiveness criterion is creativity and growth of the company with the most advanced technology. The management philosophy is: innovations foster new resources.

In the '**Hierarchy**' type of organizations, the leaders are accepting the role of *coordinator*, *monitor*, and *organizer*. The effectiveness criterion is efficiency, timeliness, and smooth functioning of the organization. The management philosophy is: control fosters efficiency.



In the 'Market' type of organization leaders are accepting behavior of *hard-driver*, *competitors* and *producer*. The efficiency criterion is the market share, goal involvements, and defeats of the competitors. The management philosophy is: competition fosters productivity.

The cultural types depicted by this Competing Values Framework (CVF) framework can be used not only to represent the culture of an organization but also to serve as a basis upon which one organization can be differentiated from the others (Quinn & Rohrbaugh, 1983; Quinn, 1988; Cameron & Freeman, 1991).

The CVF describes organizational culture in terms of what appear to be mutually exclusive value dimensions: structural control vs. flexibility and internal vs. external focus, which underlies conceptualizations of organizational effectiveness. Thus, the CVF offers promise for providing a common metric for multi-level, trans-organizational, and cross-cultural analyses (Kwan and Walker, 2004; Lamond, 2003)

Thus, the organizational culture can be characterized from the perspective of values because values are the core components, which are in fact influencing the behavior of people working in the organizations. An organizational culture with a strong value structure may create organizational effectiveness (Kotter & Heskett, 1992; Cameron & Quinn, 1999) and that may lead to competitive advantages of a company by creating unique resources (Porter, 1985; Barney, 1986; Barney & Clark, 2007). In the next section, ideas regarding the creation of competitive advantages through organizational culture are analyzed.

## **2.4 ORGANIZATIONAL CULTURE AS RESOURCE UNDER THE RESOURCE-BASED VIEW THEORY**

### **2.4.1 Basic Principles of the Resource-Based View Theory**

The Resource-Based View (RBV) is a prominent theory of the firm that is widely used in IB research. The RBV is an approach for conducting a strategy to identify the critical assets of the company in order to gain competitive advantage and enhance its growth. In other words, the RBV theory considers firms as bundles of resources and capabilities. While the RBV theory is mainly associated with the name of Barney (1986a and b, 1991), who indeed summarized the main ideas of this theory in his works; the theory itself was named by Wernerfelt in his seminal articles 'A Resource-Based View of the firm' (1984) and 'A Resource-Based View of the firm: Ten years after' (1995). However, the RBV theory has longer history than the works of Wernerfelt and

Barney. The basics of this theory, in fact, can be traced to the earlier works of Coase (1937), Penrose (1959), Chandler (1962, 1977), Rubin (1973), Williamson (1975) and Porter (1980, 1985, and 1990). Penrose (1956) was the first to propose that resources are the main components in analysis of the competitive position of a firm. This argument Rubin (1973) later elaborated in his work to conclude that what actually matters is not the resources per se, but the ability of the firm to process them. The fundamental idea of the RBV theory to focus the analysis of the firm on its ability to maintain a collection of the unique resources that cannot be imitated by competitors was later developed in the works of Barney (1986, 1991), which created the paradigm in management literature upon which the shift towards the broader view in different academic fields such as economics, particularly organizational economics, was made by Conner (1991), Mahoney and Pandian (1992), Conner and Prahalad (1996) and Makadok (2001).

The 'Resource-Based View' (RBV) framework proposed by Barney elaborates the theoretical views of Penrose (1959), Porter (1985), and Prahalad & Hamel (1990) in order to combine them into a new theoretical model where the internal perspectives (core competences) and external perspectives (industry structure) of a firm compose one strategy (Barney, 1991, 2001; Barney & Clark, 2007). Like the frameworks of core competence and capabilities, firms have very different collections of physical and intangible assets and capabilities, which the RBV calls '*resources*'. Barney defines resources as valuable '*when they enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness and when they exploit opportunities or neutralize threats in a firm's environment*' (Barney, 1986: 15)

According to Penrose (1959), firms exist to act so as to maximize their profit. Penrose conceives the firm is a collection of competencies that embody its profit. Moreover, she argues that a firm's competitive position is dependent on the manner in which the experiential knowledge of its personnel is developed and leveraged i.e., its organizational culture. Thus, according to Penrose, creation of competitive advantage is the most important function of the firm, which allows its survival. Penrose's theoretical model of the firm, as the collection of competencies, was elaborated later by Porter (1980, 1985), Prahalad and Hamel (1990), Peteraf (1993) and Barney (1986; 1991, 2001).

According to Porter, the competitive advantages of firms can be created by a number of instruments; organizational culture is one such important instrument (Porter, 1980; 1985). Porter suggests that '*the essence of formulating competitive strategy is relating a company to its*

*environment, both external and internal*' (Porter, 1980: 21). Regarding the internal environment, Porter emphasizes that in every industry in most countries, the internal environment improves the quality of human resources through the organizational culture.

Prahalad and Hamel (1990) proposed the term 'core competencies' or capabilities of the company which is very similar to Porter's (1980, 1985) notion of the competitive advantage of the firm, but more specifically '*how to coordinate diverse production skills and integrate multiple streams of technology that are hard to imitate and distinguish the company from competition, can be created through the internal environment*' (Prahalad & Hamel, 1990: 80). These core competencies, and a continuous strategic investment in them, govern the long-term dynamics and potential of the company (Conner & Prahalad, 1996; Dosi, Failo & Marengo, 2008).

The RBV emphasizes resource-choice, or the selection of appropriate resources, where the dynamic capabilities emphasize the organizational resource development and renewal. For example, '*Kaizen*' (or '*continuous development*') in Japanese multinational companies can be considered as a major dynamic capability of their organizational culture (Prahalad & Hamel, 1990; Conner & Prahalad, 1996; Acedo, Barroso & Galan, 2006). Creation of dynamic capabilities through *Kaizen* attempts a multi-stage process approach. By acting as a buffer between organizational resources and the changing business environment, the process approach helps a firm to adjust its resource mix in some innovative way and, thereby, to maintain the sustainability of the firm's competitive advantage, which otherwise might be quickly eroded. Continuous and novel applications of information system technology are other examples of the creation of dynamic capability (Winter, 2003; Foss & Ishikawa, 2007; Sirmon et al., 2007; Teece, 2007).

Development and renewal of internal and external firm-specific capabilities are of strategic importance to business enterprises. The concept of dynamic capabilities incorporates two valuable observations: first, the shifting character of the economic environment renders it dynamic, for example, decreasing time to market for products, shifting barriers to entry through technological change, globalization of national economies, and environmental uncertainty caused by political strife; second, organizational capabilities are the source of competitive success. It is important to note that commitment of the employees, which may be formed under the influence of organizational culture creates this dynamic capability, which is rare, non-imitable and unique to a specific multinational company i.e., satisfies all requirements proposed by Penrose, Porter,

and Barney as a source of competitive advantages (Penrose, 1959; Porter, 1980, 1985, 1990; Barney, 1986, 1991, 2001; Barney & Clark, 2007).

The RBV is grounded in the perspective that a firm's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic action than the external environment (Holzl et al., 2002; Gibbert, 2006; Armstrong & Shimizu, 2007; Barney & Clark, 2007; Kor et al., 2007; Pitelis & Teece, 2010). Indeed, the organizational routines are the basis of a firm's distinctiveness and are, therefore, the source of its competitiveness. Thus, for example, according to Fransman (1998) and Sirmon et al. (2007) the resource-based view considers the firm as a repository of knowledge.

The resource-based view of organizations, as repositories of productive knowledge, is explained by Newbert (2007) and Nelson and Vasconcellos (2007). Organizational culture includes the patterns of current practice and learning in a firm, which create dynamic capabilities. Capability development is a factor of a subsidiary's capacity to absorb knowledge, assimilate it and apply it to commercial success (Andersson & Forsgren, 2000; Andersson, 2003). This ability is a rare resource, and it can be developed only in a proper environment that can be developed by an appropriate organizational culture. However, the obvious gap in this area of research is how to quantify the capabilities and how to prove that they can indeed improve the performance (Eisenhardt & Martin, 2000; Foss & Knudsen, 2003; Foss et al., 2008). Indeed, Porter (1980), Barney (1986), and Prahalad and Hamel (1990) only described the notion of the core competencies but they have never explained how these can be created and sustained (Helfat & Peteraf, 2003).

The RBV has been criticized for ignoring organizational factors surrounding resources. Considerations such as how organizational resources are developed, how they are integrated within the firm and how they are released have been under-explored in the literature on the RBV (Morgan-Thomas, 2004). There is also criticism about the indeterminate nature of concepts like '*resource*', '*core competence*', and '*competitive advantage*', which are not properly explained. For example, according to some authors (Kraaijenbrink et al., 2010; Gibbert, 2006) the concept of competitive advantage in the way it is proposed in the literature is static in nature, not dynamic, and thus not viable. Moreover, the process of building competitive advantages by means of

combining existing complementary resources in novel ways is not probed (Foss & Ishikawa, 2007; Foss, Klein, Kor & Mahoney, 2008; Newbert, 2007)

Therefore, according to these authors, the RBV theory thus far remained a conception, not a practical framework, since it is not clear how a firm can create these facilities, particularly from the perspective of using culture as the resource (Kor, Mahoney, & Michael, 2007; Levitas & Ndofor, 2006). Also, following Popper's classic criterion of a theory, as '*not a theory unless it can be falsified*', for example, Morgan-Thomas (2004) states that the RVB is not a theory as such but only a proposition.

Thus, it is essential to analyze the ingredients of this competitive advantage and how organizational culture can promote competitive advantages in order to turn the RBV theory into a practical proposition on how to improve the performance of a company; this is the aim of this research.

## **2.4.2 What Is A Resource under the RBV Theory?**

Resources under the RBV theory are perceived as stocks of tangible and intangible factors owned by the firm which can be used to create and utilize capabilities of the firm to improve its competitiveness. Competitive advantages are derived from resources that are unique, non-imitable and non-substitutable. Resources can be the organizational structure and behaviour, knowledge, quality of human resources, or any other factors that can satisfy the criteria mentioned above. Capabilities of a firm relate these resources in such a manner that these can be used by the firm to enhance its competitive advantages. For example, capabilities that are originated from organizational culture cannot be imitated easily.

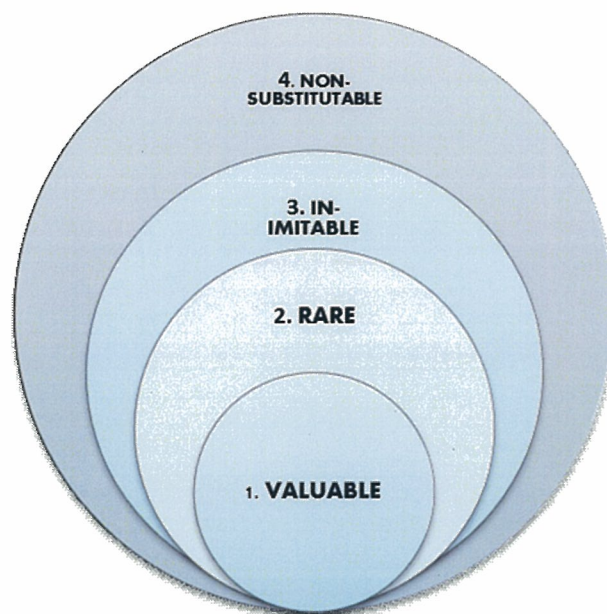
If that resource of a company is unique, hard to imitate by any rival firms, it would provide competitive advantage for the firm. Thus, a firm implementing a value creating strategy, which is not simultaneously being implemented by any current or potential competitors, can create competitive advantages (Preim & Butler, 2001; Barney & Clark, 2007). Indeed, uniqueness of the organizational culture makes the organizational culture difficult to imitate because values, symbols, and beliefs are difficult to describe, as they are the unspoken, unperceived commonsense of the organization (Barney, 1986; 2001).

More precisely the resources must fulfill the following criteria.

1. Valuable criterion: *'A resource must enable a firm to employ a value-creating strategy by either outperforming its competitors or reduce its own weaknesses'* (Barney, 1991: pp 99)
2. Rare criterion: *'... to be of value, a resource must be rare by definition'* (Barney, 1992: pp 100)
3. Non-imitable criterion: *'If a valuable resource is controlled by one firm it could be a source of a competitive advantage'* (Barney, 1991: pp 107); *'it [competitive advantage] could be sustainable if competitors are not able to duplicate this strategic asset perfectly'* (Barney, 1986: pp 658; Prahalad & Hamel, 1990 )
4. Non-substitutable criterion: *'Even if resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability'* (Barney, 1991: pp 111; Dierickx & Cool, 1989)

In other words resources must be *valuable* (V), *rare* (R), *inimitable* (I), and *non-substitutable* (N) referred to as VRIN as shown in Figure 2.1 below.

**Figure 2.1: VRIN Criteria for Qualifying As the Strategic Resource of the Multinational Company (Adapted from Barney, 1991)**



According to Wernerfelt (1984, 1995), the resources can be (a) any strength of the company or (b) any semi-permanent advantages. The examples of the resources of a company that are listed in Wernerfelt's articles include: (1) machine capacity, (2) customer loyalty, (3) employee loyalty, (4) production experience, and (5) technological leads. Also Wernerfelt raised the very important question of where the resources come from, and proposed that resources can be held internally and externally (in case a firm lacks resources, it can acquire them through mergers and acquisitions). The details of the examples of resources are provided in Table 2.6 below.

**Table 2.6: Examples of Strategic Resources of Multinational Companies**

Examples of Resources	Source
<b>Product</b>	Barney, 1986, 1991
<b>Management system</b>	Penrose, 1959; Barney, 1986
<b>Technology</b>	Porter, 1980, 1985
<b>Competency</b>	Prahalad and Hamel, 1990
<b>Innovation</b>	Prahalad and Hamel, 1990; Bartlett and Ghoshal, 1988
<b>Organizational Culture</b>	Barney, 1986

In sum, all the resources of a firm can be classified into four major categories as shown in Table 2.7.

**Table 2.7: Resource Categories under RBV Theory**

	Resource Categories
1	Financial Capital
2	Physical Capital
3	Human Capital
4	Organizational Capital

### **2.4.3 Organizational Culture as a Resource under the RBV Theory**

Barney (1986) proposed that organizational culture can be a source of competitive advantage and, therefore, can be regarded as a valuable strategic resource of a company. Barney (1986, 1991, 2001) indicated that organizational culture, in order to enhance corporate performance, and therefore, to be regarded as a strategic resource of the company must be unique for the specific firm so that any rival firms cannot imitate it in order to provide the competitive advantage that the internal resource can be the organizational culture, which may enhance corporate performance. When this uniqueness provides increased profitability the firm can outpace its rivals using this uniqueness (Barney, 1986). Indeed the main purpose of organizational culture is to enable internal integration and external adaptation. More precisely, organizational culture, as an example of the resources of the company, can be placed within the organizational capital resource category. Values are the major component of culture and when they are shared across the company, they create its meaningful value system throughout the entire company, for example an MNC. Thus organizational culture through values may serve as a behavioural map that guides the employees of an MNC in HQs similarly as in its subsidiaries, thus enabling simultaneous changes in structure and/or strategy if needed in order to enhance the efficiency of the company. Therefore, organizational culture can be regarded as an important strategic resource of the company due to the fact that it meets all the VRIN criteria specified for the resources. More precisely, organizational culture is a valuable (V), rare (R), non-imitable (I), and non-substitutable (N) asset of the company that serves for enhancing its growth.

## **2.5 ORGANIZATIONAL CULTURE AND PERFORMANCE**

O'Reilly, Chatman and Caldwell (1991) identified certain dimensions of organizational culture using value perspectives, and proposed the measurement tool called the Organizational Culture Profile (OCP) that allows evaluation of organizational culture and examination of whether it affects performance. This tool has identified the major values of organizational culture as: Innovation, Stability, Respect for People, Outcome Orientation, Detail Orientation, Team Orientation and Aggressiveness (or Determination). Interestingly, these values are similar to the values in Cameron and Freeman's model of 'organizational culture types' (Cameron & Freeman,



1991). For example, higher levels of business performance were closely associated with a market culture (which emphasizes results and determination) and adhocracy culture (which emphasizes flexibility and innovation) (Denison & Mishra, 1995; Cameron & Quinn, 1999).

In relation to the impacts of the values of organizational culture and how they can affect organizational performance, Denison (1984, 1990) identified four distinct hypotheses: (a) *the consistency hypothesis* – the idea that a common perspective, shared beliefs and communal values among the organizational participants will enhance internal coordination and promote meaning and a sense of identification on the part of its members; (b) *the mission hypothesis* – the idea that a shared sense of purpose, direction, and strategy can coordinate and galvanize organizational members toward collective goals; (c) *the involvement/participation hypothesis* – the idea that involvement and participation will contribute to a sense of responsibility and ownership and, hence, organizational commitment and loyalty; (d) *the adaptability hypothesis* – the idea that norms and beliefs that enhance an organization's ability to receive, interpret, and translate signals from the environment into internal organizational and behavioural changes will promote its survival, growth and development. These hypotheses focus on different aspects and stress different functions of culture. The first two hypotheses tend to encourage/promote stability; the second two allow for change and adaptability. The first and third hypotheses see culture as focusing on internal organizational dynamics; the second and fourth hypotheses see culture as addressing the relation of the organization to its external environment (Denison, 1990; Denison et al., 2004). However, Denison only provided the descriptive characteristics of a positive strong organizational culture. Again there are no practical implications unless it is possible to relate these missions to organizational performance. That issue was taken up by some researchers as described below, although they have not used Denison's approach directly

The major Japanese firms can combine *cooperative culture* and *passive culture* (Cooke & Rousseau, 1988; Ikeda, 1987; Imai, 1986). That kind of organizational culture promotes loyalty, harmony, hard work, self-sacrifice, consensus decision making. These along with lifetime employment and seniority-based promotions, are considered the natural outcome of the Japanese national culture (Basu, 1999). A Japanese clan type of organizational culture can make an organization efficient (Ouchi, 1981a and b). Collectivistic, unselfish and socially responsible behavior of the firms can improve their performances (Mintzberg, Simon & Basu, 2002). Companies with progressive human resources practices also can improve their corporate

performance. Finally, organizational cultures, which are emphasizing creativity, autonomy and participatory management, can improve productivity (Imai, 1986).

According to Kotter and Heskett's theory, if an organization has a '*strong culture*' with well integrated and effective set of values, beliefs and behavior, it normally demonstrates high level of corporate performances (Kotter & Heskett, 1992). A strong culture, by creating a high level of motivation among the employees can enhance performance of an organization. Leaders create certain vision or philosophy and business strategy for the company, when they implement these in a firm people behave according to their guided philosophy (Kotter & Heskett, 1992). Then a corporate culture emerges that reflects the vision and strategy of the leaders and experiences they had while implementing these. Indeed, some of the characteristics of organizations mentioned above may have relationship with successful administrative practices, positive attitudes of the workers and as a result higher levels of productivity (Marcoulides & Heck, 1993).

Multinational companies with the organizational cultures that encouraged trust, participativeness, and entrepreneurial behavior were effective across countries (Basu, 1999). Also organizations with relatively flexible, externally oriented corporate cultures perform better (Marcoulides & Heck, 1993). However, performance is a multi-facet concept consisting of tangible and intangible factors. In other words, performance can be quantified in financial terms or it can be explained qualitatively in terms of positive values developed by a specific culture. In this research, it is accepted that commitment among the employees of an organization can be considered as an index of successful performance. Thus, creation of high commitment can be regarded as a successful performance of a company (Aida et al., 2000; Campbell et al., 1970; Carmeli & Tishler, 2004; Cutcher-Gershenfeld, 1991). These issues are elaborated in the next section.

## **2.6 ORGANIZATIONAL COMMITMENT AS THE INDEX OF PERFORMANCE**

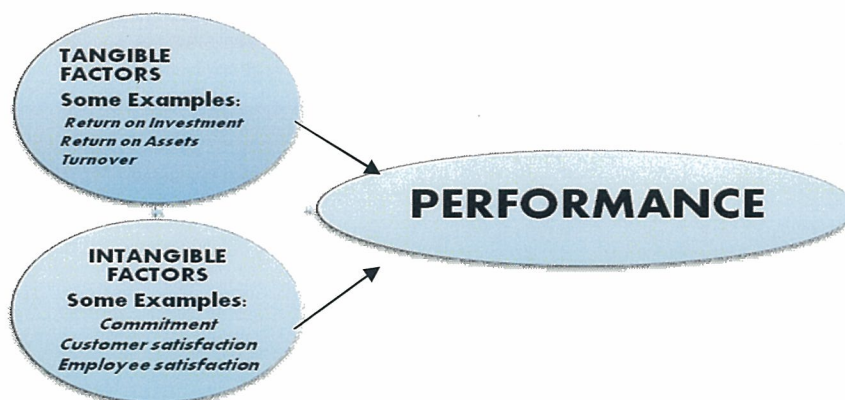
Corporate Performance (CP) is a vast concept. Many researchers viewed it as an objective and perceptual concept and used single or multiple measures of performance (Mallory, Holloway, & Lewis, 1995). The various measures of performance may be grouped into three major categories such as strategic measures, organizational measures and operational measures as is shown in Table 2.8.

**Table 2.8: Multiple Measures Used in the Related Literature to Examine the Performance of the Company**

MEASURES	Strategic Measures	Organizational Measures	Operational Measures
E X A M P L E S	<b>market attractiveness</b>	<i>structure</i>	<i>product or service excellence</i>
	<i>industry structure</i>	<i>commitment</i>	<i>capacity utilization</i>
	<i>growth</i>	<i>customer satisfaction</i>	<i>capital intensity</i>
	<i>concentration</i>	<i>job satisfaction</i>	<i>productivity</i>
	<i>logistical complexity</i>		<i>return on investment</i>
	<b>competitive strength</b>		<i>return on assets</i>
	<i>proper corporate strategy</i>		
	<i>relative market share</i>		
	<i>relative quality</i>		
	<i>intellectual property</i>		
	<i>innovation</i>		
	<i>customer coverage</i>		

According to the Balanced-Scorecard approach (Kaplan & Norton, 1992), corporate performance (CP) should include both tangible and intangible concepts as shown in Figure 2.2. Tangible factors of CP are sales, production, profit, return to assets, return to investments, market share etc. Intangible factors of CP are job satisfaction, customer satisfaction, organizational commitment, product quality etc. For a specific company, data on tangible factors obtainable from the balance sheet of the company, are scalars, not variables at a given point in time (one year or one quarter etc.). Data on intangible factors for that company depend on the opinion of the people concerned, workers and customers, which vary according to the preferences of the individuals surveyed within a given point in time; these factors are variables with variance coming from the series of opinions expressed by the stakeholders of the company.

**Figure 2.2: Factors Composing Performance**



Performance/commitment link: It is crucially important to stress that performance cannot be measured fully by using just one of its indices, for example, commitment, return on investment or market share. It is incorrect to state that performance is commitment, or market share or return to investment as it reflects only the part of the entire concept of the performance. *This research does not identify performance with commitment but considers an organizational commitment as a one single but very important intangible index of performance.* This research aims to analyze whether organizational culture can be viewed as the strategic resource of the company and for that it is imperative to discover whether and how culture is associated with performance. Since commitment is one of the indices of performance, in case the link exists between culture and commitment, it may be possible to place culture in the list of the strategic resources of the company. That is the main reason why commitment is selected in this research as an index of the performance.

Another important reason for selecting commitment as a variable in this research is due to the fact that it is an intangible factor composing performance. It is important to note that organizational culture is intangible variable and factors (the value-components) composing culture are also intangible. Therefore, while analyzing the relationships between culture and performance where both variables are included in a model of quantitative relationship, the relevant factors composing these two concepts need to be intangible as well. That is the reason this research considers organizational commitment as one of the very important intangible factors composing the concept 'corporate performance'.

A number of studies have pointed out the very close relationship, for example, between affective commitment of employees and organizational performance (Mowday, Porter & Steers, 1979, 1982; O'Reilly, Chatman & Caldwell, 1991; Denison & Mishra, 1995). In fact, the relationship is so close that it is acceptable now to consider affective commitment as an index of performance (Meyer & Allen, 1991). Indeed, if employees were committed to work in an organization for emotional reasons, corporate performance would be very high in that organization (Denison & Mishra, 1995; Meyer & Allen, 1991). Thus, organizational commitment can be considered as a very important intangible index of corporate performance.

It is important to note that other intangible indices of corporate performance (customers' satisfaction, job satisfaction etc.) do not reflect issues regarding organizational culture as

effectively as organizational commitment does, as those indices are behavioural reactions to organizational culture, whereas organizational commitment is composed of values (Mowday et al., 1979), similar to organizational culture. Thus, both concepts, organizational culture and organizational commitment, are composed by the value-components. Therefore, these concepts are comparable and valid for statistical investigation. The above argument provides the main reason why this research has selected organizational commitment among the other competing intangible components of performance, as its index.

This research is a study of one company at a specific point in time. Thus, it is not feasible to relate tangible factors of one company, which have no variance, at a specific point in time to the intangible factors, which have variances (as these intangible factors are derived from the opinions of the people surveyed in that company at that point in time). Thus, it is not desirable from the statistical point of view to include within a model of quantitative relationship both tangible (scalars) and intangible (variables) factors of a company at a specific point in time. This is another very important reason for selecting an intangible component of performance, organizational commitment, as the single index of performance for this research.

However, it may be possible to relate tangible factors to the intangible factors if many companies are considered at a given point of time in a cross-section analysis; but in order to have any meaningful statistical results at least 400 multinational companies should be included for a cross-section analysis (Pinsonneault & Kraemer, 1993). Since no country so far has so many major multinational companies, that type of research would not be feasible unless the companies are small or medium sized.

It is also possible, but only from a theoretical point of view, to relate tangible and intangible factors for a longitudinal analysis of one company over many years, i.e. in a model with panel data, where data series are time series of cross-section data. However, that type of longitudinal study requires opinions of the same sample of participants over a period of at least 25 to 30 years in order to get any statistically meaningful unbiased results (Zikmund, 1997), and this is not practically feasible, at least not possible during a PhD program.

Therefore, due to these practical considerations, it will be infeasible for the current research to include both tangible and intangible factors as the indices of corporate performances for analysis regarding organizational culture. Thus, only one, the most important intangible component of performance, the organizational commitment, is selected as the index of organizational

performance for analysis in this research. In the next section, the definition of organizational commitment is discussed so as to prepare it as a practical tool of analysis.

## 2.7 ORGANIZATIONAL COMMITMENT: DEFINITION

Organizational commitment (OCom) is defined in the literature as *‘a psychological relationship between the employees and his/her organization, which would provoke the employees to get attached to the organization so that they would not leave voluntarily’* (Meyer & Allen, 1984: 17). Similarly Mowday, Porter, and Steers (1982: 27) defined commitment as *‘a strong belief in and acceptance of the organization's goals and values; a willingness to exert considerable effort on behalf of the organization; a strong desire to maintain membership in the organization’*. Thus, commitment comes into being when a person links extraneous interests with a consistent line of activity. In the Table 2.9 below described some conceptual studies on organizational commitment. However, in most cases, these studies are mainly descriptive focusing on issues clarifying the nature of commitment, for example, Kanter (1993) and Avolio and Bass (1998), except for the authors O'Reilly et al. (1986), Mowday et al. (1982), and Meyer and Allen (1984) who made significant practical contributions in this area of research.

**Table 2.9: Conceptual Studies on Organizational Commitment**

Authors	Focus	Research Method	Research Technique	Key Findings	Limitations
Mowday, Porter & Steers (1982)	Definition of organizational commitment and its components	Quantitative Analysis	Analysis and Discussion	Types of commitment and their effects; typography of values of commitment	Path-breaker in the value-component analysis on commitment
Kanter (1983)	Definition of organizational commitment	Qualitative Analysis	Analysis and Discussion	Types of commitments and their effects	Only description of the concept, but lack of evidence, qualitative or quantitative.

Meyer & Allen (1984)	Definition of organizational commitment	Qualitative Analysis	Analysis and Discussion	Types of commitments and their definitions; these are being used in many subsequent quantitative research	A follow up Kanter (1968) analysis; suffers from the same defects of lack of evidence, qualitative or quantitative.
Hunt, Wood & Chonko (1989)	Values of the organization and commitment	Quantitative Analysis; cross-section study from US firms	Mail survey	Quantitative analysis of how the espoused values of the organization can create commitment	Confirmatory, based on existing theory
O'Reilly, Chatman & Caldwell (1991)	Person-to-organization fit in relation to commitment	Quantitative Analysis; cross-section study from US firms	Quantitative evidences based on mail survey	Quantitative measurement of value components of a person's commitment in relation to the values of the organizational culture	Path-breaker in the value-component analysis on organizational culture in relation to commitment
Avolio & Bass (1998)	Values of the leadership and creation of commitment	Quantitative Analysis; cross-section study from US firms	Mail survey	Quantitative analysis of how a specific form of leadership can create commitment	Exploratory
Yammarino, Spangler & Dubinsky (1998)	Shared vision and creation of commitment	Quantitative Analysis; cross-section study from US firms	Mail survey	Quantitative analysis of how similarities of values can affect commitment	Confirmatory, largely confirming previous findings
Hartog, House, Hanges, Ruiz-Quintanilla & Dorfman (1999)	Typography of leadership and creation of organizational commitment	Quantitative Analysis; cross-section study from US and international firms	Mail survey	Quantitative International analysis of how different forms of leadership can affect commitment	Small sample, descriptive and shallow data, focus of policy mainly
Hellriegel, Slocum & Woodman (2001)	Motivation and organizational commitment	Quantitative Analysis; cross-section study from US firms	Mail survey	Quantitative measurement of how motivation created by organization can affect commitment	Small sample, descriptive data, focus of policy mainly, not much references to organizational culture literature.

Indeed, most of these studies all focused on the issue of describing the concept 'commitment'. For instance, Kanter (1983) proposes three types of commitment: sacrifice and investment support continuance; renunciation and communion support cohesion; and mortification and surrender support control. These bind personality systems to areas of social systems and evaluative orientations to roles, relationships, and norms, respectively. On the basis of these processes, a large number of commitment mechanisms, or commitment-producing organizational strategies, can be created.

Following Kanter's theory (1983), Allen and Meyer (1990, 1996, 1997) described commitment as consisting of three constructs, *affective*, *continuance*, and *normative*. While *continuance* and *normative* commitment can be described as the patterns of behavior, *affective* commitment binds the personal values of the employee to the values of the organization, which is mostly attitudinal in nature. Indeed, an employee becomes emotionally attached to the organization and perceives a congruence between his or her goals and those of the organization (Mowday et al., 1982). For example, another type of commitment, a moral commitment, is treated as an affective form of organizational attachment. The emotion-based view of organizational commitment emphasizes the employee's sense of unity and shared values with the organization (Meyer & Allen, 1984, 1991).

The calculative aspect of the employee-organization relationship, assumes economic factors to be of primary importance in employee absenteeism, work effort, and turnover (Allen & Meyer, 1991; Porter & Lawler, 1968). Performance would increase with the expectation that high effort will lead to desired performance and that such performance will be rewarded (Campbell, Dunnette, Lawler, & Weick, 1970). The desire to remain with one's current employer, termed continuance commitment, would result from the perceived economic advantages accrued in one's current job, relative to alternative employment opportunities (Koslowsky, Kluger, & Yinon, 1988).

Calculative commitment is treated as an instrumental form of organizational attachment (Allen & Meyer, 1991; Organ & Konovsky, 1989). Employee's dedication focuses on affective attachment and calculative involvement, which are conceptually distinct (Meyer, Paunonen, Gellatly, Gottiin, & Jackson, 1989).



The prior research proves that organizational values affect satisfaction, commitment, and cohesion (Box, Odom, & Dunn, 1991), which is an important issue to examine in the current study. *'The employee's strong involvement in the organization has been noted to include performance that goes beyond the call of duty'* (Mowday et al., 1982: 15), including actions for which *'the individual receives no immediate reward and which benefit the larger organization'* (O'Reilly & Chatman, 1986: 495). Indeed, employees for whom an organization guarantees greater socioeconomic benefits are most likely to return the favor and to engage in behavior that protects the organization, increase its responsibilities and serves the whole (Graham, 1991). That type of organizations stimulates employees' (1) commitment, (2) social identification, and (3) perception of fairness (Swaen & Maignan, 2003; Podsakoff, MacKenzie, Paine & Bachrach, 1995, 1998, 2000).

Thus, there are some theoretical analyses regarding the concepts of organizational commitment which are reported in the related literature. These are useful to clarify the nature of the concept so that it can be applicable in further research. For the purpose of this research it is important to see whether there is any prior research that has focused on relating organizational culture with organizational commitment. Next section discusses this issue.

## **2.8 CONCEPTUAL STUDIES ON RELATIONSHIP BETWEEN CULTURE AND COMMITMENT**

Commitment is a social action—it refers to the binding of an individual to particular values in the pursuit of organizational objectives. Indeed, according to Porter et al. (1974), the core of commitment is *'the relative strength of an individual's identification with and involvement in a particular organization'*. Thus, commitment is formed under a strong influence of values that are components of the organizational culture. Such commitment in turn define corporate performance, because it is through commitment, enforced by a complex web of factors and circumstances, and operating at all levels within an organization, the social actors influence organizational strategies and outcomes (Selznick, 1957). However, this commitment does not evolve spontaneously, but is shaped by critical decisions that reflect or constitute organizational culture. Thus, this research accepts the notion proposed in the related literature that organizational commitment may be the outcome of organizational culture (Ulrich, 1998; Winograd & Flores, 1986). Therefore, the need

of the research proving the existence of the link between culture and performance/commitment is evident.

There are a number of research models evaluating organizational commitment and its relationship with organizational cultures; a brief summary of some important conceptual studies on this proposed relationship is provided in Table 2.10.

**Table 2.10: Conceptual Studies on Relationship between Culture and Commitment**

Authors	Focus	Method	Key Findings	Limitations
Selznick (1957)	Relationship between culture and commitment at the theoretical level	Qualitative Analysis; Discussion	Organizational culture can promote commitment in certain cases	Confirmatory, based in existing theory as there is not much references to organizational culture literature
Deal & Kennedy (1982)	Relationship between a positive organizational culture and commitment	Qualitative Analysis; Discussion	Positive culture promotes positive attitudes	Confirmatory and largely confirming previous findings
Marcoulides & Heck (1993)	Relationship between culture and commitment	Quantitative Analysis; Cross-section study from US; survey	Organizations culture can promote commitment	Confirmatory, based in existing theory
Bass & Avolio (1993, 1995)	Relationship between culture, leadership and commitment	Quantitative Analysis; survey	Certain cultural values promotes specific type of leadership, which in turn promotes commitment	Exploratory, conceptual-part highlighting possibilities, which may not be sufficiently supportable from the empirical evidence
Pavett & Morris (1995)	Relationship between organizational culture and performance	Quantitative Analysis; Cross-section study from US firms; survey	There is no link between organizational culture, commitment and productivity	Descriptive and shallow data; largely confirming previous findings
Palich, Horn & Griffith (1995)	Basis of organizational commitment	Quantitative Analysis; cross-section from US, Canada and Europe; survey	Job scope, role, extrinsic rewards, participatory management can promote commitment	Confirmatory, based in existing theory

Denison & Mishra (1995)	Relationship between types of organizational culture and performance	Qualitative Analysis; Discussion	Certain types of cultures promotes high level of performance	Exploratory and based in existing theory of Denison(1990)
Clugston, Howell & Dorfman (2000)	Relationship between national/ organizational culture and commitment	Quantitative Analysis; survey	Certain national characteristics of organizational culture can have relationship with commitment	Descriptive and shallow data; largely confirming previous findings
Kirkman & Shapiro (2001)	Commitment levels in self-managing work teams	Quantitative Analysis; cross-section from US, Philippines and Europe; survey	Collectivism promotes commitment	Not much references to organizational culture
Van den Berghe, Stinghamber, Bentein & Delhaise (2001)	Multidimensionality of the concept of commitment	Quantitative Analysis; cross-section from European firms; survey	Relationship between values of commitment and the intent to quit are culturally invariant.	Exploratory, conceptual-part highlighting possibilities, which may not be sufficiently supportable from the empirical evidence

These studies all focused on the issue of the creation of commitment of the employees through organizational culture, which has a direct and economically significant contribution to firm's performance. For example, Selznick (1957) initiated the analysis on the relationship between organizational culture and commitment in his theoretical and conceptual analysis with the idea that organizational culture promotes commitment. Organizational commitment has the relative strength of an individual's identification with and involvement in a particular organization. Marcoulides and Heck (1993) provided an excellent quantitative analysis, using a major survey of US domestic companies, to prove that organizational culture promotes commitment. In a qualitative analysis Deal and Kennedy (1982) tried to explore the possibility that a positive culture promotes positive attitudes, but there was not much discussion about performance as such.

A quantitative study conducted by Kirkman and Shapiro (2001) in their analysis of commitment levels in self-managing work teams in US, Philippines, and Europe revealed that collectivism, an important characteristics of organizational culture, promotes organizational commitment. Another significant quantitative analysis was presented by Bass and Avolio (1993, 1995), which concluded that certain cultural values promote specific type of leadership which in turn promotes commitment. However, there is not much clarification how organizational culture can create these leadership types. Nevertheless, a number of other studies have followed this quantitative research.

A very important theoretical analysis was provided by Denison and Mishra (1995) on the relationship between types of organizational culture and performance, where the authors provided typography of organizational culture and their relationship with organizational performance. This study is theoretical and conceptual and based on the similar theory of Denison (1990). On the other hand, surprisingly Pavett and Morris (1995) in their quantitative study on the relationship between organizational culture and performance concluded that there is no link between organizational culture, and productivity or commitment. However, the analysis of the results of this study revealed that it was based on very shallow data and low level statistical analysis which may make their theoretical underpinnings weak. Also Clugston, Howell and Dorfman (2000) in a quantitative study tried to apply Hofstede's thesis that certain national characteristics of organizational culture can have relationship with commitment and observed the opposite phenomena. However, their qualitative study is just descriptive story with shallow and therefore insufficient data. Finally, Van Den Berghe et al., (2001) observed in their quantitative study of firms in several European countries that relationship between values of commitment and culture are culturally invariant and does not follow the pattern suggested by Hofstede (1980).

There is a positive relationship has been found between corporate ethical values and organizational commitment (Hunt, Wood & Chonko, 1989). Clear personal values were more important in relation to attitudes about work and ethical practices than clarity about organizational values. These extra role activities carried out on behalf of the organization play a major influence in organizations' success and have a major role in enhancing corporate performance (Smith, Organ, & Near, 1983; Organ, 1988).

Research shows that commitment can create lower costs, less defects, higher productivity and greater returns under influence of culture (Cutcher-Gershenfeld, 1991). Also commitment created by the quality of work-life as a manifestation of organizational culture, quality circles, and labor management teams can increase productivity (Kenney & Florida, 1995; Kemmelmeier.et.al., 2001). Moreover, commitment created by a cooperative culture and innovative human resources practices has positive and significant effects on organization's productivity.

Palich, Horn and Griffith (1995) in their cross- sectional quantitative research across US, Canada, Europe provides a major international study. The conclusion was that through job scope, extrinsic rewards, participatory management can promote commitment. However, this study is weakly based on existing conceptual aspects, as it does not take into account the psychological value system inherent in the concepts of organizational culture or commitment. Thus, analysis of the

prior research revealed that insignificant attention was paid in the literature on the value system inherent in organizational culture and on the psychological aspects of commitment.

## **CONCLUSION**

In this chapter, two variables, organizational culture and organizational commitment, that are forming the research model of this study, were analyzed. The emphasis is placed on the Resource Based view (RBV) theory proposed by Wernerfelt (1984, 1995) and Barney (1986, 1991, 2001, 2005) where organizational culture is a resource that enhances organizational commitments. The analysis on what is a 'resource' and why firm's organizational culture can be regarded as the valuable strategic resource in accordance with the RBV theory were elaborated. Various theoretical models and measures related to organizational culture and organizational commitment were explained. This research has used commitment as the one of the intangible indices of performance. Justification for that is explained in this chapter. The analysis of the literature on organizational culture and commitment revealed that the emphasis in the literature was mainly on the intra-personal processes such as attitude and attribution formation (Hellriegel et al, 2001) or on individual-organizational relationship (O'Reilly et al., 1991). Thus, current measures of culture and commitment may not accurately reflect the way people in organizations experience their own commitment to organizational life. There are some studies in recent years, which have examined the issues of the relationship between transmission of organizational culture and commitment in the context of HQs-subsidary relationship literature. These issues will be discussed in detail in the contextual part of the literature review in Chapter 3.

# **CHAPTER 3:**

## **LITERATURE REVIEW (PART 2):**

### **CONTEXTUAL ASPECT**

#### **INTRODUCTION**

The purpose of this chapter is to review the literature on major issues regarding the relationship between the headquarters and subsidiaries in multinational companies with particular reference to Japanese multinational companies.

Various researchers have endorsed the popular concept of a 'globalized culture' or 'cultural convergence' (Friedman, 2006; Triandis, 2006). According to some authors, multinational corporations are spreading a global culture and along with it a specific type of universal or 'global' organizational culture is emerging (Banerji & Sambharaya, 1996; Larsson & Finkelstein, 1999).

The integration of the activities carried out by the different international units of the multinational corporation was mentioned in prior research as one key strategic requirement, arising from the increasing globalization of most industries (Doz, 1996; Andrews, 2001; Paterson & Brock, 2002; Harzing, 2000; Bartlett & Ghoshal, 1988, 1989)

The literature does not provide much rigorous analysis of Japanese multinational companies, their transmissions of organizational culture in foreign locations, how they adapt foreign organizational culture, and what are their effects on performance. So far, exploratory applications are restricted to a few American companies. This research aims to examine how Japanese MNCs manage their overseas operations and whether they are able to implement the Japanese management system in their subsidiaries with foreign environments. In this chapter, the main contributions by various authors are examined to point out the key research gaps that still exist in this area.

Managers of multinational companies are expected to coordinate their subsidiaries so as to integrate them into a proper strategy to create unique resources against their rival companies.

However, the most difficult part is to find a road-map to implement such a strategy. The issues regarding globalization/localization (Bartlett & Ghoshal, 1989; Harzing, 1999, 2000) and centralization/autonomy (White and Poynter, 1964; Birkinshaw, 2001; Young & Tavares, 2002; Andersson & Pahlberg, 1996) in relation to the HQs-subsidary relationship are important and are analyzed in this chapter. The review of the related literature from the perspective of the development of HQs-subsidary relationships, particularly hierarchical and heterarchical (Birkinshaw & Hood, 2000; Harzing, 2000; Paterson & Brocks, 2002), descriptions of various alternative subsidiary models, and the significance of the role of the subsidiary are provided in Chapter 3 as well.

Section 3.1 presents historical analysis regarding the research on management of the multinational companies (MNC) and the issue of how it was evolved from the analysis of strategy to the analysis of coordination mechanisms between HQs and subsidiaries is discussed. Section 3.2 describes different types of international multinational companies. Section 3.3 provides the characteristics of the major traits of management system of Japanese multinational companies, where the role of *Keiretsu* and the details regarding HQs-subsidiaries relationship as it exists in Japanese multinational companies are described. Section 3.4 analyzes the brief characteristics of the major traits of organizational culture and its impact on commitment in Japanese, Thai and Indian organizations. Section 3.5 concludes the analysis of the contextual aspect of the related literature with the overview of the conceptual studies that examined the process of transmission of organizational culture from HQs to subsidiaries.

### **3.1 BACKGROUND OF THE MANAGEMENT RESEARCH ON MULTINATIONAL COMPANIES**

Analysis of the related literature revealed that the research on the multinational companies evolved into some critical directions over the last few decades. There was a shift in emphasis towards the multinational subsidiary as a unit of analysis. That approach created a good understanding of the various strategic roles of the subsidiaries (White & Poynter, 1984; Birkinshaw, 2001; Martinez & Jarillo, 1991). Researchers began to explore new conceptualizations of the MNC that may challenge the traditional organizational analysis (Hedlund 1986; Andersson, Forsgren & Holm, 2002; Young and Tavares, 2004).

Also analysis of the related literature revealed that the research on multinational companies has focused on two major topics:

- (a) How the MNCs have evolved over time in foreign countries and what factors cause or explain this evolution (Andersson, 2003; Andersson & Pahlberg, 1996; Bartlett & Ghoshal 1988, 1990; Birkinshaw, 1999, 2001; Birkinshaw & Hood, 1997, 1998, Birkinshaw, Hood, Young, 2005; Bouquet & Birkinshaw, 2008; Harzing, 2000; Colinson and Rugman, 2008; Martinez & Jarillo, 1989, 1991; Rugman, Verbeke & Yuan, 2011; Taggaart, 1997; Young, Hood, & Hamill, 1985; Young and Tavares, 2004).
- (b) What kinds of organizational culture contribute to effective organizational commitment of MNCs and under what strategic and environmental conditions one form of design is preferable to another (Aoki, 2008; Aselage & Eisenberger, 2003; Baliga & Jaeger, 1985; Barney & Clark, 2007; Basu, 2000, 2007, 2010; Cameron & Quinn, 1999; Denison & Mishra, 1995; Kranias, 2000; Ouchi, 1981; O'Reilly, Chatman & Caldwell, 1991; Selmer & De Leon, 1993, 1996).

Multinational companies are always interested to reduce the risk and uncertainty in overseas business operations (Basu, 2000). The problem of setting up operations in a foreign country with a very different culture has its transaction cost. The thrust of the argument regarding the transaction cost is that companies design their managerial control to promote the reductions of these transaction costs. Both political and cultural problems reinforce the transaction cost arguments.

There are two types of analysis to reduce transaction costs through the increased efficiency of the subsidiaries. Many scholars in the domain of international business put emphasis on entrepreneurship or the autonomy of the subsidiaries as the major issue, which would create resources, like innovations, efficiency on supply of factors of production, technology of production and cost efficiency of distributions (Young, Hood, & Hamill, 1985; Bartlett & Ghoshal 1988; Birkinshaw & Hood, 1997, 1998; Birkinshaw, Hood, Young, 2005; Rugman, Verbeke & Yuan, 2011). There are others who emphasize the adaptation of parent company's organizational culture and control of subsidiaries through culture to create 'resources' in the subsidiaries to outwit their rival MNCs (Ouchi, 1981; Baliga & Jaeger, 1985; Selmer & De Leon, 1993, 1996; Aoki, 2008).



One stream of research on MNCs focused on the meaning of strategy in the MNC subsidiary (Rugman & Bennet, 1981, 1994; Bartlett & Ghoshal 1988, 1990; Harzing, 2000), while another stream emphasized its structure (Stopford & Wells, 1972), although strategy and structure are interrelated. Strategy is the process by which decisions are made about how to negotiate exchanges with the environment (Mallory et al., 1983). The process by which a strategy is formulated is through a stream of strategic decisions that form a pattern giving meaning and direction for the organization (Mallory et al., 1991).

Literature has addressed this 'strategy-structure' issue in the research on MNCs (Paterson & Brock, 2002) and examined facets of structure that are related to the subsidiary operations. That leads to the issue of the transmission of organizational culture to the subsidiaries as an international competitive strategy (Andersson, Bjorkman, & Forsgren, 2005; Pitelis & Teece, 2010; Zanfei, 2000). Indeed, the way in which the headquarters implement its international strategy across the globe can influence the structure of the HQ-subsidiary relationship. Thus, the coordination and control mechanism is a basic issue of discussion in the related literature (Hedlund, 1993; Andersson & Forsgren, 1996; Rugman, Verbeke & Yuan, 2011).

There is a substantial line of inquiry in the tradition of Chandler (1962) that focused on the fit between structural form and corporate strategy (Daniels, Pitts & Tretter, 1984; Stopford & Wells, 1972; Young, Hood and Dunlop, 1988). Globally distributed networks of subsidiaries constitute an important source of competitive advantage for multinational corporations (Birkinshaw, Hood & Jonsson, 1998; Young & Tavares, 2004). By accessing the knowledge residing in these networks, MNCs can exploit existing repositories of knowledge and combine these sources of knowledge to explore new issues. This argument, highlighting the potential importance of knowledge as a strategic resource, has brought the transfer of competence across units into focus as a central challenge for MNC management (Paterson & Brock, 2002; Young & Tavares, 2004).

In view of frequent observations about the challenges involved in successfully transferring knowledge across MNC units, a crucial design problem for MNCs' senior management is how to choose organizational mechanisms that enhance knowledge flows (Doz and Prahalad, 1993). The subsidiary initiative is promoted by a high level of distinctive subsidiary capabilities, and is suppressed by a high level of decision centralization, a low level of subsidiary credibility, and a low level of corporate-subsidiary communication. Subsidiary initiative leads to an enhancement

of credibility, head office openness, corporate-subsidary communication, and distinctive capabilities (Cantwell, Dunning & Lundan, 2010; Paterson & Brock, 2002; Taggart, 1997).

Mechanisms of coordination are many, which can be divided into two main forms: formal and informal (Martinez & Jarillo, 1989). Formal system has explicit rules and regulations. Informal system depends on a process of socialization and communications to inject the values of the organizations to individual members (Mintzberg, 1985). The main research contributions on formal mechanisms came from Harvard Multinational Enterprise Project (Stopford & Wells, 1972) and from the Stockholm School (Hedlund, 1981, 1994). International comparative studies (Negandhi, Eshghi & Yuen, 1985; Basu, 2010) also mentioned informal cultural coordination through human resources management policies.

Analysis of the internal structures, such as culture, is the key to understand the management of the multinational firms, particularly the coordination mechanism between HQs and subsidiaries (Basu, 2000: 157). An organization with informal cultural coordination relies on an implicit organization-wide culture to influence the members of that organization. In a classical bureaucratic model of organization, coordination relies on the use of explicit formal rules and regulations. Japanese organizations follow the first type of coordination through culture (Baliga & Jaeger, 1984, 1985; Onishi, 2006).

The concept and theory of organizational commitment needs re-examination in light of recent business changes in the Western world due to globalization and outsourcing. The assertion that organizational commitment leads to a set of desired outputs proved to be valid for times of mutual commitment between organizations and their employees. The world is now entering a new era of globalization where, new human resource management and industrial relation systems, characterized by frequent redundancies and downsizing processes may take place. This trend reflects a low commitment from organizations to their employees, which is possibly followed by a reduced level of organizational commitment among employees, and thus, the decline in performance.

However, the focus on organizational commitment, as a leading concept in management and behavioural sciences, is continuously decreasing in the Western management literature (Baruch, 1998). On the contrary, the concept of commitment is imperative in Asian management literature (Basu, 1999; Kwok, Leung & White, 2004) from the perspective to know why and how the leading Asian, particularly Japanese multinational companies, are so successful in creating and

sustaining desirable commitment among the employee. Thus, in order to explore these issues this research concentrated on the analysis of the relationship between culture and organizational commitment in the environment of a multinational company of Japanese origin.

## **3.2. TYPES OF MULTINATIONAL COMPANIES**

### **3.2.1 Literature on Multinational Companies**

Multinational companies are not homogeneous and thus research on MNC is very complex. For example, Harzing (1999) and Paterson and Brock (2002) divided the development of the literature on multinational companies into four eras: the International Era (60s), the Global Era (70-80s), the Transnational Era (1990-2000s), and the Internal Era (2000 and future research). The central question in the literature on MNCs is the extent to which their various foreign affiliates (or subsidiaries) act and behave as local firms versus the extent to which their practices resemble those of the parent corporation or some other global standard (Doeringer, Lorenz & Terka, 2003). Older MNCs may enjoy the positive 'influence' of age. They are likely to control more resources than younger firms because the accumulation of resources and capabilities may take place over time (Birkinshaw and Hood, 1998). Affiliates of MNCs are traditionally viewed as mere instruments of their parents (Birkinshaw, 2001). However, MNCs' affiliates evolve in both scale and scope over time, and the interplay of affiliate level entrepreneurship and the affiliate's competitive environment could substantially impact on the overall performance of the MNC (Birkinshaw, Young, Hood, 2005). Foreign affiliates learn from the host country environment and contribute substantially to their parent's stock of resources, which, in turn, strengthens the MNC as a whole.

There are different types of MNCs depending upon their different management system and their different parent-subsidiary relationships. For example according to Perlmutter (1969), there are three types of MNCs are: ethnocentric, polycentric and global. According to this typology, the management practices in foreign affiliates of MNCs could resemble those of the MNC's home country (ethnocentric), could conform to local practices of the affiliate's host country (polycentric), or could adhere to a worldwide standard (global). Examples of ethnocentric MNCs are the older American MNCs and recent Japanese MNCs. Examples of polycentric firms are normally older European MNCs. Examples of global firms are recent American and European MNCs, where Japanese MNCs have not yet accepted this 'global' standard (Bird & Stevens, 2003; Carr, 2005; Elger & Smith, 2005).

According to Perlmutter (1969), in the early days, subsidiaries of the MNCs observed 'ethnocentric' behaviour and when they became more mature, the subsidiaries started behaving in a 'polycentric' way. The recent tendency of the subsidiaries is to follow the 'global standard'. Perlmutter's typology, extended by Adler (1983), Bartlett & Ghoshal (1989) and Harzing (2000) described the management practices of the MNC in terms of an overall orientation and evolution. Harzing (2000, p 102) has mentioned a number of variables that are important to classify the MNCs; " 1) *Environment/Industry*; 2) *Corporate level strategy*; 3) *Corporate level organizational design*; 4) *Subsidiary strategy/role*; 5) *Subsidiary structure*; 6) *Control mechanism*; 7) *Human resource practices*". In order to classify the MNCs these criteria are considered.

Historically mainly British multinational companies during the days of the British Empire and subsequently during the 1950s and 1960s used to employ management agents in their overseas subsidiaries, giving them a lot of freedom to manage those units. In the initial period of the global firms, from 1920 to 1950, European multinational firms used to have a decentralized country-centered strategy for control, where subsidiaries were practically independent national entities focused primarily on their local market. Controls of the subsidiaries were in terms of long training of the host executives in the parent's countries and the extensive usage of executives of the home country (Martinez and Jarillo, 1989).

These mechanisms became insufficient for managing subsidiaries characterized by high levels of intra-firm international interdependence, the management of which is critical to many of today's complex global firms (Martinez and Jarillo, 1989). In the next period, between 1950 and 1980, global firms tended to have a centralized hub with a global strategy where the subsidiaries had to implement functional strategies decided at the headquarters. The decision making process was highly centralized at headquarters.

The subsequent period, started in the late 1970s, saw a strategy of 'reciprocal interdependence' where managers tried to integrate multinational production centers with flows of materials, components, technology, financial resources, creative ideas and people. In this complex organizational structure, new informal mechanisms have to be added to the existing structural and formal managerial devices (Paterson & Brock, 2002; Andersson & Pahlberg, 1996; Andersson, Forsgren & Holm, 2002).

The headquarters-subsidary relationship depends on the centralization or decentralisation of the decision making process (Gates & Egelhoff, 1986; Young & Tavares, 2004). However, a number of American multinational companies still prefer strictly controlled subsidiary units using bureaucratic controls (Martinez & Jarillo, 1989, 1991), whereas some Japanese multinational companies are using organizational culture as control mechanisms for the subsidiary units (Basu et al., 2001, 2007, 2011).

International business literature also mentioned the area of network-based system where a subsidiary's position within its various networks can give it influence over the strategic decision making process of the MNC (Andersson & Forsgren, 1996). It was suggested that a transition is taking place towards new modes of organizing transnational corporations' innovative activities (Young, Hood, and Hamill, 1985; Young, Hood, & Dunlop, 1988). First, different units of multinational firms, including foreign-based subsidiaries, are increasingly involved in the generation, use and transmission of knowledge. Secondly, multinationals are developing external networks of relationships with local counterparts, through which foreign affiliates gain access to external knowledge sources and application abilities. As a result, of this evolutionary process, multinationals' organization is subject to both centripetal and centrifugal forces. The summary of the multinational literatures in chronological pattern is shown in Table 3.1.

**Table 3.1: Literature on Multinational Companies in Chronological Pattern**

	Authors	Focus	Empirical/ Conceptual	Key Findings
1	Perlmutter, (1969)	Whole configuration	Conceptual	This seminal paper describes 3 types of HQs orientations towards subsidiary: ethnocentric, polycentric, geocentric
2	Ouchi (1981)	HQ and Subsidiaries	Conceptual	Typology of MNCs A, Z, J based on the types of control of subsidiaries
3	Rugman & Bennet (1981, 1994)	Whole configuration	Conceptual	Michael Porter's three generic strategies of cost, differentiation and focus are transformed into five generics on global strategy. In an alternative framework location bound and non-location bound firm specific advantages are related to the number of home bases to generate truly generic global strategies.

4	Adler (1983)	Whole configuration	Conceptual	As a methodological review, this paper delineates 6 approaches to researching cross-cultural management issues: parochial, ethnocentric, polycentric, comparative, geocentric, and synergistic.
5	White & Poynter (1984)	Specific subsidiaries	Conceptual	Typology based on pressure of globalizations and global subsidiary mandate or world product mandate on subsidiaries
6	Baliga & Jaegar (1985)	Specific Subsidiaries	Empirical	Comparative analysis of American bureaucratic control and Japanese cultural control of subsidiaries
7	Porter (1986)	Whole configuration	Conceptual	Typology based on country centered strategy, global strategy and complex global strategy of subsidiaries in relation to the HQ.
8	Gates & Egelhoff (1986)	Specific subsidiaries	Empirical	The influence of company-wide conditions on centralization is much more than the influence of subsidiary-level conditions.
9	Prahalad & Doz (1987)	Whole Organization	Empirical	Typology based on Multi-focal strategy, integrated product strategy, and locally responsive strategy
10	Bartlett & Ghosal (1989)	Specific subsidiaries	Empirical	Typology based on strategic leader, contributor and local implementers, subsidiaries in relation to the HQ.
11	Jarillo & Martinez (1990)	Specific Subsidiaries Spain	Empirical	Typology based on receptive subsidiary, autonomous subsidiary, and active subsidiary
12	Hedlund (1993)	Specific Subsidiaries Swedish companies in Europe	Empirical	Characteristics of the Swedish model of HQ-subsidiary relationship have a new tendency of a slightly more formal control.
13	Birkinshaw & Morrison (1995)	Subsidiaries	Empirical	High autonomy subsidiary and independent product development
14	Selmer & De Leon (1996)	HQ & Subsidiaries	Empirical	Cultural control of the subsidiaries.
15	Andersson & Forsgren (1996)	HQ and Subsidiaries	Empirical	Business embeddedness and technical embeddedness with the HQ have influences on the subsidiary's market performance.
16	Taggart (1997)	Subsidiaries	Empirical	Measures of subsidiary autonomy
17	Harzing (2000)	HQ and Subsidiaries	Empirical	A three-fold typology of multinational companies: global, multidomestic and transnational is developed.
18	Doeringer, Lorenz & Terka, (2003)	Specific Subsidiaries (Britain)	Empirical	Worker compensation and internal labor market structures are different in Japanese subsidiaries in Britain from their HQs in Japan.

19	Young & Tavares (2004)	HQ and Subsidiaries	Conceptual	Autonomy itself is not enough; other resources are needed.
20	Birkinshaw, Hood & Young (2005)	Specific Subsidiaries (Scotland)	Empirical	Interplay between subsidiary entrepreneurship and the subsidiary's competitive environment affecting performance of the subsidiary.
21	Onishi (2006)	Specific Subsidiaries (Thailand)	Empirical	The transferability of Japanese management system (life-time employment, seniority system, consensual decision-making, quality circles, and house unions) to the Thai subsidiaries is feasible.
22	Aoki (2008)	Specific Subsidiaries (China)	Empirical	To transfer organizational culture from Japan to China, there should be a balance between three types of organizational capabilities that encourage workers' self-initiative, facilitate cross-functional communication, and discipline workers.
23	Cantwell, Dunning & Lundan (2010)	HQ and Subsidiaries	Conceptual	The main drivers for institutional entrepreneurship are in the increasing autonomy of MNC subsidiaries.
24	Rugman, Verbeke & Yuan (2011)	HQ and Subsidiaries	Conceptual	National subsidiary roles can vary dramatically across value chain activities. . For each value chain activity, the subsidiary bundles sets of internal competences with accessible, external location advantages.

There is not much research on the impacts of autonomy on performance. Most of the analyses on subsidiary developments are conceptual, not empirical (Birkinshaw & Hood, 1998; Young & Tavares, 2004). Various approaches mentioned in the literature are analyzed in the next sections.

### 3.2.2 Literature on Strategy-Structure

Early literature on MNCs emphasizes the relationship between structure and strategy, with an implicit assumption that structure would change in response to strategy (Paterson & Brock, 2002). Bartlett & Ghoshal have mentioned three main types of MNCs from the perspective of the used dominant strategies such as: global, multi-domestic and transnational. Global companies have centralised strategic plans with bureaucratic control (for Japanese companies with cultural control) with very low level of independence for the subsidiaries. Multi-domestic companies have low level of bureaucratic control but with average level of social and cultural influences. Transnational companies may have subsidiaries as strategic centres in certain cases. Subsidiaries are interdependent centres to develop products but their knowledge is shared. There is a low level

of bureaucratic control from the HQs but a high level of cultural control from the HQs with continuous flows of people moving around between the HQs and the subsidiaries.

Thus, there is a close link between the strategy and structure of MNCs of different types. Harzing (2000) also supported Bartlett and Ghoshal's theory and found that global companies, with centralized control are opposite to multi-domestic companies with fairly autonomous subsidiaries, however, the transnational companies combine the characteristics of both global and multi-domestic companies.

### **3.2.3 Literature on HQs-Subsidiary Relationship**

The relationship between the HQs and the subsidiaries depends on the issue of centralization and the integration of the subsidiaries in the decision making process (Gates & Egelhoff, 1986). The issue here, according to Paterson & Brock (2002, p 141), is: "... *how to integrate portfolio of subsidiaries to maximize their usefulness to headquarter*". Bartlett and Ghoshal (1988) observed that there may be a positive relationship between the innovation achievements of a subsidiary and its close integration with the overall strategy of the HQ of a multinational company. The control methods of the HQ depend on this relationship (Bartlett & Ghoshal, 1986, 1988).

There may be positive relationship between centralization and global product standardization and a negative relationship between centralization and local modification (Gates & Egelhoff, 1986). According to Bartlett & Ghoshal (1988:p 386), "*High levels of normative integration and information exchange can enhance the salience of the convergent interests and in this situation local resources and autonomy may lead to more vigorous participation of the subsidiary in the tasks of creating, adopting, and diffusing innovations that benefit the company as a whole. In the absence of such integration, however, the conflicting interests may become relatively more salient in which case the effects of local resources and autonomy may either be negligible or even negative*".

Shared vision and creation of similar values for managerial philosophy can be more effective (Ghoshal & Bartlett, 1988). Subsidiaries in turn can have their own networks and strategies in local markets (Paterson & Brock, 2002). Interestingly, that localization issue is getting increasingly important despite of the media advertisement for globalization. The relationship between the HQs and the subsidiaries may be different over time as a result (Bartlett & Ghoshal,



1986). A combination of integration and national initiatives within a multifocal strategy has already gained importance (Prahalad & Doz, 1987).

### **3.2.3.1 Globalization/localization issues**

According to Bartlett & Ghoshal's (1988, 1989) typology, an MNC is a portfolio of differentiated but interdependent subsidiaries based on the strategic importance of the local environment and the competencies held by the local organization (Harzing, 2000). Based on these, four generic roles of national subsidiaries can be imagined: *the strategic leader* (strong locational advantages and competencies), *the implementer* (weak locational advantages and competencies); contributor (weak location with strong competencies) and *the 'black hole'* (strong locational advantages and weak competencies). Bouquet & Birkinshaw (2008) have mentioned that the recent advances in information technology may have changed this structure a little where the HQ may subdivide activities among the subsidiaries to perform different roles. Japanese subsidiaries in the USA are largely 'contributors' rather than 'strategic leaders' for production. They benefit from the transfer of competencies developed in Japan; they operate in the USA in an environment with relative locational disadvantages (Rugman, Verbeke & Yuan, 2011).

### **3.2.4 Literature on Role of Subsidiary**

Subsidiaries may have different roles given according to their unique resources. As the subsidiaries may face different problems and situations than other subsidiaries and the HQ they may receive a different administrative system (White & Poynter, 1984). That has provoked some authors to accept subsidiaries as units of analysis to analyze the strategic roles of the subsidiaries, which are different for different countries (Matinez & Jarillo, 1990). That has a close relationship with the 'World Product Mandate' concept where a subsidiary may receive reinvestments from the local government and may have superior resources as a result (White & Poynter, 1984; Birkinshaw, 1998). High or low levels of pressure to globalize may classify subsidiaries into different categories (Birkinshaw & Morrison, 1995). So called 'Integration-Responsiveness' (IR), can be a strategy for the subsidiaries (Jarillo & Martinez, 1990, Taggart, 1997). This leads to the concept of 'centre of excellence' for a subsidiary (Bartlett & Ghoshal, 1986), where a subsidiary in a specific location can be selected by the HQ as the centre of excellence (Andesson & Forsfren, 2000).

### 3.2.4.1 Centralization vs. autonomy issues

According to Harzing (2000), the dominant role of the HQ may be replaced by a period of increasing heterarchical behaviour of the subsidiaries. Centralization is important in mainly American MNCs, in new subsidiary developments rather than in an already established company purchased by an MNC, in large subsidiaries and major MNCs with a large international organization. The age of a subsidiary is also important (Taggart & Hood, 1999). A multi-domestic MNC is a group of quasi-autonomous entities (Prahalad & Doz, 1987). An MNC with a globally integrated strategy requires a more complex system of subsidiary management. A more globalized MNC has more centralized controls.

A subsidiary with a close relationship with the local firms has a lower level of HQs control (Andersson & Forsgren, 1996). According to Bartlett & Ghoshal (1988: p 366), “.....*adoption and efficiency of subsidiaries in adopting innovations often play a critical role in the MNCs’ ability to pursue an integrated global strategy*”. A subsidiary of a company with a higher level of corporate relationship with the HQs has more central control, while subsidiaries in high technology areas have a higher degree of independence (Birkinshaw & Hood, 2000; Young & Tavares, 2004). A subsidiary with extraordinary resources and a specialist in products normally has a higher degree of autonomy (White & Poynter, 1984). A subsidiary with higher technological ability normally has a higher degree of independence, but a firm in a knowledge industry, for example, may have a higher degree of central control (Bartlett & Ghoshal, 1989). Adaptation to the local market condition requires more autonomy (Matinez & Jarillo, 1991).

Subsidiaries start with market seeking ventures but as they grow older, they develop their own resources and build some unique capabilities. There are external and internal environments of a subsidiary. Subsidiaries engage in entrepreneurial activities to enhance their competitiveness given their capabilities (Birkinshaw & Morrison, 1995; Young & Tavares, 2004).

### **3.2.5 Literature on Alternative Models of HQs-Subsidiary Relationship**

The literature on subsidiary management has developed some new streams (Birkinshaw, 2001). There is a change from a 'hierarchical' to a 'heterarchical' view of the firm. There is also a change in perspective from the MNC level to the subsidiary level. The HQs-Subsidiary relationship is mainly concerned with the control of subsidiaries and maximising their potentials for headquarters (Paterson & Brock, 2000). The nature of these controls moved from formal restrictions of autonomy to a flexible cultural control (Selmer & De Leon, 1993, 1996).

Among the range of models of the MNC subsidiary-HQ relationships, Bartlett & Ghoshal's (1988) typography has indicated a number of different types of subsidiaries from the perspective of the ability to carry out the different innovation tasks such as creation, adoption and diffusion.

A three-fold typology of subsidiary roles such as *world product mandates* (WPM), *specialized contributor*, and *local implementer* proposed in the related literature was confirmed by the empirical study by Birkinshaw and Morrison (1995). In another study Birkinshaw and Hood (1998) described several factors that can change the role of a subsidiary such as local environment, changes in global environment, competition from other countries, and subsidiary's desire to have autonomy. "*Subsidiaries may engage in entrepreneurial activities to overcome the limitations of their resources to make their resources valuable or to leverage resources in unique ways previously unknown in their firm or industry.*" (Birkinshaw, Hood, & Young, 2005: p 233)

Thus, two significant changes emerged in the MNC literature: shift from hierarchy to heterarchy structure i.e., from a formal structure of management to a network, and a change of focus from the HQ to the subsidiary.

#### **3.2.5.1 Hierarchical vs. heterarchical approaches**

Transnational structure is more heterarchical than the traditional multinational structure (Bartlett & Ghoshal, 1986; Harzing, 1999). Formal control of the subsidiaries gave away to cultural control in some cases (Prahalad & Doz, 1981). Autonomy is considered to be beneficial not only for the subsidiary but also for the HQ. MNCs of Swedish origin display more heterarchical structure (Hedlund, 1986), which may create more knowledge, ideas, and opportunity for both the

subsidiaries and the HQ. These subsidiaries focus on the local environment and the HQ begins to lose its centrality in this view of organization (Paterson & Brock, 2002). Table 3.2 below describes HQs-subsidiary relationship from the perspective of the structure and networks.

**Table 3.2: Types of MNCs: Hierarchical and Heterarchical Approach (Source: Birkinshaw, 1994)**

	MNC	SUBSIDIARY
<b>HIERARCHY(structure)</b>	Strategy-structure	HQs-SubsidiaryRelationship
<b>HETERARCHY(network)</b>	MNC process	Subsidiary Role

That leads to the discussion between two types of development regarding the HQs-subsidiary relationship. Centralized organizations are hierarchical whereas decentralized organizations are heterarchical (Hedlund, 1986). Acquired subsidiaries have a greater degree of autonomy than Greenfield operations. Industries in the newer fields like information technology may have a higher degree of autonomy, but large manufacturing industries like automobiles or heavy industries may have a lower level of autonomy and a higher degree of integration (Hedlund, 1986; Young & Tavares, 2004).

According to White & Poynter (1984) there are three types of subsidiaries: (1) World Product Mandate subsidiaries (WPMs) that are allowed to have autonomy to develop a new product to be distributed worldwide in different subsidiaries, (2) subsidiaries that have specialised productions and as a result a higher degree of autonomy, and finally (3) subsidiaries that are operating within the local specialised market and exercising relative independence (White & Poynter, 1984). Certain subsidiaries may have the role of COE (Centre of Excellence) to capitalize on unique resources of location for the MNC as a whole (Bartlett & Ghoshal, 1986). There may be a relationship between the size and the autonomy of the subsidiaries, but the conclusions are not definite (Taggart & Hood, 1999; Young et al., 1985).

The key findings are that internal products flows are lower in the WPM system than in other systems of subsidiaries. In general, lower autonomy implies higher intra-network goods' transfer (Hedlund, 1981, 1986). The level of performance can be lower in the subsidiaries producing

specialised products (Birkinshaw & Morrison, 1995). According to Young and Tavares (2004: p 216) *“autonomy cannot automatically be assumed to lead to improved effort unless it is associated with positive motivation”*. Subsidiaries require resources, regarding finance, technology, management and information; autonomy alone cannot improve performance.

Considerable efforts are then necessary to use for innovation of the coordination procedures and mechanisms, in order to enhance the generation, circulation and use of knowledge (Paterson & Brock, 2002; Zanfei, 2000). Intra-company transfers become ever more important with the increased interdependence of subsidiaries: a significant share of the enormous contribution of MNCs to world trade and investment comes from intra-firm trade that involves dispersed sourcing of raw materials, manufacturing of components, and use of transnational distribution channels.

These exchanges are accompanied by interpersonal interaction among managers in different organizational units, i.e. headquarters and subsidiaries. Such interactions across borders are the channel for achieving coordination on a global scale. Interactions across distance are critical because they ensure the MNC's integration and existence as a single entity. Managers in an MNE form a complex social network that stretches across countries and continents. Recent theoretical developments have led to the conceptualization of interactions across subsidiaries as a network, when the MNC structure has evolved into a complex differentiated system (Ghoshal & Bartlett, 1990; Harzing, 2000). MNCs respond to complex global competitive environments by increasing internal structural complexity, a systematically differentiated structural response to relevant process sub-environments

The need to disperse activities throughout the world, due to political, technological, and even sheer size-related considerations forced managers to partly forego potential economies of scale that would accrue from concentration of activities. However, at the same time, the competitive pressures that impel coordination of the widespread activities of the multinational corporation grow constantly. This dual tendency puts the organizational abilities of MNC managers to the test to coordinate even more closely operations that tend to be farther apart, not only geographically, but also technologically.

The MNC has two competitive focuses: external competitive area outside the MNC and internal competitive area within the MNC; each of these poses threats and opportunities for the

subsidiaries (Birkinshaw, Hood, Young, 2005). A subsidiary more focused on external competition may have more autonomy; a subsidiary focused mainly on the internal area is more integrated and has less autonomy.

If a subsidiary is embedded within corporate relationships there will be more control by the HQ on the subsidiary. A product-specialist subsidiary is controlled more intensively by the HQ (Birkinshaw & Hood, 1997). A high degree of autonomy of a subsidiary is important for local and global market initiatives but a low degree of autonomy is associated with internal market and hybrid initiatives.

However, viewing multinationals in terms of an overall orientation obscures the internal differentiation of management practices within an MNC (Bartlett & Ghoshal, 1989). An MNC should be properly viewed as a nexus of differentiated practices. According to this view, MNC affiliates are composed of many separate practices, ranging from manufacturing to finance and human resources, each of which faces distinct pressures for global efficiency and for local responsiveness. Subsidiary initiatives can be of many types, depending on the target-market, local, global, internal or hybrid. A high degree of internal communications promotes the internal market where a lower degree of communication may promote the local market (Young & Tavares, 2004).

### **3.2.6 Literature on Role of Culture in MNCs**

Culture plays a big role in this integration of strategy, goals and values. However, at the same time culture may create new problems for the managers to apply a strategy worldwide. Indeed, according to Prahalad & Doz (1981), Bartlett and Ghoshal (1988), and Harzing (2000) formal control in the HQs-subsidiary relationship may not necessarily be more effective than cultural control. However, culture has not been analyzed properly in the MNC literature (Peterson & Brock, 2002).

Ouchi (1981) and Jaeger (1978) were among the first authors who attempted to differentiate the multinational companies into two main categories: American style organizations and Japanese style organizations. In the American style organization the characteristics are (a) short term employment; (b) individual decision-making process; (c) individual responsibility; (d) rapid evaluation and promotion; (e) explicit formalized control; (f) specialized career path; (g)

segmented attitude. In the Japanese style organization the characteristics are (a) life time employment; (b) consensual decision-making process; (c) collective responsibility; (d) slow evaluation and promotion; (e) implicit informal control; (f) non specialized career path; (g) holistic attitude.

That leads us to the typology of Ouchi (1981, a and b). According to Ouchi (1981a), there are three types of multinational organizations: Type A, Type J and Type Z. Type A refers to the typical American organizational style of management of MNCs, whereas Type J refers to the typical Japanese organizational style and Type Z refers to the emerging 'ideal' organizational style. In a Japanese company (Type J), coordination is based on a broad organizational culture, which is different from the American style of organization (Type A) and the emerging Western or global ideal style (Type Z). Type A (American organizations) has explicit formalized coordination over subsidiaries. Type J (Japanese organizations) with collective responsibility has implicit informal coordination. Type Z (emerging global organizations) has implicit informal coordination with explicit formalized measures. This type of company has values which are shared by the members of the organization, as well as a model code of conduct for the members. A Type A subsidiary would have a reasonable flexibility to adapt to the local laws and customs. In both Type A and Type Z responsibility depends upon the individuals, and thus the Type J and Type Z may not allow these flexibilities (Ouchi, 1981, a and b).

Ouchi's analysis is criticized as too idealistic, as in reality not all American, Japanese, or Western companies have the same characteristics (Sakurai, 2001; Basu, 2010). For example, a number of Scandinavian companies appear to have some features similar to the above mentioned Japanese (Type J) styles organizations (Hedlund, 1994, 1981). However, analysis of the literature reveals the fact that an individualistic culture fits with American style organizations (Type A) and a collectivist culture fits with Japanese style organizations (Type J) (Onishi, 2006). Thus, the question is whether the Japanese style organizational culture can be transmitted to a subsidiary in a country where the national culture is dissimilar to that of Japan.

Coordination of the subsidiaries through organizational culture rather than bureaucratic structure is only possible if the values of the organizational culture of the parent unit can be transmitted to the overseas subsidiaries (Aoki, 1988; 1990; 2008; Basu, 2010). When a number of key or pivotal values concerning organizational related behaviors and state of affairs are shared across units and levels by members of an organization a central value system may emerge (Goodman, 1998). To characterize an organization's culture in terms of its central values require first to identify these

values and to measure the importance the members of the organization normally attach to these values.

If the employees are attached to these central values of the organization, performance of the organization increases because of the increased commitment of the members of the employees (Aselage & Eisenberger, 2003). In order to examine this hypothesis, it is essential to explore:

- (a) whether the employees have similar values to those espoused by the organization;
- (b) whether the values of the organizational commitment are related to the values of the organizational culture.

If these are the case, a multinational company can have a strategic advantage over its rivals as the values of the organizational culture cannot be replicated easily in a different type of organization, and thus, these values of the organizational culture create distinct competitive advantages for this multinational company (Porter, 1980, 1985, 1990; Barney, 1986; 1991; Barney & Clark, 2007). The purpose of '*coordination through organizational culture*' is effective only when this coordination create competitive advantages for the subsidiaries by creating commitments among the employees of the subsidiary units by making the values of the employees of different national cultures similar to the espoused values of the parent organization (Wasti, 2003; Wasti & Can, 2008; Raoprasert & Sardar, 2010).

Development of a strong organizational culture that includes a deep knowledge of the company's policies and objectives and a strong share of organizational values and beliefs, now involves a process of corporate acculturation and socialization involving all employees at both subsidiaries and in the headquarters (Selmer & De Leon, 1993, 1996). Procedural justice enhances subsidiary-managers' compliance directly and indirectly, through the attitudes of commitment, trust, and outcome satisfaction. These effects were more powerful for managers of subsidiaries operating in global industries (Hennart & Larimo, 1998; Birkinshaw, Hood & Jonsson, 1998; Doeringer, Lorenz & Terka, 2003).

Multinational companies strive to improve their performance. Usually a multinational company tries to replicate the physical characteristics of its home operation. This study suggests that by promoting their own authentic organizational culture from HQs to subsidiaries MNCs may improve coordination and integration with their foreign subsidiaries. Direct monitoring, reporting and evaluations of performances are called '*first order coordination mechanisms*', whereas creation of shared values of a strong organizational culture and indirect internalization of a set of



values common in the HQS to guide the behaviors of the employees is called '*second order coordination mechanisms*' (Selmar & De Leon, 1996). Japanese multinational companies, the Type J multinational companies, usually rely on the '*second order coordination mechanism*' in HQs-subsidaries relationship to enhance organizational effectiveness (Aoki, 2008; Basu & Uchida, 2007).

Indeed, the Type J multinational companies with long-term employment, consensual decision-making, slow evaluations and promotions, and holistic concern towards the employees rely on informal, implicit mechanisms for control based on the organizational culture and tend to export that kind of cultural coordination to their foreign subsidiaries (Avolio, Zhu, Koh, & Bhatia, 2004; Andersson, Forsgren & Holm, 2002). Moreover, the Type J organizations use managers as bearers of organizational norms and values in a subtle and complex coordination system (Ouchi & Jaeger, 1978). In those organizations the internal organizational culture of the foreign subsidiary is expected to resemble that of the home operation. This research has examined how far this Japanese multinational company has managed to influence its Thai and Indian subsidiaries using the '*second order coordination*' (Raoprasert & Sardar, 2010; Basu et al., 2007).

Some studies (Basu et. al, 2007; Fane, Vaghefi, Van Deusen, & Woods, 2003; Cantwell, Dunning & Lundan, 2010) reveal the following significant relationships:

- (a) internal subsidiary resources in combination with initiative have a strong positive impact on the subsidiary's contributory role;
- (b) subsidiary initiative is strongly associated with the leadership and entrepreneurial culture in the subsidiary; and
- (c) contributory role is strongly associated with subsidiary autonomy and a low level of local competition.

Managers in MNCs form a complex social network that stretches across countries and continents. That can lead to cultural changes in the subsidiaries. Indeed, to achieve integration without destroying subsidiary autonomy, administrative means of coordination are increasingly complemented by normative ones that are based on enhanced socialization to instill espoused corporate values and increased reliance on lateral linkages (Ogasavaraa & Hoshino, 2007). This research suggests that organizational culture is the glue that binds different geographically dispersed units of an MNC. Thus, a detailed analysis of the transmission process of organizational culture from the home country to the host countries for an MNC is needed.

Control of subsidiaries through organizational culture to reduce transaction costs means transmission of the parent organizational culture as a part of the strategic planning process of the multinational company so as to mold the foreign employees psychologically in order to carry forward the original organizational purpose of the parent company (Basu et al., 2007, 2011). This transmission of organizational culture may reduce transaction cost by reducing uncertainty regarding the motives and behaviour of the foreign employees (Pascale & Athos, 1985; Aoki, 2008). Transplantations of organizational culture of the parent operation to its overseas subsidiaries create certainty regarding the behaviour of the employees of host national origins (Andersson & Forsgren, 2000; Basu, 1999, Raoprasert & Sardar, 2010). Thus, comparative studies on organizational culture of multinational companies, which were examining whether the MNCs can transmit their home organizational culture across national cultural boundaries and impacts of organizational culture on performance, both in the parent and subsidiary operations, are needed.

### **3.2.6.1 Country/region bias issue**

There is a tendency to emphasize analysis of either the US or peripheral economies of Britain, Canada, Scandinavia or Spain in the related literatures (Paterson & Brook, 2002, Harzing, 1999). Most of the research on MNCs is based on North American and European, including British, firms. Indeed, the literature has ignored, so far, the analysis of non-Western MNCs, for example Asian, more precisely, leading Japanese MNCs from the empirical studies (Harzing, 1999, 2000).

Due to the existing country/region bias in the literature and due to the fact that culture, particularly organizational culture, has been ignored so far in the substantial studies in IB literatures and there are very few studies on Asian MNCs, particularly on leading Japanese MNCs, this research aims to shed some more light on these issues as described in the next sections. Thus, the subsections below are mainly focused on characteristics of major traits of Asian, particularly Japanese MNCs from the perspective of its management system and organizational cultures.

### **3.3 CHARACTERISTICS OF MAJOR TRAITS JAPANESE MULTINATIONAL COMPANIES**

#### **3.3.1 General Characteristics of Management System of Japanese Multinational Companies**

The Japanese management model consists of two closely related systems: (a) Japanese production system and (b) Japanese employment relations. The main features of the Japanese production system is its flexibility, the capacity to adjust product lines in accordance with changing market demand and the facility to change employee's inputs in accordance with changing production demands; in the management literature this is described as 'lean production' or the 'low-waste' system (Ouchi, 1981a; Liker & Morgan, 2006). There are three essential elements of the Japanese management system, in particular the production system. It has on-time delivery of reliable components, a system of quality control with zero defects for each component, and a production system with low cost automation, devices and techniques that are labor saving but inexpensive in terms of cost of capital (Watanabe, 2000; Sutherland, 2004).

The main features of Japanese employment relations are lifetime employment, a seniority-based wage system, and a company trade union subscribing to the value system and strategic goals of the organization (Liker & Morgan, 2006). Central to these is a management system that emphasizes continuous improvement (*Kaizen*), regular consultation among the employees to improve quality and individual responsibility within a group for employees with multiple skills and job rotations.

A subsidiary of Japanese multinational companies in a foreign country always has these characteristics the same as in Japan. This signifies as very close relationship between the head office and subsidiaries in any Japanese MNC. It gives rises to a new model of MNCs that differs significantly from its Western counterparts. A high ratio of expatriate managers and the tendency of the subsidiary to leave much of the strategic and business decision-making in the hands of the HQs are the characteristics that make Japanese MNCs different from their Western counterparts (Itagaki, 2001).

### 3.3.2 HQs-Subsidiary Management in Japanese Multinational Companies

The HQs-subsidiary management in recent years has seen three major types, such as type A (American system), and type J (Japanese system) and type Z (emerging global system) associated with the matching overall organizational style of the multinational company (Ouchi, 1981, a, b). In both Type J and Type Z companies through constant personal interactions with headquarters, members remain in close contact with the rest of the world, and usually the firm of this type tries to transfer its organizational culture to its overseas subsidiary (Baliga & Jaeger, 1985). These activities are accomplished by an emphasis on the use of expatriates, extensive training and socialization and a high frequency of personal contacts between headquarters and the subsidiary (Sakurai, 2001). The advantages of such activities are low employee turnover and a greater control. However, the disadvantages are possible conflict with local culture and, therefore, less flexibility for subsidiary management.

From the perspective of the operations of the management systems, Japanese subsidiaries outside Japan have three distinctive types: transplants, hybrids and branch-plants. It is the result of gradual evolution of the transmission mechanism of the Japanese management system to the subsidiary (Elger & Smith, 2005). During the 1980s and 1990s Japanese headquarters used to transplant Japanese management and production techniques directly from home to the overseas subsidiary (Saka, 2004).

Since the 1990s onwards a hybrid system of home and host management systems influenced different production and organizational relations (Adler & Borys, 1996; Liker, Fruin, Adler, 1999). In its weakest version, some specific best practices were implemented in the subsidiary leaving other elements incompatible with the local cultural characteristics and business practices as local as possible (O'Regan & Ogata, 2007). The third approach is the branch-plant where the subsidiary plays a subordinate role and acts as a site within a wider international division of operations, playing a specific selective role in a wider context (Andersson & Forsgren, 2000). Thus, transplant of organizational culture was evolutionary; it was a strategy to start with for the Japanese MNCs.

The context of a subsidiary within the world network of the firm is important. The corporate relations of a subsidiary with the associated firms (*Keiretsu* system) determine the role and resources of the subsidiary form and its management system of the Japanese MNCs (Elger &

Smith, 2005). Ghoshal, Korine and Szulanski (1994) argue that the management of information flows is one of the key functions of top-level managers. To facilitate the flow of information, transplantations of organizational culture became a necessity for the Japanese MNCs and form the strategic behaviour pattern for them in the subsequent period (Basu, 1999; Basu et al., 2007).

Due to the fact that the Japanese multinational companies are independent of the financial sector of the host countries but depend solely on the home financial sector, the influence of the head office on the subsidiary is supreme. For example, Japanese automobile plants have tried to transplant its organizational culture to its subsidiaries abroad and as a result the relationship between the HQs and subsidiary is characterized by these transplantation efforts. Besser (1995) analyzed successful Toyota plants in the USA and found out they have almost identical personnel management system as in the Japanese Toyota's plants. Basu et al. (2001) found similar characteristics in Japanese automobile plants in Britain. Basu (2010) considered this characteristic of Japanese MNCs as their global strategy. Although there are high risks of failure to take into account of the local environment, the success can yield a substantial competitive advantage in terms of both productivity and quality of the final products (Shimada & McDuffie, 1999). Even in the hybrid version, where the subsidiary can have substantial freedom, the basic elements of the Japanese management system are implemented in all plants of major Japanese MNCs abroad (Elger & Smith, 2005). Thus, these Japanese MNCs strive to have their mirror-images in the subsidiaries by having Japanese associates shadowing local executives at all levels of the subsidiary.

The principal challenge of top management is to create an environment in which people can exploit information more effectively; in this regard, networking is the key concept. Networking based on personal relationships is effective in communicating complex information, sensing subtle signals and transferring knowledge (Cranias, 2000; Keel, 2001). 'Keiretsu' or extensive networking is the core characteristic of HQs-subsidiary management in Japanese corporations and it is extended to most Japanese multinational companies (Basu, 2000). The next section describes the *Keiretsu* system and its effects on HQs-subsidiary relationship.

### **3.3.3 *Keiretsu* and its Impacts on Japanese Multinational Companies**

Networks of firms along with the suppliers and financiers, or *Keiretsu* in Japanese, provides a distinct organizational culture for Japanese firms to promote corporate performance (Aoki, 2008). *Keiretsu* network exists in Japanese foreign investments in Asia, Europe and North America providing unique competitive advantages for the Japanese firms (Kosumi, 2000). Japanese firms use networks to create that coordination at all levels (Nonaka, 1990, Nohara, 1985). As each phase is autonomous yet loosely linked, interaction between phases is induced and an abundant sharing of information is promoted in the innovation generation process. The firms are linked with each other in Japan through cross-share ownership, common banking, trademarks, technology transfers, and preferential inter-firm trading. That reduces transaction costs, costs of financing, creates a chain of supply networks and cost of research and development (McGuire & Dow, 2002, 2003).

The same *Keiretsu* system provides competitive advantages for the Japanese firms worldwide by having a division of labor and production within a vast geographical area depending on the relative facilities for each country in that region. Japanese firms through the *Keiretsu* system embrace their partners in host countries and integrate their production and distribution activities (McGuire & Dow, 2009; Banerjee & Sambharya, 1996; Yamamura & Hatch, 1997).

The *Keiretsu* system is an integral part of the Japanese organizational culture, which relies upon a communal network and community based activities rather than individualistic activity (Nohara, 1985; Isobe, Makino & Goerzen, 2006). Competitive advantages come from the community of firms rather than from a firm. That organizational culture provides distinct advantages to enhance the corporate performance of a firm within the *Keiretsu* network and particularly to the father figure of the *Keiretsu* network. For example, Toyota is a member of the *Mitsui Keiretsu*, a network of 250 business companies producing a variety of products and the Mitsui-Sumitomo banking and financial networks (Basu, 1999).

This is very different from the analysis of competitive advantages of the Western firms, who are independent and, moreover, they strive to develop independent values (Teece, Pisano & Shuen,

1997). The competitive forces that strengthen a firm are unique in the Western concept for a firm (Porter, 1980) within an industry. Whether national culture affects *Keiretsu* or not is an important question.

There are major benefits of the *Keiretsu* system as organizational culture to enhance corporate performance. This organizational culture to stimulate in-group responsibilities creates a culture of trust that enhances corporate performance of the firms within the *Keiretsu* system (Sako, 1996; Fane, Vaghefi, Deusene & Woods, 2003). 'Collectivism' of organizational culture along with the sense of interdependence promotes that corporate performance. Harmony of the firm, network and culture creates this competitive advantage by creating organizational commitment.

### **3.4 ORGANIZATIONAL CULTURE AND ITS IMPACT ON COMMITMENT IN JAPAN, THAILAND AND INDIA**

The purpose of the Japanese management system is to enhance performance, particularly to create commitment among employees, and organizational culture plays very important role in this process. If an organization has a 'strong culture' with 'well integrated and effective' set of values, beliefs and behavior, it normally demonstrates high level of corporate performance (Aoki, 2008). Some of the characteristics of organizations mentioned above may have relationship with successful administrative practices, positive attitudes of the workers and as a result, higher levels of productivity (Mintzberg, Simon & Basu, 2002). If a company can influence its employee with a strong organizational culture, it can override influences of national characters and can have a superior organizational culture throughout the organization irrespective of national boundaries (Basu, 2010).

Thus, the important question is whether organizational culture of Japanese multinational companies of Type J is affected by the national culture of Japan. According to the historical school, Japanese post-war economic development is related to the uniqueness of the Japanese national culture, which has produced a specific organizational culture and as a result high-speed growth. Japan has a unique organizational culture of Type J based upon its history and society (Aoki, 2008). Both Japanese companies and Japanese household share a sense of their past and respect for their founders and an obligation to their future. Individuals are expected to subordinate their personal interests to those of the household or the company to show unwavering loyalty and respect to their seniors (Onishi, 2006).

This relationship in terms of 'parent-child hierarchical relations' was derived from the culture of a rice growing society where mutual co-operations between a large number of people was needed to grow rice successfully and, therefore, to survive. Organizational culture in Japan of Type J is, therefore, the result of the national culture (Nakane, 1970). Japanese company is a natural development of the traditional Japanese household. According to this idea, the modern company emerged from the already existing occupational structure of the feudal society in Japan.

Kamata (1982) put forward the opposite argument, which provides a different picture of Japan where the lofty ideas are only true for a minority of cases. The idea of the company as a family was the result of the history of industrialization of Japan, where during the Meiji period; young people from poor families were purchased by the factory owners (or labor suppliers) who were in complete control over their lives. These semi-slaves used to form the bulk of the labor force of Japan. During the early 20th century and during the post 1945 period Japanese owner-capitalists started giving a number of facilities to retain manpower in the face of labor shortages. In fact, they used culture as a tool to manipulate the psychology of the worker to achieve their commitment. Thus, the organizational culture of the Type J companies may grow out of historical needs of that time (Yamaguchi, 2001).

Culture became a tool of management to introduce a new set of preferred characteristics throughout the organization's operations. Thus, the organizational culture of the Type J companies was evolved in response to the changing industrial climates and the national culture was manipulated in order to create an organizational culture suitable for efficient industrial performances (Aoki, 2008).

There are two kinds of explanations of organizational attachment of Japanese employees. Nakane's (1970) explanation was in terms of Japanese national culture and traditions based on the Samurai's ethics derived from the behavioral code *Bushido* and the basic principles of Buddhism. Dore (1973) emphasized the welfare capitalism prevailing in the organizational structure and industrial relations in Japan, which has not changed even after four decades (Mushai, 1997; Hayashi, 2003; Basu, 2010). Whereas Japanese national culture provokes the employees to demonstrate total loyalty to the employer in order to fit themselves to the group, welfare capitalism of Japan facilitate participation in decision making, integration across ranks and around the goals and visions of the company, foster mobility and career paths, and enhance order within the system (Basu et. al., 2007 ; Aoki, 2008;).



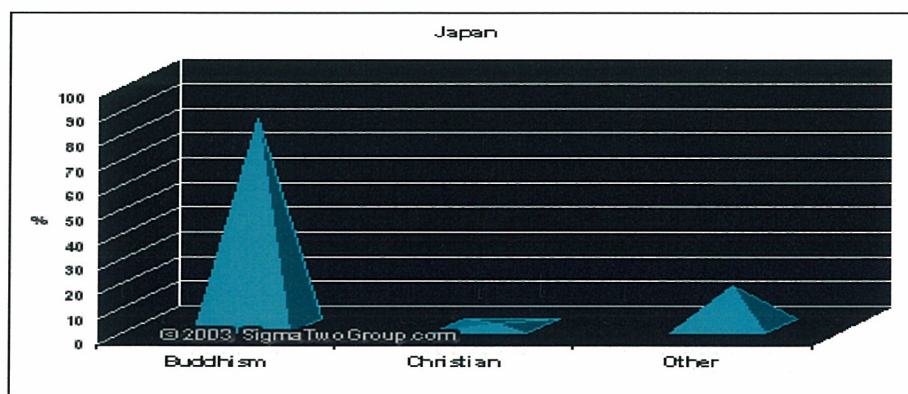
Similarity of organizational culture creates the similar attachment for the employees in the subsidiaries as in the home operations of the Japanese multinational companies. Whether this attachment of the employees can have impacts on the performance of the company is the fundamental issue. To understand these issues it is essential to analyze the management system of Japanese multinational companies.

Understanding the major traits of Thai and Indian organizational cultures is important in order to evaluate the hypotheses about the similarities and differences of subsidiaries' organizational cultures compared to the Japanese organizational culture as exists in HQs. Next two sub-sections will describe the main traits of Japanese, Thai and Indian organizational culture and their impact on commitment of the companies as depicted in the literature

### 3.4.1 Japan: General Characteristics of Organizational Culture of Japanese Multinational Companies

Japanese society is collectivistic (Ouchi, 1981b). Individuals are motivated by social benefits that may occur as a result of their actions; and they prefer to work as a team ignoring individual preferences (Aoki, 2008). Conformity is the basis of the Japanese society. Decisions are also made by a team, not by any individual. That may moderate the power distance a little but it may not have any effects on masculinity, i.e., the tendency to take innovative decisions (Onishi, 2006).

**Figure 3.1: Major Religions in Japan (Source: Hayashi, 2003)**



Major characteristics of Japanese organizational culture are low emphasis on individualism, high level of emphasis on long-term views, high emphasis on masculinity, moderate emphasis on

power distance, and high emphasis on stability (Hofstede, 1980, 1990, 2002; Hofstede & McCrae, 2004). This is reflected in the high emphasis for uncertainty avoidance. Japanese, as citizens of the country with homogeneous population and stable society, prefer stability, risk free and a rule based organization; that may have some effects on the decision that requires risk-taking (Hayashi, 2003).

Long term views are the results of the Buddhist culture where the time is circular, and, thus, individuals do not have to hurry to achieve their life time goals (Nakane, 1970). Instead they can invest for a long time to achieve that. These views on life and time management impose certain characteristics on the individuals that also can shape the organizational culture of the company they are engaged in (Aoki, 1990). As it is obvious from the Figure 3.1 that main religion in Japan is Buddhism, which overlaps with Shintoism. Christians are very few in numbers (Hayashi, 1989, 2003). Christianity was introduced in Japan by Spanish and Portuguese, who were also trying to colonize a number of countries in Asia, for example, the Philippines, Indonesia, Formosa, and East Timor). Thus, traditionally Japan had suppressed Christianity, and as a result its values have very limited influence on Japanese society (Hayashi, 2003; Basu, 1999).

Next section analyzes how organizational commitment can be formed in a Japanese multinational organization.

### **3.4.2 Japan: General Characteristics of Organizational Commitment of Japanese Multinational Companies**

Organizational culture through its beliefs and assumptions influences behavior, which in turn affects decision and actions of the members of the organization and creates a bond or membership, which is ideal for the organization to satisfy its purpose (Adler & Borys, 1996). The employees think and operate with their outlook for the long-term prospect of the organization and harmony with the workplace and broad social environment. That helps the organization to create organizational commitment, a product of the organizational culture of a company (Pascale & Athos, 1981, 1985). Pascale and Athos (1985) mentioned that the values of the organizational culture create super-ordinate goals or purpose of the company, which binds the corporation to its members in spirit. Onishi (2006) expressed certain specific features of that super-ordinate goals or mission, productivity, responsibility and purpose.

*'The companies with 'strong' organizational commitment among its employees have 'strong' organizational cultures, which are rooted in their values, beliefs and assumptions'* (Basu, 1999: 235). Continuous progress and respect that can be gained to be associated with a company with continuous growth is the end objective of the employees. These feelings lead them to develop a family feeling within the workplace and responsibility towards the fellow employees and the community at large. They believe they have a responsibility towards the organization and the local and global societies (Iwata, 1999; Okabe, 2005).

The fear of loss of face due to non-achievements of its objectives to the employees, to Japan and the global community, are the motives for these companies to mold employees irrespective of their nationality (Besser, 1995). For example, the then president of Toyota in 1995, Shoichiro Okuda said that his task is *'to encourage a change in nationality through globalization—to transform Toyota Motor Corporation into Toyota, a company with a world nationality'* (Okuda, 1995: 21). Indeed, what is true about Toyota is also true about major multinational companies of the world and of Japan in particular, who have strong organizational culture and who have a vision and strategy for long-term growth to maintain both technological and business success. The striking feature of the organizational culture of the Japanese MNCs is the *Keiretsu*, or networking system that the Type J MNC has with the supplier companies and Japanese banks located abroad and this system links the HQs and the overseas subsidiaries. Thus, certainly the possibility to transfer of Keiretsu system from home to the overseas subsidiary operation may create the similar commitment among employees worldwide, and, hence, it may form the specific competitive advantages of the Japanese MNCs over the rivals.

### **3.4.3 Thailand: General Characteristics of Organizational Culture**

Organizational culture of Thailand is based upon the characteristics of the Thai people, who are more inclined to impulsive reactions than a disciplined reaction, as observed in the Japanese people (Niffenegger, Kulviwat & Engchanil, 2006). This notion implies that any organizational culture in an authentic Thai company may not have much rules and regulations, but may be guided by the discretion of the leader, who is normally considered as the father figure of the organization. The family culture provides the sense of safety in Thai organizations (Wongtada & Rice, 2008). Thai organizational culture shows a high level of inequality in wealth and power distance (Hofstede 1980, Hofstede et.al., 2010). This is due to the acceptance of Thai society of their cultural heritage, where inequality of a feudal system with the King as the *father figure* for the Thais, is forced upon the population by the religious practices and by laws. Due to the high

power distance, decisions are taken by the leader, who is also considered as the *mentor, expert and the facilitator*. Respect for the feudal lords and the Emperor of Japan in Japan, and the King of Thailand in Thailand, is a feature, which is common in both societies: in Japan and in Thailand.

Thai culture readily accepts authority and like certainty and not like ambiguity, just like in Japan. Thai culture like rules, regulations and safety and like to avoid uncertainty (Raoprasert & Sardar, 2010). Thai values collectivist norms than individualism because of their society encourages strong relationships where everyone takes responsibility of the group. Thus, this feature of Thai culture is very similar to Japanese culture. The masculinity refers to the assertiveness and competitiveness of societal members (Hofstede, 1980). The masculinity ranking is very low compare to both Japan and the world average. Although Japanese are competitive and innovative, they are not assertive, as the society in both Japan and Thailand avoids individual assertiveness (Lawler & Atmiyanandana, 2003).

Thai organizational culture readily accepts authority and likes certainty and does not like ambiguity, just like in Japan. Thai culture likes rules, regulations and safety and tends to avoid uncertainty (Raoprasert et al., 2010). Thais value collectivist norms more than individualism because their society encourages strong relationships where everyone takes responsibility of the group. Thus, this feature of Thai organizational culture is very similar to the Japanese organizational culture

Thai society also avoids uncertainty but promotes rules and regulations. Thai people like certainty and they tend to be risk averse, in other words the uncertainty avoidance is very high for Thai companies, which is very similar to the Japanese organizational culture. Thus, the traditional bureaucratic organizational structure with group decision-making is more appropriate in both Thai and Japanese companies (Raoprasert et al., 2010). These cultural characteristics may not be conducive to a dynamic change process and as a result organizations in Thailand prefer planned changes with limited disruptions to their social and organizational system. Finally, Thailand just like Japan is a Buddhist country and thus rooted in the core values of Buddhism (Lawler, Atmiyanada, & Zaidi, 1992). Thus, based on the above analysis of various studies derived from the related literature it is possible to conclude that Thai and Japanese organizational cultures as the products of their societal cultures have some similarities.

#### **3.4.4 India: General Characteristics of Organizational Culture**

India is a diverse and complex country. Regionalism, religion, language and caste are all four factors that need to be taken into account when forming a broader picture regarding Indian organizational culture and commitment (Sinha, Singh-Sengupta & Srinivas, 2004). The British were the first to introduce the Western type of administration in India. They were meticulously briefed to be strict with and to be distant from the Indian subordinates, thus creating a very high power distance (Sinha et al., 2004; Hofstede et al., 2010). Hence, emotional aloofness combined with high control of the subordinates characterized the British style of Indian management, which still exists in the independent India (Singh- Sengupta & Sinha, 2005).

India after gaining independence remained a centralized and controlled economy, and characterized somewhat by feudal concentration of capital at least in the Indian private sector (Sinha et al., 2004). More than 90% of corporate India is family owned. The changes in the market scene have necessitated the Indian industry to look inward for the development of human resources. Indians are more accustomed to think in terms of narrow identities like castes, communities, religious, regional and linguistic groups. Frustrating bureaucracy at operating levels, the cultural and indigenous barriers, differences in family ethics, caste, religion, language, and politics erode much work culture in Indian organizations, where opportunism prevails (Sinha et al., 2004).

Also most private sector companies in India are family-run businesses. Decision-making is very centralized around the heads of families and highly trusted, close family advisors, thus, creating a high power distance. Basic assumption is that everyone is ranked in the society. A person with higher rank in the organization should be obeyed and respected, even though they may not always make a wise decision. Hierarchy is efficient to maintain the organizational structure. However, this power distance is different in nature from the power distance that exists in both Japan and Thailand. Power distance in India is based on extreme inequality of the society, where leader and other individuals are very individualistic oriented, whereas the power distance in Japan and Thailand is based upon their feudal tradition, where the leader of the organization is a father-figure, who is responsible for the welfare of the employees, and individuals of these societies are generally expected to be collectivistic oriented (Basu et al., 2007; Hofstede & Hofstede, 2005).

As a result, Indian workers are not allowed to have initiatives; they are unable to cope with uncertainties as there is no one to take care of their welfare. Thus, risk taking attitude are all very low in India. However, Indians are moderately assertive, with moderate emphasis for masculinity

(Sinha et al., 2004). It has also moderate attitude towards the long term orientations, unlike that in Japan and Thailand. Indian managers have inability to reconcile their roles in a formal organization and feel a sense of discomfort with the managerial culture associated with the global world such as instant feedback, performance and empowerment (Tayeb, 1993; Sinha et al., 2004).

Thus, unlike Japan and Thailand, Indian culture is not collectivist and their strength is that they try to excel as individual not as a team. Individuals tend to do things on their own to get rewards. Although it is important that in order to be accepted by organization, individual should maintain a good relationship with team members, Indian employees tend to look after their own interest first. Opportunism is normal and accepted by the society. The uncertainty avoidance in India is relatively low compared with other cultures (Singh-Sengupta & Sinha, 2005).

The notion of *Karma* and that everything happens for a reason is still significant in the decision making process of many Indians. It also influences the concept of time in India and, as a consequence, the business negotiations may take longer and are never rushed (Sinha et al., 2004). Generally speaking, India's business community prefers '*long term time orientation*' but paradoxally, companies do not practice it. They prefer short-term profit over long term investments. Thus, companies avoid costs of research and development of employees (through a long period of training for the employees). For example, moving plants from one state to another to avoid obligations to the employees is a very common business practice in India. Thus, commitment is very low in most Indian organizations (Sinha et al., 2004). Unlike Japan or Thailand, the Indian employers are not considered as the father figure or mentor or facilitator in India at all, but as oppressive uncaring creatures (Sinha et al, 2004; Basu, 2010). Thus, based on the above analysis of various studies derived from the related literature it is possible to conclude that Indian and Japanese organizational cultures are very different.

### **3.4.5 Impacts of Culture on Commitment in Indian and Thai Organizations**

Thus, Indian organizational culture is very different from that of Japan, whereas Thai organizational culture has some similarities with that of Japan. These dissimilar organizational features have significant effects on the level of commitment of the employees in Japan, Thailand and India. Although Thai organizational culture has some similarities with Japan, there are some important differences. Thais are more opportunistic compare to Japanese, do not want tie

themselves with just one employer for life but look for better opportunities always. However, just like in Japan employees consider the employer as their provider. Thus, the level of commitment of the Thai employees, although not so high as it is in Japan, is not very low either (Raoprasert et al., 2010). In India, there is no such commitment among the employees, who suffer from, at least in the private sector, intense anxiety about their future. Both Thai and Japanese societies are collectivist, where Indian society is individualistic. Thus, the levels of commitments of the employees in India are expected to be much lower than that in either Japan or Thailand. Also Indians prefers assertiveness but Japanese and Thais do not, and as a result Indian employees are much more opportunistic, more assertive and less committed than their counterparts in either Japan or Thailand (Sinha et al., 2004; Singh-Sengupta, 2005).

### 3.5 TRANSMISSION OF CULTURE FROM THE HQs TO THE SUBSIDIARIES IN MULTINATIONAL COMPANIES

Table 3.3 provides a description of the studies regarding transmission of culture from the parent unit to the subsidiaries of multinational companies.

**Table 3.3 Conceptual Studies on Transmission of Organizational Culture and Commitment in HQs-Subsidiary Relationship literature**

Authors	Focus	Research Method	Research Technique	Key Findings	Limitations
Selmer & De Leon (1996)	Relationship between organizational culture and commitment in Swedish subsidiaries in Hong Kong	Qualitative analysis	Semi-structured Interviews	Organizational culture can be transmitted and promote commitment in the subsidiaries	Descriptive analysis
Bird, Taylor & Beechler (1998)	Relationship between organizational culture and commitment in the Japanese subsidiaries in USA	Qualitative analysis	Semi-structured Interviews	Organizational culture can promote commitment in the subsidiaries to some extent	Limited sample; descriptive analysis
Kranias (2000)	Relationship between organizational culture and commitment in Japanese	Qualitative analysis	Analysis and Discussions	Organizational culture can be transmitted and promote commitment in the subsidiaries	Confirmatory, based in existing theory of Dore (1973)

	subsidiaries				
Lips-Wiersma & Mills (2002)	Relationship between organizational culture and commitment in Japanese subsidiaries in Thailand	Qualitative analysis	Semi-structured Interviews	Organizational culture can promote commitment in the subsidiaries.	Confirmatory, largely confirming previous findings
Swierczek & Onishi (2003)	Relationship between values of organizational culture and commitment in a Thai subsidiary of Japanese company	Qualitative analysis	Semi-structured Interviews	Organizational culture can promote commitment in the subsidiaries	Conceptual part highlighting possibilities outweighs the empirical evidence
Park, Mitsuhashi, Fey & Bjrkman (2003)	Relationship between organizational culture and commitment in Japanese subsidiaries in Korea	Qualitative analysis	Semi-structured Interviews	Organizational culture can promote commitment in the subsidiaries	Small sample, descriptive analysis
Lee & Teo (2005)	Relationship between organizational culture and commitment in the Japanese subsidiaries in Taiwan and China	Qualitative analysis	Semi-structured Interviews	Organizational culture can promote commitment in the subsidiaries to some extent	Small sample, descriptive analysis
Pardi (2005, 2007)	Relationship between organizational culture and commitment in Japanese subsidiaries in Britain	Qualitative analysis	Analysis and Discussions	Organizational culture may not be transmitted and may not be able to promote commitment in the subsidiaries	Small sample; limited analysis on a few cases.
Elgar & Smith (2005)	Relationship between organizational culture and commitment in Japanese subsidiaries	Qualitative analysis	Analysis and Discussions	Organizational culture may not be transmitted	Descriptive analysis
Ogasavaraa & Hoshino (2007)	Relationship between organizational culture and commitment in Japanese	Qualitative analysis	Semi-structured Interviews	Organizational culture can promote commitment in the subsidiaries to some extent	Confirmatory, based in existing theory



	subsidiaries in Brazil				
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These conceptual studies all focused on the issue of the transmission of organizational culture and commitment in HQs-subsidary relationship. Indeed, strong organizational culture is now critical for MNCs in the age of global competition. Corporate values that care for the employees as individuals and promote the meaning and purpose of the organization are critical for the success of the company (Bird, Taylor & Beechler, 1998; Tjosvold, 1998; Kranias, 2000). Interactions among the employees and senior managers can affect the outcomes of participations. Multinational companies can create unique resources for competitive advantages in their overseas subsidiaries if they transfer successfully the values of their organizational culture to these subsidiaries and can create similar organizational commitments among the employees in overseas (Swierczek & Onishi, 2003; Park, Mitsuhashi, Fey & Bjrkman, 2003). This type of organizations is called 'Type Z' organization with long-term employment, consensual decision-making, individual responsibility, slow evaluation and promotion, moderately specialized career paths, and holistic concern including the family (Lips-Wiersma & Mills, 2002; Lee & Teo, 2005; Pavett & Morris, 1995; Pardi, 2005, 2008). Such organizations rely upon informal, implicit mechanisms for coordination based on the organizational culture and try to export their own national character to their foreign operations. Normative integration is possible there through a typically strong organizational culture, which they try to export to their subsidiaries (Fane, Vaghefi, Deusen & Woods, 2003). This strategy is implemented using extensive personal contacts, training and socialization to transplant the original value system of the parent company to their overseas subsidiaries. Social coordination as used by the Japanese multinational companies using organizational culture increases the ability of the company to influence the local subsidiaries to behave according to the company's ultimate purpose to create commitment (Ogasavaraa & Hoshino, 2007).

Through rotations of different functional areas, the employee comes across the corporate ideology and the values of the organization as a whole. It works through the human resource management system of the company whose duty is to familiarize the employees to the organizational culture of the company. For example, the trust can be created through frequent interactions between the members and the consensual decision making process (Mintzburg, Simon & Basu, 2002). Stability and harmony in relationship are the core elements of this organizational culture. Japanese managers of the human resources management division or '*Jinjibu*' create international, interpersonal verbal information networks throughout the company worldwide (Basu, 2010). The

cultural value system in Japan promotes hard work and attention to detail, group orientations and consensus orientations. It emphasizes conflict avoidance, respect and concern for people, importance of long lasting relationships with others, harmony, uniformity. The end-result is very high level of loyalty for the company (Lazer, Murata & Kosaka, 1985). That has led to a lifetime employment, slow evaluation, and a noncompetitive workforce. US corporate culture, on the other hand, promotes more communication and coordination, short-term performance evaluations and strong competition (Langfield-Smith & Greenwood, 1998).

There are important differences as mentioned by Triandis (1989, 1990, and 1995) between the Western (individualistic) and Eastern (collectivistic) organizational culture. These differences were explained in detail by Triandis & Trafimow (2001) and in Triandis & Gelfand (1998). According to the so-called '*globalization school*' (Triandis, 2006) multinational corporations are spreading a so called global culture and along with it a specific type of universal organizational culture is emerging. That universal culture is the global extension of the Western culture, which is homogenizing and threatening the obliteration of the world's rich cultural diversity. Main criticisms are coming from Hofstede and GLOBE project (Hofstede, 2002; Gupta et al., 2002; House et al., 2004)

For example, House et al. (2004) found distinct patterns of behavior for the managers in each of the 62 countries. Hofstede (2002) concluded that national culture moderates the organizational culture and organizational culture created by one specific national culture may not be implemented in a different nation because of the differences in national characteristics. This view is supported by many researchers, for example, by Elgar & Smith (2005) and Pardi (2005).

However, according to a number of authors, organizational culture, not the national character, is the most important explanation for the competitive advantages of a company (Cameron & Quinn, 1999). According to Cameron and Quinn (1999) there are three types of managements of organizational cultures in the multinational corporations: (a) parochial, (b) ethnocentric, and (c) synergistic and these three main types of organization are there in all national cultures of all multinational companies.

These studies raised the important question whether Asian MNC, particularly Japanese companies, can successfully transfer their organizational culture to their overseas subsidiaries and whether they are similar in their behavior (Pardi, 2005; Elgar & Smith, 2005), which may result on creation of the organizational citizenship in the multinational companies. Indeed, cultural

influence is the outcome of transfer of organizational culture from home to host countries of a multinational company (Harrison & Carroll, 1991, 2001). However, so far, there is no direct quantitative evidence that transfer of organizational culture is possible. Thus, mostly the research is lacking on evidences of the degree of homogeneity of home and subsidiary cultures. This research aims to address these issues in order to shed some more light on the key research gaps derived from the related literatures.

## **CONCLUSION**

This chapter gives an overview of the literatures on MNCs, how these evolved over time and the corresponding literatures on different types of multinational companies and their characteristics. There are many types of MNCs identified in the related literature and their characteristics are changing due to the globalization process.

Among them there are multinationals with strong organizational culture, clear vision and strategy for long-term growth to maintain both technological and business success, who do not allow their subsidiaries freedom to develop their own organizational culture, but induce them to adopt the organizational culture of the parent unit in a bureaucratic way. There are MNCs, with very strong organizational culture, which, through long-term training and cultural influences mould their subsidiaries to adapt the original organizational culture of the HQ as the subsidiaries consider their HQ as the ideal to follow. There are MNCs with vision to allow autonomy of their subsidiaries to promote innovation and to capture the local market by promoting entrepreneurship in the subsidiaries. Much depends on the product of the MNCs and the country of origin of a particular MNC to determine the HQ-Subsidiary relationship.

In the context of Asian business, particularly in relation to Japanese, Thai and Indian companies, culture has certain national economic and philosophical dimensions, which should not be ignored. Indeed, research shows that companies with organizational cultures that encourage trust, participation, and entrepreneurial behaviour were effective in creating commitment among their employees, and thus were very effective across all countries.

Thus, successful multinational firms may transcend national cultural differences through the development of a common pattern of drivers of business performance by transferring their unique organizational cultures from HQs to subsidiaries, which in turn influences creation of a desirable commitment (similar to that in the parent unit) among employees worldwide.

Therefore, the effective organizational culture, which promotes successful corporate performance through the creation of commitment can be considered as a very important strategic resource of a company, and should be examined thoroughly in a systematic manner. It is essential as a starting point to explore what are the ingredients of organizational culture and whether and how these can direct the managers to create such resources in the subsidiaries. The aim of this research is to address these issues. In this chapter, the issues regarding HQ-subsidary relationships particularly on the concepts of autonomy, centralization and globalization are discussed in relation to the existing literature so that the purpose of this research can be based on the gaps in the existing literature. The next chapter will describe the philosophical position and the methodology of this research.

## **CHAPTER 4: METHODOLOGY**

### **INTRODUCTION**

Research relies on the methods used to answer research questions and test research hypotheses, and on the careful application of these methods. Indeed the production of knowledge depends on the methods of applications and techniques for collecting, analyzing, and interpreting the data. Thus, science is progressing on its methods. The impact of management studies depends upon the appropriateness and rigor of the research methods chosen. Design choices about research methods, instrumentation, data collection, data analysis, and construct validation may affect the types of conclusions that are drawn (Fleetwood, 2004).

In this chapter section 4.1 describes the philosophical position of the research, positivism. Corresponding research strategy under positivism is analyzed in section 4.2-4.6. Theoretical assumptions of the research are explained in section 4.2. The research design is described in section 4.3. The justification of the selected research method is provided in section 4.4. The research techniques for data collection and data analysis used in this research and the chosen sampling strategy and data collection procedure are described in section 4.5. Section 4.6 describes the issues regarding the validity of the research.

### **4.1 PHILOSOPHICAL POSITION OF THE RESEARCH**

Positivism is rooted in a scientific tradition based on the classic theory proposed by August Comte. According to Comte, true knowledge is based on experience and can be obtained by observation, and thus the experiment underlies the philosophical position of this research (Comte, 1865; Popper, 1959).

Positivism suggests that the goals of science are explanation, prediction, and the search for regular patterns of observable events (or constant conjunctions). The positivist ontology aims to approximate '*reality*' in terms of a detailed generalization or a theory on how reality operates.

These theories can be defined as clear verifiable statements of the relationships between specified variables (Winch, 1958).

According to positivist epistemology, there are two sources of knowledge, what researchers can observe and what they can establish from common sense and experiments. Nature and society are seen as an objective world independent of subjective feelings (Habermas, 1970; Keat, 1981, Achinstein and Barker, 1969), while non-positivism is oriented around human beings and tries to understand the fundamentals of human existence through their feelings as a main manifestation of life (Richardson, 2002).

The fundamental assumptions of positivism are *determinism*, *empiricism*, *operationalism* and *parsimony* (Lee, 1991). In order to address its main assumptions, positivism usually employs quantitative research methods (Michell, 1985). Indeed, a positivistic paradigm systematizes the knowledge generation process with the help of quantification, which is essential to enhance precision in the description of parameters and the discernment of the relationships among them (Habermas, 1970). Using the formal methods of mathematical logic, then, the goal is to construct a strictly scientific language that perspicuously represents the structure of the world as a whole. The details are highly technical, of course, but it is only with quantification that the detailed picture of the reality becomes evident (Keat, 1981).

The goal of this thesis is to look for verifiable generalizations that explain the observed phenomena and that can be tested by using quantitative methods. Therefore the aims of this research are in accordance with positivism and that is why it was chosen as the philosophical stand for this research.

## **4.2 THEORETICAL ASSUMPTIONS OF THE RESEARCH**

This research is focused on the relationship between HQs and subsidiaries of a large Japanese multinational company to examine the existence of the transmission of culture-commitment and determine the factors that are forming these concepts and the degree of their relationship. In other words, is there any relationship between the organizational culture of the parent company and the employee's commitment in HQs in Japan? If there is a relationship, does the same relationship also exist in the overseas subsidiary of that company located in the culturally similar host country,

Thailand? Does the same relationship also exist in the overseas subsidiary of that company located in the culturally distant host country, India?

One of the central questions in the literature on MNCs is the extent to which their various foreign affiliates (or subsidiaries) act and behave as local firms versus the extent to which their practices resemble those of the parent corporation or some other global standard. The literature does not provide much rigorous analysis of Asian MNCs, particularly Japanese MNCs and the transmission of their organizational culture in foreign locations, how they adapt foreign organizational culture and what are their effects on performance. So far, exploratory applications are restricted to a few American and European companies. Thus, it is important to find out how a Japanese leading multinational company exerts its influence on the subsidiaries, more precisely whether it can transfer the managerial practices of the parent company to subsidiaries.

To answer these research questions in this study the quantitative approach is used. In the next two sections the issues regarding the research methods, design of research and role of the researcher in the choice of the research methodology are analyzed.

## **4.3. RESEARCH METHODS**

### **4.3.1 Justification of the Choice of Research Methods**

*Role of the researcher:* The philosophical position, the purpose and the nature of the research, not entirely the personality and thinking style of the researcher are key factors in choosing the research methods. Thus, this study has chosen the quantitative research method in accordance with the research objectives and the philosophical assumptions of positivism. After choosing the philosophical position and the associated research methods, the next step must be focusing on the choice of research techniques and how the techniques can be integrated.

*Two types of competing research methods:* There are two types of competing research methods in social sciences: qualitative and quantitative. However, both types of methods have merits of their own and should be complimentary to each other. This research has selected a quantitative approach in this thesis because it can generalize the results, which will depend on the quantified opinion of hundreds of respondents working in the selected company rather than on the opinions of few persons to be interviewed as with a qualitative research.

However, at the same time this research aims for a balance by mixing two types of research methods by conducting a number of interviews with top managers of this selected Japanese MNC in different parts of the world at the preliminary stage of this research to make sure that the research will be based on a realistic ground ( names and positions of these executives cannot be revealed due to ethical considerations). Indeed, the final design of questionnaire is based on these interviews and concluded by the pilot study conducted within two groups of people: senior and middle level managers from two other rival companies in Japan. Interviews with top managers are needed to represent a cross-section of views on the Japanese management system of major Japanese MNCs both in their HQs and in the subsidiaries. These interviews are not reported in the thesis because they are used as background information to understand the Japanese system of HQ management and the subsidiary management. It important to mention that this research, although mainly quantitative, has paid enough respect to the qualitative approach by grounding the quantitative approach on solid qualitative foundations.

Within the quantitative analysis, a choice has to be made regarding the collection of data, whether the data will provide a cross-section analysis or an in-depth analysis of an MNC. The choice depends on the feasibility of the study. As this research is about major Japanese MNCs and as there are only a few major Japanese MNCs, it is not possible to obtain enough companies to do the cross-section study. That type of research is only possible if this research considered instead many small and medium-sized Japanese companies. Thus, the decision was made to conduct in-depth statistical analysis on one single major Japanese MNC, which is based on the main purpose of this research to analyze a major Japanese MNC and its management practices across the globe.

Also, the cross-section analysis has obvious disadvantages. For example, if one or two participants from each of the companies under investigation are selected as the representatives to respond to the questionnaires then questions can be raised about the validity of that selection, the resultant bias, and the 'generalizability' of the results. Getting responses from a large number of respondents aims to reduce these defects and eliminate bias to some degree, but that is not possible in this case as these are only a few large MNCs from Japan.



This research is conducted in only one leading Japanese MNC, thus, the question of ‘generalizability’ of the results may arise. The answer to that issue is that this selected MNC is the leader of the industry in Japan whereas other MNCs of Japanese origin are followers of the management system of this selected MNC. Also, Japanese companies traditionally form a *Keiretsu* system or a group of interrelated companies and banks and they move to a new market in a new country jointly. Thus, results of this major Japanese MNC is applicable for a largenumber of companies and banks, who are members of the same *Keiretsu* to which selected MNC belongs.

The details of main features of qualitative and quantitative research methods are described in the Appendix Chapter 4: Table 4.1. In the next section the issues on implementation of the proposed research design are analyzed regarding the choice of the research techniques. And the details regarding the characteristics of the basic research techniques used in quantitative studies are given in the Appendix Chapter 4: Table 4.2.

#### **4.4. RESEARCH DESIGN**

A research design is the strategy for answering the questions or testing the hypotheses that stimulated the research (Mason & Mitroff, 1973; Zikmund, 1997; Campbell & Stanley, 1963). Another critical issue in research design is to determine the unit(s) of analysis or the unit about which statements are being made. The unit of analysis for this research is an organization. A final issue is to choose an appropriate sampling strategy, data collection and data analysis techniques in order to provide the answers to the research questions.

*Various types of competing research designs in association with the research methods:* There are many types of research designs associated with the appropriate research methods which are described in the related literature as shown in Table 4.1.

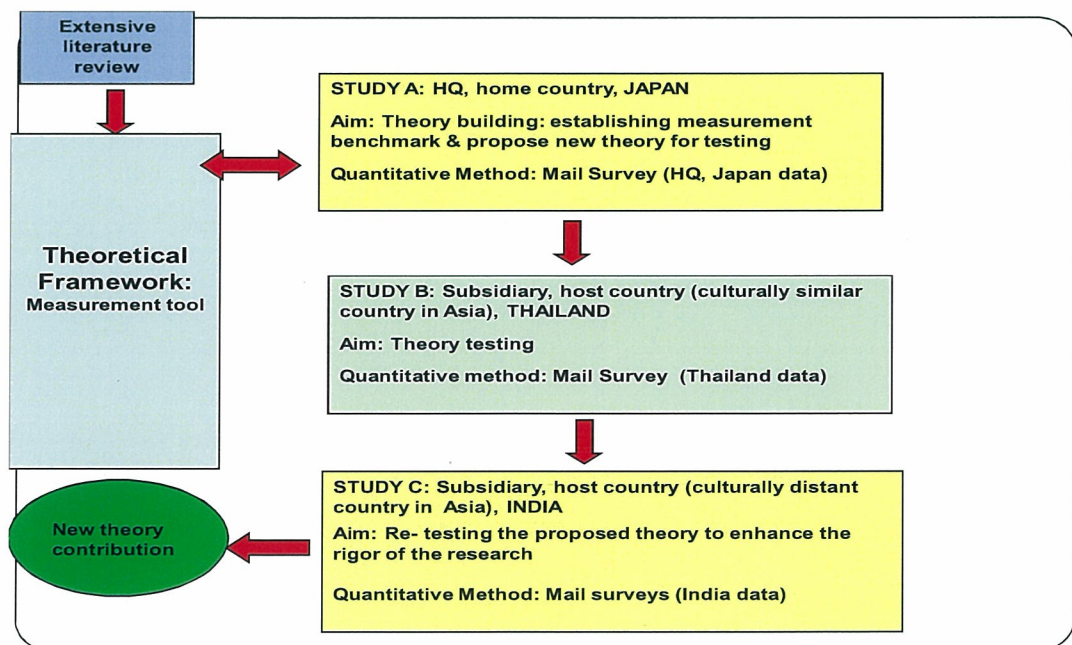
**Table 4.1: Types of Research Design (Source: Denzin, 1978)**

<b>Quantitative Research Designs</b>	
<b>Descriptive</b>	<ul style="list-style-type: none"> <li>Describe phenomena as they exist. Descriptive studies generally take raw data and summarize it in a useable form.</li> <li>Can also be qualitative in nature if the sample size is small and data are collected from questionnaires, interviews or observations.</li> </ul>
<b>Experimental</b>	<ul style="list-style-type: none"> <li>The art of planning and implementing an experiment in which the research has control over some of the conditions where the study takes place and control over some aspects of the independent variable(s) (presumed cause or variable used to predict another variable)</li> </ul>
<b>Quasi-experimental</b>	<ul style="list-style-type: none"> <li>A form of experimental research. One in which the researcher cannot control at least one of the three elements of an experimental design:</li> <li>Intervention (program or practice)</li> <li>Assignment to experimental and control groups</li> </ul>
<b>Qualitative Research Designs</b>	
<b>Historical</b>	<ul style="list-style-type: none"> <li>Collection and evaluation of data related to past events that are used to describe causes, effects and trends that may explain present or future events. Data are often archival.</li> <li>Data includes interviews.</li> </ul>
<b>Ethnographic</b>	<ul style="list-style-type: none"> <li>The collection of extensive narrative data over an extended period of time in natural settings to gain insights about other types of research.</li> <li>Data are collected through observations at particular points of time over a sustained period.</li> <li>Data include observations, records and interpretations of what is seen.</li> </ul>
<b>Case Studies</b>	<ul style="list-style-type: none"> <li>An in-depth study of an individual group, institution, organization or program.</li> <li>Data include interviews, field notes, archival data and biographical data.</li> </ul>

This research is associated with quantitative research methods and is based on a solid theoretical ground. The existing literature can help this research by providing a theoretical foundation for the structure of organizational culture and commitment and their interrelationship in a multinational context. To fill the gaps identified and to answer the resultant research questions this research has implemented the following research design.

Figure 1.1 (from Chapter 1), that is repeated in this Chapter describes the design of this research. The theoretical framework is established from the extensive survey of literature on cultural transmission from the headquarters to the subsidiaries of a Japanese multinational company, on the formation of commitment at all levels, and on the concepts which this research has utilized. Study A is the analysis of the relationship between organizational culture and commitment in the home operation in Japan. Study B is the analysis of the culture-commitment relationship in the subsidiary of the same Japanese company located in a culturally similar country, Thailand. Study C is the analysis of the culture-commitment relationship of the subsidiary of the same Japanese MNC located in a culturally distant country, India.

**Figure 1.1: Research Design**



From these studies, this research attempts to contribute to the theory of management of a multinational company using organizational culture as a resource to enhance performance, more precisely by creating the commitment of the employees, which may provide competitive advantages over rivals in its international operations.

However, there are some alternative research designs, which can be evaluated. For example, it is possible to study just parent (HQs) operations from the perspective of interrelationship between culture and commitment in depth, but that research would not reveal information about the relationship with the HQ and the subsidiaries. Another example of the research design is to compare operations in HQs and just one subsidiary, but that would not add any information regarding generalizability of the findings in different geographical or cultural contexts. Thus the comparative analysis of operations in HQs and at least any two subsidiaries from two different cultural contexts is needed to increase the rigor of the research. The third example of the research design is to select two subsidiaries from two different regions, for example one subsidiary located in the Asian region and another subsidiary located in the European region. This research has considered India, which is culturally and ethnically very different from Japan and thus the Indian subsidiary will create similar kind of difficulties for a Japanese MNC as any European subsidiary may create. Difficulty to access data within the proposed timeline is another issue; indeed the data from the British subsidiary have arrived too late to be included for the analysis in this research. Also due to the space restriction it was not possible to include the analysis on the British subsidiary in this thesis.

Although India culturally is very different, it is still located in the Asian region. Thus, inclusion of a subsidiary from a different region with the alien national cultural context may diminish the cohesiveness of this research. That is the reason the subsidiaries of this Japanese MNC located in other regions are not considered here, but in future research it should be considered. The purpose of the current research is to provide a solid evidence of transmission of organizational culture from the HQ to the subsidiaries within the same Asian region, thus the Indian subsidiary instead of the British subsidiary is selected for the analysis in this research.

The fourth type of research design may include all possible subsidiaries of a MNC all over the world. The fifth type of research design can compare one MNC with all its subsidiaries with another rival MNC from the same industry. The last two types of research design are much desirable indeed, but not feasible within the time frame of the PhD program.

**Table 4.2: Type of Research Designs in Relation to the Proposed Research Questions**

	Type of Research Design in Relation to the Proposed Research Questions	Advantages	Disadvantages
1	Only HQs of one subsidiary	Easy to implement; establishment of the benchmark for future comparisons	No scope for comparative analysis
2	HQs and only one subsidiary of one MNC	Easy to implement	No scope for comparative analysis; modest generalization
3	HQs and a few subsidiaries from the same region (for example, Asia)	More generalization across the MNC in one region	Difficult to implement and complex data collection and data analysis procedures
4	HQs and all subsidiaries of one MNC	Complete comparison; more generalization across the entire MNC worldwide	Infeasible within the PhD program
5	Comparison with one more or many more MNCs (HQs and all subsidiaries) along with their subsidiaries	More detailed comparison with different types of MNCs; more generalization across the industry	Infeasible within the PhD program

Considering the alternatives, the proposed research design includes the comparative analysis of three companies such as HQs and two subsidiaries with very different national cultural background but located in the same Asian region. This research design allows the researcher to focus more and to compare the three sets of data from the same company, same *Keiretsu*, same region, and, thus, to examine in depth the proposed research questions in order to increase the validity and the reliability of the results and it is feasible given the constraints of this PhD study.

In the next section the issues on implementation of the proposed research design are analyzed regarding the choice of the research techniques of data collection.



## **4.5 RESEARCH TECHNIQUES AND SAMPLING ISSUES**

### **4.5.1 Justification of the Choice of the Data Collection Research Technique: Mail survey**

Mail survey is chosen as the data collection research technique. Mail surveys are cost effective methods of gathering information ideal for large sample sizes, or when the sample comes from a wide geographic area. Because there is no interviewer, there is no possibility of interviewer bias; the only disadvantage is the inability to examine the respondents for more detailed information. In the current research, the researcher has carefully chosen independent and dependent variable and a specific model of the expected relationships based on the prior research, which is tested against observations of the phenomenon.

According to Dillman (1978), there are three key elements in the conduct of surveys, and that these can be used to assess the quality of survey research. These elements include: (a) research design, (b) sampling procedures, and (c) data collection methods. The steps used in this research in designing the sampling strategy are described below. The characteristics of the different types of surveys are described in details in the Appendix Chapter 5: Table 5.3.

### **4.5.2 Sampling Strategy**

Regardless of the unit of analysis, the units for data collection in survey research are usually individuals. Individual responses are often aggregated for larger units of analysis such as role, work group, department, or organization. Sampling is concerned with drawing individuals or entities in a population in such a way as to permit generalization about the phenomena of interest from the sample to the population. Thus, the most critical element of the sampling procedures is the choice of the sample frame, which constitutes a representative subset of the population from which the sample is drawn, because the sample frame must adequately represent the unit of analysis.

#### **4.5.2.1 Justification of the choice of the sampling strategy**

This research employs the Stratified Random Sampling strategy as most appropriate for this research, as shown in Table 4.3. This research aims to assess the organizational culture of the

entire population of employees working in this Japanese MNC, including all possible sub-cultures not only the sub-culture of managers.

**Table 4.3: Advantages and Disadvantages of Stratified Random Sampling**

<b>Advantages:</b>	<ol style="list-style-type: none"> <li>1. Yields more accurate results than simple random sampling</li> <li>2. Can show different tendencies within each category (e.g. men and women)</li> </ol>
<b>Disadvantages:</b>	No disadvantages, hence it is usually used in quantitative research

#### **4.5.2.2 Subject of the Survey: Brief Characteristics of the selected Japanese Multinational Company**

Established about 70 years ago, this selected for analysis Japanese multinational company is now the leader in Japan and in the world. This Japanese MNC is at the forefront of research and new development, which is the one of the reasons for its success in capturing new markets worldwide. The name of the selected Japanese multinational company cannot be identified due to ethical reasons.

Currently it has 52 bases in 27 different countries and regions. In addition, there are design and R&D bases in seven locations overseas. It has several plants in all over Japan but the main concentrations are in one city, which is also the location of most of its supplier companies. Its Japanese main operation employs at least about 27,000 people in various activities. Its Thai subsidiary was also established about 20 years ago, but started as a green-field operation and now employs about 8000 people, where the role of the Thai managers in the decision making process is reduced to a minimum. Its Indian subsidiary started as a joint venture about 10 years ago and now employs about 3000 people in the manufacturing activities, where the role of the Indian managers in the decision making process is also reduced to a minimum.

Thus, the population was broken down into several *strata* in accordance with the number of departments within the company, and a random sample taken from each category in each location: Japan, Thailand and India. Respondents in each *stratum* were randomly selected to have a maximum representation from all areas of operations in order to obtain information about all the

existing sub-cultures within this company. I have also taken at the preliminary stage of this research the semi-structured interviews of some of the most senior executives, members of the board of directors, vice-presidents, directors of corporate services and personnel services, and plant managers to understand their views and comments on the Japanese system of management, particularly regarding the HQs-subsidiary relationship in order to design an adequate research measurement tool, the Questionnaire. All of the interviewees were top managers of this Japanese MNC and have had overseas experience in operations in various locations of the world (UK, India, Thailand, Australia, USA and Japan), which is essential in any cross-cultural study. In this way, through gathering such important preliminary opinion of the top managers, I aimed to enrich the overall rigor of this quantitative research.

Another important aspect of data collection is whether multiple research techniques are used. Using multiple research techniques permits the researcher to have more complete data on the phenomenon of interest and a broader and richer understanding. In this research, this method of mixed approach is undertaken. Various data collection and data analysis research techniques are described below.

#### **4.6 DATA COLLECTION: RESEARCH TECHNIQUES USED**

The choice of *data collection research techniques*, such as mail questionnaire, telephone interviews, or face-to-face interviews, is significant because it affects the quality and cost of the data collected. For example, mail questionnaires are very good for gathering factual data, but they are less effective when sensitive data are needed. In general, quality and cost are highest with face-to-face interviews or telephone interviews whereas quality and cost are lower with mail questionnaires.

This research is based on the mail questionnaire data collection technique as being the most suitable for the type of data and most cost effective. The mail surveys are a quantitative research data collection method in which respondents are completing questionnaires on paper and return them via the mail. The mail questionnaires were distributed in the form of a kit, consisting of two documents: (a) the Cover Letter briefly explaining the purpose of the research and confidentiality principle (respondents were advised not to write their names on the questionnaire), and (b) the Questionnaire, in Japanese language for the parent unit in Japan, in Thai language for the Thai subsidiary, and in English language for the Indian subsidiary.



Another important aspect of data collection is whether the triangulation method is used. According to Kraemer and Dutton (1991) the quality of data and, therefore, the overall research is also improved if triangulation is possible. In this research, the triangulation method is employed as data was collected from three locations, Japan, Thailand and India, in order to enhance the overall rigor of the research.

## **4.6.1 Data Collection Process**

### **4.6.1.1 Justification of the selection of the Japanese MNC**

There is not enough research done on Japanese MNCs and their relationship with their subsidiaries (Harzing, 1999, 2000). The Japanese management system is different from its American or European counterparts. Thus, it is desirable to have some rigorous research regarding the relationship between HQs and subsidiaries on Japanese multinational companies. The Japanese MNCs, particularly in the areas of the auto industry and electronics, are the leading MNCs worldwide. In order to understand in depth the Japanese management system, particularly the mechanism of coordination between HQs and subsidiaries worldwide, this research has interviewed executives of most of the automakers in Japan in the preliminary phase of the research. This preliminary research found out that the Japanese MNC selected in this research for analysis is the leader in the industry, since the other major Japanese multinational companies in fact try to emulate the management system of this MNC. The name of this selected Japanese multinational company is not revealed to comply with the confidentiality policy and the ethical reasons. Thus, it was expected after the preliminary analysis that the results of further analysis may be generalizable across the entire *Keiretsu* to which this company belongs, across the auto industry and across the country, Japan. There is also evidence that some major American and European MNCs in the same industry are trying to emulate the management system of this Japanese MNC. These are the main reasons for selecting this particular MNC among the other MNCs of Japan.

#### **4.6.1.2 Justification of the selection of the subsidiaries in India and Thailand**

Although this Japanese MNC has manufacturing plants and offices all over the world, it is highly desirable to analyze all subsidiaries in all countries, but it is not feasible, considering the time and length restrictions of this PhD program. Therefore, only the parent operation and two subsidiaries were chosen for this research in order to enable the triangulation technique and to enhance the overall rigor of the research. Although these two subsidiaries are selected from the same region Asia there are serious differences in these two subsidiaries. One selected subsidiary is located in a culturally similar host country, Thailand. It is very large and oldest subsidiary of this MNC. Another selected subsidiary is located in a culturally distant host country, India. In contrast the selected Indian subsidiary is comparatively new.

The reason for selecting these subsidiaries among the alternatives is the fact that they are both very important subsidiaries from Asia. For example, the Thai subsidiary has been the major overseas manufacturing base for this MNC until now. Exports of parts are going from this Thai plant to other plants of this MNC all over the world; finished products are being exported from the Thai plants to Europe, Latin America, the Middle East and other parts of Asia. For example, the Asian plants of this MNC in China depend on this Thai plant for parts of the finished product. Thus, the importance of the role of the Thai subsidiary in overall operations of the selected Japanese MNC is the second main reason why it is selected for analysis.

The Indian subsidiary is smaller than the Thai subsidiary but it is no less important because of its location, which is the hub of India's high technology research particularly on electronics, space, and information technology related industries. Indeed, a number of high-technology MNCs from different countries, and Indian advanced research institutes are located nearby and, thus, can add more value to the location. Therefore, the Indian subsidiary is very important from the perspective of implementation of various innovative activities in this Japanese MNC. Moreover, the Indian subsidiary has another importance for this research due to the fact that India has a diverse heterogeneous population of many religions and cultures compared to the more homogeneous population of Japan or Thailand. Indeed, it is very interesting to test the theory of this research that the original home organizational culture of an MNC can be transmitted to its overseas subsidiaries with a very different national cultural base. Thus, India with a non-

homogenous population and with diverse cultures can be the ideal place to test the theory of this research.

However, it is also important to conduct further research in other subsidiaries of the same leading Japanese MNC located in other regions, for example, in Europe or in Latin America in order to compare and contrast the results obtained from the Asian region. Thus, the results obtained from the first stream of research on the Asian region may be used later as a benchmark for further analysis.

#### **4.6.1.3 Data collection procedure**

In this research, data is collected with the support of some professors from Japan (Nagasaki University, Faculty of Economics) who have extensive contacts with major Japanese companies and their counterparts in Thailand, Britain, Australia and India. Accompanied by them the researcher has interviewed Members of the Board, President, Vice-Presidents, Director of HR Division, Director of Corporate Service, Plant General Manager, Plant HR Manager of several Japanese MNCs such as Toyota, Nissan, Honda, Suzuki, Mitsubishi Motors, Mitsubishi Heavy Industry in Japan, India, Thailand, Britain, and Australia. Due to the fact that some senior managers of these MNCs were transferred from India and Thailand, the interviews with them were of particular importance and thus have been arranged as well. The purpose was to understand the Japanese system of management and their system of HQs-subsidiary management in order to design the research and the research measurement instrument, the Questionnaire, in an appropriate way. Because of lack of space this thesis does not include the transcripts or analysis of these interviews, which should be considered as the background information for this quantitative research.

The president of the selected Japanese MNC was then sent a letter explaining the purpose of the research and asking for his cooperation in data collection. The researcher then had meetings with top executives of this company in Japan, India and Thailand to further explain the purpose and requirements of the research. With their cooperation, the 3000 kits of the mail questionnaires were distributed in the plants and offices of a major Japanese automobile company in three locations in Japan, India and Thailand, out of that 2001 mail questionnaires were returned to the researcher.

The questionnaires for the employees in HQs in Japan were translated and back translated from English to Japanese by two native speakers, professors in Nagasaki University, who have accompanied the researcher to different offices and plants of this selected Japanese MNC to take interviews of the senior executives explaining the purpose and the importance of this research. The questionnaires for the Thai subsidiary were translated and back translated from English to Thai language by two Thai post-graduate students of Nagasaki University. The questionnaires for the Indian subsidiary were prepared in English language. The summary of the data collection process is shown in Table 4.4.

**Table 4.4: Data Collection Procedure**

<b>Phase and timescale</b>	<b>Data Collection Technique</b>	<b>Rationale</b>	<b>Participants</b>	<b>Sample size</b>	<b>Response Rate</b>
Preliminary preparation Phase: Jan-Dec 2005 12 months	Interviews with the top managers of leading Japanese MNCs	To understand the Japanese system of management and design the research and the research measurement instrument: the Questionnaire	Members of the Board, President, Vice-Presidents, Director of HR, Director of Corporate Services, Plant General Manager, Plant HR Managers of Nissan, Toyota, Suzuki, Mitsubishi, Honda, Mitsubishi Heavy Industry in Japan, Britain, India, Thailand and Australia	17 top managers from 6 leading Japanese MNCs	100 %
Phase 1 1 month	Preparations of the Questionnaire forms in English language	To prepare the research measurement instrument: the	Researcher	1	n/a

		Questionnaire			
Phase 2 15 days	Translation and back translation of the Questionnaire into Japanese language	To prepare the research measurement instrument: the Questionnaire for the Study A	Researcher and two native speakers who are also fluent in English	3	n/a
Phase 3 1 month	Pilot Study A	To test the Questionnaire	Managers of the selected Japanese MNCs	21	90 %
Phase 4 1 month	Pilot Study B	To test the final version of the Questionnaire	Research students from the University of Glasgow	12	90 %
Phase 5 15 days	Translation and back translation of the Questionnaire into Thai language.	To prepare the research measurement instrument: the Questionnaire for the Study B	Researcher and two native speakers who are also fluent in English	3	n/a
Phase 6 6 months	Visit to every plant and/or office of this selected Japanese MNC in Japan, Thailand and India	To negotiate the visiting time for the distribution of the questionnaires to make sure that the procedure would observe the virtue of unbiased stratified random sampling method in various plants and offices in three locations: Japan, Thailand and India.	Researcher and one professor from Nagasaki University, Japan	2	n/a

Phase 7 1 week	Distribution of the kits of the mail questionnaires within head-office and specific plants and offices of various departments of this Japanese MNC in parent operation in Japan proportionately according to their number of employees	To collect the data for the Study A	Researcher	1000	68 % (681 returned mail questionnaires)
Phase 8 1 week	Distribution of the kits of the mail questionnaires within a specific plant and offices of various departments of this Japanese MNC in its subsidiary in Thailand proportionately according to their number of employees	To collect the data for the Study B	Researcher	1000	66% (662 returned mail questionnaires)
Phase 9 1 month	Distribution of the kits of the mail questionnaires within specific plants/offices of this Japanese MNC in its subsidiary in India proportionately according to their number of employees	To collect the data for the Study C	Researcher	1000	65% (658 returned mail questionnaires)
Phase 10 15 days	Selection of perfect responses after receiving completed questionnaires via mail	To eliminate incomplete or wrongly completed forms in order to increase the rigor of results	Researcher	650 per firm	Rejected mail questionnaires 31: Japan 12: Thailand 5: India
Phase 11 2 months	Preparation for the Data Analysis Process	To arrange the equipment for the data analysis process (for example, to check the software SPSS, LISREL etc.)	Researcher	1	n/a

The next section describes in brief the various research techniques used for the data analysis in this research.

## 4.7 DATA ANALYSIS: RESEARCH TECHNIQUES USED

After having received the data from the mail survey, the purpose of this research was to evaluate the association between two unobserved variables, *organizational culture and organizational commitment*, of this selected Japanese MNC in three locations: Japan, India and Thailand. In the detailed quantitative analysis, this research used all possible research techniques applicable to this type of research methods, both parametric (multiple regression analysis and structural regression analysis) and non-parametric (discriminant analysis) thus covering every feasible directions of this quantitative research given the limitations imposed by space, time and the data. More precisely the following data analysis techniques were used in this research such as Descriptive statistics (Mean, Standard Deviation, Skewness, Kurtosis), Correlation Analysis, Analysis of Variance, Factor Analysis, Discriminant Analysis, Multiple Regression Analysis and, finally, the Structural Equation Modeling Analysis.

Descriptive Statistics were used to analyze the characteristics of the sample. Correlation Analysis was used to examine the relationship between the factors composing organizational culture and performance/ commitment. Discriminant Analysis was examined whether the same relationship would hold in all countries, Japan, India and Thailand. Analysis of Variance was implemented to justify the validity of the statistical analysis used. Reliability Analysis was used to justify the validity of the responses. The Factor Analysis was used to find out the most important factors that compose the two unobserved variables organizational culture and commitment. The Multiple Regression Analysis was used to find out whether elements of organizational culture can determine the elements of organizational commitments. The Structural Equation Modeling Analysis (SEM) was to examine the relationship between these two unobservable variables organizational culture and organizational commitments in all locations. The Multilevel Analysis was used as combination of the Structural Equation Modeling and the Discriminant analysis in order to examine the possibility of the transmission of organizational culture from HQs in Japan to two overseas subsidiaries located in Thailand and India. Table 5.2 provides the summary of the data analysis research techniques used in this research.

**Table 4.5: Data Analysis: Research Techniques Used**

Step	Statistical Technique	Rationale
1	<b>Descriptive Statistics</b>	
a	<i>Means</i>	Generate frequency distributions and summary statistics, box plots and histograms. Data entry errors checked for out of range values, plausible means and standard deviations.
b	<i>Standard Deviations</i>	Data transformation, generate correlation matrix, residual plots. Missing values dealt with by deletion of cases or substituting column means. Univariate and multivariate outliers checked against original responses. Normality of univariate and multivariate distributions checked. Outliers, skewness and kurtosis are corrected. Linearity, multicollinearity and homogeneity are checked.
2	<b>Correlation Analysis</b>	Examination of the relationship between the factors composing organizational culture and performance/ commitment.
3	<b>Analysis of Variance</b>	Justification of the validity of the statistical analysis used
4	<b>Reliability Analysis</b>	Determining of scale internal consistencies and modifying scales accordingly Calculating the Cronbach's alpha coefficients
5	<b>Factor Analysis</b>	Assigning importance to most prominent factors
6	<b>Multiple Regression Analysis</b>	Analysis of which factors (value-components) composing the independent variable (organizational culture) determine the factors (value-components) composing the dependent variable (performance/commitment)
7	<b>Discriminant Analysis</b>	Examination whether the same relationship between variables exists in all three locations: HQs, Japan, Thai and Indian subsidiaries.
8	<b>Structural Equation Modeling</b>	Analyze relationships between unobserved variables.
9	<b>Multilevel Analysis</b>	Examine the possibility of the transmission of OC from HQs, Japan to two overseas subsidiaries using the combination of Structural Equation Modeling and Discriminant analysis

Structural Equation Modeling was chosen as a main data analysis research technique because it allows the research questions to be answered that involve multiply regression analyses of factors



of unobserved concepts. The issues regarding the validity of research methods are analyzed in the next section.

## **4.8 VALIDITY OF THE RESEARCH**

There are mainly four types of validity (Cook & Campbell, 1976; Raubenheimer, 2004), which are discussed below.

### **4.8.1 Internal Validity**

Internal validity is defined as the credibility of causal explanations. Triangulation can enhance internal validity if dissimilar methods produce converging findings (Bryman & Bell, 2003). Qualitative data may enrich and substantiate causal explanations suggested by statistical co-variations in the same empirical setting. These may provide alternative causal relationships as well (Modell, 2005).

Thus, internal validity in this research was enabled by provided by various statistical testing procedures ensuring the obtained results such as Descriptive statistics (Mean, Standard Deviation, Skeweness, Kurtosis), Correlation Analysis, Analysis of Variance, Factor Analysis, Discriminant Analysis, Multiple Regression Analysis and, finally, the Structural Equation Modeling Analysis. Also this research have selected a wide set of occupational groups in the Japanese MNC represented in a sample, not just managers. This is a technique to enhance internal validity.

### **4.8.2. External Validity**

External validity is defined as the likelihood that a specific reasoning will hold up across a wider range of empirical settings. External validity refers to generalizing across times, settings, and individuals (Cook & Campbell, 1976; Mitchell, 1985; Sackett & Larson, 1990). External validity relies upon establishing a true representation of the relationship between two constructs and establishing that the relationship is generalizable to different populations, measures, and circumstances.

The triangulation was used in this research to enhance the external validity. Studies that employ samples from various occupations and/or various locations may be triangulating on settings. In

this research, different cultural backgrounds were used to quantify the model with different settings.

### **4.8.3. Construct Validity**

Construct validity concerns how well the measures employed fit the theories for which a test is designed (researchers must test for measurement flaws). Measures and manipulations must be faithful (or valid) representations of constructs in order for valid inferences to be made.

The type of dependent variable reflects the nature of the measures employed, and the sources of data indicate the extent to which variance might be present in measures. The types of variables and source of data have unique influences associated with them. For example, self-report measures (especially those from a single source) are a typical example of the measurement of attitude-related variables using Likert-type rating scales. Precision of measurement using self-reports might improve construct validity if multi-item measures are employed. In addition, tests for the amount of error in the measurement of a construct, such as tests of reliability (internal consistency) require multi-item measures.

Triangulation may enhance construct validity (Campbell & Fiske, 1959; Jick, 1979). Construct validity is enhanced, when correlations between measures, presumed to reflect similar properties of an empirical phenomenon, are high relative to correlations between measures presumed to reflect different properties.

In this research multiple statistical techniques were used in order to provide and enhance the construct validity. Indeed, if application of one research technique confirms the findings of other research techniques, the construct validity can be intensified in this way. This research used the following statistical techniques such as Multiply Regression Analysis, Factor Analysis, Discriminant Analysis, Covariance-Correlation Analyses, and Structural Equation Modeling in order to intensify the construct validity.

#### **4.8.4. Statistical Conclusion Validity**

Statistical Conclusion validity refers to the ability to draw conclusions on the basis of statistical evidence of covariation as well as prediction (Cook & Campbell, 1976; Sackett & Larson, 1990). Statistical conclusion validity concerns sources of error (factors that increase variability) and the appropriate use of statistical tests for dealing with such error, but the concern with bias (factors that systematically affect the values of means) is the domain of internal validity.

Statistical Conclusion validity is best evaluated in terms of the statistical properties of a population parameter. In order to rule out random sampling error (the value of a sample statistic is in error as a result of particular random observations that happened to be included in the sample); alternative explanations for the covariance between two variables must be eliminated. Major issues to be considered are the degrees to which the design permits correction for range-restriction and the power (the probability of correctly rejecting a false null hypothesis) of various designs. Although there are correction formulas for range-restriction, they become more useful as the number and variety of persons, for whom predictor test scores are known, is rises (Sussmann & Robertson, 1986). Sample size, on the other hand, affects the power a design has to yield statistically significant results.

The application of the appropriate statistical test or analytical procedure is important for evaluating statistical conclusion validity since the underlying assumptions may limit their applicability. Covariation is a necessary but not sufficient precondition for causation. Other conditions must be met as well. Field experiments, for example, require samples large enough to address the issue of power. However, issues of statistical conclusion validity are related to internal validity since they both apply to assertions about the covariance between variables (Sussmann & Robertson, 1986). To exclude alternative explanations for covariance, precision in measurement and control over behavioral variables should be emphasized (features found in laboratory experiments). It is also important that statistical conclusion validity support external validity, since random sampling error must be ruled out. Ruling it out can strengthen a researcher's confidence in the ability of results to hold in different situations.

In this research a variety of statistical techniques was used simultaneously such as Multiple Regression Analysis, Factor Analysis, Covariance – and- Correlation Analyses, and Structural Equation Modeling Analysis to satisfy the Statistical Conclusion validity criteria. Covariance and Correlation Analyses were supplemented by Multiple Regression Analysis. Factor Analysis was supplemented by Structural Equation Modeling and Structural Regression Analysis. In addition, Discriminant Analysis was used for comparisons in order to enhance the statistical conclusion validity.

## **CONCLUSION**

This chapter has analysed the basic issues regarding the design of this research in terms of methodology. The methodological issues discussed in this chapter are important since neglecting them may limit the ability to derive conclusions on the research conducted. Mitchell (1985) noted the serious consequences of sacrificing rigor for relevance in management research. To improve correlation field studies, Mitchell suggested more reporting on the response rate for a sample and on the sample's representativeness, providing information on the reliability and construct validity of measures, and cross-validation. This research attempted in every way to comply with these criteria to improve the validity of its findings. The philosophical position of this research, selection of the design of research and the techniques of data collection and analysis are discussed in this chapter in order to address the validity criterion.

In the Appendix of Chapter 4 the main points of the classic debate qualitative vs. quantitative research are summarized in Table 4.1; the characteristics of the basic research techniques used in quantitative studies are described in Table 4.2, and the characteristics of different types of surveys are given in Table 4.3. The next chapter will describe the research model, hypotheses of the research and the development of the research measurement instrument.

## **CHAPTER 5:**

# **RESEARCH MODEL AND DEVELOPMENT OF RESEARCH MEASUREMENT INSTRUMENT**

## **INTRODUCTION**

The purpose of this chapter is to describe the theoretical framework of research in order to propose the research model. The issues regarding development of the measurement instrument are analyzed as well. Section 5.1, 5.2, 5.3 and 5.4 provides the overview of the various research models aiming to assess organizational culture, organizational commitment and the link between these variables. Section 5.5 describes the methodological approach of this research. Section 5.6 identifies the theoretical framework chosen for this research. Section 5.7 describes the conceptual research model linking organizational culture to performance, where commitment is regarded as the index of performance. The research model describes the relationship between values composing organizational culture and commitment in the parent unit and in the subsidiaries along with their interrelationships. From the research gaps and the associated research questions indicated in Chapter 1 four sets of hypotheses to be examined by this research are derived in section 5.8. In section 5.9 the development of the measurement instrument is described in detail, where two classic measurement instruments, the Organizational Culture Profile (OCP) by O'Reilly et al. (1991) and the Organizational Culture Questionnaire (OCQ) by Mowday et al. (1979, 1982) have influenced the design of the questionnaire used in this research in order to start the data collection in form of a large scale mail survey conducted in three locations: in HQs in Japan, and subsidiaries in Thailand and in India.

## **5.1 OVERVIEW OF RESEARCH MODELS ASSESSING ORGANIZATIONAL CULTURE**

A wealth of information exists in the relevant literature concerning the measurement of organizational culture (Rocheach, 1973; Hofstede, 1980, 1990; Hall, 1981; O'Reilly, Chatman, &

Caldwell, 1991; Kotter and Heskett, 1992; Trompenaars & Hampden-Turner, 2004; Schwartz, 1994, 1996; Denison & Mishra, 1995; Cameron & Quinn, 1999; Basu et al., 2007).

According to Schein, the concept of organizational culture is '*mainly humanistic, beyond any scope of measurement in any direct way*' (Schein, 1992: 23). Thus, organizational culture cannot be measured directly (Schein, 2010). Nevertheless, Schein (1992, 2010) proposed the 'Clinical Research Model' to analyze organizational culture, where two scores: (1) level of researcher involvement (low/medium/high); and (2) level of subject involvement (minimal/ partial/maximal), were used to combine quantitative methods such as demographics (measurement of variables), experimentation; questionnaires; total quality tools (statistical quality control) as well as different qualitative methods such as ethnography (participant observation, content analysis of myths, rituals, symbols, meanings), projective tests, interviews, and finally clinical (action) research of organization development.

Indeed, the organizational culture's effects and manifestations can be evaluated by rating in some quantitative manners. There are several attempts to measure culture through statistical inference and psychological perceptions and by constructing a system of interrelated structural equations (Denison and Misra, 1995; Marcoulides and Heck, 1993).

Another debate in literature on measurement of culture is regarding the nature of this concept. There are three approaches to assess culture that are reported in the literature based on the Schein's classic three level model of culture (Schein, 1992), where culture consists of three units such as underlying assumptions, values and behavioural patterns (Chapter 2 describes Schein's approach in detail).

Most authors analyzed in fact the most visible level of behavioural patterns composing organizational culture in relation to performance (for example, Denison & Mishra, 1995; Hofstede, 1980, 1990, 2002). Some of them have used a research technique, such as Structural Equation Modeling (Marcoulides & Heck, 1993; Palich & Hom, 1992; Joreskog & Sorbom, 1993) to assimilate all relevant visible aspects of organizational culture and performance in a model to test theoretical propositions regarding the inter-relationships between culture and performance.

However, the major drawback of these theories is that they did not explore the deeper layers composing culture such as underlying assumptions and/or values or even mixed two distinct

layers of culture together, which led them to obviously wrong conclusions. For example, Hofstede (1980, 1990, and 2002) has mixed up the behavioural patterns level of culture (e.g., *power distance*, *uncertainty avoidance*, *masculinity/femininity*,) with the value level of culture (e.g., *individualism/collectivism* and *long term orientation*) in an attempt to characterize the national culture which according to his assumptions may influence organizational culture (Hofstede & Bond, 1988). As the result, he has failed to go to the deeper layer value system of either national or organizational culture and thus, the findings of this study may neither be reliable to national nor organizational cultures and their outcomes (McSweeney, 2002).

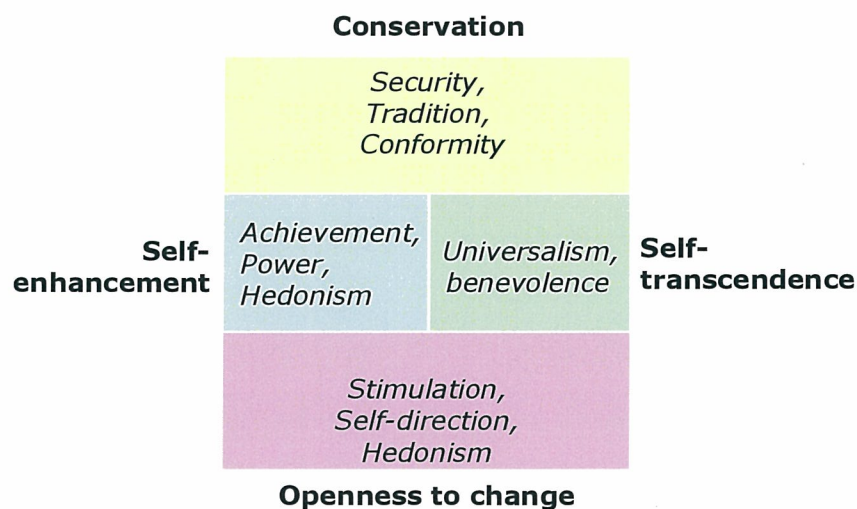
The second approach to measure organizational culture is based on the evaluation of psychological underlying assumptions of the managers which in turn result in creation of values, which may in turn influence employee's behaviour (Myers & Briggs, 1962; Rokeach, 1973, 2000; Schwarz, 1994, 1996; Stevens, Beyer & Trice, 1978; Sosnik, Avolio & Kahai, 1997, Sekigushi, 2006). For example, Myers and Briggs developed the questionnaire '*Myers-Briggs Type Indicator*', which can successfully evaluate the psychological nature of the managers and, therefore, it may allow ascertaining of what type of organizational culture a leader belongs to and, thus, to predict the possible outcomes in relating to overall firm's performance (Myers & Briggs, 1962).

Rokeach (1973) analyzed the culture from the perspective of personal beliefs (the underlying assumption level of culture according to Schien's classification), which he called, however, '*values*'. The '*Rokeach Value Survey*' (RVS), a measurement instrument assessing culture, which was designed to measure personal beliefs in an attempt to sum up the preferences of the group of people in order to identify the societal or national culture. The RVS measurement instrument has two scales consisting of the lists of the underlying assumptions of the person, (according to Rokeach called '*values*'), such as *instrumental values*, referring to modes and behavioral characteristics that are seen as socially desirable and *terminal values*, referring to ultimate modes of living which have been idealized by the person. RVS is a 36 item questionnaire that was designed to measure specific belief systems or personal value orientations which relate to 18 end states of existence (terminal values) followed by 18 modes of conduct (instrumental values). However, it is difficult to define meaningful and practical results from RVS because the distinction between personal/ social/moral/ competence values domains has little empirical confirmation. Also the measurement of values by means of single items is questionable indeed, since individual differences may reflect differences in understanding linguistic usage rather than

real differences in their values. Thus, the use of multiple items in evaluating the value concept at either the personal or the organizational level would be preferable as it may suggest more robust results.

Schwartz's model of culture is also based on analysis of personal beliefs (the underlying assumption level of culture according to Schien's classification). He developed the 'Schwartz Value Survey' (SVS) with a wide survey of over 60,000 people to identify common values that acted as guiding principles for one's life, or typical personal beliefs, which he called 'values'. He identified certain 'value types' that gather multiple personal beliefs/values into a single category. These personal beliefs or 'value types' are Power, Achievement, Hedonism, Stimulation, Self-direction, Universalism, Benevolence, Tradition, Conformity as shown in Figure 5.1 (Schwartz, 1994, 1996). Super-grouping of these values can be achieved in the following style:

**Figure 5.1: Schwartz Value Survey (SVS) Model (1994, 1996)**



Using his 'SVS', Schwartz did not ask for preferred outcomes, but asked respondents to assess 57 values as to how important they felt these values are as the guiding principles of one's life.

Thus, it is important to note that Rockeach's (1973, 2000) and Schwartz's (1994, 1996) works are separated into an individual-level analysis of culture, a major difference compared to the works of Hofstede (1980, 1990, 2002) who has mixed up all three distinct levels of culture, and fails to



distinguish clearly between these three levels, although generally claiming to work at the value level, or organizational culture level but providing the recommendations at national culture levels.

The third approach to measure organizational culture is based on evaluation of sets of values common in the workplace (the value level of culture according to Schien's classification) and is used by many researchers (O'Reilly et al., 1991; Schein, 1992; Kotter and Heskett, 1992; Cameron & Quinn, 1999). For example, Cameron and Quinn (1999) developed the method of measurement of organizational culture called '*Competing Values Framework*'. Those authors designed a set of questionnaires to evaluate the personality of the managers and the nature of the organizational culture they subscribed to. Usually a set of questionnaires for a survey, as a self-reporting system, incorporates some personal bias and, thus, this measurement tool evaluates only the upper layer of the organizational culture of the company under investigation rather than the core of corporate cultural assumptions (Quinn & Rohrbaugh, 1983; Cameron & Freeman, 1991). Cameron & Quinn (1999) tried to avoid that problem by using geometric patterns of organizational cultures linking deep unconscious aspects of culture with its more tangible manifestations. The major advantages of this method are that the raw data obtained from these surveys can be manipulated by various statistical methods to evaluate relationships between the psychological natures of the managers and the natures of the organizational cultures.

A common approach to measure organizational culture is to contrast and compare the actual organizational culture and the ideal preferred one (O'Reilly et al., 1991; Ashford & Saks, 1996). Once the raw data from the survey is obtained, one can use statistical co-relation analysis to estimate correlations between different types of managers and different types of organizations. The results may indicate that an ordered-effective culture would comprise a structured hierarchical organization with a strong goal focus. In contrast, the ordered participative culture would be a structured hierarchical organization where people were the center of focus.

Organizations undergo changes because of mergers, acquisitions and through deliberate changes undertaken by the management to make the organization more effective or to turnaround in the face of financial problem. In all these, situation culture can change. In the case of mergers and acquisitions, there are hopes that synergy created by the combinations of two or more organizations can uplift the culture. To measure the impacts of these changes in organizational culture attempts were made by a number of researchers (Buono, Bowditch & Lewis, 1985).

Indeed, development of quantitative models should be based on extensive data from various qualitative methods such as historical event analysis, interview, focus groups followed up by surveys in order to understand precise nature of functioning of culture and its influence on company's performance. For example, Larsson and Finkelstein (1999) combined a large number of such studies to analyze the impacts of mergers and acquisitions on organizational culture. Bass and Avolio (1990, 1997) proposed another measure the *Organizational Description Questionnaire (ODQ)* attempted to measure two organizational constructs: the Transformational Leadership Culture and the Transactional Leadership Culture. The latest instrument to measure organizational culture, named GLOBE, was developed during a large cross-national study of the interrelationship of organizational culture and leadership (House et al., 2004).

Literature suggests that so far the usages of research techniques such as Structural Equation Modeling in addition to the classic Correlation Analysis, are still at their exploratory stages regarding their application on the domain of organizational culture. Further research to refine these quantitative models through imaginative applications will also extend the existing knowledge on applicability of these methods (Marcoulides & Heck, 1993).

Thus, a number of efforts by various researchers exist to measure the nature of organizational culture. However, a serious problem of objectivity that exists in domain of organizational culture research as in any social sciences' area is due to the inherent defects of the sampling methods and statistical inferences. Thus, measurement in social science is only an attempt to obtain some reflections of the truth.

However, despite these defects, significant achievements have been made in recent years to design novel methods and models incorporating organizational culture and its impact on company behavior. Scholars have proposed a wide variety of dimensions and attributes of organizational culture. The reason that so many dimensions have been proposed is that organizational culture is extremely broad in scope. It implies a complex, interrelated, ambiguous set of factors.

O'Reilly, Chatman and Caldwell (1991) created a measurement instrument called the *Organizational Culture Profile (OCP)* to measure organizational culture and its characteristics. The way to evaluate culture, according to them, is to focus on the central values that may be important to a worker's self-concept or identity as well as relevance to the organization's central value system. The instrument contains a set of value statements that can be used to ideographically assess both the extent to which certain values characterize a target organization

and an individual's preference for that particular configuration of values. The OCP measurement instrument by O'Reilly has influenced the design of the measurement instrument for this research. The detailed explanation of this approach will be given in Section 5.6 'Theoretical Framework'.

There are a number of measurement instruments assessing organizational culture available for researchers. The study conducted by Scott et al., (2003) attempted to evaluate thirteen measurement instruments assessing organizational culture. A list of culture assessment instruments assessing organizational culture are described in detail in Table 5 in the Appendix of Chapter 5.

## **5.2 OVERVIEW OF RESEARCH MODELS ASSESSING ORGANIZATIONAL COMMITMENT**

Commitment can be defined as the totality of internalized normative pressures to act in a way that meets organizational interests (Mowday et al., 1982). Organizational identification and generalized values of loyalty and duty are viewed as its immediate determinants. Thus, commitment can be influenced by both personal predispositions and organizational interventions (Wiener, 1982; Wiener & Gechman, 1977)

There are two concepts to the conventional view of commitment: (a) foci of commitment, the individuals and groups to whom an employee is attached, and (b) bases of commitment, the motives engendering attachment (Becker, 1992; Becker, Randall & Riegel, 1995). Commitment to top management, supervisor, and work group were important determinants of job satisfaction, intent to quit, and pro-social organizational behaviors over and above commitment to an organization. Meyer and Herscovitch (2001) proposed that commitment (1) is a force that binds an individual to a course of action of relevance to a target and (2) can be accompanied by different mind-sets that play a role in shaping behavior.

Studies on commitment from the perspectives of personnel management theorists and practitioners have proved that human resource activities have a positive effect on employee attitudes. An organization's actual human resource programs affect employee perceptions of the organization's commitment to human resource efforts, which in turn affect general corporate performance. For example, the results of a field survey of two autonomous organizations support this idea (Kinicki, Carson & Bohlander, 1992). Also Steers (1977) proposed and tested a preliminary model concerning the antecedents and outcomes of employee commitment to

organizations, where it was found that the personal characteristics, job characteristics, and work experiences influenced commitment. Moreover, commitment was found to be strongly related to intent and desire to remain for both samples and moderately related to attendance and turnover for one sample (Mowday et al., 1982).

Previous research on organizational commitment has not examined the relative contributions of components of job satisfaction and organizational commitment to the performance of companies, particularly the MNCs (Williams & Anderson, 1991). There can be a positive relationship of employees' perception of being valued and cared about by the organization with (a) conscientiousness in carrying out conventional job responsibilities; (b) expressed affective and calculative involvements in the organization; and (c) innovation on behalf of the organization in the absence of anticipated direct reward or personal recognition (Eisenberger, Fasolo & La Mastro, 1990). These results favor the extension and integration of emotion-based and calculative theories of organizational commitment into a social-exchange approach.

Several aspects of the organization: perceived structure, process, and climate, as well as job satisfaction can be predictive of commitment (DeCotis & Summers, 1987). Job satisfaction and commitment were found to be equally predictive of voluntary turnover. Commitment was found to be predictive of individual motivation and objective job performance, but not of supervisors' ratings of job performance.

Theoretical and empirical interrelationships among five forms of work commitment (for example, the Protestant work ethic, career salience, job involvement/work as a central life interest, organizational commitment, and union commitment) were examined regarding their effectiveness (Weber, 1930; Morrow, 1983, 1997). However, these concepts may be partially redundant and insufficiently distinct to warrant continued separation.

Construct definition, measurement, and validation of organizational commitment (OCom) can be evaluated examining antecedents of the various dimensions of OCom (Dunham, Grube & Castanned, 1994). There can be the existence of three major OCom dimensions (affective, continuance, and normative), with two sub-dimensions (personal sacrifice and lack of alternatives) for the continuance dimension. However, the widely used the Organizational Commitment Questionnaire proposed by Dunham, Grube and Castanned (1994) assessed primarily the affective dimension.

Relations between the performance and affective commitment (i.e., emotional attachment to, identification with, and involvement in the organization), continuance commitment (i.e., perceived costs associated with leaving the company), and job satisfaction is an important issue in organizational commitment (Meyer et al., 1989a). Commitment and satisfaction scores were correlated with three indices of performance obtained from the managers' immediate supervisors. As predicted, affective commitment was correlated positively and continuance commitment was correlated negatively with all three measures of performance. Surprisingly job satisfaction did not correlate significantly with performance ratings. However, contrary to the preponderance of related research findings, extrinsic aspects of satisfaction were more strongly associated with organizational commitment, than were intrinsic aspects. The findings are interpreted as illustrating the importance of distinguishing between commitment based on desire and commitment based on need and as supporting organizational efforts to foster affective commitment in their employees.

According to Bateman and Strasser (1994), organizational commitment can be an antecedent to job satisfaction rather than an outcome of it. Relative importance of various influences on organizational commitment can be analyzed using an exchange perspective based on work rewards and work values (Mottaz, 1988). Certain role factors such as tenure and work overload and personal factors such as attitude toward change and job involvement are strong influences on commitment (Stevens, Beyer & Trice, 1978). There is strong evidence of positive associations between corporate ethical values and organizational commitment (Hunt, Wood & Chonko, 1989).

According to Angle and Perry (1981, 1983) there are two models of the factors leading to organizational commitment: (a) a member-based model, which holds that commitment originates in the actions and personal attributes of the organizational member, and (b) an organization-based model, which is based on the premise that commitment reflects a member's reciprocation for the organization's having provided resources that satisfy important needs. The psychological mechanism that may trigger individuals' affective commitment to their organization is important to characterize commitment. A theoretical 'process-oriented' model of affective organizational commitment is presented in a study by Eby et al., (1999) explained this issue. Results suggest that intrinsic motivation is a partial mediator of the relationship between several exogenous variables (job characteristics and work context variables) and work attitudes (affective organizational commitment and general job satisfaction).

Relative ability of the multidimensional view of commitment and the theory of reasoned action to explain employee intentions and predict work behavior are important issues of the analysis of commitment (Becker et al., 1995). However, the theory of reasoned action did not explain unique variance in either volitional behavior (altruism) or in less volitional behavior (tardiness). Finally, foci and bases of employee commitment accounted for significant variance in both altruism and tardiness, and explained variance in both behaviors over and above variables contained within the theory of reasoned action (Mintzberg et al., 2002).

The research measurement instrument assessing organizational commitment, the '**Organizational Commitment Questionnaire (OCQ)**' developed by Mowday et al., (1979, 1982), is now the standard method of measurement of commitment. The *OCQ* instrument has the philosophy that commitment occurs when individuals identify with and extend effort towards organizational goals and values. This measurement approach due to its rigor is used to form the second part of the theoretical framework of this research in an attempt to assess the independent variable of this research, such as organizational commitment. The detailed explanations of this methodological approach will be given in the section 5.6.

### **5.3 OVERVIEW OF RESEARCH MODELS ASSESSING THE RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT**

Some organizational commitment theorists proposed that culture is an important antecedent to organizational commitment (Meyer & Allen, 1987, 1991; Wiener, 1982). The study of Vandenberghe et al. (2001) examined it in the context of European firms. Results showed that (a) for normative and continuance commitment, the organizational and occupational foci were not empirically distinguishable, and (b) both the commitment model and the relationships between commitment components and intent to quit were culturally invariant.

Whether cultural values of individualism and collectivism measured at the individual level can influence the salience of different antecedents of organizational commitment is another major issue to be examined. The findings by Wasti (2003) and Wasti and Can (2008) indicated that satisfaction with work and promotion are the primary determinants of affective and normative commitment for employees who endorse individualist values. For employees with collectivist values, satisfaction with their supervisor was found to be an important commitment antecedent over and above satisfaction with work and promotion. Similar results were obtained for

continuance commitment. The results indicate that although some antecedents of organizational commitment are common across the two groups, the emphasis placed on tasks versus relationships differs across individuals with varying cultural orientations. There are other examples.

In a survey of 1859 managers from fifteen European and Canadian affiliates of a U.S. multinational firm described their organizational commitment and bases for that commitment, namely, job scope, role clarity, extrinsic rewards, and participative management. Applying structural equations modeling, the findings disclosed that these antecedents strongly predicted commitment (Palich, Horn & Griffith, 1995).

Questions are being raised as to whether employee resistance to teams mediated the relationships between employee's cultural values and job attitudes and whether the value-resistance relationships were stronger in some countries than in others. Using a field survey of 461 self-managing work team members in four countries, Kirkman and Shapiro (2001) found out that resistance mediated the cultural value-job attitude relationships, sometimes fully and sometimes partially, depending on which type of resistance (to teams or to self-management) and which type of cultural value was being examined.

## **5.4 METHODOLOGICAL APPROACH USED TO ADDRESS THE KEY GAPS IN THE LITERATURE**

From the analysis given above, it is possible to identify the key research gaps that still exist in the related literature. There is no quantitative analysis of the characteristics of culture (for example, value-components of the organizational culture of Japanese MNCs) and performance (for example, value-components of the organizational commitment of Japanese MNCs). Indeed, most of the prior research is based on a few domestic Western companies. There is no quantitative analysis to identify the most important values of the organizational culture and whether these values are similar across the horizontal expansion of an MNC in their parent operation and in their subsidiaries. There is no quantitative analysis on whether organizational culture affects organizational commitment in major MNCs and whether this relationship stands across national cultural barriers. There is no prior research on the relationship between organizational culture and organizational commitment for any multinational company, whether Japanese or Western. There is no example of a multilevel study to explore the differences and similarities between the

organizational culture in the parent unit and in the subsidiaries of any multinational companies whether Asian, particularly Japanese, or Western multinational companies.

In order to address these gaps the need of quantitative treatment to prove decisively the arguments is evident. Thus, the analysis in the current research is designed to conduct multilevel study in the parent unit and two foreign subsidiaries of a leading Japanese multinational company (the name of the company is not revealed to comply with the ethical regulations) in order to evaluate organizational culture and its interrelationship with performance, where the organizational commitment is viewed as its vital index. In accordance with the chosen positivist philosophy this research employs the quantitative methodology in order to obtain the statistical evidence to prove the list of arguments mentioned in subsequent chapters in an attempt to shed some more light on the key research gaps.

## **5.5 THEORETICAL FRAMEWORK OF THE RESEARCH**

The theoretical framework for this research is influenced by two classic approaches assessing organizational culture and commitment: the Organizational Culture Profile (OCP) by O'Reilly et al. (1991) and the Organizational Commitment Questionnaire (OCQ) by Mowday et al. (1979). The main reason for amalgamation of these two measures in one questionnaire for the purposes of this research was the fact that both studies are providing the measurement instruments with very high psychometric properties and reliability indices which are reported in the related literature.

### **5.5.1 Assessment of Organizational Culture Used in This Research**

O'Reilly, Chatman and Caldwell (1991) created an instrument called, the *Organizational Culture Profile (OCP)* to measure organizational culture and its characteristics. The measurement instrument contains a set of value statements that can be used to evaluate the extent to which certain values characterize a target organization and an individual's preference for those values. The OCP (O'Reilly et al., 1991) has value statements that can generically capture individual and organizational values. With this procedure, groups of individuals can be used to evaluate a firm's culture. These sets of value statements were developed on the basis of an extensive review of academic and practice-oriented writings on organizational values and culture (Ouchi, 1981a; Deal & Kennedy, 1982). The questionnaire used in this research has three scales: (1) the sample scale (SS), (2) the scale assessing organizational culture (OCAS), and (3) the scale assessing



organizational commitment (OCOMAS). The OCAS scale assessing culture is influenced by the OCP approach proposed by O'Reilly et al. (1991).

The way to evaluate culture, according to O'Reilly et al. (1991) is to focus on the central values that may be important to a worker's self-concept or identity as well as relevant to the organization's central value system. The set of value statements allows ideographical assessment of both the extent to which certain values characterize a target organization and an individual's preference for that particular configuration of values. O'Reilly, Chatman and Caldwell (1991), in some comparative work, found that eight dimensions (the value-components of organizational culture) could be used to compare across organizations. The list of eight most important value-components is as follows:

1. *Innovation* – encouraging creativity and innovation
2. *Risk Taking* – willing to experiment, take risks,
3. *Attention to Detail* – paying attention to being precise vs. saying its 'good enough'
4. *Outcome Orientation* – oriented to results vs. oriented to process
5. *People Orientation* – degree of value and respect for people; people are considered as unique talents
6. *Individual vs. Team Orientation* – are individuals most highly noted, or are collective efforts
7. *Aggressiveness* - taking action, dealing with conflict
8. *Stability* – openness to change

One of the main aims of these authors was to examine whether a person fits with the organizational culture of his place of employment by comparing it with the ideal organizational culture as imagined by that person. The results show that overall person-job fit is strongly related to a number of outcomes, including job performance and satisfaction.

The *Q-methodology* is a well-established assessment technique, where the individual is presented with a large number of statements or characteristics and asked to sort the items into categories according to some criterion (usually the extent to which the item is characteristic of the individual). The best way to assess culture quantitatively is to focus on the central values that may be important to an individual's self-concept or identity as well as relevant to an organization's central value system which was used by a number of prominent researchers in the

organizational culture domain (Schein, 2010; Rokeach, 1973; Schwartz, 1994; Cameroon & Quinn, 1999; O'Reilly et al. 1991). To characterize an organization's culture in terms of its central values requires first that the range of relevant values is identified and then that an assessment is made of how much intensity and consensus there is among organizational members about those values.

The OCP (O'Reilly et al., 1991) was developed for the purpose to measure the person-organization fit by using 54 value statements that can generically capture individual and organizational values. In this research, OCP is accepted as the instrument to measure organizational culture because of its reliability and psychometric properties verified by a number of researchers (Cable & Judge, 1997; Cable et al., 2000; Cable & DeRue, 2002), who have examined the reliability of the OCP scales. The reliability, for the ratings of the organization's values obtained with OCP, was assessed using the Spearman-Brown prophecy formula. Reliability ranged from .84 to .94 in most of the published research. Sarros et al. (2005) examine the development and validation of an updated version of the OCP, where the psychometric properties of the instrument were examined and provided solid evidence of the reliability and validity of this research measurement instrument assessing organizational culture. Table 5.1 describes the most prominent empirical studies using the value-components of culture proposed in the theoretical framework by O'Reilly et al. (1991).

**Table 5.1: Empirical Studies Used Eight Value-Components of Culture: Theoretical Framework, the 'OCP' by O'Reilly et al. (1991)**

Authors	Focus	Research Method	Data Analysis Method	Key Findings	Limitations
Caldwell & O'Reilly (1990)	Relationship between ideal organizational culture, person-organization fit	Quantitative analysis	Mail Survey	Person-organization fit with ideal organizational culture can promote commitment	Exploratory, followed up by the analysis of O'Reilly et al. (1991)
Chatman (1991)	Relationship between ideal organizational culture, person-organization fit	Quantitative analysis	Mail Survey	Person-organization fit with ideal organizational culture can promote commitment	Confirmatory, based in previous analysis of O'Reilly et al. (1991)
Cable & Judge (1997)	Relationship between an organizational culture and commitment	Quantitative Study	Mail Survey	Well integrated set of values can promote commitment	Confirmatory, based in previous analysis of O'Reilly et al. (1991)

Larsson & Finkelstein (1999)	Relationship between values culture and values of commitment	Quantitative Analysis	Mail Survey and published data from companies	Certain cultural values promotes commitment	Exploratory
Van Den Berge (1999)	Relationship between organizational culture and person-organization fit	Quantitative analysis	Mail Survey	Person-organization fit with ideal organizational culture can promote commitment	Confirmatory, but confused the values with the outcome of the values of commitment
Finegan (2000)	Relationship between personal values, values of organizational culture and commitment	Quantitative Study	Mail Survey	Similar values can promote commitment	Confirmatory, largely confirming previous findings of O'Reilly et al. (1991)
Van Vianen & Annelies (2000)	Relationship between types of organizational culture and performance	Quantitative Study	Mail Survey	Positive values of culture promotes positive attitudes	Confirmatory, based in previous analysis of O'Reilly et al. (1991)
Cable, Aiman-Smith, Mulvey & Edwards (2000)	Relationship between organizational culture and person-organization fit	Quantitative analysis	Mail Survey	Matching organizational culture can promote commitment	Confirmatory, based in existing theory; not enough quantitative evidence of sufficient rigor
Judge & Larsen (2001)	Relationship between ideal organizational culture, and job-satisfaction	Quantitative analysis	Mail Survey	Person-organization fit with ideal organizational culture can promote job satisfaction	Confirmatory, but confused the values with the outcome of the values of commitment
Kristof-Brown, Zimmerman & Johnson (2005)	Relationship between values of organizational culture and commitment	Quantitative Study	Mail Survey	Organizations culture can promote commitment	Confirmatory, largely confirming previous findings of O'Reilly et al. (1991)
Sarros, Gray, Densten & Cooper (2005)	Relationship between organizational culture and person-organization fit	Quantitative analysis	Mail Survey	Organizational culture can promote commitment only in some cases.	Limited sample; confused the values with the outcome of the values of commitment

Indeed, as shown in Table 5.1, there are many ways the OCP was used and the fact that many researchers have chosen this approach for their studies reflects on the high psychometric properties of this measurement tool. A brief analysis of these studies is provided below.

The dispositional basis of job seekers' organizational culture preferences and how these preferences interact with recruiting organizations' cultures in their relation to organization attraction, was studied by Cable & Judge (1997) using OCP. It is possible to compare preference of the newcomers with the preference of the middle managers and the leadership using OCP to examine the fit between their values with the organizational values as done by Van Vianen and

Annelies (2000). Results revealed that newcomers' concern for people–organization fit with their supervisor was related to organizational commitment and turnover intentions. OCP can be used to demonstrate that values are multidimensional and that each value cluster may affect behavior differently; commitment was predicted by the employees' perception of organizational values; affective, normative and continuance commitment were each predicted by different clusters of values. As a result, there are close relationships between personal values, organizational values, and organizational commitment (Finegan, 2000). OCP can be used to explore the relationship between person-job (PJ), person-organization (PO), person-group, and person-supervisor fit with pre-entry (applicant attraction, job acceptance, intent to hire, job offer) and post-entry individual-level criteria (attitudes, performance, withdrawal behaviors, strain, tenure) as done by Kristof-Brown, Zimmerman and Johnson (2005). OCP was used to explain personality-oriented job analysis, team building, and work motivation (Tett & Burnett, 2003) and to explain the relationship between affect and personality to understand the personal basis of job satisfaction (Judge & Larsen, 2001).

Due to the fact of wide acceptance of the OCP in the management research and its high psychometric properties confirmed by more than 580 subsequent studies (according to the data derived from the Google Scholar search), this study has accepted the theoretical model proposed by O'Reilly et al. and created a measurement instrument assessing the organizational culture based on the list of values indicated in the OCP (O'Reilly et al., 1991).

### **5.5.2 Assessment of Organizational Commitment as an Index of Performance Used in this Research**

Porter, Steers, Mowday, Bolian (1974) suggest that commitment consists of the willingness to exert effort towards organizational goal accomplishment and a strong desire to maintain organizational membership. The measurement instrument designed to assess organizational commitment the *Organizational Commitment Questionnaire (OCQ)* (Mowday, Steers & Porter, 1979) is used to form the second part of the theoretical framework of this research. OCQ is now the standard method of measurement of commitment, as used by more than 1000 researchers to measure commitment. The *OCQ* instrument is based on the philosophy that commitment occurs when individuals identify with and extend effort towards organizational goals and values. Thus, it is related to the *OCP* measurement of organizational culture by O'Reilly et al. (1991). Moreover, the results of O'Reilly et al. (1991) and O'Reilly and Chatman (1986) demonstrated that normative commitment is often associated with firms with strong cultures.

Indeed, commitment experienced by one individual may differ from another individual, thus the psychological variables such as role conflict/ambiguity and early work experiences such as the degree of job challenge and job satisfaction have all been found to be antecedents of commitment. For example, commitment may result from irrevocable and volitional acts that the individual engages in during the job choice process (O'Reilly & Chatman, 1986).

In relation to the context of a multinational company, as an organization enters a new country, individuals associated with it experience change in the composition of senior management; they face changing competitive and government constraints, and as a result form different goal orientations and thus eventually change the values composing its culture. Indeed, the goals and therefore the values of the organization may have different targets depending on the new agenda, for example in a new host country. That can cause changes in the identification of the individual to the organization and changes the person-organization fit as measured by the *OCP* of O'Reilly et al. (1991). That requires simultaneous application of the *OCQ* and the *OCP* for a multinational company with appreciation for multiple commitments of the individuals in multiple constituencies within one organization, as suggested by the organization theorists (Cyert & March, 1963). Thus, both theoretical models, the *OCP* assessing the organizational culture and the *OCQ* assessing the organizational commitment are deeply interrelated, and this is the most important reason for choosing them as the theoretical framework for this research.

The next important reason for choosing the *OCQ* measurement approach to assess commitment is its very high psychometric properties which are reported in the related literature. Based on a series of studies in different divergent organizations, cross-validated evidence of predictive, convergent, and discriminant validity emerged for this instrument (*OCQ*). Moreover, satisfactory test-retest reliabilities and internal consistency reliabilities were found. There is some evidence that scores on this measure correlate positively with individual- and group-level indices of performance (Mowday, Porter, & Dubin, 1974; Steers, 1977).

There are two competing instruments for the *OCQ*:

- (a) Meyer and Allen (1984; 1987) developed an alternative questionnaire to measure continuance commitment. Their scale consists of eight items reflecting the perceived costs associated with leaving the organization, in terms of both personal loss or sacrifice and lack of comparable alternatives.

- (b) The instrument developed by O'Reilly and Chatman's (1986) was to identify *Compliance, Identification, and Internalization scales*.

The popularity of the OCQ measurement is obvious from the fact that at least 1000 researchers have used this method (Google Scholar search) with satisfactory results. Vandenberg, Self and Seo (1994) compared the above-mentioned scales proposed by Meyer and Allen (1984, 1987) and O'Reilly et al. (1991) to the *OCQ*. Of the three measures (Meyer & Allen scale, O'Reilly & Chatman scale, and OCQ scale), only the OCQ had a significant causal effect within the model. Ferris and Aranya (1983) examined the scale characteristics of these measures of organizational commitment. Using data collected from a sample of 1,105 professional accountants, the findings indicated that while all instruments exhibited a high degree of internal reliability, the OCQ instrument exhibited significantly greater predictive validity with respect to intended turnover than did the other instruments. Table 5.2 describes empirical studies using six value-components of the commitment theoretical framework, the OCQ, proposed by Mowday et al. (1979, 1982).

**Table 5.2: Empirical Studies Used Six Value-components of the Commitment: Theoretical Framework, the 'OCQ' by Mowday et al. (1978, 1982)**

Authors	Focus	Research Method	Data Analysis Method	Key Findings	Limitations
Steers (1977)	Antecedents and outcome of commitment	Quantitative Analysis	Survey	Commitment can be influenced by personal character, job character and experiences	Confirmatory, based in existing theory; followed up by Mowday et al. (1982)
Bateman & Strasser (1984)	Commitment and job satisfaction	Quantitative Analysis	Survey	Commitment is an antecedent to job satisfaction rather than outcome	Exploratory, but small sample
De Cotis & Summers (1987)	Predictors of commitment	Quantitative Analysis	Survey	Commitment can be predicted by perceived structure, process and climate	Limited sample; descriptive analysis
Meyer, Paunonen, Gellatly, Goffin & Jackson (1989)	Relationship between commitment and performance	Quantitative Analysis	Survey	Relationship between commitment, job satisfaction and performance is positive	Exploratory, highlighting possibilities outweighs the empirical evidence

Hunt, Wood & Chonko (1989)	Ethics in organizations	Quantitative Analysis	Survey	Corporate ethical values are related to the values of commitment	Small sample, focus of policy mainly, no references to organizational culture literature
Eisenberger, Fasolo, Davis & La Mastro (1990)	Relating affective and rational commitment to social-exchange approach	Quantitative Analysis	Survey	Affective commitment is related to calculative commitment	Small sample, descriptive analysis
Kinicki, Carson & Bohlander (1992)	Relationship between personnel management policy and commitment	Quantitative Analysis	Survey	Human resources management can affect employee's work attitudes	Lack of conceptual development
Williams & Anderson (1991)	Relationship between commitment and performance	Quantitative Analysis	Survey	Affective commitment is not always related to performance	Conceptual part highlighting possibilities outweighs the empirical evidence
Eby, Freeman, Rush & Lance (1999)	Psychological mechanism of commitment	Quantitative Analysis	Survey	Intrinsic motivation is related to job characteristics and commitment	Limited sample; highlighting possibilities outweighs the empirical evidence

Indeed, as shown in Table 5.2 the *OCQ* provides a measurement of a construct of commitment with multiple foci (Reichers, 1985). Commitment is a process of identification with the goals of an organization's multiple constituencies. The advantages of this approach include: (a) a focus on the nature of organizations as political, constituent entities fills a conceptual gap in the analysis of commitment; (b) the relative complexity of this approach is reflected in the employee-organization attachment as individuals actually experience it; (c) the focus on multiple commitment can reflect upon the conflict among commitments in a multinational organization and its effect on the individual's relationship to the organization. Reichers (1985) argues that current, global conceptions of organizational commitment may be deficient in several respects. A review of macro approaches to the nature of organization, as well as research on reference groups and role theory indicates that a multiple commitments approach may be more precise and meaningful. It is suggested that employees experience several different commitments to the goals and values of multiple groups. Measurement of multiple commitments can be accomplished by

using a priori categories of constituents in various locations and with various functions. *OCQ* can be adapted to reflect identification with the goals of these specific groups and the scores of these multiple commitments correlated with global commitment.

It is important to know that commitment can be regarded from three perspectives: (1) a characteristic of the company (for example, an attitude of employee such as the intention to quit or stay in the organization, (2) a behavior, and (3) an intangible index of performance.

For example, attitudinal commitment reflects the individual's identification with organizational goals and his/her willingness to work towards them. In fact, the attitudinal type of commitment is synonymous with organizational commitment as measured by the *OCQ* (Mowday et al., 1979, 1982). From the attitudinal perspective the *OCQ* assesses the desire of the individual to maintain the desire to be attached to the goals of the organization. Several of the items that assess this aspect of commitment are very close to the intention to quit or stay items, which are related to behaviors such as turnover. Multiple identifications with various groups both inside and outside the organization constitute multiple commitments, which reflect a complex attachment to the organization, which is not evident otherwise.

Normally organizational commitment is viewed as a monolithic undifferentiated entity that reflects an identification and attachment on the part of individuals, but in a multinational company, there can be the coalitional nature of the organization, where the HQs and the subsidiaries may have several distinct goals and values and thus individual members of such multinational companies can have multiple commitments as observed as behavioral patterns, such as calculative, affective and continuance type of commitment (Meyer & Allen, 1984; 1987). In this way, the difference and the relationship between multiple types of commitment can be assessed but this is beyond the scope of this research, due to the fact that it is too premature to try to evaluate the behavioral patterns (the types of the commitment) before being clear on explanation of the commitment from the deeper level of values that determine that behavior.

This research views organizational commitment as the major intangible part of the broader concept such as corporate performance. Measurement instruments of corporate performance as an overall concept are rarely reported in the literature. However, the *OCQ* questionnaire by Mowday et al. (1979) is a very well defined measurement instrument with great psychometric properties and deep interrelation with the *OCP* approach to measure organizational culture as the major



agent influencing it as proposed by O'Reilly et al. (1991) and, therefore, is selected to form the theoretical framework of this research and influenced the creation of the research measurement instrument, which is specifically designed for the purposes of the current study..

## 5.6 RESEARCH MODEL

The research model relates two concepts: organizational culture and performance, where organizational commitment is regarded as the index of performance as illustrated in Figure 4.1. The main tasks of the research at its initial stage is: (a) to examine what factors form the variables, such as the *organizational culture (OC)* as an independent variable and the *organizational commitment as the index of performance (OCom)* as a dependent variable, composing the research model, (b) whether a link exists between these variables, and (c) whether the influences on the outcome variable *organizational commitment* are mainly internal, generating from the independent variable *organizational culture*. In other words, the aim of the initial stage of the research is to find out what precise factors form both variables under investigation and whether the relationship between these variables exists and the degree of this relationship in HQs in Japan in order to establish a benchmark for future comparisons with culture-performance status in both subsidiaries.

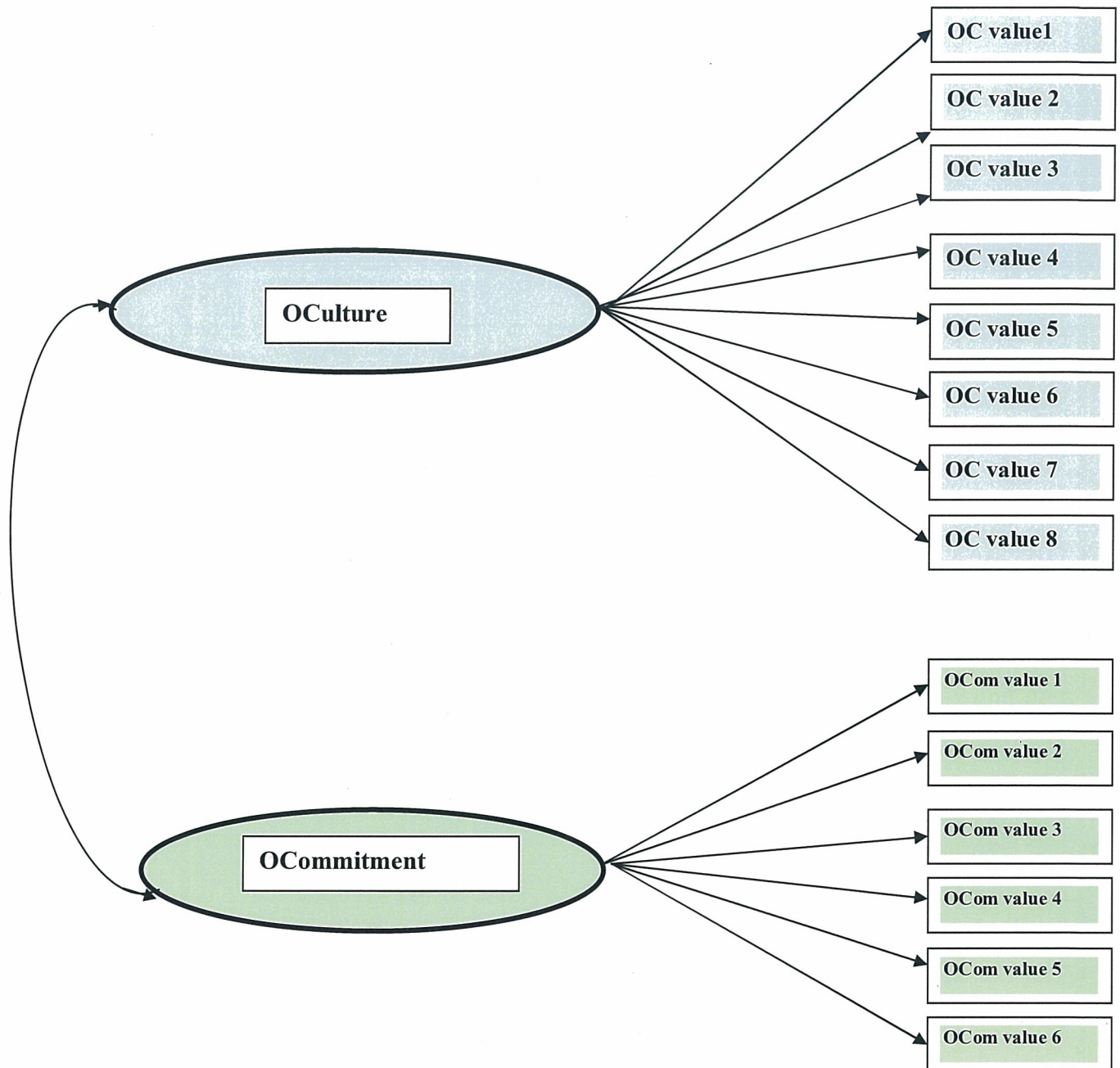
The next task of the research is to explore whether the company under this study has successfully transmitted its original organizational culture from HQs to its Thai and Indian subsidiaries by overcoming constraints of the national culture, in other words whether the factors that are forming OC in overseas subsidiaries are similar to those at HQs in Japan. Another goal of the research is to examine whether the strong relationship between organizational culture and organizational commitment in both subsidiaries exists similarly to the parent unit in Japan and whether the influences on performance/ commitment in both subsidiaries are mainly internal, generating from the organizational culture similarly to HQs, in other words whether the Japanese MNC has created the same quality of organizational commitment in its overseas subsidiaries as it has in its home operation. Figure 4.2 given below illustrates the conceptual research model.

The conceptual research model proposes that values of the organizational culture influence the values of organizational commitment. It is hypothesized that if this selected leading Japanese multinational company can transmit the values of its organizational culture from the parent unit in

Japan to its subsidiaries in Thailand (culturally similar host country) and in India (culturally distant host country), that in turn may influence the creation of the corresponding values composing organizational commitment in the subsidiaries similarly to observed in the HQs in Japan. As a result, through this transmission of organizational culture this Japanese multinational company may improve the corporate performance by creating a strong organizational commitment associated with its unique and strong organizational culture throughout the organization worldwide, particularly in Asia. If this process of transmission of culture proves successful, it may indicate that the strong organizational culture originated from HQs can overcome national boundaries and national cultural constraints of the host countries and, hence, create an overall synergy throughout the organization worldwide.

Therefore, if: (a) transmission of the culture is proven as possible, (b) it results in the creation of similar strong commitment among the employees worldwide, this fact itself may indicate that culture has influence on performance, since organizational commitment is one of its indices. And, thus, the organizational culture should be regarded as the valuable strategic resource of the multinational company in accordance with the Resource-Based View proposed by Barney (1991, 2001) as it satisfies the criteria of being the vital competitive advantages of the firm over its rivals (Penrose, 1959; Porter, 1980; 1985; 1990; Prahalad & Hamel, 1990)

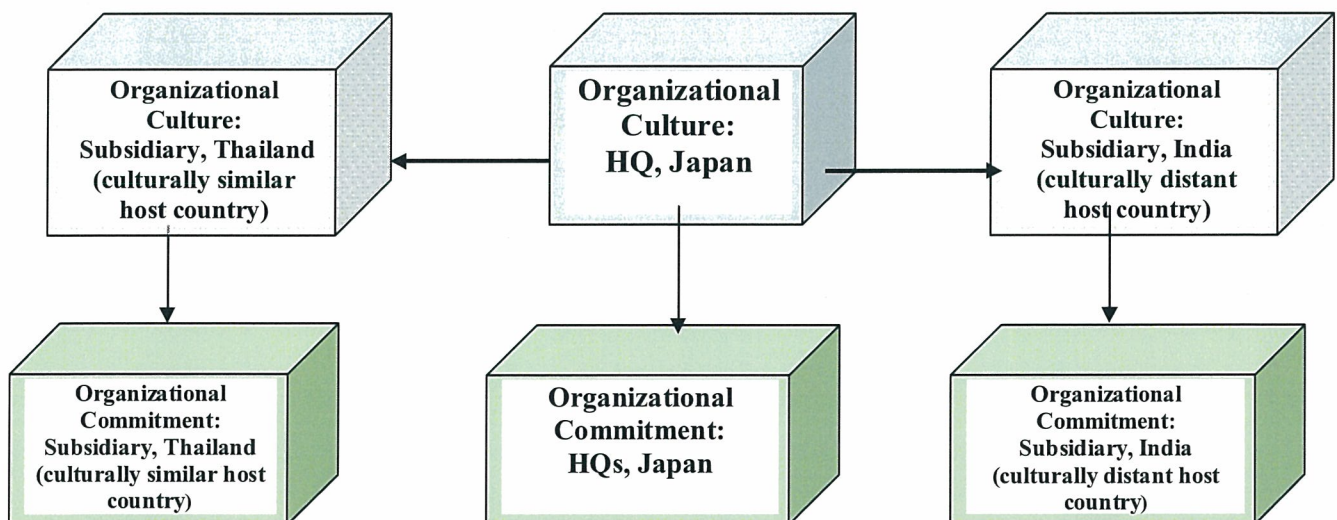
**Figure 5.2: Conceptual Research Model**



As shown, in Figure 5.2 there are two variables comprising the research model of the current study: organizational culture (independent variable: OC) and organizational commitment as an index of the performance (outcome variable: OCom). The variable ‘*organizational culture*’ (OC) consists of eight value-components (factors) derived from the prior research (O’Reilly et al., 1991). The variable ‘*organizational commitment*’ (OCom) consists of six value-components (factors) derived from prior research (Mowday et al., 1979, 1982).

Figure 4.2 in Chapter 4 demonstrates the proposed conceptual research model while Figure 5.3 in this chapter illustrates the multilevel research model merging the relationship between the major concepts from the HQ-subsidary relationship perspective of the firm.

**Figure: 5.3: Multilevel Research Model**



A wide range of qualitative studies in the parent-subsidaries literature exists to support these assumptions (Chikudale, 2004; Chang, 1995). For example, in a large comparative study of various multinational companies originated from a number of countries with their subsidiaries in South East Asia, Redding and Richardson (1986) observed these characteristics in Japanese multinational companies as ‘participative management strategy’ adopting quantitative analysis to

evaluate these claims with a broader perspective than any prior research has attempted. However, analysis of the related literature reveal that despite the wealth of qualitative evidences, the quantitative studies reflecting issues of culture's influence on commitment are rare. Thus, this research aims to use the much needed quantitative approach in theory building and theory testing.

## **5.7 HYPOTHESES DEVELOPMENT**

The primary objective of this research is to establish the relationship between organizational culture and performance, where the organizational commitment is regarded as its vital index, in both the home operation of this major automobile company in Japan under investigation in this research and in its subsidiary operations in Thailand and India. Considering the vast literature on the behavior of Japanese multinational companies and their relationship with the subsidiary operations, this research accepts the view that both variables forming the research model such as the organizational culture and organizational commitment are composed of value-components. The main purpose of the research is to establish whether the Japanese multinational company selected for investigation has successfully transmitted its home organizational culture from the HQs in Japan to its subsidiaries across national cultural boundaries. The associated purpose of the research is to characterize the organizational and organizational commitment in both Japan and in the subsidiary operations in Thailand and India.

In the analysis of organizational culture of multinational companies Chen and Tjosvold (2008) established in their research that organizational values and procedures as antecedents for goal interdependence and collaborative effectiveness, and stated that the values composing organizational culture not only exist but are interdependent. Flynn, Eddy and Tannenbaum (2006) supported the idea in their multi-country analysis of the United States, Japan, Korea, and China. A similar study by Nelson and Vasconcellos (2007) on multinational companies also supported this notion.

In sections 5.7.1- 5.7.4 below the list of hypotheses and observations regarding the characteristics of organizational culture and organizational commitment in this Japanese multinational company is described. It is important to note the difference between hypotheses and observations. The hypotheses are prior propositions, which can be examined given the statistical analysis that

follows, while observations are those important ideas which are derived from the quantitative analysis, and therefore cannot be proposed in advance without going through the statistical analysis first, as is done in the subsequent chapters.

### **5.7.1. Hypotheses on Organizational Culture and Organizational Commitment in the Parent Unit in Japan: STUDY A**

Depending on the existing literature, the research gaps and the research questions associated with them, the set of certain hypotheses is identified in order to be examined during the quantitative analysis. Since there are three studies comprising the current quantitative research: Study A, B and C, therefore there are three sets of hypotheses which are described in sections 5.7.1, 5.7.2 and 5.7.3. Section 5.7.4 describes the fourth set of hypotheses which corresponds with multilevel research model.

The set of hypotheses that corresponds with the Study A of this research is as follows:

**H<sub>J.1</sub>: There are eight value components of organizational culture in the parent unit in Japan in this Japanese multinational company.**

**H<sub>J.2</sub>: There are six value components of organizational commitment in the parent unit in Japan in this Japanese multinational company.**

**H<sub>J.3</sub>: The influences on organizational commitment in the parent unit of this Japanese multinational company are mainly internal, generating from its own organizational culture.**

**H<sub>J.4</sub>: There is a strong relationship between organizational culture and organizational commitment in the parent unit in Japan of this Japanese multinational company.**

#### ***Rationale:***

Several studies have supported these hypotheses. For example, Cartwright and Cooper (1993) analyzed in general this idea regarding the role of cultural compatibility. Similarly, Imai (1986) and Basu (1999) described this characteristic as the architect of the philosophy of Toyota corporate management to create harmony in work-places and particularly in their subsidiary operations. Baskerville (2003), in a critique of Hofstede's theory, proved that Hofstede never studied specifically the value-components of Japanese organizational culture. Luthans, McCaul and Dodd (1985) compared American, Japanese and Korean companies and observed these characteristics in Japanese companies regarding organizational commitment. Briggs (2007)

questioned this idea for Japanese companies in Britain citing the cultural differences but provided no quantitative justifications for his idea that Japanese organizational culture is unsuitable for Britain.

### **5.7.2. Hypotheses on Organizational Culture and Organizational Commitment in the Thai Subsidiary: STUDY B**

However, the organizational culture as it was implemented in Thailand by Japanese multinational companies may or may not be the same. Organizational culture in the Thai subsidiaries of Japanese companies consists of certain specific values (Keeley, 2001). In the Thai companies these values are non-existent, but in the Japanese subsidiaries in Thailand they exist very strongly (Lawler, Siengthai & Atmiyanandana, 1997). There are dissimilar organizational cultures in local companies and in the subsidiaries of multinational companies in general in Thailand (Lawler & Atmiyanandana, 2003). Considering the organizational culture of Thai subsidiary operations of Japanese companies (Study B) this research proposes the following four hypotheses:

**H<sub>T</sub>.1: There are eight value-components of organizational culture in the Thai subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan**

**H<sub>T</sub>.2: There are six value components of organizational commitment in the Thai subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.**

**H<sub>T</sub>.3: The influences on organizational commitment in the Thai subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent unit in Japan.**

**H<sub>T</sub>.4: There is a strong relationship between organizational culture and organizational commitment in the Thai subsidiary of this Japanese multinational company, which is similar to this relationship in the parent unit in Japan.**

#### **Rationale:**

These hypotheses imply that values of the organizational culture and the organizational commitment in the Thai subsidiary can be similar to these values that are found in HQs, and the values of organizational commitment can be explained in general by the values of the organizational culture in that Thai subsidiary. A number of studies support these hypotheses (Wongtada & Rice, 2008; Onishi, 2006; Das, Paul, Swierczek & Laosirihongthong, 2006; Kriger & Seng, 2005). Swierczek and Onishi (2003) in their study of 50 Japanese managers and 50 Thai managers in various Japanese companies in Thailand observed similar features in their analysis

on the relationship between the Japanese managers and their Thai subordinates. Also Petison and Johri (2006) specifically noticed the same features of OC and OCom in the Toyota subsidiary in Thailand in a non-quantitative study with Thai and Japanese employees.

Practical implications are that for building and harnessing local advantages, multi-national companies have to bridge cultural, knowledge and skill gaps between local and expatriate employees. The actions of these companies have to demonstrate long-term commitment to host countries. These studies mentioned above on Thailand analyzed human resource strategies and firm performance in Thailand and observed similar characteristics as mentioned in the proposed hypotheses on Thai subsidiary in their analysis. Thus, these hypotheses are fully based on prior literature on organizational culture and commitment of subsidiaries of multinational companies in Thailand.

### **5.7.3 Hypotheses on Organizational Culture and Organizational Commitment in the Indian Subsidiary: STUDY C**

There are many studies on which this research depends upon regarding the operations of the Indian subsidiary. Sinha et al. (2004) analyzed the organizational culture of companies in India. Basu et al. (2007) examined the Toyota subsidiary in India. Chattopadhyay and Rao (1970) explored the interpersonal relationship in the Indian private sector manufacturing industries. De (1974) described the nature of organizational culture and their impacts in Indian industries. Ganesh and Malhotra (1975) observed the value system of Indian organizational culture. The set of hypotheses that is corresponding with the Study C of this research is as follows:

**H<sub>IN.1</sub>: There are eight value components of organizational culture of the Indian subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.**

**H<sub>IN.2</sub>: There are six value components of organizational commitment in the Indian subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.**

**H<sub>IN.3</sub>: The influences on organizational commitment in the Indian subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent company.**



***Rationale:***

These characteristics were observed by Sinha et al., (2004) in their study of Indian organizational system and psychological characteristics of the employees in India have mentioned; by Lips-Wiersma and Mills (2002) in their analysis on emotions and spiritual expression in the workplace as a component of Asian managerial psychology; by Bergman (2006) in his analysis on the relationship between affective and normative commitment in manufacturing industries in South East Asia; by Berry (2000) in a cross-cultural psychological analysis of cultural and comparative approaches of international management in Asia.

Related to the above discussion the final hypothesis is as follows:

**H<sub>IN-4</sub>: There is a strong relationship between organizational culture and organizational commitment in the Indian subsidiary of this Japanese multinational company, which is similar to this relationship in the parent unit in Japan.**

***Rationale:***

Research on Indian MNCs supports these hypotheses. For example, in a study of the Indian automobile company, Sinha et al. (2004) supported this proposal that there are strong relationship between organizational culture and organizational commitment. Also Yousef (2001) demonstrated relationship between organizational culture and performance as represented by commitment in the software industry in India.

#### **5.7.4 Hypotheses on Similarity of the Relationship between Organizational Culture and Organizational Commitment in the HQs, Japan, Thai and Indian Subsidiaries using Multilevel Analysis**

In a final stage of this research the multilevel analysis has combined together all three models that of Japanese parent operation, of the Thai subsidiary operation of this Japanese MNC and of Indian subsidiary operation of this MNC. This research proposes the following two hypotheses regarding the comparative study of these three operations.

**H<sub>MA-1a</sub>: There are great similarities between the characteristics of organizational culture in Japanese parent unit and in the Thai subsidiary of this Japanese multinational company.**

**H<sub>MA-1b</sub>: There are great similarities between the characteristics of organizational culture in Japanese parent unit and in the Indian subsidiary of this Japanese multinational company**

***Rationale:***

There are a large number of studies that support these two hypotheses. For instance, Swierczek & Onishi (2003) in their study of Japanese subsidiaries in Thailand observed similar features regarding the relationship between the Japanese managers and Thai subordinates. Also, Komin (1990) in his analysis of socio-cultural influences on management system in Thailand supported this idea of similarities of values of organizational culture in Thailand and in Japan. Lawler, Atmiyanada & Zaidi (1992) in their analysis of human resource management practices in multinational and local firms in Thailand supported the similar notion in their study. Also Ogasavaraa & Hoshino (2007) observed the similar notions in Japanese subsidiaries in Brazil and Foong & Richardson (2008) observed the same in the Japanese subsidiaries in Malaysia considering the perceptions of Malaysians in a Japanese company. Baliga & Jaeger (1985) in their analysis of Japanese multinational companies in USA observed similar features as strategic adaptation of Japanese management system in their subsidiary management. However, for other multinational companies that may not be the case, as observed by Lee & Teo's (2005) study.

Also the relationship between organizational culture and commitment in both the parent operation and in the subsidiaries is an important issue to be examined in this research. Thus, related to this issue the additional two hypotheses are proposed:

**H<sub>MA.2 a</sub> There are great similarities between the characteristics of organizational commitment in the Japanese operation and in the subsidiary operations in Thailand in this Japanese multinational company.**

**H<sub>MA.2b</sub> There are great similarities between the characteristics of organizational commitment in the Japanese operation and in the subsidiary operations in India in this Japanese multinational company .**

***Rationale:***

Support for this hypothesis comes from a number of authors. Similar features in Japanese subsidiaries in Brazil was observed by Ogasavaraa and Hoshino (2007); in Malaysia by Foong and Richardson (2008); in China by Satow and Wang (1994); in USA by Lincoln and Kalleberg (1985); in Korea by Luthans, McCaul, and Dodd (1985); in Thailand by Rodsutti and Swierczek (2002).

## 5.8 DEVELOPMENT OF THE RESEARCH MEASUREMENT INSTRUMENT

This measurement instrument consists of three parts. Part One is designed to obtain detailed characteristics of the sample. Parts Two and Three are designed to assess two variables of the research model forming two scales such as *the Organizational Culture Assessment Scale (OCAS)* and *the Organizational Commitment Assessment Scale (OCOMAS)*. This research adapted the list of values that is derived from the **OCP** questionnaire of O'Reilly et al. (1991) as the set of factors composing the organizational culture and used this set of values to form the scale to access organizational culture. On the other hand, this research adapted the list of values that are derived from the **OCQ** questionnaire of Mowday et al. (1979) as the set of factors composing organizational commitment and used this set of values to form the scale to access organizational commitment. In other words, both approaches, the OCP and the OCQ, were adapted for the purposes of this research and merged in order to create the measurement instrument the 'Questionnaire' for this research. The Questionnaire consists of forty five (45) items where six items compose Part One: Sample Scale (SS), then 25 items compose Part Two, the Organizational Culture Assessment Scale (OCAS), and 14 items compose Part Three, the Organizational Commitment Assessment Scale (OCOMAS). For this research questionnaires are prepared in three languages: English, Japanese and Thai. The section below describes the characteristics of three parts composing the measurement instrument for this research.

### 5.8.1 Research Measurement Instrument: Characteristics of the Sample Scale (Sample Scale: SS): Part 1

Characteristics of sample form the Part One of the measurement instrument, named the Sample Scale (SS), and are comprised by six items such as:

1	NATIONALITY	1. Indian 2. Japanese 3. European 4. Other Asian 5. African & Latinos
2	AGE	1. Below 25 2. 25-35 3. 35-45 4. 45-55 5. Above 55
3	GENDER	1. Male 2. Female
4	TENURE	1. Less than 5 years 2. 5 to 10 years 3. 10 to 15 years 4. 15 to 20 years 5. 20 to 25 years 6. Above 25
5	EDUCATIONAL LEVEL	1. University Post Graduate 2. University Graduate 3. Senior High School (A level) 4. High School (O Level)
6	FORMAL CULTURAL TRAINING	1. Posted Abroad 2. Received Cultural Orientation Courses 3. Received Language Training

### 5.8.2 Research Measurement Instrument: Characteristics of the Organizational Culture Assessment Scale (OCAS): Part 2

To measure the variable '*organizational culture*', this research has used the set of values influenced by the instrument developed by O'Reilly, Chatman and Caldwell (1991), which is called, the *Organizational Culture Profile (the OCP)*. The way to evaluate culture, according to

them, is to focus on the central values that may be important to a workers self-concept or identity as well as relevant to the organization's central value system.

The Organizational Culture Assessment Scale (the OCAS) is comprised by 25 items reflecting eight major value-components or factors composing this variable as suggested by prior research such as:

1. OCV1= Innovation;
2. OCV2= Entrepreneurship;
3. OCV3= Decisiveness;
4. OCV4= Stability & Security (Emphasis on Stability);
5. OCV5= Supportiveness;
6. OCV6= Emphasis on Performance (Performance Orientations);
7. OCV7= Team Spirit;
8. OCV8= Preciseness

All the eight values form the eight sub-scales and are measured using Likert's scale from 1 to 7 as described below:

7 – STRONGLY AGREE; 6 – AGREE; 5 – MODERATELY AGREE; 4 – SLIGHTLY AGREE or SLIGHTLY DISAGREE; 3 – MODERATELY DISAGREE; 2 – DISAGREE; 1 – STRONGLY DISAGREE

Numbers of the items correspond to the Questionnaire. Items are mixed up deliberately in the Questionnaire rather than arranged them into groups representing eight scores as given below. The purpose of mixing up the items is to reduce bias in the answers from the respondents. Detailed characteristics of each sub- scale are provided below.

**1) Innovation Sub-scale (OCV1) Characteristics: 2 items**

---

		7	6	5	4	3	2	1
1	Being innovative							
2	Being quick to take advantage of opportunities							

This sub-scale is composed by two items # 1 and 2 and reflects the activity of the organization to encourage and implement new ideas, products, and mechanisms to improve the performance of the company.

**2. Entrepreneurship Sub-scale (OCV2) Characteristics: 2 items**

---

		7	6	5	4	3	2	1
3	Being willing to experiment							
4	Taking risks							

This sub-scale is composed of two items # 3 and 4 reflecting the risk taking activity of the company to improve the quality of the product and the efficiency of the management.

**3. Decisiveness Sub-scale (OCV3) Characteristics: 3 items**

---

		7	6	5	4	3	2	1
5	Being careful							
6	Being rule oriented							
10	Not being constrained by many rules							

This sub-scale consists of three items # 5, 6 and 10. It reflects that the managerial system cares for the employees to do their task without being constrained by restricted rules while at the same time the managers use rules rather than discretions to deal with their subordinates in order to create a stable atmosphere not dominated by fear but by tradition. These features are common for the Japanese system of management and mainly prevail in most organizations in Japan (Basu, 1999).

---

**4.Stability & Security (Emphasis on Stability) Sub-scale (OCV4) Characteristics: 4 items**

---

		7	6	5	4	3	2	1
7	Having stability							
8	Having predictability							
9	Having security of employment							
11	Being fair							

This sub-scale is composed by four items # 7, 8, 9, and 11 and represents the basic elements of Japanese organizational culture to provide complete security and stability to the employees to remove any tension due to uncertainty regarding their tenure or future prospect in the company. As far as the Japanese organizational culture is concerned this is the cornerstone of industrial relations in Japan.

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**5.Supportiveness Sub-scale (OCJV5) Characteristics: 2 items**

---

		7	6	5	4	3	2	1
12	Having respect for individual's rights							
13	Being tolerant							

This sub-scale is composed by two items # 12 and 13, reflecting the 'fellow-feelings' that is being promoted by the company to create a harmonious relationship between the employees.

---

**6.Emphasis on Performance (Performance Orientations)Sub-scale (OCV6) Characteristics: 5 items**

---

		7	6	5	4	3	2	1
14	Being achievement oriented							
15	Having high expectations for performance							
16	Being results oriented							
17	Being action oriented							
24	Being competitive							

---

This sub-scale is measured by five items # 14, 15, 16, 17 and 24 reflecting evaluation system within the company which is based on performance and action with high rewards for merits. Performance evaluation system in Japan has changed rapidly from seniority based system to performance based system with due regards for experience in order to maintain the stability and harmony among the employees.

#### **7.Team Spirit Sub-scale (OCV7) Characteristics:4 items**

---

		7	6	5	4	3	2	1
21	Being team oriented							
22	Working in collaboration with others							
23	Being people-oriented							
25	Being socially responsible							

Team orientation is one of the fundamental value of every Japanese organization, and thus in the selected for analysis Japanese MNC, it is being promoted very seriously throughout in its operations management system. Most of the operations management methods commonly in use in Japanese organizations will be inoperative without this characteristic. This sub-scale is composed by four items # 21, 22, 23 and 25.

#### **8.Preciseness Sub-scale (OCJV8) Characteristics: 3 items**

---

		7	6	5	4	3	2	1
18	Being analytical							
19	Paying attention to detail							
20	Being precise							

This sub-scale has three items # 18, 19 and 20 reflecting the analytical approach the company has implemented in its operations so as to establish the basic rules of the Japanese operations management system. Japanese operation requires preciseness so as to have 'zero' defects in manufacturing a product rather than tolerating an acceptable level of errors. It also requires exact detail regarding requirements and supply routes for each and every department so as to maintain an analytically precise production and inventory system, which are fundamental for the operations management system in Japanese manufacturing. The system was devised in the



Japanese MNC chosen for analysis to start with, and as a result, it has considerable experience to train the employees in the precise nature of the operation.

### **5.8.3 Research Measurement Instrument: Characteristics of the Organizational Commitment Scale (OCOMAS): Part 3**

Regarding the measurement of the second variable of this research model 'Organizational Commitment' this research has created a measurement scale namely, the Organizational Commitment Assessment Scale (OCOMAS). The OCOMAS is used the method influenced by *the Organizational Commitment Questionnaire (OCQ)* developed by Mowday, Steers and Porter (1979) as it is widely used with proven psychometric properties and reliability. The list of values that are derived from *the Organizational Commitment Questionnaire* (Mowday et al., 1979) forms the set of factors composing organizational commitment.

Mowday et al. (1979, 1982) followed the approach of earlier works of Maslow (1954) and Kearney (1959). Subsequently a number of authors have followed this approach (Barney & Wright, 1998; Herzberg, Mausner & Snyderman, 1988). Table 4.2 describes empirical studies using six value-components of commitment theoretical framework the OCQ proposed by Mowday, Steers and Porter (1979, 1982). Thus, the procedure selected in this research is based on the solid foundations of prior research in this area.

*The Organizational Commitment Assessment Scale (OCOMAS)* is comprised of fourteen items categorized into six value-components forming the outcome variable the 'organizational commitment' as suggested by prior research such as follows:

1. OCOMV1= Emotional Attachment;
2. OCOM2= Value Attachment ;
3. OCOMV3= Environment Attachment ;
4. OCOMV4= Sense of Sacrifice
5. OCOMV5 = Rational Attachment;
6. OCOMV6 = Ego Orientations

All the six value-components (factors) composing organizational commitment form the six sub-scales and are measured by using Likert's 7 point measurement scale, which is described below:

7 – STRONGLY AGREE; 6 – AGREE; 5 – MODERATELY AGREE; 4 – SLIGHTLY AGREE or SLIGHTLY DISAGREE; 3 – MODERATELY DISAGREE; 2 – DISAGREE; 1 – STRONGLY DISAGREE

Numberings in the description of the items given below are the same as that in the Questionnaire. In the Questionnaire all items are rearranged to mix them up so as to reduce bias in the answers. Below are the detailed characteristics of each sub-scale.

#### **1.Emotional Attachment Sub-scale (OCOMV1) Characteristics:**

---

		7	6	5	4	3	2	1
1	I feel loyal to this organization							
2	I really care about the fate of this organization							

This sub-scale is composed by two items # 1 and 2 from the Questionnaire.

#### **2.Value Attachment Sub-scale (OCOMV2) Characteristics:**

---

		7	6	5	4	3	2	1
4	I found that my values and the organization's values are very similar							
5	Often, I agree with this organization's policies on important matters relating to its employees							
14	For me this is the best of all possible organizations for which to work							

This sub-scale is composed by three items # 4, 5 and 14 from the Questionnaire.

### 3. Environment Attachment Sub-scale (OCOMV3) Characteristics:

---

		7	6	5	4	3	2	1
3	I could not be working for a different organization as long as the type of work is similar							
6	I am extremely glad that I chose this organization to work for over others I was considering at the time I joined							

This sub-scale is composed by two items # 3 and 6 from the Questionnaire

### 4. Sense of Sacrifice Sub-scale (OCOMV4) Characteristics:

---

		7	6	5	4	3	2	1
7	I am willing to put a great deal of effort beyond that normally expected in order to help this organization to be successful							
8	I would accept almost any type of job assignment in order to keep working for this organization							

This sub-scale is composed by two items # 7 and 8 from the Questionnaire.

### 5. Rational Attachment Sub-scale (OCOMV5) Characteristics:

---

		7	6	5	4	3	2	1
9	There is much to be gained by sticking with this organization indefinitely							
10	Deciding to work for this organization was not a definite mistake on my part							
13	This organization really inspires the very best in me in the way of job performance							

This sub-scale is composed by three items # 9, 10 and 13 from the Questionnaire.

---

## 6.Ego Orientations Sub-scale (OCOMV6) Characteristics:

---

		7	6	5	4	3	2	1
11	I talk up this organization to my friends as a great organization to work for							
12	I am proud to tell others that I am part of this organization							

This sub-scale is composed by two items # 11 and 12 from the Questionnaire.

---

## CONCLUSION

This chapter has explained the Research Model which is grounded on the existing literature. Detailed analyses of the literature regarding the construction of this research model are in this chapter. From the analysis of the related literature the key research gaps that still exist are identified and the need to conduct the multi-study and multi-level quantitative research in order to address these gaps is established. Thus, in accordance with the chosen positivist philosophy this research is designed to conduct a much needed quantitative study to use statistical evidence to shed some light on the key research gaps in the related literature. The research model and the research measurement instrument for this study were chosen after extensive overviews of the existing measurement approaches. The four sets of hypotheses were developed in order to be tested. Various issues regarding the variables of this research model are analysed in detail. The proposed research model will be estimated in subsequent Chapters 6, 7, 8 and 9. The next chapter will describe the methodology of the research.

## **CHAPTER 6:**

# **STUDY A: ANALYSIS OF ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT IN THE PARENT UNIT IN JAPAN**

## **INTRODUCTION**

This chapter describes the STUDY A of quantitative analysis. In STUDY A the characteristics of the value-components of organizational culture and commitment, and the degree of relationship between them as observed in the parent unit in Japan for this Japanese MNC were examined. The analysis provided in this chapter creates the benchmark for our further comparison analysis for Thai and Indian subsidiaries. The reason is that it is not possible to analyze organizational culture and its components in the subsidiaries from the perspective of the transmission of organizational culture from the headquarters to the subsidiaries without having a benchmark for that comparison. More precisely, it is important to know what factors are composing the variable of the research model and whether there is a link between these variables in the parent unit in Japan.

Organizational culture is much debated concept; however, there is a consensus to conceptualize it at the level of values (Rokeach, 1973; O'Reilly et al., 1991). The argument is that a specific set of values becomes widely shared within the organization. The STUDY A has examined a number of hypotheses regarding the value characteristics of the organizational culture and organizational commitment, which as described in Table 6.1.

**Table 6.1: STUDY A: Set of Hypotheses Examined**

**H<sub>J.1</sub>: There are eight value components of organizational culture in the parent unit in Japan in this Japanese multinational company.**

**H<sub>J.2</sub>: There are six value components of organizational commitment in the parent unit in Japan in this Japanese multinational company.**

**H<sub>J.3</sub>: The influences on organizational commitment in the parent unit of this Japanese multinational company are mainly internal, generating from its own organizational culture.**

**H<sub>J.4</sub>: There is a strong relationship between organizational culture and organizational commitment in the parent unit in Japan of this Japanese multinational company.**

It is important to note that in all three studies A, B and C, comprising the quantitative research, a number of findings, which could not be hypothesized in advance, was discovered. These findings are described in this research as '*observations*' in addition to the '*hypotheses*'.

The structure of this chapter is as follows: section 6.1 describes the procedure of data collection in the parent unit in Japan. Section 6.2 describes the results of analysis of the data collected from the parent unit in Japan.

## **6.1 PROCEDURE OF DATA COLLECTION IN THE PARENT UNIT IN JAPAN**

This research has created the measurement instrument to evaluate two variables composing the research model such as '*organizational culture*' and '*organizational commitment*'. The method is to describe the values that may be important to an employee's identity as well as relevant to the organization's value system. Thus, the instrument to measure organizational culture includes a set of value statements that can be used to assess both the extent to which certain values characterize a target organization and an individual's evaluations for that particular configuration of values. To develop a profile of an organization's culture, respondents familiar with the organization will evaluate these value statements according to a 7 point Likert's scale.

Chapter 5 provides the detailed explanation of the research measurement instrument and in Appendix of Chapter 5 there are three sets of Questionnaire translated in English, Japanese and Thai languages which were distributed in various plants and offices of the selected Japanese MNC in Japan, Thailand and India. Altogether 3000 forms were distributed, out of that 2001 employees have responded. After eliminating forms, which are incomplete or wrongly filled up, 650 responses were selected from each location: Japan, Thailand and India. The questionnaire-kit for the parent unit in Japan was translated in Japanese language (details on translation and distribution of questionnaires are described in Chapter 4)

From the sample of the parent unit consisting of 650 responses the elaborate analysis was conducted using different statistical analyses such as Correlation- and Covariance Analyses, Reliability Analysis, Multiple Regression Analysis, Factor Analysis, Discriminant Analysis, and Structural Equation Model to characterize the nature of the variables composing the research

model and their interrelationship in the parent operation in Japan of the chosen Japanese multinational company.

### 6.1.1 Characteristics of the Sample of the Parent Unit, Japan

In the sample of the parent unit in Japan as it shown in Table 6.2, employees have long tenures; that would mean the employees in Japan have longer time to absorb the organizational culture. There are very few foreigners (2% only). The employees are almost all men; there are few females. Most of the Japanese employees have not received training in cultural adaptations or foreign language because most of them were not employed in subsidiaries abroad. Most of the employees are mature persons with many years of experience in the company.

**Table 6. 2: Characteristics of the Sample of the Parent Unit, Japan**

Items	Employees in Japan
Number of Respondents	650
Gender	Male=642 Female=8
Tenure	
Length of service (mean)	17.25 years
Age	
Under 35	27.5 %
35-45	64.5 %
Above 45	8 %
<b><i>Educational Level</i></b>	
Senior High School	12.0%
University Graduate	79.5%
Post Graduate	8.5%
<b><i>Nationality</i></b>	
Japanese	98%
Thai	0%
Other Asian	2%
<b><i>Formal Cultural Training</i></b>	
Posted Abroad	4.5 %
Received Cultural Training	15.6 %
Received Language Training	13.6 %

## 6.2. RESULTS OF ANALYSIS OF DATA COLLECTED IN THE PARENT UNIT IN JAPAN

### 6.2.1 Results: Statistical Analysis of Organizational Culture (OC) in HQs, Japan: Research Question 1 (part 1)

#### 6.2.1.1 Descriptive Statistics: OC in HQs, Japan

The Research Question 1: What are the precise factors composing the concept of 'organizational culture' in a Japanese multinational company? ,

has three parts: (1) what factors are composing the organizational culture of a very large organization like this Japanese MNC in its HQs in Japan, (2) what factors are composing the organizational culture of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) what factors are composing the organizational culture of this Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY A is exploring the part 1 of the Research Question 1: *what factors are influencing the organizational culture of this Japanese MNC in its HQs in Japan.* Considering the prior literature (as given in Chapter 2 and 3), this research has proposed eight values that can form the organizational culture in the parent unit.

In the Questionnaire, the scale measuring organizational culture (OCAS) consists of 25 items, which are composing eight sub-scales (values or factors) such as: Innovation, Entrepreneurship, Decisiveness, Stability & Security (Emphasis on Stability), Supportiveness, Emphasis on Performance (Performance Orientations), Team Spirit, and Preciseness.

#### **Definition of Factors (or value-components) composing Organizational Culture variable:**

OCJV1= Innovation; OCJV2= Entrepreneurship; OCJV3= Decisiveness; OCJV4= Stability & Security (Emphasis of Stability); OCJV5= Supportiveness; OCJV6= Emphasis on Performance (Performance Orientations); OCJV7= Team Spirit; OCJV8= Preciseness

All the values are measured using Likert's scale from 1 to 7, where:

7 – STRONGLY AGREE; 6 – AGREE; 5 – MODERATELY AGREE; 4 – SLIGHTLY AGREE or SLIGHTLY DISAGREE; 3 – MODERATELY DISAGREE; 2 – DISAGREE; 1 – STRONGLY DISAGREE



Identity numbers of the items as given in the following boxes correspond to the identity number of items in the Questionnaire. In order to reduce bias in reporting, items are mixed up deliberately in the Questionnaire. After receiving the responses, these are categorized into groups representing values as given below. The purpose is to reduce bias in the answers from the respondents (Cable & Judge, 1997). Details regarding the means and standard deviations of the value components of OC in the HQs, Japan are given in Table J. 5 in Appendix Chapter 6

According to Table 6.3, the means of the value components of OC shows high scores, indicating high acceptance and approval of these features organizational culture of the chosen Japanese MNC in its parent operation. All Standard Deviations demonstrates that means are significantly different from zero at the 5 percent level of confidence. Thus, the calculated means from the small sample of 650 employees are not spurious, but can represent the population of the total number of employees.

**Table 6.3: Descriptive Statistics: OC in HQs, Japan**

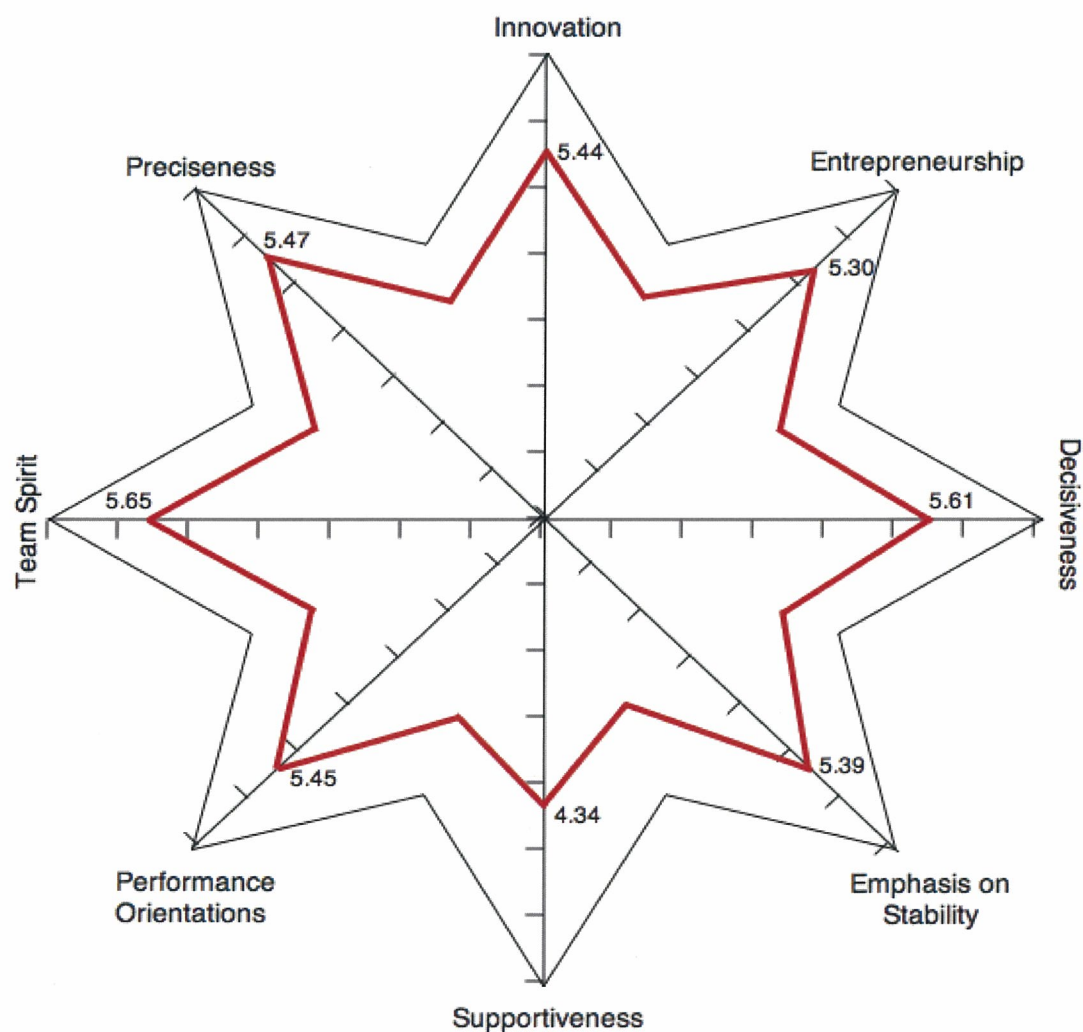
Descriptive Statistics							
	N	Mean		Skewness		Kurtosis	
	Statistic	Statistic	Std.Error	Statistic	Std.Error	Statistic	Std.Error
OCJV1	650	5.44	3.459E-02	-.044	.096	-.538	.191
OCJV2	650	5.30	2.841E-02	.078	.096	.254	.191
OCJV3	650	5.61	3.424E-02	-.063	.096	-.501	.191
OCJV4	650	5.39	3.453E-02	-.031	.096	-.536	.191
OCJV5	650	4.34	2.806E-02	.149	.096	.105	.191
OCJV6	650	5.45	3.490E-02	-.051	.096	-.562	.191
OCJV7	650	5.65	3.439E-02	-.042	.096	-.526	.191
OCJV8	650	5.47	3.442E-02	-.038	.096	-.590	.191
ValidN(listwise)	650						

Details of the basic descriptive statistics for each individual factor composing the scale assessing organizational culture are presented in Tables J.1 to J.5 in the Appendix Chapter 6. One of our main research questions is, *what factors are composing the organizational culture* of this very large organization in Japan. The above analysis has identified eight values that can compose its organizational culture, following the related literature (O'Reilly, Chatman, Caldwell, 1991).

Star Diagram (Figure 6.1) for the mean responses for the eight factors (values-components) that compose organizational culture in HQs, Japan shows that the mean responses are more or less

about 5.5 on the average in the Likert's scale of 7. The only exception is that of **Supportiveness** (OCJV5) which is little less than other with 4.34. It is possible that due to the economic crisis of Japan, MNCs are reorganizing their work force, which might have created a less coherent and supportive team effort than that was experienced before. The responses for these components from the employees are of higher values (close to the maximum of 7) and thus these are statistically significant with very little standard errors for the means, as it given in Table 6.3.

**Figure 6.1: Mean Responses on Eight Factors Composing OC in HQs, Japan**



Therefore, it is possible to state that based on the obtained data from the parent unit sample in Japan this research identified the eight major component of organizational culture, and provided an answer on the research question 1: *What are the precise factors composing the concept of 'organizational culture' in a Japanese multinational company?* and established the benchmark for future analysis regarding the organizational culture.

#### 6.2.1.2 Reliability Analysis: OC in HQs, Japan

The Cronbach Alpha calculated below provides the reliability index regarding internal consistency of the perceptions of the employees of the chosen Japanese MNC in HQs, Japan, which satisfies reliability criteria. Statistical analysis and measurement for these eight factors (value-components) composing the scale assessing organizational culture of the HQs, Japan given as follows:

Reliability
-------------

Alpha = .9435      Standardized item alpha = .9364
--

Thus, the proposed scale measuring OC is found to be highly reliable. Details of reliability statistics for each individual value-component (factor) of organizational culture are given in Table J. 1 in the Appendix (Appendix STUDY A). Therefore, it is possible to proceed towards the statistical analysis.

#### 6.2.1.3. Composition of the OC as unobserved variable: HQs, Japan

As the organizational culture is a latent or unobserved variable it is not possible to conduct the Multiple Regression Analysis to examine whether these eight values can explain the organizational culture. However, the alternative research analysis technique for the unobserved variables, the Structural Equation Modeling Analysis, enables evaluation of these eight values that effectively composing organizational culture of this company.

**Table 6.4: Composition of Organizational Culture, Structural Regression: HQs, Japan**

<i><u>Values</u></i>	<i><u>Scores</u></i>
Innovation	.84
Entrepreneurship	.78
Decisiveness	.85
Stability	.81
Supportiveness	.85
Performance Orientations	.81
Team Spirit	.86
Preciseness	.85

Chi Square= 5272.11

A high Chi-square indicates that the model has superior fit in relation to the data. High scores of the values indicate that these values can explain the composition of organizational culture. The most important factors composing organizational culture are **Team Spirit, Innovation, Decisiveness, Supportiveness** and **Preciseness**. Indeed, these are typical characteristics of the Japanese organizational culture as given in the literature (Basu, 2010; Hayashi, 2003). Most important of all is the **Team Spirit**, which the Japanese society develops for its citizens since their childhood, by trying not to promote any individual achievements but promoting only team-based achievements.

#### **6.2.1.4. Covariance and Correlation Analyses: OC in HQs, Japan**

The Covariance Matrix (Table 6.5) shows variances are similar between OCJV1 and OCJV3, 6, 7, 8. As a result, values such as **Innovation, Decisiveness, Emphasis on Performance, Team Spirit, Preciseness** are highly correlated according to the Correlation Matrix given below. The values such as **Entrepreneurship** and **Supportiveness** are not correlated with other values but are quite independent. It is possible that **Entrepreneurship** is related to the psychology of the top executives; ordinary employees are unrelated to it. High **Emphasis on Performance** demands **Preciseness**, and continuous **Innovation** (*Kaizen* in Japanese). **Team Spirit** supports these values in the work place. **Supportiveness** is related more on interpersonal relationship than on operational culture. It is possible that Japanese employees are working as a highly glued team in their operational activities but their social relationships are not so close. This is a characteristic of

the psychology of the Japanese people, who normally work very meticulously in their work place but can be distant in their personal relationship. This is reflected in the Correlation Matrix (Table 6.6).

**Table 6.5: Covariance Matrix: OC in HQs, Japan**

	OCJV1	OCJV2	OCJV3	OCJV4	OCJV5	OCJV6	OCJV7	OCJV8
OCJV1	.7778							
OCJV2	.1328	.5246						
OCJV3	.7492	.1201	.7620					
OCJV4	.7617	.1394	.7502	.7750				
OCJV5	.1322	.5089	.1148	.1327	.5117			
OCJV6	.7746	.1458	.7570	.7678	.1376	.7915		
OCJV7	.7588	.1195	.7531	.7581	.1234	.7604	.7688	
OCJV8	.7609	.1351	.7461	.7526	.1314	.7732	.7494	.7701

**Table 6.6: Correlation Matrix: OC in HQs, Japan**

	OCJV1	OCJV2	OCJV3	OCJV4	OCJV5	OCJV6	OCJV7	OCJV8
OCJV1	1.0000							
OCJV2	.2079	1.0000						
OCJV3	.9732	.1900	1.0000					
OCJV4	.9811	.2186	.9762	1.0000				
OCJV5	.2095	.9823	.1839	.2107	1.0000			
OCJV6	.9873	.2263	.9748	.9804	.2162	1.0000		
OCJV7	.9812	.1881	.9839	.9822	.1968	.9747	1.0000	
OCJV8	.9831	.2126	.9739	.9741	.2094	.9904	.9740	1.0000

From the analysis of the Covariance and Correlation Matrices (Table 6.5 and 6.6 above), it is possible to conclude that the eight values that compose organizational culture are interdependent. The purpose of this observation is to evaluate the basic composition of the organizational culture to examine whether the values that compose organizational culture are linked and if so what is the direction of that linkages. From the matrices (in Table 6.5 and 6.6) given above we can see that **Innovation** (OCJV1) has close links with **Decisiveness** (OCJV3), **Stability & Security** (OCJV4), **Emphasis on Performance** (OCJV6), **Team Spirit** (OCJV7) and **Preciseness** (OCJV8) but has relatively little relationship with **Entrepreneurship** (OCJV2) and **Supportiveness** (OCJV5).

However, **Entrepreneurship** has close links with **Supportiveness** but not with the other values. **Decisiveness** has close link with **Stability & Security**, **Emphasis on Performance**, **Team Spirit** and **Preciseness**. **Security (of Employment)** has close links with **Emphasis on Performance**, **Team Spirit** and **Preciseness**. **Emphasis on Performance** has close links with both **Team Spirit** and **Preciseness**. **Team Spirit** is closely related to **Preciseness**. Thus, most of these values that compose organizational culture are closely linked except for two, **Entrepreneurship** and **Supportiveness**. **Entrepreneurship** comes from the top managers and supportiveness is a societal value attached to the organizational culture but unrelated to the operational behavior of the organization. These results may be used as the possible explanations of the relative interdependent characteristics of organizational culture.

#### 6.2.1.5. Analysis of Variance: OC in HQs, Japan

Analysis of Variance yields a statistic, F, which indicates if there is a significant difference among three or more sample means. When conducting an analysis of variance, the variance (or spread-out-ness) of the scores is divided into two components: (a) the variance between groups, that is the variability among the three or more group means; (b) the variance within the groups, or how the individual scores within each group vary around the mean of the group.

**Table 6.7: Analysis of Variance: OC in HQs, Japan**

Hotelling's T-Squared =	75.0574	F =	10.6234
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Degrees of Freedom:	Numerator =	7	Denominator =	643
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From the analysis of variance (Table 6.7), it is possible to accept that there is indeed a significant difference among the cell means. Then it is needed to analyze the significance of the difference between pairs of means in analysis of variance by the use of post hoc (after the fact) comparisons. Only these post hoc comparisons when there is a significant F ratio were conducted. The analysis shows that the scores obtained in the survey are independent and unbiased. Hotelling's T-Square, which is a multivariate significance test of mean differences also show the same results. Table 6.7 gives the basic results; the detailed analysis is given in Table A.J.2 in the Appendix (Appendix STUDY A). Thus, there are significant differences between the means of these factors that compose organizational culture in the parent unit in Japan.

#### 6.2.1.6 Factor Analysis: OC in HQs, Japan: Hypothesis H<sub>J.1</sub>

**Hypothesis H<sub>J.1</sub>:** There are eight value components of organizational culture in the parent unit of Japan in the chosen for analysis Japanese multinational company.

Factor Analysis was used in this research to uncover the latent structure or dimensions of a set of variables estimated from the scores obtained from the survey of opinions of the employees of the selected MNC in Japan. The perceived ideas of the employees regarding the organizational culture they experience in Japan were analyzed. Factor Analysis reduces attribute space from a larger number of variables to a smaller number of factors and as such is a 'non-dependent' procedure. Here in this research, the purpose of the Factor Analysis was to reduce a large number of variables to a smaller number of factors for modeling purposes. Factor analysis in this research was integrated in Structural Equation Modeling (SEM) presented later, helping to confirm the latent variables modeled by SEM.

Here the Exploratory Factor Analysis was carried on to find out which factors are relatively more important to influence organizational culture in Japanese multinational company. Confirmatory Factor Analysis was used in the Structural Equation Modeling framework later to confirm the proposed theory that there is a close relationship between organizational culture and performance/commitment.

The Kaiser criterion suggests that, we can retain only factors with Eigen values greater than 1. In this case only two factors satisfy that criteria, **Entrepreneurship** and **Supportiveness**. Thus, these two factors are fundamental in Japanese organizational culture.

If this model is correct, then the factors will not extract all variance from the items; rather, only that proportion that is due to the common factors and shared by several items. The proportion of variance of a particular item that is due to common factors (shared with other items) is called communality. The proportion of variance that is unique to each item is then the respective item's total variance minus the communality. A common point is to use the squared multiple correlation of an item with all other items as an estimate of the communality.

**Table 6.8: Communalities Matrix: OC in HQs, Japan**

Communalities		
	Initial	Extraction
OCJV1	1.000	.986
OCJV2	1.000	.991
OCJV3	1.000	.978
OCJV4	1.000	.982
OCJV5	1.000	.991
OCJV6	1.000	.987
OCJV7	1.000	.983
OCJV8	1.000	.982

Extraction Method: Principal Component Analysis.

The communality (Table 6.8) measures the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator. If an indicator variable has a high communality, the factor model is working well for that indicator. High communalities across the set of variables indicate the variables are highly related to each other, which is the case here. As indicated in the Table 6.8 the high communalities indicate that all values are very good indicators of the variable, organizational culture. In Table 6.8, OCJV2 and OCJV5, **Entrepreneurship** and **Supportiveness** are the two most important factors among others.

**Table 6.9: Total Variance Explained: OC in HQs, Japan**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.023	75.284	75.284	6.023	75.284	75.284	5.854	73.171	73.171
2	1.857	23.217	98.501	1.857	23.217	98.501	2.026	25.330	98.501
3	4.085E-02	.511	99.012						
4	2.742E-02	.343	99.354						
5	2.479E-02	.310	99.664						
6	1.287E-02	.161	99.825						
7	7.997E-03	9.997E-02	99.925						
8	5.981E-03	7.477E-02	100.000						

Extraction Method: Principal Component Analysis.

Eigen values are called characteristic roots. The Eigen value for a given factor measures the variance in all the variables, which is accounted for by that factor. The ratio of Eigen values is the ratio of explanatory importance of the factors with respect to the variables. If a factor has a low Eigen value, then it is contributing little to the explanation of variances in the variables and may be ignored as redundant with more important factors.



Eigen values measure the amount of variation in the total sample accounted for by each factor. Eigen value is a measure of amount of variance in relation to total. Eigen value of a factor can be computed as the sum of its squared factor loadings for all the variables. Here two indicators have significant Eigen Values (from the Table 6.8 Communalities Matrix and Table 6.9 Factor Analysis). Thus these two indicators, **Entrepreneurship** and **Supportiveness**, are very important to influence the variable organizational culture.

As depicted in Table 6.9 Factor Analysis, thus, the hypotheses **H<sub>J.1</sub>**

**H<sub>J.1</sub>: There are eight value components of organizational culture in the parent unit of Japan in the chosen for analysis Japanese multinational company,**  
in this research is supported by the above analysis of the Eigen values.

These two factors are most important for our analysis, as identified by the Factor Analysis. From the analysis of the Eigen values (from the Rotated Component Matrix) the following observation corroborates with the proposed hypothesis.

**OJ.1a: Entrepreneurship is an important characteristic of the organizational culture in Japan**

**OJ.1b: Supportiveness a societal value of Japanese society is an important characteristic of the organizational culture in Japan**

**Entrepreneurship** is defined here in terms of independent managerial activity and knowledge management. Japanese system of management has its Kaizen or continuous improvement as its main element. Without the support of the Kaizen activities Japanese ‘product development system’ cannot operate efficiently to outwit the rival companies both in Japan and in the rest of the world (Liker & Morgan, 2006). Thus, managers are empowered to take decisions in the local operations if that is needed to enhance competitive advantages for the company

**Supportiveness** is a cultural trait, which the Japanese learn in their primary schools and subsequently in every walk of life, where team efforts, not individual achievement, are the norm (Basu, 1999, Aoki, 2008). This is carried forward as an essential element of Japanese organizational culture.

**Table 6.10: Component Matrix: OC in HQs, Japan**

	Component	
	1	2
OCJV1	.988	-9.41E-02
OCJV2	.303	.948
OCJV3	.982	-.116
OCJV4	.987	-8.75E-02
OCJV5	.300	.949
OCJV6	.990	-8.13E-02
OCJV7	.985	-.111
OCJV8	.987	-9.12E-02

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

The cells in this Table 6.10 Component Matrix are factor loadings, and the meaning of the factors must be induced from seeing which variables are most heavily loaded on which factors. The correlations between the variables and the two factors, as they are extracted are also called factor loadings, as given above for each of the values. Apparently, the first factor is generally more highly correlated with the variables than the second factor. This is to be expected because these factors are extracted successively and will account for less and less variance overall.

**Table 6.11: Rotated Component Matrix: OC in HQs, Japan**

	Component	
	1	2
OCJV1	.987	.107
OCJV2	.106	.990
OCJV3	.985	8.464E-02
OCJV4	.984	.113
OCJV5	.103	.990
OCJV6	.986	.120
OCJV7	.987	9.013E-02
OCJV8	.985	.110

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

The goals of all of these statistical strategies are to obtain a clear pattern of loadings, that is, factors that are somehow clearly marked by high loadings for some variables and low loadings

for others. This general pattern is also sometimes referred to as simple structure. Typical rotational strategies are Varimax, Quartimax, and Equamax. Here, Varimax method, which maximizes variance, is used to rotate the axis (Table 6.12).

**Table 6.12: Factor Analysis: OC in HQs, Japan**

	Supportiveness	Entrepreneurship	Communitary
<b>(Factor Loadings)</b>			
Innovation	.987	.107	.986
Entrepreneurship	.106	.990	.991
Decisiveness	.985	.008	.978
Stability	.984	.113	.982
Supportiveness	.103	.990	.991
Emphasis on Performance	.986	.120	.987
Team Spirit	.987	.009	.983
Preciseness	.985	.110	.982
Eigen Value	6.023	1.857	
Percent Variance Explained	75.284	23.217	

This rotation that maximizes the variance on the new axes, gives us a pattern of loadings on each factor that is as diverse as possible, so that a researcher can have an easier interpretation. Table 6.12 illustrates the reasoning about the rotated factor loadings.

**Table 6.13: Essentials of Factor Analysis: OC in HQs, Japan**

<b><i>Most Important Factors</i></b>	<b><i>Related To</i></b>
Supportiveness	Entrepreneurship
Entrepreneurship	Innovation, Decisiveness, Emphasis on Performance, Team Spirit, Preciseness

Explanations for Table 6.12 are given below in terms of observations OJ.1c and OJ.1d and an explanatory Table 6.13 is added to simplify the results.

**OJ.1c: Entrepreneurship in Japanese organization depends on Innovations, Decisiveness, Emphasis on Performance, Team Spirit and Preciseness, all the important characteristics of operational efficiency in Japan**

**OJ.1 d: The societal value Supportiveness depends upon Entrepreneurship**

Here the pattern is much clearer. The first factor, **Entrepreneurship**, is marked by high loadings on **Innovation, Decisiveness, Emphasis on Performance, Team Spirit, and Preciseness** (in the Rotated Component Matrix). The factor, **Supportiveness**, is marked by high loadings in the Factor Analysis on **Entrepreneurship**.

**Table 6.14: KMO and Bartlett's Test: OC in HQs, Japan**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.819
Bartlett's Test of Sphericity	Approx. Chi-Square	14444.581
	df	28
	Sig.	.000

Measured by the Kaiser-Meyer-Olkin (KMO) statistics (Table 6.14), sampling adequacy predicts if data are likely to represent the Factor Analysis well or not. This is based on correlation and partial correlation. KMO can be used to assess which variables to drop from the model because they are too multicollinear. There is a KMO statistic for each individual variable, and their sum is the KMO overall statistic. KMO varies from 0 to 1.0 and KMO overall should be .60 or higher to proceed with factor analysis, which is the case here. If it is not, drop the indicator variables with the lowest individual KMO statistic values, until KMO overall rises above .60.

At Table 6.14, the KMO measure is 0.819, thus it is clear that the Bartlett's test of Sphericity (Bartlett, 1950) is significant, with very high Chi-Square. This means that the correlation matrix is not an identity matrix or close to zero. Thus, the Factor Analysis, as presented here, would provide meaningful results. Thus, the hypothesis  $H_{j.1}$  is accepted as valid.

The hypothesis  $H_{j.1}$  is examined from the data collected from the sample of 650 observations using a number of statistical techniques. The means and standard deviations tell us that the scores obtained for these components are not spurious, but significant. Skewness and Kurtosis shows the probability distributions of the scores obtained from the sample follow regular pattern and amenable to statistical testing. Cronbach Alpha shows the validity of the consistency of the responses of the employees. Covariance and Correlation matrices show the characteristics of the

scores for each value components, whether these are interrelated and what the nature of these interrelationships is. Analysis of Variance examines any bias that may exist in the calculation. Factor Analysis shows whether the individual value component represents the totality of all values. From that it is possible to infer whether the organizational culture is composed of these eight value components or not. Factor Analysis also can identify which components are very important out of these eight components.

The Descriptive Statistics show that the employees consider these values as important components of their organizational culture. The Probability Distribution of the responses shows that these values behave with normally distributed frequencies with regular properties. Analysis of Variance shows that these responses are not biased. Communality Matrix in the Factor Analysis shows very high scores for these components. Thus, all individual value-components indeed represent the totality of these components, i.e. the organizational culture of this Japanese multinational company in its parent operation in Japan.

Thus, based on the results of the above analyses, particularly the factor Analysis it is possible to conclude that the organizational culture in HQs, Japan, as measured by the questionnaire used in this research and reflecting opinions of the employees of parent unit in Japan, is composed of the eight value components mentioned above. Out of these eight value-components the **Entrepreneurship** and **Supportiveness** are the most important factors composing organizational culture in the parent unit of the chosen MNC.

### **6.2.2 Results: Statistical Analysis of Organizational Commitment (OCom) in HQs, Japan: Research Question 3**

Organizational culture is a core variable in organizational studies, but analysis of the components, constructs and compositions of values that constitute organizational commitment remains elusive (Mowday, Steers & Porter, 1979). The conceptualization and measures developed by Mowday, Steers and Porter (1979) provides the most popular approach. Conceptualization involves member's identification and involvement with and loyalty to the organization.

Meyer and Allen (1991) agree that commitment is a psychological condition concerned with how employees feel about their relationship with the organization. Organizational commitment, unlike satisfaction, is a relatively stable employee attitude. Organizational commitment is a phenomenon

affecting both management and lower level employees, and thus it can be defined as a strong belief in and acceptance of the organization's goals and values, a willingness to exert considerable effort on behalf of the firm and a strong desire to remain in the organization.

Regarding the measurement of commitment of the employees, this research has designed the scale measuring organizational commitment, which is regarded in this research as the index of performance. Detailed description of this scale is given in Chapter 4.

Research Questions 3 is **What are the precise factors composing the concept of organizational commitment in a Japanese multinational company?**

The analysis given below has identified six value-components or factors from the existing literature (Mowday, Steers and Porter, 1979) that can compose the second variable under investigation, the organizational commitment.

#### **6.2.2.1 Descriptive Statistics: OCom in HQs, Japan**

The items in the scale in the Questionnaire measuring organizational commitment, which is regarded as the index of performance can be divided up into six different factors (value-components or sub-scales) such as: (1) Emotional Attachment, (2) Value Attachment, (3) Environmental Attachment, (4) Sense of Sacrifice, (5) Rational Attachment and (6) Ego Orientations.

**Definition of Factors (or value-components) composing Organizational Commitment variable:**

OCOMJV1= Emotional Attachment; OCOMJ2= Value Attachment;  
OCOMJV3= Environment Attachment; OCOMJ4= Sense of Sacrifice  
OCOMJV5 = Rational Attachment; OCOMJV6 = Ego Orientations

The measurement scale is Likert's 7 point scale, which are given below:

7 – STRONGLY AGREE; 6 – AGREE; 5 – MODERATELY AGREE; 4 – SLIGHTLY AGREE or SLIGHTLY DISAGREE; 3 – MODERATELY DISAGREE; 2 – DISAGREE; 1 – STRONGLY DISAGREE

Numberings in the description of the items given below are the same as that in the Questionnaire. In the Questionnaire all items are rearranged to mix them up so as to reduce bias in the answers.

The details regarding means and standard deviations of each factor composing OCom variable in HQs, Japan are given in Table J.6 in Appendix Chapter 5.

The detailed characteristics of the basic statistics of Organizational Commitment in the parent unit in Japan are given in Table 6.15.

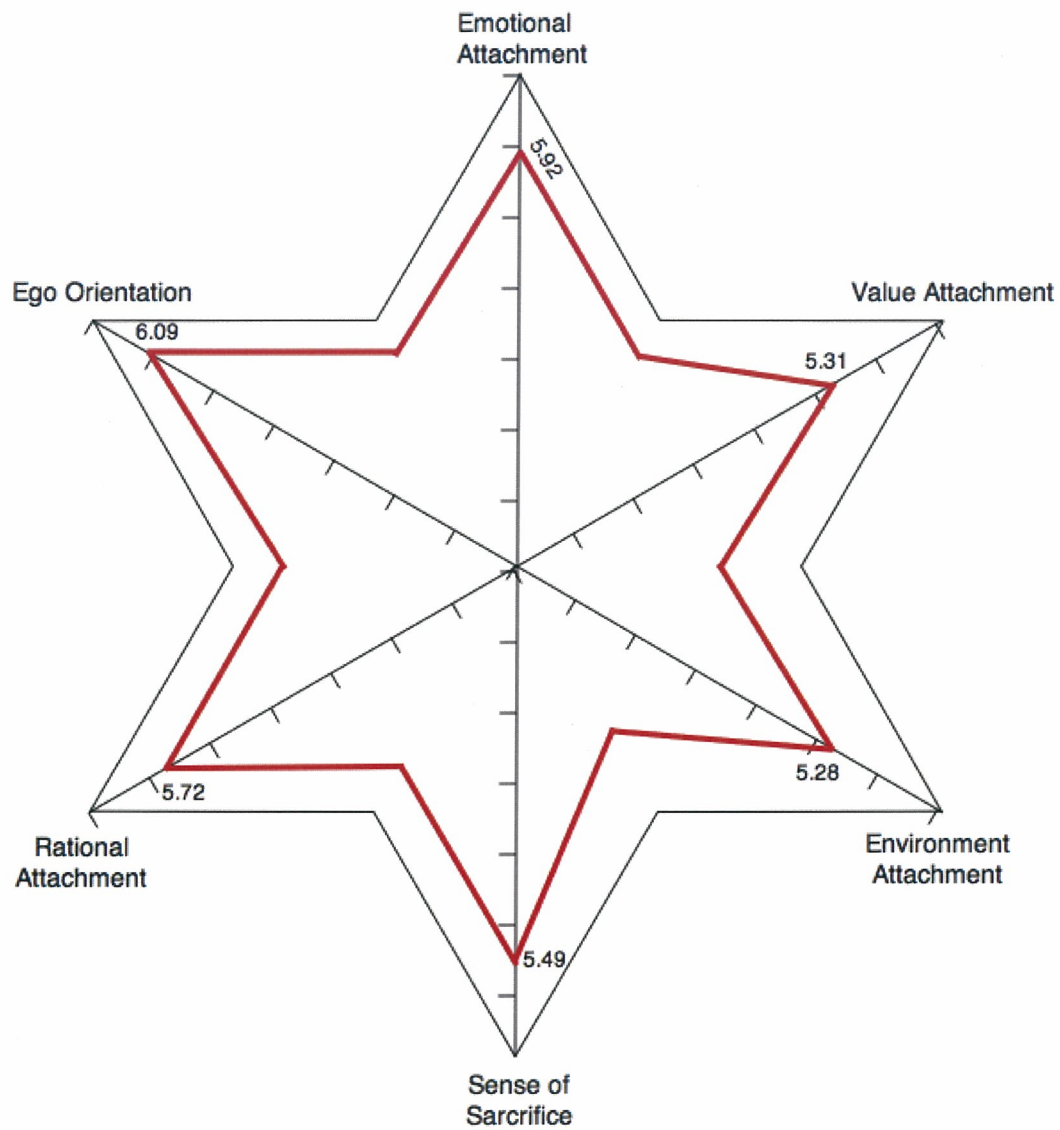
**Table 6.15: Descriptive Statistics: OCom in HQs, Japan**

Descriptive Statistics							
	N	Mean		Skewness		Kurtosis	
	Statistic	Statistic	Std.Error	Statistic	Std.Error	Statistic	Std.Error
OCOMJV1	650	5.92	2.830E-02	-.315	.096	-.229	.191
OCOMJV2	650	5.31	3.371E-02	.005	.096	-.579	.191
OCOMJV3	650	5.28	2.844E-02	.158	.096	-.065	.191
OCOMJV4	650	5.49	2.715E-02	.303	.096	.054	.191
OCOMJV5	650	5.72	3.471E-02	-.001	.096	-.682	.191
OCOMJV6	650	6.09	3.266E-02	-.641	.096	-.453	.191
ValidN(listwise)	650						

From the above statistics given in Table 6.15, it is clear that the assumptions of normal distributions of the variables can be maintained, as both the Skewness and Kurtosis are within valid range. As a result, most of the testing procedures in Factor Analysis and Regression analysis are expected to be valid.

Star Diagram (Figure 6.2) for the mean responses for the six factors (values-components) that compose organizational commitment in HQs, Japan shows that high scores of **Ego Orientation** (OCOMJV6) and **Emotional Attachment** (OCOMJV1). Indeed, the employees in Japan are emotionally and as a matter of pride are attached to their organization (Basu, 1999). They rationalize these psychological factors in terms of **Value Attachment** and **Rational Attachment**. Very high scores imply that the employees are highly committed to the organization.

**Figure 6.2: Mean Responses on Six Factors Composing OCom in HQs, Japan**



#### 6.2.2.2 Reliability Analysis: OCom in HQs, Japan

The Cronbach Alpha calculated provides the reliability regarding internal consistency of the perceptions of the employees in Japan.

##### Reliability

Alpha = .84      Standardized item alpha = .83



The set of values suggested above are found to be highly reliable. Details of reliability statistics for each individual components of organizational commitment are in Table J.1 in the Appendix (Appendix STUDY A). Thus, it is possible to proceed towards the statistical analysis.

### 6.2.2.3. Composition of the OCom as unobserved variable: HQs, Japan

From the Structural Regression it is possible to see how the unobserved variable organizational commitment is composed of by the six values and their relative importance in explaining the organizational commitment. As most of the factors have very high scores (Table 6.16), the unobserved variable organizational commitment is adequately represented by these factors. The most important factor to explain commitment here is the **Rational Attachment**. This implies that the employees are committed to the organization because of their rational decision to stay within the organization. All other factors are related to the **Rational Attachment** and **Value Attachment**, as the Analysis of Covariance and Correlation can demonstrate.

**Table 6.16: Composition of Organizational Commitment: Structural Regression, SEM: HQs, Japan**

Unobserved Variable: Organizational commitment	
<u>Values</u>	<u>Scores</u>
Emotional Attachment	.79
Value Attachment	.84
Environment Attachment	.82
Sense of Sacrifice	.84
Rational Attachment	.85
Ego Orientations	.76

**Chi Square= 5272.11**

#### 6.2.2.4. Covariance and Correlation Analyses: OCom in HQs, Japan

The Covariance Matrix shows variances are similar between OCOMJV2 and OCOMJV5, and between OCOMJV3 and OCOMJV4. As a result factors such as **Value Attachment** and **Rational Attachment** are correlated according to the Correlation Matrix given below (Table 6.18). This is also true about **Environment Attachment** and **Sense of Sacrifice**. The other factors are not correlated with but are quite independent. It is possible that **Rational Attachment** can take place when the employees can see their values are similar to that of the organization. Similarly the **Sense of Sacrifice** can develop when the conditions for environmental attachment are there. This is reflected in the Correlation Matrix given below.

**Table 6.17: Covariance Matrix: OCom in HQs, Japan**

	OCOMJV1	OCOMJV2	OCOMJV3	OCOMJV4	OCOMJV5	OCOMJV6
OCOMJV1	.5206					
OCOMJV2	.0688	.7385				
OCOMJV3	.0458	.1517	.5257			
OCOMJV4	.0302	.1072	.4385	.4790		
OCOMJV5	.0791	.6744	.1329	.0986	.7830	
OCOMJV6	.0596	.1253	.0230	.0207	.1035	.6935

**Table 6.18: Correlation Matrix: OCom in HQs, Japan**

	OCOMJV1	OCOMJV2	OCOMJV3	OCOMJV4	OCOMJV5	OCOMJV6
OCOMJV1	1.0000					
OCOMJV2	.1110	1.0000				
OCOMJV3	.0875	.2434	1.0000			
OCOMJV4	.0604	.1802	.8739	1.0000		
OCOMJV5	.1239	.8869	.2071	.1611	1.0000	
OCOMJV6	.0992	.1752	.0381	.0359	.1405	1.0000

From the analysis of the Covariance and Correlation Matrices, it is clear that the factors that affect Organizational Commitment variable are interdependent. The purpose of the Correlation Analysis is to evaluate the basic composition of the organizational commitment in order to examine whether the factors that compose organizational commitment are interrelated and if so what is the direction of that linkages. From the matrices presented above it is clear that

OCOMJV2 (**Value Attachment**) has close links with OCOMJV5 (**Rational Attachment**). Similarly OCOMJV3 (**Environment Attachment**) has close relationship with OCOMJV4 (**Sense of Sacrifice**).

#### 6.2.2.5 Analysis of Variance: OCom in HQs, Japan

Analysis of variance yields a statistic, F, which indicates if there is a significant difference among three or more sample means. If there are significant differences, then it is possible to say that this research have identified different components of this unobserved variable Organizational Commitment. If there are no significant differences, then the calculations are biased. This is the importance of the analysis of variance, which is a kind of validity test.

**Table 6.19: Analysis of Variance: OCom in HQs, Japan**

Hotelling's T-Squared =	586.2916	F =	116.5356
Degrees of Freedom:	Numerator =	5	Denominator = 645

To test the significance of the F value obtained, it is needed to compare it with the critical F value with an alpha level of .05. The null hypothesis and the alternative hypothesis were proposed. The null hypothesis, for the F test, states that there are no differences among the three means. The alternate hypothesis states that there are significant differences among some or all of the individual means. Thus, the null hypothesis was rejected, according to the criteria given above, and it was found that there is indeed a significant difference among the cell means.

Thus, in conclusion there are differences between the means of these factors that compose Organizational Commitment. Our analysis shows that the scores obtained in the survey are independent and unbiased. Hotelling's T-Square, which is a multivariate significance test of mean differences also show the same results. Table 6.19 gives the basic results of variance; the detail analysis is presented in Table J.3 in the Appendix (Appendix STUDY A).

#### 6.2.2.6 Factor Analysis: OCom in HQs, Japan: Hypothesis H<sub>J.2</sub>

**Hypothesis H<sub>J.2</sub>:** There are six value components of organizational commitment in the parent unit of Japan in the chosen for analysis Japanese multinational company.

Factor Analysis was used here to uncover the latent structure or dimensions of a set of variables estimated from the scores obtained from the perceived ideas of the employees regarding the organizational commitment they experience in Japan. Factor Analysis reduces attribute space from a larger number of variables to a smaller number of factors and as such is a 'non-dependent' procedure. Here the Exploratory Factor Analysis is carried out to explore which factors are relatively more important to influence organizational commitment in Japanese multinational company in Japan.

**Table 6.20: Communalities: OCom in HQs, Japan**

Communalities		
	Initial	Extraction
OCOMJV1	1.000	.633
OCOMJV2	1.000	.942
OCOMJV3	1.000	.936
OCOMJV4	1.000	.936
OCOMJV5	1.000	.938
OCOMJV6	1.000	.483

Extraction Method: Principal Component Analysis.

The communality (Table 6.20) measures the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator. High communalities here indicate that all factors are very good indicators of the variable, organizational commitment.

**Table 6.21: Total Variance Explained: OCom in HQs, Japan**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.339	38.979	38.979	2.339	38.979	38.979	1.884	31.396	31.396
2	1.516	25.261	64.240	1.516	25.261	64.240	1.877	31.282	62.678
3	1.014	16.897	81.136	1.014	16.897	81.136	1.107	18.458	81.136
4	.896	14.933	96.070						
5	.129	2.149	98.219						
6	.107	1.781	100.000						

Extraction Method: Principal Component Analysis.

The Eigen value for a given factor measures the variance in all the variables, which is accounted for by that factor. The ratio of Eigen values is the ratio of explanatory importance of the factors with respect to the variables. If a factor has a low Eigen value, then it is contributing little to the explanation of variances in the variables and may be ignored as redundant with more important factors. Here three indicators have significant Eigen Values. Thus these three indicators, **Value Attachment**, **Rational Attachment** and **Environment Attachment**, are very important to influence the variable organizational commitment.

**Table 6.22: Factor Analysis: OCom in HQs, Japan**

	Value Attachment	Rational Attachment	Environmental Attachment	Communality
<b>(Factor Loadings)</b>				
Emotional Attachment	.001	.007	.791	.633
Value Attachment	.958	.118	.101	.942
Environment Attachment	.131	.958	.003	.936
Sense of Sacrifice	.007	.964	.003	.936
Rational Attachment	.960	.008	.008	.938
Ego Orientations	.144	.002	.679	.483
Eigen Value	2.339	1.516	1.014	
Percent Variance Explained	38.979	25.261	16.897	

**Table 6.23: Essentials of Factor Analysis: OCom in HQs, Japan**

<i><b>Most Important Factors</b></i>	<i><b>Related To</b></i>
Value Attachment	Rational Attachment
Rational Attachment	Environment Attachment
Environment Attachment	Emotional Attachment
	Ego Orientations

From the above tables following observations can be extracted, which corroborate to the proposed hypothesis **H<sub>J.2</sub>**.

**O.J.2a: Value Attachment is an important characteristic of the organizational commitment in HQs, Japan**

**O.J.2b: Rational Attachment is an important characteristic of the organizational commitment in HQs, Japan**

**OJ.2c: Environment Attachment is an important characteristic of the organizational commitment in HQs, Japan**

All observations mentioned above are supported by the analysis of the Eigen values. These factors are most important for the research, as identified by the Factor Analysis.

**Table 6.24: Component Matrix: OCom in HQs, Japan**

<b>Component Matrix<sup>a</sup></b>			
	Component		
	1	2	3
OCOMJV1	.233	.113	.752
OCOMJV2	.785	.533	-.206
OCOMJV3	.737	-.627	6.379E-03
OCOMJV4	.696	-.672	8.055E-03
OCOMJV5	.764	.553	-.219
OCOMJV6	.240	.260	.598

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

**Table 6.25: Rotated Component Matrix: OCom in HQs, Japan**

	Component		
	1	2	3
OCOMJV1	-1.41E-03	7.920E-02	.791
OCOMJV2	.958	.118	.101
OCOMJV3	.131	.958	3.832E-02
OCOMJV4	7.279E-02	.964	2.053E-02
OCOMJV5	.960	8.953E-02	8.863E-02
OCOMJV6	.144	-2.89E-02	.679

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

The cells in Tables 6.24 and 6.25 are factor loadings, and the meaning of the factors must be induced from seeing which variables are most heavily loaded on which factors. The correlations between the variables and the three factors, as they are extracted are also called factor loadings, as given above for each of the values. The factor loadings are the correlation coefficients between the variables (rows) and factors (columns). The squared factor loading is the percent of variance in that indicator variable explained by the factor.

Apparently, the first factor **Value Attachment** is highly correlated with **Rational Attachment**; the second factor **Rational Attachment** is highly correlated with **Environment Attachment** and **Sense of Sacrifice**; the third factor, **Environment Attachment**, is highly correlated with **Emotional Attachment** and **Ego Orientations**.

From the above tables of Factor Analysis we can examine the following observations:

**OJ.2 d: Similar values of employees with that organization in Japan are highly related to the Rational Attachment of the employees of that Japanese MNC in its HQs, Japan.**

**OJ.2 e: The Rational Attachment of the employees in HQs, Japan to their organization is highly related to Environment Attachment of that organization and the Sense of Sacrifice.**

Okada, Ishida, and Ohta (1999) in a psychological study of Japanese industrial workers observed the interrelationship between **Rational Attachment** and **Environment Attachment** as well, which according to them on a Japanese-style organization are simulated by prevailing conditions

in that organization and their societal values. Okabe (2005) in a comparative study of British and Japanese employees in a Japanese multinational company observed similar feature in the Japanese unit. **Sense of Sacrifice** is societal value, and possibly is attached to the psychology of the Japanese workers since their childhood (Basu, 1999). Other environmental factors may enhance this feeling to create the **Rational Attachment**.

**OJ.2f: The Environment Attachment of the employees in Japan to their organization is highly related to the Emotional Attachment and Ego Orientations.**

Thus, emotions are rationalized here by reason: **Emotional Attachment** is correlated with both **Value Attachment** and **Rational Attachment**. **Ego Orientations** is related to **Rational Attachment** and **Value Attachment** as well. Thus, Theory 'Z', which promotes Ego Orientations and **Rational Attachment** and Theory 'J', which promotes **Value Attachment**, are interrelated as it shown based on the results of this study.

**Table 6.26: KMO and Bartlett's Test: OCom in HQs, Japan**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.534
Bartlett's Test of Sphericity	Approx. Chi-Square	2012.872
	df	15
	Sig.	.000

Measured by the Kaiser-Meyer-Olkin (KMO) statistics, sampling adequacy predicts if data are likely to represent the Factor Analysis well or not. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. At Table 6.26, the KMO measure is 0.534. From the same table, it is clear that the Bartlett's test of Sphericity (Bartlett, 1950) is with very high Chi-Square. This means that the correlation matrix is not an identity matrix or close to zero. Thus, it is possible to proceed with the Factor Analysis, which would provide meaningful results.

Considering the above analysis, it is possible to accept the following hypothesis

**H<sub>J.2</sub>: There are six value components of organizational commitment in the parent unit of Japan in this Japanese multinational company.**



The descriptive statistics shows employees put high emphasis on these values. The frequency distribution of these values shows normal probability distributions. That, according to the Analysis of Variance, proves that current analysis is unbiased. The Factor Analysis shows very high Community Matrix for these values, indicating the fact that these six value-components represent the organizational commitment.

### **6.2.3 Interrelationship between Organizational Culture and Organizational Commitment in HQs, Japan: Research Question 4 (part 1)**

**The Research Question 4: Whether there is a link between organizational culture and organizational commitment in a Japanese multinational company?**

has three parts: (1) whether there is a link between culture and performance/commitment of a very large organization like this Japanese MNC in its HQs in Japan, (2) whether there is a link between culture and organizational commitment of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) whether there is a link between culture and organizational commitment in this Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY A is exploring the part 1 of the Research Question 4: *whether there is a link between culture and organizational commitment of a very large organization like this Japanese MNC in its HQs in Japan*. Considering the prior literature (as given in Chapter 2 and 3), the relationship between perceived organizational culture and performance in form of organizational commitment was regarded as most complex one and was analyzed in a number of studies with the observation that perceived organizational support is significantly linked with affective and continuance commitment (Lok & Crawford, 1999, 2001; Lok, Westwood & Crawford, 2005). In this research the Multiple Regression Analysis was used to explore the issue of interrelationship between culture and commitment.

### 6.2.3.1 Results of Multiple Regression Analysis: HQs, Japan: Hypothesis H<sub>J.3</sub>

**Hypothesis H<sub>J.3</sub>: The influences on organizational commitment in the parent unit of this multinational company are mainly internal, generating from its own organizational culture.**

Multiple Regression Analysis aims to establish that a set of independent variables explains a proportion of the variance in a dependent variable at a significant level (through a significance test of R-squared), and can establish the relative predictive importance of the independent variables (by comparing beta weights). To examine the hypothesis H<sub>J.3</sub> this research has employed Multiple Regression Analysis by regressing components of organizational commitments on the components of organizational culture. Data obtained should reveal whether components of commitments can be explained by the components of organizational culture.

After having several sortings with different specifications of the equations, the equations which of best fit along with significant coefficients are presented below. It shows that OCOM1 (**Emotional Attachment**) and OCOM6 (**Ego Orientations**) cannot be predicted by the factors of organizational culture; thus, these two factors composing the variable organizational commitment are independent of organizational culture.

It is important to note that only the factors which as statistically significant are described below, other statistically non-significant factors are in Appendix (Appendix STUDY A Chapter 6).

**Dependent Variable: OCOMJV2 (Value Attachment)**

**Table 6.27: Model Summary, Regression: OCOMJV2 in HQs, Japan**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.901 <sup>a</sup>	.812	.811	.3733

a. Predictors: (Constant), OCJV4, OCJV3, OCJV1

R-squared is the percent of the dependent variable explained by the independent variables. In this case, the model explains 81 % of the variance. This suggests the model is well specified. Adjusted R-squared is a standard, arbitrary downward adjustment to penalize for the possibility that, with many independents, some of the variance may be due to chance. Standard error of

estimate is 0.3 units. Here, due to the higher confidence limit it is expected that predictions are reliable.

**Table 6.28: ANOVA, Regression: OCOMJV2 in HQs, Japan**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	389.275	3	129.758	931.185	.000 <sup>a</sup>
	Residual	90.019	646	.139		
	Total	479.294	649			

a. Predictors: (Constant), OCJV4, OCJV3, OCJV1

b. Dependent Variable: OCOMJV2

The F value for the "Change Statistics" shows the significance level (Table 7.28). On the whole we may conclude that **Value Attachment** (OCOMJV2) can be determined by the features of organizational culture such as **Innovation** (OCJV1), **Decisiveness** (OCJV3) and **Stability** (OCJV4).

**Table 6.29: Coefficients, Regression: OCOMJV2 in HQs, Japan**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.577	.096		.000
	OCJV1	.437	.092	.449	.000
	OCJV3	.222	.083	.226	.008
	OCJV4	.228	.098	.233	.021

a. Dependent Variable: OCOMJV2

Examining the beta weights (Table 6.29) it is possible to conclude that **Innovation** (OCJV1), followed by **Security & Stability** (OCJV4) and **Decisiveness** (OCJV3) has the greatest effect on **Value Attachment** (OCOMJV2). The T-Statistics show that the beta weights for these independent variables are significant.

**Dependent Variable: OCOMJV3 (Environment Attachment)**

**Table 6.30: Model Summary, Regression: OCOMJV3 in HQs, Japan**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917 <sup>a</sup>	.842	.841	.2888

a. Predictors: (Constant), OCJV5, OCJV2

R-squared, which is equal to .85, is the percent of the dependent variable explained by the independent variables. In this case (Table 6.30), the model explains 85 % of the variance. This suggests the model is well specified. Adjusted R-squared is also good. Standard error of estimate is 0.27, which is very low. Here, due to the higher confidence limit, it is expected that predictions are reliable.

**Table 6. 31: ANOVA, Regression: OCOMJV3 in HQs, Japan**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	287.222	2	143.611	1721.340	.000 <sup>a</sup>
	Residual	53.979	647	8.343E-02		
	Total	341.202	649			

a. Predictors: (Constant), OCJV5, OCJV2

b. Dependent Variable: OCOMJV3

The F value is significant. The T-Statistics (in Table 6.32) show that the beta weights for these independent variables are significant.

**Table 6.32: Coefficients, Regression: OCOMJV3 in HQs, Japan**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.363	.085		4.288
	OCJV2	.320	.084	.319	3.830
	OCJV5	.610	.085	.602	7.214

a. Dependent Variable: OCOMJV3

On the whole to conclude that **Environment Attachment** (OCOMJV3) can be explained by the features of organizational culture such as **Supportiveness** (OCJV5), and **Entrepreneurship** (OCJV2) according to their order of importance examining their beta weights.

**Dependent Variable: OCOMJV4 (Sense of Sacrifice)**

**Table 6.33: Model Summary, Regression: OCOMJV4 in HQs, Japan**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.889 <sup>a</sup>	.790	.789	.3177

a. Predictors: (Constant), OCJV5, OCJV2

R-squared, which is equal to .79, is the percent of the dependent variable explained by the independent variables. In this case, the model explains 79 % of the variance. This suggests the model is well specified. Adjusted R-squared is also quite good. Standard error of estimate is 0.31, very low. Here, due to the higher confidence limit we would expect predictions would be reliable.

**Table 6.34: ANOVA, Regression: OCOMJV4 in HQs, Japan**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	245.615	2	122.807	1217.091	.000 <sup>a</sup>
	Residual	65.284	647	.101		
	Total	310.898	649			

a. Predictors: (Constant), OCJV5, OCJV2

b. Dependent Variable: OCOMJV4

The F value is significant. The T-Statistics (in Table 6.34) show that the beta weights for these independent variables are significant.

**Table 6.35: Coefficients, Regression: OCOMJV4 in HQs, Japan**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.753	.093		.000
	OCJV2	.397	.092	.416	.000
	OCJV5	.462	.093	.477	.000

a. Dependent Variable: OCOMJV4

On the whole we may conclude that OCOMJV4 (**Sense of Sacrifice**) can be explained by the features of organizational culture such as OCJV2 (**Entrepreneurship**), and OCJV5 (**Supportiveness**).

**Dependent Variable: OCOMJV5 (Rational Attachment)**

**Table 6.36: Model Summary, Regression: OCOMJV5 in HQs, Japan**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.937 <sup>a</sup>	.878	.878	.3096

a. Predictors: (Constant), OCJV8, OCJV7, OCJV4

R-squared, which is equal to .88, is the percent of the dependent variable explained by the independent variables. In this case, the model explains 88 % of the variance. This suggests the model was well specified. Adjusted R-squared is also quite good. Standard error of estimate is 0.30, very low. Here, due to the higher confidence limit, it is possible to expect that predictions are reliable.

**Table 6.37: ANOVA, Regression: OCOMJV5 in HQs, Japan**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	446.253	3	148.751	1551.768	.000 <sup>a</sup>
	Residual	61.925	646	9.586E-02		
	Total	508.178	649			

a. Predictors: (Constant), OCJV8, OCJV7, OCJV4

b. Dependent Variable: OCOMJV5

The F value is significant. The T-Statistics (in Table 6.37) show that the beta weights for these independent variables are significant.

**Table 6.38: Coefficients, Regression: OCOMJV5 in HQs, Japan**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	
1	(Constant)	.263	.079		3.325
	OCJV4	.509	.081	.506	6.313
	OCJV7	.183	.081	.181	2.262
	OCJV8	.259	.067	.257	3.859

a. Dependent Variable: OCOMJV5

On the whole, it is possible to conclude that OCOMJV5 (**Rational Attachment**) can be determined by some features of organizational culture such as OCJV4 (**Security & Stability**), OCJV8 (**Preciseness**) and OCJV7 (**Team Spirit**), according to their order of importance examining their beta weights. As it shown from the above analysis two values such as **Emotional Attachment** (OCOMJV1) and **Ego Orientations** (OCOMJV6) are not determined by the values of organizational culture but are possibly influenced by other various societal and national cultural factors. Considering the impacts of factors of organizational culture on organizational commitment as described in the Table 6.39, the observation that there are strong effects of factors of organizational culture on most of the factors of organizational commitment in Japan is supported by this research. Thus, the hypothesis **H<sub>1.3</sub>** is mainly supported.



**Table 6.39: Results of Multiple Regression Analysis: OCom in HQs, Japan**

<u>Dependent Variable</u>	<u>Predictor Variable</u>	<u>Beta</u>	<u>t-statistics</u>
1) Value Attachment	Innovation	.449	4.72*
	Decisiveness	.226	2.67*
	Stability	.233	2.32*
R-Square= .81; F-value = 931.18; significant at 5% confidence level			
2) Environment Attachment	Supportiveness	.319	3.83*
	Entrepreneurship	.602	7.21*
R-Square= .84; F-value = 1721.34; significant at 5% confidence level			
3) Sense of Sacrifice	Entrepreneurship	.416	4.32
	<i>Supportiveness</i>	.477	4.96
R-Square= .84; F-value = 1721.34; significant at 5% confidence level			
4) Rational Attachment	Stability	.506	6.31
	Preciseness	.181	2.26
	Team Spirit	.257	3.85
R-Square= .87; F-value = 1551.76; significant at 5% confidence level			

### **6.2.3.2 Results of Structural Equation Modeling (SEM): HQs, Japan: Hypothesis H<sub>J.4</sub>**

**Hypothesis H<sub>J.4</sub>:** There is a strong relationship between organizational culture and organizational commitment in the parent unit in Japan of this Japanese multinational company.

The purpose of the structural equation is to examine whether there is a relationship between the two unobserved variables *organizational culture* and *organizational commitment*, i.e., to test the hypothesis H<sub>J.4</sub>

CFA involves mean the analysis of alternative measurement (factor) models using a Structural Equation Modeling. The package such as LISREL was used to implement SEM. In addition to testing of the hypothesis H<sub>J.4</sub>, SEM also can demonstrate the results of a structural regression model to explore the relationship between the unobserved variables and their value-components.

Structural equation modeling (SEM) serves purposes similar to Multiple Regression Analysis, but in a more powerful way which takes into account the modeling of interactions, multiple latent independents, where each is measured by multiple indicators, and one or more latent dependents also each with multiple indicators.

#### ***Goodness of Fit measures in SEM***

Structural equation modeling (LISREL package) was used in this research to evaluate the relationships between two unobserved variables *organizational culture* and *organizational commitment* for the parent operation in Japan of this chosen Japanese multinational Company. LISREL paths diagrams (Figure 6.3) describe the relationship between organizational culture and commitment in the parent unit in Japan.

#### ***Results of The Structural Equation Model***

Root mean square residuals (or RMS residuals, or RMSR, or RMR) is the coefficient which results from taking the square root of the mean of the squared residuals, which are the amounts by which the sample variances and covariances differ from the corresponding estimated variances and covariances, estimated on the assumption that the proposed model is correct. Fitted residuals

result from subtracting the sample covariance matrix from the fitted or estimated covariance matrix. RMR is the mean absolute value of the covariance residuals. Its lower bound is zero but there is no upper bound, which depends on the scale of the measured variables. The closer RMR is to 0, the better the model fit. In this model, it is 0.11; thus the model has a good fit in this research.

**Table 6.40: Factor Scores Regressions: Standardized Solution of SEM: OC and OCom in HQs, Japan**

	Organizational Culture	Organizational Commitment
Innovation	0.84	
Entrepreneurship	0.78	
Decisiveness	0.85	
Stability	0.81	
Supportiveness	0.85	
Performance	0.81	
Team Spirit	0.86	
Preciseness	0.85	
Emotional Attachment	--	0.79
Value Attachment	--	0.84
Environment Attachment	--	0.82
Sense of Sacrifice	--	0.84
Rational Attachment	--	0.85
Ego Orientations	--	0.76
Chi-Square= 5272.11 (P = 0.0); Normed Chi-Square= 3780.29 (P = 0.0)		
RMSEA= 0.14; Standardised RMR= 0.14; CFI= 0.91; IFI=0.85		
ECVI for Saturated Model = 0.12		

Standardized Root Mean Square Residual or Standardized RMR (SRMR) is the average difference between the predicted and observed variances and covariance in the model, based on standardized residuals. Standardized residuals are fitted residuals (see above) divided by the standard error of the residual (this assumes a large enough sample to assume stability of the standard error). The smaller the SRMR, the better the model fit. Here the estimated SRMR is 0.14, which is fairly good.

Expected Cross-Validation Index (ECVI) in its usual variant is useful for comparing non-nested models. Lower ECVI is better fit. Here in this model ECVI for Saturated Model = 0.12. Thus, the proposed model is satisfactory compared with any alternative model, where the latent variables are assumed to be uncorrelated.

Factor scores regression tells us how closely the values of organizational culture (and of organizational commitment) are related to the unobserved variable organizational culture (and of organizational commitment), and which values are relatively more important, taking into account the total effects of all variables on the unobserved variables. Thus, it is a superior method to examine whether the proposed in this research constructs for the unobserved variables are correct or not.

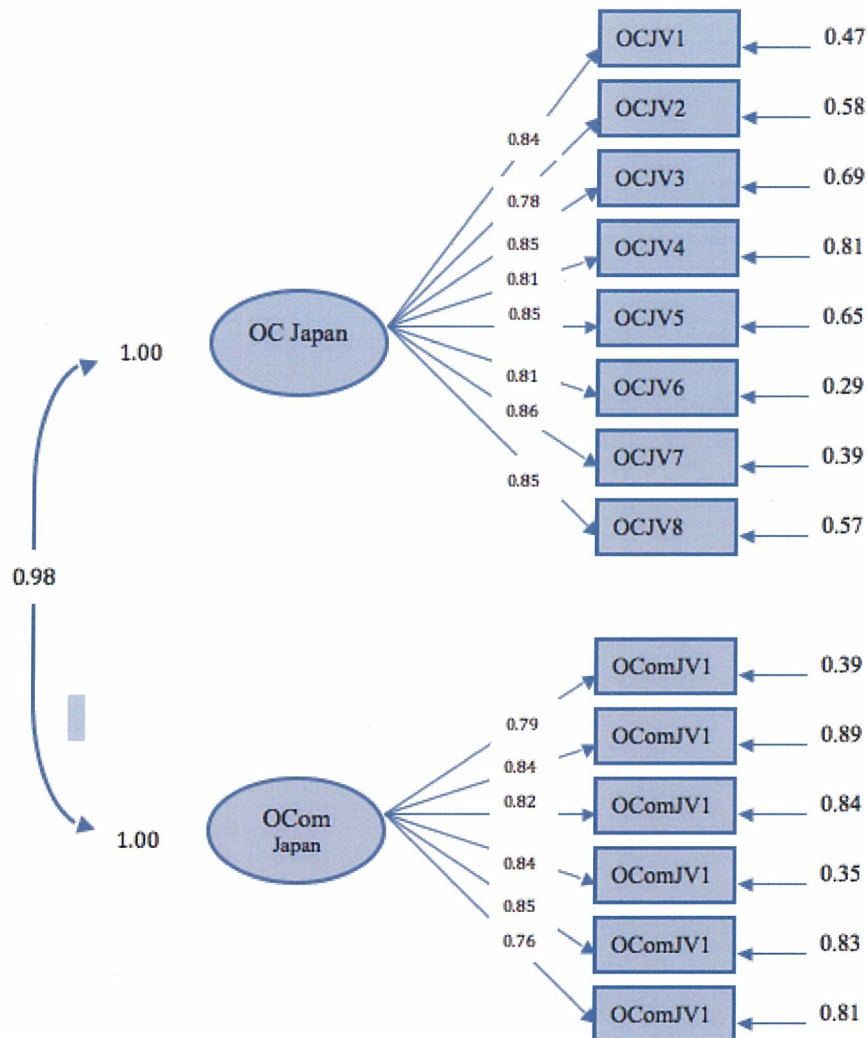
**Table 6.41: Correlation Matrix of SEM: OC and OCom in HQs, Japan**

	OC	OCom
	-----	-----
<b>OC</b>	1.00	
<b>OCom</b>	0.98	1.00

It is important to note that the latent variables in SEM are similar to factors in Factor Analysis, and the indicator variables likewise have loadings on their respective latent variables. Using that criteria for the latent variable *organizational culture*, the indicators OC2 (**Entrepreneurship**) and OC5 (**Supportiveness**) have little effects. Similarly for the latent variable *organizational commitment*, OCOM4 (**Sense of Sacrifice**) and OCOM5 (**Rational Attachment**) have insignificant effect.

Correlation matrix in LISREL Path Diagram (see the Figure 6.3) is the matrix of correlations of the latent dependent and latent independent variables. Thus, 0.98 is the correlation between *organizational culture (OC)* and *organizational commitment (OCom)* in the sample for HQs, Japan. As it is very high, thus, it is possibly to conclude that there is a very close strong relationship between organizational culture and organizational commitment in the HQs in Japan of the selected Japanese MNC as perceived by the employees of this organization.

**Figure 6 .3: Relationship between OC and OCom in HQs, Japan**



#### 6.2.3.3 Results of testing model for Convergent and Divergent Validity in HQs, Japan

Convergent validity is indicated by the criteria that indicators for latent variables correlate with each other to an acceptable degree. Acceptable goodness of fit measures suggests that a model indicate convergent validity when the degrees of correlations between the indicators are at

least .70 for all indicators. Divergent validity is demonstrated by showing that the indicators are better associated with their respective latent variables than they are with other latent variables (Dunn, Seaker, & Waller, 1994). Each pair of latent variables was tested separately: first with the correlation unconstrained and then with the correlation constrained to 1.0, demonstrating for each pair that the constrained model is significantly inferior in fit.

On the whole, based on the results of the STUDY A, it is possible to accept the hypothesis H<sub>1,4</sub> that there is a strong relationship between organizational culture and organizational commitment in the Japanese organization under our study. This hypothesis, as examined by this research, has considerable support in the prior research findings. There are studies, which supported the ideas proposed in this research, which will be discussed in Chapter 10.

## **CONCLUSION**

Based on the data obtained from the STUDY A the research has identified the eight value-components of organizational culture and the six value-components of performance/ commitment as it is in the parent unit in Japan of this Japanese MNC. The attempt has been made to examine whether there is a link between organizational culture and organizational commitment from the experience of this company in its HQs operations in Japan.

The results of STUDY A prove that there is a close relationship between culture and organizational commitment in HQs in Japan. Also research shows how value components of culture influence the values of commitment of the employees at the level of organization. Thus, this chapter provides the answers on three research questions out of four stated in this thesis, such as Research Questions 1, 3, and 4 as far as the parent operation in Japan is concerned. Therefore, the benchmark for the further comparison of the similar issues in two subsequent studies in two different subsidiaries such as STUDY B in Thailand and STUDY C in India has been established.

Given the evolving complex control structure for the multinational firms, future analysis should explore the organizational levels at which control takes place and the association between level at which the culture control is exerted and its nature (Chen & Tjosvold, 2008). The values that compose organizational culture indicate the type of controls the organization needs to employ on the employees so as to create these values. The results of the Multiple Regression Analysis prove

that the value-components of organizational commitment are explained by value-components of organizational culture, in other words it means that values of commitment are the products of these values of organizational culture sustained by the company. This is explained by the close interrelationships between these unobserved variables organizational culture and commitment.

Thus, this study concludes in accordance with findings derived from the related literature (Hayashi, 2003; Basu, 2010) that this MNC strives to fulfill the goal to create a harmonious organizational climate through the development of organizational culture in its HQs operations in Japan. The question, whether the situation regarding the value-components composing the two concepts under investigation and the link between them are similar in its overseas subsidiaries in Asia, will be discussed in the subsequent chapters such as Chapter 7 (STUDY B) and Chapter 8 (STUDY C), and the Research Question 2a and 2b will be answered as well.

## **CHAPTER 7:**

# **STUDY B: ANALYSIS OF THE ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT IN THE THAI SUBSIDIARY**

## **INTRODUCTION**

This chapter describes the STUDY B of the quantitative analysis. In STUDY A the benchmark regarding the characteristics of the value-components of organizational culture and organizational commitment, and the degree of relationship between them as observed in the parent unit in Japan for this Japanese MNC was established. The STUDY B has examined the set of hypotheses regarding the value characteristics of the organizational culture and organizational commitment as observed in the subsidiary of this Japanese MNC which is located in the culturally similar host country, Thailand which as described in Table 7.1.

**Table 7.1: STUDY B: Set of Hypotheses Examined**

**H<sub>T.1</sub>: There are eight value-components of organizational culture in the Thai subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan**

**H<sub>T.2</sub>: There are six value components of organizational commitment in the Thai subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.**

**H<sub>T.3</sub>: The influences on organizational commitment in the Thai subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent unit in Japan.**

**H<sub>T.4</sub>: There is a strong relationship between organizational culture and organizational commitment in the Thai subsidiary of this Japanese multinational company, which is similar to this relationship in the parent unit in Japan.**



The structure of this chapter is as follows: section 7.1 describes the procedure of data collection in the Thai subsidiary. Section 7.2 describes the results of analysis of the data collected from the subsidiary located in the culturally similar to Japan host country, Thailand.

## **7.1 PROCEDURE OF DATA COLLECTION IN THE THAI SUBSIDIARY OF THE JAPANESE MNC**

The same measurement instrument 'Questionnaire' consisting of two scales such as the Organizational Culture Assessment Scale (OCAS), the modified and adapted version of OCP by O'Reilly et al. (1991), and the Organizational Commitment Assessment Scale (OCOMAS), the adapted version of OCQ by Mowday et al. (1979) was used in all three studies: A, B and C to examine quantitatively both variables comprising the research model and its interrelationships. Chapter 4 provides the detailed explanation of the research measurement instrument and in Appendix there are three sets of Questionnaire translated in English, Japanese and Thai languages which were distributed in various plants and offices of the selected Japanese MNC in Japan, Thailand and India.

In STUDY B the data was obtained from the subsidiary located in the culturally similar to Japan host country, Thailand. Various data analysis techniques were used in order to investigate whether organizational culture was transmitted from HQs to the Thai subsidiary, resulting the creation of the same pattern of commitment as it was observed in the parent unit in Japan. The Factor Analysis was used to investigate the factors composing both variables in the subsidiary in Thailand. Discriminant Analysis was used to examine how similar are the factors composing organizational culture and commitment in subsidiaries compare to those in HQs located in Japan. The relationship between organizational culture and commitment in Thai subsidiary was evaluated using Multiple Regression Analysis. Structural Equation Modeling Analysis was implemented to examine the relationship between these two unobserved variables for this subsidiary company in Thailand in order to answer the questions raised in this research.

Altogether 3000 forms were distributed in Japan Thailand and India , out of that 2001 employees have responded. After eliminating forms, which are incomplete or wrongly filled up, selected, 650 responses were selected from each location: Japan, Thailand and India. The questionnaire-kit for the Thai subsidiary was translated in Thai language (details on translation and distribution of

questionnaires are described in Chapter 5. From the Thai subsidiary the sample consisting of 650 responses was chosen. The characteristics of the sample of Thai subsidiary are described in the section 7.1.2.

### **7.1.1 Characteristics of the Sample of the Thai Subsidiary**

For Thailand, this research has followed exactly the same definitions of value-components composing the variables of the research model and the corresponding items as given in the Questionnaire which was distributed in the HQs in Japan. The sample obtained in this study consisted of 650 employees working in Thailand. Respondents were randomly selected to have a maximum representation from all areas of operations, and all possible sub-cultures not just the sub-culture of managers. Responses sought according to a 7 point Likert scale. Respondents were advised not to write their names on the questionnaire.

Semi-structured interviews of some of the most senior executives, such as members of the Board of Directors, Vice Presidents, plant managers, and directors of corporate services and personnel services were taken to understand their views and comments on the measurement instrument used in this research so as to make the Questionnaire more meaningful and realistic to the situation. All of them have overseas experiences in operations in various locations of the world, including Asia, particularly the Thailand, to explain the subsidiary management system of Japanese MNCs. In Table 7.2 the characteristics of the sample of the Thai subsidiary are described.

**Table 7.2: Characteristics of the Sample of the Thai Subsidiary**

<b><u>Items</u></b>	<b><u>Employees in Thailand</u></b>
Number of Respondents	650
Gender	Male=638 Female=12
<b><u>Tenure</u></b>	
Length of service (mean)	9.35 years
<b><u>Age</u></b>	
Under 35	39.6%
35-45	56.7%
Above 45	3.7%
<b><u>Educational Level</u></b>	
Senior High School	1.1%
University Graduate	91.5%
Post Graduate	7.4%
<b><u>Nationality</u></b>	
Japanese	0.1 %
Thai	98.5 %
Other Asian	1.4 %
<b><u>Formal Cultural Training</u></b>	
Posted Abroad	1.7 %
Received Cultural Training	73.1 %
Received Language Training	42.5 %

The subsidiary in Thailand was established about 20 years ago and majority of the employees are younger than those in Japan. Regarding the education, according to the obtained data the Thai employees are more formally educated than the Japanese employee, although the quality of Thai education may differ. There are very few foreigners, except for the Japanese, in this operation in Thailand. The employees are almost all men; there are few females. Most the employees in Thailand have received cultural adaptation training and Japanese language training as part of their training for the company. They have to go to HQs in Japan from time to time for the further training and to learn about the values composing the organizational culture of the parent unit.

## 7.2 RESULTS OF ANALYSIS OF DATA COLLECTED IN THE THAI SUBSIDIARY

### 7.2.1 Results: Statistical Analysis of Organizational Culture (OC) in HQs, Japan: Research Question 1 (part 2)

#### 7.2.1.1. Descriptive Statistics for OC: Thai Subsidiary

The Research Question 1 What are the precise factors composing the concept of ‘organizational culture’ in a Japanese multinational company?

has three parts: (1) what factors are composing the organizational culture of a very large organization like this Japanese MNC in its HQs in Japan, (2) what factors are composing the organizational culture of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) what factors are composing the organizational culture of this Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY B is exploring the part 2 of the Research Question 1: *what factors are influencing the organizational culture of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand.* Considering the prior literature (as given in Chapter 2 and 3), this research has proposed eight values that can form the organizational culture in the Thai subsidiary.

These value components of organizational culture in the Thai subsidiary are defined as follows:

**Definition of Factors (or value-components) composing Organizational Culture variable:**  
OCTHV1= Innovation; OCTHV2= Entrepreneurship; OCTHV3= Decisiveness; OCTHV4= Stability & Security (Emphasis on Stability); OCTHV5= Supportiveness; OCTHV6= Emphasis on Performance (Performance Orientations); OCTHV7= Team Spirit; OCTHV8= Preciseness

The means of each value components (or factors) of organizational culture as shown in the Table 7.3 have good scores, indicating acceptance and approval of these features of organizational culture of this MNC in its subsidiary operation in Thailand. All Standard Deviations indices demonstrate that means are significantly different from zero at the 5 percent level of confidence. Thus, the calculated means from this sample are not spurious, and therefore sample can be a representative sample.

**Table 7.3: Descriptive Statistics: OC, Thai Subsidiary**

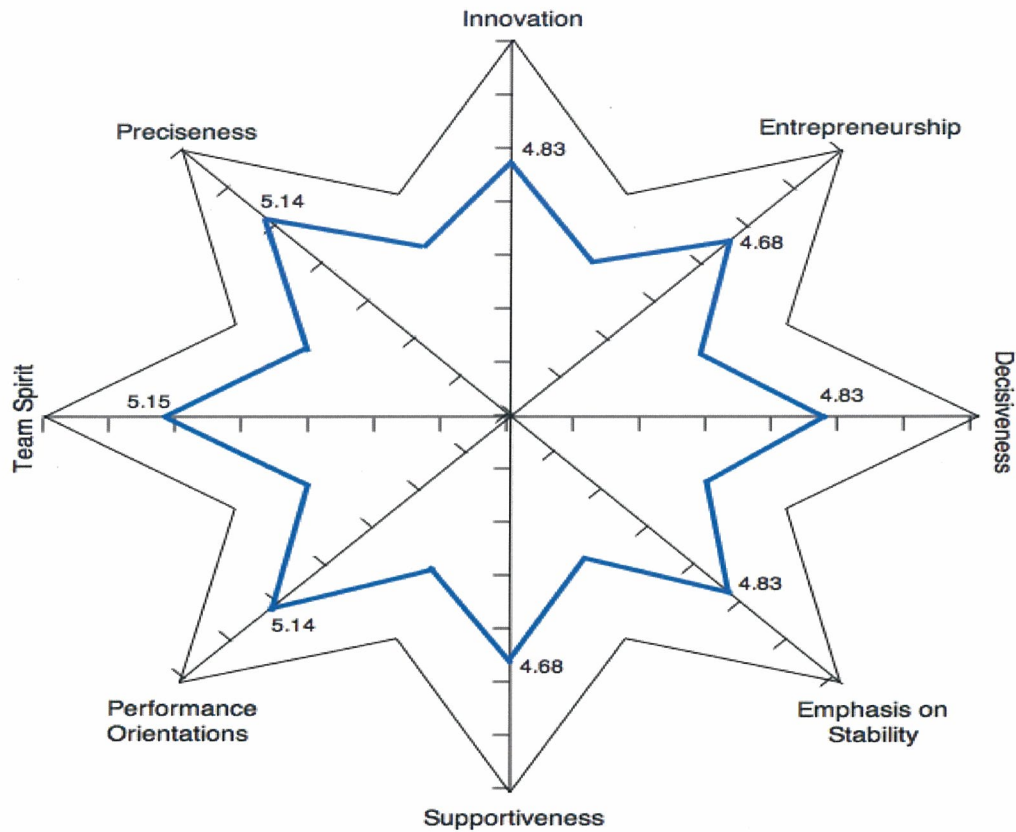
**Descriptive Statistics**

	N	Mean		Skewness		Kurtosis	
	Statistic	Statistic	Std.Error	Statistic	Std.Error	Statistic	Std.Error
OCJV1	650	4.83	3.456E-02	.067	.096	-.019	.191
OCJV2	650	4.68	2.939E-02	-.271	.096	-.152	.191
OCJV3	650	4.83	3.295E-02	.040	.096	.064	.191
OCJV4	650	4.83	3.288E-02	.022	.096	.033	.191
OCJV5	650	4.68	2.929E-02	-.264	.096	-.152	.191
OCJV6	650	5.14	3.370E-02	-.154	.096	-.479	.191
OCJV7	650	5.15	3.363E-02	-.177	.096	-.489	.191
OCJV8	650	5.14	3.353E-02	-.163	.096	-.469	.191
ValidN(listwise)	650						

The social factors like **Security**, **Supportiveness** have much less score than these have in Japan, signifying the societal differences between the Thai and the Japanese employees. The subsidiary is depended upon the parent organization for finance, technology and higher managerial decisions. Thus, the scores for **Innovation**, **Entrepreneurship**, and **Decisiveness** are low in the Thai subsidiary than in the Japanese parent unit.

The Star Diagram (Figure 7.1) shows the mean responses for the eight factors (values-components) that compose organizational culture in the Thai subsidiary. While comparing the two Star Diagrams for HQs in Japan (Figure 6.1 Chapter 6) and Thai subsidiary (Figure 7.1) it is clear that the mean responses are similar but not identical to those in HQs in Japan more or less about 5.1 on the average in the Likert's scale of 7, except **Entrepreneurship** (OCTHV 2) and **Supportiveness** (OCTHV5) which implies that subsidiary's culture, although should be similar to that of the parent organization, is not exactly the same always. However, the most important operational characteristics of OCTHV6 (**Emphasis on Performance**), OCTHV7 (**Team Spirit**), OCTHV8 (**Preciseness**) have high score just like in HQs in Japan.

**Figure 7.1: Mean Responses on Eight Factors Composing OC in the Thai Subsidiary**



#### 7.2.1.2 Reliability Analysis: OC, Thai subsidiary

The Cronbach Alpha calculated below provides the reliability regarding internal consistency of the perceptions of the employees of this Japanese MNC in the subsidiary operation in Thailand, which satisfies this hypothesis.

**Table 7.4: Reliability: OC, Thai Subsidiary**

Alpha = .82	Standardized item alpha = .81
-------------	-------------------------------

The set of values suggested above and measured using the scale assessing organizational culture (OCAS) which was influenced by O'Reilly et al. (1991) are found to be highly reliable from the

data collected from Thailand. Thus, it is possible to proceed towards the statistical analysis. Details of reliability statistics for each individual components of organizational culture are in Table T.1 in the Appendix of Chapter 7.

### 7.2.1.3. Covariance and Correlation Analyses: OC, Thai subsidiary

Statistical analysis and measurement for the eight values of organizational culture in the Thai subsidiary are given as follows:

**Table 7.5: Covariance Matrix: OC, Thai Subsidiary**

	OCTHV1	OCTHV2	OCTHV3	OCTHV4	OCTHV5	OCTHV6	OCTHV7	OCTHV8
OCTHV1	.7764							
OCTHV2	-.0450	.5614						
OCTHV3	-.0408	-.0001	.7058					
OCTHV4	-.0470	.0014	.6996	.7027				
OCTHV5	-.0480	.5557	.0002	.0017	.5577			
OCTHV6	-.0053	.0308	-.0450	-.0466	.0290	.7382		
OCTHV7	-.0065	.0338	-.0412	-.0427	.0304	.7329	.7353	
OCTHV8	-.0131	.0334	-.0468	-.0484	.0331	.7292	.7285	.7310

The Covariance Matrix (Table 7.5) shows variances are closely related between **Entrepreneurship** (OCTHV2) and **Supportiveness** (OCTHV5). **Decisiveness** (OCTHV3) is closely related to **Stability and Security** (OCTHV4). **Emphasis on Performance** (OCTHV6) is close to **Team Spirit** (OCTHV7) and **Preciseness** (OCTHV8). **Team Spirit** is also related to **Preciseness**.

According to the Correlation Matrix (Table 7.6), values such as **Decisiveness**, **Security of employment**, **Emphasis on Performance**, **Team Spirit**, and **Preciseness** are highly correlated. Other values like **Entrepreneurship** and **Supportiveness** are not correlated with other values but are quite independent.

**Table 7.6: Correlation Matrix: OC, Thai Subsidiary**

	OCTHV1	OCTHV2	OCTHV3	OCTHV4	OCTHV5	OCTHV6	OCTHV7	OCTHV8
OCTHV1	1.0000							
OCTHV2	-.0681	1.0000						
OCTHV3	-.0551	-.0002	1.0000					
OCTHV4	-.0636	.0023	.9934	1.0000				
OCTHV5	-.0729	.9931	.0003	.0027	1.0000			
OCTHV6	-.0070	.0478	-.0624	-.0646	.0452	1.0000		
OCTHV7	-.0086	.0525	-.0571	-.0594	.0475	.9948	1.0000	
OCTHV8	-.0174	.0521	-.0652	-.0675	.0519	.9927	.9937	1.0000

It is possible that **Entrepreneurship** in the subsidiary comes from the top executives who are often Japanese not Thai. Thus, ordinary employees who are Thais may be unrelated to entrepreneurial activities. High **Emphasis on Performance** demands **Preciseness**, and **Team Spirit** supports these values in the work place. **Supportiveness** is an interpersonal relationship. However **Innovation** is unrelated to any other values, which is very different from what was observed in HQs in Japan, and is reflected in the Correlation Matrix (Table 7.6).

#### 7.2.1.4 Analysis of Variance: OC, Thai subsidiary

Analysis of variance yields a statistic, F, which indicates if there is a significant difference among sample means. The null hypothesis and the alternative hypothesis were proposed. The null hypothesis, for the F test, states that there are no differences among these means of different values composing the unobserved variable organizational culture. The alternative hypothesis states that there are significant differences among some or all of the individual means. The null hypothesis, given the F test, was rejected because it was found that there is indeed exists a significant difference among the cell means. This result is similar to what was obtained in the HQs in Japan.

**Table 7.7: Analysis of Variance: OC, Thai Subsidiary**

Hotelling's T-Squared =	119.8273	F =	16.9599
Degrees of Freedom:	Numerator =	7	Denominator = 643



Table 7.7 gives the basic results; detail results are in Table T.2 in the Appendix Chapter 7. The analysis shows that the scores obtained in the survey are independent and unbiased. Hotelling's T-Square, which is a multivariate significance test of mean differences also demonstrate the same results.

#### **7.2.1.5 Factor Analysis: OC, Thai subsidiary: Hypothesis H<sub>T.1</sub>**

**Hypothesis H<sub>T.1</sub>:** There are eight value-components of organizational culture in the Thai subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan

In the Communalities Matrix (Table 7.8), high scores for all most all components signifies that these value-components do represent the totality i.e., in this case the organizational culture of the Thai subsidiary.

**Table 7.8 Communalities: OC, Thai Subsidiary**

Communalities		
	Initial	Extraction
OCTHV1	1.000	3.310E-02
OCTHV2	1.000	.992
OCTHV3	1.000	.993
OCTHV4	1.000	.994
OCTHV5	1.000	.992
OCTHV6	1.000	.996
OCTHV7	1.000	.996
OCTHV8	1.000	.995

Extraction Method: Principal Component Analysis.

In the Communalities Matrix (Table 7.8), high scores for all most all components signifies that these value-components do represent the totality i.e., in this case the organizational culture of the Thai subsidiary.

**Table 7.9: Total Variance Explained: OC, Thai Subsidiary**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.025	37.808	37.808	3.025	37.808	37.808	2.988	37.346	37.346
2	2.013	25.157	62.965	2.013	25.157	62.965	2.005	25.064	62.410
3	1.954	24.423	87.388	1.954	24.423	87.388	1.998	24.978	87.388
4	.983	12.289	99.677						
5	9.160E-03	.114	99.792						
6	6.525E-03	8.156E-02	99.873						
7	6.361E-03	7.951E-02	99.953						
8	3.766E-03	4.707E-02	100.000						

Extraction Method: Principal Component Analysis.

Here in Table 7.9, three indicators have significant Eigen Values. Considering the Communalities Matrix Table 7.8, these three indicators, **Emphasis on Performance**, **Team Spirit** and **Preciseness**, are very important factors to influence the latent variable organizational culture in Thailand.

This is very different from that obtained in Japan (where **Entrepreneurship** and **Supportiveness** are very important). Thus, in Thailand the operational characteristics are, according to the perceptions of the employees in Thailand, are most important parts of organizational culture. **Entrepreneurship** in the subsidiary operation is not that important as it is in the main operation in Japan.

**Table 7.10: Component Matrix: OC, Thai Subsidiary**

Component Matrix <sup>a</sup>			
	Component		
	1	2	3
OCTHV1	-1.55E-02	-.181	-5.37E-03
OCTHV2	.144	.762	-.624
OCTHV3	-.178	.638	.745
OCTHV4	-.180	.640	.743
OCTHV5	.141	.763	-.625
OCTHV6	.986	-4.77E-04	.151
OCTHV7	.986	5.700E-03	.153
OCTHV8	.987	2.846E-03	.146

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

**Table 7.11: Rotated Component Matrix: OC, Thai Subsidiary****Rotated Component Matrix<sup>a</sup>**

	Component		
	1	2	3
OCTHV1	-1.52E-02	-.140	-.115
OCTHV2	2.109E-02	.995	-2.12E-02
OCTHV3	-3.98E-02	1.750E-02	.995
OCTHV4	-4.22E-02	2.059E-02	.996
OCTHV5	1.851E-02	.996	-2.06E-02
OCTHV6	.997	2.572E-02	-2.37E-02
OCTHV7	.998	2.944E-02	-1.85E-02
OCTHV8	.997	3.190E-02	-2.61E-02

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Considering the factor loading (as given in the Component Matrix 7.10 and in the Rotated Component Matrix 7.11) **Emphasis on Performance** in Thailand related to **Team Spirit and Preciseness**. **Team Spirit** related to **Supportiveness** quite naturally and **Entrepreneurship**, which is much unexpected. **Preciseness** is related to **Decisiveness**, a strategic consideration, and **Stability and Security** of employment, a major part of the human resources management policy.

**Table 7.12: Factor Analysis: OC, Thai Subsidiary**

	Performance	Team Spirit	Preciseness	Communality
<b>(Factor Loadings)</b>				
Innovation	.001	.140	.115	.003
Entrepreneurship	.002	.995	.002	.992
Decisiveness	.003	.001	.995	.993
Emphasis on Stability	.004	.002	.996	.994
Supportiveness	.001	.996	.002	.992
Performance	.997	.002	.002	.996
Team spirit	.998	.002	.001	.996
Preciseness	.997	.003	.002	.995
Eigen Value	3.025	2.013	1.954	
Percent Variance				
Explained	37.808	25.157	24.423	

---

**Table 7.13: Essentials of Factor Analysis: OC, Thai Subsidiary**

<b><u>Most Important Factors</u></b>	<b><u>Related To</u></b>
a) Performance Emphasis	Team Spirit, Preciseness
b) Team Spirit	Supportiveness, Entrepreneurship
c) Preciseness	Sense of Stability & Security, Decisiveness

Considering Tables 7.12 and Tables 7.13, in Thailand, there are the following two observations for organizational culture:

**O<sub>T.1a</sub>: In the Japanese subsidiary in Thailand, operational characteristics are very important parts of the organizational culture.**

Operational characteristics are **Emphasis on Performance, Team Spirit** and **Preciseness**; these are the most important factors we can see from the Factor Analysis of this Thai subsidiary.

**O<sub>T.2b</sub>: Operational characteristics of the organizational culture in the Japanese subsidiary in Thailand are related closely to the human resources management policy and strategic management policy.**

Human resources management policy enhances **Security and Supportiveness**, which are closely related to the **Team Spirit**. Strategic management policy enhances **Entrepreneurship** by giving the operational units more independence to stimulate decisiveness. Both **Entrepreneurship** and **Decisiveness** are closely related to the operational characteristics **Preciseness** and **Team Spirit**.

**Table 7.14: KMO and Bartlett's Test: OC, Thai Subsidiary**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.608
Bartlett's Test of Sphericity	Approx. Chi-Square	11558.019
	df	28
	Sig.	.000

Measured by the Kaiser-Meyer-Olkin (KMO) statistics (Table 7.14), sampling adequacy predicts if data are likely to represent the Factor Analysis well or not. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. At the Table 7.14, the KMO measure is 0.608. From the same table, we can see that the Bartlett's test of Sphericity (Bartlett, 1950) is significant, with very high Chi-Square. This means that the correlation matrix is not an identity matrix or close to zero. Thus, this factor analysis would provide meaningful results.

From the above analysis it is possible to accept the hypothesis  $H_{T.1}$ .

The descriptive statistics shows employees put significant importance to these values. The Factor Analysis, in the communality matrix, demonstrates very high components for each of these values. That proves these values represent the organizational culture. Analysis of variance proves that our analysis is unbiased. The frequency distribution characterized by Skewness and Kurtosis, signifies that the distributions of probabilities of the frequencies are regular.

### **7.2.2 Results: Statistical Analysis of Organizational Commitment in the Thai Subsidiary: Research Question 3 (part 2)**

The Research Question 3 **What are the precise factors composing the concept of organizational commitment in a Japanese multinational company?**

has three parts: (1) what factors are composing the organizational commitment of a very large organization like this Japanese MNC in its HQs in Japan, (2) what factors are composing the organizational commitment of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) what factors are composing the organizational culture of this

Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY B is exploring the part 2 of the Research Question 3: **what factors composing the organizational commitment of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand.** Considering the prior literature (as given in Chapter 2 and 3), this research has proposed six values that can form the organizational culture in the Thai subsidiary.

These six value-components of organizational commitment in the Thai subsidiary are defined as follows:

**Definition of Factors (or value-components) composing Organizational Commitment variable:**

OCOMTHV1= Emotional Attachment; OCOMTH2= Value Attachment;  
OCOMTHV3= Environment Attachment; OCOMTH4= Sense of Sacrifice  
OCOMTHV5 = Rational Attachment; OCOMTHV6 = Ego Orientations

#### 7.2.2.1 Descriptive Statistics: OCom, Thai Subsidiary

Statistical analysis and measurement for these six factors composing variable Organizational Commitment is given in Table 7.15.

**Table 7.15: Descriptive Statistics: OCom, Thai Subsidiary**

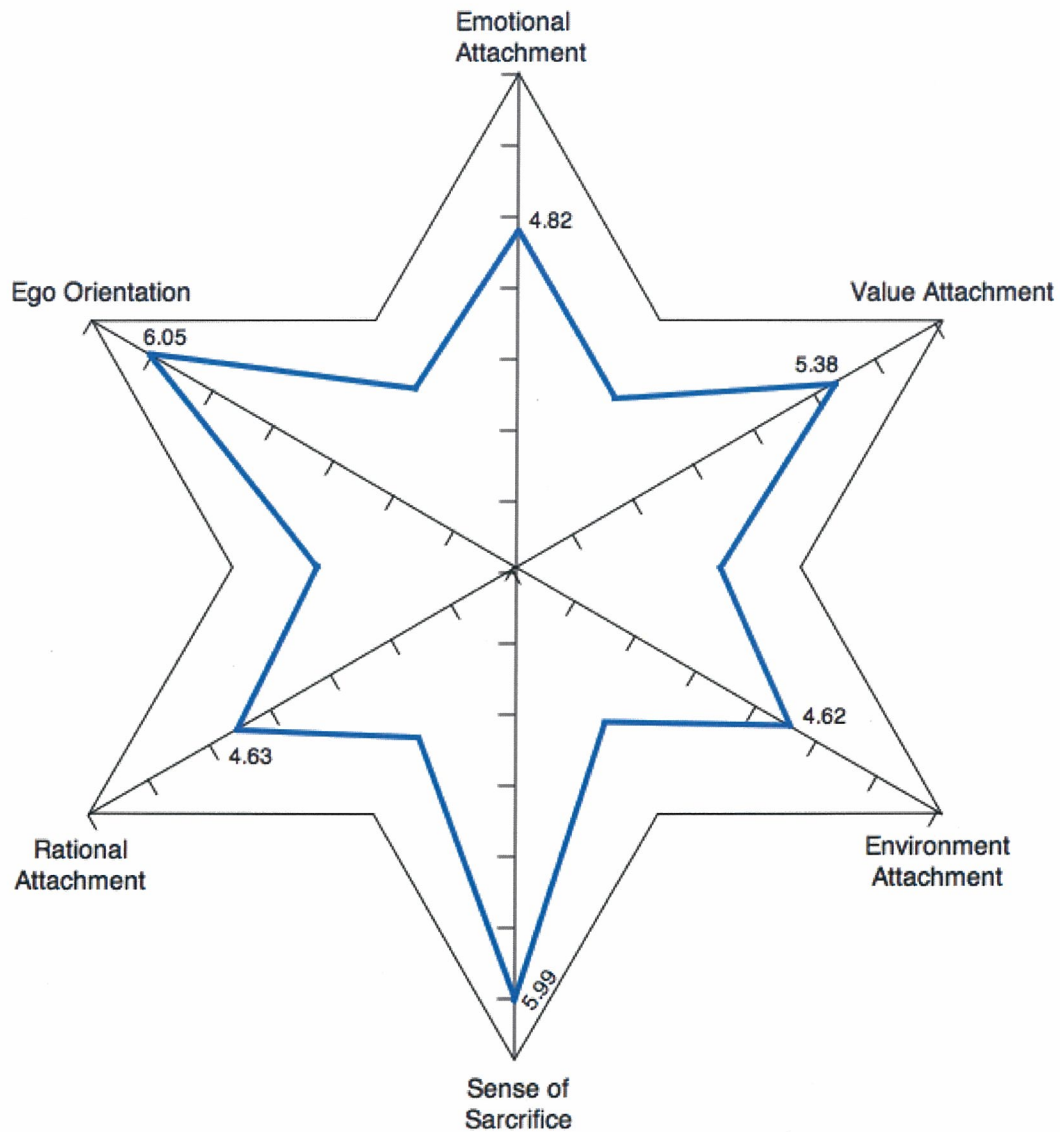
Descriptive Statistics							
	N	Mean		Skewness		Kurtosis	
	Statistic	Statistic	Std.Error	Statistic	Std.Error	Statistic	Std.Error
OCOMJV1	650	4.82	3.210E-02	-.087	.096	-.091	.191
OCOMJV2	650	5.38	2.994E-02	.388	.096	-.164	.191
OCOMJV3	650	4.62	2.852E-02	-.362	.096	-.070	.191
OCOMJV4	650	5.99	3.013E-02	-.197	.096	-.773	.191
OCOMJV5	650	4.63	2.916E-02	-.268	.096	.081	.191
OCOMJV6	650	6.05	3.439E-02	-.545	.096	-.613	.191
ValidN(listwise)	650						

Mean scores of some of these values are lower than what was seen in the HQs in Japan, indicating the fact that the Thai subsidiary is only 20 years old and the employees have relatively short tenure so far. Thus, the societal effects of the Thai culture are still dominant in their ideas and values. According to Selmer and De Leon (1986) there is the so-called process of

'*enculturation*', which takes some time and it would be intensified along with the length of the tenure. High score of the value **Ego Orientations** also reflect a specific characteristic of the Thai employees, which is very different from that of the Japanese society.

The lower values of Skewness and Kurtosis imply that the distributions of the scores of the values of organizational commitment in the Thai subsidiary are normal and thus the classical statistical testing procedures are applicable for the analysis of these scores. It is clear from the Star-Diagrams (Figure 7.2) that **Ego Orientations** (OCOMTHV6) and **Sense of Sacrifice** (OCOMTHV4) both play very important roles in shaping organizational commitment in the Thai subsidiary. Scores of **Value Attachment** is also very high. For the Thai employees driven mainly by psychological and idealistic factors, **Rational Attachment** is not that important determinant of organizational commitment. There are important similarities between characteristics of organizational commitment in the parent unit in Japan and in their Thai subsidiary. Both **Ego Orientations** and **Sense of Sacrifice** are important factors shaping their level of commitment, but for the Japanese who are more analytical, **Rational Attachment** is also very important factor in Japan but not so much for the Thai employees.

**Figure 7.2: Mean Responses on Six Factors Composing OCom in the Thai Subsidiary**



#### 7.2.2.2 Reliability Analysis: OCom, Thai subsidiary

The Research Question 3 (part 2) is What are the precise factors composing the concept of organizational commitment in a Japanese multinational company in its subsidiary operation in Thailand, where the employees are not exposed to any other culture or other types human resources practices in foreign countries except those of their own and that of the Japanese organization. The above



analysis has identified six factors that can affect performance/commitment. The Cronbach Alpha calculated (Table 7.17) provides the reliability index regarding the internal consistency of the perceptions of the employees in the Thai subsidiary.

**Table 7.16: Reliability: OCom, Thai Subsidiary**

Alpha = .7608
Standardized item alpha = .7957

The set of values suggested above and measured using the scales of this research are found to be highly reliable from the data collected from Japan. Thus, it is possible to proceed towards the statistical analysis. Details of reliability statistics for each individual components of organizational commitment are in Table T.3 in the Appendix Chapter 7.

### 7.2.2.3 Covariance and Correlation Analyses: OCom, Thai subsidiary

The Covariance Matrix (Table 7.17) shows variances are similar between OCOMTHV3 (**Environment Attachment**) and OCTHV5 (**Rational Attachment**). As a result, factors such as **Environment Attachment** and **Rational Attachment** are correlated according to the Correlation Matrix (Table 7.18). The other factors are not correlated with but are quite independent. It is possible that rational attachment can take place when the employees can see occupational environments are what they prefer, which is reflected in the Correlation Matrix (Table 7.18).

**Table 7.17: Covariance Matrix: OCom, Thai Subsidiary**

	OCOMTHV1	OCOMTHV2	OCOMTHV3	OCOMTHV4	OCOMTHV5	OCOMTHV6
OCOMTHV1	.6697					
OCOMTHV2	.0053	.5826				
OCOMTHV3	.0005	.0114	.5287			
OCOMTHV4	-.0378	.0573	.0244	.5901		
OCOMTHV5	.0047	.0116	.5238	.0214	.5525	
OCOMTHV6	-.0373	.0062	-.0405	.0003	-.0385	.7689

**Table 7.18: Correlation Matrix: OCom, Thai Subsidiary**

	OCOMTHV1	OCOMTHV2	OCOMTHV3	OCOMTHV4	OCOMTHV5	OCOMTHV6
OCOMTHV1	1.0000					
OCOMTHV2	.0084	1.0000				
OCOMTHV3	.0008	.0205	1.0000			
OCOMTHV4	-.0601	.0977	.0437	1.0000		
OCOMTHV5	.0078	.0204	.9691	.0375	1.0000	
OCOMTHV6	-.0520	.0092	-.0635	.0005	-.0590	1.0000

Thus, it is possible to conclude that the factors that affect organizational commitment in Thailand are not always interdependent.

#### **7.2.2.4 Analysis of Variance: OCom, Thai Subsidiary**

When conducting an analysis of variance, the F-ratio was examined, which is the ratio of the mean square between groups to the mean square within groups. The null hypothesis, for the F test, states that there are no differences among the three means. The alternative hypothesis states that there are significant differences among some or all of the individual means. The null hypothesis was rejected considering the value of F, because it was found that there is indeed a significant difference among the cell means. Thus, it is possible to state the following observation that there are significant differences between the means of these factors that compose organizational commitment in Thailand.

**Table 7.19: Analysis of Variance: OCom, Thai Subsidiary**

Hotelling's T-Squared =	1733.6688	F =	344.5967	Degrees of Freedom:
Numerator =	5	Denominator =	645	

From the analysis of variance (Table 7.19), it is possible to accept the above observation. Thus, the analysis shows that the scores obtained in the survey are independent and unbiased. Hotelling's T-Square, which is a multivariate significance test of mean differences also show the same results. Table 7.19 gives the basic results; detail statistics are in Table T.3 in the Appendix Chapter 7.

### 7.2.2.5 Factor Analysis: OCom ,Thai subsidiary: Hypothesis H<sub>T-2</sub>

**Hypothesis H<sub>T-2</sub>:** There are six value components of organizational commitment in the Thai subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.

Here the Exploratory Factor Analysis is carried on to find out which factors are relatively more important to influence organizational commitment in Japanese multinational company in Thailand.

**Table 7.20: Communalities: OCom, Thai Subsidiary**

Communalities		
	Initial	Extraction
OCOMTHV1	1.000	.592
OCOMTHV2	1.000	.595
OCOMTHV3	1.000	.983
OCOMTHV4	1.000	.549
OCOMTHV5	1.000	.982
OCOMTHV6	1.000	.430

Extraction Method: Principal Component Analysis.

The communality measures (Table 7.20) the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator, *organizational Commitment*. High communalities (more than .5) here indicate that almost all factors are very good indicators of the variable, *organizational commitment*.

**Table 7.21: Total Variance Explained: OCom, Thai Subsidiary**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.981	33.022	33.022	1.981	33.022	33.022	1.972	32.864	32.864
2	1.116	18.594	51.616	1.116	18.594	51.616	1.100	18.334	51.198
3	1.035	17.242	68.859	1.035	17.242	68.859	1.060	17.660	68.859
4	.962	16.037	84.896						
5	.875	14.590	99.486						
6	3.084E-02	.514	100.000						

Extraction Method: Principal Component Analysis.

Eigen values (in Table 7.21) are called characteristic roots. The ratio of Eigen values is the ratio of explanatory importance of the factors with respect to the variables. If a factor has a low Eigen

value, then it is contributing little to the explanation of variances in the variables and may be ignored as redundant with more important factors. Here three indicators have significant Eigen Values (from the Table of Total Variance Explained). Thus, these three indicators, **Environment Attachment, Rational Attachment, and Value Attachment** (obtained from Communalities Matrix) are very important factors to influence the latent variable organizational commitment.

From the analysis of the Eigen values (from the Rotated Component Matrix Table 7.23) given below it is possible to examine the three observations below.

**O<sub>T.2a</sub>: Value Attachment is an important characteristic of the organizational commitment in the Japanese subsidiary in Thailand**

**O<sub>T.2b</sub>: Rational Attachment is one of the most important factor of the organizational commitment in the Japanese subsidiary in Thailand**

Similar characteristics were observed in Thailand in the Thai subordinates in Japanese subsidiaries by Ayuthaya & Taira (2007), Swierczek and Onishi (2003) and Sakurai (2001) in the Japanese subsidiaries in Australia.

**O<sub>T.3c</sub>: Environment Attachment is one of the most important factor of the organizational commitment in the Japanese subsidiary in Thailand**

Similar characteristics of Thai employees in Japanese organizations in Thailand were observed by Taylor, Levy, Boyacigiller and Beechler (2008) and Jain, Lawler and Morishima (1998).

All of these hypotheses are supported by the analysis of the Eigen values. These three factors, value attachment, rational attachment and environmental attachments, are most important for this research, as identified by the Factor Analysis given below.

**Table 7.22: Component Matrix: OCom, Thai Subsidiary**

	Component		
	1	2	3
OCOMTHV1	1.030E-02	-.453	.622
OCOMTHV2	4.872E-02	.577	.510
OCOMTHV3	.989	-2.22E-02	-6.13E-02
OCOMTHV4	8.607E-02	.706	.207
OCOMTHV5	.989	-2.81E-02	-6.09E-02
OCOMTHV6	-.124	.279	-.581

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

**Table 7.23: Rotated Component Matrix: OCom, Thai Subsidiary**

	Component		
	1	2	3
OCOMTHV1	-3.76E-02	-8.14E-02	.764
OCOMTHV2	-1.66E-02	.756	.154
OCOMTHV3	.991	2.153E-02	2.770E-02
OCOMTHV4	4.637E-02	.720	-.170
OCOMTHV5	.990	1.663E-02	3.095E-02
OCOMTHV6	-7.43E-02	-5.64E-02	-.649

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

The cells in the Table 7.22 and Table 7.23 are factor loadings, and the meaning of the factors must be induced from examining which variables are most heavily loaded on which factors. The correlations between the variables and the three factors, as they are extracted are also called factor loadings, as given above for each of the values. Apparently, the first factor is generally more highly correlated with the variables than the second factor. This is to be expected because these factors are extracted successively and will account for less and less variance overall. The factor loadings are the correlation coefficients between the variables (rows) and factors (columns). The squared factor loading is the percent of variance in that indicator variable explained by the factor. By one rule of thumb in confirmatory factor analysis, loadings should be .7 or higher in order to suggest that independent variables are represented by a particular factor. As a result, the first factor **Environment Attachment** is highly correlated with **Rational Attachment**; the second factor **Rational Attachment** is highly correlated with **Value Attachment** and **Sense of Sacrifice**;

the third factor **Value Attachment** is highly correlated with **Emotional Attachment** and **Ego Orientations**.

**Table 7.24: KMO and Bartlett's Test: OCom, Thai Subsidiary**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.502
Bartlett's Test of Sphericity	Approx. Chi-Square	1824.311
	df	15
	Sig.	.000

The Kaiser-Meyer-Olkin (KMO) statistics (in Table 7.24) measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed further with analysis. At the table below, the KMO measure is 0.502. From the same table, we can see that the Bartlett's test of Sphericity (Bartlett, 1950) is with very high Chi-Square. Thus, this factor analysis is valid.

**Table 7.25: Factor Analysis: OCom, Thai Subsidiary**

	Environmental Attachment	Rational Attachment	Value Attachment	Communality
(Factor Loadings)				
Emotional Attachment	.003	.008	.764	.592
Value Attachment	.001	.756	.154	.595
Environment Attachment	.991	.002	.002	.983
Sense of Sacrifice	.004	.720	.170	.549
Rational Attachment	.990	.001	.003	.982
Ego Orientation	.007	.005	.649	.430
Eigen Value	1.981	1.116	1.035	
Percent Variance Explained	33.022	18.594	17.242	

Results of Factor Analysis on organizational commitment in the Thai subsidiary can be summarized as in Tables 7.25 and 7.26.

**Table 7.26: Essentials of Factor Analysis: OCom, Thai Subsidiary**

<b>Most Important Factors*</b>	<b>Related To**</b>
Environment Attachment	Rational Attachment
Rational Attachment	Sense of Sacrifice, Value Attachment
Value Attachment	Emotional Attachment
<p>* from the Table of Communalities  ** from the Table on Rotated Component Matrix</p>	

Based on the results of the Factor Analysis shown in Table 7.25 and Table 7.26 it is possible to support the following three observations:

**O<sub>T.2d</sub>: Similar values of employees with that organization in Thailand are highly related to the Rational attachment of the employees of that Japanese MNC.**

**O<sub>T.2e</sub>: The Rational Attachment of the employees in Thailand to their organization is highly related to Sense of Sacrifice and Value Attachment of the employees of that Japanese MNC in Thailand.**

**O<sub>T.2f</sub>: The Value Attachment of the employees in Thailand to their organization is highly related to their Emotional Attachment and their Ego Orientations**

Therefore, based on the results of the analysis presented above, it is possible to accept the hypothesis **H<sub>T.2</sub>**.

Factor Analysis in the communality matrix shows that as these values have very high communality indices, they correctly represent the organizational commitment. The KMO and Barlett test show that this Factor Analysis is valid. The Analysis of Variance proves that these values are unbiased and independent. The Descriptive Statistics shows that the employees respect these values and the distribution of frequencies is normal. Thus, this research has identified these six value components of the organizational commitment in the Thai subsidiary, and the fact that they are congruent to the similar value-components composing organizational commitment in HQs in Japan.

### **7.2.3 Interrelationship between Organizational Culture and Organizational Commitment in Thai Subsidiary: Research Question 4 (part 2)**

The Research Question 4: **Whether there is a link between organizational culture and organizational commitment in a Japanese multinational company?**

has three parts: (1) whether there is a link between culture and organizational commitment of a very large organization like this Japanese MNC in its HQs in Japan, (2) whether there is a link between organizational culture and commitment of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) whether there is a link between culture and organizational commitment of this Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY B is exploring the part 2 of the Research Question 4: **whether there is a link between culture and organizational commitment of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand.** In STUDY B the Multiple Regression Analysis was used to explore the issue of interrelationship between culture and organizational commitment. In Thai subsidiary

#### **7.2.3.1 Results of Multiple Regression Analysis: Thai subsidiary: Hypothesis H<sub>T.3</sub>**

**Hypothesis H<sub>T.3</sub>: The influences on organizational commitment in the Thai subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent unit in Japan.**

Consistent with the literature (Mowday et al., 1982), the hypothesis **H<sub>T.3</sub>** focuses on the fact that there are organizational factors, the organizational culture is one of them, which contribute significantly to the prediction of organizational commitment, more precisely the higher levels of organizational commitment should be associated with more favorable perceptions on organizational culture (Lok & Crawford, 2001).

To implement the Multiple Regression Analysis, the each of the six values of composing performance/commitment was regressed on the eight values composing organizational culture in the Thai subsidiary to examine which value-components of commitment can be explained by which value-components of organizational culture.



It is important to note that only the factors which as statistically significant are described below, other statistically non-significant factors are in Appendix (Appendix: Chapter 6 STUDY B).

**Definition: Organizational Commitment**

OCOMTHV1= Emotional Attachment; OCOMTH2= Value Attachment;  
OCOMTHV3= Environment Attachment; OCOMTH4= Sense of Sacrifice  
OCOMTHV5 = Rational Attachment; OCOMThV6 = Ego Orientations

**Definition: Organizational Culture**

OCTHV1= Innovation; OCTHV2= Entrepreneurship; OCTHV3= Decisiveness;  
OCTHV4= Stability & Security (Emphasis on Stability); OCTHV5= Supportiveness;  
OCTHV6= Emphasis on Performance (Performance Orientations);  
OCThV7= Team Spirit; OCTHV8= Preciseness

**Dependent Variable: Emotional Attachment (OCOMTHV1)**

**Emotional Attachment** can be predicted by **Decisiveness, Security and Team Spirit** as it shown in Table 7.27

**Table 7.27: Model Summary, Regression: OCOMTHV1, Thai Subsidiary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.993 <sup>a</sup>	.986	.985	9.870E-02

a. Predictors: (Constant), OCTHV7, OCTHV3, OCTHV4

R-squared, which is equal to .99, is the percent of the dependent variable explained by the independent variables. In this case, the model explains 99 % of the variance. This suggests the model was very well specified. Adjusted R-squared is also quite good. Standard error of estimate is low. Here, due to the higher confidence limit it is expected that predictions were reliable.

Considering Table 7.28, where shown that the F value is significant, and results shown in Table 7.29 it is possible to conclude that **Emotional Attachment** (OCOMTHV1) can be determined by the features of organizational culture such as **Decisiveness** (OCTHV3) and **Security** (OCTHV4) according to their order of importance, examining their beta weights. The T-Statistics show that the beta weights for these independent variables are significant.

**Table 7.28: ANOVA, Regression: OCOMTHV1, Thai Subsidiary****ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	428.361	3	142.787	14658.446	.000 <sup>a</sup>
	Residual	6.293	646	9.741E-03		
	Total	434.654	649			

a. Predictors: (Constant), OCTHV7, OCTHV3, OCTHV4

b. Dependent Variable: OCOMTHV1

**Table 7.29: Coefficients, Regression: OCOMTHV1, Thai Subsidiary****Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.128	.033		3.812	.000
	OCTHV3	.822	.040	.844	20.391	.000
	OCTHV4	.146	.040	.150	3.613	.000
	OCTHV7	2.840E-03	.005	.003	.627	.531

a. Dependent Variable: OCOMTHV1

**Dependent Variable: Value Attachment (OCOMTHV2)**

**Value Attachment** can be predicted by **Supportiveness** and **Team Spirit** as it shown in Tables 7.30, 7.31 and 7.32.

**Table 7.30: Model Summary, Regression: OCOMTHV2, Thai Subsidiary****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.993 <sup>a</sup>	.986	.986	8.776E-02

a. Predictors: (Constant), OCTHV7, OCTHV5

R-squared here is equal to .99, is the percent of the dependent variable explained by the independent variables. In this case, the model explains 99 % of the variance. This suggests the model was specified well. Adjusted R-squared is also good. Standard error of estimate is low. Here, due to the higher confidence limit it is possible to expect that predictions were reliable.

**Table 7.31: ANOVA, Regression: OCOMTHV2, Thai Subsidiary****ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	359.363	2	179.681	23328.604	.000 <sup>a</sup>
	Residual	4.983	647	7.702E-03		
	Total	364.346	649			

a. Predictors: (Constant), OCTHV7, OCTHV5

b. Dependent Variable: OCTHV2

**Table 7.32: Coefficient, Regression: OCOMTHV2, Thai Subsidiary****Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.38E-03	.029		-.251	.802
	OCTHV5	.996	.005	.993	215.700	.000
	OCTHV7	4.668E-03	.004	.005	1.161	.246

a. Dependent Variable: OCTHV2

Considering Table 7.31 the F value is significant. Based on results shown in Table 7.32 it is possible to conclude that **Value Attachment** (OCOMTHV2) can be explained by the features of organizational culture as such. The T-Statistics show that the beta weights for these independent variables are significant.

**Dependent Variable: Sense of Sacrifice (OCOMTHV4)**

Sense of Sacrifice can be predicted by **Stability** and **Team Spirit** as it shown in Tables 7.33, 7.34 and 7.35.

**Table 7.33: Model Summary, Regression: OCOMTHV4, Thai Subsidiary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.827 <sup>a</sup>	.684	.681	.4194

a. Predictors: (Constant), OCTHV7, OCTHV4

R-squared here is equal to .82; the model explains 82% of the variance. This suggests the model was specified properly. Adjusted R-squared is also good. Standard error of estimate is low. Here, due to the higher confidence limit it is possible to expect that predictions were reliable.

**Table 7.34: ANOVA, Regression: OCOMTHV4, Thai Subsidiary**

ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.719	2	33.359	189.621	.000 <sup>a</sup>
	Residual	30.787	175	.176		
	Total	97.506	177			

a. Predictors: (Constant), OCTHV7, OCTHV4

b. Dependent Variable: OCOMTHV4

**Table 7.35: Coefficients, Regression: OCOMTHV4, Thai Subsidiary**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	1.073	.292		.000
	OCTHV4	.698	.036	.830	.000
	OCTHV7	.157	.037	.183	.000

a. Dependent Variable: OCOMTHV4

Considering Table 7.34 the F value is significant. Based on the results shown in the Table 7.35 it is possible to conclude that **Sense of Sacrifice** (OCOMTHV4) can be explained by the features of organizational culture as such. T-Statistics show that the beta weights for this independent variable are significant.

Based on the results of the Multiple Regression Analysis shown in Table 7.36 it is possible to conclude that the hypothesis **H<sub>T.3</sub>** is satisfied partially as three out of six value-components composing *organizational commitment* variable can be predicted by the value-components composing the *organizational culture* variable.

It is possible that the individual values of organizational culture combined together create an atmosphere to enable the formation of the values composing commitment in the Thai operations, although taking separately individual values of organizational culture may not have robust effects on the values of commitment in Thai operation of this Japanese multinational company.

**Table 7.36: Multiple Regression Analysis: Thai Subsidiary**

Dependent Variable	Predictor Variable	Coefficient Beta	t-statistics
1) Emotional Attachment	Decisiveness	.844	20.39*
	Stability	.150	3.613*
	Supportiveness	.003	0.627**
R-Square= .98; F-value = 14658.44; *significant at 5% confidence level; **significant at 1% level			
2) Value Attachment	Supportiveness	.993	215.703*
	Team Spirit	.005	1.161**
R-Square= .98; F-value = 23328.60; *significant at 5% confidence level; **significant at 1% level			
3) Sense of Sacrifice	Stability	.830	19.38*
	Team Spirit	.183	4.273*
R-Square= .68; F-value = 189.62; *significant at 5% confidence level			

Thus, considering the impacts of factors of organizational culture on organizational commitment, based on the results of Multiple Regression Analysis it is possible to conclude that the observation regarding the fact that there are some effects of individual factors of organizational culture on the factors of organizational commitments in Thailand, but the effects are not always very robust.

Therefore, a Structural Equation Modeling approach is needed in order to examine simultaneously how the values of organizational culture are affecting the values of organizational commitment In the Thai subsidiary.

#### **7.2.3.2 Results of Structural Equation Modeling (SEM): Thai subsidiary: Hypothesis of H<sub>T.4</sub>**

**Hypothesis H<sub>T.4</sub>: There is a strong relationship between organizational culture and organizational commitment in the Thai subsidiary of this Japanese multinational company, which is similar to this relationship in the parent unit in Japan.**

The purpose of this research is to examine whether a multinational company can transmit its organizational culture successfully to its overseas subsidiaries (Research Question 2a and 2b). If the company is successful in this effort, the expectation is that one can see the strong relationship between organizational culture and commitment in the Thai subsidiary just as it is in the parent operation in Japan (Research Question 2a). In order to do so, this research has constructed Structural Equation Modeling Analysis for this Thai subsidiary, as both of the variable organizational culture and organizational commitment are unobservable.

The results of the Structural Equation Modeling Analysis provide the test-statistics, from which it is possible to understand the nature of the solution in order to evaluate the above hypothesis. LISREL Paths Diagram (Figure 7.1) describes the relationship between organizational culture and commitment in Thai subsidiary.

**Figure 7 .3: Relationship between OC and OCom in the Thai Subsidiary**

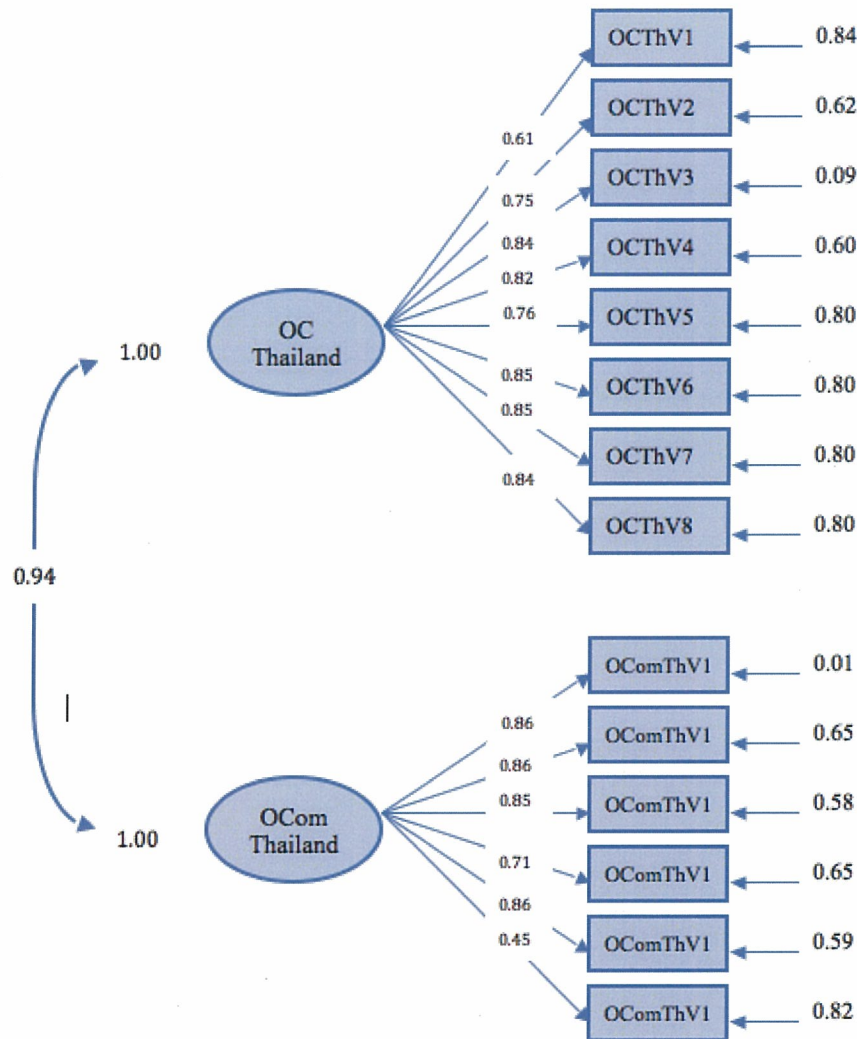


Table 7.37 gives basic results on the Goodness of Fit Statistics; the detailed results are in Table T.4 in the Appendix Chapter 7. Model chi-square is the most common fit test. As our estimated Chi-Square is not significant, it is possible to conclude that it is the good model fit here.

The comparative fit index CFI compares the existing model fit with a null model which assumes the latent variables in the model are uncorrelated i.e., the "independence model". CFI close to 1

indicates a very good fit. In this model Comparative Fit Index (CFI) = 0.90 indicating that 90 % of the covariation in the data can be reproduced by the given model.

The normed fit index, NFI, is computed as (chi-square for the null model - chi-square for the default model)/chi-square for the null model. "Normed" means it varies from 0 to 1, with 1 = perfect fit. According to our estimate here, NFI = 0.90 means the proposed model improves fit by 90 % compared to the null model. It implies that the proposed model is 90% of the way from the null (independence baseline) model to the saturated model.

NNFI is similar to NFI, but penalizes for model complexity; and relatively independent of sample size. NNFI in this model is 0.87; it is less than NFI because the proposed model has too many indicators variables for each latent variables i.e. more complex than usual.

The relative fit index, RFI, if it is close to 1 indicates a good fit. In this model, RFI is .85 so, it is satisfactory.

Root mean square residuals, or RMS residuals, or RMSR, or RMR: RMR is the coefficient which results from taking the square root of the mean of the squared residuals, which are the amounts by which the sample variances and covariances differ from the corresponding estimated variances and covariances, estimated on the assumption that the proposed model is correct. The closer RMR is to 0, the better the model fit. In this model, it is 0.12; thus the model has a good fit.

Standardized root mean square residual, Standardized RMR (SRMR): SRMR is the average difference between the predicted and observed variances and covariances in the model, based on standardized residuals. The smaller the SRMR, the better the model fit. Here the estimated SRMR is 0.12, which is fairly good.

ECVI, the expected cross-validation index, in its usual variant is useful for comparing non-nested models. Lower ECVI is better fit. Here in this model ECVI for Saturated Model = 0.12. Thus, the proposed model is satisfactory compared with any alternative model, where the latent variables are assumed to be uncorrelated.



**Table 7.37: Factor Scores Regressions: Standardized Solution of SEM: OC and OCom, Thai Subsidiary**

	Organizational Culture		Organizational Commitment
Innovation	0.61	--	
Entrepreneurship	0.75	--	
Decisiveness	0.84	--	
Stability	0.82	--	
Supportiveness	0.76	--	
Performance	0.85	--	
Team Spirit	0.85	--	
Preciseness	0.84	--	
Emotional Attachment		--	0.86
Value Attachment		--	0.86
Environment Attachment		--	0.85
Sense of Sacrifice		--	0.71
Rational Attachment		--	0.86
Ego Orientations		--	0.45

Chi-Square= 5304.34 (P = 0.0); Normed Chi-Square= 3189.60(P = 0.0)

RMSEA= 0.14; Standardised RMR= 0.12; CFI= 0.90; IFI=0.90

Factor Scores Regression (Table 7.37) tells how closely the values of organizational culture are related to the unobserved variable organizational culture, and which values are relatively more important, taking into account the total effects of all variables on the unobserved variables. Thus, it is a superior method to examine whether the proposed construct for the unobserved variable is correct. It is clear that **Decisiveness** and **Stability** have higher scores to represent the organizational culture. **Emotional Attachment** has higher scores to represent the organizational commitment. Thus, these factors are most important to represent organizational culture and

commitment in Thai subsidiary and these, in effect represent the effects of particular national and societal culture of Thai.

**Table 7.38: Correlation Matrix of SEM: OC and OCom, Thai Subsidiary**

	Organizational Culture (OC)	Organizational Commitment (OCom)
<b>OC</b>	1.00	
<b>OCom</b>	0.94	1.00

Correlation Matrix of ETA (Table 7. 38 in LISREL output) is the matrix of correlations of the latent dependent (OCOM) and latent independent variable (OC). ETA is a coefficient of nonlinear correlation indicating the degree of relationship. Thus, 0.94 is the correlation between Organizational Culture and Organizational Commitment in the sample for Thailand. As it is very high, it is possible to conclude that there is a very close relationship between organizational culture and organizational commitment in the Thai subsidiary of this chosen for analysis Japanese MNC.

The latent variables in SEM are similar to factors in factor analysis, and the indicator variables likewise have loadings on their respective latent variables. **Decisiveness** (ORGC3) and **Security** (ORGC4) have great effects on organizational culture of Thailand. Similarly, for the latent variable ‘organizational commitment’, **Emotional Attachment** (ORGCOM1) has significant effect.

Practical implications are that for building local advantages, multi-national companies have to bridge cultural, knowledge and skill gaps between local and expatriate employees. The actions of these companies have to demonstrate long-term commitment to host countries. CEOs of multi-national companies, particularly Asian subsidiaries can, from these studies, learn how to build and harness local advantages for global competitiveness.

Therefore, considering the results of the measurement models and the path diagrams for both Japanese operations and Thai operations, it is justified to accept the Hypotheses H<sub>7.4</sub>. Thus, in

both locations in HQs in Japan and in the Thai subsidiary the relationship between organizational culture and performance/commitment is very strong.

Considering these results and considering the closeness of the organizational cultures of Japan and the Thai subsidiary, it is essential to accept the final observation that the Japanese company under this study has successfully transmitted its original Japanese organizational culture to its Thai subsidiary. Overcoming constraints of the national culture, it has created the same quality of organizational commitments in its overseas subsidiary as it is in its home operation.

## **CONCLUSION**

This STUDY B attempted to find out the value-components that form the organizational culture and organizational commitment in the Thai subsidiary and whether these are similar to HQs in Japan and also whether culture and commitment are interrelated as they are in the parent operation in Japan. The results demonstrate that there are many similarities between the Thai subsidiary and the Japanese parent organization regarding their value-components of organizational culture and commitment.

According to the analysis presented here, organizational culture affects employee commitment indirectly through the values. In particular, organizational culture characterized by high adaptability and high performance work practices is found to have a significant and direct effect on employee commitment both in the main operation in Japan and in the subsidiary operation in Thailand.

In order to enhance the rigor of the research the STUDY C was proposed in attempt to investigate whether the similar to HQs' value-components are composing the organizational culture and commitment in another subsidiary located in culturally very distant from Japan host country such as India. The results of this investigation are described in Chapter 8.

## **CHAPTER 8:**

### **STUDY C: ANALYSIS OF ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT IN THE INDIAN SUBSIDIARY**

#### **INTRODUCTION**

This chapter describes the STUDY C of the quantitative analysis. In STUDY A the benchmark regarding the characteristics of the value-components of organizational culture and performance/commitment, and the degree of relationship between them as observed in the parent unit in Japan for this Japanese MNC was established. The STUDY C has examined the set of hypotheses regarding the value characteristics of the organizational culture and organizational commitment as observed in the subsidiary of this Japanese MNC which is located in the culturally distant host country, India which as described in Table 8.1.

**Table 8.1: STUDY C: Set of Hypotheses Examined**

**H<sub>IN-1</sub>:** There are eight value components of organizational culture of the Indian subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.

**H<sub>IN-2</sub>:** There are six value components of organizational commitment in the Indian subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.

**H<sub>IN-3</sub>:** The influences on organizational commitment in the Indian subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent company.

**H<sub>IN-4</sub>:** There is a strong relationship between organizational culture and organizational commitment in the Indian subsidiary of this Japanese multinational company, which is similar to this relationship in the parent unit in Japan.

Recent Japanese investments in India have a large proportion in high-value-added products and processes, due to the improved productivity and the development of supporting industries in Japan itself. Japanese companies have raised the local content of their products while reducing their dependency on the supply of parts and components from Japan. A virtuous cycle between the inflows of Japanese foreign direct investments and industrial development in India may be firmly in place. Does it imply that Japanese companies have managed to implant their organizational culture in their Indian subsidiary? This chapter examines this issue.

The organizational culture of this Japanese MNC is designed in such a way so as to achieve these objectives by molding its employees into active agents to fulfill these objectives both in its Japanese operations and in its overseas operations. This MNC has strong organizational culture, which is rooted in its values, beliefs and assumptions (Basu, 1999: 235). Its efforts were to mold every employee irrespective of their nationality to a citizen of the company. The objective is to encourage a change in nationality through globalization—to transform company with a world nationality (Hayashi, 2003).

This Japanese MNC in India has adopted the '*growing together*' philosophy of its parent company to create long-term business growth. In this way, it aims to further contribute to progress in the Indian automotive industry, realize greater employment opportunities for local citizens, improve the quality of life of the team members and promote robust economic activity in India (Basu et al., 2007).

This Japanese MNC firmly believes that employees are the main source of strength for the organization. The human resources management seeks to create a corporate culture where values such as '*Continuous Improvement*' and '*Respect for People*' are reflected in all actual corporate and individual activities. The company takes maximum care to ensure stability of employment and strives to improve working conditions (Basu, 2000).

To develop human resources and improve the technical skills of its employees, its young team members are regularly sent to Japan, Indonesia and Taiwan for training programs. More than 500 team members from its Indian subsidiary have benefited from such programs at various plants worldwide. It also believes in continuously improving its products and practices. Every team member is encouraged to give suggestions to improve the product, efficiency of process or

working conditions and also rewarded for the same achievements. Thus, the company seeks to progress by empowering its employees (Aoki, 2008).

There are close similarities of corporate management system and operations management system of this Japanese MNC in Japan and of its subsidiary in India (Basu et al., 2007). It signifies that although it is a new company in India of about 10 years old, the organizational culture is very similar and the mentality of the managers are not very different from their Japanese counterparts despite of the vast differences of their culture. Thus, it has managed to surpass the national differences to implement its organizational citizenship in Indian plant as it did across the globe (Basu, 2010).

Section 8.1 describes the procedure of data collection in the Thai subsidiary. Section 8.2 describes the results of analysis of the data collected from the Thai subsidiary.

## **8.1 PROCEDURE OF DATA COLLECTION IN THE INDIAN SUBSIDIARY**

The same measurement instrument 'Questionnaire' consisting of two scales such as the Organizational Culture Assessment Scale (OCAS) and the Organizational Commitment Assessment Scale (OCOMAS) was used in STUDY C as well as in STUDY A and B to examine quantitatively both variables comprising the research model and its interrelationships in the Indian subsidiary.

In STUDY C the data was obtained from the subsidiary located in the culturally distant to Japan host country, India. Various data analysis techniques were used in order to investigate whether organizational culture was transmitted from HQs to Indian subsidiary; and whether this transmission of culture was resulted in creation of the same commitment as it was observed in the parent unit in Japan. The Factor Analysis was used to investigate what factors composing both variables in subsidiary in India. Discriminant Analysis was used to examine how similar are the factors composing culture and performance/commitment in Indian subsidiary compare to those in HQs located in Japan. The relationship between organizational culture and commitment in the Indian subsidiary was evaluated using Multiple Regression Analysis. Structural Equation Modeling Analysis was implemented to examine the relationship between these two unobserved variables for this subsidiary company in India in order to answer the questions raised in this

research. SEMs technique was used in order to find out how the values of the organizational culture and commitment are related to their corresponding structure while examining the structural regression model. If the subsidiary in India demonstrates similar characteristic, it is possible to infer reasonably that this phenomenon is due to the success in the transmission of organizational culture from the parent operation to the subsidiary operation in India.

Altogether 3000 forms were distributed in Japan Thailand and India; out of that 2001 employees have responded. After eliminating forms which are incomplete or wrongly filled up, selected, 650 responses were selected from each location: Japan, Thailand and India. The questionnaire-kit for the Indian subsidiary was in English language (details on distribution of questionnaires are described in Chapter 5). From the Indian subsidiary the sample consisting of 650 responses was chosen. The characteristics of the sample of Indian subsidiary are described in the section 8.1.2.

### **8.1.1 Characteristics of the Sample of the Indian Subsidiary**

For the Indian subsidiary this research has followed exactly the same definitions of value-components composing the variables of the research model and the corresponding items as given in the Questionnaire distributed in the HQs in Japan. The sample for the Indian subsidiary consisted of 650 employees working in India. Respondents were randomly selected to have a maximum representation from all areas of operations, not just managers. Responses sought according to a 7 point Likert scale. Respondents were advised not to write their names on the questionnaire. In the Table 8.1 given above the characteristics of the sample of Thai subsidiary is described.

In the HQs, Japan sample employees have long tenure. In the Indian subsidiary (as shown in Table 8.1) they have no more than 10 years tenure. That would mean that the employees in Japan have longer time to absorb the organizational culture than their counterparts in India. In Indian subsidiary there are no foreigners except for the Japanese. The employees are almost all men, there are few females. A lot of the employees have received training in cultural adaptations and Japanese language and about 500 of them went to Japan for training.

**Table 8. 2 Characteristics of the sample of the Indian Subsidiary**

<b><u>Items</u></b>	<b><u>Employees in Japan</u></b>
Number of Respondents	650
Gender	Male=642 Female=8
Tenure	
Length of service (mean)	7.25 years
Age	
Under 35	37.5 %
35-45	61.5 %
Above 45	1 %
<b><u>Educational Level</u></b>	
Senior High School	2.0%
University Graduate	79.5%
Post Graduate	18.5%
<b><u>Nationality</u></b>	
Indian	99%
Japanese	less than 1%
Other Asian	0%
<b><u>Formal Cultural Training</u></b>	
Posted Abroad	1.5 %
Received Cultural Training	55.6 %
Received Language Training	13.6 %

## **8.2. RESULTS OF DATA ANALYSIS IN THE INDIAN SUBSIDIARY**

### **8.2.1 Results: Statistical Analysis of Organizational Culture in the Subsidiary, India: Research Question 1 (part 3)**

#### **8.2.1.1 Descriptive Statistics: OC, Indian Subsidiary**

The Research Question 1 What are the precise factors composing the concept of 'organizational culture' in a Japanese multinational company?

has three parts: (1) what factors are composing the organizational culture of a very large organization like this Japanese MNC in its HQs in Japan, (2) what factors are composing the organizational culture of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) what factors are composing the organizational culture of this Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY C is



exploring the part 3 of the Research Question 1: what are the precise factors composing the organizational culture of this Japanese MNC in its subsidiary located in culturally distant host country, India. Considering the prior literature (as given in Chapter 2 and 3), this research has proposed eight values that can form the organizational culture in the Indian subsidiary.

These value components of organizational culture in the Indian subsidiary are defined as follows:

**Definition of Factors (or value-components) composing Organizational Culture variable:**  
OCTHV1= Innovation; OCTHV2= Entrepreneurship; OCTHV3= Decisiveness; OCTHV4= Stability & Security (Emphasis on Stability); OCTHV5= Supportiveness; OCTHV6= Emphasis on Performance (Performance Orientations); OCTHV7= Team Spirit; OCTHV8= Preciseness

Considering the definitions of the factors (or value-components or sub-scales) of organizational culture in this research, and given the data from the sample of 650 respondents were analyzed and the following characteristics of the variables were obtained.

**Table 8.3: Descriptive Statistics: OC, Indian Subsidiary**

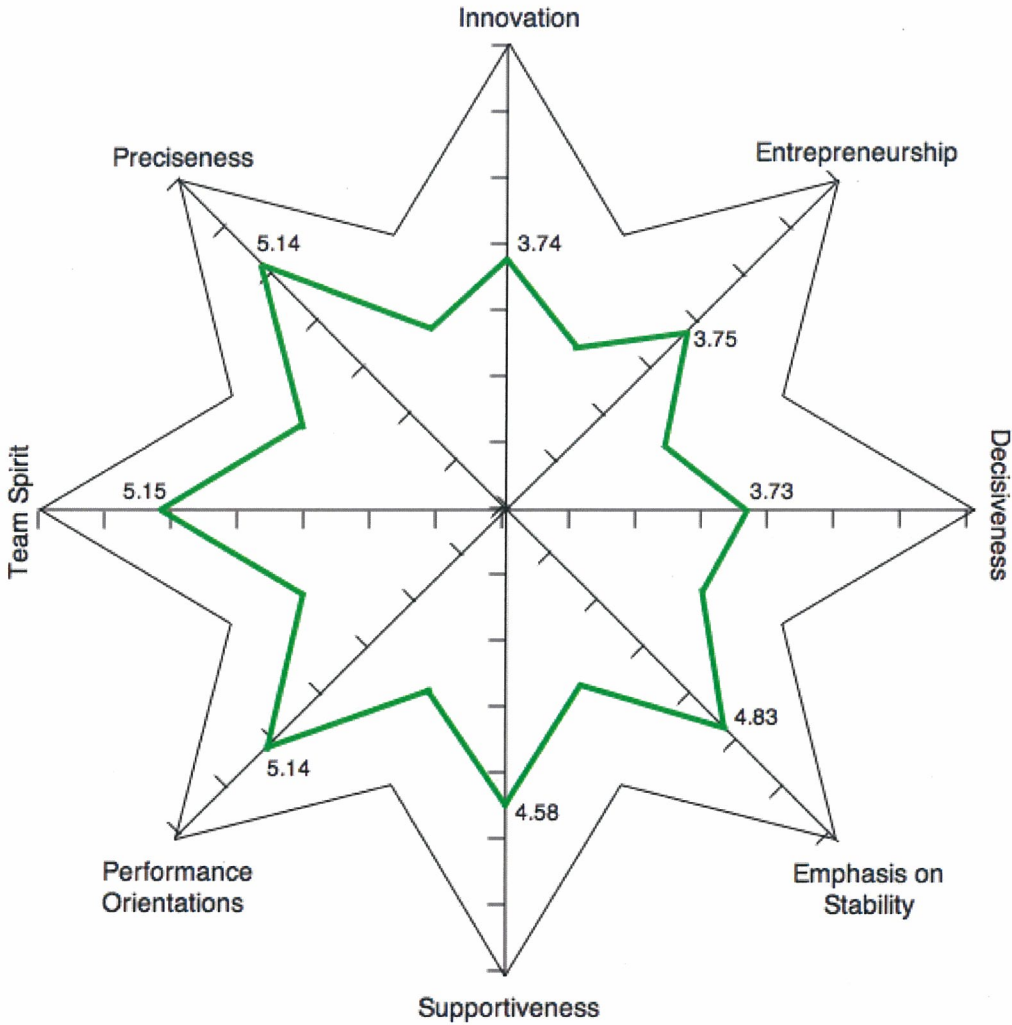
Descriptive Statistics							
	N	Mean		Skewness		Kurtosis	
	Statistic	Statistic	Std.Error	Statistic	Std.Error	Statistic	Std.Error
OCJV1	650	3.74	2.072E-02	-1.808	.096	2.721	.191
OCJV2	650	3.75	2.069E-02	-1.820	.096	2.767	.191
OCJV3	650	3.73	2.078E-02	-1.786	.096	2.742	.191
OCJV4	650	4.83	3.288E-02	.022	.096	.033	.191
OCJV5	650	4.58	2.929E-02	-.264	.096	-.152	.191
OCJV6	650	5.14	3.370E-02	-.154	.096	-.479	.191
OCJV7	650	5.15	3.363E-02	-.177	.096	-.489	.191
OCJV8	650	5.14	3.353E-02	-.163	.096	-.469	.191
ValidN(listwise)	650						

According to Table 8.3, The Indian subsidiary have high scores on all operational characteristics like **Preciseness, Team Spirit, and Emphasis on Performance**, but low scores on all others particularly on **Innovation, Entrepreneurship and Decisiveness**. The reason can be attributed to the fact that this subsidiary is quite new, only about 10 years old, so that the employees have accepted all operational features of the Japanese Management System but at the same time the central control from the parent unit is quite severe, giving not much room for independent decision making process in this subsidiary. Another reason is of course the fact that India is a culturally distant country with a lot of individualistic and opportunistic tendencies among the

employees who are not collectivist like their Japanese or Thai counterparts (Hofstede et al., 2010; Sinha et al., 2004). Employees are good at taking orders, but not to demonstrate their initiatives very much given the tight control the parent unit may have on this subsidiary. Unlike that in Japan, employees in this subsidiary are not assertive, as they depend on the goodwill of the senior managers of this subsidiary who are almost all Japanese.

The Star Diagram (Figure 8.1) shows the mean responses for the eight factors (values-components) that compose organizational culture in the Indian subsidiary. While comparing the three Star Diagrams for HQs in Japan (Figure 6.1 Chapter 6), for the Thai subsidiary (Figure 7.1 Chapter 7) and for the Indian subsidiary (Figure 8.1) it is clear that the mean responses in the Indian subsidiary are similar but not identical to those in HQs in Japan and in Thai subsidiary due to the fact that that subsidiary's culture, although should be similar to that of the parent organization, is not exactly the same and the cultural distant host country such as India is more different as it was in the Thai subsidiary. However, surprisingly these are not very different. Moreover, the most important operational characteristics of OCTHV6 (**Emphasis on Performance**), OCTHV7 (**Team Spirit**), OCTHV8 (**Preciseness**) have highest scores just like in HQs in Japan.

**Figure 8.1: Mean Responses on Eight Factors Composing OC in the Indian Subsidiary**



### 8.2.1.2 Reliability Analysis: OC, Indian subsidiary

The Cronbach Alpha calculated below provides the reliability regarding internal consistency of the perceptions of the employees of the chosen Japanese MNC in the subsidiary operation in India, which satisfies this hypothesis.

**Table 8.4: Cronbach Alpha: OC, Indian Subsidiary**

Alpha = .86	Standardized item alpha = .84
-------------	-------------------------------

As it is shown in Table 8.5 the set of value-components composing the organizational culture as suggested by this research and measured using the OCAS scale influenced by O'Reilly et al. (1991) are found to be highly reliable from the data collected from the Indian subsidiary. Thus, it is possible to proceed towards the statistical analysis. Details of reliability statistics for each individual components of organizational culture are in Table In.1 in the Appendix Chapter 8.

### 8.2.1.3. Covariance and Correlation Analyses: OC, Indian subsidiary

Statistical analysis regarding covariance and correlations for these eight value-components composing organizational culture in the Indian subsidiary are given in Table 8. 6 and Table 8.7.

**Table 8.5: Covariance Matrix: OC, Indian Subsidiary**

	OCINV1	OCINV2	OCINV3	OCINV4	OCINV5	OCINV6	OCINV7	OCINV8
OCINV1	.2791							
OCINV2	.2779	.2783						
OCINV3	.2783	.2787	.2806					
OCINV4	-.0191	-.0173	-.0171	.7027				
OCINV5	-.0074	-.0084	-.0079	.0017	.5577			
OCINV6	.0063	.0046	.0059	-.0466	.0290	.7382		
OCINV7	.0060	.0042	.0055	-.0427	.0304	.7329	.7353	
OCINV8	.0029	.0011	.0024	-.0484	.0331	.7292	.7285	.7310

The Covariance Matrix (Table 8.5) shows variances are similar between **Emphasis on Performance** (OCINV6), **Team Spirit** (OCINV7), and **Preciseness** (OCINV8). As a result values such as **Emphasis on Performance**, **Team Spirit**, **Preciseness** are highly correlated according to the Correlation Matrix (Table 8.6) given below. The values such as **Entrepreneurship** and **Supportiveness** are not correlated with other values but are quite independent. It is possible that **Entrepreneurship** is related to the psychology of the top

executives; ordinary employees are unrelated to it. High **Emphasis on Performance** demands **Preciseness**. **Team Spirit** supports these values in the work place. **Supportiveness** is related more on interpersonal relationship than on operational culture. It is possible that Indian employees are working as a highly glued team in their operational activities but their social relationships are not so close. This is a characteristic of the psychology of the Indian people, dominated by caste divisions, who normally work very meticulously in their work place but can be distant in their personal relationship, which is reflected in the Correlation Matrix in Table 8.7.

**Table 8.6: Correlation Matrix: OC, Indian Subsidiary**

	OCINV1	OCINV2	OCINV3	OCINV4	OCINV5	OCINV6	OCINV7	OCINV8
OCINV1	1.0000							
OCINV2	.9972	1.0000						
OCINV3	.9945	.9973	1.0000					
OCINV4	-.0432	-.0392	-.0385	1.0000				
OCINV5	-.0187	-.0214	-.0201	.0027	1.0000			
OCINV6	.0140	.0101	.0129	-.0646	.0452	1.0000		
OCINV7	.0132	.0093	.0121	-.0594	.0475	.9948	1.0000	
OCINV8	.0064	.0024	.0053	-.0675	.0519	.9927	.9937	1.0000

The purpose of the Correlation Matrix (Table 8.6) is to evaluate the basic composition of the organizational culture to examine whether the values that compose organizational culture are linked and if so what is the direction of that linkages. From the matrices above it is clear that **Innovation** (OCINV1) has close links with both **Entrepreneurship** (OCINV2) and **Decisiveness** (OCINV3). **Emphasis of Performance** (OCINV6), **Team Spirit** (OCINV7) and **Preciseness** (OCINV8) are highly related to each other. Thus, most of these values that compose organizational culture are linked, but surprisingly **Supportiveness** (OCINV5) has not shown much relationship with the operational characteristics. The possible explanation of the relative independent characteristics of the **Entrepreneurship** and **Supportiveness** is the fact that **Entrepreneurship** usually occurs under the influence from the top managers and **Supportiveness** is a societal value attached to the organizational culture but unrelated to the operational behavior of the organization.

#### 8.2.1.4 Analysis of Variance: OC, Indian subsidiary

Analysis of Variance yields a statistic F, which indicates if there is a significant difference among three or more sample means. When conducting an analysis of variance, the variance (or spread-out-ness) of the scores was divided into two components: (a) the variance between groups, that is the variability among the three or more group means; (b) the variance within the groups, or how the individual scores within each group vary around the mean of the group.

These variances were measured by calculating the Sum of Squares Between Groups (SSB) and the Sum of Squares Within Groups (SSW). The null hypothesis and the alternative hypothesis were stated. The null hypothesis, for the F test, states that there are no differences among the three means. The alternative hypothesis states that there are significant differences among some or all of the individual means. The null hypothesis was rejected because it was found that there is indeed a significant difference among the cell means. This result is similar to what we have already obtained in HQs in Japan and in the Thai subsidiary

**Table 8.7: Analysis of Variance: OC, Indian subsidiary**

Hotelling's T-Squared = 175.1809	F = 24.7144
Degrees of Freedom:	Numerator = 7      Denominator = 643

From the Analysis of Variance (Table 8.7), it is possible to accept that there is indeed a significant difference among the cell means. The significance of the difference between pairs of means in Analysis of Variance was analyzed by the use of post hoc (after the fact) comparisons. These post hoc comparisons are possible only when there is a significant F ratio. Table 8.7 gives the basic statistics; the details on statistics on the Analysis of Variance are given in Table In.2 in the Appendix Chapter 8. The current analysis shows that the scores obtained in the survey are independent and unbiased as Hotelling's T-Square, which is a multivariate significance test of mean differences, also show the same results.

#### 8.2.1.5 Factor Analysis: OC, Indian subsidiary: Hypothesis H<sub>IN-1</sub>

**Hypothesis H<sub>IN-1</sub>:** There are eight value components of organizational culture of the Indian subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.

Factor Analysis (Table 8.8) of the eight value-components composing organizational culture shows that three of them are most important factors forming the organizational culture of the Indian subsidiary. These three values are **Innovation**, **Entrepreneurship**, and **Decisiveness** which is very different from that obtained in HQs in Japan and in Thai subsidiary. However, it was expected given the analysis of national culture of India as provided by Hofstede (2002), where India is described as not so collectivist oriented society like Japan and Thailand. Also India is regarded as more masculine than both Japan and Thailand. At the same time due to the influence of the organizational culture some similarities between the Indian subsidiary and HQs in Japan are there as well. **Entrepreneurship** in the subsidiary operation is very important as it is in the main operation in Japan.

**Table 8.8: Relative Importance of Factors: OC, Indian Subsidiary**

Communalities		
	Initial	Extraction
OCINV1	1.000	.997
OCINV2	1.000	.999
OCINV3	1.000	.997
OCINV4	1.000	.346
OCINV5	1.000	.672
OCINV6	1.000	.994
OCINV7	1.000	.995
OCINV8	1.000	.994

Extraction Method: Principal Component Analysis.

**Table 8.9: Eigen Values and Total Variance: OC, Indian Subsidiary**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.027	37.841	37.841	3.027	37.841	37.841	2.997	37.457	37.457
2	2.965	37.068	74.909	2.965	37.068	74.909	2.992	37.401	74.858
3	1.000	12.502	87.412	1.000	12.502	87.412	1.004	12.554	87.412
4	.987	12.341	99.753						
5	7.424E-03	9.280E-02	99.846						
6	5.475E-03	6.844E-02	99.914						
7	5.022E-03	6.278E-02	99.977						
8	1.828E-03	2.286E-02	100.000						

Extraction Method: Principal Component Analysis.

Thus, according to the perceptions of the employees in India, the operational characteristics (value-components) such as **Innovation**, **Entrepreneurship** and **Decisiveness** are most important parts of organizational culture of the Indian subsidiary. However, Table 8.9 also shows high scores for most of the value-components. Thus, all eight value-components can represent the organizational culture in the Indian subsidiary.

In Table 8.9, three indicators have significant Eigen Values (from the Table of Total Variance Explained). These three indicators, **Innovation**, **Entrepreneurship** and **Decisiveness** (as shown in the Communalities Matrix) are very important factors to influence the organizational culture in India. Other three operational factors (**Team Spirit**, **Preciseness**, **Emphasis on Performance**) are also equally important, as their Eigen Values are very close to the Eigen Values of the three factors indicated above similarly as is was observed in HQs in Japan and in the Thai subsidiary.



**Table 8.10: Component Matrix: OC, Indian Subsidiary**

	Component		
	1	2	3
OCINV1	.703	-.709	1.932E-02
OCINV2	.701	-.712	1.949E-02
OCINV3	.702	-.710	2.093E-02
OCINV4	-.109	-2.39E-02	.578
OCINV5	3.007E-02	7.280E-02	.816
OCINV6	.718	.692	-4.29E-03
OCINV7	.717	.693	6.241E-04
OCINV8	.712	.698	-8.86E-04

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

Considering the factor loading (as given in Tables 8.10 and 8.11) **Innovation** depends on three operational characteristics **Emphasis on Performance**, **Team Spirit** and **Preciseness**. **Entrepreneurship** depends on **Decisiveness** and **Innovation**. **Decisiveness** depends on **Supportiveness** and **Security of Employment**, a major part of the human resources management policy.

**Table 8.11: Rotated Component Matrix: OC, Indian Subsidiary**

	Component		
	1	2	3
OCINV1	6.157E-03	.998	-2.33E-02
OCINV2	2.073E-03	.999	-2.31E-02
OCINV3	4.967E-03	.998	-2.17E-02
OCINV4	-8.62E-02	-3.48E-02	.581
OCINV5	8.458E-02	3.761E-03	.815
OCINV6	.997	7.123E-03	-1.95E-02
OCINV7	.997	6.399E-03	-1.45E-02
OCINV8	.997	-3.77E-04	-1.57E-02

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Thus, it is clear that the major contributions of the operational characteristics depend upon the societal values in organizational culture of the Indian subsidiary. Measured by the Kaiser-Meyer-

Olkin (KMO) statistics (Table 8.12), sampling adequacy predicts whether the data are likely to represent the Factor Analysis well. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to be acceptable. At the table above, the KMO measure is 0.770. From the same Table 8.12 it is clear that the Bartlett's test of Sphericity (Bartlett, 1950) is significant, with very high Chi-Square. This means that the correlation matrix is not an identity matrix or close to zero. Thus, it is possible to proceed with the Factor Analysis, which is expected to provide the meaningful results.

**Table 8.12 KMO and Bartlett's Test: OC, Indian Subsidiary**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.770
Bartlett's Test of Sphericity	Approx. Chi-Square	12604.438
	df	28
	Sig.	.000

Results of the Factor Analysis on organizational culture of the Indian subsidiary are summarized in Tables 8.13 and 8.14.

**Table 8.13: Factor Analysis: OC, Indian Subsidiary**

(Factor Loadings)	Innovation	Entrepreneurship	Decisiveness	Communality
Innovation	.000	.998	.002	.997
Entrepreneurship	.000	.999	.002	.999
Decisiveness	.000	.998	.002	.997
Emphasis on Stability	.008	.003	.581	.346
Supportiveness	.008	.000	.815	.672
Performance-Orientation	.997	.000	.001	.994
Team spirit	.997	.000	.001	.995
Preciseness	.997	.000	.001	.994
Eigen Value	3.027	2.965	1.000	
Percent Variance Explained	37.841	37.068	12.502	

**Table 8.14: Essentials of Factor Analysis: OC, Indian Subsidiary**

<b>Most Important Factors</b>	<b>Related To</b>
Innovation	Preciseness, Team Spirit, Emphasis on Performance
Entrepreneurship	Innovation, Decisiveness
Decisiveness	Supportiveness, Sense of Security

According to Tables 8.13 and 8.14, it is possible to accept the following two observations for organizational culture in the Japanese subsidiary in India to support the hypothesis  $H_{In.1}$ :

**O<sub>IN.1a</sub>:** In the Japanese subsidiary in India, operational characteristics (Preciseness, Emphasis on Performance, Team Spirit) are very important parts of the organizational culture as these are in Thailand.

**O<sub>IN.2b</sub>:** Operational characteristics of the organizational culture in the Japanese subsidiary in India just like in Thailand are related closely to the human resources management policy and strategic management policy.

Human resources practices have their reflections on factors like **Stability** and **Supportiveness**. Strategic management practices have their reflections on **Innovation**, **Entrepreneurship** and **Decisiveness**. These factors are in the Indian subsidiary, as these are in the Thai subsidiary, are related to the operational factors. Thus, operational factors are in this Indian subsidiary are reflections of human resources practice and strategic management policy of the parent unit, who decides the characteristics of these two important functions.

However, there are wide range of support exist in the prior literature on MNC behavior in other countries. Deshpande and Farley (2004) supported this idea in their study of organizational culture, market orientation, innovativeness, and performance of multinational firms of US origin. Petison and Johri (2008) also agreed with the findings of this research obtained the similar results for subsidiaries of multinational companies in several South East Asian countries. Therefore, it is possible to state that characteristics of the organizational culture in Indian subsidiary are not the unique characteristics of subsidiaries of this Japanese MNC but characteristics of the multinational companies in general.

The Descriptive Statistics shows the employees are consistent to put emphasis of these values. The Skewness and Kurtosis show that the probability distributions of the frequencies of these values are normal and regular. The Analysis of Variance shows that these values as calculated in this research are unbiased. The Factor Analysis shows that these values more or less have high scores in the Communality Matrix and as a result, these values with high degree of probability can represent the organizational culture of the Indian subsidiary of this Japanese multinational company. As there is no data provided in the literature regarding the similar experiment conducted in any other Indian subsidiary of any other Japanese MNC or in any Indian companies, it is not possible to make a comparison. However, considering the above analysis, it is possible to accept the hypothesis  $H_{IN.1}$ .

As the Indian subsidiary has demonstrated similar characteristics and similar values as observed in the parent operation in Japan and the subsidiary operation in Thailand, it is possible to conclude that this Japanese MNC successfully transmitted its organizational culture from HQs to its subsidiary operations both in Thailand and in India. The value components of the organizational culture in all three units: HQs in Japan, in the Thai subsidiary and in the Indian subsidiary are very similar. In that case, it is possible to expect the similar results for transmission of the organizational commitment as well.

### **8.2.2 Results: Statistical Analysis of Organizational Commitment in the Indian Subsidiary: Research Question 3 (part 3)**

The Research Question 3 **What are the precise factors composing the concept of organizational commitment in a Japanese multinational company?**

has three parts: (1) what factors are composing the organizational commitment of a very large organization like this Japanese MNC in its HQs in Japan, (2) what factors are composing the organizational commitment of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) what factors are composing the organizational culture of this Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY C is exploring the part 3 of the Research Question 3: **What are the precise factors composing the concept of organizational commitment in this Japanese multinational company in its subsidiary located in culturally distant host country, India.** Considering the prior literature (as given in Chapter 2 and 3), this research has proposed six values that can form the organizational culture in the Indian subsidiary.

These six value components of organizational commitment in the Indian subsidiary are defined as follows:

**Definition of Factors (or value-components) composing Organizational Commitment variable:**

OCOMTHV1= Emotional Attachment; OCOMTH2= Value Attachment;  
OCOMTHV3= Environment Attachment; OCOMTH4= Sense of Sacrifice  
OCOMTHV5 = Rational Attachment; OCOMTHV6 = Ego Orientations

### 8.2.2.1 Descriptive Statistics: OCom, Indian Subsidiary

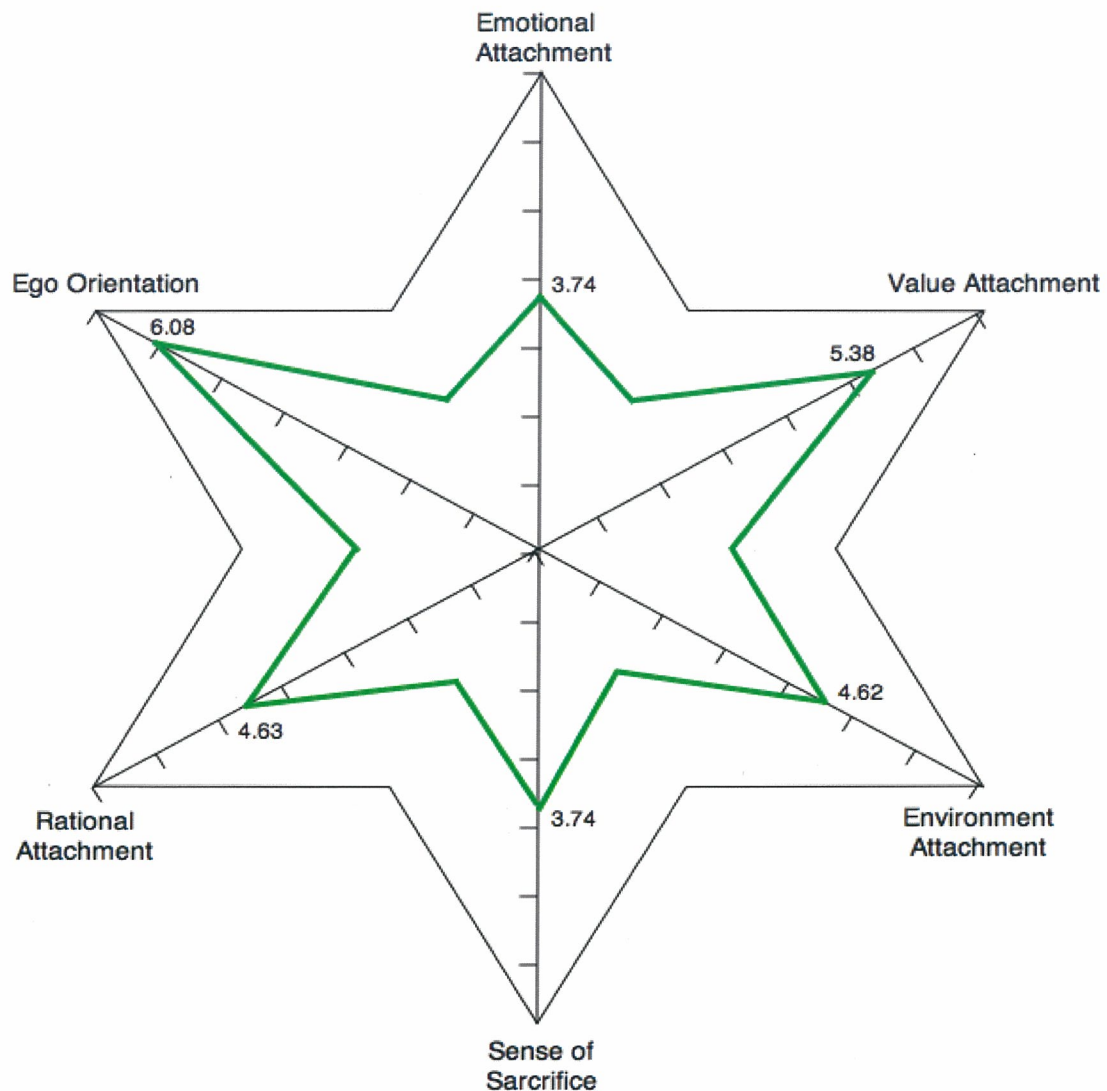
Statistical analysis and measurement for these six factors composing variable organizational commitment is given in Table 8.15.

**Table 8.15: Descriptive Statistics: OCom, Indian Subsidiary**

Descriptive Statistics							
	N	Mean		Skewness		Kurtosis	
	Statistic	Statistic	Std.Error	Statistic	Std.Error	Statistic	Std.Error
OCOMJV1	650	3.74	2.072E-02	-1.808	.096	2.721	.191
OCOMJV2	650	5.38	2.994E-02	.388	.096	-.164	.191
OCOMJV3	650	4.62	2.852E-02	-.362	.096	-.070	.191
OCOMJV4	650	3.74	2.072E-02	-1.808	.096	2.721	.191
OCOMJV5	650	4.63	2.885E-02	-.347	.096	-.087	.191
OCOMJV6	650	6.08	3.431E-02	-.532	.096	-.614	.191
ValidN(listwise)							

The mean scores of some of these values are low, indicating the fact that the Indian subsidiary is only about 10 years old and the employees have relatively short tenure so far. Thus, the societal effects of the Indian culture are still dominant in their ideas and values and '*enculturalization*' process takes time and it would be intensified along with the length of the tenure. High score of the value *Ego Orientations* also reflect a specific characteristic of the Indian society, which is very different from that of the Japanese society. The lower values of Skewness and Kurtosis imply that the distributions of the scores of the values of organizational commitment in Indian subsidiary are normal and thus the classical statistical testing procedures are applicable for the analysis of these scores.

**Figure 8.2: Mean Responses on Six Factors Composing OCom in the Indian Subsidiary**



The Star Diagram (Figure 8.2) shows that the perception of the commitment by the employees of the Indian subsidiary is very different from that in the Thai and Japanese units. Employees are committed more for their **Value Attachment** and **Ego Orientations** than for any other factors. The score of the values like **Sense of Sacrifice** and **Emotional Attachment** are quite low. That implies that employees in the Indian subsidiary are more rational and analytical than emotional in their attachment to the organization. Lawler and Atmiyanandana (2003) also reported about the similar characteristics in their analysis of human resource practices in Asia.

### 8.2.2.2 Reliability Analysis: O Com, Indian Subsidiary

The Research Question 3 (part 2) is **What are the precise factors composing the concept of organizational commitment in a Japanese multinational company?**, where the employees are not exposed to any other culture or other types human resources practices in foreign countries except those of their own and that of the Japanese organization. The above analysis has identified six factors that can affect organizational commitment. The Cronbach Alpha calculated (Table 8.18) provides the reliability index regarding the internal consistency of the perceptions of the employees in the Indian subsidiary.

**Table 8.16: Reliability: OCom, Indian Subsidiary**

Alpha = .82	Standardized item alpha = .80
-------------	-------------------------------

The set of value-components composing the performance/commitment variable as suggested in this research and measured using the scale OCOMAS based on the scale developed by Mowday et al. (1979) is found to be highly reliable from the data collected from Indian subsidiary. Thus, it is possible to proceed towards the statistical analysis. Details of reliability statistics for each individual value-component of performance/ commitment are given in Table In.1 in the Appendix Chapter 8.

### 8.2.2.3. Covariance and Correlation Analyses: OCom, Indian subsidiary

The covariance matrix (Table 8.17) shows variances are similar between OCOMINV3 and OCINV5. As a result, the factors such as **Environment Attachment** and **Rational Attachment** are correlated according to the Correlation Matrix given in Table 8.18. The other factors are not correlated with but are quite independent. It is possible that **Rational Attachment** can take place when the employees can see their values are similar to that of the organization.

**Table 8.17: Covariance Matrix: OCom, Indian Subsidiary**

	OCOMINV1	OCOMINV2	OCOMINV3	OCOMINV4	OCOMINV5	OCOMINV6
OCOMINV1	.2791					
OCOMINV2	.0196	.5826				
OCOMINV3	-.0072	.0114	.5287			
OCOMINV4	.2791	.0196	-.0072	.2791		
OCOMINV5	-.0026	.0128	.5242	-.0026	.5410	
OCOMINV6	.0076	.0107	-.0373	.0076	-.0380	.7653

**Table 8.18: Correlation Matrix: OCom, Indian Subsidiary**

	OCOMINV1	OCOMINV2	OCOMINV3	OCOMINV4	OCOMINV5	OCOMINV6
OCOMINV1	1.0000					
OCOMINV2	.0486	1.0000				
OCOMINV3	-.0189	.0205	1.0000			
OCOMINV4	1.0000	.0486	-.0189	1.0000		
OCOMINV5	-.0066	.0228	.9800	-.0066	1.0000	
OCOMINV6	.0163	.0160	-.0586	.0163	-.0591	1.0000

The Covariance Matrix shows that variances are similar between OCOMINV3 and OCINV5. As a result, factors such as **Environment Attachment** and **Rational Attachment** are correlated according to the Correlation Matrix (Table 8.18).

The other factors are quite independent of each other. It is possible that Rational Attachment can take place when the employees can see occupational environments are what they prefer. This is reflected in the Correlation Matrix. Niffenegger, Kulviwat and Engchanil (2006) observed the similar features in their study on organizational commitment. Wongtada and Rice (2008) also supported this study regarding the feature of organizational commitment. Thus, it can be a general characteristic of organizational commitment in the Indian subsidiary.



#### 8.2.2.4 Analysis of Variance: OCom, Indian subsidiary

When conducting an Analysis of Variance, the variance (or spread-out-ness) of the scores was divided into two components: (a) the variance between groups, that is the variability among the three or more group means; (b) the variance within the groups, or how the individual scores within each group vary around the mean of the group. Then the F-ratio was examined, which is the ratio of the mean square between groups to the mean square within groups.

The null hypothesis and the alternative hypothesis for the F-test were stated. The null hypothesis, for the F test, stated that there are no differences among the three means. The alternate hypothesis stated that there are significant differences among some or all of the individual means. The null hypothesis was rejected because it was found that there is indeed a significant difference among the cell means. Thus the following observation is accepted that there are significant differences between the means of these factors that compose performance/commitment variable in the Indian subsidiary.

**Table 8.19: Analysis of Variance: OCom, Indian Subsidiary**

Hotelling's T-Squared =	733.6688	F =	44.5967
Degrees of Freedom:	Numerator =	7	Denominator = 643

From the Analysis of Variance, the above observation is accepted. Thus, the current analysis shows that the scores obtained from the survey are independent and unbiased. Hotelling's T-Square, which is a multivariate significance test of mean differences also show the same results. Table 8.19 gives the basic statistics; the details on the statistics on the Analysis of Variance are given in Table In.3 in the Appendix Chapter 8.

#### 8.2.2.5 Factor Analysis: OCom, Indian subsidiary: Hypothesis H<sub>IN-2</sub>

**Hypothesis H<sub>IN-2</sub>:** There are six value components of organizational commitment in the Indian subsidiary of this Japanese multinational company, which are similar to these in the parent unit in Japan.

Factor Analysis was used to uncover the latent structure or dimensions of a set of variables estimated from the scores obtained from the perceived ideas of the Indian employees regarding

the organizational commitment they experience in the subsidiary operations in India of this Japanese multinational company. The Exploratory Factor Analysis was carried out to find out which factors are relatively more important to compose the performance/commitment in the Indian subsidiary.

**Table 8.20: Relative Importance of Factors: OCom, Indian Subsidiary**

**Communalities**

	Initial	Extraction
OCOMINV1	1.000	1.000
OCOMINV2	1.000	.539
OCOMINV3	1.000	.987
OCOMINV4	1.000	1.000
OCOMINV5	1.000	.987
OCOMINV6	1.000	.492

Extraction Method: Principal Component Analysis

The communality (Table 8.20) measures the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator. High communalities (more than .5 or about .5) here indicate that almost all factors are very good indicators of the organizational commitment variable. The only exception is the **Ego Orientations** (OCOMTHV6), which possibly do not fit very well with the rest of the picture, although the Indian employees of this subsidiary do subscribe to this value greatly, according to the mean response.

**Table 8.21: Eigen Values and Total Variance: OCom, Indian Subsidiary**

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.023	33.722	33.722	2.023	33.722	33.722	2.001	33.345	33.345
2	1.970	32.833	66.555	1.970	32.833	66.555	1.986	33.106	66.452
3	1.010	16.841	83.396	1.010	16.841	83.396	1.017	16.944	83.396
4	.976	16.273	99.669						
5	1.988E-02	.331	100.000						
6	-4.56E-16	-7.59E-15	100.000						

Extraction Method: Principal Component Analysis.

Eigen values (Table 8.21) are called characteristic roots. The ratio of Eigen values is the ratio of explanatory importance of the factors with respect to the variables. If a factor has a low Eigen value, then it is contributing little to the explanation of variances in the variables and may be ignored as redundant with more important factors. Here three indicators have significant Eigen Values (from the Table of Total Variance Explained). Thus, these three indicators, **Emotional Attachment, Sense of Sacrifice, Rational Attachment and Environment Attachment**, are very important factors (as shown in the Communalities Matrix) to influence the latent variable performance/commitment in the Indian subsidiary of this Japanese MNC.

From the analysis of the Eigen values given below, it is possible to examine the following observation, which corroborates with Hypothesis H<sub>IN.2</sub>:

**O<sub>IN.2a</sub>: Emotional Attachment and the Sense of Sacrifice are very important characteristics of the organizational commitment in the Japanese subsidiary in India**

All of these observations are supported by the analysis of the Eigen values. Thus, the three factors, **Emotional Attachment, Sense of Sacrifice and Environment Attachment**, are the most important ones composing the organizational commitment variable, as identified by the Factor Analysis given below. Thus, Indian employees are driven more by their idealism stimulated by the environment created by the organizational culture in the organization, with which they are attached.

The cells in Tables 8.22 and 8.23 Component Matrix and the Rotated Component Matrix are factor loadings, and the meaning of the factors must be induced fby explaining which variables are most heavily loaded on which factors.

**Table 8.22: Component Matrix: OCom, Indian Subsidiary**

	Component		
	1	2	3
OCOMINV1	.817	.574	-4.64E-02
OCOMINV2	5.452E-02	9.215E-02	.726
OCOMINV3	-.586	.801	2.440E-02
OCOMINV4	.817	.574	-4.64E-02
OCOMINV5	-.576	.809	2.457E-02
OCOMINV6	9.376E-02	-7.68E-02	.691

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

**Table 8.23: Rotated Component Matrix: OCom, Indian Subsidiary**

	Component		
	1	2	3
OCOMINV1	.999	-6.86E-03	2.175E-02
OCOMINV2	4.837E-02	7.163E-02	.729
OCOMINV3	-1.31E-02	.993	-1.49E-02
OCOMINV4	.999	-6.86E-03	2.175E-02
OCOMINV5	-6.98E-04	.993	-1.39E-02
OCOMINV6	-1.53E-02	-9.01E-02	.695

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

The correlations between the variables and the three factors, as they are extracted, are also called factor loadings, are given above for each of the values. The factor loadings are the correlation coefficients between the variables (rows) and factors (columns). The squared factor loading is the percent of variance in that indicator variable explained by the factor. By one rule of thumb in Confirmatory Factor Analysis, loadings should be .7 or higher in order to suggest that independent variables are represented by a particular factor.

According to Tables 8.24 and 8.25, **Emotional Attachment** is highly correlated with **Sense of Sacrifice**; **Sense of Sacrifice** is highly correlated with **Environment Attachment** and **Rational**

**Attachment. Environment Attachment** is related to **Value Attachment** and to a minor extent to **Ego Orientations**. Results of the Factor Analysis are summarized in Table 8.24.

**Table 8.24: Factor Analysis: OCom, Indian Subsidiary**

(Factor Loadings)	Emotional Attachment	Sense of Sacrifice	Environmental Attachment	Communality
Emotional Attachment	.999	.000	.002	1.000
Value Attachment	.004	.007	.729	.539
Environment Attachment	.001	.993	.001	.987
Sense of Sacrifice	.999	.000	.002	1.000
Rational Attachment	.000	.993	.001	.987
Ego Orientations	.001	.009	.695	.492
Eigen Value	2.023	1.970	1.010	
Percent Variance Explained	33.722	32.833	16.841	

**Table 8.25: KMO and Bartlett's Test: OCom, Indian Subsidiary**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.502
Bartlett's Test of Sphericity	Approx. Chi-Square	1824.311
	df	15
	Sig.	.000

Table 8.25 shows that both Chi-square and KMO measures support the validity of the factor analysis. Table 8.26 shows the results of Factor Analysis on value-components composing the performance/commitment variable.

**Table 8.26: Essentials of Factor Analysis: OCom, Indian Subsidiary**

<u>Most Important Factors</u>	<u>Related To</u>
Emotional Attachment	Sense of Sacrifice
Sense of Sacrifice	Environmental Attachment, Rational Attachment
Environment Attachment	Value Attachment, Ego Orientation

Thus, from the Descriptive Statistics, it is clear that the employees attach significant importance to these values. Skewness and Kurtosis show that the probability distributions of the frequencies

of these values are regular with normal distributions. Analysis of Variance shows that these values are unbiased estimates of the true values. Factor Analysis, in the Communality Matrix shows that these values can significantly represents the organizational commitment variable. The KMO and the Bartlett tests show that this factor analysis is valid. Therefore, based on the results of the above analysis it is possible to accept the hypothesis  $H_{IN.2}$ .

### **8.2.3 Interrelationship between Organizational Culture and Organizational Commitment in the Indian Subsidiary: Research Question 4 (part 3)**

The Research Question 4: **Whether there is a link between organizational culture and organizational commitment in a Japanese multinational company?**,

has three parts: (1) whether there is a link between culture and organizational commitment of a very large organization like this Japanese MNC in its HQs in Japan, (2) whether there is a link between culture and organizational commitment of this Japanese MNC in its subsidiary located in culturally similar host country, Thailand, and (3) whether there is a link between culture and organizational commitment of this Japanese MNC in its subsidiary located in culturally distant host country, India. The STUDY C is exploring the part 3 of the Research Question 4: **Whether there is a link between organizational culture and organizational commitment in this Japanese MNC in its subsidiary located in culturally distant host country, India.** In STUDY C the Multiple Regression Analysis was used to explore the issue of interrelationship between culture and organizational commitment in Indian subsidiary.

#### **8.2.3.1 Results of Multiple Regression Analysis: Indian subsidiary: Hypothesis $H_{IN.3}$**

**Hypothesis  $H_{IN.3}$ :** The influences on organizational commitment in the Indian subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent company.

To implement the Multiple Regression Analysis, the each of the six values of composing organizational commitment was regressed on the eight values composing organizational culture in the Indian subsidiary to examine which value-components of commitment can be explained by which value-components of organizational culture.

It is important to note that only the factors which as statistically significant are described below, other statistically non-significant factors are in Appendix (Appendix STUDY C).

**Definition of Organizational Commitment**

OCOMTHV1= Emotional Attachment; OCOMTH2= Value Attachment;  
OCOMTHV3= Environment Attachment; OCOMTH4= Sense of Sacrifice  
OCOMTHV5 = Rational Attachment; OCOMThV6 = Ego Orientations

**Definition of Organizational Culture**

OCTHV1= Innovation; OCTHV2= Entrepreneurship; OCTHV3= Decisiveness;  
OCTHV4= Stability & Security (Emphasis on Stability); OCTHV5= Supportiveness;  
OCTHV6= Emphasis on Performance (Performance Orientations);  
OCThV7= Team Spirit; OCTHV8= Preciseness

A large number of experiments were performed here. Equations that provide the best fit with significant predictor variables were retained. Only two value-components of commitment such as **Emotional Attachment** (OCOMINV1) and **Sense of Sacrifice** (OCOMINV4) can be explained by certain value-components of organizational culture. Others value-components of the commitment are not explained by values of organizational culture. However, the Structural Equation Modeling Analysis was also used later to show how jointly the organizational culture and organizational commitment are related. Thus, individual value-components of commitment cannot be always predicted by the value-components of the organizational culture, but on the whole they are interrelated.

**Dependent Variable: Emotional Attachment (OCOMINV1)**

**Emotional Attachment** can be explained by **Entrepreneurship, Supportiveness and Team Spirit.**

**Table 8.27: Model Summary, Regression: OCOMINV1, Indian Subsidiary**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997 <sup>a</sup>	.995	.994	3.923E-02

a. Predictors: (Constant), OCINV7, OCINV2, OCINV5

In Table 8.27, R-squared here is equal to .99, is the percent of the dependent variable explained by the independent variables. In this case, the model explains 99 % of the variance. This suggests the model was specified well. Adjusted R-squared is also good. Standard error of estimate is low. Here, due to the higher confidence limit we would expect predictions would be reliable.

**Table 8.28: ANOVA, Regression: OCOMINV1, Indian Subsidiary**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	180.121	3	60.040	39011.805	.000 <sup>a</sup>
	Residual	.994	646	1.539E-03		
	Total	181.115	649			

a. Predictors: (Constant), OCINV7, OCINV2, OCINV5

b. Dependent Variable: OCOMINV1



**Table 8.29: Coefficients, Regression: OCOMINV1, Indian Subsidiary**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	-1.66E-02	.017		.333
	OCINV2	.999	.003	.997	.000
	OCINV5	1.747E-03	.002	.002	.398
	OCINV7	2.347E-03	.002	.004	.192

a. Dependent Variable: OCOMINV1

In Table 8.29, the F value is significant. In the Table 8.29 the T-Statistics show that the beta weights for these independent variables are significant.

#### **Dependent Variable: Sense of Sacrifice (OCOMINV4)**

Sense of Sacrifice can be explained by Decisiveness, Innovation, and Security.

**Table 8.30: Model Summary, Regression: OCOMINV4, Indian Subsidiary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927 <sup>a</sup>	.859	.859	.2195

a. Predictors: (Constant), OCINV4, OCINV3, OCINV1

In Table 8.30, R-squared here is equal to .85 is the percent of the dependent variable explained by the independent variables. In this case, the model explains .85% of the variance. This suggests the model was specified well. Adjusted R-squared is also good. Standard error of estimate is low. Here, due to the higher confidence limit we would expect predictions would be reliable.

**Table 8.31: ANOVA, Regression: OCOMINV4, Indian Subsidiary**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	190.413	3	63.471	1317.235	.000 <sup>a</sup>
	Residual	31.127	646	.818E-02		
	Total	221.540	649			

a. Predictors: (Constant), OCINV4, OCINV3, OCINV1

b. Dependent Variable: OCOMINV4

Table 8.31 shows that the F value is significant. Table 8.32 shows that the T-Statistics show that the beta weights for these independent variables are significant.

**Table 8.32: Coefficients, Regression: OCOMINV4, Indian Subsidiary**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.150	.081		-1.851	.065
	OCINV1	6.142E-02	.156	.056	.393	.694
	OCINV3	.962	.156	.872	6.182	.000
	OCINV4	1.901E-02	.010	.027	1.846	.065

a. Dependent Variable: OCOMINV4

The results of the Multiple Regression Analysis are summarized in Table 8.33. It is clear that the hypothesis  $H_{IN.3}$  is partly satisfied, because out of the six value-components composing the performance/commitment variable only its two value-components can be explained by the values of organizational culture. The remaining values of the organizational commitment are conditioned by other values of the society.

**Table 8.33: Multiple Regression Analysis: Successful Results, Indian Subsidiary**

Dependent Variable	Predictor Variable	Beta Coefficient	t-Statistics
1) Emotional Attachment	Entrepreneurship	.997	342.01*
	Supportiveness	.150	0.846**
	Team Spirit	.003	1.305**
R-Square= .99 ; F-value = 14658.44 ; *significant at 5% confidence level ; ** significant at 1% level			
2) Sense of Sacrifice	Innovation	.056	0.393**
	Decisiveness	.872	6.182*
	Stability	.027	1.846**
R-Square= .85; F-value = 1317.23; *significant at 5% confidence level ** significant at 1% level			

Therefore, a Structural Equation Modeling approach is needed in order to examine simultaneously how the values of organizational culture are affecting the values of organizational commitment in the Indian subsidiary.

#### **8.2.3.2 Results of Structural Equation Modeling (SEM): Indian subsidiary: Hypothesis H<sub>IN.4</sub>**

**Hypothesis H<sub>IN.4</sub>:** There is a strong relationship between organizational culture and organizational commitment in the Indian subsidiary of this Japanese multinational company, which is similar to this relationship in the parent unit in Japan.

The purpose of this research is to examine whether a multinational company can transmit its organizational culture successfully to its overseas subsidiaries (Research Question 2a and 2b). If the company is successful in this effort, the expectation is that one can see the strong relationship between organizational culture and commitment in the Indian subsidiary just as it is in the parent operation in Japan (Research Question 2b). In order to do so, this research has constructed Structural Equation Modeling Analysis for this Indian subsidiary, as both of the variable organizational culture and performance/commitment are unobservable.

The results of the Structural Equation Modeling Analysis provide the test-statistics, from which it is possible to understand the nature of the solution in order to evaluate the above hypothesis. LISREL Paths Diagram (Figure 8.1) describes the relationship between organizational culture and commitment in the Indian subsidiary.

**Figure 8 .3: Relationship between OC and OCom in the Indian Subsidiary**

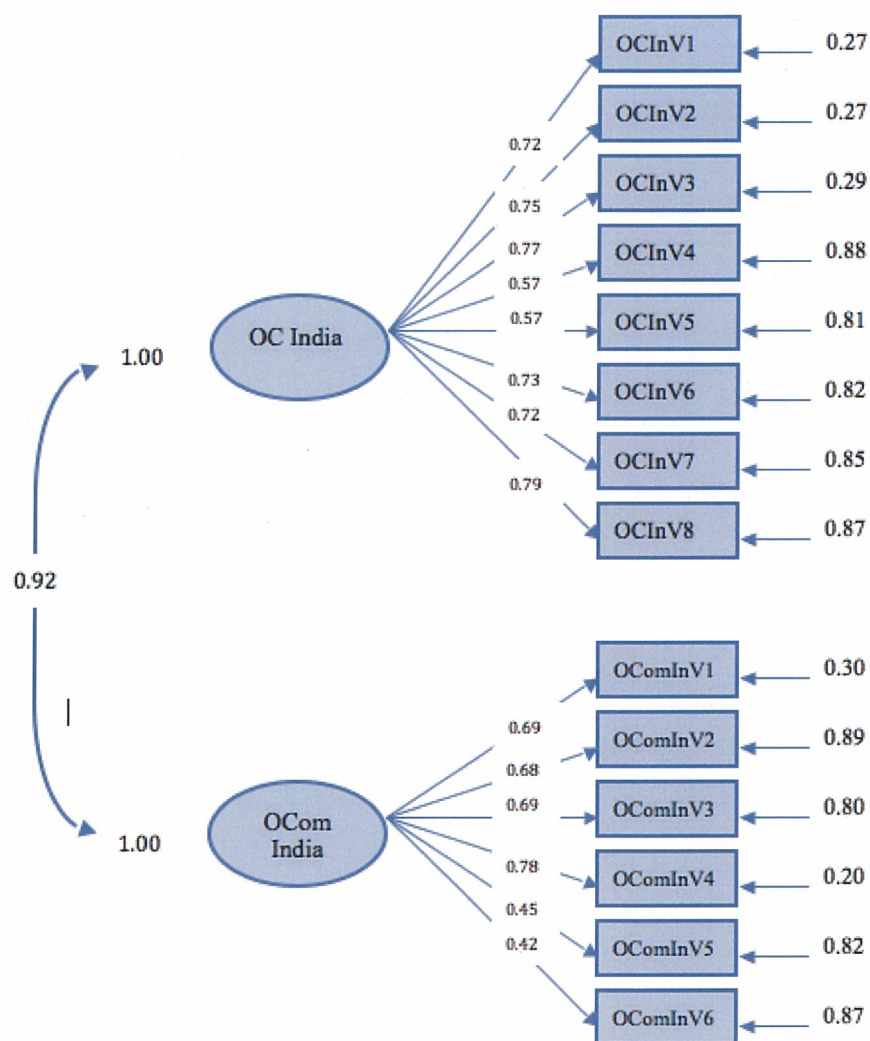


Table 8.34 gives basic results on the Goodness of Fit Statistics; the detailed results are in Table IN.4 in the Appendix Chapter 8. Model chi-square is the most common fit test. As our estimated Chi-Square is not significant, it is possible to conclude that it is the good model fit here. Table 8.34 gives the basic statistics of 'Goodness of Fit' for the structural equation model; the details on statistics are given in Table IN.5 in the Appendix Chapter 8.

The expected cross-validation index (ECVI) in its usual variant is useful for comparing non-nested models. Lower ECVI is better fit. Here in this model ECVI for Saturated Model = 0.12. Thus, the proposed model is satisfactory compared with any alternative model, where the latent variables are assumed to be uncorrelated.

**Table 8.34: Factor Scores Regressions: Standardized Solution of SEM: OC and OCom, Indian Subsidiary**

	Organizational Culture		Organizational Commitment	
Innovation	0.72	--		
Entrepreneurship	0.75	--		
Decisiveness	0.77	--		
Stability	0.57	--		
Supportiveness	0.57	--		
Performance	0.73	--		
Team Spirit	0.72	--		
Preciseness	0.79	--		
Emotional Attachment		--	0.69	
Value Attachment		--	0.68	
Environment Attachment		--	0.69	
Sense of Sacrifice		--	0.78	
Rational Attachment		--	0.45	
Ego Orientations		--	0.42	

Chi-Square= 1188.80 (P = 0.0); Normed Chi-Square= 1133.41(P = 0.0); RMSEA= 0.15; Standardised RMR= 0.12; CFI= 0.93; IFI=0.93

Model chi-square is the most common fit test. As our estimated Chi-Square is not significant, we have good model fit here. The comparative fit index CFI compares the existing model fit with a null model which assumes the latent variables in the model are uncorrelated i.e., the "independence model". CFI close to 1 indicates a very good fit. In this model Comparative Fit Index (CFI) = 0.93 indicating that 93 % of the covariations in the data can be reproduced by the given model

The Normed fit index, NFI, is computed as  $(\text{chi-square for the null model} - \text{chi-square for the default model}) / \text{chi-square for the null model}$ . "Normed" means it varies from 0 to 1, with 1 = perfect fit. According to our estimate here,  $\text{NFI} = 0.90$  means the proposed model improves fit by 90 % compared to the null model. It implies that the proposed model is 90% of the way from the null (independence baseline) model to the saturated model.

NNFI is similar to NFI, but penalizes for model complexity; and relatively independent of sample size. NNFI in this model is 0.96; it is less than NFI because the proposed model has too many indicators variables for each latent variables i.e. more complex than usual. The relative fit index, RFI, if it is close to 1 indicates a good fit. In this model, RFI is .92; thus, it is satisfactory.

Root mean square residuals, or RMS residuals, or RMSR, or RMR: RMR are the coefficients which results from taking the square root of the mean of the squared residuals, which are the amounts by which the sample variances and covariance differ from the corresponding estimated variances and covariance, estimated on the assumption that the proposed model is correct. The closer RMR is to 0, the better the model fit. In this model, it is 0.15; thus, the model has a good fit.

Standardized root mean square residual, Standardized RMR (SRMR): SRMR is the average difference between the predicted and observed variances and covariance in the model, based on standardized residuals. The smaller the SRMR, the better the model fit. Here the estimated SRMR is 0.12, which is good.

Correlation matrix in LISREL output is the matrix of correlations of the latent dependent and latent independent variables. It gives a coefficient of nonlinear correlation indicating the degree of relationship. Thus, 0.92 is the correlation between organizational culture and performance/commitment in the sample of the Indian subsidiary, which is a little lower than that in Thai subsidiary and HQs in Japan. Close relationship between organizational culture and organizational commitment as perceived by the employees of this Indian subsidiary is, thus, has been established according to the results obtained through the Structural Equation Modeling (SEM) analysis for India.

The latent variables in SEM (Table 8.35) are similar to factors obtained through the Factor Analysis, and the indicator variables likewise have loadings on their respective latent variables. Thus, **Innovation** (ORGC1), **Entrepreneurship** (ORGC2), and **Decisiveness** (ORGC3) have

great effects on organizational culture of Indian subsidiary. Similarly for the latent variable commitment, **Emotional Attachment** (ORGC0M1) and **Sense of Sacrifice** (ORGC0M4) have the most significant effect.

**Table 8.35: Correlation Matrix of SEM: OC and OCom, Indian Subsidiary**

	<b>Organizational Culture</b>	<b>Organizational Commitment</b>
<b>Organizational Culture</b>	1.00	
<b>Organizational Commitment</b>	0.92	1.00

Factor Scores Regression tells how closely the values of organizational culture are related to the unobserved variable organizational culture, and which values are relatively more important, taking into account the total effects of all variables on the unobserved variables. Thus, it is a superior method to examine whether our construct for the unobserved variable is correct. Here it is shown that **Innovation, Entrepreneurship and Decisiveness** have higher scores to represent the organizational culture. **Emotional Attachment, Sense of Sacrifice and Environment Attachment** have higher scores to represent the organizational commitment. Thus, these factors are most important to represent organizational culture and commitment in Indian subsidiary.

Thus, considering the results of the measurement models and the path diagrams for SEM for the Indian operations, it is justified to accept the hypotheses  $H_{IN4}$  that the relationship between organizational culture and performance/ commitment is very strong in the Indian subsidiary.

## CONCLUSION

This chapter has evaluated factors that are composing the both variables of the proposed research model such as organizational culture and organizational commitment in the Indian subsidiary of the chosen Japanese multinational company. The literature on organizational culture revealed that the expatriate managers in the MNCs are anticipated to learn and identify the work values and cultural behaviour of the employees within the organization and try to adapt into that culture across the countries. Thus, the national culture of the host nations is not a barrier for this Japanese MNC to operate abroad but in certain cases it may be beneficial due to the common elements.

In this particular case, the employee involvement can supplement strong corporate cultures to develop successful organizations. The results of this chapter demonstrate that the system of management, which was evolved from the organizational culture of the parent operation of this Japanese multinational company, has promoted in its subsidiary in India, the organizational culture that is highly related to the commitment of the employees, as it was observed in the HQs in Japan. Despite the fact that the commitment and the mutual cooperation between the employees is not a characteristic of the competitive and self-centred culture of the Indian employee as it is reported in the related literature (Sinha et al., 2004). Thus, it is not the influence of national culture but that of the organizational culture of this Japanese multinational company that has created this commitment, which enhance the overall performance of the company under investigation.



## **CHAPTER 9:**

# **TRANSMISSION OF CULTURE-COMMITMENT FROM HQs TO SUBSIDIARIES: MULTILEVEL RESEARCH MODEL: HQs, JAPAN, THAI AND INDIAN SUBSIDIARIES**

## **INTRODUCTION**

The purpose of this chapter to present a comparative analysis of the organizational cultures of this Japanese MNC in its HQs in Japan, and subsidiary operations in Thailand and India, and their relationship with the organizational commitment in all these operations. It is possible to conduct this analysis in terms of multi-level structural equation modeling as the parent unit of Japan forms the core with the subsidiaries in Thailand and India as clusters around that core. The comparative analysis involves (a) analysis of organizational culture of HQs in Japan against the culture of the Thai subsidiary, (b) analysis of organizational culture of HQs in Japan against the culture of the Indian subsidiary, and (c) analysis of organizational culture of the Thai subsidiary against the culture of the Indian subsidiary, and their relationships with the commitment in the respective units.

In section 9.1, briefly the purpose of this multilevel modeling was discussed. In section 9.2 the method of analysis in terms of Structural Equation Modeling and Discriminant Analysis is discussed. Section 9.3 compares the organizational culture in HQs in Japan and the subsidiary operations in Thailand. Section 9.4 reports on the results of the investigation on whether organizational culture of the HQs is related to the subsidiary operation in Thailand using Structural Equation Method. In section 9.5, using Discriminant Analysis comparisons were made between the organizational culture in HQs and the Indian operations. Following that in section 9.6 structural equation modeling technique was used to examine whether the organizational culture in the Indian subsidiary is related to the organizational culture in the home operation. In section 9.7 comparisons are made between the organizational commitment in the parent operation and in the subsidiary in Thailand. Finally, in section 9.8 comparisons are made between the organizational commitment in the parent operation and in the subsidiary in India.

## **9.1 PURPOSE OF MULTILEVEL MODELING: RESEARCH QUESTIONS 2a AND 2b**

Successful relationship between HQs and subsidiaries was described traditionally within the framework of ideal form of bureaucracy as defined by Weber (1946), where control relies on the use of explicit formal rules and regulations. Power and authority, just as described by Confucius many centuries ago, have a rational and legal basis. Japanese organizations in contrast, instead tend to apply the informal cultural influences, which depend on implicit organizational culture and its values and which were created over a long period of time based on its national culture. In such an organization, *'power and authority are based on the customs and traditions inherent in the organizational culture'* (Jaeger, 1983: 23). This type of organization, originally invented in USA but applied mainly in Japan, is called the Type Z organization (Baliga & Jaeger, 1985).

The purpose of multi-level modeling is to demonstrate that organizational cultural influences can be transmitted from the HQs in Japan to the subsidiaries in Thailand and India to create the desired commitment among the employees in foreign countries overriding the national cultural boundaries, and therefore enhancing the overall corporate performance. The Multilevel Modeling described here shows the process of transmission of organizational culture of this Japanese multinational company from the HQs to overseas subsidiaries to provide the answer on the Research Question 2a (section 9.3) and the Research Question 2b (section 9.5).

## **9.2 PROCEDURE OF ANALYSIS**

Among the milestones in the development and refinement of statistical modeling is the structural equation modeling, which includes unobserved variables in the models in order to induce and explain correlations among the responses (Rabe-Hesketh, Skrondal & Pickles, 2004). The latent variables can be interpreted as unobserved heterogeneity at the different levels inducing dependence among all lower-level units in the same higher-level units.

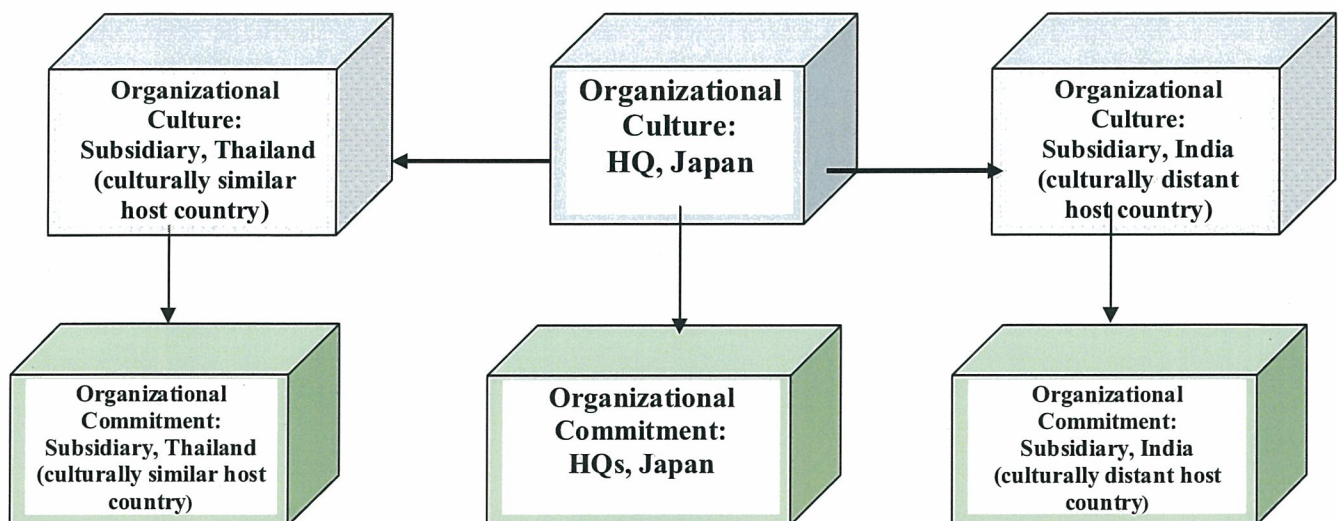
Structural equation models are used when the variables of interest cannot be measured perfectly. Instead, there are either sets of items reflecting a hypothetical construct or fallible measurement of variables using different instruments. The latent variables can then be interpreted as the

constructs, traits or true variables underlying the measured items and inducing dependence among them. The relations among the latent variables and between latent variables and observed variables often define as the substantive model of interest. Multilevel regression models are used when the structure is hierarchical with the primary unit nested in clusters at level 2 which in turn may be nested in super-clusters at level 3 and so on.

A synthesis of structural equation modeling and multilevel regression models, namely Multilevel Structural Equation Model, is needed the units of observation form a hierarchy of nested clusters and some variables of interest cannot be measured directly but are measured by a set of items or fallible instruments called latent variables. Here in this chapter explicit two-level structural equation methodology is developed for the purpose of comparison.

Thus, the parent unit in Japan is considered as Level 1 and the subsidiary in either India or Thailand is considered as Level 2 and then it is possible to combine these structures for the purpose of comparison to form a multi-level structure (Longford & Muthen, 1992).

**Figure: 5.3: Multilevel Research Model**



*\*NOTE: The research model is explained in Chapter 4 and the figure below is the same as the Figure 5.3 describing the Multilevel Research Model.*

### **9.3. ORGANIZATIONAL CULTURE: COMPARISON BETWEEN HQs, JAPAN AND THAI SUBSIDIARY: RESEARCH QUESTION 2a (OC part)**

The purpose of this section is to examine this concept of transmission of organizational culture from the HQs in Japan to the Thai subsidiary. The organizational culture is composed by the values as perceived by the employees of the Japanese MNC in its main operation in Japan and by the Thai employees in the subsidiary operation in Thailand.

The Research Question 2a is: Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, Thailand, that is culturally similar compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?

Thus, the set of the following hypotheses was proposed to be examined:

**H<sub>MA.1a</sub>: There are great similarities between the characteristics of organizational culture in Japanese parent unit and in the Thai subsidiary of this Japanese multinational company.**

**H<sub>MA.1b</sub>: There are great similarities between the characteristics of organizational culture in Japanese parent unit and in the Indian subsidiary of this Japanese multinational company**

**H<sub>MA.2a</sub> There are great similarities between the characteristics of organizational commitment in the Japanese operation and in the subsidiary operations in Thailand in this Japanese multinational company.**

**H<sub>MA.2b</sub> There are great similarities between the characteristics of organizational commitment in the Japanese operation and in the subsidiary operations in India in this Japanese multinational company.**

For this purpose, this research employs the Discriminant Analysis and Structural Equation Modeling on the samples of opinion collected from Japan, India and Thailand. The results are as described in the sections below.

#### **9.3.1. Results of Discriminant Analysis: Comparison on Factors of Organizational Culture: HQs, Japan and Thai Subsidiary**

In this section, the means and variances of various value-components composing organizational cultures in the parent unit in Japan and that in the subsidiary in Thailand are compared, as shown in Table 9.1. It is clear that the differences are not significant, as their Wilk's Lambdas are quite

small, less than one but near to one. The smaller the Wilk's Lambda, the more important are the independent variable to the discriminant function. It implies there are a lot of similarities between these two samples of Japan and Thailand, and as a result the factors that compose organizational culture in these two locations have similar means. We can see similar results if we compare the covariance matrices of these two samples of Japan and Thailand.

**Table 9.1: Tests of Equality of Group Means: OC in HQs, Japan and Thai Subsidiary**

Tests of Equality of Group Means					
	Wilks' Lambda	F	df1	df2	Sig.
OCJV1	.876	183.883	1	1298	.000
OCJV2	.854	221.032	1	1298	.000
OCJV3	.829	267.308	1	1298	.000
OCJV4	.837	253.046	1	1298	.000
OCJV5	.851	227.872	1	1298	.000
OCJV6	.940	82.263	1	1298	.000
OCJV7	.935	90.222	1	1298	.000
OCJV8	.935	90.405	1	1298	.000

The larger the log determinant in the table (Table 9.2) the more that group's covariance matrix differs. Rank indicated the number of independent variables, eight items as eight independent variables in this case. Level 1 is HQs in Japan and Level 2 is subsidiary in Thailand.

**Table 9.2: Log Determinants: OC in HQs, Japan and Thai Subsidiary**

Log Determinants		
TYPE	Rank	Log Determinant
1.00	8	-22.142
2.00	8	-10.188
Pooled within-groups	8	-11.395

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

**Table 9.3: Test Results: OC in HQs, Japan and Thai Subsidiary**

**Test Results**

Box's M		6233.337
F	Approx.	171.996
	df1	36
	df2	5333976
	Sig.	.000

Tests null hypothesis of equal population covariance matrices.

Box's M Test tests the assumptions of homogeneity of covariance matrices. For the data (Table 9.3), the test is not significant, so we can say that the groups are not significantly different because the covariance matrices are not significantly different.

Table 9.4 shows the Eigen values. The larger the Eigen-value, the more of the variance in the dependent variable is explained by that Canonical Discriminant Function. Since the dependent in this case has only two categories (Japanese and Thai), there is only one Discriminant function. The second column lists the percent of variance explained by this function, which is 100 percent here. The third column is the cumulative percent of variance explained.

**Table 9.4: Eigen Values: OC in HQs, Japan and Thai Subsidiary**

**Eigenvalues**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.649 <sup>a</sup>	100.0	100.0	.627

a. First 1 canonical discriminant functions were used in the analysis.

The last column is the canonical correlation, where the squared canonical correlation is the percent of variation in the dependent discriminated by the independents in the Discriminant function. The Eigen values are approximately equal to the canonical correlations squared. They reflect the proportion of variance in the canonical variate explained by the canonical correlation relating two sets of variables. As the correlation is high .627, it implies there are similarities in the major characteristics of organizational cultures of Japan and Thailand as given in the response of the employees in Japan and Thailand.

**Table 9.5: Wilk's Lambda: OC in HQs, Japan and Thai Subsidiary**

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.606	630.055	8	.000

Wilk's Lambda in Table 9.5 tests the significance of the Eigen-value for the discriminant function. In this case, the Wilk's Lambda is small, Chi-square is high, so Eigen value is not significant in the Discriminant Function and the two samples Japanese and Thai organizational culture are not significantly different. The real implication is that the Japanese parent unit has successfully transferred its home organizational culture to its Thai subsidiary.

#### **9.4. STRUCTURAL EQUATION MODELING: ORGANIZATIONAL CULTURE IN HQs, JAPAN AND THAI SUBSIDIARY**

The results of the Structural Equation Models to explore the relationship between Japan and Thailand reveal that Organization culture of the parent operation in Japan is highly related to the organizational culture of the subsidiary operations in Thailand. The degree of the relationship between these two unobserved variables is very high .97.

The Structural Equation Model shows that there are close relationship between organizational culture in the parent operation in Japan and Thailand, signifying their similarities. The structural regression shows how the values are related to the unobserved variables organizational culture in Japanese and Thai operations. The factor scores in Table 9.6 shows that in Japan, the values are highly representative of organizational culture, as they all have high factor scores. In Thailand, the factor scores for some of the values (**Innovation**, **Supportiveness**, and **Entrepreneurship**) are not so strong. That reflects, as was seen in the multiple regression analysis as well, that the Thai subsidiary is highly regulated by the parent unit and as a result entrepreneurship activities and innovations are not representative of organizational culture strongly. However, scores of other values composing organizational culture in Thailand are very high. That explains the overall similarities between the organizational culture of the parent unit and the subsidiary unit.

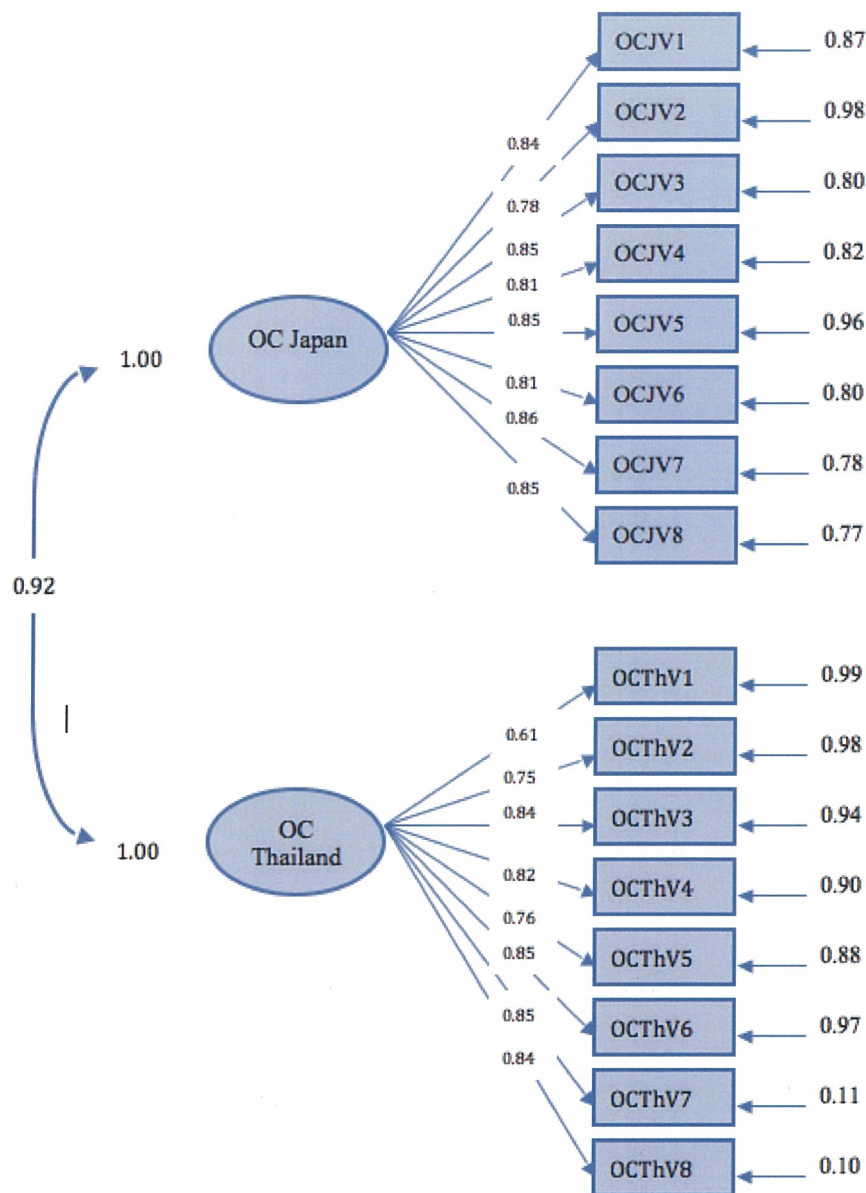
**Table 9.6: Factor Scores Regression, SEM: OC in HQs, Japan and Thai Subsidiary**

	Organizational Culture- Japan	Organizational Culture-Thailand
Innovation	.84	
Entrepreneurship	.78	
Decisiveness	.85	
Stability	.81	
Supportiveness	.85	
Performance	.81	
Team Spirit	.86	
Preciseness	.85	
.....		
Innovation		.61
Entrepreneurship		.75
Decisiveness		.84
Stability		.82
Supportiveness		.76
Performance		.85
Team Spirit		.85
Preciseness		.84

Chi Square = 1924.81; RMSEA=0.165;

The Goodness of Fit statistics are given in the Table MA.1 in the Appendix Chapter 9. The equation described in the LISREL Path Diagram satisfies all fitness criteria (Figure 9.1).





**Figure 9.1: Relationship between OC of HQs, Japan and OC of Thai Subsidiary**

Thus, it implies that the organizational culture of the parent unit in Japan and that in the Thai subsidiary are very closely related. Therefore, the hypothesis  $H_{MA1a}$  is supported. Moreover, based on the results of the multilevel modeling analysis the Research Question 2a can be answered positively, in other words the results of this study prove that, this Japanese MNC has managed to transmit its original organizational culture from HQs in Japan to its Thai subsidiary. In the next section, the analysis regarding the comparison of organizational culture of the parent operation and that of the Indian subsidiary is presented.

## 9.5 ORGANIZATIONAL CULTURE: COMPARISON BETWEEN HQs, JAPAN AND INDIAN SUBSIDIARY: RESEARCH QUESTION 2b (OC part)

The Research Question 2b is: Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, India, that is culturally distant compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?

Very similar results are obtained from the comparison of organizational culture (OC) of HQs in Japan and that of the Indian subsidiary.

### 9.5.1 Results of Discriminant Analysis: OC in HQs, Japan and Indian Subsidiary

If we compare the means of various factors composing organizational cultures in two places, in the parent operation in Japan and in the Indian subsidiary as shown in Table 9.7, the differences between the means of the value components of organizational culture of these two groups are not significant, as their Wilk's Lambdas are quite small.

**Table 9.7: Tests of Equality of Group Means: OC in HQs, Japan and Indian Subsidiary**

Tests of Equality of Group Means					
	Wilks' Lambda	F	df1	df2	Sig.
OCJV1	.382	2095.587	1	1297	.000
OCJV2	.402	1927.709	1	1297	.000
OCJV3	.376	2156.212	1	1297	.000
OCJV4	.837	251.984	1	1297	.000
OCJV5	.850	229.600	1	1297	.000
OCJV6	.941	80.838	1	1297	.000
OCJV7	.965	46.599	1	1297	.000
OCJV8	.935	90.856	1	1297	.000

Tables 9.8 and 9.9 given below describe the results of the Discriminant Analysis to compare the covariances of the value-components of organizational culture in the parent unit in Japan and that in the subsidiary in India.

**Table 9.8: Log Determinants: OC in HQs, Japan and Indian Subsidiary**

Log Determinants		
TYPE	Rank	Log Determinant
1.00	8	-21.986
2.00	8	-20.718
Pooled within-groups	8	-11.392

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

**Table 9.9: Box's M-Test Results: OC in HQs, Japan and Indian Subsidiary**

Test Results		
Box's M		12918.906
F	Approx.	356.535
	df1	36
	df2	5660360
	Sig.	.000

Tests null hypothesis of equal population covariance matrices.

The lower the log determinant in the table above (Table 9.8) the less that group's covariance matrix differs. Rank indicated the number of independent variables, 6 items as 6 independent variables in this case. Type 1 is Japan and Type 2 is India. Box's M Test tests the assumptions of homogeneity of covariance matrices. For the data (Table 9.9), the test is not significant, so we can say that the groups are not significantly different because the covariance matrices are not significantly different. In both Tables 9.8 and 9.9 all test results suggest that there are close similarities between the organizational culture achieved in the parent operation and in the subsidiary operation in India.

**Table 9.10: Summary of Canonical Discriminant Functions: OC in HQs, Japan and Indian Subsidiary**

Eigenvalues				
Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	2.545 <sup>a</sup>	100.0	100.0	.847

a. First 1 canonical discriminant functions were used in the analysis.

**Table 9.11: Wilks' Lambda: OC in HQs, Japan and Indian Subsidiary**

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.282	1636.265	8	.000

Table 9.10 shows the Eigen values. The larger the Eigen-value, the more of the variance in the dependent variable is explained by that Canonical Discriminant Function. Since the dependent in this case has only two categories (Japanese and Indian), there is only one Discriminant function. The second column lists the percent of variance explained by this function, which is 100 percent here. The third column is the cumulative percent of variance explained, which is also 100 percent. Canonical correlation explains the degree of relationship between these two sets of data, Japanese and Indian. The relationship is very strong as indicated by the canonical correlation of .847

Wilk's Lambda in Table 9.11 tests the significance of the Eigen-value for the discriminant function. In this case, the Wilk's Lambda is small, Chi-square is high, so Eigen value is not significant in the Discriminant Function and the two samples Japanese and Indian organizational culture are not significantly different and the Japanese parent unit has successfully transferred its home organizational culture to its Indian subsidiary. Structural equation analysis presented in the next section confirms these results.

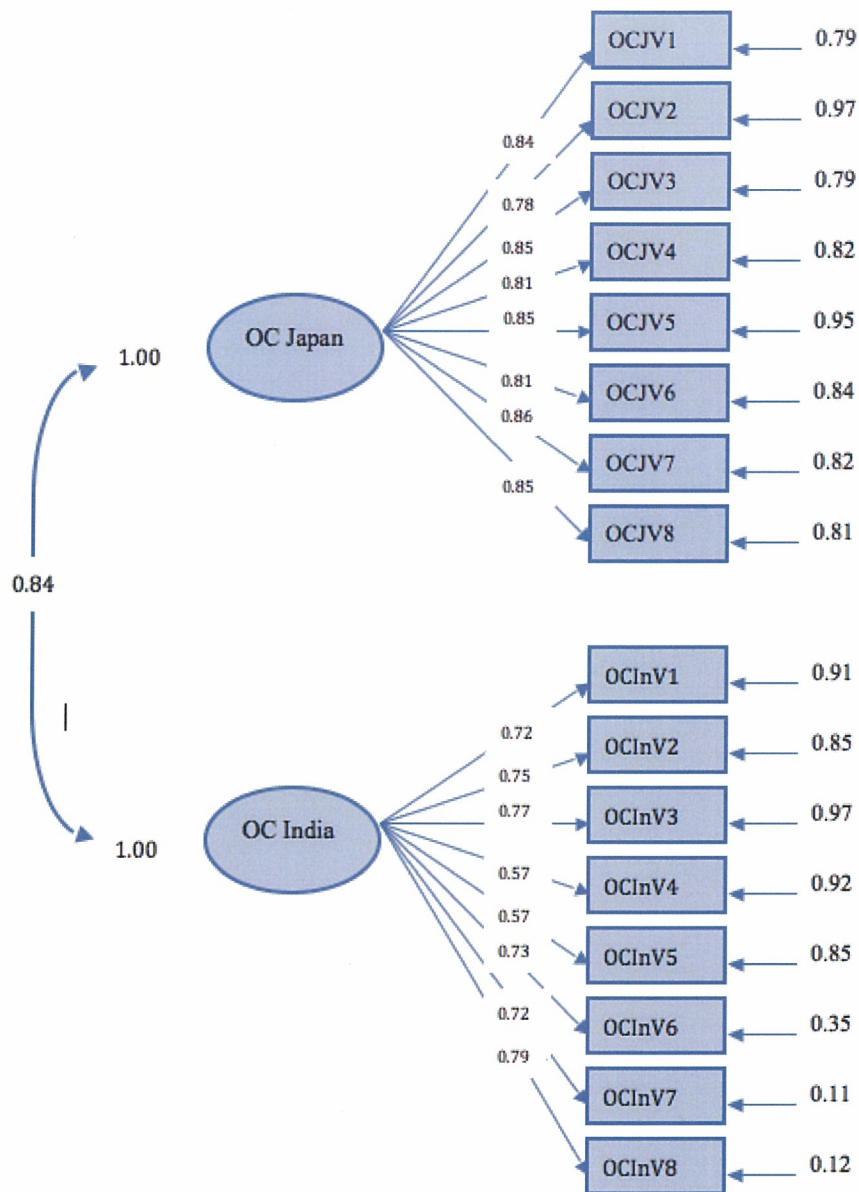
## **9.6 RESULTS OF STRUCTURAL EQUATION MODELING: ORGANIZATION CULTURE IN HQs, JAPAN AND INDIAN SUBSIDIARY**

The results of the Structural Equation Models to explore the relationship between HQs in Japan and the Indian subsidiary reveal that organization culture of the parent operation in Japan is highly related to the organizational culture of the subsidiary operations in both India.

There is an association between the context of the MNC subsidiary and the design of the management control system. Socialization or corporate acculturation can be regarded as a control mechanism whereby the corporate goals and subsidiary objectives are aligned. One of the most important corporate goals is to create organizational commitment in the subsidiary in the same way and at same quality as in the main operation in the home country of the multinational

company. Specifically, such integration is intended to evoke domain consensus and shared values among employees to facilitate co-operation and participative decision making so as to achieve the type of organization culture an MNC wants. That can be achieved if the corresponding organizational culture of the parent unit is similar to that in the subsidiaries.

The purpose of this section is to examine whether this concept of equalization of organizational commitment through the transmission of organizational culture process is achieved in the case of the Indian subsidiary. LISREL Path Diagram of the relationship between organizational culture of the parent unit in Japan and that of the subsidiary in India is given in Figure 9.2.



**Figure 9.2: Relationship between OC of HQs, Japan and OC of Indian Subsidiary**

The degree of relationship is very high, .84. All the Goodness of Fit statistics are given in Table MA.2 in the Appendix Chapter 9. These satisfy all statistical criteria of a very well fitted model.

**Table 9.12: Factor Scores Regression, SEM: OC in HQs, Japan and Indian Subsidiary**

	Organizational Culture- Japan	Organizational Culture-India
Innovation	.84	
Entrepreneurship	.78	
Decisiveness	.85	
Stability	.81	
Supportiveness	.85	
Performance	.81	
Team Spirit	.86	
Preciseness	.85	
.....		
Innovation		.72
Entrepreneurship		.75
Decisiveness		.77
Stability		.57
Supportiveness		.57
Performance		.73
Team Spirit		.72
Preciseness		.79

Chi Square = 1999.63; RMSEA=0.168

The structural regression in Table 9.12 shows how the values compose organizational culture in the parent operation in Japan and in the subsidiary operation in India. In the Japanese operation, values composing organizational culture have very high factor scores, signifying high contributions they make to compose organizational culture. The low scores for some of the values in India signify that their contributions to form organizational culture are not so strong. **Supportiveness** and **Stability** scores are low in India. In the individualistic and opportunistic culture of India these values have not yet formed to be of great importance in organizational culture. Despite of that as the operational characteristics are similar and other values of organizational culture in the Indian operations demonstrate high scores, the overall similarities between the organizational culture of the parent unit in Japan and in the subsidiary in India are very prominent. Discriminant analysis on organizational commitment in the section 9.8 confirms these findings on organizational culture.

Therefore, the hypothesis **H<sub>MA.1b</sub>** is supported. Moreover, based on the results of the multilevel modeling analysis the Research Question 2b can be answered positively. In other words the results of this study prove that this Japanese MNC has managed to transmit its original organizational culture from HQs in Japan to its Indian subsidiary.

## **9.7 ORGANIZATIONAL COMMITMENT (OCom): COMPARISON BETWEEN HQs, JAPAN AND THAI SUBSIDIARY: RESEARCH QUESTION 2a (OCom part)**

This section compares the organizational commitment as perceived by the employees in their main operation in Japan and by the employees in the subsidiary operation in Thailand. The purpose was to examine whether there is any significant difference between the factors composing organizational commitment in the HQs in Japan and in the subsidiary operation in Thailand, as perceived by the employees in Japan and Thailand. For this purpose, the Discriminant Analysis was employed on the two samples of opinion collected from HQs in Japan and the Thai subsidiary. The results are as follows.

### **9.7.1 Test of Equality of Group Means: OCom in HQs, Japan and Thai Subsidiary**

In Table 9.13, the Test of Equality of Means shows there is no significant difference in the characteristics of means of values of organizational commitment in the parent operation in Japan and the subsidiary operation in Thailand. If compare the means of various factors composing organizational cultures as shown in Table 9.14 that the differences are not significant, as their Wilk's Lambdas are quite small, less than one but near to one. The smaller the Wilk's Lambda, the more important the independent variables to the Discriminant function are. As most of the Wilk's Lambdas are close to one, it implies there are close similarities.



**Table 9.13: Tests of Equality of Group Means: OCom in HQs, Japan and Thai Subsidiary**

Tests of Equality of Group Means					
	Wilks' Lambda	F	df1	df2	Sig.
OCOMJV1	.627	772.255	1	1298	.000
OCOMJV2	.991	12.116	1	1298	.001
OCOMJV3	.825	274.813	1	1298	.000
OCOMJV4	.816	292.683	1	1298	.000
OCOMJV5	.749	435.693	1	1298	.000
OCOMJV6	.997	4.309	1	1298	.038

### **9.7.2 Test of Equality of Covariance Matrices: OCom in HQs, Japan and Thai Subsidiary**

Tables 9.13 and 9.14 describe the results of the Discriminant Analysis to compare the covariances of the value-components of organizational commitment in the parent unit in Japan and that in the subsidiary in Thailand. Level 1 is for Japan and Level 2 is for Thailand. As the log determinants are not high, there are insignificant differences between the covariances of the value-components of organizational commitment in Japan and Thailand.

**Table 9.14: Log Determinants: OCom in HQs, Japan and Thai Subsidiary**

Log Determinants		
TYPE	Rank	Log Determinant
1.00	6	-6.060
2.00	6	-5.785
Pooled within-groups	6	-3.953

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

**Table 9.15: Test Results: OCom in HQs, Japan and Thai Subsidiary**

**Test Results**

Box's M		2557.470
F	Approx.	121.187
	df1	21
	df2	6196706
	Sig.	.000

Tests null hypothesis of equal population covariance matrices.

Box's M Test (Table 9.15) is testing the assumptions of homogeneity (i.e. similarity) of covariance matrices. The test here is not significant, thus it is possible to state that the groups are not significantly different because the covariance matrices are not significantly different.

The Table 9.16 shows the Eigen values of the factors composing OCom in HQs in Japan and in the Thai subsidiary. The larger the Eigen value, more of the variance in the dependent variable can be explained by that Canonical Discriminant Function. Since the dependent in this case has only two categories (Japan and Thailand), there is only one Discriminant function. The second column lists the percent of variance explained by this function, which is 100 percent here. The third column is the cumulative percent of variance explained.

**Table 9.16: Eigen Values: OCom in HQs, Japan and Thai Subsidiary**

**Eigenvalues**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	1.369 <sup>a</sup>	100.0	100.0	.760

a. First 1 canonical discriminant functions were used in the analysis.

The last column is the canonical correlation, where the squared canonical correlation is the percent of variation in the dependent discriminated by the independents in the Discriminant function. The Eigen values are approximately equal to the canonical correlations squared. They reflect the proportion of variance in the canonical variate explained by the canonical correlation relating two sets of variables. As the correlation is high .76, it implies there are similarities between Japanese and Thai organizational commitment as given in the responses of the employees in HQs, Japan and Thailand.

**Table 9.17: Wilk's Lambda: OCom in HQs, Japan and Thai Subsidiary**

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.422	1116.980	6	.000

Wilks's Lambda in the table above tests the significance of the Eigenvalue for the discriminant function. In this case, the Wilk's Lambda is small, Chi-square is high, so Eigen value is not significant in the Discriminant Function and the two samples Japanese and Thai organizational commitment are not significantly different.

Thus, the hypothesis  $H_{MA-2a}$  is supported.

Similar results can be obtained if compare HQs, Japan and Indian subsidiary as described below.

## **9.8 ORGANIZATIONAL COMMITMENT (OCom): COMPARISON BETWEEN HQs, JAPAN AND INDIAN SUBSIDIARY: RESEARCH QUESTION 2b (OCom part)**

### **9.8.1 Results of Discriminant Analysis: Test of Equality of Group Means: OCom: HQs, Japan and Indian Subsidiary**

In Table 9.18, the Tests of Equality of Means shows there are no significant differences in the characteristics of means of value-components of organizational commitment in the parent operation in Japan and the subsidiary operation in India. If compare the means of various factors composing organizational commitments, as shown in Table 9.18 than it is clear that the differences are not significant, as their Wilk's Lambdas are quite small, less than one but near to one. The smaller the Wilk's Lambda, the more important is the independent variable to the Discriminant function. As most of the Wilk's Lambdas are close to one, it implies there are similarities.

**Table 9.18: Tests of Equality of Group Means: OCom in HQs, Japan and Thai Subsidiary**

Tests of Equality of Group Means					
	Wilks' Lambda	F	df1	df2	Sig.
OCOMJV1	.627	770.099	1	1297	.000
OCOMJV2	.991	12.008	1	1297	.001
OCOMJV3	.823	278.014	1	1297	.000
OCOMJV4	.823	279.715	1	1297	.000
OCOMJV5	.746	442.257	1	1297	.000
OCOMJV6	.997	4.433	1	1297	.035

### 9.8.2 Test of Equality of Covariance Matrices: OCom: HQs, Japan and Indian Subsidiary

Tables 9.19 and 9.20 describe the results of the Discriminant Analysis to compare the covariance of the value-components of organizational commitment in the parent unit in Japan and that in the subsidiary in India. Level 1 is for Japan and Level 2 is for India. As the log determinants are not high, there are insignificant differences between the covariance of the value-components of organizational commitments in Japan and India.

**Table 9.19: Log Determinants: OCom in HQs, Japan and Thai Subsidiary**

Log Determinants		
TYPE	Rank	Log Determinant
1.00	6	-6.047
2.00	6	-8.286
Pooled within-groups	6	-4.064

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

Box's M Test (Table 9.20) is testing the assumptions of homogeneity (i.e. similarity) of covariance matrices. The test here is not significant, so it is possible to state that the groups are not significantly different because the covariance matrices are not significantly different.

**Table 9.20: Box's M-Test Results: OCom in HQs, Japan and Thai Subsidiary**

**Test Results**

Box's M		4022.612
F	Approx.	190.613
	df1	21
	df2	6187131
	Sig.	.000

Tests null hypothesis of equal population covariance matrices.

Table 9.21 below shows the Eigen values of the factor composing the organizational commitment variable. The larger the Eigen value, the more of the variance in the dependent variable is explained by that Canonical Discriminant Function. Since the dependent in this case has only two categories (Japan and India), there is only one Discriminant function. The second column lists the percent of variance explained by this function, which is 100 percent here. The third column is the cumulative percent of variance explained.

**Table 9.21: Eigen Values: OCom in HQs, Japan and Thai Subsidiary**

**Eigenvalues**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	2.545 <sup>a</sup>	100.0	100.0	.847

a. First 1 canonical discriminant functions were used in the analysis.

The last column is the canonical correlation, where the squared canonical correlation is the percent of variation in the dependent discriminated by the independents in the Discriminant function. They reflect the proportion of variance in the canonical variate explained by the canonical correlation relating two sets of variables. As the correlation is high .847, it implies that there are similarities between organizational commitment in the Japanese parent unit and in the Indian subsidiary unit.

**Table 9.22: Wilk's Lambda: OCom in HQs, Japan and Thai Subsidiary**

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.282	1636.265	8	.000

Wilk's Lambda in Table 9.22 tests the significance of the Eigen-value for the Discriminant function. In this case, the Wilk's Lambda is small, Chi-square is high, so Eigen value is not significant in the Discriminant Function and the two samples of Japanese and Indian organizational commitment are not significantly different.

In this case, the Wilk's Lambda is small, Chi-square is high, so Eigen value is not significant in the Discriminant function and the results from two samples, HQs, Japan and Indian subsidiary, regarding organizational commitment are not significantly different.

Thus, it is possible to accept the hypothesis  $H_{MA} 2b$ .

## **9.9 COMPARISON BETWEEN THE THAI AND INDIAN SUBSIDIARIES**

Despite of the fact that Thailand is close to Japan and India is distinct from Japan regarding its national culture, this Japanese multinational company managed to implement similar organizational culture in both of these subsidiaries. The purpose of this section is to examine whether organizational culture of the Thai subsidiary has any similarity with that of the Indian subsidiary. If that would be the case, it is expected that the resultant organizational cultures of these two subsidiaries should be similar. Discriminant Analysis was utilized to examine this issue for both organizational culture and commitment in these two subsidiaries.

### 9.9.1 Comparison of Organizational Culture: Thai and Indian Subsidiaries

If compare organizational culture of India and Thailand (Tables 9.23 to 9.27) and organizational commitment of India and Thailand (Tables 9.28 to 9.32), any significant differences are now shown.

#### 9.9.1.1 Tests of Equality of Group Means for eight value components of organizational culture: Thai and Indian subsidiaries

Tests of Equality of Group Means group means for eight value components of organizational culture of Thai and Indian subsidiaries are examined. The Wilk's Lambdas for all other value components except **Stability** (OCTV4) are low and are not significant. This implies that the differences between means of these value components are not significant.

Thai culture is similar to the Japanese culture as these are both collectivist oriented societies. Thus, organizational culture in Thai subsidiary puts emphasis on **Stability and Security** just like in the parent operation in Japan. India being a culturally distant country with variety of different religious and ethnic characteristics has more individualistic values; that may be the cause of this difference.

**Table 9.23: Tests of Equality of Group Means: OC in Indian Subsidiary and Thai Subsidiary**

Tests of Equality of Group Means					
	Wilks' Lambda	F	df1	df2	Sig.
OCTHV1	.601	861.913	1	1297	.000
OCTHV2	.657	677.491	1	1297	.000
OCTHV3	.376	2156.212	1	1297	.000
OCTHV4	1.000	.001	1	1297	.978
OCTHV5	.850	229.600	1	1297	.000
OCTHV6	.941	81.587	1	1297	.000
OCTHV7	.901	142.231	1	1297	.000
OCTHV8	.935	90.856	1	1297	.000

### 9.9.1.2: Test of Equality of Covariance Matrices for eight value components of organizational culture: Thai and Indian subsidiaries

In Tables 9.24 and 9.25 similarity of the covariance of these values components in Thai and Indian subsidiaries are examined. The results show that as the log-determinants (in Table 9.24) of both groups are not high, these are insignificant differences between the covariance of these two groups of data on organizational cultures of Thailand and India. Table 9.25 examines the similarity of covariance matrices of these two groups of organizational cultures. The test is not significant, i.e., there is no significant difference between the covariance of these two groups.

**Table 9.24: Log Determinants: OC in Indian Subsidiary and Thai Subsidiary**

Log Determinants		
TYPE	Rank	Log Determinant
1.00	8	-10.305
2.00	8	-20.718
Pooled within-groups	8	-6.361

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

**Table 9.25: Box's M-Test Results: OC in Indian Subsidiary and Thai Subsidiary**

Test Results		
Box's M		11862.651
F	Approx.	327.385
	df1	36
	df2	5660360
	Sig.	.000

Tests null hypothesis of equal population covariance matrices.

**Table 9.26: Eigen Values: OC in Indian Subsidiary and Thai Subsidiary**

Eigenvalues				
Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	3.031 <sup>a</sup>	100.0	100.0	.867

a. First 1 canonical discriminant functions were used in the analysis.



**Table 9.27: Wilk's Lambda: OC in Indian Subsidiary and Thai Subsidiary**

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.248	1802.473	8	.000

Tables 9.26 and 9.27 show that the canonical correlation between these two groups of value components of organizational culture is very high .86 and Wilk's Lambda for the group as a whole in the Discriminant function is small; Eigen value is not significant. Thus, there is no significant difference between the organizational cultures of these two subsidiaries.

## **9.9.2 Comparison of Organizational Commitment: Thai and Indian Subsidiaries**

### **9.9.2.1 Test of Equality of Group Means for six value-components of organizational commitment: Thai and Indian subsidiaries**

Table 9.28 to 9.32 shows the corresponding results for organizational commitments in Thai and Indian subsidiaries. Table 9.28 shows that there are significant difference between two value-components organizational commitment, namely **Emotional Attachment** and **Rational Attachment** in Thai and Indian subsidiaries. Thais are emotionally different from the Indians as Thais are collectivists and Indians are individualists. Thai also have different rational attachments as they expect the organization to behave like a parent. In India, there are no such expectations from the employees. Thus, Thais are expected to demonstrate more **Emotional Attachment** and less **Rational Attachment** compare with the Indian employees.

**Table 9.28: Tests of Equality of Group Means: OCom in Indian Subsidiary and Thai Subsidiary**

Tests of Equality of Group Means					
	Wilks' Lambda	F	df1	df2	Sig.
OCOMINV1	.559	934.452	1	1184	.000
OCOMINV2	.909	118.025	1	1184	.000
OCOMINV3	1.000	.104	1	1184	.747
OCOMINV4	.616	738.528	1	1184	.000
OCOMINV5	1.000	.013	1	1184	.909
OCOMINV6	.788	319.453	1	1184	.000

### 9.9.2.2 Test of Equality of Covariance Matrices for six value components of organizational commitment: Thai and Indian Subsidiaries

Tables 9.29 to 9.32 demonstrate that there are insignificant overall differences on organizational commitment in Thai and Indian subsidiaries (as the covariance matrices of these two groups are insignificantly different) while examining the covariance matrices of these two groups of value components of organizational commitment.

**Table 9.29: Log Determinants: OCom in Indian Subsidiary and Thai Subsidiary**

Log Determinants		
TYPE	Rank	Log Determinant
1.00	6	-8.300
2.00	6	-7.043
Pooled within-groups	6	-7.180

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

**Table 9.30: Box's M-Test Results: OCom in Indian Subsidiary and Thai Subsidiary**

Test Results		
Box's M		653.411
F	Approx.	30.946
	df1	21
	df2	4780097
	Sig.	.000

Tests null hypothesis of equal population covariance matrices.

**Table 9.31: Eigen Values: OCom in Indian Subsidiary and Thai Subsidiary**

Eigenvalues				
Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	1.522 <sup>a</sup>	100.0	100.0	.777

a. First 1 canonical discriminant functions were used in the analysis.

**Table 9.32: Wilk's Lambda: OCom in Indian Subsidiary and Thai Subsidiary**

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.396	1092.583	6	.000

However, as it shown the canonical correlation between these two groups is reasonably high, .77. Thus, the results on organizational commitment follow the results on organizational culture. Therefore, it is possible to conclude that there are broad similarities between Thai and Indian subsidiaries.

## CONCLUSION

To sum up the results, it is possible to say that the Structural Equation Model shows that the degree of relationship between the organizational culture and organizational commitment in the parent operation in Japan is .98, very high indeed. In the Thai subsidiary the corresponding degree of relationship is .94 and in India it is .92, all very high but in the parent operation it is the strongest.

The degree of relationship between the organizational culture in the parent operation in Japan and in the Thai subsidiary, as demonstrated by the structural equation model, is .97. The similar structural equation model between organizational culture in the parent operation and in the Indian subsidiary demonstrates that degree of relationship is .84, which is high but not as high as it is between the parent operation and the Thai operation. Thus, the transmission of culture is more successful in Thailand than in India. This is due to the fact that (a) Japanese and Thai cultures have broad similarities but the Japanese and the Indian cultures are quite different; (b) The Thai subsidiary is much older than the Indian subsidiary and it takes time to transmit organizational culture from the parent to the subsidiaries.

Discriminant Analysis demonstrates that the organizational culture in the parent operation in Japan is not significantly different from that in the Thai or Indian subsidiaries. It also shows that values of organizational commitments in the parent in Japan are not significantly different from those in the Thai or Indian subsidiaries. What is more surprising is that there are insignificant

differences between organizational culture and commitments in the Thai and Indian subsidiaries, although these are culturally different countries.

Thus, this Multilevel Modeling Analysis has demonstrated that the organizational culture of the parent unit in Japan has close relationship with their corresponding organizational culture in both subsidiary units in India and Thailand. Thus, the parent units has successfully transmitted its organizational culture and created organizational commitment similar to the HQs in Japan in its foreign subsidiaries in the culturally similar host country, Thailand and in culturally distant host country, India bypassing the national cultural differences.

Thus, statistical analysis given in this chapter has proved that the similarities of organizational culture in the parent operation in Japan and in the subsidiaries in both culturally similar and culturally distant countries have created similar level of organizational commitments in the subsidiaries, as it is in the HQs. Thus, the Research Questions 2a and 2b can be answered positively. Based on the results of this research it is possible to conclude that culture has influence on performance, where the commitment of the employee was regarded as its vital intangible index. Thus, culture can be regarded as the important competitive advantage of the multinational company and should be considered as the strategic resource of that company.

## **CHAPTER 10: DISCUSSION**

### **INTRODUCTION**

As described in the preceding chapters, the main purposes of this research are to analyze: (a) what factors compose the organizational culture (OC) of a major Japanese multinational company; (b) whether its original organizational culture can be transmitted from the HQs to its overseas subsidiaries; and (c) what effects culture has on employee's commitment both in the home operation and in subsidiary operations. This research considered organizational commitment (OCom) as an index of corporate performance. Therefore, it was important to prove the existence of the link between organizational culture and organizational commitment, in order to demonstrate that organizational culture to be a strategic resource of the company. Moreover, if the relationship between organizational culture and organizational commitment remains the same in the overseas subsidiaries as it is in the HQ in Japan, it proves that: (a) OC was successfully transferred from the HQs to the subsidiaries, and (b) OC has influence on performance (where OCom is regarded as its vital intangible index) and, thus, OC should be regarded as a competitive resource of the multinational company.

Prior research reveals that culturally Japan has a more or less homogeneous society (Hayashi, 2003; Basu, 1999). However, both Thailand and India have a considerable heterogeneous population with a number of different cultures and ethnicities (Raoprasert et al., 2010; Sinha et al., 2004). Thus, the values that form the organizational culture in Japan may differ in both Thailand and India. The heterogeneity makes it very interesting to explore the influence of the original organizational culture of Japanese origin on the behavior, attitudes and values of the Thai and Indian employees. This research also raises the question of whether the Japanese multinational company can influence the evolving organizational commitment in the subsidiary operations.

There are complex interactions between societal and ethnic cultures in the developing countries like Thailand and India. If there is convergence of values of the organization and the employees in the subsidiary operations, it would imply that employee's values are becoming more homogeneous and converging towards the organizational culture of the parent unit. If there was any divergence, it would imply that the values of the employee's in Thailand or India are

different from their counterparts in Japan due to their different societal and ethnic cultures, and the organizational culture of the home operation has not yet taken root in the subsidiary operation.

In order to explore these issues in depth this research has examined the relationship between organizational commitment and organizational culture in a multinational company of Japanese origin in order to explore whether the transmission of its home organizational culture to its overseas-subsidiaries can occur, and what are the effects of organizational culture if any on organizational commitment in the subsidiary operations.

The detailed analysis of the research findings is provided below. The structure of the chapter includes the justification of the philosophical stand of the research described in section 10.1 The key gaps in the related literature as they were identified in Chapter 1 are addressed in section 10.2. From section 10.3 onwards the detailed answers on all four research questions associated with the key gaps derived from the analysis of the related literatures were presented. Section 10.7.1 described the issues raised in this research under the RBV approach and section 10.7.2 concludes the analysis by describing the issues regarding the generalizability of the research.

## **10.1 PHILOSOPHICAL POSITION OF THE RESEARCH: POSITIVISM**

Using the positivist approach this research has demonstrated quantitatively that it was possible for this Japanese multinational company to transmit its original culture from HQs in Japan to its subsidiaries located in two host countries with very different national cultures, which in turn have created similar commitment among the employees as was observed in the parent unit. The fact of successful transmission of OC from HQs to subsidiaries itself indicates that organizational culture indeed can be a source of competitive advantage of that firm and, thus, must be regarded as the valuable strategic resource of that multinational company.

Although it is possible to analyze these issues using the qualitative method, the detailed examinations of the degrees of relationship between the unobserved variables and their value-components is a purely quantitative concept and, thus, would not be possible in a qualitative set-up. As the method of analysis of this research is rooted in the idea of positivism, all hypotheses

regarding this research were tested from observable data and conclusions were drawn solely from rigorous statistical analysis.

This study has proved quantitatively that (a) there are similarities between the organizational culture of this company in its HQs in Japan and in its overseas subsidiaries located in the host countries that are culturally similar and culturally distant from the home country, Japan; (b) there are close relationships between organizational culture and organizational commitment; and (c) the values of organizational commitment in most cases can be explained by the values of organizational culture. Indeed it would not be possible to obtain these findings without accepting the quantitative methodology rooted in positivist philosophy.

According to Auguste Comte, who described the epistemological perspective of positivism, which is based in practical terms on four basic elements in the methodology of analysis such as (a) *Determinism* or establishing what constitutes the elements of analysis; (b) *Empiricism* or examining the hypotheses based on observable data; (c) *Operationalism* or measuring the concepts using scientifically established methods; (d) *Parsimony* or compact logical research design which provides the researcher with a comprehensive picture on the element of enquiry (Comte, 1865).

This research has satisfied all four classic criteria of positivism. First of all, the research employed the quantitative methodology because the related literature revealed that there is enough qualitative evidences regarding the culture-commitment relationship as reported from the prior research. Thus, this research aimed to collect quantitative evidence to contribute to the development of theory. In this research, value-components of organizational culture and commitment were identified. The role of these value-components in composing culture and commitment were quantitatively measured. This research collected data regarding the factors composing culture and commitment to satisfy the criterion of determinism. This research proposed a research design comprised of three studies: Study A, B and C, in order to empirically test the proposed theory in three different locations enabling a triangulation research technique to ensure the overall rigor of the research. The research measurement instrument was created specifically for the purpose of this study in order to satisfy the criterion of operationalism. Examinations were conducted to see whether the value-components of commitment could be predicted by the value-components of organizational culture and if so to what degree. The degrees of relationship between these two unobserved concepts the *organizational culture* and the

*organizational commitment* were measured. The similarities or dissimilarities of organizational culture and the nature of commitment between the home and subsidiary operations were examined precisely and their similarities were proved quantitatively. All these would be possible only because of the quantitative approach rooted in the positivistic epistemology. Finally, the research measurement tool in this study contains only 45 items and thus can be used easily for assessment of very complex variables such as culture and commitment, which satisfies the last criterion of positivism, '*parsimony*'.

## 10.2 RESULTS OF HYPOTHESES TESTING

This research was designed to fill some of the gaps derived from the related literatures as indicated in Chapter 1 as follows: (a) prior research did not provide the precise characteristics of the major factors composing culture and commitment; (b) it is rare to see research on how the organization promotes values and transmits these values across national cultural boundaries; (c) prior research does not provide much evidence about the transmission mechanism of organizational culture of Japanese multinational companies from their parent operation to their overseas subsidiaries; (d) individual's actual experience of commitment and its relationship to the organization as it is evolving under the influence of globalization is not analyzed rigorously in the literature; (e) there is no research conducted to compare and contrast the parent company with its subsidiaries located in culturally similar and culturally distant host countries in Asia; and (f) there is no measurement tool established to evaluate the transmission of culture of the MNCs and its outcome.

In Chapter 1 the above gaps in the related literature were narrated (as shown in Table 1.1, Chapter 1). The Research Questions associated with the key gaps were identified (as shown in Table 1.2, Chapter 1). The analysis presented below explains the answers to these research questions as obtained from the quantitative analysis provided in Chapters 6, 7, 8 and 9. The four sets of hypotheses associated with the four Research Questions were presented in Chapter 5; the analysis presented below categorizes the hypotheses in a systematic way relating these to the matching Research Questions. During this quantitative research a number of important relationships between different variables and characteristics are observed, called '*observations*' which could not be hypothesized beforehand. These observations reflect the findings of the research and are



also categorized according to their relationship with the Research Questions. Table 10.1 describes the information regarding the results on the hypotheses testing of this research.

**Table 10.1: Results on the Hypotheses Testing**

STUDY	Hypotheses	Supported	Partially Supported	Rejected
<b>STUDY A:</b> HQs, Japan	H <sub>J</sub> 1	+		
	H <sub>J</sub> 2	+		
	H <sub>J</sub> 3	+		
	H <sub>J</sub> 4	+ SEM	+ MRA	
<b>STUDY B:</b> Thai Subsidiary	H <sub>T</sub> 1	+		
	H <sub>T</sub> 2	+		
	H <sub>T</sub> 3		+	
	H <sub>T</sub> 4	+ SEM	+ MRA	
<b>STUDY C:</b> Indian Subsidiary	H <sub>IN</sub> 1	+		
	H <sub>IN</sub> 2	+		
	H <sub>IN</sub> 3		+	
	H <sub>IN</sub> 4	+ SEM	+ MRA	
<b>Multilevel Research Model:</b> HQs, Japan, Thai and Indian Subsidiaries	H <sub>MA</sub> 1a	+		
	H <sub>MA</sub> 1b		+	
	H <sub>MA</sub> 2a		+	
	H <sub>MA</sub> 2b	+		

\*SEM: Structural Equation Modeling

\*\*MRA: Multiple Regression Analysis

Thus, all the hypotheses were supported by the data in this research. In the sections below a detail analysis of the answers on the research questions is provided with discussion regarding the results obtained from this research in relation to the prior research with an attempt to shed some light on the identified key research gaps in the related literature.

Generally speaking, a multinational company is composed of two types of operations: (a) in the parent unit located in the home country, and (b) in the subsidiary units located in the host countries overseas. Thus, the analysis of the culture-commitment relationship of the multinational company should include these two blocks of information regarding the situation in HQs and in subsidiaries. Since this research aims to examine the differences in two subsidiaries located in culturally similar and culturally distant host countries, therefore, Research Questions 1, 3 and 4 must include three parts in relation to (part 1) HQs, Japan, (part 2) Thai subsidiary, and (part 3) Indian subsidiary.

### **10.3 COMPONENTS OF ORGANIZATIONAL CULTURE OF THE SELECTED JAPANESE MNC: Answer to the Research Question 1: Hypotheses H<sub>J</sub>1; H<sub>T</sub>1; and H<sub>IN</sub> 1**

The Research Question 1 is: **What are the precise factors composing the concept of ‘organizational culture’ in a Japanese multinational company?**

The Section 10.3.1 describes the findings of the research regarding the factors forming organizational culture in the parent unit in Japan in attempt to provide an answer on the Research Question 1 (part 1).

Organizational culture is a way of managing organizations in accordance with management philosophy depicted in the organizational values in order to improve its overall performance. Prior research has confirmed that organizational culture is able to influence the thoughts, feelings, interactions of employee in the process of forming the commitment. Thus, it is expected that employees’ commitment is likely to be influenced by aspects of organizational culture. Prior research suggests that commitment of employee must be regarded as the vital index of performance among its other intangible indices (such as job satisfaction, intention to turnover etc.). In order to achieve desirable organizational commitment, employers, thus, need to help their employee to create the environment within the organization in order to (a) propose, develop and sustain the desirable set of organizational values associated with the organizational goals, and (b) maintain the managerial activities in order to promote, develop and sustain the process of the value involvement in the organization’s goals.

In order to understand whether different dimensions of organizational culture have different effects on employees’ commitment, the effects of each individual dimension were discussed in this research. The result implies that organizational culture that emphasizes the importance of teamwork facilitates employees’ commitment to work (Morrow, 1997). The results support the view of that working together led to better employee attitudes and there was a strong positive relationship between organizational culture and commitment in the organization.

### 10.3.1 Organizational Culture in the Parent Unit in Japan: Hypothesis H<sub>J.1</sub>

The related hypothesis on the parent operation in Japan is:

**H<sub>J.1</sub>: There are eight value components of organizational culture in the parent unit in Japan in this Japanese multinational company.**

This hypothesis H<sub>J.1</sub> is supported by the data obtained in Study A (Chapter 6).

Related to this hypothesis the following observations were obtained in the parent operation in Japan:

- 1) Entrepreneurship and Supportiveness are two very important characteristic of the organizational culture in Japan**
- 2) Entrepreneurship in Japanese organization depends on Innovations, Decisiveness, Emphasis on Performance, Team Spirit and Preciseness, all the important characteristics of operational efficiency in Japan**
- 3) The societal value Supportiveness relies upon Entrepreneurship**

An analysis of this hypothesis and observations is given below. The concept of organizational culture is borrowed from basic social sciences – mainly anthropology and sociology, as well as from psychology. Employees working at a formal and bureaucratic company may have similar behavioral code which is determined by shared values and basic assumptions that are much like those of an informal and horizontally-structured company. As organizational culture was a concept alien to management theory, its development gave rise to much debate among academics.

Different ideas regarding the construct were developed by influential authors such as Rokeach (1973), O'Reilly et al. (1991) Cameron and Quinn (1999), Mowday et al. (1979) among others. Some issues polarized these debates: the definition of the elements that compose a company's culture and the answer to the question as to what degree is organizational culture effective, i.e., whether it is something a company '*has*' or whether it is something a company '*is*' (Smircich, 1983).

This is the fundamental question about the nature of organizational culture, because it has an impact on the possibility of transmission of culture from HQs to subsidiaries or establishing link between culture and performance. This research accepts that the organizational culture is a

resource that the company '*has*' in order to be consistent with the RBV model (Barney, 1986). The reason for this is the notion that if to assume that organizational culture is something that company '*is*', it would not be possible for a multinational company to perform any transactions with the organizational culture, for example, to transmit it from HQs to overseas subsidiaries.

Recent Western literature (Martin, 2002) on organizational culture may doubt this statement by introducing the concept of sub-culture of separate departments within the organizations. However, the Japanese corporations are (particularly this Japanese multinational automobile company under investigation in this study) organized very differently from their Western counterparts. For example, the managerial activities common for the most Japanese MNCs such as creation of multi-functional teams and/ or regular transfer of employee from one department to another, from one subsidiary to another to join a different team implies that an organizational culture cannot be formed in a separate department for a specific grade of people, as no such gradations exists in Japan in a Japanese company. Employees in Japanese MNCs are always moving from one department to another as to learn different types of work in order to create a homogeneous workforce (Basu, 2000; Hayashi, 2003; Hamada, 2008). However, in a small or medium sized Japanese company or in the public sector in Japan, it is possible to have subcultures, as the systems of management are different there.

In the related literature, there are studies that are using different levels to analyze the compositions of culture in their research. For example, Hofstede's (1980) claimed to assess culture from the value level and identified five independent dimensions i.e. behavioral patterns of culture. On the other hand, according to Rokeach (1973) and Schwartz (1994, 1996), the practices i.e. behavioral patterns are learnt and forgotten throughout life. In fact, in an organization, people with different basic assumptions may learn similar practices. Thus, in order to control organizational culture, research must be concentrated on identification of the underlying assumptions, which are influencing the creation of organizational values. These values in turn may form the desirable behavioral patterns at workplaces. These basic assumptions are not organized randomly. They are consolidated implicit cultural paradigms, with some order and consistency to guide human behavior. Members of the group may act according to principles that they consider to be so obvious and correct (profound truths) that they scarcely question them or try to grasp their basis or justifications. Thus, according to Rokeach (1973) and Schwartz (1994, 1996) the organizational culture can be conceived as a set of basic values and assumptions, expressed by symbolic elements.

. Research has shown that human beings develop a sense of self which is a combination of beliefs, feelings, and knowledge that is used to evaluate, organize and regulate one's intellectual, emotional and behavioral reactions to the physical and social environment (Berry, 2000; Box et al., 1991; Buchanan, 1974). The 'self' is constructed via experience as the primary source for humans to interpret and respond to external events. Thus, the formations of organizational values are important issues to be analyzed

The initial stage for a value based managerial interventions is the selected set of values, the current state of the organization. Through socialization, members learn organizational culture and beliefs to participate as a member of the organization. This process, through which established values are transforming into behavior and successful organizational commitments, is called *management by values* (Martinsuo, 1999). Various value and mission statements create psychological influences on the employee's behavior. Japanese corporations have strived to fulfill the goal to create a harmonious organizational climate through their organizational culture, not only for their main operation in Japan but also in their overseas subsidiaries (Hayashi, 2003; Basu, 1999, 2010). This research has identified the most important values that constitute the organizational culture and how, through their implementations, these are related to the values of organizational commitment in three different cultural contexts of Japan, Thailand and India. There are studies that are focused on value level of culture (O'Reilly et al., 1986, 1991; Cameron & Quinn, 1999), particularly when level of analysis is not an individual employee but an organization.

In this research model, the both variables such as organizational culture and organizational commitment were analyzed from the stand point of values. Moreover, this research has identified the list of most important values derived from the prior research that constitute the organizational culture. Also this study examined how these values of organizational culture through their implementations are related to the values of organizational commitment in three different cultural contexts of Japan, Thailand and India within a single leading Japanese MNC.

To measure the variables in the HQs in Japan and in the Indian and Thai subsidiaries of this multinational company (true name of this company is not revealed to comply with confidentiality law), this research has created a research measurement instrument consisting of two major scales: *the Organizational Culture Assessment Scale (OCAS)* and *the Organizational Commitment*

*Assessment Scale (OCOMAS)*. The instrument includes two sets of value statements representing each variable and can be used to assess two parameters: (1) the extent to which certain values characterize a target organization, and (2) an individual's preference for that particular configuration of values.

There are eight dimensions of the organizational culture which were carefully selected based on the prior research (O'Reilly et al, 1991) such as, **(1) Innovation; (2) Entrepreneurship; (3) Decisiveness; (4) Emphasis on Security; (5) Supportiveness; (6) Emphasis on Performance; (7) Team Spirit; (8) Attention to Detail or Preciseness.**

**Definitions of Values as a Factors composing Organizational Culture:**

OCJV1= Innovation; OCJV2= Entrepreneurship; OCJV3= Decisiveness; OCJV4= Stability & Security; OCJV5= Supportiveness; OCJV6= Emphasis on Performance; OCJV7= Team Spirit; OCJV8= Preciseness

From the data obtained from STUDY A ( for parent operation in Japan), a quantitative analysis was presented in Chapter 6 using various research techniques such as Descriptive Statistical Analysis, Factor Analysis, Multiple Regression Analysis, and Structural Equation Modeling. The purpose is, (a) to increase the overall rigor of the research; (b) to characterize the nature of the *organizational culture (OC)*, *organizational commitment (OCom)* and their interrelationship in the selected Japanese multinational company in its parent unit; and (c) to establish the benchmark for the comparisons of OC and OCom in the subsidiaries where STUDY B is for the Thai subsidiary in Chapter 7 and Study C is for the Indian subsidiary in Chapter 8.

The set of values suggested was measured using the *OCA Scale* adapted from O'Reilly, Chatman, Caldwell (1991). This research was found to be highly reliable from the data collected from Japan. Based on the response obtained from the parent unit, it is possible to state that the eight major value components are forming the company's organizational culture. The data shows that responses for these components from the employees have higher values (close to the maximum of seven in the Likert's scale) and, therefore, these are statistically significant with insignificant little standard errors for the means.

In the Factor Analysis (as given in Chapter 6), particularly the Kaiser Criterion suggests that, it is possible to retain only factors with Eigen Values greater than 1. In this case of the parent

operation in Japan, only two factors satisfy that criteria, **Entrepreneurship** and **Supportiveness**. Thus, these two factors are considered to be fundamental for organizational culture of the parent unit in Japan of that Japanese MNC.

In the Factor Analysis, the KMO or Kaiser-Meyer-Olkin Statistics (Hutcheson and Sofroniou, 1999) measures the sampling adequacy, which should be greater than 0.5 for a satisfactory factor analysis to proceed. At the related table in Chapter 6 above, the KMO measure is 0.819. From the same table, we can see that the Bartlett's test of Sphericity (Bartlett, 1950) is significant, with very high Chi-Square. This means that the correlation matrix is not an identity matrix or close to zero. Thus, the Factor Analysis, as presented Chapter 6, would provide meaningful results, particularly by showing that out of these eight values, **Entrepreneurship** and **Supportiveness** are the most important, and these values in turn depend on the fundamental aspects of organizational culture and operational characteristics as indicated by the remaining six value-components of organizational culture.

**Entrepreneurship** is defined here in terms of independent managerial activity and knowledge management. According to the results obtained from the Factor Analysis, the first factor (**Entrepreneurship**) is marked by high loadings on **Innovations**, **Decisiveness**, **Emphasis on Performance**, **Team Spirit**, and **Preciseness** (in the Rotated Component Matrix in the Factor Analysis). In other words, **Entrepreneurship** in parent unit of the Japanese MNC depends mainly on **Innovation**, **Decisiveness**, **Emphasis on Performance**, **Team Spirit** and **Preciseness**, all the important characteristics of operational efficiency in Japan.

These results confirm the results obtained already from the quantitative studies on major Japanese automobile companies in both home and subsidiary operations in Britain and India (Basu et al., 2001, 2007), in Toyota subsidiary in Taiwan (Wu et al., 2007), in China and Australia (Casimir & Li, 2005), in newly industrializing developing countries in Asia (Hikino & Amsden, 2007; Li & Kozhikode, 2008) and in various multinational companies in Japan (Hamada, 2007, 2008).

Nevertheless, this results are not in line with the Hofstede's (1980, 2010) assumptions regarding Japan. According to Hofstede's assumptions, **Supportiveness** and **Team Spirits**, important values of a collectivist society should not be related to **Entrepreneurship**, a masculine character of an individualistic society. However, Hofstede never has studied any Japanese multinational company or any other major Japanese company but has asserted characteristics of Japanese organizational culture from the behavior pattern of some Japanese employee working for an

American multinational company to evaluate Japanese national culture. As a result his assertions can be misleading.

Indeed, Japanese system of management has the core feature called *Kaizen* or 'continuous improvement'. Without the support of its main element *Kaizen* activity in Japanese management particularly in the product development system, cannot operate efficiently to outwit the rival companies both in Japan and in the rest of the world (Liker & Morgan, 2006). Thus, managers are empowered to take decisions in the local operations if that is needed to activate *Kaizen* in order to enhance the competitive advantages of the company. Interestingly, if we break down the concept *Kaizen* into smaller elements, it would consist of the same value-components such as Supportiveness, Entrepreneurship, Innovation, Decisiveness, Emphasis of Security, Emphasis on Performance, Team Spirit, and Attention to Detail or Preciseness, as it is identified in this research.

**Supportiveness** is a cultural trait, which the Japanese learn in their primary schools and subsequently in every walk of life, where the team efforts not the individual achievement are the norm (Aoki, 2008). This is carried forward as an essential element of Japanese organizational culture. The factor **Supportiveness** is marked by high loadings in Factor Analysis on **Entrepreneurship**. In other words, the societal value **Supportiveness** depends upon **Entrepreneurship** in the parent unit. Suzuki, Tanimoto and Atsumi (2008) and Yamada, Sugisawa, Sugihara and Shibata (2005) supported this idea in their research on Japanese MNCs. Indeed, innovative activities enhance the team spirit or supportiveness among the employees in Japanese companies (Pullig, Maxham & Hair, 2002). This phenomenon was observed in the historical process of development of Japanese entrepreneurs and entrepreneurial process by Bird and Mitsuhashi (2003). Also **Supportiveness** as the major characteristics of the Japanese companies was observed in a comparative study of Japanese companies and the US companies in Silicon Valley-USA (Reitsperger & Daniel, 1990). Espoused values of the organizational culture along with their implementations create, thus, a strong competitive advantage by fostering cooperative atmosphere (Tjosvold, 1998).

MNCs of different countries exert different priorities on different aspects of human resources management given the institutional complementarities of different business systems (Porter, 1990). Japanese MNCs with their proven competitive advantages in operational management practices normally give priorities to the team spirit and involvement of the employees in quality



enhancements. They have long and continuous training program to infuse the values of the parent units on the employees of the subsidiaries (Basu et al., 2001, 2007). American firms on the other hand give more priority on managerial performance and negotiations with the union rather than employee involvement (Ferner, 2000).

The coordinated market economies such as Scandinavia, Germany and Japan, with more institutionally dense business systems in which practices are embedded in specific and hard-to-transfer institutional arrangements are more likely to use culture as an influential factor in both their parent unit and in the overseas subsidiaries (Hedlund, 1981, 1994). Japanese firms given their competitive advantages in production and operations management, have greater employee involvement and team spirits (Liker & Morgan, 2006). They also try to replicate these features in their overseas operations. This research has confirmed these ideas through quantitative evidences.

For a Japanese corporation, leaders are the product of the same organizational culture and are exposed to the values of organization since the very first days of employment as the new recruits, not only when they become much older and experienced employee (Basu, 1999). This is due to the fact that in Japanese companies the leaders are mainly promoted from the ranks. The most important agent of a Japanese corporation regarding cultural issues is the Human Resource Management Division (HRMD) or the '*Jinjibu*' in Japanese. The activities of the *Jinjibu* in Japanese MNCs does not glorify the individual, but create a set of values to promote the values of the organizational culture related to the overall goals of the firm, which in turn creates loyalty among them for that organization (Ouchi, 1981a and b).

In this research, a strong relationship between organizational culture and commitment is established statistically by employing the research technique the 'Structural Equation Modeling'. The Multiple Regression Analysis in this research identified the specific set of the value-components of organizational culture that are related to the specific value-component of organizational commitment in this Japanese multinational company. As these sets of value-components are hard to imitate, these in turn may create a competitive resources for the company (Penrose, 1959; Porter, 1985; Barney, 1986; Barney & Clark, 2007).

In a Japanese company new recruits receive their training and as a result they accept the organizational values within themselves and develop a stable organizational culture year after another. *Jinjibu* (the HRM division in Japanese MNCs) maintains that culture within the company. Harrison and Carroll's model assumes that an individual's propensity to embrace the values and

norms of a particular organizational culture can be meaningfully represented by a single measure indicating the degree of fit with a cultural ideal (Harrison & Carroll, 1991, 2001). This measure of cultural fit is referred to as the '*acculturation*' by Selmer and De Leon (1986) which can occur even before an individual joins an organization (for example, in a professional school), and can also be socialized on the job. Although management groups differ in the types of factors they use to assess the level of acculturation, these often include knowledge, qualification, and willingness to embrace and comply with the culture, and might reflect such factors as work experience and education. This research has extended this idea to its international settings. Acculturation process in the Japanese company created a set of values in the organizational culture, which the members have embraced, as demonstrated by this research in the descriptive statistics of the sample and the corresponding factor analysis.

In sum, the current research has identified the value-components of organizational culture in the parent unit and, therefore, has established the benchmark for the future comparisons with the value-components forming OC in overseas subsidiaries in order to test the homogeneity of the culture in three locations, and, thus, to shed some more light on the possibility of the transmission of OC from HQs to subsidiaries. Indeed, the fact of transmission of culture can be captured when the value-components forming OC in subsidiaries are similar to that of the parent unit. This research examined this issue and concluded that indeed the transmission of culture occurred in this Japanese MNC, which will be described in subsequent sections.

Based on the results of this study and in accordance with RBV approach and consistent with the classic Barney's definition of the resources as valuable asset of a company '*when they enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness and when they exploit opportunities or neutralize threats in a firm's environment*' (Barney, 1986: p.15) it is possible to conclude that organizational culture can be regarded as the valuable strategic resource of the company. Moreover, the sets of the value-components composing OC are definitely enable the firm to implement strategies that improve its effectiveness from the perspective of creating the desirable level of commitment among the employees and thus at least enable the firm to neutralize threats in a firm's environment or even improve its efficiency' and therefore may be viewed as viable strategic resource of the company (Penrose, 1959; Porter, 1985; Barney, 1986; Barney & Clark, 2007). Thus, results of this research in a precise quantitative way demonstrate that organizational culture can be regarded as competitive resource of a company, which will be elaborated further in the subsequent chapters.

### 10.3.2 Organizational Culture in the Thai Subsidiary: Hypothesis H<sub>T</sub>1

The related hypothesis on the subsidiary operation in Thailand is:

**H<sub>T</sub>.1: There are eight value components of organizational culture in Thai subsidiary of this Japanese MNC, which are similar to these in the parent unit in Japan**

This hypothesis H<sub>T</sub>.1 is supported by the data obtained in Study B (Chapter7).

The observation of research findings obtained from the quantitative analysis is:

**In the Thai subsidiary, operational characteristics are very important parts of the organizational culture. These are related closely to the human resources management policy and strategic management policy.**

Indeed, in a Japanese multinational company, organizational culture affects every aspects of the organization. The main aim of the *Jinjibu* activities is to create the desirable organization culture at workplace by implementing the chosen values, which may lead company to success. On the other hand, *Jinjibu* is the center of further development of the organizational culture on the personal level among the employees.

In effect, the *Jinjibu* intensifies the positive aspects of the organizational culture across the entire company. Values are reflections of the both micro and macro aspects of the societal culture in such a way that will improve productivity through the stimulation of personal pride and motivation of the individual. The result is, the culture of the company as created by the *Jinjibu* stays within the company over a long period of time, and also can be transmitted to its overseas subsidiaries. Thus, it was hypothesized to observe similar organizational culture in Thai subsidiary as it is in the parent operation in Japan and this hypothesis H<sub>T</sub>.1 was supported by the results of this quantitative research.

The societal value 'individualism' is not encouraged in Thailand (Raoprasert et al., 2010). In Thailand, relationships are extremely valued, as a part of the traditional Asian culture. Thai values collectivism not individualism because their society encourages strong relationships where

everyone takes responsibility of the group as a whole rather than everyone for oneself (Smith, 1993). In this respect, Thai culture has a great similarity with that of Japanese culture.

Thai culture more readily accepts authority, and likes certainty (Niffenegger, Kulviwat & Engchanil, 2006). In this cultural and religious context, the traditional bureaucratic organizational structure with group decision-making is more appropriate to the subsidiary in Thailand. Thus, it is expected that the Japanese organizational culture, which emphasizes group-decision making, team spirit and even humbleness will be acceptable to the Thai employees in Thailand. As the perceived organizational culture matches with the observed organizational culture, in the Thai subsidiary we should expect a close relationship between organizational culture and commitment (Chaiprasit et al., 2008).

This research has demonstrated quantitatively that the value-components assumed for the organizational culture in the Thai subsidiary are acceptable for analysis. In the Factor Analysis, in the Communalities Matrix high scores for all most all value components of the organizational culture in this Thai subsidiary signify that these value-components do represent the organizational culture of the Thai subsidiary.

In the Descriptive Statistics (Table 7.3 in Chapter 7) the mean values of these value components have high scores, and these are not spurious (according to the standard errors statistics). Thus, Thai sample can be acceptable as a representative sample. From the data of the sample it is clear; therefore, that the data set can satisfy the classical statistical testing procedures as the distribution of the data are normal or near normal. Among the values of organizational culture, operational characteristics like the values **Emphasis on Performance**, **Team Spirit**, and **Preciseness** have higher importance than others as obtained from the Factor Analysis. These features are very similar to those in the headquarters in Japan.

In the Thai context, Japanese subsidiaries in Thailand are creating values of organizational culture, which may in fact be different from the values of organizational culture in pure Thai enterprises (Raoprasert et al., 2010). There are dissimilar organizational cultures in local companies and in the subsidiaries of multinational companies in general (Reade, 2001; Wan, 2004). Thus, these values in the Thai subsidiaries of this Japanese MNC have their origin in the headquarters in Japan.

However, this research had discovered that there are some departures from the above views. The Thai subsidiary is depended upon the parent organization for finance, technology and higher managerial decisions. Thus, the mean scores in the Factor Analysis for **Innovation**, **Entrepreneurship**, and **Decisiveness** are low in the Thai subsidiary than in the home operation in Japan. **Emphasis on Performance**, **Team Spirit** and **Preciseness**, are very important factors to influence organizational culture in Thailand. In the home operation in Japan however, **Entrepreneurship** and **Supportiveness** are the most important values of organizational culture. It is possible that **Entrepreneurship** value in the subsidiary is promoted by the top executives who are often Japanese not Thai people. Ordinary employees who are Thais are unrelated to it. Thus, the values, which are important in Japan, may not have exactly the same importance in the Thai subsidiary although there are broad similarities in the value components of organizational cultures in home and Thai operations.

The Covariance Matrix (Table 7.5 in Chapter 7) shows there are close relationship between **Entrepreneurship** and **Supportiveness**. **Decisiveness** is closely related to **Security of Employment**.

**Emphasis on Performance** is close to **Team Spirit** and **Preciseness**. **Team Spirit** is also related to **Preciseness**. High **Emphasis on Performance** demands **Preciseness**, and **Team Spirit** supports these values in the work place. **Supportiveness** is an interpersonal relationship. However, **Innovation** is unrelated to any other values, which is very different from what we can see in Japan as it reflected in the Correlation Matrix (Table 7.6 Chapter 7). Prior research supports this observation of interdependency of value components of organizational culture in Japanese subsidiaries in Thailand and Malaysia (Onishi, 2006; Komin, 1995).

Thus, considering the Communalities Matrix in the Factor Analysis (Table 7.8 in Chapter 7), these three indicators, **Emphasis on Performance**, **Team Spirit** and **Preciseness**, are very important factors composing the latent variable organizational culture in Thailand. This is very different from that obtained in Japan (**Entrepreneurship** and **Supportiveness** are very important values in Japan). Thus, in Thailand the operational characteristics are, according to the perceptions of the employees in Thailand, are most important parts of organizational culture. **Entrepreneurship** in the subsidiary operation is not that important as it is in the main operation in Japan, because the Thai managers must accept the instructions from their Japanese

counterparts; they themselves do not have much independence. Prior research on Thai subsidiaries of Japanese multinational companies supports these conclusions (Onishi, 2006; Raoprasert et al., 2010).

According to the results of Factor Analysis (Table 7.9 in Chapter 7), the most important factors are **Emphasis on Performance**, **Team Spirit**, and **Preciseness**, thus, these values can be considered as the main value-components of OC in this Thai subsidiary.

Considering the Factor Analysis, **Emphasis on Performance** in Thailand related to **Team Spirit** and **Preciseness**. **Team Spirit** related to **Supportiveness** quite naturally and but also with **Entrepreneurship**. **Preciseness** is related to **Decisiveness**, a strategic consideration, and **Stability & Security of Employment**, a major part of the human resources management policy. Thus, operational characteristics such as **Emphasis on Performance**, **Team Spirit**, and **Preciseness** are the most important value-components that are forming the organizational culture in the Thai subsidiary.

Human Resources management policy enhances **Security** and **Supportiveness**, which are closely related to the **Team Spirit** worldwide. Strategic management policy enhances **Entrepreneurship** by giving the operational units more independence to stimulate decisiveness. Both **Entrepreneurship** and **Decisiveness** are closely related to the operational characteristics **Preciseness** and **Team Spirit**. These characteristics are observable in the Japanese subsidiaries in other countries too regarding their human resource management system (Park, Mitsunashi, Fey & Bjrkman, 2003).

### 10.3.3 Organizational Culture in the Indian Subsidiary: Hypothesis H<sub>IN</sub>1

The related hypothesis on the subsidiary operation in India is:

**H<sub>IN</sub>.1: There are eight value components of organizational culture in Indian subsidiary of this Japanese MNC, which are similar to these in the parent unit in Japan**

This hypothesis H<sub>IN</sub>.1 is supported by the data of STUDY C.

The literature on organizational culture revealed that the expatriate managers in the MNCs are anticipated to learn and identify the work values and cultural behaviours of the employees within the organization and try to adapt these values into that culture across countries (Sakurai, 2001). National cultures of the host nations are not a barrier for foreign subsidiaries to operate abroad but in certain cases it may be beneficial due to the common elements. In this case, there are some similarities on the religious background as the Buddhism was originated from Hinduism and both religions indeed have similar values (Sen, 1997; Basu, 2008).

Employee involvement can supplement strong corporate cultures to develop innovative organizations. The system of management, evolved from the organizational culture of the Japanese multinational company in India, has promoted, as the research results demonstrate, a culture that is highly related to the commitment of the employees.

Opportunism in organization may be understood in terms of how employers and employees from the perspective of their self-interests are related to each other (Sekiguchi, 2006). When the employers and employees believe that their goals are competitively, but not, cooperatively related; they are tempted to pursue their self-interests opportunistically, which is very common in any Indian organizations (Sinha et al., 2004). However, for this Japanese subsidiary, cognitive understandings and values of a shared vision may have helped employers and employees to believe that their values are cooperatively related. Shared vision can help employees and employers to develop cooperative values that lead to low levels of opportunism and higher level of commitment (Nakane, 1970).

According to the Descriptive Statistics of the sample of the Indian subsidiary (Table 8.2 in Chapter 8), most of the values of organizational culture have high scores for all operational characteristics like **Preciseness**, **Team Spirit**, and **Emphasis on Performance**, but low scores on all others particularly on **Innovation**, **Entrepreneurship** and **Decisiveness**. India is a culturally distant country with a lot of individualistic and opportunistic tendencies among the employees who are not collectivist like their Japanese and Thai counterparts (Tayeb, 1993, 1994; Sinha et al., 2004). Thus, this research on Indian subsidiary provides a much more stringent test for the transmission of organizational culture from the home to subsidiary operations than the research on Thai subsidiary.

The Correlation Matrix (Table 8.6 in Chapter 8) of the values of organizational culture demonstrates that values like **Emphasis on Performance, Team Spirit, Preciseness** are highly correlated. The values such as **Entrepreneurship** and **Supportiveness** are not correlated with other values but are independent. It is possible that **Entrepreneurship** is related to the psychology of the top executives; ordinary employees are unrelated to it. High **Emphasis on Performance** demands **Preciseness**. **Team Spirit** supports these values in the work place. **Supportiveness** is related more on interpersonal relationship than on operational culture. It is possible that Indian employees are working as a highly glued team in their operational activities but their social relationships are not so close. This is a characteristic of the psychology of the Indian people, dominated by caste divisions, who normally work very meticulously in their work place but can be distant in their personal relationship (Tayeb 1993).

Factor Analysis (Table 8.8, 8.9 and 8.10 in Chapter 8) shows that three values **Innovation, Entrepreneurship, and Decisiveness** are very important. According to the analysis of national culture of India as given in prior research (for example, House et al., 2004; Hofstede et al., 2010), India is not so collectivist like Japan and Thailand. Also it is more masculine than both Japan and Thailand. At the same time, there is one similarity between India and Japan that **Entrepreneurship** in the Indian subsidiary is a very important value component of the organizational culture as it is in the HQs in Japan.

According to the Factor Analysis (Table 8.8, 8.9 and 8.10 in Chapter 8), three indicators, **Innovation, Entrepreneurship, and Decisiveness** are very important factors to influence the organizational culture in India. Three other operational factors, **Team Spirit, Preciseness, Emphasis on Performance**, are also very important, as their Eigen Values are very close to the Eigen Values of the three most important factors indicated above. Considering the Factor Loading, major operational characteristics depend upon the societal values in organizational culture. **Innovation** depends on three operational characteristics **Emphasis on Performance, Team Spirit** and **Preciseness**. **Entrepreneurship** depends on **Decisiveness** and **Innovation**. **Decisiveness** depends on **Supportiveness** and **Security of Employment**.

In the Japanese subsidiary in India, operational characteristics (**Preciseness, Emphasis on Performance, Team Spirit**) are very important parts of the organizational culture as these are in Thailand. There are wide range of support exist in the prior literature for these characteristics of



Japanese subsidiaries but a characteristic of the multinational companies in general (Sekiguchi, 2006; Petison & Johri, 2008).

Operational characteristics of the organizational culture in the Japanese subsidiary in India just like in Thailand are related closely to the human resources management policy and strategic management policy according to the results. Human resources practices have their reflections on factors like **Sense of Security**, and **Supportiveness**. Strategic management practices have their reflections on **Innovation**, **Entrepreneurship**, and **Decisiveness**. These factors in the Indian subsidiary, as in the Thai subsidiary, are related to the operational factors (**Team Spirit**, **Preciseness**, **Emphasis on Performance**). Thus, operational factors in this Indian subsidiary are reflections of the human resources practices and the strategic management policies of the parent unit, who decides the characteristics of these two important functions.

This research has examined (a) the value-components of organizational culture in the Indian subsidiary of this Japanese multinational company. Values and structures affect the conclusions organizational members make about their relationships with each other. The nature of interpersonal relationships has powerful effects on the coordination of resources needed for organizational effectiveness. Relationships promote decision-making, leadership, and every other aspects of organizational work (Peters & Waterman, 1982).

Groups and individuals pursue their self-interests by developing and striving to reach their goals. However, the pursuit of self-interests does not preclude the development of effective collaboration and relationships (Deutsch, 1973). Goals may be considered cooperatively, competitively or independently related. In cooperation, people believe their goal achievements are positively correlated; they can reach their goals to the extent that others also reach their goals. In competition, people believe their goal achievements are negatively correlated; each perceives that the achievement of one prohibits or at least makes it less likely that others will achieve their goals (Scholl, 1981). With independent goals, achievements are considered unrelated. With cooperative goals, people believe that as one move toward goal attainment, others move toward reaching their goals (Chen & Tjosvold, 2008).

The culture of the Indian people is not cooperative (Tayeb, 1993; De, 1974; Sinha et al., 2004). This research has demonstrated that, the organizational culture of this Japanese company, not the influence of the national culture, has created this cooperative atmosphere in the Indian subsidiary.

Values that create organization-wide respect for the employees contributions can bind organizational members together and that task interdependence drives team coordination as people clearly recognize that they need each other's ideas, assistance, and other resources to succeed (Kirkman & Shapiro, 2001). Values of the employees the structures of task interdependence and team procedures that induce cooperative goals among the employees promote productive interaction (Reade, 2001).

Cross-functional team members are assigned in this Japanese company as a typical managerial activity of the *Jinjibu* department that appears to make employees to believe that their goals are cooperative and in this way only they can succeed similarly as the others succeed around them. The common task activities are a specific way to make employee to recognize that they must work together for the mutual benefit. They also can appreciate that competitive and independent efforts will make their own success as well as the success of other departments less likely (Chen & Tjosvold, 2008). This study provides empirical evidence of the utility of people and respect values and interdependent structures and suggests that cooperative goals mediate their effects on interdepartmental relationships.

Thus, this research on Indian subsidiary has demonstrated the interdependence of values of the employees and the parent organization as created by the organizational culture. Values are a central part of the culture of the organization. Values emphasize the aspirations of the organization for what it considers ideal (Hofstede, 1990; Triandis, 1995). The organizational culture, adapted from the parent company, inspires the employees to work persistently and creatively. Values that convey a deep concern for employees as individuals help to reinforce the purpose of the organization and strengthen the trust and relationships among diverse people (Deal & Kennedy, 1982; Peters & Waterman, 1982). With the affirmation of people values, employees are expected to exchange ideas and abilities with each other. Indian employees, with a strong emphasis on subordination and maintaining relationships, are expected to be particularly motivated to demonstrate their loyalty to an employer who cares (Sinha, Singh-SenGupta & Srinivas, 2004). Given this sensitivity, companies seek harmony which is in turn resulting on creation of commitment among the employee.

Previous studies have demonstrated that forming task groups, cross-functional teams, can overcome traditional barriers to inter-unit and inter-personal collaboration through empathic communications (Rodsutti & Swierczek, 2002). With a specific and common task, people from

different departments appreciate that by working together they can contribute importantly to the organization. Cross-functional teams are given specific assignments. They understand that top management considers these tasks as highly visible priorities (Raoprasert et al., 2010). With this clear direction, employees understand that they have a common, important objective and that, if their group succeeds, they will be recognized and rewarded. Interdependence among groups for information and resources to complete their jobs very much affects their interaction (Schwartz, 1996).

Results support the opinion that constructive corporate values can promote more united organizational efforts (Kouzes & Posner, 2001). Employees are found to value the organization's personal interest in them as people. They then may reciprocate by feeling part of the organization and its relationships. This close bond with the organization, and to fellow employees, creates effective commitment (Chen & Tjosvold, 2008).

The results of the Structural Equation Modeling (which will be analysed later in this chapter) demonstrate that strong relationship between organizational culture and commitment. These results support Deutsch's theory that cognitive and moral cues can supplement mutually beneficial tangible rewards as antecedents to cooperative goals (Deutsch, 1973). Conclusions about goal interdependence are not strictly determined by a calculation of benefits and costs. That is the reason why the multiple regression results relating values of organizational commitment and organizational culture are not always indicative of particular directions of the causations. Employees who believe that they have common values can help themselves in being truly committed to the organization and to each other to pursue the common goal.

The question is whether it is possible for a multinational company to create a mental structure so that the members can receive ideas that were developed in the context of a different national and social culture? This research shows that, although the Indian social system is very different from that of Japan but it is possible, given time and training, to create values of that desired organizational culture as designed by the head quarter in Japan in the Indian subsidiary. Thus, the Research Question 1 is answered positively based on the results of this research.

## 10.4 TRANSMISSION OF CULTURE-COMMITMENT FROM HQs TO SUBSIDIARY OPERATIONS: Answers to the Research Questions 2a and 2b: Hypotheses $H_{MA}$ 1a/b and $H_{MA}$ 2a/b

**Figure 10.1 OC in Three Locations: HQs, Japan, Thai Subsidiary and Indian Subsidiary**

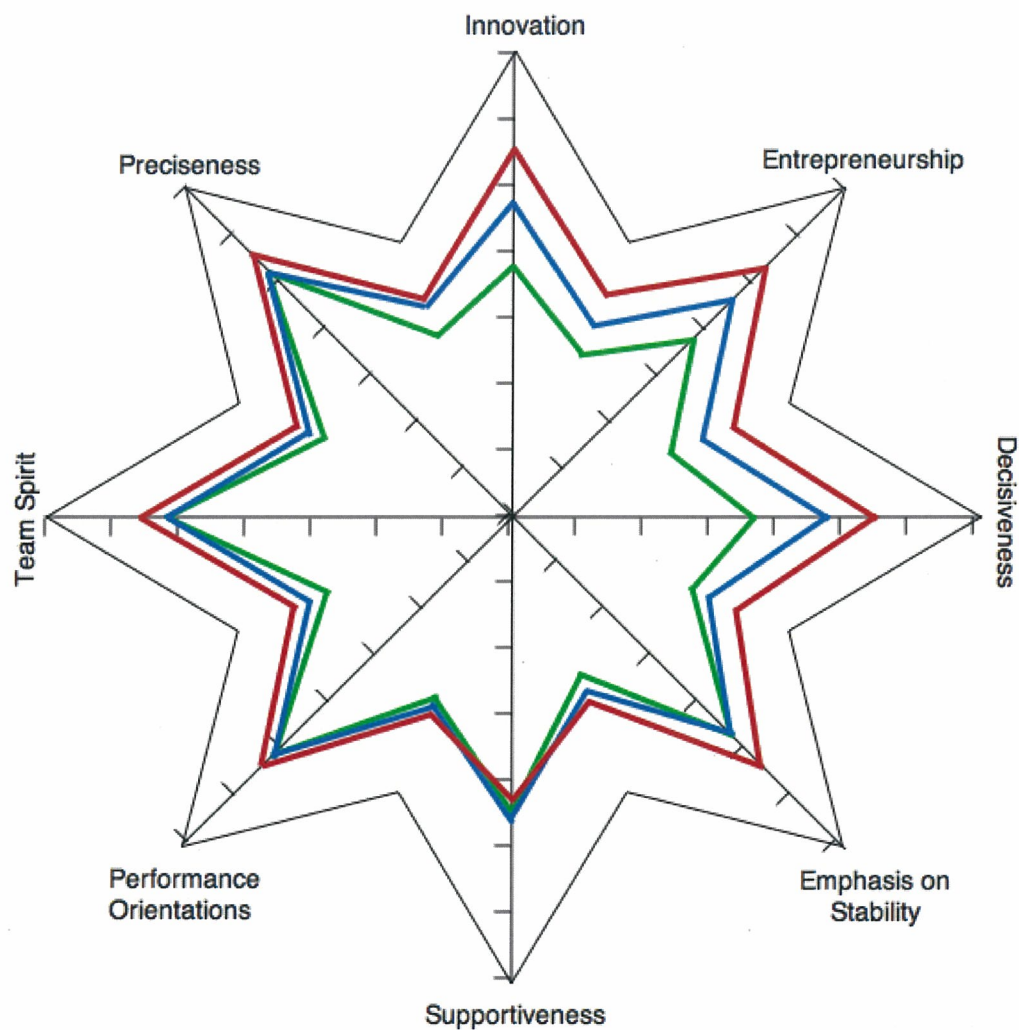


Figure 10.1 describes the organizational cultures in three locations from the perspective of means of the responses in HQs in Japan (the red line), in the Thai subsidiary (the blue line) and in the

Indian subsidiary (the green line). The results show the mean responses of the employees regarding the importance of the value components of organizational culture. Thus, the value-components of OC such as **Supportiveness, Performance Orientation, Team Spirit and Preciseness** are very similar in all three locations. Both Thai and Indian operations put less emphasis on **Stability** as both of these societies have opportunistic tendency and employees change their job often, compare to HQs in Japan, where employees do not change their job normally and, thus, have more emphasis on **Stability**. Regarding **Innovation, Entrepreneurship and Decisiveness**, the parent operation in Japan has the upper hand. These values are much less prominent in the subsidiaries, but Thai subsidiary put comparatively more emphasis on these values than Indian subsidiary does. The reason is that the Thai subsidiary is much older than India and well established with larger number of Japanese workers employed there. Indian subsidiary with relatively new establishment do not have much independence regarding these important managerial decisions. However, despite of these rather minor differences, in overall there is a high degree of similarities in all three samples; it implies that the nature of organizational culture is similar as perceived by employees in HQs in Japan, in Thai and in Indian subsidiaries. Subsequent statistical results confirmed these findings as well.

#### **10.4.1 Comparison of Organizational Cultures: Parent Unit in Japan vs. Thai Subsidiary**

The Research Question 2a is: Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, Thailand, that is culturally similar compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?

The Research Question 2a has two parts: (1) the organizational culture part (OC part), and (2) the organizational commitment part (OCom part). The section below will describe the findings regarding the Research Question 2a, the OC part.

The related hypothesis is:

**H<sub>MA-1a</sub>: There are great similarities between the characteristics of organizational culture in Japanese parent unit and in the Thai subsidiary of this Japanese MNC.**

This hypothesis H<sub>MA-1a</sub> is supported by the data of research as given in Chapter 9.

The analysis presented below considered these quantitative findings in detail. Quantitative analysis shows that the acculturation process, through the transmission of home organizational culture to its overseas subsidiaries in Thailand and India, is successful in this Japanese multinational company (Harrison & Carroll, 1991, 2001; Selmer & De Leon, 1996).

For the subsidiaries, Japanese MNCs depend more on personal influence through the use of expatriates to exert more diffused and indirect organizational cultural influence (Sakurai, 2001). This is carried through the day-to-day behavior of Japanese managers implementing the organizational culture of the home operation rather than through any formal systems. Thus, central control from the parent unit is internalized within the organizational culture of the subsidiaries. Although subsidiaries have considerable discretions on human resources policy, their actual policy is much closer to the practices in the parent unit than MNC originated from other nations. Thus, as this research shows that transfer of organizational culture from the parent unit to the subsidiaries is possible. Through that transfer, Japanese MNCs create similar values as those exist in the parent unit in the subsidiaries as well (Basu et al., 2001, 2007).

The results of the Structural Equation Modeling (in Chapter 9) after exploring the relationship between Japan and Thailand revealed that organization culture of the parent operation in Japan is highly related to the organizational culture of the subsidiary operations in Thailand.

The equation described in the Path Diagram (Figure 9.1 in Chapter 9) satisfies all the Fitness Criteria for structural equation, as given in Table 9.6 and Table MA 1 in Appendix Chapter 9. Most of the value components of organizational culture in Japan and Thailand represent these unobserved variables adequately. The degree of the relationship between these unobserved variables regarding the organizational cultures in the home operation in Japan and in the subsidiary in Thailand is very high. Thus, it implies that the organizational culture of the parent unit in Japan and that in the Thai subsidiary are very closely related. Thus, based on these data, it is possible to conclude that this Japanese MNC has managed to transmit its original organizational culture to its subsidiary, located in the culturally similar host country, Thailand.

Discriminant Analysis (in Chapter 9) also supports this conclusion obtained from the Structural Equation Model. Eigen value is not significant in the Discriminant Function and thus, the two samples of Japanese and Thai organizational culture are not significantly different. The differences between the means of various value-components composing organizational cultures in

the parent unit in Japan and that in the subsidiary in Thailand are not significant. The Covariance Matrices of these two samplers are not significantly different. Thus, these two samples, Japanese and Thai, are not significantly different because the Covariance Matrices are not significantly different. As the correlation between these two samples is high enough, it implies there are some similarities in the major characteristics of organizational cultures of Japan and Thailand as given in the response of the employees in Japan and Thailand.

Thus, the Research Question 2a (OC part) is answered positively based on the data of the research.

#### **10.4.2 Comparison of Organizational Cultures: Parent Unit in Japan vs. Indian Subsidiary**

The Research Question 2b is: Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, India, that is culturally distant compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?

The Research Question 2b also has two parts: (1) the organizational culture part (OC part), and (2) the organizational commitment part (OCom part). The section below will describe the findings regarding the Research Question 2b, the OC part.

The related hypothesis is:

**H<sub>MA.1b</sub>: There are great similarities between the characteristics of organizational culture in Japanese parent unit and in the Indian subsidiary in India in this Japanese MNC.**

This hypothesis H<sub>MA.1b</sub> is supported by the results of this research as given in Chapter 9. Similar results are obtained for the Indian subsidiary (in Chapter 9).

Considering the means of various values composing organizational cultures in the HQs in Japan and in the Indian subsidiary, the results of the Discriminant Analysis show that the differences between the means of the value-components of organizational culture of these two samples, parent unit in Japan and the subsidiary unit in India, are not significant. Comparison of the covariance of the value-components of organizational culture in the parent unit in Japan and that

in the subsidiary in India, demonstrates that there is no significant differences in the covariance. All test results from the Discriminant Analysis suggest that there are close similarities between the organizational culture achieved in the parent operation and in the subsidiary operation in India.

The results of the Structural Equation Modeling (in Chapter 9) regarding the exploration of the relationship between Japan and India reveal that organization culture of the parent operation in Japan is highly related to the organizational culture of the subsidiary operations in India. Figure 9.2 of the relationship between organizational culture of the parent unit in Japan and that in India is given in Chapter 9. The degree of relationship is very high, .84. Also all the results regarding the Goodness of Fit statistics satisfy all statistical criteria of a very well fitted model.

In the prior research there is much support of this view that organizational culture in home and in the subsidiary operations of Japanese companies tend to merge in course of time. Similar features of organizational culture of the home operations and the subsidiary operations of Japanese multinational companies are observed in USA (Yamaguchi, 2001), in Thailand (Raoprasert et al., 2010), in Malaysia (Foong & Richardson, 2008), in Hong Kong and Singapore (Redding & Richardson, 1986), in Britain (Basu, 1999; Sutherland, 2004) and in Spain (Adenso-Díaz, Kawamura & González-Torre, 1999) and in Australia (Sakurai, 2001).

Thus, the issue regarding transmission of OC from HQs to subsidiaries is central to the functioning of any MNCs. Moreover, the specific strategic management system had emerged where control of the parent company over the subsidiaries is exerting through the organizational culture of the MNCs, as an international strategy (Basu, 2010). This type of organizations, which depends on implicit culture as the power and authority, are based on the customs and traditions implicit in the organizational culture. These organizations (so called '*Type Z organizations*', which, although developed originally in USA), are adapted mainly in Japan and in particular in the Japanese MNCs (Ouchi, 1981a and b; Yamaguchi, 2001).

Indeed, acculturation to a foreign organizational culture by learning new work values is the result of these activities (Jun, Lee & Gentry 1997; Selmer & De Leon, 1996). Psychological acculturation takes place when changes in individual's overt and covert traits can happen as a result of collective experience of acculturation process for the cultural group of the individual. This acculturation process is actively promoted by the Japanese multinational companies to influence their subsidiaries to accept the parent's organizational culture (Raoprasert et al., 2010:



157). Acculturation as an international strategy of the multinational companies create 'unique, hard to imitate' organizational resources (Barney, 1986) for the multinational companies to outperform their international rivals in competition. Japanese multinational companies actively follow this international competitive strategy by transmitting their home organizational culture to their overseas subsidiaries to create competitive resources in the subsidiaries (Adenso-Díaz et al., 1999). However, the exploration of the issues characterizing acculturation process in depth is beyond the scope of the current research. Indeed, it is too premature to discuss issues that are result of transmission of culture-commitment such as acculturation without first confirming the existence of the very fact of transmission of organizational culture from HQs to overseas subsidiaries. This research has answered positively regarding the issue on transmission of organizational culture from HQs to overseas subsidiaries based on the data of the research and its statistical analysis.

## 10.5 COMPONENTS OF ORGANIZATIONAL COMMITMENT OF THE SELECTED JAPANESE MNC: Answer to the Research Question 3: Hypotheses $H_{J3}$ ; $H_{T3}$ ; and $H_{IN3}$ testing

**Figure 10.2: Organizational Commitment as Index of Performance in Three Locations: HQs, Japan , Thai Subsidiary and Indian Subsidiary**

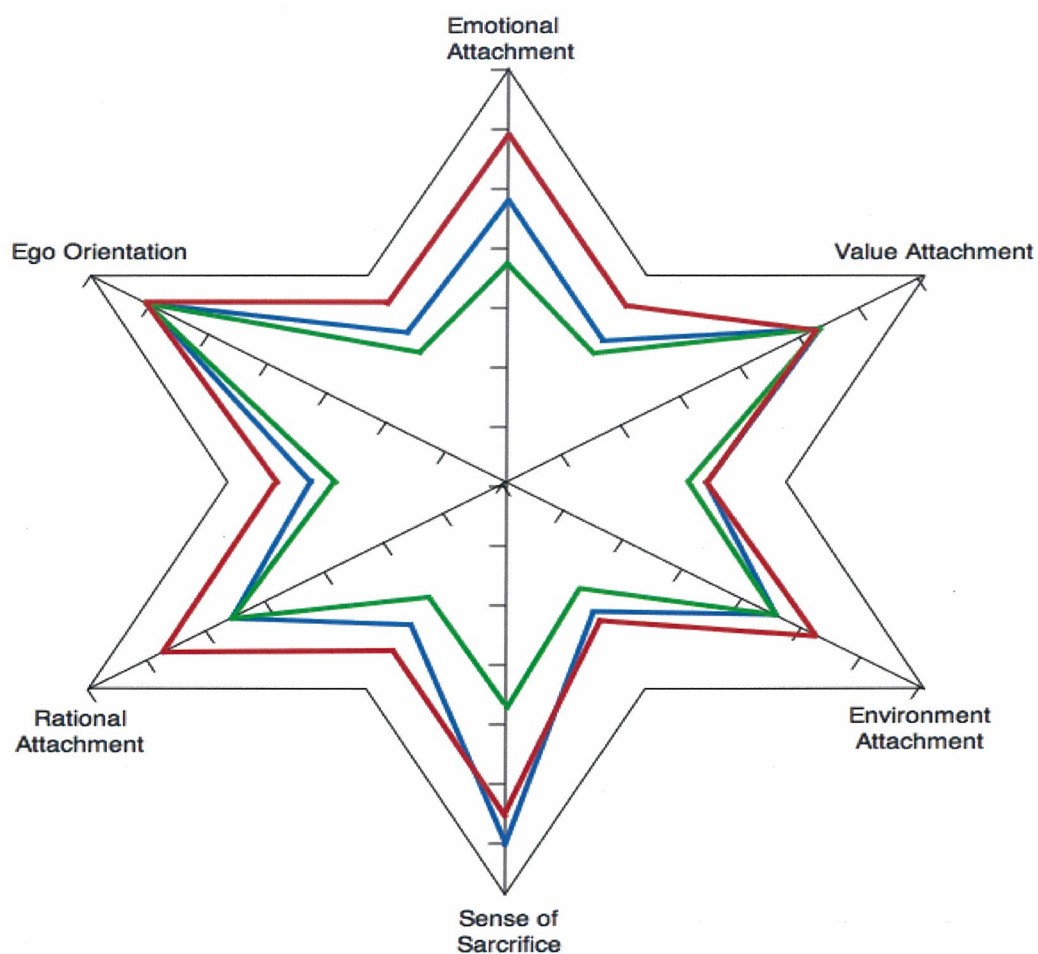


Figure 10.2 describes the organizational commitment in three locations from the perspective of the means of the responses in HQs in Japan, in the Thai and in the Indian subsidiary. The results show the mean responses of the employees regarding the importance of the value components of

organizational commitment. Thus, the value-components of OCom, such as **Ego Orientations** and **Value Attachment**, are similar in all three locations. Both Thai and Indian operations have similar emphasis on **Rational Attachment** and **Environmental Attachment**, but less than that in Japanese headquarters. There are opportunistic tendencies in both Thai and Indian people but Japanese are mainly conformists (Hayashi, 2003). Both Japanese and Thai operations put similar importance to the **Sense of Sacrifice**, but the Indian operation put much less importance to that. The reason is that both the Japanese and Thais are collectivists, but Indians are individualistic (Tayeb, 1973, Sinha et al., 2004). **Emotional Attachment** is the highest in Japanese operation, a little less in Thailand but much less in India. The reason is that the Thai subsidiary is much older than India and well established with larger number of Japanese workers employed there. Indian subsidiary with relatively new establishment and as a result has not yet developed emotional relationship. However, despite of these minor differences, in overall there is a high degree of similarities in all three samples; it implies that the nature of organizational commitment is similar as perceived by employees in HQs in Japan, in Thai and in Indian subsidiaries. Subsequent statistical results would confirm these findings as well.

The Research Question 3 is: **What are the precise factors composing the concept of organizational commitment in a Japanese multinational company?**

Organizational commitment includes a strong desire to remain a member of one's organization, and the attachment to membership derives from psychological process such as identification and internalization, that would be inspired by the organizational culture (Jun et al., 1997). This research has demonstrated that both the Thai subsidiary and the Indian subsidiary of this Japanese MNC have created such fruitful atmosphere. Employees of both Thai and Indian subsidiaries in that Japanese MNC with a foreign alien organizational culture have to go through a process of adjustment with different dimensions, attitudinal and behavioral. Behavioral changes are the results of organizational culture whether values of the organization can also change the attitude of the employees (Sekiguchi, 2006). The success of this adjustment process creates commitments by relating the values of the organizational culture to the values of organizational commitment. The current research has confirmed that notion.

The theoretical basis of the concept organizational commitment was discussed in Chapter 2. In Chapters 6, 7, and 8 the nature of organizational commitment from the perspective of its value-components was analyzed. In Chapter 9 the similarities of organizational commitments in the

parent unit and in the subsidiaries in India and Thailand were demonstrated. The purpose of this section is to analyze the implications of the quantitative findings on organizational commitments in this research.

Regarding the research question on organizational commitment, a number of hypotheses were examined to evaluate the exact nature of organizational culture of this company in Japan, Thailand and India.

### **10.5.1 Organizational Commitment in the Parent Unit in Japan: Hypotheses H<sub>J2</sub> and H<sub>J3</sub>**

The hypotheses related to the above research question on organizational commitment in the parent unit in Japan are:

**H<sub>J2</sub>: There are six value components of organizational commitment in the parent unit of this Japanese MNC.**

**H<sub>J3</sub>: The influences on organizational commitment in the parent unit of this Japanese multinational company are mainly internal, generating from its own organizational culture.**

Both hypotheses H<sub>J2</sub> and H<sub>J3</sub> are supported by data of the research. In the process of quantitative research a number of specific observations on the nature of organizational commitment were discovered as well:

- 1) Value Attachment, Rational Attachment, and Environment Attachment are very important characteristics of organizational commitment in the parent operation in Japan.**
- 2) The Rational Attachment of the employees in the parent unit to their organization is highly related to the Environment Attachment of that organization.**
- 3) The Emotional Attachment of the employees in the parent unit to their organization is highly related to their Ego Orientations.**

Regarding the measurement of commitment of the employees, this research created the Organizational Commitment Assessment Scale (OCOMAS) influenced by the Organizational Commitment Questionnaire (OCQ) of Mowday, Steers, & Porter (1979). OCQ was used by more

than 1000 researchers (according to a Google scholar search). It is so far as the standard instrument to measure employee's commitment, because of the established psychometric properties and reliability. The items in the OCOMAS scale of the Questionnaire on organizational commitment can be divided up into 6 different factors (sub-scales): (1) Emotional Attachment, (2) Value Attachment, (3) Environmental Attachment, (4) Sense of Sacrifice, (5) Rational Attachment and (6) Ego Orientations. The set of values suggested above are found to be highly reliable from the data collected from Japan (Table 6.15 and 6.16 in Chapter 6). The Factor Analysis shows very high Community Matrix for these values (Table 6.20 in Chapter 6) indicating the fact that these six value-components represent the organizational commitment.

**Definition of values as factors composing Organizational Commitment:**

OCOMJV1= Emotional Attachment; OCOMJ2= Value Attachment;  
 OCOMJV3= Environment Attachment; OCOMJ4= Sense of Sacrifice  
 OCOMJV5 = Rational Attachment; OCOMJV6 = Ego Orientations

High scores of **Ego Orientations** and **Emotional Attachment** show that employees in Japan (Table 6.20 in Chapter 6) are emotionally and as a matter of pride are attached to their organization. These psychological factors are categorized in terms of **Value Attachment** and **Rational Attachment**. As a result, factors such as **Value Attachment** and **Rational Attachment** are correlated according to the Correlation Matrix (Table 6.18 Chapter 6). This is also true about **Environment Attachment** and **Sense of Sacrifice**. The other factors are not correlated with but are quite independent.

From the analysis of the Covariance and Correlation Matrices (Table 6.17 and 6.18 in Chapter 6), it is evident that the factors that affect organizational commitment are interdependent. In the literature there are supports for this finding, as it was also observed in the analysis of US multinational companies in Europe (Geyskens et al., 1996) and in the study regarding organizational commitment and the influence of cultural values in foreign subsidiaries in Turkey (Wasti, 2003; Wasti & Can, 2008).

From the Factor Analysis (Table 6.21 and 6.22 in Chapter 6), the three indicators, **Value Attachment**, **Rational Attachment** and **Environment Attachment**, are very important to influence the variable '*organizational commitment*'.

The first factor, **Value Attachment**, is highly correlated with **Rational Attachment**. The second factor **Rational Attachment** is highly correlated with **Environment Attachment** and **Sense of Sacrifice**. The third factor **Environment Attachment** is highly correlated with **Emotional Attachment** and **Ego Orientations**. In the existing literature, similar features were observed in a study in the UAE regarding work ethic as a moderator between organizational commitment and job satisfaction in a cross-cultural context (Yousef, 2001) and in Scandinavia in an analysis of affective organizational commitment (Kuvaas, 2003).

**Value Attachment** is an important characteristic of the organizational commitment in Japan. Most Japanese studies on commitment in organizations support this feature as observed in the studies of Tao et al. (2002) and Yamada et al. (2005). In the literature on multinational companies in general this feature was observed in studies of organizational culture of multinational firms of Western origin as well (Petison & Johri, 2008) particularly regarding the effects of trust and interdependence on relationship commitment.

**Rational Attachment** is an important characteristic of the organizational commitment in Japan, which was also supported by previous studies on the Influence of Japanese culture on the overall Japanese management system (Sours, 1980) and on the analysis of employee commitment to organizations as comparative analysis of Japan and the United States (Ungson, Mowday & Steers, 1983) and on comparative industrial relations in the US and Japan (Whitehill & Takezawa, 1968).

**Environment Attachment** is an important characteristic of the organizational commitment in Japan, which was observed also in a study of the role of commitment in foreign-Japanese relationships (Lohtia et al., 2005) and in a study of antecedents of organizational commitment as part of psychology of the Japanese workers in various industrial units (Tao et al., 2002).

It is important to note, that based on results of Factor Analysis, this research has observed that **Value Attachment** of the employees in Japan with their organization is highly related to the **Rational Attachment** of the employees of that organization. However, it is not a specific characteristic of Japanese multinational companies but general characteristics of Japanese companies as a whole (Morishima, 1992, 1996). In the prior literature this feature was observed in a study on the formation of commitments in Japanese organizations and how organizations promote person-environment fit to illustrate institutional and cultural influences on Japanese management system (Sekiguchi, 2006).

The **Rational Attachment** of the employees in Japan to their organization is highly related to **Environment Attachment** of that organization and the **Sense of Sacrifice**. Indeed, **Sense of Sacrifice** is attached to the psychology of the Japanese workers since their childhood. This is due to the national culture that promotes these values (Okabe & Yasuhiro, 2005). Other environmental factors can enhance this feeling to create the Rational Attachment. Japanese-style or in other terms, the Type J multinational companies, are simulated by prevailing conditions in that organization and their societal values (Okada, Ishida & Ohta, 1999).

The **Environment Attachment** of the employees in Japan to their organization is highly related to the **Emotional Attachment** and **Ego Orientations**. **Emotional Attachment** is correlated with both **Value Attachment** and **Rational Attachment**. **Ego Orientations** is related to **Rational Attachment** and **Value Attachment** as well. Thus, the Theory Z (Ouchi & Jaeger, 1978), which promotes **Ego Orientations** and **Rational Attachment** and the Theory J (Ouchi, 1981 a and b), which promotes **Value Attachment**, are in fact interrelated (Hamada, 2007, 2008).

### **10.5.2 Organizational Commitment in the Thai Subsidiary: Hypotheses H<sub>T2</sub> and H<sub>T3</sub>**

In Chapter 7 this research has analyzed the behavior of the Thai subsidiary. This research has proposed the following hypotheses:

**H<sub>T2</sub>: There are six value components of organizational commitment in Thai subsidiary of the chosen for analysis Japanese MNC, which are similar to those in the parent unit in Japan.**

**H<sub>T3</sub>: The influences on organizational commitment in the Thai subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent unit in Japan.**

Hypotheses **H<sub>T2</sub>** is fully satisfied in this research. Hypothesis **H<sub>T3</sub>** is partly satisfied, as this research, in the Multiple Regression Analysis (in Chapter 7) of value components of organizational commitment by the value-components of organizational culture, have revealed that

the values of organizational culture can explain certain values of the organizational commitment in the Thai subsidiary but not all of these.

In the course of the quantitative study, this research has observed the following research findings regarding the organizational commitment in the Thai subsidiary:

- 1) **The Rational Attachment of the employees in Thailand to their organization is highly related to Value Attachment of the employees of that organization in Thailand.**
- 2) **The Emotional Attachment of the employees in Thailand to their organization is highly related to their Value Attachment and their Ego Orientations**

Factor Analysis in the Community Matrix (Table 7.8 and 7.9 in Chapter 7) shows that as these values have very high communality indices, they correctly represent the organizational commitment. Mean scores of some of the values of organizational commitment in the Thai subsidiary are lower than what was seen in the head quarter in Japan, indicating the fact that the Thai subsidiary is only 20 years old and the employees have relatively short tenure so far. **Ego Orientations** and **Sense of Sacrifice** both play very important roles in shaping organizational commitment in the Thai Subsidiary, which can be due to the cultural characteristics of the Thai society. **Rational Attachment** is not that important determinant of organizational commitment, but it is very important in Japan. Thai employees frequently change their jobs to enhance their salaries. This is not at all the practice among the Japanese. In the prior research similar features are observed in an analysis of human resource strategy and firm performance in Pacific Rim countries including Thailand and in a number of studies on human resource practices in Thailand (Lawler & Atmiyanandana, 2003; Raoprasert & Sardar, 2010).

In the Correlation and Covariance Matrices (Table 7.5 and 7.6 in Chapter 7), values of organizational commitment like **Environment Attachment** and **Rational Attachment** are correlated. It is possible that **Rational Attachment** can take place when the employees can see occupational environments are what they prefer. The other values are not correlated that much but are quite independent.

Values that compose organizational commitment in Thailand are not always interdependent. It can be a general characteristic of Thai organizational commitment, as observed by Das, Paul, Swierczek and Laosirihongthong (2006) in their study of 275 Thai manufacturing companies of



Thailand regarding the implementation of Japanese operations management methods in the Thai manufacturing industry also supported this idea. Niffenegger, Kulviwat and Engchanil (2006) and Onishi (2006) supported the notion of relative independence of factors composing organizational commitment in Thailand in their study of the transferability of Japanese human resources practices to Thailand. It was also noticed by Wongtada and Rice (2008) in their comparative study of Thai and Egyptian employees on multidimensional latent traits of perceived organizational innovation.

In the Factor Analysis (Table 7.8 and 7.9 in Chapter 7), almost all values are very good indicators of organizational commitment in this subsidiary. Three values such as **Environment Attachment**, **Rational Attachment**, and **Value Attachment** (as shown in the Communalities Matrix) are very important factors, which compose the latent variable '*organizational commitment*'. Ayuthaya and Taira (2007) observed similar characteristics regarding the **Value Attachment** as an important characteristic of the organizational commitment in the Japanese subsidiary in Thailand in their analysis of the organization and behavior of factory work force in Thailand. Swierczek and Onishi (2003) in their study of Japanese subsidiaries in Thailand analyzed similar features in the relationship between the Japanese managers and Thai subordinates in Thai subsidiaries of Japanese companies. Sakurai (2001) and Onishi (2006) also supported this idea regarding their analysis on the transferability of Japanese HRM practices to subsidiaries in Australia.

**Environment Attachment** is one of the most important factors of the organizational commitment in the Japanese subsidiary in Thailand. In the prior literature there are much supports for this observation. Taylor et al. (2008) in their study discovered similar characteristics of Thai employees in Japanese organizations in Thailand. Jain, Lawler and Morishima (1998) and Sakurai (2001) also observed this in their analysis of human resource management and host-country nationals in Japanese multinational companies in USA and in Australia.

Thus, according to the results of Factor Analysis (Table 7.9 in Chapter 7), **Environment Attachment** is highly correlated with **Rational Attachment**; **Rational Attachment** is highly correlated with **Value Attachment** and **Sense of Sacrifice**; **Value Attachment** is highly correlated with **Emotional Attachment** and **Ego Orientations**.

Thus, in the Thai subsidiary, values like **Emotional Attachment** and **Sense of Sacrifice** are the most important values composing the organizational commitment. Indeed, generally Thais are more emotional than Japanese; perhaps that may explain this result (Raoprasert & Sardar, 2010).

Similar values of employees with that of the organization in Thailand are highly related to the **Rational Attachment** of the employees of that Japanese organization. It was also observed in a study of Japanese subsidiaries across Asia to analyze international human resource management in Japanese Firms in major foreign locations (Keeley, 2001) and in a study of Thai subsidiaries of Japanese companies (Swierczek & Onishi, 2003).

**Rational Attachment** of the employees in Thailand to their organization is highly related to **Sense of Sacrifice** and **Value Attachment** of the employees of that organization in Thailand. It was observed for Thailand in a study of Thai managerial psychology in the workplace (Lips-Wiersma & Mills, 2002). It was analyzed in general for other cultural backgrounds as well in a study regarding the relationship between affective and normative commitment in USA (Bergman, 2006) and in a study on cross-cultural psychological analysis of managers of foreign subsidiaries in East Asia (Berry, 2000).

The **Value Attachment** of the employees in Thailand to their organization is highly related to **Emotional Attachment** and **Ego Orientations**. Thus, Thai employees here are highly emotional with values obtained from the societal and religious culture that put emphasis on sacrifice, humility, and they rationalize these into their commitment for their organization. This characteristic was confirmed in a study to integrate two distinct traditions the anthropological approach and the cross-cultural psychology in the analysis of foreign subsidiaries in Thailand (Luna & Gupta, 2001) and in a comparative analysis of leadership based on the worldviews of five major religions of the World (Kriger & Seng, 2005).

### **10.5.3 Organizational Commitment: Comparison between HQs, Japan and the Thai Subsidiary: Hypothesis H<sub>MA-2a</sub>**

The Research Question 2a is: Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, Thailand, that is culturally similar compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?

The section below will describe the findings regarding the Research Question 2a, the OCom part.

This research has proposed the following hypothesis:

**H<sub>MA-2a</sub>: There are great similarities between the characteristics of organizational commitment in the parent unit and in the Thai subsidiary of this Japanese MNC.**

This hypothesis H<sub>MA-2a</sub> is supported by the data of this research.

Discriminant Analysis in Chapter 9 was used to examine whether there is any significant difference between the factors affecting organizational commitment in the Japanese operation and in the subsidiary operation in Thailand. The test of equality of means (Table 9.1 in Chapter 9) shows there is no significant difference in the characteristics of means of values of organizational commitment in the parent operation in Japan and the subsidiary operation in Thailand.

The results of the Discriminant Analysis to compare the covariances of the value-components (Table 9.4 and 9.5 in Chapter 9) of organizational commitment in the parent unit in Japan and that in the subsidiary in Thailand also show that there are insignificant differences between the covariances of the value-components of organizational commitment in Japan and Thailand. Thus, the two samples, from Japan and Thailand are not significantly different because the covariance matrices are not significantly different as the canonical correlation between these two groups is high.

Thus, it is possible to conclude that there are similarities between organizational commitment of the HQs in Japan and the Thai subsidiary. Therefore, the Research Question 2a (OCom part) is answered positively based on the data of the research.

Grotenhuis, Neuijen and Dwiatmadia (1999) observed similar characteristics in the Japanese subsidiary operations in Indonesia. Their explanations are that Japan is more collectivistic and similar to the Asian countries where the relationship should have priority over the task (Hofstede, 1988). Japanese subsidiaries observe lifetime employment and are more ‘human-oriented’ than ‘task-oriented’. Thai employees like the Indonesian employees developed values of that of the Japanese employees in the subsidiary operations, probably as a part of the acculturation process (Raoprasert et al., 2010: 178). As a result, values of the organizational commitment in Thai subsidiary operations may have similar characteristics as that of the parent unit of this Japanese company.

#### **10.5.4 Organizational Commitment in the Indian Subsidiary: Hypotheses H<sub>IN2</sub> and H<sub>IN3</sub>**

This research has proposed the following hypotheses regarding the behavior of the Indian subsidiary:

**H<sub>IN2</sub>: There are six value components of organizational commitment in Indian subsidiary of this Japanese MNC, which are similar to these in the parent unit in Japan.**

**H<sub>IN3</sub>: The influences on organizational commitment in the Indian subsidiary of this Japanese multinational company are mainly internal, generating from its organizational culture, designed and implemented by the parent unit in Japan.**

The hypothesis **H<sub>IN2</sub>** is fully satisfied. The hypothesis **H<sub>IN3</sub>** is partly satisfied.

This research found out through the Multiple Regression Analysis in Chapter 8 that some but not all values of organizational commitment in the Indian subsidiary can be explained by the values of organizational culture.

Along with the above hypotheses, this research has identified the following research observations:

**1) In the Indian subsidiary operational characteristics are very important parts of the organizational culture as these are in Thailand. These are related closely to the human resources management policy and strategic management policy.**

2) <b>Emotional Attachment and the Sense of Sacrifice are very important characteristics of the organizational commitment in the Japanese subsidiary in India</b>
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It is important to note that the values, proposed by this research, do represent the organizational commitment in the Indian subsidiary, according to the results of Factor Analysis on OCom (Tables 8.22 and 8.23 in Chapter 8). All the values have high scores in the Communality Matrix of Factor Analysis. However, in the mean-variance analysis of the factors, mean scores of most of the values composing organizational culture in the Indian subsidiary are lower than those in the headquarters in Japan and in the Thai subsidiary. It may be due to the fact that the Indian subsidiary is relatively new and the employees have relatively short tenure so far. Normally 'acculturation' process takes some time and it would be intensified along with the length of the tenure (Harrison & Carroll, 1991). High score of the value **Ego Orientations** also reflect a specific characteristic of the Indian society, which is individualistic (Sinha et al., 2004), which is very different from that of the Japanese society. Employees in the Indian subsidiary are committed more for their **Value Attachment** and **Ego Orientations** than for any other factors. The score for the values like **Sense of Sacrifice** and **Emotional Attachment** are quite low, that implies that employees in the Indian subsidiary are more rational and analytical than emotional in their attachment to the organization.

Values like **Environment Attachment** and **Rational Attachment** are correlated according to the results from the Correlation Matrix (Table 8.18 in Chapter 8). The other factors are quite independent of each other. It is possible that **Rational Attachment** can take place when the employees can see their preferred occupational environments in practice. Niffenegger, Kulviwat and Engchanil (2006) and Wongtada and Rice (2008) also noticed similar components of organizational commitment in their study on Thai companies in Thailand.

Thus, three values, **Emotional Attachment**, **Sense of Sacrifice**, and **Environment Attachment**, are very important factors, according to the Communalities Matrix in the Factor Analysis, (Table 8.20 in Chapter 8) to compose the latent variable organizational commitment in the Indian subsidiary of this Japanese MNC. **Rational Attachment** is also very important. Thus, Indian employees are driven more by their individualistic orientation stimulated by the environment created by the organizational culture in the organization, to which they are attached.

According to Factor Loadings (Tables 8.21, 8.22 and 8.24 in Chapter 8), **Emotional Attachment** is highly correlated with **Sense of Sacrifice**; **Sense of Sacrifice** is highly correlated with **Environment Attachment** and **Rational Attachment**. **Environment Attachment** is related to **Value Attachment** and to a minor extent to **Ego Orientations**.

Similar values of the employee and their ego provoke them to relate their values to the environment of the work place. Along with rational evaluation of the benefits of employment **Environment Attachment** creates the **Sense of Sacrifice** among the employees which in turn may create **Emotional Attachment**.

### **10.5.5 Organizational Commitment: Comparison between HQs in Japan and the Indian Subsidiary: Hypothesis H<sub>MA.2b</sub>**

The Research Question 2b is: Is it possible to transmit organizational culture from the parent unit of a Japanese MNC to its overseas subsidiary located in the host country, India, that is culturally distant compared to Japan and, as a result, to create there a similar kind of organizational commitment as observed in the HQs in Japan?

The section below will describe the findings regarding the Research Question 2b, the OCom part. This research has proposed the following hypothesis:

**H<sub>MA.2b</sub>: There are great similarities between the characteristics of organizational commitment in the parent unit and in the Indian subsidiary of this Japanese MNC.**

This hypothesis **H<sub>MA.2b</sub>** is supported by the data of this research.

In the Discriminant Analysis (Table 9.7 in Chapter 9), particularly based on the tests of equality of means it is clear that there is no significant difference in the characteristics of means of value-components of organizational commitment in the parent operation in Japan and the subsidiary operation in India. Also comparison of the means of various factors composing organizational cultures shows that the differences are not significant.

Discriminant Analysis comparing the covariance of the value-components of organizational commitment in the parent unit in Japan and that in the subsidiary in India demonstrated (Tables 9.8 and 9.9) that there are insignificant differences between the covariance of the value-

components of organizational commitments in Japan and India. Thus, it is possible to conclude that these two samples (HQs, Japan and Indian subsidiary) are not significantly different because the Covariance Matrices are not significantly different as the canonical correlation between these two sample groups is high .847, in Table 9.10 (Table 9.10 in Chapter 9).

Thus, it is possible to conclude that there are similarities between organizational commitment in the Japanese parent unit and in the Indian subsidiary unit. Therefore, the Research Question 2b (OCom part) is answered positively based on the data of the research.

## **10.6 RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT IN HOME AND SUBSIDIARY OPERATIONS: Answer on Research Question 4: Hypotheses $H_{J4}$ , $H_{T4}$ , and $H_{IN4}$**

The Research Question 4 is: **Whether there is a link between organizational culture and organizational commitment in a Japanese multinational company?**

There are a large number of studies relating organizational culture and organizational commitment (Laschinger, Shamian, & Thomson, 2001; Lok & Crawford, 2001; Lok, Westwood & Crawford, 2005). This research has identified a set of values among the organizational culture that can explain values of organizational commitment.

According to the analysis presented here, organizational culture affects employee commitment directly as well as indirectly through the values. In particular, organizational culture characterized by high adaptability and high performance work practices is found to have a significant and direct effect on employee commitment both in the main operation in Japan and in the subsidiary operation in Thailand.

Much in HQs-subsidary relationship depends on the characteristics of the senior managers or the leaders (Avolio, Zhu, Koh & Bhatia, 2004). Transformational leadership behaviors were associated with higher perceived levels of mission, adaptability, involvement and consistency in the organization compared to their transactional counterparts. Psychological empowerment mediated the relationship between transformational leadership and organizational commitment (Pate, 2006; Pate & Martin, 2002). Thus, organizational commitment and HR practices are

significantly related to each other and HR practices are powerful predictors of trust and organizational performance.

Organizational values affect satisfaction, commitment, and cohesion. Moreover, value congruence (i.e., a fit between professed organizational values and the values deemed appropriate by employees) also impacts these behavioral variables (Box, Odom & Dunn, 1991). A positive association exists between corporate ethical values as a component of corporate culture and organizational commitment. As a result, affective commitment can be regarded as an important predictor of turnover intentions (Wasti, 2003).

Organizational culture does affect job satisfaction; employee' quality of work- life factors, and, therefore, that cultural values are positively related to organizational commitment, job involvement, empowerment (and job satisfaction), and negatively related to intent to turnover (Rhoades, Eisenberger and Armeli, 2001) There is an organizational type that relies on an organizational culture. In this type of system, behavior is specified by the organizational culture, and performance is maintained via mechanisms of social pressure. An example of this type of control is found in the Type Z organization, an American and European organizational form similar in many ways to the Japanese form (Ouchi, 1981a and b). Employee commitment to the firm is shaped by organizational structure, employment practice, and other attributes of factories (Lincoln and Kalleberg, 1996). The intrinsic work values derived from organizational culture are related to the organizational commitment.

#### **10.6.1 Culture-Commitment Relationship in the Parent Unit in Japan: Hypothesis H<sub>J</sub> 4**

The related hypothesis on the parent unit in Japan is:

**H<sub>J</sub>.4: There is a strong relationship between organizational culture and organizational commitment in the parent unit of this Japanese multinational company.**

This hypothesis H<sub>J</sub>.4 is partly supported by the data of this research. The findings of this research indicate that organizational culture can be a valuable resource for companies because it is closely related to the organizational commitment, which is regarded in this research as the vital intangible index of the corporate performance. The key gap in the related literature is the lack of information



on whether and how culture and performance/commitment are related. To provide an answer on this question the current research has utilized two distinct methods of data analysis: Multiple Regression Analysis (MRA) and Structural Equation Modeling (SEM). The MRA method can provide an answer on the questions, which values of organizational culture determine which particular values of the organizational commitment, whereas the SEM method can provide researcher with the overall picture regarding the degree of relationship between two unobserved variables, OC and OCom that are composing the research model under the investigation.

This research has proved, using Multiple Regression Analysis (Chapter 6), that value component of OCom, particularly the **Value Attachment**, a very important factor composing organizational commitment, can be determined by the value-components of organizational culture such as **Innovation, Decisiveness and Security. Environment Attachment** can be determined by the value-components of OC such as **Supportiveness, and Entrepreneurship. Sense of Sacrifice** can be determined by the value-components of OC such as **Entrepreneurship and Supportiveness. Rational Attachment** can be determined by the value-components of OC such as **Security & Stability on Employment, Preciseness and Team Spirit**. However, two values of commitment, such as **Emotional Attachment and Ego Orientations**, are not determined by the value-components of organizational culture alone (Table 6.39 in Chapter 6), and, therefore, possibly are influenced by some other various societal factors. Thus, based on results of the Multiple Regression Analysis the hypothesis **H<sub>1.4</sub>** is partly supported by the data of the research.

There are several qualitative studies on Japanese companies that supported the basic ideas mentioned above, although there is no comparable quantitative study reported in the related literature. As a result, the prior research could not provide the details describing the relationship between value components of organizational commitment and organizational culture in the way it was demonstrated in this research. However, Satow and Wang (1994) observed some of these characteristics in their cross-cultural socio-economic study by analyzing the cultural and organizational factors of Japanese companies in human resource management in China and Japan. The qualitative study on work organization and workforce commitment in the U.S. and Japan conducted by Lincoln and Kalleberg (1985, 1996), and the qualitative study of organizational commitment among the American, Japanese and Korean employees of a Japanese multinational company in USA conducted by Luthans, McCaul and Dodd (1985) provide an overall support for the idea of the existence of the link between organizational culture and commitment. Thus, the

quantitative results obtained in this research in this specific area have confirmed the ideas mentioned in qualitative results obtained in earlier studies.

Moreover, the results of the Structural Equation Modeling (Tables 6.40 and 6.41 in Chapter 6 and Fig 6.3) in this research supported the hypothesis **H<sub>1.4</sub>** based on the fact that the degree of relationship is very high between these two unobserved variables organizational culture and organizational commitment.

From the Structural Regression (Table 6.40 Chapter 6) it is possible to find out how important are the individual values for these unobserved variables. It shows that all the other value-components of organizational culture are very important factors to represent organizational culture in Japan. **Value Attachment** and **Rational Attachment** are the most important factors to represent organizational commitment in Japan, on which **Sense of Sacrifice** and **Rational Attachment** have insignificant effect.

Indeed, the quantitative findings of this research reflect the work practices in Japan where decisions are taken by the managerial class. Ordinary workers can create little impacts on these decisions. For example, in Japanese workforce the **Stability and Sense of Security in Employment** is a very important factor for their commitment to the employer. **Sense of Sacrifice**, which was very important for the earlier generation of the employees, is not that important any more. **Rational Attachment** derived from levels of salaries and benefits are not so important, as Japanese employees do not change jobs to seek higher pays; they stay with one employer all their lives. Thus, **Security of Employment** naturally has greater importance on organizational commitment.

Interestingly, that based on the results of Structural Equation Modeling (Fig 6.3 and Table 6.41 in Chapter 6), it is possible to accept the hypothesis **H<sub>1.4</sub>** that there is a strong relationship between organizational culture and organizational commitment in the Japanese organization under our study. However, based on the results of the Multiple Regression Analysis the same hypothesis **H<sub>1.4</sub>** is only partly supported by the data of the research.

This research has used the following research observation:

**The influences on organizational commitment in Japanese multinational company under the study are mainly internal, generating from the organizational culture, designed and implemented by the parent unit.**

This observation has considerable support in the literature. There are several studies, which have supported this idea. Cartwright and Cooper (1993) discussed this issue in general in their analysis of the role of culture compatibility in successful organizations. Baskerville (2003) in a critique of Hofstede's research results also supported idea of existing interrelationships between organizational culture and organizational commitment. Luthans, McCaul and Dodd (1985) compared American, Japanese and Korean companies and observed close relationship between organizational commitment and organizational culture in Japanese companies, which has indicated earlier as a classic theory, the Theory Z, of Ouchi (1981a and b). Thus, the findings of this research, regarding the existence of the link between OC and performance/commitment, have significant support from the related literature.

There are some important implications for practical management, which can be based on the findings of this research. Indeed, in a Japanese MNC the most important agent regarding maintaining issues concerning culture and its outcomes the *Jinjibu* (HR division in the Japanese MNCs). The *Jinjibu* created organizational culture by accepting the values derived from the nation and the society and develop it further on personal level by creating a set of values in order to form a desirable organizational culture (Basu, 1999). These values are such as to improve productivity through the stimulation of pride and motivation of the individual. Such activities of *Jinjibu* are possible due to the existence of the lifetime employment system. If there is a lifetime employment system hardly any turnover of employees may take place, resulting the creation of an important value **Sense of Stability**, which may in turn form organizational commitment. Stability of both leaders and employees sustain organizational culture, which increase cooperation and harmony which for the Japanese companies are the basic ingredients for successful corporate performance, and, thus, can be regarded as their pure competitive advantage.

Indeed, in a company individuals acquire organizational culture (in other words get '*acculturated*') through socialization shaped by peer pressure and other influence tactics (Harrison & Carroll, 1991, 2000, 2001). In a Japanese company new recruits receive their training and as a result acquire the set of organizational values at individual level which may be a reason of a stable organizational culture year after another in the Japanese MNCs. It is important for future research to find out how this process of acculturation takes place and whether it is

applicable in any foreign subsidiaries located in very different cultural set up. In this research, only two foreign countries are considered to examine whether enculturation or transmission of organizational culture can take place. Future research should try to incorporate as many countries as possible to analyze this process of transmission of organizational culture from HQs to subsidiaries from the perspective of creation of the acculturation among employees.

### **10.6.2 Culture-Commitment Relationship in the Thai Subsidiary: Hypothesis H<sub>T</sub> 4**

The related hypothesis on the Thai subsidiary is:

**H<sub>T</sub>.4: There is a strong relationship between organizational culture and organizational commitment in the Thai subsidiary of this Japanese multinational company, which is similar to that in the parent unit in Japan.**

This hypothesis **H<sub>T</sub>.4** is supported by the results of this research.

Given the psychological characteristics of the Thai people, this research has attempted to find out the value-components that form the organizational culture and organizational commitment in the Thai subsidiary and whether these are interrelated to these in the parent unit in Japan. The results demonstrate that there are many similarities between the Thai subsidiary and the HQs in Japan from the perspective of their value-components of organizational culture and commitment. To examine the quantitative evidence of the relationship between culture and commitment this research has employed two separate techniques: Multiple Regression Analysis and Structural Equation Modeling in order to enhance its validity, more precisely the Internal, Construct and Statistical Conclusion validities.

The results (in Chapter 7) show that **Emotional Attachment**, an important value of organizational commitment, can be explained by values of organizational culture like **Decisiveness, Security and Team Spirit**. Thus, it is very important to note that it may not be true that Thai employees are just more emotional and that is the reason why they are committed. Their commitments are in fact shaped by the values of the organizational culture, which are not just emotional values but operational characteristics of the subsidiary in Thailand.

Similarly, **Value Attachment** can be explained by **Supportiveness** and **Team Spirit**. Thus, commitment that emerges from similarity of values of the organization and that of the employees are emerging from two very important characteristics of organizational culture. **Supportiveness** and **Team Spirit** are interrelated. Organizational culture promotes these values and also is aligning itself to the individual values of the employees which in turn can create commitment at workplace. **Sense of Sacrifice** can be explained by **Stability** and **Team Spirit**. If the organizational culture promotes stability of employment it creates loyalty of the employer by giving them life time employment. That creates a dependency culture, which promotes positive feelings among the employees. Along with that, **Team Spirit** promoted by the organizational culture can be used in order to create bonds among the employee, which in turn may result on creation of strong commitment.

However, other three values of organizational commitment such as, **Rational Attachment**, **Environment Attachment** and **Ego Orientations** cannot be explained by the values of organizational culture. Thus, the hypothesis H<sub>T.4</sub> that values of organizational commitment can be explained by the values of organizational commitment is only partly satisfied based on the results of the Multiple Regression Analysis.

Thus, there are some effects of individual factors of organizational culture on the factors of organizational commitments in Thailand, but the effects are not always very robust (in Chapter 7). Rodsutti and Swierczek (2002) in their study of foreign subsidiaries in Thailand observed similar characteristics for Thailand. Zhu, Warner and Rowley (2007) in their study of the human resource management with 'Asian' characteristics analyzed a 'hybrid' people-management system in East Asia and observed similar features for the organizational commitment in the Japanese multinational companies in Thailand. Thus, the findings of this research have supports from the related literatures.

Swierczek and Onishi (2003) in their study of 50 Japanese managers and 50 Thai managers in various Japanese companies in Thailand observed similar features. Petison and Johri (2006) specifically noticed these characteristics as well in the Toyota subsidiary in Thailand in a non-quantitative study with Thai and Japanese employees. According to them, it is a strategic decision of Toyota to create harmony in work-place as the implementation of the basic philosophy of Toyota. Chikudate (2004) in his study of Thai subsidiaries of Japanese companies, and Chang

(2001) in his analysis of the international expansion strategy of Japanese firms also observed same issues in a comparative study of various multinational companies originated from a number of countries with their subsidiaries in South East Asia. Redding and Richardson (1986) observed the similar characteristics of Japanese multinational companies as features of participative management.

Recent studies pointed out the importance of organizational culture in predicting organizational commitment (Laschinger, Shamian, & Thomson, 2001; Lok & Crawford, 1999, 2001; Lok, Crawford & Westwood, 2005). Lok & Crawford (2001) found that innovative organizational culture, characterized by a willingness to experiment and innovate, was a strong predictor of organizational commitment. Organizational cultures that foster staff empowerment and trust in management have been linked to higher job satisfaction and greater organizational commitment (Laschinger et al., 2001).

The correlation between organizational culture and organizational commitment in the sample for Thailand is .94. As it is very high, it is possible to accept the hypothesis **H<sub>T.4</sub>** due to the fact that there is a very close relationship between OC and OCom in the Thai subsidiary. Moreover, in HQs in Japan and in the Thai subsidiary the relationship between organizational culture and organizational commitment is similarly very strong, thus it is possible to state that there is link between culture and commitment in the Thai subsidiary similarly as it is in HQs in Japan.

Interestingly, that based on the results of the Multiple Regression Analysis the hypothesis **H<sub>T.4</sub>** is partially supported; however, based on the results of Structural Equation Modeling the Hypothesis **H<sub>T.4</sub>** is fully supported. Based on the results of the Structural Equation Modeling (in Chapter 7), this research aimed to examine the hypothesis regarding the existence of culture-commitment relationship in the Thai subsidiary. From the Structural Regression (in Chapter 7), this research found out that **Decisiveness** and **Stability** have high importance to represent the organizational culture. **Emotional Attachment** has high importance to represent the organizational commitment. Thus, these factors are most important to represent organizational culture and commitment in the Thai subsidiary.

### 10.6.3 Culture-Commitment Relationship in the Indian Subsidiary: Hypothesis H<sub>IN</sub> 4

The related hypothesis on the Indian subsidiary is:

**H<sub>IN</sub>.4:** There is a strong relationship between organizational culture and organizational commitment in the Indian subsidiary, which is similar to this relationship in the parent unit in Japan.

This hypothesis H<sub>IN</sub>.4 is supported by the data of this research.

From the Multiple Regression Analysis (in Chapter 8), it is possible to state that **Emotional Attachment**, a value composing organizational commitment can be explained by the values composing organizational culture such as **Entrepreneurship**, **Supportiveness** and **Team Spirit**. **Sense of Sacrifice** can be explained by **Decisiveness**, **Innovation**, and **Security**. However, only two values of organizational commitment can be explained directly by the values of organizational culture. Thus, based on the results of the Multiple Regression Analysis the hypothesis H<sub>IN</sub>.4 that organizational culture can explain organizational commitment is partly satisfied.

Structural Equation Modeling was used in order to verify the obtained results. Indeed, the advantage of the Structural Equation Model is that it will take into account the combined effects of all values of the organizational culture on all values of the organizational commitment simultaneously and, as a result, researchers may get much fruitful results relating these two unobserved variable. The results of the Structural Equation Model demonstrated that there is a very close relationship between these two unobserved variables *the organizational culture* and *the organizational commitment*.

Based on the results of Structural Regression (Chapter 8), it is possible to state that three values **Innovation**, **Entrepreneurship** and **Decisiveness** are very important to represent the organizational culture in the Indian subsidiary. **Emotional Attachment**, **Sense of Sacrifice** and **Environment Attachment** are very important to represent the organizational commitment in the Indian subsidiary. Despite of the fact that the mutual cooperation between the employees is not a

characteristic of the competitive and self-centered culture of the Indian people and in the Indian companies (Sinha et al., 2004). Thus, these factors are most important to represent organizational culture and commitment in Indian subsidiary and these factors in fact represent the effects of particular societal culture of India as it is reported in the related literature. Thus, based on the results of the Multiple Regression Analysis the hypothesis  $H_{IN.4}$  is partially supported, however, based on the results of Structural Equation Modeling the hypothesis  $H_{IN.4}$  is fully supported, as it was observed in the Thai subsidiary.

Thus, the system of management, originating in the HQs of this Japanese multinational company have promoted in its subsidiary, located in the culturally distant host country, India, the organizational culture that is highly related to the commitment of the employees similarly as it is observed in the HQS in Japan and its Thai subsidiary located in the culturally similar host country. Thus, it is the organizational culture of this Japanese company that has created this cooperative atmosphere by transferring its original organizational culture to its Indian subsidiary and as the result the higher commitments among employee.

## **10.7 ANALYSIS OF MAJOR FINDINGS OF THIS RESEARCH**

### **10.7.1 Major Findings of this Research**

#### **10.7.1.1 Organizational culture as a resource of an MNC under the RBV theory**

Based on the results of the quantitative analysis it is possible to conclude that this Japanese multinational company, which was selected for investigation in this research, has successfully transmitted its organizational culture from HQs in Japan to its Thai subsidiary located in the country culturally similar to Japan, and also in the Indian subsidiary located in the country culturally distant to Japan. Moreover, this Japanese MNC has managed to create the same quality of organizational commitment, in both of these overseas subsidiaries as is observed in its home operation, overcoming the constraints of national cultural boundaries.

These findings of the current research indicate that organizational culture indeed creates a definite competitive advantage for this company in the international arena. Based on the results of the quantitative research consisting of four studies, it possible to conclude that there is a definite link between organizational culture and commitment, which is regarded as one of the indices of



performance. Thus, in accordance with the RBV theory it is logical to suggest that organizational culture can be regarded as the strategic resource of the selected Japanese multinational company and should be regarded as its competitive advantage, which constitute an innovative approach in the related literatures in HQs-subsidary literatures and culture-commitment literatures. That is due to the fact that based on Barney's definition of the resource the organizational culture meets all the criteria of resource proposed by Penrose (1959), Barney (1986, 2001; Barney & Clark, 2007), and Porter (1980). Indeed, organizational culture is valuable, rare, in-imitable and a non-substitutable asset of the multinational company and also it can be transmitted to the overseas subsidiaries, which may in turn form the desirable commitment in subsidiaries and thus create a competitive advantage for the company. This research has demonstrated that successful transmission of organizational culture from HQs of a major Japanese MNC in two different subsidiaries located in a culturally closer country and in a culturally distant country is possible as well as that the link between culture and commitment in fact exists.

This research shows that national background is not the only or the primary determinant of organizational culture in an MNC as it is assumed in Hofstede (1980) and in the GLOBE project (House et al., 2004). Cultural differences appear on the distinct level of nation, occupation, and organization because of personal (family, school and workplace) socialization through the process of acquiring the set of values that guide a person's behavior (Schein, 2010; Rokeach, 1973, 2000). Values are very important components of organizational culture (Schein, 2010; Rhoades, Eisenberger & Armeli, 2001). Moreover, values of organizational culture may form the values of organizational commitment within a firm (O'Reilly et al., 1991; Mowday et al., 1974, 1979, 1982) as it is supported by the data of the research.

Thus, an important finding of this research is that it supports the idea derived from the prior literature (for example, Peters & Waterman, 1982; Deal & Kennedy, 1982; Pascale & Athos, 1982, 1985; Kahle et al., 1997; Kanter, 1983; House et al., 2004; Kwan & Walker, 2004; Basu et al., 2007) that values, through efficient communications and socialization practices, promoted by the human resources management departments, can unite the multinational company globally.

Prior research in the existing literature has demonstrated that a cultural change that results from continuous contact between two or more distinct cultural groups in their employment, commonly known as acculturation process (Redfield, Kinton & Herskovits, 1936) is possible. This process changes in individual's overt and covert traits, when the individual's cultural group is

experiencing acculturation collectively (Harrison & Carroll, 1991, 2001; Selmer & De Leon, 1993, 1996; Basu, 2010). As a result of such acculturation, the cultural, physical, psychological and social change in an organization may occur (Berry, 1990, 2000). That process has already taken place as is demonstrated in the current research on the employees in the Thai and Indian subsidiaries of this Japanese MNC, which are responding positively to the organizational culture originated from HQs, and therefore accepting it regardless of their national cultures.

Indeed, the influence of organizational culture is the most important feature in the Japanese companies (Balliga & Jaeger, 1985; Basu, 1999; Hamada, 2008). All the organizational members are being acculturated and socialized towards a common set of organizational values (Ouchi, 1981a and b). Cultural influence emerges from these organizational values in a very implicit and informal way. The frequent interaction of the organizational members through the consensual decision-making process intensifies this influence (Basu, 1999, Basu et al., 2001, 2007). Physical as well as the mental proximity are indispensable for the success of this type of influences (Ouchi, 1981a; Hofstede et al., 2010; Bartlett & Yoshihara, 1988). The non-specialized career paths using multi-functional teams bring the employee closer to the overall organizational philosophy (Kristof-Brown, Zimmerman, & Johnson, 2005). Through rotation to different functional areas, the employees are led to be involved in the corporate ideology and, therefore, accept the values of the organization (Aoki, 2008)

In a domestic environment dominated by a homogenous national culture, the organizational culture reflects the national culture, manifested by a common notion, of a shared mentality, values and norms (House et al., 2004; Hofstede et al., 2010). The MNCs are interested in promoting their own corporate values to improve control, coordination and integration of their foreign subsidiaries (Edstrom & Galbraith, 1977). Thus, the employees of the Thai and Indian subsidiaries experience foreign role behavior from the expatriate managers sent by the parent organization in Japan and, thus, accept values of a foreign organizational culture. The shared values of a strong corporate culture are referred to as the '*second-order subsidiary-control mechanism*', implying that direct monitoring, reporting and evaluations of performance, the '*first order subsidiary-controls mechanism*' is more costly than encouraging employees to internalize a set of values to guide their behavior (Selmer & De Leon, 1996; Basu, 2010). Indeed, the acculturation process works through the human resource management system of the company whose duty is to familiarize the employees from overseas subsidiaries to the values of the organizational culture of the parent unit of a multinational company (Saka, 2004; Basu, 2000).

Thus, stability and harmony in the relationship are the core elements of this organizational culture, which leads to the creation of a strong organizational commitment as is demonstrated by the findings of this research.

The shared values of a strong corporate culture are referred to as the '*second-order subsidiary-coordination mechanism*' or the indirect monitoring, implying that the '*first order subsidiary coordination mechanism*' or the direct monitoring, or reporting, and evaluations of the performance is more costly than encouraging employees to internalize a set of values to guide their behavior (Selmer & De Leon, 1996; Basu, 2010).

This research shows that, this Japanese MNC selected for analysis, a typical Type Z organization (Ouchi, 1981a and b; Aoki, 2008), which uses organizational culture as an HQs-subsidiary coordination mechanism, is quite successful in influencing its employees in the Indian and Thai subsidiaries to develop and maintain such 'culture type controls'. In order for this type of subsidiary-controls to work, organizational culture of the parent company must be replicated in the subsidiaries overseas and in the longer run the internal culture of the foreign subsidiary could be expected to reflect similar values to those of the parent organization in Japan (Basu, 2010).

This is so far a neglected area of research although it is already accepted in the literature that organizational culture creates competitive advantages for a firm (Mowday et al., 1974) and, therefore, organizational culture in fact may be regarded as a strategic resource of a multinational company in accordance with the RBV theory, this is confirmed by the data of this research (Redding & Richardson, 1986). Social influences on the employees of the subsidiaries using organizational culture by the Japanese multinational companies increase the ability of these companies in directing the overseas subsidiaries in a way to behave to fulfill the company's ultimate purpose of the creation of organizational commitment; this is confirmed quantitatively by this research.

### **10.7.2 Generalizability of the Major Findings of this Research**

The results presented in this research are derived from a study of one major Japanese MNC. Thus the question remains as to whether or not these results are replicable and applicable in other MNCs, particularly if it is not a Japanese company or not an automaker.

There are six levels of generalizability: (1) within the same company, (2) within the same Keiretsu (in case of Japanese companies), (3) within the same industry, (4) within the same country, (5) within the same region (for instance, in Asia), and finally (6) across the globe (for example, East vs. West).

The national culture of the HQs may significantly affect the original OC of any MNC; it is not possible to ignore that fact (Paterson & Brock, 2002). Japanese MNCs normally follow a globally integrated strategy to shape the organizational culture of their subsidiaries as a replica of their home organizational culture as far as possible. The Japanese MNC under investigation has a globally integrated strategy with a low level of autonomy at subsidiary level. Thus the results obtained in this research may be applicable for an MNC that has implemented a Japanese system of management (Harzing, 2000; Basu et al., 2007). It is not applicable for MNCs with a high degree of autonomy along with a non-Japanese style of management, for example, for Western MNCs, particularly British, French and some American MNCs as traditionally these companies pursue globally/regionally integrated strategies with relatively high autonomy at subsidiary level (White & Poynter, 1984; Birkinshaw, 1996; Young and Tavares, 2004).

Usually a Japanese MNC is a member of a *Keiretsu* or a business group comprised of small and large companies, banks, non-manufacturing companies in the service sector and trading companies, therefore, the results obtained from one company from one *Keiretsu* may be applicable for all types of companies within that *Keiretsu*.

Indeed, this selected company is considered as the leader among the major MNCs of Japan, thus, all companies within its *Keiretsu* as well as other Japanese MNCs follow more or less the same type of organizational culture and the cultural coordination for subsidiaries (Basu et al., 2001, 2007) and may try to create similar level of commitment among the employees in the subsidiaries.

However, the question remains whether or not the results of the current research are replicable in another MNC of non-Japanese origin within the same region in Asia, for example, in a leading South Korean MNC. However, this Japanese MNC selected for analysis is viewed as the leader not only in Japan, but throughout the world, and therefore it is regarded the trend-setter across the globe given that many other companies, both Asian and non-Asian, already trying actively to emulate its technology, management system and strategy. Thus, it is expected that the results of this research may be valid for other major MNCs across the globe as well.

Nevertheless, whether these results are valid for MNCs emerging from other nations has some other issues, particularly the issue of the effect of national culture with their special characteristics in each different geographical area. Indeed, other nations do not follow the Japanese system of management (Aoki, 1981b Paterson & Brock, 2002; Harzing, 2000); particularly they do not follow *Keiretsu*, and the Japanese system of subsidiary management (Niffenegger et al., 2006). However, even among the non-Japanese companies there are some exceptions reported in the literature. For example, the Scandinavian countries have a management system, which is very similar to that of Japan from the perspective of focusing efforts on creating commitment in their subsidiaries (Hedlund, 1981; Peltokorpi, 2006). American companies are increasingly trying to emulate the production and operations management system of this Japanese MNC. Thus, results obtained from this research may be applicable to other MNCs to some extent.

Indeed, the creation of the desirable commitment among employees similar to that in the HQs may not be an issue for some MNCs which originated in other countries. The fact is that almost all overseas subsidiaries of the Japanese MNCs depend on their HQs in Japan financially, and, therefore, they have to accept the original organizational culture despite national cultural resistance (Basu et al., 2001). For example, Japanese MNCs in Britain have implemented an almost similar organizational culture in their British subsidiaries (Basu, 2000).

On the other hand, subsidiaries from other nations may raise finance from the host countries, as most American MNCs do recently, and as a result they do not have to follow the original organizational culture of the parent company (Park et al., 2003). The autonomy of a subsidiary is a major issue in management literature (White and Poynter, 1984; Bartlett and Ghoshal, 1988, 1989; Young & Tavares, 2004). Both value added scope and market scope are considered. Value added scope is represented by the presence of particular activities like innovations, marketing and supply chain network formulations. Market scope refers to the extension of the market(s) served by the subsidiary. Both value-added/market scope and autonomy are related to subsidiary initiative and, therefore, to entrepreneurship and innovations (Young & Tavares, 2004). Whether transmission of home organizational culture to the subsidiaries can prohibit these entrepreneurial activities or not is an issue, which should be considered carefully.

In general, the results obtained from this Japanese MNC may be generalized across the four levels out of six: within the same company, within the same *Keiretsu*, with in the same industry, and

within the same country. However, more empirical studies within the same company, within same Keiretsu, within the same industry, within the same country, and within the same region are needed to verify these assumptions. Indeed, it should be a subject of future research to examine the behavior, and the rationale for that behavior of other Japanese MNCs and non-Japanese MNCs to explore even further the knowledge regarding the generalizability of the results of this research.

## CONCLUSION

This research is about a Japanese MNC in the automobile industry, with a Japanese management system implemented both in the HQ and in the subsidiaries. The purpose of this research was to provide a greater understanding of organizational culture of a Japanese MNC that facilitates both in the HQ and in the subsidiaries an incremental creation of organizational commitment, which in turn may improve firm's overall corporate performance.

As mentioned in Introduction of this thesis, this chapter combines the results of three studies on Japan, Thailand and India to derive definite conclusions regarding the transmission of organizational culture from the HQ to the subsidiaries and the relationship between organizational culture and organizational commitment both in the HQ and in the subsidiaries in this Japanese MNC. This research is grounded on the Resource-Based-View of the competitive process of the MNCs. This research has demonstrated how organizational culture can be indeed a valuable, rare, in-imitable, non-substitutable resource of an MNC to create competitive forces in the subsidiaries, which benefit the overall performance of the MNC.

The purpose of this chapter was to provide the answers to the research questions associated with the key gaps derived from the related literatures (Chapter 1, Table 1.2). All the research questions were answered positively in the attempt to shed some more light on the key gaps in the related research domain. Moreover, the studies that are reported in the literature, which are supporting the findings of this research were analyzed. For example, Aoki (2008) compared the successful cases of management practices concerning the transfer of Japanese organizational culture to overseas plants with unsuccessful ones. The results of that study's comparative analysis showed some common characteristics of management practices in successful cases: they actively

used team-based rather than individual-based operational activities; they had human resource practices that emphasized the importance of having committed workers. Thus, it is necessary for the managers to consider a creation of organizational capabilities that encourage workers' initiatives, facilitate cross-functional communication, and committed works (Aoki, 2008; Mintzberg et al., 2002). The main suggestions of these studies are in fact supporting the main conclusions of this research.

This research has gone through various statistical methods to examine research questions regarding the management of multinational companies, particularly on establishing the relationship between the parent operations and the subsidiaries, and the creation of organizational commitment through the value-components of organizational culture. It also has proposed the specific methodological framework to justify that organizational culture can influence the corporate performance. Moreover, this research has demonstrated that there are close relationships between organizational culture and commitment in the parent unit as well as in overseas subsidiary operations. The major finding of this research is the fact that based on the obtained data it is possible to predict the value-components of organizational commitment from the value-components of the organizational culture in most cases. Thus, the coordination process between HQs and subsidiaries by transmitting home organizational culture to its overseas operations is proved to be successful in this Japanese multinational company. Creation of strong commitment throughout the entire multinational company worldwide in order to enhance the overall corporate performance can occur when an MNC, as part of its strategic management policy decides to transmit its organizational culture from the HQs to its overseas subsidiaries, as it is demonstrated in the current research.

Thus, transmission of culture from HQs to subsidiaries and creation of commitment, which is similar to that in the parent unit, can be regarded as the competitive advantage of the firm and, therefore, should be used as the valuable strategic 'resource' of the multinational company as it is observed in this Japanese MNC. This research has demonstrated that organizational culture is a valuable resource of an MNC and the MNCs should design their organizational culture to enhance this resource.

## **Chapter 11: Conclusion**

### **11.1 RESEARCH ACHIEVEMENTS**

The main objective of this study was to investigate whether an organizational culture can be regarded as a source of competitive advantage and, therefore, should be used as an important strategic resource of a multinational company, particularly this selected for this analysis leading Japanese MNC. According to the Resource Based View (RVB) organizational culture can be a great resource of a company to create sustainable competitive advantage (Barney, 1991). Moreover, organizational culture through the lens of the RVB framework can be considered as a strategy of MNC to enhance its capabilities (Harzing, 2000). The aim of this research was to examine these propositions empirically in the context of the Japanese MNCs.

The philosophical approach applied for this research is rooted in positivism. In the classical sense, positivism refers to a philosophy that scientific inquiry should satisfy criteria of *determinism*, *empiricism*, *operationalism* and *parsimony* (Comte, 1895; Popper, 1959). This research followed exactly all the criteria proposed by positivism and managed to create the methodical framework and parsimonious research measurement instrument, which allows researchers to examine the concepts of the research model empirically in a systematic way.

This study was based on the extensive analysis of the related literatures in an attempt to build a theory. The methodology of quantitative research employed the three-stage research design enabling a triangulation research technique, to be used in order to enhance the rigor of the research findings. In addition, the quantitative data analysis was involved for hypotheses testing using the multiple data analysis techniques (Correlation Analysis, Covariance Analysis, Factor Analysis, Discriminant Analysis, Multiple Regression Analysis and Structural Equation Modeling) in order to ensure the validity of the results.

Thus, the original idea, to demonstrate the conceptual and methodological framework of assessment of the transmission of organizational culture from the HQs of the Japanese MNC to its subsidiaries, was achieved in this research. The results obtained in this research showed clearly the value components composing organizational culture and organizational commitment of the



selected leading Japanese MNC. Also, this research model has linked organizational culture to commitment, where commitment was viewed as one of the indices of the company's performance. Moreover, this research examined whether the original organizational culture of the parent company in Japan can be transmitted to its subsidiaries, and whether similar commitment of the employees can also be created in the subsidiaries located in culturally similar as well as in culturally distant host countries in Asia. In addition this research has confirmed the transmission of a set of values composing organizational culture from the parent company to its subsidiaries. Finally, this research also highlighted the fact that the value-components of the organizational commitment can be transmitted from home to subsidiary operations and these value components can be influenced by the corresponding value components of organizational culture; and thus, this study sheds some more light on the key gaps identified in Table 1.1 in Chapter 1.

Thus, in accordance with the RBV proposed by Barney, the results of this research may lead to the conclusions that: (a) organizational culture can be regarded as a valuable strategic resource of a company (Barney, 1991) based on the fact of the existence of a strong relationship between culture and commitment as supported by this research, and (b) the transmission of culture, in the form of a successful transfer of its major value-components from the HQs to the subsidiaries, is possible. The transmission of the home organizational culture from the HQs to overseas subsidiaries enables the creation of commitment of the employees in subsidiaries similar to that in the HQs. This in turn provides the company with a unique and valuable strategic resource that should be regarded as the source of competitive advantage of this Japanese MNC; and thus this study may shed more light on the key gap # 5 as identified in Table 1.1 in Chapter 1.

Thus, the possibility and the nature of the process of transmission of organizational culture from the HQs to subsidiaries of a leading Japanese MNC were explained. Therefore, the cultural coordination, as a major characteristic of the HQs-subsidiaries relationship of the Japanese multinational company, in order to create unique competitive advantage over the rivals, was confirmed. This idea is the new development of the existing theory on multinational companies from the perspective of the HQs-subsidiary relationship in the general area of international business.

Although it is well known that many multinational companies use organizational culture as a coordination mechanism in their foreign subsidiaries, there are not enough comprehensive

quantitative studies, but only concepts on the phenomenon of the employees of the host country in foreign lands getting '*acculturated*' to the parent's organizational culture. The findings of this research may contribute to this area of the research. Since the parent's organizational culture reflects the parent company's societal culture, employees in foreign subsidiaries could be subject to acculturation to a foreign culture of the parent company by adopting novel values in their work-culture (Aoki, 2008). The Japanese MNCs are typical 'Theory J' type of multinationals and they are using, in order to enhance corporate performance, the '*second order controls mechanism*' (indirect internalization of a set of values common in the HQS to guide the behaviors of the employees in the overseas subsidiaries) rather than the '*first order controls mechanisms*' (direct monitoring, reporting and evaluations of performances of employees in subsidiaries) in the HQs-subsidiary relationship ((Berry, 1990; Jun et al., 1997; Selmar & De Leon, 1996; Reed & Vancosellos, 2007; Dosi et al., 2008; Yilmaz & Ergun, 2008; Aoki, 2008).

A company's competitive advantage derives from its ability to assemble and exploit an appropriate combination of resources given in its organizational culture (Hint, Ireland & Hoskisson, 2001). A successful firm overrides national and societal differences to develop a common pattern of drivers of business performance in its entire domain of business in the global organizations with relatively flexible, externally oriented corporate cultures performing very well in domain of international business. In the context of a Japanese firm, for example, collectivism as represented by the organizational culture of Japanese firms can be a very important competitive advantage and thus, it may be responsible for a successful corporate performance. Thus, it is essential for the researchers to explore what are the main ingredients of organizational culture and how these lead us to successful corporate performance. This research can be regarded as a step towards that goal as it has identified the eight value-components of organizational culture and six value-components of organizational commitment and provided the methodological framework to evaluate these components in the organizational settings of a major MNC.

In an attempt to shed more light on this imperative theoretical inquiry, the methodological framework was created. The methodological framework was designed to *provide the robust conceptualization and measurement of culture-commitment link and transmission of culture of the HQ of multinational companies to its subsidiary operations in Asia under the Resource-Based View (RBV)*, which constitutes an innovative approach both in the MNC related literature and in the literatures on culture and commitment, and thus, can be viewed as the main achievement of this research.

The methodological framework aimed specifically to examine three fundamental issues: first and foremost, the nature of the culture and commitment from the perspective of their value-components; next, the possibility of transmission of culture from HQs to overseas subsidiaries; and, finally, the existence of a link between culture and commitment at three levels: (1) parent unit level in the home country, Japan, (2) subsidiary level, located in the host country, Thailand, which is culturally similar to the home country, and (3) subsidiary level, located in the host country, India, which is culturally distant to the home country.

Using the methodological framework designed specifically for this research it became possible to predict the value-components of the organizational commitment from the value-components of the organizational culture. Thus, based on the results of this study it is possible to apply cultural influence on the employees of the overseas subsidiary by creating the value-components of desired organizational commitment through creation of the value components of its organizational culture.

The major contributions of this research are summarized below.

## **11.2 CONTRIBUTIONS OF THIS RESEARCH**

The contributions of this research are of twofold: contributions to theory and contributions to practice.

### **11.2.1 Contributions to Theory**

#### **11.2.1.1 Theoretical contributions of the research**

This research develops a comprehensive model of interaction between organizational culture and commitment (as an index of corporate performance) by integrating values of organizational commitment with the perspective of the values of organizational culture, which plays a necessary role in explaining essential aspects of this transmission process. This research approaches the issue from the 'Resource-Based View (RVB)' of Barney (1991, 2001, 2005) to create unique competitive advantages in the subsidiaries by transmitting organizational culture from the HQ to

the subsidiaries and proving the existence of the link between culture and commitment, where commitment is viewed as the vital intangible part of corporate performance.

Thus, based on the results of this study and in accordance with the criteria for strategic resources that was identified by Barney, thus, it is possible to conclude that since organizational culture meets all the requirements to satisfy all criteria for strategic resources. Hence, organizational culture may be considered as a strategic resource of an MNC in accordance with the RBV approach.

The approach used in this research forms a new theoretical development. The research model proposed in this study is different from the existing theoretical explanations of the transmission of values from the social or national environment to the organizational values (O'Reilly, Chatman & Caldwell, 1991, Denison & Mishra, 1995; Cameron & Quinn, 1999).

According to Schein's classical approach (1992), it is possible to measure culture from the perspective of examining the layer of underlying assumptions, as well as the layer of values, and, finally, as a layer of behavioral patterns (artifacts). Most of researchers have used the behavior pattern as the level of analysis while evaluating organizational culture. However, the culture from the perspective of behavioral pattern may lead to false assumptions. Indeed, it is impossible to answer the research question of *why* people behave in a certain way. Behavior is always determined by the value structure of individuals whether it is at the deeper level of assumptions or at the level of organizational values. Thus, it is imperative for researchers to understand the value level while attempting to provide suggestions on the behavioral level. According to Schein (2010), there are two levels within values: personal values (underlying assumptions) and organizational values.

Research that considers the personal level of values (underlying assumptions) lies in the domain of psychology (Rokeach, 1973; Schwartz, 1996) rather than in the domain of international business because the unit of analysis in their research is individual not organization. This research lies in the domain of international business, because it takes into consideration organization as the level of analysis, and a multinational company as the unit of analysis. It evaluates organizational culture from the organizational values perspective only but not from the level of underlying assumptions or behavioral pattern. Therefore, this research model precisely fits the agenda of international business because it allows culture to be seen as a strategic asset which may affect

performance. Due to the complexity of the construct of performance, this research has chosen just one facet of performance, organizational commitment, as the major intangible component of performance. This approach allows the researcher to focus the analysis and identify a more parsimonious methodological framework in order to evaluate the variables composing the research model.

There are many theoretical models assessing organizational culture where culture is identified by values (Rokeach, 1973; Cameron and Quinn, 1999; O'Reilly et al., 1991). Cameron and Quinn (1999) made a typography of firms (*clan, adhocracy, hierarchy, and market*) for domestic firms and (*parochial, ethnocentric, and synergistic*) for multinational firms regarding their organizational culture, but they could not identify the precise value-components composing the organizational cultures of these types of firms. They also have not analyzed the degree of similarities in organizational culture of a multinational company in its home operation and in its foreign subsidiaries for each of these types compared to the present study.

Denison and Mishra (1995) classified organizational culture into four traits: *involvement, consistency, adaptability, and mission*, and related these to particular types of performances. However, these are not values but behavioral patterns. Thus, Denison and Mishra (1995) related behavioral patterns, not values to some characteristics of performance. Their study was restricted to domestic firms, thus they could not add the important information about the possibility of the transmission of organizational values from home to the subsidiaries in a multinational firm compared to the current study.

In Marcoulides and Heck's study (1993), organizational culture is composed of several latent variables: organizational structure and purpose, organizational values, task organization, climate, and individual values and beliefs. These variables, in turn, are hypothesized to affect organizational performance, which is composed of variables like capital, market and financial indicators. As most of these variables are not values, Marcoulides and Heck (1993) could not identify the precise value-components of organizational culture as well as the precise components of performance compared to the present study.

Finally, although O'Reilly, Chatman and Caldwell (1991) clarified the value-components of organizational culture of a firm, they did not relate organizational culture to the performance of the companies. The results of the above mentioned important studies were restricted to domestic

firms mainly in the US and, thus, may not be able to reveal much about the phenomenon of the transmission of value-components of the organizational culture and relation of these to organizational commitment.

The research model proposed in the present study has linked organizational culture with commitment in some unique way by relating their value-components, which constitutes a new approach both in the MNC-related literature and the literatures on culture and commitment. Indeed, most of the existing research models of this relationship in the literature lack investigations of the interrelationships between values while assessing the culture-commitment link. For example, Carmeli and Tishler (2004) tried to link organizational resources and capabilities to firm performance. The study by Yilmaz and Ergun (2008) examined the effects of four major organizational culture traits such as, involvement, consistency, adaptability, and mission, on measures of firm effectiveness. However, these studies along with several others (for example, Denison, Haaland & Goelzer, 2004) underestimated the role of values in the attempt to evaluate organizational culture. These studies were conducted on the sample of domestic firms, thus, there is a lack of analysis regarding multinational companies and the transmission of culture from the home to host countries.

In sum, the theoretical contributions of this research are as follows: (a) it examined the transmission of culture from HQs to subsidiaries and proved that it is possible; (b) it demonstrated the existence of the link between organizational culture and performance, where organizational commitment is regarded as its index. The details on the theoretical contributions are given in Table 11.1.

**Table 11.1: Theoretical Contributions of Research**

<b>Theoretical Contributions:</b>	
<b><i>HQs-Subsidiary Relationship Literature</i></b>	
<ol style="list-style-type: none"> <li>1) Develops the Resource-Based View (RBV) approach in relation to organizational culture by proving that organizational culture can be regarded as a strategic resource of the MNC;</li> <li>2) Develops a more complete conceptualization of the HQs-subsubsidiary relationship that can be relevant to MNC behavior considering a 'resource-based' competitive advantages of the subsidiary of an MNC in accordance with the classic Porter's (Porter, 1985) and Barney's (Barney, 1991, 2001, 2005) views on resources;</li> <li>3) Synthesizes diverse theoretical approaches to transmission of culture from HQs to overseas subsidiaries of an MNC;</li> <li>4) Proves the transferability of organizational culture from the home country to the host countries of a multinational company overriding national cultural barriers.</li> </ol>	
<b><i>Organizational Culture/ Commitment Literature</i></b>	
<ol style="list-style-type: none"> <li>1) Identifies value-components of organizational culture</li> <li>2) Identifies value-components of organizational commitment</li> <li>3) Observed the fact of the existence of interrelationship between organizational culture and commitment.</li> </ol>	

### 11.2.1.2 Methodological contributions of the research

This research examines the theme of the relationship between culture and commitment and draws generalized conclusions based on thoroughly designed statistical testing. In the existing literature, research models (for example, Macrolides & Heck, 1995; Denison & Mishra, 1995; Carmeli & Tishler, 2004; Gregory et al., 2009; Yilmaz & Ergun, 2008) relate various organizational characteristics including culture to various manifestations of organizational performance, mainly financial. Thus, these results may have a loose focus on measurement of organizational culture.

Most of the research models consider organizational culture among a list of other variables and thus have a lack of focus (for example, Gregory, Harris, Armenakis and Shook, 2009; Gregory et al., 2009; Yilmaz & Ergun, 2008). All these studies have used the financial indices for effectiveness and their relationship with the value terms of organizational culture, which should not be done as their units of measurement of these variables are not congruent. Research should try to relate the congruent concepts, for example values to values; otherwise the results of such studies may lack validity as there is no homogeneity of units of measurement of the variables.

There is no quantitative analysis to identify the most important values of the organizational culture and whether these values are similar across the horizontal expansion of an MNC in their parent operation and in their subsidiaries. There is no example of a multilevel study to explore the differences and similarities between the organizational culture and commitment in the parent unit and in the subsidiaries of any multinational companies whether Asian/Japanese or Western ones.

Finally, there is no quantitative analysis on whether organizational culture affects organizational commitment and whether this relationship is valid across national cultural barriers in the context of a multinational company.

Indeed, the methodological framework for this research demonstrates the research measurement instrument designed specifically for this study to evaluate the variable forming the research model. The methodological contribution of this research is that it provides a benchmark for analysis to identify and operationalize the concepts and their interrelationship as it is in the parent unit of a multinational company. Indeed, since the results regarding the precise factors that form the organizational culture and commitment and the fact of their interrelationship was established for HQs, it enables the comparisons of the subsidiaries operation with the home operation.

The important statement proposed by Martin (2002) in the literature on organizational culture indicates that most of the research on culture in fact does not describe the situation regarding the existence of various sub-cultures that may exist in the organizations chosen for the research. In order to address this issue the current research was designed in a way to assess all levels in the organizations, including all possible existing sub-cultures, not just the managerial level and sub-culture of managers. Therefore, the sample of this research is composed of employees working in all the departments of this selected Japanese MNC chosen for this research. However, the effect of the existence of subcultures is at its minimum in most Japanese organizations. In fact the common policy of Japanese firms is to build as homogeneous an organizational culture as possible in the entire organization. Therefore, all the precautions are made in this leading Japanese MNC in order to reduce the impact of the possible sub-cultures that may exist at workplaces through such managerial activities as: (a) the creation of multifunctional teams, and (b) the regular transfer of employees from one department to another, from one location to another throughout the company. The details on the methodological contributions of this research are given in Table 11.2.



**Table 11.2: Methodological Contributions of Research**

<b>Methodological Contributions</b> <i>HQs-Subsidiary Relationship Literature</i>	
	<ol style="list-style-type: none"><li>1) Operationalizes parent-subsidiary level organizational culture and commitment and their relationship to evaluate the possibility of transmission process of these relationships under the RBV theory;</li><li>2) Provides the research measurement instrument that:<ol style="list-style-type: none"><li>(a) Evaluates the factors composing culture and commitment in HQs, Japan using substantial quantitative analysis and survey analysis in order to establish the benchmark for the comparisons with subsidiaries;</li><li>(b) Evaluates value components of culture and commitment of two subsidiaries located in culturally similar and culturally distant host countries by using substantial quantitative analysis and survey analysis;</li></ol></li><li>3) Combines multiple statistical methods (Factor Analysis, Discriminant Analysis, Multiple Regression Analysis and Structural Equation Modeling, and Multilevel Structural Equation Modeling) to evaluate the hypothesized relationships between organizational culture and commitment, where commitment is regarded as the index of the corporate performance to reach the final conclusions.</li></ol>
<i>Organizational Culture/ Commitment Literature</i>	
	<ol style="list-style-type: none"><li>1) Provides the research measurement tool to enable to assess organizational culture and organizational commitment;</li><li>2) Examines the theme of the relationship between culture and commitment and draws generalized conclusions based on the multiple methods of statistical testing.</li></ol>

#### **11.2.1.3 Empirical contributions of the research**

This research provides a comprehensive framework to study the relationship between organizational culture and commitment. This research examined the HQs-subsidiary relationship in a Japanese MNC in three different national cultural contexts: Japan, Thailand and India. This research empirically derives the specific factors that compose organizational culture and commitment in a HQ in Japan and its subsidiaries located in the host countries that are culturally similar to Japan such as Thailand and culturally distant from Japan such as India. It empirically derives those factors, which are the best representative for both organizational culture and commitment. This research empirically proves the possibility of cultural transmission to the subsidiaries that creates commitment in a multinational context. It links subsidiary's organizational culture with commitment of the employees in the subsidiary. It contributes to empirical work on the positive impacts of organizational culture on subsidiary performance. The

findings of this research contribute to empirical studies of determination of organizational commitment by factors of organizational culture. The details on the empirical contributions are given in Table 11.3.

**Table 11.3 Empirical Contributions of Research**

<b>Empirical Contributions:</b>	
<b><i>HQs-Subsidiary Relationship Literature</i></b>	
1)	Empirically proves that culture, which was transmitted from HQs to both subsidiaries, resulted into the creation of commitment in both subsidiaries similar to that in the HQs, and thus culture can be regarded as a source of competitive advantage of the MNC and, therefore, as a strategic resource of the MNC in accordance with the RBV approach;
2)	Contributes to empirical work on the positive impacts of organizational culture on MNC's performance;
3)	Empirically proves the existence of the link between culture and commitment, where commitment is viewed as one of the intangible components of performance;
4)	Examines the HQs and subsidiary relationship in a Japanese MNC in three different national cultural contexts: Japan, Thailand and India;
5)	Empirically proves the possibility of culture transfer from HQs to subsidiary level that creates commitment in a multinational context.
<b><i>Organizational Culture/ Commitment Literature</i></b>	
1)	Contributes to empirical studies of determination of value components of organizational commitment by the value components of organizational culture;
2)	Develops a multilevel study to evaluate the relationship between the organizational culture and commitment in HQs, Japan and the subsidiaries in India and Thailand of the Japanese MNC;
3)	Empirically derives the specific value-components that compose organizational culture in the Japanese MNC and its subsidiaries in Thailand and India;
4)	Empirically derives the specific value-components that compose organizational commitment in the Japanese MNC and its subsidiaries in Thailand and India;
5)	Examines the relationship between two unobserved variables culture and commitment of the Japanese MNC;
6)	Proves multi-dimensionality of the culture-commitment relationship by evaluating the effects of this relationship on strategic management, and human resource management.

## 11.2.2 Contributions to Practice

### 11.2.2.1 Contributions for strategic management

One of the central purposes of management is to facilitate communication across all of the organization's boundaries, so that the entire company works together to address given business challenges. With efficient dissemination of culture, the company's ability to make decisions increases dramatically, because individuals throughout the firm can gain access to important strategic ideas. This should be considered as unique hard-to-imitate resources, a very important

factor for the international strategy of the MNC. This improves the firm's ability to make rapid decisions and execute them. The key is to create an environment of understanding the core goal of the organization and the set of values associated with them, which form the organizational culture of the company. The leaders of the organization must take the reins in galvanizing and maintaining a persistent effort towards creating and then promoting these value-components of organizational culture throughout of entire organization through the purposeful managerial activities. That would create resources both in the HQ and in the subsidiaries to outwit the rival firms. Thus organizational culture can be utilized as a 'resource' (Barney, 1991, 2001, 2005) in the international strategy of an MNC.

For example, the influence of organizational culture on employees in the Thai or Indian subsidiaries can make it possible to replace the Japanese executives in the overseas operations, particularly in the Asian region, by their Thai or Indian executives. That may significantly reduce the cost of expatriate managers' training. Indeed, escalating costs and increasing local competence have encouraged many multinational companies to consider replacing expatriate executives with local managers. However, many companies fear that a localization policy may weaken their connections with their foreign subsidiaries, weakening control over employees (Kobrin, 1988). That cultural distance between the home operation and the foreign subsidiary operations can be reduced by transmitting organizational culture from the HQs to the subsidiaries. In that case, the transfer of responsibility from the Japanese to local Thai and Indian managers would be less of an obstacle to organizational efficiency than expected.

This research demonstrates that culture's transmission process is feasible and can lead to a successful operation of the subsidiaries of a multinational company. In the next section, this theme is elaborated in terms of a progressive HRM (human resources management) policy.

#### **11.2.2.2 Contributions for HR Management**

This research examined whether this acculturation process takes place through the cultivation of an appropriate organizational culture to create unique resource for the MNC as its international strategy. In accordance with the prior research this research also shows that the HRM policy of these Japanese organizations creates an appropriate organizational culture that promotes organizational commitment (Onishi, 2006; Basu et al., 2007; Raoprasert et al., 2010).

Creation and sustenance of organizational culture in a Japanese organization is the responsibility of the human resources division or '*Jinjibu*' in Japanese. This *Jinjibu* division is the heart of the organizational culture where either junior and senior employees, Japanese or foreigners, all are exposed to the acculturation process while they receive various trainings in the HQs over the entire life of their employment. The *Jinjibu* determines recruitment, promotion, training, and diffusions of new ideas about the future shape of the organization. What is called organizational learning in a Western multinational company is the responsibility of the *Jinjibu* division in a typical Japanese multinational company (Basu et al., 2007; Raoprasert et al., 2010). The HRM division also sends executives to its overseas subsidiaries and brings employees from its overseas subsidiaries to the HQs to spread the knowledge of this unique and beneficial organizational culture to its subsidiary operations. The result is the creation of organizational commitment in overseas subsidiaries similar to that in the HQs in Japan. Thus, the core responsibility of the HRM division in this type of organization is the creation, development and transmission of values that form the organizational culture of this company, throughout the entire organization whether it is a home operation or an overseas operation (Onishi, 2006). The core purpose of such *Jinjibu* activity is in fact creation of commitment among employees in subsidiaries similar to that in HQs in Japan (Basu, 2010).

Finally, this research contributes at a general strategic policy-making level, as the present study sheds light on particular strategic decisions that need to be considered in order to develop a population of culture-congruent subsidiaries in the host countries, and to further enhance overall performance of the MNCs with this unique 'resource' of the organization (Barney, 1991, 2001, 2005).

### **11. 3 LIMITATIONS OF THIS RESEARCH**

This research is about a Japanese MNC in the automobile industry. Thus, this research does not claim that results obtained from this research can be applicable for another MNC from a different industry, with different national origin and with a non-Japanese management system.

As this research is pursued within the framework of a PhD program with definite time limit, therefore, there are some limitations. It is concentrated only on one Japanese multinational company, not a whole cross-section of Japanese multinational companies. The company under the investigation in this research is one of the largest in the world in the automobile sector and a

very important company in Japan. Thus, whether the behavior of a large company in Japan has any similarities with the behavior of smaller companies in Japan is a matter of debate. Smaller companies subjected to financial constraints may not be able to afford to implement the type of organizational culture that a very large company can afford. Thus, the analysis presented here may represent only the management system of very large multinational companies of Japanese origin.

The issue of 'generalizability' exists here as described in detail from the perspective of the six level of generalizability in Chapter 10 (section 10.7.2). Indeed, the current research is a study of just one Japanese MNC and its two subsidiaries in Asia among the others in many other foreign locations. The question can be raised as to whether the experience of this MNC can be generalized in the context of a broad range of Japanese MNCs. Also the industry factor is important to be considered too as the auto industry tends to pursue the high global integration type of strategy. Thus, the question remains open as to whether the finding of this research are relevant for MNCs in other industries.

This MNC under investigation is the leader of the pack for the Japanese MNCs. The production and management system of this MNC is replicated as the ideal for other MNCs of Japanese origin. Japanese companies work as a group called Keiretsu, which normally include the MNC, its suppliers of raw materials and components, its associated multinational trading company, its main bank, and foreign associates. When a Japanese MNC moves to a new country all companies and banks will also follow this MNC. The MNC not only supports members of this group with technology and finance, but it also implements its own managerial system with its unique organizational culture even for foreign suppliers. Thus, the impact of this unique organizational culture can be felt throughout a specific Keiretsu. Thus, this MNC can be considered as leader of this business group and its experiences are shared among the members to make the main conclusions of this study generally applicable across the board.

However, this study has considered only one Japanese MNC and only its operations in the Asian region. Extension of this study for MNCs of other nationalities and the study of Japanese MNCs in non-Asian locations and in other industries are desirable in future research.

## 11.4 SUGGESTIONS FOR FUTURE RESEARCH

These limitations mentioned above can give clues regarding the future direction of research on multinational companies. Whether there exists a 'global' management culture or culture varies from one company to another, should be a matter for future research. Many authors, for example, Bartlett & Ghoshal (1988, 1989, 1990), Peterson & Brock (2002) and Harzing (2000) pointed out that the studies of culture in relation to MNCs are rare and in relation to the Japanese MNCs hardly exist at all. However, these are important issues.

The proposal for future research may include the study on the other measures of the performance in relation to organizational culture under the RBV theory. Another proposal is to investigate whether similar results may be obtained in other leading Asian multinationals, particularly other Japanese MNCs.

**Whether there is a link between organizational culture and organizational commitment in a Japanese multinational company?**

This research analyzed the question of whether organizational culture can be transferred to the overseas subsidiaries of a single Japanese multinational company. However, research is needed to investigate how this can be done in other Asian and Western MNCs. This research has drawn attention to a number of hypotheses regarding this transmission process, which need to be examined from the perspective of the further exploration of the nature of the acculturation process. Whether the acculturation process is different for different multinational companies emerging from different national cultural contexts, is a very important issue as the success of transmission of organizational culture depends on the success of this acculturation process in multinational companies. In order to conclude that organizational culture can be regarded as the source of competitive advantage it is necessary to conduct another study to compare two or more rival companies to examine how different types of organizational cultures can be related to different types of performances. Based on a comparative analysis of at least two sets of data it may be possible to shed light on this classic debate.

The issue on transmission of organizational culture and formation of organizational commitment is related to the issue of the organizational citizenship behavior (OCB), which may be related to the corporate citizenship (CC) (Swaen & Maignan, 2003). Employees, as a category of company stakeholders, may react to the CC by displaying the OCB. This proposition needs examination in

future as that research may demonstrate that transfer of the OCB from the home to the subsidiaries may create a company-wide citizenship behavior overriding national cultural boundaries and may form a 'global' culture for a multinational company.

Thus, future research should extend the concepts of the organizational citizenship behavior (OCB) to the international context. Different OCB dimensions are organizational obedience, advocacy participation, functional participation such as volunteering for special work assignments, and voluntary participation in group activities and attending meetings (Swaen & Maignan, 2003). Indeed, if the organizational culture that promotes this OCB can be extended to the overseas subsidiaries of a multinational company's OCB, then the OCB may be extended globally. Future research can examine whether it is possible. This issue needs thorough examination as it undermines the thesis of Hofstede (1984) and the GLOBE Project (House et al., 2004). The research on the global multinational companies is just emerging. As study of the global multinational companies, particularly the cultural issues in both levels, national and organizational, in relation to performance in the domain of IB is becoming more important and depends upon a number of disciplines such as international management, social psychology, international relations, thus the scope for future research is immense in the era of globalization.

## APPENDICES

### CHAPTER 4: APPENDICES: METHODOLOGY

**Table 4.1: Features of Qualitative & Quantitative Research Methods (Source: Adapted from Miles & Huberman, 1994: 40)**

Qualitative Methods	Quantitative Methods
The aim is a complete, detailed description.	The aim is to classify features, count them, and construct statistical models in an attempt to explain what is observed.
Recommended during earlier phases of research projects.	Recommended during latter phases of research projects.
The design emerges as the study unfolds.	All aspects of the study are carefully designed before data is collected.
Researcher is the data gathering instrument.	Researcher uses tools, such as questionnaires or equipment to collect numerical data.
Data is in the form of words, pictures or objects.	Data is in the form of numbers and statistics.
Subjective: interpretation of events is important ,e.g., uses participant observation, in-depth interviews etc.	Objective :seeks precise measurement & analysis of target concepts, e.g., uses surveys, questionnaires etc.
Qualitative data is more 'rich', time consuming, and less able to be generalized.	Quantitative data is more efficient, able to test hypotheses, but may miss contextual detail.
Researcher tends to become subjectively immersed in the subject matter.	Researcher tends to remain objectively separated from the subject matter.



**Table 4.2 Characteristics of the Basic Research Techniques Used in Quantitative Studies**

<p><b>1. Focus groups.</b> In focus groups, a moderator uses a scripted series of questions or topics to lead a discussion among a group of people. These sessions take place at neutral locations, usually at facilities with videotaping equipment and an observation room with one-way mirrors. A focus group usually lasts one to two hours, and it takes at least three groups to get balanced results.</p>	<p><b>2. Structured personal interviews.</b> Like focus groups, personal interviews include unstructured, open-ended questions. They usually last for about an hour and are typically recorded. Focus groups and personal interviews provide more subjective data than surveys. The results are not statistically reliable, which means that they usually don't represent a large enough segment of the population. Nevertheless, focus groups and interviews yield valuable insights into customer attitudes and are excellent ways to uncover issues related to new products or service development.</p>	<p><b>3. Surveys.</b> With concise and straightforward questionnaires, you can analyze a sample group that represents your target market. The larger the sample, the more reliable your results will be. Why is it important to survey? There are three critical reasons for researchers to conduct surveys: (a) to discover what is going on in a non-threatening survey environment, (b) to provide an opportunity to discuss key topics with the target population, which allows for deeper insight into the research problem, and can shed light on topics related to the research within a larger context, and (c) to provide a benchmark or a "snapshot" of your target population and their attitudes about the research problem, which helps to establish a baseline from which it will be possible to compare whether target population perceptions are changing under other circumstances (i.e. in another location or over time).</p>
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**Table 4.3: Characteristics of Different Types of Surveys**

Type of Survey	Advantages	Disadvantages	Recommendation
<b>Personal Interview Survey</b>	<ul style="list-style-type: none"> <li>• Frequently used to gauge <u>attitudinal behavior</u></li> <li>• Very good response rates</li> <li>• Longer interviews tolerated</li> </ul>	<ul style="list-style-type: none"> <li>• Do not reflect population as a whole</li> <li>• Respondent completion rates lower for longer surveys</li> <li>• Random respondents may reply if your survey appears on Web page.</li> </ul>	<p>When desired target population consists mainly of Internet users.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• Business-to-business research</li> <li>• Employee Attitude surveys</li> </ul>
<b>Telephone Survey</b>	<ul style="list-style-type: none"> <li>• Reach 96% of all homes</li> <li>• Interviewers can ask for clarification on responses; additional detail</li> </ul>	<ul style="list-style-type: none"> <li>• Typical calling window interrupts respondents personal time</li> <li>• No visual support</li> </ul>	General population surveys
<b>Web Survey</b>	<ul style="list-style-type: none"> <li>• Very low cost</li> <li>• Extremely fast</li> <li>• Complex questioning assures better data</li> <li>• Anonymity of respondents results in more honest answers to sensitive topics</li> <li>• Survey software simplifies compilation and analysis of data collected.</li> </ul>	<ul style="list-style-type: none"> <li>• Do not reflect population as a whole</li> <li>• Respondent completion rates lower for longer surveys</li> <li>• Random respondents may reply if your survey appears on Web page.</li> </ul>	<ul style="list-style-type: none"> <li>• When desired target population consists mainly of Internet users.</li> </ul> <p>Examples:</p> <ul style="list-style-type: none"> <li>• Business-to-business research</li> <li>• Employee Attitude surveys</li> </ul>
<b>Mail Survey</b>	<ul style="list-style-type: none"> <li>• Frequently used for <u>social research</u></li> <li>• Low cost (almost 75% less than personal interviews)</li> <li>• Eliminates potential bias</li> </ul>	<ul style="list-style-type: none"> <li>• May result in biased sample</li> <li>• Low response rate</li> <li>• Time! Need to wait at least several weeks for all responses to arrive</li> </ul>	<ul style="list-style-type: none"> <li>• Target population is highly literate or is in a group with specialized interests</li> </ul>

## CHAPTER 5: APPENDICES:

### DEVELOPMENT OF THE RESEARCH MEASUREMENT INSTRUMENT

**Table 5.1: Organizational Culture Major Measurement Instruments Reported in Literature: 1973-2000 (Adapted and updated version: Source: Scott et al, 2003)**

Name and Key References	Cultural Dimensions and Outcome Measures	Number of Items	Nature of Scale	Scientific Properties	Strengths	Limitations
<b>Competing Values Framework</b> (Cameron & Freeman 1991; Cameron & Quinn, 1999)	Key dimensions are staff climate, leadership style, bonding systems, prioritization of goals. Assessment results in four different culture types, described as: clan, adhocracy, hierarchy, and market types. Each organization usually has more than one of these types.	16	Brief scenarios describe dominant characteristics of each type. Respondents divide 100 points between these scenarios depending on how similar each scenario is to own organization.	Internal consistency 0.87-0.97. Convergent and discriminant validity established (Cameron & Quinn, 1999)	Simple and quick to complete, high face validity, used in several studies in health settings, strong theoretical basis, assesses both congruence and strength of culture.	Narrow classification of organizational type
<b>Quality Improvement Implementation Survey</b> (Shortell et al., 2000)	Key dimensions are: character of organization, managers' style, cohesion, prioritization of goals, and rewards. Assessment results in four different culture types, described as: group, developmental, hierarchy, and rational.	20	Brief scenarios describe dominant characteristics of each type. Respondents divide 100 points between these scenarios depending on how similar each scenario is to own organization.	Validity unknown. Internal consistency for one of the scales 0.79 (Shortell et al., 2000)	Simple and quick to complete. High face validity. Used in health settings by one of the leading teams in the field. Adds extra dimension (rewards) to CVF.	Narrow classification of organizational type
<b>Organizational Culture Inventory</b> (Cooke & Lafferty 1987)	Shared norms and expectations that guide thinking and behavior of group members, resulting in 12 thinking styles of individuals within a group: humanistic-helpful, affiliative, approval, conventional, dependent, avoidance, oppositional, power, competitive, competence/perfectionist, achievement, self-actualization. Analysis of these 12 styles results in three factors—people/security culture, satisfaction culture and task/security culture.	120	5-point Likert scale.	Internal consistency 0.67-0.92. Convergent and discriminant validity established (Cooke & Szumal, 1991).	Good face validity, widely used, graphic illustration of results.	Analysis results in limited number of aspects of culture, initial impression that it is long and complex to complete, under copyright and may be expensive to use
<b>Harrison's Organizational Ideology Questionnaire</b> (Harrison, 1975)	Assesses ideology of organization in terms of orientation to power, roles, tasks and individuals.	15	Respondents rank four statements in each item in terms of how representative they are of (a) the organization and (b) the respondent's own attitudes and beliefs.	No data.	Good face validity, addresses both existing and preferred culture.	Limited number of culture types.

<b>Hospital Culture Questionnaire</b> (Sieveking, Bellet, and Marston, 1993)	Employee opinions of organization in eight different dimensions: supervision, employer attitudes, role significance, hospital image, competitiveness, staff benefits, cohesiveness, workload.	50	6-point scale.	No data on validity, factor analysis with coefficient scores of 0.61-0.93 (Sieveking, Bellet, and Marston, 1993).	Developed for use in health context.	Developed for private sector and would have to be adapted for use in public sector, under copyright.
<b>Nursing Unit Cultural Assessment Tool</b> (Goodridge & Hack, 1996)	Individual and group preferred behavior, rated by respondents as those behaviors that they prefer in comparison to those that typically occur in their unit.	50	4- or 6-point Likert scale.	Construct validity established through preliminary qualitative studies Reliability unknown (Goodridge & Hack, 1996).	Detailed assessment in one staff group within organization.	Lack of subscales, limited to assessment of one stakeholder group.
<b>Practice Culture Questionnaire</b> (Stevenson, 2000)	Attitudes to and engagement with quality improvement (clinical governance) and resistance to change.	25	5-point scale.	Test-retest and split-half reliability (Stevenson, 2000).	Detailed assessment focused on primary care.	Origin of items unclear, generalizability outside U.K. primary care uncertain. Examines superficial manifestations of culture only.
<b>MacKenzie's Culture Questionnaire</b> (MacKenzie, 1995)	Employee commitment, attitudes to and belief about innovation, attitudes to change, style of conflict resolution, management style, confidence in leadership, openness and trust, teamwork and cooperation, action orientation, human resource orientation, consumer orientation, organizational direction.	76	Respondents tick each statement which they feel is broadly true of their organization.	Unknown.	Simple to complete.	Origin of items unclear, scientific properties unknown
<b>Survey of Organizational Culture</b> (Tucker, McCoy & Evans, 1990)	Describes culture in terms of 13 dimensions: orientation to customers, orientation to employees, congruence amongst stakeholders, impact of mission, managerial depth/maturity, decision making/autonomy, communication/openness, human scale, incentive/motivation, cooperation versus competition, organizational congruence, performance under pressure, theory S/theory T.	55	5-point scale.	Good internal reliability, median alpha scores for 14 scales of 0.62-0.9 (Tucker, McCoy, and Evans, 1990).	Detailed qualitative work conducted as part of development, has been used in public and private sector.	Only used in U.S. and mostly used on senior leaders and managers, rather than on all levels of workforce.
<b>Corporate Culture Questionnaire</b> (Walker, Symon & Davies, 1996)	Four principal domains: performance, human resources, decision-making, and relationships. Used widely as a management consulting tool and published study in engineering company	69 or 126 versions	5-point Likert-type scale.	Internal reliability 0.72-0.89, detailed factor analysis performed (Walker, Symon, and Davies, 1996).	Systematically developed from review of previous instruments, comprehensive.	Long

<b>Core Employee Opinion Questionnaire</b> (Buckingham & Coffman, 2000)	Thirteen issues addressed: overall satisfaction, understanding of expectations, access to required resources, appropriate use of skills, recognition and praise for achievements, relationship with supervisors, encouragement for self-development, perceptions of worth, engagement with organizational mission, commitment of all employees, friendships, appraisal, opportunities for career progression. 2,528 business units in range of different companies.	13	5-point Likert-type scale.	No data.	High face validity, easy to complete.	Assesses only limited number of cultural dimensions.
<b>Hofstede's Organizational Culture Questionnaire</b> (Hofstede et al., 1990)	Based on 3 values: need for security, importance of work and need for authority. Within these, there are 6 factors relating to practice issues: process vs. outcome, employee vs. task, parochial vs. professional, open vs. closed system, loose vs. tight control, normative vs. pragmatic. Used in range of private and public organizations in Denmark and the Netherlands (Hofstede et al., 1990).	135	5-point scale.	(Good internal reliability Hofstede et al., 1990).	Good theoretical basis and face validity of values and practical issues.	Not widely used in non-English-speaking countries.
<b>Organizational Culture Survey</b> (Glaser, Zamanou & Hacker, 1987)	Addresses six empirical factors: teamwork and conflict, climate and morale, information flow, involvement, supervision, meetings. Used in commercial sector and government agency in U.S. (Glaser, Zamanou, and Hacker 1987).	31	5-point scale.	Cronbach's alpha 0.82–0.91, extensive reliability testing (Glaser, Zamanou & Hacker, 1987).	Easy to use, comprehensive process of development.	Addresses only superficial issues.
<b>Organizational Description Questionnaire (ODQ)</b> (Bass & Avolio, 1993, 1995)	Measures two organizational constructs: Transformational leadership culture and transactional leadership culture.	28	5-point Likert scale	No data	Easy to complete.	Addresses only issues regarding top management
<b>Schwartz Value Survey (SVS)</b> (Schwartz (1994, 1996)	Measures 10 value types on individual level and 7 value types on cultural level	57	9 point Likert scale	Internal Reliability (Spini, 2003)	Easy to complete.	Not widely used in non-English-speaking countries.
<b>Organizational Culture Profile (OCP)</b> (O'Reilly, Chatman, & Caldwell, 1991)	Addresses eight empirical factors: innovation, risk taking, attention to details, people orientation, individual orientation, aggressiveness, stability, Used in commercial sector in U.S. (O'Reilly et al, 1991 Chatman, 1991; Kristof-Brown, Zimmerman, & Johnson, 2005).	54	7-point Likert scale	Cronbach's alpha 0.82–0.91, extensive reliability testing: convergent and discriminant validity established (O'Reilly et al, 1991)	Systematically developed from review of previous instruments, comprehensive Easy to use.	Only used in U.S. and mostly used on senior leaders and managers, rather than on all levels of workforce. Not used in Asian MNC

## QUESTIONNAIRE IN ENGLISH LANGUAGE

### AIMS OF THE RESEARCH

The research aims to clarify the factors composing organizational culture in your organization. In order to develop this study, your help is invaluable. Any information returned in this questionnaire will be used purely for the purposes of this study and will be treated as strictly confidential.

### SECTION A: (Tick the appropriate description)

		PLEASE SPECIFY
1	NATIONALITY	1. Indian 2. Japanese 3. European 4. Thai 5. Other Asian, African & Latinos
2	AGE	1. Below 25 2. 25-35 3. 35-45 4. 45-55 5. Above 55
3	GENDER	1. Male 2. Female
4	TENURE	1. Less than 5 years 2. 5 to 10 years 3. 10 to 15 years 4. 15 to 20 years 5. 20 to 25 years 6. Above 25
5	EDUCATIONAL LEVEL	1. University Post Graduate 2. University Graduate 3. Senior High School (A level) 4. High School (O Level)
6	FORMAL CULTURAL TRAINING	1. Posted Abroad 2. Received Cultural Orientation Courses 3. Received Language Training

SECTION B:  
INSTRUCTION

*Please describe your honest opinion about the organizational culture CURRENTLY EXISTING in your company. If you are unsure of an answer, make your best guess. There are no right or wrong answers, your opinion is all that matters. Use the following scale in your rating and tick the appropriate description:*

7 – STRONGLY AGREE

6 – AGREE

5 – MODERATELY AGREE

4 – SLIGHTLY AGREE or SLIGHTLY DISAGREE

3 – MODERATELY DISAGREE

2 – DISAGREE

1 – STRONGLY DISAGREE

		7	6	5	4	3	2	1
1	Being innovative							
2	Being quick to take advantage of opportunities							
3	Being willing to experiment							
4	Taking risks							
5	Being careful							
6	Being rule oriented							
7	Having stability							
8	Having predictability							
9	Having security of employment							
10	Not being constrained by many rules							
11	Being fair							
12	Having respect for individual's rights							
13	Being tolerant							
14	Being achievement oriented							
15	Having high expectations for performance							
16	Being results oriented							
17	Being action oriented							
18	Being analytical							
19	Paying attention to detail							
20	Being precise							
21	Being team oriented							
22	Working in collaboration with others							
23	Being people-oriented							
24	Being competitive							
25	Being socially responsible							

SECTION C:  
INSTRUCTION

*Please describe your honest opinion about how you are committed to work in your company. If you are unsure of an answer, make your best guess. There are no right or wrong answers; your opinion is all that matters. Use the following scale in your rating and tick the appropriate description:*

- 7 – STRONGLY AGREE  
6 – AGREE  
5 – MODERATELY AGREE  
4 – SLIGHTLY AGREE or SLIGHTLY DISAGREE  
3 – MODERATELY DISAGREE  
2 – DISAGREE  
1 – STRONGLY DISAGREE

		7	6	5	4	3	2	1
1	I feel loyal to this organization							
2	I really care about the fate of this organization							
3	I could not be working for a different organization as long as the type of work is similar							
4	I found that my values and the organization's values are very similar							
5	Often, I agree with this organization's policies on important matters relating to its employees							
6	I am extremely glad that I chose this organization to work for over others I was considering at the time I joined							
7	I am willing to put a great deal of effort beyond that normally expected in order to help this organization to be successful							
8	I would accept almost any type of job assignment in order to keep working for this organization							
9	There is much to be gained by sticking with this organization indefinitely							
10	Deciding to work for this organization was not a definite mistake on my part							
11	I talk up this organization to my friends as a great organization to work for							
12	I am proud to tell others that I am part of this organization							
13	This organization really inspires the very best in me in the way of job performance							
14	For me this is the best of all possible organizations for which to work							

Thank you very much for filling out this questionnaire.



## QUESTIONNAIRE IN JAPANESE LANGUAGE

### アンケートの目的

近年、ビジネス界において組織文化（企業文化や社風など）あるいは経営参加という言葉が多く取り上げられる様になりました。これらは、簡単にコピーできるようなものではありませんが、多くの成功した企業では、この二つの関係において組織の中での人間関係の構築などが効率的に行なわれているように思います。

この調査の目的は、あなたの会社では具体的にどのような考え方で従業員が働いているのか、またそれが結果的に会社にどんな影響を及ぼしているのかをみるものです。このアンケートは、日本およびイギリスにあるトヨタ自動車の工場で行なわれます。

この研究は、経済界において重要性が増してきているにも関わらず、まだ十分に行われていないところの組織文化の同質性などを理解するのに重要な役割を果たすものと考えています。

この研究を推進するためには、皆様のご協力が不可欠です。アンケートに関する回答はこの調査以外には使用しませんし、完全に秘密は厳守されます。

どうぞ、よろしくお願い申し上げます。

A 該当箇所に記入もしくはマル印をつけてください。

1	国籍	日本、アジア、ヨーロッパ、アフリカ、ラテン、アメリカ（アフリカン）、アメリカ（コーカシアン）、アメリカ（アジア、ラテン系）
2	年齢	25才以下、 26才～35才、 36才～45才、 46才～55才、 55才以上
3	性別	男性、 女性
4	学歴	中学、 高校、 大学、 大学院
5	企業研修	文化・語学研修、 海外研修、 基礎的文化研修、 語学研修
6	業研修	海外研修、 基礎的文化研修、 語学研修

## B

あなたが働いている会社の「現在」の組織文化について、正直な意見をお聞かせ下さい。

正直なご意見を次の7段階から判断してお聞かせ下さい。

はっきりした答えがわからない場合は、推測して最も近いものを回答してください。回答に正しい、誤り、と言うことはありません。ご意見として尊重いたします。

7 絶対賛成/ 6 賛成/ 5 やや賛成/ 4 どちらとも言えない/ 3 やや反対/ 2 反対/ 1 絶対反対

		7	6	5	4	3	2	1
1	革新的である							
2	好機を逃さない							
3	新しいことに意欲的である							
4	リスクをとる							
5	慎重である							
6	規則志向である							
7	安定性を持つ							
8	予測力がある							
9	現在の雇用は確保されている							
10	いろんな規則に縛られない							
11	公正である							
12	個人の権利を尊重する							
13	寛容である							
14	業績志向である							
15	成果への期待が高い							
16	結果志向である							
17	行動志向である							
18	分析的である							
19	細かいことに注意をむける							
20	正確である							
21	チーム志向である							
22	他人と協力して働く							
23	人を重視する							
24	競争的である							
25	社会的責任感がある							

C 現在の会社で、あなたはどのような考えを持って働いていますか。

正直なご意見を次の7段階から判断してお聞かせ下さい。

はっきりした答えがわからない場合は、推測して最も近いものを回答してください。

回答に正しい、誤り、と言うことはありません。ご意見として尊重いたします。

7 絶対賛成/ 6 賛成/ 5 やや賛成/ 4 どちらとも言えない/ 3 やや反対/ 2 反対/ 1 絶対反対

		7	6	5	4	3	2	1
1	この会社に、忠誠心を感じている							
2	この会社のことを、とても心配している							
3	仕事の内容が同じでも、他の会社で働くことはできない							
4	自分の価値と会社の価値が類似していると分かった							
5	しばしば、我々従業員にとり重要な事項に関する会社の考え方に賛成できると感じる							
6	入社時を振り返って、いくつかの会社の中からこの会社を選んで、とても良かったと思う							
7	会社の発展のためには、自分の持っている力以上の努力をしようと思う							
8	この会社で働き続けるために、会社のどのような仕事の割当も受け入れるつもりである							
9	漠然とこの会社にしがみついていることによって得られることはそんなに多くない							
10	この会社で働く決心をしたことは、自分にとってあきらかに間違いであった							
11	友人に、この会社は働くのにとっても良い会社だと誉めている							
12	この会社の一員であると人に言えることを誇りに思う							
13	この会社は仕事の出来に関して、自信を持たせてくれる							
14	この会社は自分にとって、働くのにベストの会社である							

ご協力ありがとうございました。

## **QUESTIONNAIRE IN THAI LANGUAGE**

### **AIMS OF THE RESEARCH**

In recent years issues regarding organizational culture became very popular term in business environment. The research aims to clarify the factors composing organizational culture in your organization. In order to develop this study, your help is invaluable. Any information returned in this questionnaire will be used purely for the purposes of this study and will be treated as strictly confidential.

**SECTION A: (ทำเครื่องหมายเลือก)**

		โปรแกรม
1	หน่วยงาน	1. ฝ่ายขาย/จัดซื้อ 2. ฝ่ายบริหารจัดการ 3. ฝ่ายช่าง/เทคนิค 4. ฝ่ายธุรการ & บัญชี 5. ฝ่ายบุคคล 6. อื่นๆ
2	อายุ	1. ต่ำกว่า 25 ปี 2. 25-35 ปี 3. 35-45 ปี 4. 45-55 ปี 5. มากกว่า 55 ปี
3	เพศ	1. ชาย 2. หญิง
4	ระดับการศึกษา	1. สูงกว่าปริญญาตรี 2. ปริญญาตรี 3. อนุปริญญา 4. มัธยมศึกษาตอนปลาย
5	การอบรมด้านวัฒนธรรม	1. อบรมด้านวัฒนธรรม 2. วัฒนธรรมต่างชาติ 3. อบรมหลักสูตรระดับภาษา
6	ระดับการศึกษา	1. ปริญญาตรี 3. อนุปริญญา 4. มัธยมศึกษาตอนปลาย

SECTION B:

กรุณาให้ความเห็นของท่านต่อวัฒนธรรมในการทำงานในบริษัทของท่านที่เป็นอยู่ในปัจจุบันนี้

7 – เห็นด้วยอย่างยิ่ง/ 6 – เห็นด้วย/ 5 – เห็นด้วยเล็กน้อย/ 4 – รู้สึกเฉยๆ/ 3 – ไม่เห็นด้วยเล็กน้อย/ 2 – ไม่เห็นด้วย/ 1 – ไม่เห็นด้วยอย่างยิ่ง

		7	6	5	4	3	2	1
1	มีการปรับปรุงเปลี่ยนแปลงการทำงานใหม่ๆเพื่อให้ดีขึ้นอยู่เสมอ							
2	ปรับตัวเพื่อเปิดรับโอกาสในการทำงานอย่างรวดเร็ว							
3	มีความตั้งใจเรียนรู้เพื่อให้เกิดความเชี่ยวชาญ							
4	ยอมรับความเสี่ยงในการทำงาน							
5	มีความละเอียดรอบคอบในการทำงาน							
6	ปฏิบัติตามกฎระเบียบข้อบังคับในการปฏิบัติงาน							
7	งานที่ปฏิบัติมีความลงตัวและคงที่							
8	มีความพึงพอใจในการทำงาน							
9	มีความมั่นคงปลอดภัยในการว่าจ้างทำงาน							
10	ในกฎระเบียบต่างๆในการปฏิบัติงาน ไม่ทำให้หือหือใจ							
11	มีความเสมอภาคเท่าเทียมในการทำงาน							
12	มีความเคารพในสิทธิส่วนบุคคลซึ่งกันและกัน							
13	มีความอดทน และยอมรับฟังความเห็นซึ่งกันและกัน							
14	มีความสำเร็จในหน้าที่การงาน							
15	มีความคาดหวังสูงต่อความก้าวหน้าในการทำงาน							
16	รู้จักที่จะยอมรับผลของการทำงาน							
17	มีการแสดงออกในการปฏิบัติงาน							
18	มีการวิเคราะห์ผลของงานที่ได้ปฏิบัติ							
19	ตั้งใจและสนใจในรายละเอียดเนื้อหาของการทำงาน							
20	มีความซื่อตรง ไม่ลำเอียงเข้าข้างฝ่ายหนึ่งฝ่ายใด							
21	มีการทำงานร่วมกันเป็นทีม							
22	มีการให้ความร่วมมือในการทำงานร่วมกับผู้อื่น							
23	เข้าสังคมกับเพื่อนร่วมงานได้เป็นอย่างดี							
24	มีการแข่งขันในการทำงาน							
25	มีการตอบสนองสังคม							

## SECTION C:

กรุณาให้ความเห็นของท่านต่อวัฒนธรรมในการทำงานในบริษัทของท่านที่เป็นอยู่ในปัจจุบันนี้

7 – เห็นด้วยอย่างยิ่ง/ 6 – เห็นด้วย/ 5 – เห็นด้วยเล็กน้อย/ 4 – รู้สึกเฉยๆ/ 3 – ไม่เห็นด้วยเล็กน้อย/ 2 – ไม่เห็นด้วย/ 1 – ไม่เห็นด้วยอย่างยิ่ง

		7	6	5	4	3	2	1
1	ฉันเคารพและซื่อสัตย์ในองค์กร							
2	ฉันใส่ใจอย่างจริงจังในความอนาคตขององค์กร							
3	ฉันไม่สามารถทำงานในองค์กรอื่นได้ถ้าลักษณะงานที่ทำนั้นเหมือนกัน							
4	ฉันพบว่าตัวฉันและองค์กรมีคุณค่าและความสำคัญที่เหมือนกัน							
5	ฉันเห็นด้วยกับนโยบายขององค์กรซึ่งมีสาระสำคัญเกี่ยวพันถึงพนักงานลูกจ้าง							
6	ฉันภูมิใจอย่างยิ่งที่ได้ทำงานกับองค์กร(บริษัท)นี้ เมื่อเทียบกับองค์กรอื่นที่ฉันเคยตัดสินใจร่วมงานมา							
7	ฉันเต็มใจที่จะเสียสละและพยายามช่วยเหลือองค์กรที่ฉันทำงานอยู่ให้ประสบความสำเร็จ							
8	ฉันจะยอมทงานทอุปประเภททุชนิด ที่จะทำให้ได้ทำงานอยู่ต่อองค์กร(บริษัท)นี้							
9	มีอะไรมากมายที่ได้รับจากการทำงานอยู่กับองค์กร(บริษัท)นี้ตลอดไป							
10	การตัดสินใจทำงานให้กับองค์กรนี้ไม่ใช่ความผิดพลาด							
11	ฉันบอกกับเพื่อนๆถึงองค์กรที่ฉันทำงานอยู่นี้ว่าเป็นองค์กรที่เหมาะสม ในการเลือกที่จะทำงานด้วย							
12	ฉันภูมิใจมากที่จะบอกใครๆว่าฉันเป็นส่วนหนึ่งขององค์กรนี้							
13	องค์กรนี้เป็นแรงบันดาลใจให้ฉันสามารถปฏิบัติงานได้อย่างเต็มความสามารถ							
14	สำหรับฉันองค์กรนี้เป็นสิ่งที่ดีที่สุดที่ฉันจะสามารถเลือกทำงานด้วยได้							

Thank you very much for filling out this questionnaire.

## CHAPTER 6: APPENDICES: STUDY A

**Table J.1: Details of Reliability Tests Using Cronbach Alpha: HQs, Japan**

Cronbach Alpha		
<b>Organizational Culture variable:</b>		
Innovation		0.86
Entrepreneurship		0.91
Decisiveness		0.87
Stability		0.85
Supportiveness		0.91
Performance		0.88
Team Spirit		0.87
Preciseness		0.92
<b>Organizational Commitment variable:</b>		
Emotional Attachment	--	0.69
Value Attachment	--	0.67
Environment Attachment	--	0.61
Sense of Sacrifice	--	0.62
Rational Attachment	--	0.65
Ego Orientations	--	0.61



**Table J.2: Analysis of Variance (Organizational Culture): HQs, Japan**

Item Means	Mean	Minimum	Maximum	Range	Max/Min	Variance
	5.5229	5.2923	5.6108	.3185	1.0602	.0198
Inter-item						
Covariances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.4802	.1148	.7746	.6598	6.7473	.0957
Inter-item						
Correlations	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.6480	.1839	.9904	.8065	5.3865	.1494
Source of Variation	Sum of Sq.	DF	Mean Square	Prob.		
Between People	2642.6517	649	4.0719			
Within People	1134.6250	4550	.2494			
Total	3777.2767	5199	.7265			
Grand Mean	5.5229					
Hotelling's T-Squared = 75.0574 F = 10.6234						
Degrees of Freedom: Numerator = 7 Denominator = 643						

**Table J.3: Analysis of Variance (Organizational Commitment): HQs, Japan**

Item Means	Mean	Minimum	Maximum	Range	Max/Min	Variance
	5.6487	5.2877	6.1662	.8785	1.1661	.1333
Item Variances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.6234	.4790	.7830	.3040	1.6345	.0169
Inter-item						
Covariances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.1440	.0207	.6744	.6537	32.5831	.0306
Inter-item						
Correlations	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.2283	.0359	.8869	.8510	24.6960	.0711
Source of Variation	Sum of Sq.	DF	Mean Square	F	Prob.	
Between People	871.7436	649	1.3432			
Within People	1989.0000	3250	.6120			
Between Measures	433.2144	5	86.6429	180.7165	.0000	
Residual	1555.7856	3245	.4794			
Total	2860.7436	3899	.7337			
Grand Mean	5.6487					
Hotelling's T-Squared = 586.2916      F = 116.5356						
Degrees of Freedom:              Numerator = 5      Denominator = 645						

**Table J.4: Goodness of Fit Statistics for Structural Equation Modeling: HQs, Japan**

Degrees of Freedom = 76

Minimum Fit Function Chi-Square = 5272.11 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 3780.29 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 3704.29

90 Percent Confidence Interval for NCP = (3506.61; 3909.25)

Comparative Fit Index (CFI) = 0.91

Normed Fit Index (NFI) = 0.91

Non-Normed Fit Index (NNFI) = 0.85

Incremental Fit Index (IFI) = 0.91

Relative Fit Index (RFI) = 0.85

Critical N (CN) = 14.24

Root Mean Square Residual (RMR) = 0.11

Standardized RMR = 0.14

Root Mean Square Error of Approximation (RMSEA) = 0.14

90 Percent Confidence Interval for RMSEA = (0.27; 0.28)

Expected Cross-Validation Index (ECVI) = 5.91

90 Percent Confidence Interval for ECVI = (5.61; 6.23)

ECVI for Saturated Model = 0.12

ECVI for Independence Model = 27.60

Chi-Square for Independence Model with 91 Degrees of Freedom = 17883.45

Minimum Fit Function Value = 8.12

Population Discrepancy Function Value (F0) = 5.71

90 Percent Confidence Interval for F0 = (5.40; 6.02)

---

**Table J.5: Means and Standard Deviations: Each Factor Composing Organizational Culture (OC) in HQs, Japan**

**Innovation Factor (OCJV1) Characteristics:**

		7	6	5	4	3	2	1
1	Being innovative							
2	Being quick to take advantage of opportunities							

Mean Score for item 1=5.29

Standard Deviation= .85

Mean Score for Item 2 = 5.59

Standard Deviation= .88

Mean Score for OCJV1 (Innovation) = 5.44

Standard Deviation= .84

**Entrepreneurship Factor (OCJV2) Characteristics:**

		7	6	5	4	3	2	1
3	Being willing to experiment							
4	Taking risks							

Mean Score for item 3= 5.29

Standard Deviation= .72

Mean Score for Item 4= 5.31

Standard Deviation= .71

Mean Score for Entrepreneurship (OCJV2) = 5.30

Standard Deviation= .70

**Decisiveness Factor (OCJV3) Characteristics:**

		7	6	5	4	3	2	1
5	Being careful							
6	Being rule oriented							
10	Not being constrained by many rules							

Mean score for Item 5 = 5.38

Standard Deviation= .74

Mean Score for Item 6= 5.84

Standard Deviation= .79

Mean Score for Item 7= 5.61

Standard Deviation= .87

Mean Score for Decisiveness (OCJV3) = 5.61

Standard Deviation= .82

**Stability & Security (Emphasis on Stability) Factor (OCJV4) Characteristics:**

		7	6	5	4	3	2	1
7	Having stability							
8	Having predictability							
9	Having security of employment							
11	Being fair							

Mean Score for item 8= 5.46

Standard Deviation= .83

Mean Score for item 9= 5.59

Standard Deviation= .88

Mean Score for item 10= 5.24

Standard Deviation= .77

Mean Score for item 11= 5.29

Standard Deviation= .71

Mean Score for Stability (OCJV4) = 5.39

Standard Deviation= .82

**Supportiveness Factor (OCJV5) Characteristics:**

		7	6	5	4	3	2	1
12	Having respect for individual's rights							
13	Being tolerant							

Mean score for item 12 = 3.40

Standard Deviation= 1.04

Mean score for item 13 = 5.28

Standard Deviation= .72

Mean Score for Supportiveness (OCJV5) = 4.34

Standard Deviation= .82

**Emphasis on Performance (Performance Orientations) Factor (OCJV6) Characteristics:**

		7	6	5	4	3	2	1
14	Being achievement oriented							
15	Having high expectations for performance							
16	Being results oriented							
17	Being action oriented							
24	Being competitive							

Mean Score for item 14= 4.69

Standard Deviation= 1.03

Mean Score for item 15= 5.66

Standard Deviation= .78

Mean Score for item 16= 5.61

Standard Deviation= .87

Mean Score for item 17= 5.58

Standard Deviation= .88

Mean score for item 24= 5.71

Standard Deviation= .73

Mean Score for Performance Orientations (OCJV6) = 5.45

Standard Deviation= .82

**Team Spirit Factor (OCJV7) Characteristics:**

		7	6	5	4	3	2	1
21	Being team oriented							
22	Working in collaboration with others							
23	Being people-oriented							
25	Being socially responsible							

Mean Score for item 21= 6.01

Standard Deviation= .73

Mean Score for item 22= 5.88

Standard Deviation= .74

Mean Score for item 23= 5.60

Standard Deviation= .87

Mean Score for item 25= 5.65

Standard Deviation= .77

Mean Score for Team Spirit (OCJV7) = 5.65

Standard Deviation= .82

**Preciseness Factor (OCJV8) Characteristics:**

		7	6	5	4	3	2	1
18	Being analytical							
19	Paying attention to detail							
20	Being precise							

Mean score for item 18= 5.42

Standard Deviation= .78

Mean score for item 19= 5.53

Standard Deviation= .84

Mean score for item 20= 5.59

Standard Deviation= .80

Mean Score for Preciseness (OCJV8) = 5.47

Standard Deviation= .82

**Table J.6: Means and Standard Deviations: each factor composing Organizational Commitment (OCom) in HQs, Japan**

### Emotional Attachment Factor (OCOMJV1) Characteristics:

		7	6	5	4	3	2	1
1	I feel loyal to this organization							
2	I really care about the fate of this organization							

Mean Score for Item 1= 5.84

Standard deviation= .79

Mean Score for item 2= 6.01

Standard Deviation= .72

Mean score for Emotional Attachment = 5.92

Standard deviation = .76

### Value Attachment Factor (OCOMJV2) Characteristics:

		7	6	5	4	3	2	1
4	I found that my values and the organization's values are very similar							
5	Often, I agree with this organization's policies on important matters relating to its employees							
14	For me this is the best of all possible organizations for which to work							

Mean Score for item 4 = 5.54

Standard Deviation= .85

Mean Score for Item 5 = 5.01

Standard deviation=.12

Mean Score for item 14 = 5.38

Standard Deviation= .72

Mean Score for Value Attachment = 5.31

Standard Deviation = .56

### Environment Attachment Factor (OCOMJV3) Characteristics:

3	I could not be working for a different organization as long as the type of work is similar						
6	I am extremely glad that I chose this organization to work for over others I was considering at the time I joined						

Mean Score for item 3 = 5.28

Standard Deviation= .85

Mean Score for Item 6 = 5.28

Standard deviation=.72

Mean Score for Environmental Attachment = 5.28

Standard Deviation= .78

**Sense of Sacrifice Factor (OCOMJV4) Characteristics:**

		7	6	5	4	3	2	1
7	I am willing to put a great deal of effort beyond that normally expected in order to help this organization to be successful							
8	I would accept almost any type of job assignment in order to keep working for this organization							

Mean Score for item 7 = 5.40

Standard Deviation= .69

Mean Score for Item 8 = 5.58

Standard deviation=.88

Mean Score for Sense of Sacrifice = 5.49

Standard Deviation=.82

**Rational Attachment Scale (OCOMJV5) Characteristics:**

		7	6	5	4	3	2	1
9	There is much to be gained by sticking with this organization indefinitely							
10	Deciding to work for this organization was not a definite mistake on my part							
13	This organization really inspires the very best in me in the way of job performance							

Mean Score for item 9 = 5.49

Standard Deviation= .90

Mean Score for Item 10 = 5.58

Standard deviation= .88

Mean Score for item 13 = 6.04

Standard Deviation= .93

Mean Score for Rational Attachment = 5.72

Standard Deviation = .91

**Ego Orientations Factor (OCOMJV6) Characteristics:**

		7	6	5	4	3	2	1
11	I talk up this organization to my friends as a great organization to work for							
12	I am proud to tell others that I am part of this organization							

Mean Score for item 11 = 6.03

Standard Deviation= .93

Mean Score for Item 12= 6.16

Standard deviation= .83

Mean Score for Ego Orientations = 6.09

## CHAPTER 7: APPENDICES: STUDY B

**Table T.1: Details of Reliability Tests Using Cronbach Alpha**

Cronbach Alpha	
<b>Organizational Culture:</b>	
Innovation	0.81
Entrepreneurship	0.76
Decisiveness	0.77
Stability	0.85
Supportiveness	0.78
Performance	0.81
Team Spirit	0.82
Preciseness	0.78
<b>Organizational Commitment:</b>	
Emotional Attachment	0.73
Value Attachment	0.77
Environment Attachment	0.68
Sense of Sacrifice	0.72
Rational Attachment	0.75
Ego Orientations	0.71



**Table T.2: Analysis of Variance (Organizational Culture)**

Item Means	Mean	Minimum	Maximum	Range	Max/Min	Variance
	4.9263	4.6846	5.1508	.4662	1.0995	.0399
Inter-item						
Covariances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.1130	-.0484	.7329	.7813	-15.1579	.0752
Inter-item						
Correlations	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.1643	-.0729	.9948	1.0677	-13.6506	.1540
Source of Variation	Sum of Sq.	DF	Mean Square	Prob.		
Between People	960.1656	649	1.4795			
Within People	2796.6250	4550	.6146			
Between Measures	181.7275	7	25.9611	45.1035	.0000	
Residual	2614.8975	4543	.5756			
Total	3756.7906	5199	.7226			
Grand Mean	4.9263					
Hotelling's T-Squared = 119.8273      F = 16.9599						
Degrees of Freedom:      Numerator = 7      Denominator = 643						

**Table T.3: Analysis of Variance (Organizational Commitment)**

Item Means	Mean	Minimum	Maximum	Range	Max/Min	Variance
	5.2546	4.6200	6.0677	1.4477	1.3134	.4399
Item Variances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.6154	.5287	.7689	.2402	1.4543	.0079
Inter-item						
Covariances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.0342	-.0405	.5238	.5643	-12.9353	.0184
Inter-item						
Correlations	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.0654	-.0635	.9691	1.0326	-15.2595	.0623
Source of Variation	Sum of Sq.	DF	Mean Square	F	Prob.	
Between People	510.3336	649	.7863			
Within People	3315.8333	3250	1.0203			
Between Measures	1429.7038	5	285.9408	491.9481	.0000	
Residual	1886.1295	3245	.5812			
Total	3826.1669	3899	.9813			
Grand Mean	5.2546					
Hotelling's T-Squared = 1733.6688      F = 344.5967						
Degrees of Freedom:      Numerator = 5      Denominator = 645						

**Table T.4: Goodness of Fit Statistics for Structural Equation Model**

Degrees of Freedom = 76

Minimum Fit Function Chi-Square = 5304.34 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 3189.60 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 311

90 Percent Confidence Interval for NCP = (2932.50; 3302.00)

Comparative Fit Index (CFI) = 0.90

Normed Fit Index (NFI) = 0.90

Non-Normed Fit Index (NNFI) = 0.87

Relative Fit Index (RFI) = 0.85

Critical N (CN) = 14.16

Root Mean Square Residual (RMR) = 0.12

Standardized RMR = 0.12

Root Mean Square Error of Approximation (RMSEA) = 0.14

90 Percent Confidence Interval for RMSEA = (0.24; 0.26)

Expected Cross-Validation Index (ECVI) = 5.00

90 Percent Confidence Interval for ECVI = (4.72; 5.29)

ECVI for Saturated Model = 0.12

ECVI for Independence Model = 27.77

Chi-Square for Independence Model with 91 Degrees of Freedom = 7610.61

Minimum Fit Function Value = 8.17

Population Discrepancy Function Value (F0) = 4.80

90 Percent Confidence Interval for F0 = (4.52; 5.09)

## CHAPTER 8: APPENDICES: STUDY C

**Table In. 1: Details of Reliability Tests Using Cronbach Alpha**

Cronbach Alpha	
<b>Organizational Culture:</b>	
Innovation	0.87
Entrepreneurship	0.86
Decisiveness	0.85
Stability	0.85
Supportiveness	0.84
Performance	0.81
Team Spirit	0.82
Preciseness	0.85
<b>Organizational Commitment:</b>	
Emotional Attachment	0.83
Value Attachment	0.81
Environment Attachment	0.80
Sense of Sacrifice	0.79
Rational Attachment	0.84
Ego Orientations	0.81

**Table In.2: Analysis of Variance (Organizational Culture)**

Item Means	Mean	Minimum	Maximum	Range	Max/Min	Variance
	4.5256	3.7462	5.1508	1.4046	1.3749	.4422
Item Variances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.5379	.2783	.7382	.4599	2.6526	.0492
Inter-item						
Covariances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.1051	-.0484	.7329	.7813	-15.1579	.0558
Inter-item						
Correlations	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.2082	-.0675	.9973	1.0647	-14.7814	.1728
Source of Variation	Sum of Sq.	DF	Mean Square	F	Prob.	
Between People	826.7233	649	1.2738			
Within People	3977.8750	4550	.8743			
Between Measures	2011.9598	7	287.4228	664.2005	.0000	
Residual	1965.9152	4543	.4327			
Total	4804.5983	5199	.9241			
Grand Mean	4.5256					
Hotelling's T-Squared = 175.1809      F = 24.7144						
Degrees of Freedom: Numerator = 7      Denominator = 643						

**Table In.3: Analysis of Variance (Organizational Commitment)**

Item Means	Mean	Minimum	Maximum	Range	Max/Min	Variance
	4.6985	3.7462	6.0600	2.3138	1.6177	.8302
Item Variances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.4959	.2791	.7653	.4862	2.7422	.0354
Inter-item						
Covariances	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.0532	-.0380	.5242	.5622	-13.7948	.0217
Inter-item						
Correlations	Mean	Minimum	Maximum	Range	Max/Min	Variance
	.1334	-.0591	1.0000	1.0591	-16.9342	.1178
Source of Variation	Sum of Sq.	DF	Mean Square	F	Prob.	
Between People	494.3908	649	.7618			
Within People	4135.0000	3250	1.2723			
Between Measures	2698.1631	5	539.6326	1218.7241	.0000	
Residual	1436.8369	3245	.4428			
Total	4629.3908	3899	1.1873			
Grand Mean	4.6985					
Hotelling's T-Squared	=733.6688	F =	44.5967			
Degrees of Freedom:	Numerator =	7	Denominator =	643		

**Table In.4: Goodness of Fit Statistics For Structural Equation Model**

Degrees of Freedom = 76  
Minimum Fit Function Chi-Square = 1188.80 (P = 0.0)  
Normal Theory Weighted Least Squares Chi-Square = 1133.41 (P = 0.0)  
Estimated Non-centrality Parameter (NCP) = 1057.41  
90 Percent Confidence Interval for NCP = (952.19; 1170.03)  
Minimum Fit Function Value = 1.83  
Population Discrepancy Function Value (F0) = 1.63  
90 Percent Confidence Interval for F0 = (1.47; 1.80)  
Root Mean Square Error of Approximation (RMSEA) = 0.15  
90 Percent Confidence Interval for RMSEA = (0.14; 0.15)  
Expected Cross-Validation Index (ECVI) = 1.84  
90 Percent Confidence Interval for ECVI = (1.67; 2.01)  
ECVI for Saturated Model = 0.12  
ECVI for Independence Model = 1.82  
Chi-Square for Independence Model with 91 Degrees of Freedom = 2454.05  
Independence AIC = 2482.05  
Model AIC = 1191.41  
Saturated AIC = 210.00  
Independence CAIC = 2558.72  
Model CAIC = 1350.24  
Saturated CAIC = 785.08  
Normed Fit Index (NFI) = 0.97  
Non-Normed Fit Index (NNFI) = 0.96  
Parsimony Normed Fit Index (PNFI) = 0.93  
Comparative Fit Index (CFI) = 0.93  
Incremental Fit Index (IFI) = 0.93  
Relative Fit Index (RFI) = 0.92  
Root Mean Square Residual (RMR) = 0.15  
Standardized RMR = 0.12  
Goodness of Fit Index (GFI) = 0.80  
Adjusted Goodness of Fit Index (AGFI) = 0.72  
Parsimony Goodness of Fit Index (PGFI) = 0.58

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## CHAPTER 9: APPENDICES: MULTILEVEL ANALYSIS

**Table MA.1: Goodness of Fit Statistics: Structural Equation Model Japan-Thailand: Organizational Culture**

Degrees of Freedom = 103

Minimum Fit Function Chi-Square = 2156.91 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 1924.81 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 1821.81

90 Percent Confidence Interval for NCP = (1683.06; 1967.93)

Minimum Fit Function Value = 3.32

Population Discrepancy Function Value (F0) = 2.81

90 Percent Confidence Interval for F0 = (2.59; 3.03)

Root Mean Square Error of Approximation (RMSEA) = 0.17

90 Percent Confidence Interval for RMSEA = (0.16; 0.17)

P-Value for Test of Close Fit (RMSEA < 0.05) = 0.00

Expected Cross-Validation Index (ECVI) = 3.07

90 Percent Confidence Interval for ECVI = (2.85; 3.29)

ECVI for Saturated Model = 0.42

ECVI for Independence Model = 7.11

Chi-Square for Independence Model with 120 Degrees of Freedom = 1584.95

Normed Fit Index (NFI) = 0.53

Non-Normed Fit Index (NNFI) = 0.46

Parsimony Normed Fit Index (PNFI) = 0.45

Comparative Fit Index (CFI) = 0.54

Incremental Fit Index (IFI) = 0.54

Relative Fit Index (RFI) = 0.45

Critical N (CN) = 42.92

Root Mean Square Residual (RMR) = 0.10

Standardized RMR = 0.12

Goodness of Fit Index (GFI) = 0.73

Adjusted Goodness of Fit Index (AGFI) = 0.64

Parsimony Goodness of Fit Index (PGFI) = 0.55



**Table MA. 2: Goodness of Fit Statistics: Structural Equation Model Japan-India: Organizational Culture**

Degrees of Freedom = 103

Minimum Fit Function Chi-Square = 2762.15 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 1999.63 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 1896.63

90 Percent Confidence Interval for NCP = (1755.07; 2045.56)

Minimum Fit Function Value = 4.26

Population Discrepancy Function Value (F0) = 2.92

90 Percent Confidence Interval for F0 = (2.70; 3.15)

Root Mean Square Error of Approximation (RMSEA) = 0.17

90 Percent Confidence Interval for RMSEA = (0.16; 0.17)

P-Value for Test of Close Fit (RMSEA < 0.05) = 0.00

Expected Cross-Validation Index (ECVI) = 3.18

90 Percent Confidence Interval for ECVI = (2.96; 3.41)

ECVI for Saturated Model = 0.42

ECVI for Independence Model = 7.83

Chi-Square for Independence Model with 120 Degrees of Freedom = 5048.17

Normed Fit Index (NFI) = 0.45

Non-Normed Fit Index (NNFI) = 0.37

Parsimony Normed Fit Index (PNFI) = 0.39

Comparative Fit Index (CFI) = 0.46

Incremental Fit Index (IFI) = 0.46

Relative Fit Index (RFI) = 0.36

Critical N (CN) = 33.73

Root Mean Square Residual (RMR) = 0.11

Standardized RMR = 0.12

Goodness of Fit Index (GFI) = 0.72

Adjusted Goodness of Fit Index (AGFI) = 0.63

**Table MA.3: Goodness of Fit Statistics: Structural Equation Model Japan-Thailand: Organizational Commitment**

Degrees of Freedom = 103

Minimum Fit Function Chi-Square = 2156.91 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 1924.81 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 1821.81

90 Percent Confidence Interval for NCP = (1683.06; 1967.93)

Minimum Fit Function Value = 3.32

Population Discrepancy Function Value (F0) = 2.81

90 Percent Confidence Interval for F0 = (2.59; 3.03)

Root Mean Square Error of Approximation (RMSEA) = 0.17

90 Percent Confidence Interval for RMSEA = (0.16; 0.17)

P-Value for Test of Close Fit (RMSEA < 0.05) = 0.00

Expected Cross-Validation Index (ECVI) = 3.07

90 Percent Confidence Interval for ECVI = (2.85; 3.29)

ECVI for Saturated Model = 0.42

ECVI for Independence Model = 7.11

Chi-Square for Independence Model with 120 Degrees of Freedom = 1584.95

Normed Fit Index (NFI) = 0.53

Non-Normed Fit Index (NNFI) = 0.46

Parsimony Normed Fit Index (PNFI) = 0.45

Comparative Fit Index (CFI) = 0.54

Incremental Fit Index (IFI) = 0.54

Relative Fit Index (RFI) = 0.45

Critical N (CN) = 42.92

Root Mean Square Residual (RMR) = 0.10

Standardized RMR = 0.12

Goodness of Fit Index (GFI) = 0.73

Adjusted Goodness of Fit Index (AGFI) = 0.64

**Table MA4: Goodness of Fit Statistics: Structural Equation Model Japan-India: Organizational Commitment**

Degrees of Freedom = 103

Minimum Fit Function Chi-Square = 2762.15 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 1999.63 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 1896.63

90 Percent Confidence Interval for NCP = (1755.07; 2045.56)

Minimum Fit Function Value = 4.26

Population Discrepancy Function Value (F0) = 2.92

90 Percent Confidence Interval for F0 = (2.70; 3.15)

Root Mean Square Error of Approximation (RMSEA) = 0.17

90 Percent Confidence Interval for RMSEA = (0.16; 0.17)

P-Value for Test of Close Fit (RMSEA < 0.05) = 0.00

Expected Cross-Validation Index (ECVI) = 3.18

90 Percent Confidence Interval for ECVI = (2.96; 3.41)

ECVI for Saturated Model = 0.42

ECVI for Independence Model = 7.83

Chi-Square for Independence Model with 120 Degrees of Freedom = 5048.17

Normed Fit Index (NFI) = 0.45

Non-Normed Fit Index (NNFI) = 0.37

Parsimony Normed Fit Index (PNFI) = 0.39

Comparative Fit Index (CFI) = 0.46

Incremental Fit Index (IFI) = 0.46

Relative Fit Index (RFI) = 0.36

Critical N (CN) = 33.73

Root Mean Square Residual (RMR) = 0.11

Standardized RMR = 0.12

Goodness of Fit Index (GFI) = 0.72

Adjusted Goodness of Fit Index (AGFI) = 0.63

## LIST OF ABBREVIATIONS

OC= Organizational Culture

**Definitions of Values as Factors composing the variable ‘Organizational Culture’:**

OCJV1= Innovation; OCJV2= Entrepreneurship; OCJV3= Decisiveness; OCJV4= Stability & Security; OCJV5= Supportiveness; OCJV6= Emphasis on Performance; OCJV7= Team Spirit; OCJV8= Preciseness

OCOM= Organizational Commitment

**Definition of values as factors composing the variable ‘Organizational Commitment’:**

OCOMJV1= Emotional Attachment; OCOMJ2= Value Attachment;  
OCOMJV3= Environment Attachment; OCOMJ4= Sense of Sacrifice  
OCOMJV5 = Rational Attachment; OCOMJV6 = Ego Orientations

MNC = Multinational Company

HQs= Head Quarters

CP=Corporate Performance

SEM= Structural Equation Modeling

MRA= Multiple Regression Analysis

TQM= Total Quality Management

JIT= Just in Time

OCB=Organizational Citizenship Behavior

SS=the *Sample Scale* of the research measurement instrument proposed by the author

OCAS=the *Organizational Culture Assessment Scale* of the research measurement instrument proposed by the author

OCOMAS=the *Organizational Commitment Assessment Scale* of the proposed research measurement instrument proposed by the author

OCP = the *Organizational Culture Profile*, the research measurement instrument to assess organizational culture that proposed by O'Reilly et al. (1991)

OCQ= the *Organizational Commitment Questionnaire*, the research measurement instrument to assess organizational culture that proposed by Mowday et al. (1979, 1982)

RVS= the *Rockeach Value Survey*, the research measurement instrument to assess culture that proposed by Rockeach. (1973)

SVS= the *Schwartz Value Survey*, the research measurement instrument to assess culture that proposed by Schwartz (1994, 1996)

OCAI= the *Organizational Culture Assessment Instrument*, the research measurement instrument to assess organizational culture that proposed by O'Reilly et al. (1991)

ODQ= the *Organizational Description Questionnaire*, the research measurement instrument to assess culture proposed by Bass and Avolio (1990, 1997)

RBV= the *Resource-Based View*, the theory proposed by Barney (1991, 2001, 2005)

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