Cultural Diversity and Management Performance in Multinational Companies

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Abstract

This study aimed to determine how multinational corporations’ (MNCs’) cultural diversity management methods impacted their organizational performance. The study is a cross-sectional survey that uses a questionnaire to collect data from 208 of the 464 employees of multinational corporations. Utilizing Spearman’s rank order correlation coefficient, the relationship between cultural diversity management components (investment, assimilation, and divestment) and a measure of organizational success was analyzed (creativity). Any of the data demonstrated statistically significant correlations, ruling out all other options. It was determined that the practice of investiture, assimilation, and divestiture strengthens the bonds between employees within the organization and provides them with solid, enabling grounds to grow in self-awareness and productivity, which ultimately benefits the bottom line of MNCs operating in Saudi Arabia, particularly in the eastern provinces. To enhance employee education and group cohesion, it was recommended that businesses establish mechanisms to encourage the adoption of strategies such as investiture, assimilation, and divestment in the workplace.

Introduction

Due to the accelerating pace of globalization, communication between people from diverse cultural and social backgrounds is more important than ever. People no longer live and work in a solitary economic hub; instead, they participate in a worldwide networked economy with competition from all continents. Companies require a high degree of diversity to become more adaptable and inventive. Consequently, expanding and capitalizing on workplace diversity has become a vital issue for contemporary managers. As demonstrated by (Ogedengbe et al., 2012), what works in one culture may not work in another.

Consequently, what is accepted in one culture could be insulting in another. Cultural differences influence organizational behavior and activities such as planning, organizing, staffing, and regulating, according to Ogedengbe et al. (Dasanayake et al., 2008) contend that as the global economy shifts toward an information-based paradigm, it is more important than ever to adapt to the external and internal changes in hierarchical culture. One definition of cultural diversity is "the depiction, in a single arrangement, of individuals with plainly distinct cultural gathering relationships." The effort has been focused both in the laboratory and in the field. Academic institutions are conducting research based on the notion of motivation in diversity (Earley et al., 2000). From the previews, it was clear that cultural diversity (CD) is a topic of increasing interest and significance in the modern world. This is a consequence of critical occurrences and trends during the turn of the century. Relocation and globalization intensify the "emotional escalation of the chance and need to engage with people"(D. C. Thomas, 2010). Intercultural partnerships are rapidly becoming the norm, regardless of whether one partner is initially curious about the cultural
background or upbringing of the other. Life occasionally requires maintaining social and educational networks (Allwood et al., 2007). As a result, "mixing" has been substituted with "multiculturalism," indicating that cultural variety as an intrinsic component of a cohesive society is the rule rather than the exception (Parvis, 2003). Future enterprises are anticipated to require a more globally aware workforce, and the ability of workers to connect successfully across cultural barriers will be crucial to their success. It is commonly referred to as "a cultural reality" that a nation comprises people of diverse backgrounds (Roth et al., 2010). This is a step in the right direction, but it falls short of acknowledging the cultural diversity of the nation's citizens as a source of strength.

According to research, Americans are more exposed to and navigating cultural diversity on personal, social, and professional levels (Hamde, 2008). This has finally increased the focus and discussion on diversity (Fägerlind et al., 2001), particularly in hierarchical settings where it develops and is recognized as a valued asset (Hamde, 2008). In addition, "social growth of diversity suggests the interaction between the numerous components and tools of working life that transcend conventional boundaries of work show, workplace, and work association," and this is precisely what a union is all about (Landau, 2017).

Several subject specialists (Landau, 2017) have emphasized the need for additional hierarchical diversity studies. Unchecked workplace divisions can thwart top-down objectives. Thus, variation has advantages and disadvantages. Businesses with global reach are frequently credited with improving prosperity, generating new jobs, and reducing poverty in third-world nations (Aremu, 2004). These strategies have hastened economic growth and industrialization (Arinaitwe, 2006; Kiggundu, 2002). Consequently, the success of these businesses has far-reaching implications for the prosperity of developing economies such as Nigeria and can be considered of the utmost importance due to the vast allocation of salary and wealth, financial advancement, employment, and a vast array of other positively-monetary elevating factors it achieves (Aremu, 2004). Organizations must consistently boost their production to thrive in the increasingly competitive markets of the present day (Aremu, 2004; Arinaitwe, 2006). According to (Chen et al., 2001), organizational performance is the process through which inputs are transformed into outputs to accomplish the planned objectives. According to (D. A. Thomas et al., 1996), to perform is to complete work, duties, or objectives satisfactorily. Frequently, organizational performance is described as the capacity of an organization to act and conduct its activities cost-consciously and with acceptable outcomes for its stakeholders. This is decided by the efficiency of the organization’s operations and procedures, the productivity of its employees, and the inventiveness or innovation of the company’s offerings in addressing unmet market demands. Allen et al. (1990) assert that businesses and organizations seeking to expand their customer base and public profile should prioritize building partnerships with a diverse workforce. According to Jehn et al. (2004), a significant
component of cultural diversity is present in contemporary workgroups in many businesses due to the trend toward specialized job skills and offices in associations with different cultures. A company's success and competitive edge depend on its capacity to fully embrace diversity and reap its benefits (Allen et al., 1990). When a company's executives can effectively manage cultural diversity issues, establish, and implement diversity initiatives, many positive outcomes occur (Stahl et al., 2010).

Although researchers and academics have recently spent a considerable amount of time and effort studying organizational performance (Ittner et al., 2001), most of this work has focused on determining how various aspects affect a business's bottom line (profit and loss). In addition, most of these academic studies have relied on multinational businesses operating inside the West's highly organized economic, political, and social environments (Lu et al., 2001). Consequently, a divide arises between Africa and other growing nations. This study employed an empirical technique to examine the effect of cultural diversity management methods on the productivity of multinational corporations, focusing on those conducting business in Saudi Arabia.

**Statement of the Problem and Objectives**

Multinational corporations (MNCs) have been the subject of extensive research. Still, the internal dynamics of MNCs and the hurdles to innovation within them have received comparatively less attention. Performance, success, and failure have been replaced by internal dynamics (Rhoades et al., 2002). Internal dynamics refers to what occurs within MNCs, such as cognitive processes, interpersonal relationships, and interfaces. According to (Okwurume et al., 2020), a fundamental problem for multinational corporations is their inability to coordinate and harmonize the different aspects, perspectives, and orientations that define them as a whole, which hinders their performance in highly diverse environments such as Nigeria. Due to widespread mistrust and a lack of communication, multiple divisions within a company cannot interact successfully. This has thus led to less innovation and the demise of several businesses. Given the apparent differences in values and cultural views within the company, this has further impacted the achievable level of sustainability (Okwurume et al., 2020).

Diversity may have both beneficial and harmful effects on organizations, according to (Ang et al., 2007); however, the type of diversity present, as opposed to its mere presence, determines the nature of the impact. According to (Ahiauzu, 1986), most of the literature on the influence of cultural variety on organizational execution and behavior consists of tales and recommendations based on western experience and fantasy. This is supported by the literature's failure to address outstanding difficulties. Since little is known about the cognitive processes utilized in social and organizational contexts, global corporations may have paid insufficient attention to the particulars. This is compounded, however, by the
expectations and pressures of external institutions, on the one hand, and
the external environment, such as host communities, which the concept of
social responsibility, on the other, may entice. Considering those
mentioned above, the current study investigates the relationship between
cultural diversity management techniques and the organizational
performance of multinational corporations (MNCs) in Saudi Arabia,
proposing a novel approach.

The study’s primary objective is to determine how multinational firms in
Saudi Arabia’s Eastern Province might benefit from implementing cultural
diversity management methods. The objectives of the study are as follows:

- Determine whether foreign investment fosters innovation in the
  multinational firms of Saudi Arabia.
- Learn how multinational corporations in Saudi Arabia adapt to local
culture and generate new ideas.
- Analyze how divestment impacts the innovativeness of multinational
corporations in Saudi Arabia.

**Research Hypothesis**

Ho1: Multinational corporations in Saudi Arabia do not correlate with
capital investment and originality.
H02: Multinational corporations in Saudi Arabia show no evidence of a
 correlation between integration and innovation.
H03: Multinational corporations in Saudi Arabia are not more creative after
a divestiture.

**Cultural diversity and Management Strategies**

In the recent decade, the corpus of literature addressing workplace
diversity has expanded substantially in most prosperous nations.
Professionals in the sector provide diagnostic and teaching tools to assist
public and private businesses with problem resolution. Experience has
discredited the theory that diversity is a "managerial fad" Human resource
managers must now confront the issue of staff diversity head-on. This
trend will likely continue as internal and external influences have
contributed to making diversity an organizational priority. In addition,
growing globalization has enhanced the value of local characters, and
numerous character groups are vying for administrative jobs (Allen et al.,
1990) Human resource practices and corporate cultures will need to
evolve to match the workforce’s increasing diversity and shifting nature.
According to (Ospina, 2001), this trend concludes that diversity must be
managed to achieve success. The main goal of diversity management in the
workplace is to develop an environment and HR framework in which
employee diversity is regarded as "normal" According to (D. C. Thomas,
2010), this objective is to construct a hierarchical domain in which all
personnel, regardless of how unique, can perform routine tasks without
remarkable effort, thought, or program. Due to the strategic and behavioral approach to diversity management espoused by writers such as (Morrison, 1992), all diversity management policies and programs must be meticulously crafted and enforced by top-level management. The fact that they were willing to make concessions on strict compliance illustrates how seriously they regard all of the newly formed diversity management activities. Furthermore, a practical and long-term strategy for managing diversity is necessary for enhancing employee satisfaction and retaining essential individuals.

Concept of Investiture

The investiture strategy established by (Cable et al., 1996; Chatman, 1989) assisted the socialization approach. This technique is informed by the underlying concepts of the divestment plan, and its proponents view it as a type of institutionalized indoctrination. Individuals who want their company's culture preserved may find the investment process challenging. This type of program is characterized by a defined program that pairs an experienced member with a new hire to serve as a mentor. The principal consequence of this strategy is the excessive rigidity that results from employing the investiture method to manage cultural diversity. Since their mentors, similarly, constrained by the current workplace culture, do their thinking for them, it seems unlikely that the strategy will achieve its objective of capitalizing on the benefits of diversity. This method is often referred to as "institutionalized socialization," possibly because it fosters a culture that rewards conformity. Nonetheless, (Okwurume et al., 2020) assert that this technique strengthens organizational culture.

Concept of Assimilation

Assimilation occurs when the company's employees enthusiastically accept the acquired organization's moral norms. This strategy decreases the likelihood of cultural clashes within a corporation, as the acquired company typically possesses a weak and inefficient culture. Still, the acquiring company's way of life is robust and harmonious with the external world. According to (Elbashir et al., 2013), an assimilation strategy in the workplace is a company's ability to acquaint a new hire with the company's norms, such as how employees and customers interact. The method based on assimilation (Haworth et al., 2001; Kirchmeyer et al., 1991) categorizes prevalent strategies for addressing diversity based on the underlying worldview of the relevant administrators. In a few undertakings, relative depiction necessitates a diversity of thought. At this time, it is logical to anticipate that all representatives will strive to assimilate into the dominant culture. This paradigm of discrimination and equity was created by Okwurume et al. (2020). At the very least, people perceive deviations from the norm to be annoying. The strategy for managing diversity proposed by the authors has received a wide range of criticism, some of which have been more significant than others. The belief in multiculturalism and its associated benefits is essential for ensuring.
diversity management, but the emphasis placed on cultural homogeneity as a requirement for its application undermines this belief. According to (Okwurume et al., 2020), however, individuals have a sense of belonging and agency when they are permitted to express at least a portion of their frequently held beliefs without having them absorbed by the majority.

**Concept of Divestiture**

The goal of divestment, according to (Allen et al., 1990), is to prevent cultural dominance, which arises when one culture has more significant influence than another. The goal is to enable everyone to express their views and beliefs without fear of retribution freely.

**Concept of Organizational Performance**

The findings of several studies on the characteristics of high- or low-performing organizations have been exhaustively recorded in the management literature. In addition, it specifies the level of rigor required to comprehend the operational dynamics of businesses to achieve, among other objectives, profitability, market share, reputation, a more significant competitive edge, and an increase in investor value. Likewise, there are a variety of theoretical and practical definitions and measurements for organizational performance. These differences, which also indicate a lack of academic consensus, are typically associated with the concept of interdisciplinary views that characterize management sciences. According to Sparrow (1999), organizational performance is the efficiency with which a corporation achieves its goals.

Moreover, he stated that a firm with returns on financial benefits to shareholders as its aim is viewed as performing, as are those with run-financial benefits who achieve service purposes. Harrison-Walker (2001) defined the performance of an organization as the attainment of productivity goals. This concept of productivity applies to meeting the quality and quantity requirements of client demand. Chevron, a multinational corporation, has historically educated many of its host communities' natives. Training these employable adolescents will increase productivity.

**Methodology**

**Research Design**

The researchers conducted a cross-sectional study and collected data by distributing structured questionnaire copies to the participating organizations. Due to the study's emphasis on social phenomena, including human interactions and organizational activities, this method was chosen. This involved identifying the views and areas of expertise of various social units and actors operating within the specific environment in connection.
to the manifestation of the investigated variables (cultural diversity and efficiency).

**Population of the Study**

The research population comprised 464 high-ranking employees from the regional offices of six international oil and gas companies in Rivers (general managers = 14, middle managers = 63, and supervisory staff = 387). Table 1 covers demographic data, population density, and a list of global companies.

<table>
<thead>
<tr>
<th>Multinational Companies</th>
<th>Top-level Managers</th>
<th>Middle level Managers</th>
<th>Supervisor</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td>Firm 1</td>
<td>2.0</td>
<td>8.0</td>
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<td>89.0</td>
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<tr>
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<td>3.0</td>
<td>11.0</td>
<td>61.0</td>
<td>75.0</td>
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<tr>
<td>Firm 3</td>
<td>3.0</td>
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<td>106.0</td>
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<td>Firm 4</td>
<td>2.0</td>
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<td>92.0</td>
</tr>
<tr>
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<td>2.0</td>
<td>8.0</td>
<td>22.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Firm 6</td>
<td>2.0</td>
<td>12.0</td>
<td>56.0</td>
<td>70.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.0</strong></td>
<td><strong>63.0</strong></td>
<td><strong>387.0</strong></td>
<td><strong>464.0</strong></td>
</tr>
</tbody>
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**Method of Data Analysis**

The hypothesis was examined using inferential statistics, such as Spearman’s rank-order correlation coefficient. We chose data analysis techniques for hypothesis testing based on their adaptability to linear and non-linear distributions (Davis, 1989).

**Result and Discussion**

Following the anticipated sample size, 215 questionnaires were mailed out to businesses, but only 208 were returned. This occurred because persons could not complete their copies or retrieve them on the designated date. All of the recovered copies were then examined for errors or missing information. All recovered data copies were considered error-free and were therefore imported into SPSS for analysis. This section presents the findings of a bivariate analysis of the association between cultural diversity management plan components and business outcomes. The Spearman rank order correlation coefficient and a 95% confidence interval were utilized for the two-tailed test. Organizational performance was studied about the three components of cultural diversity management approaches (investment, assimilation, and divestment) (creativity). When $P > 0.05$, the null hypothesis is accepted for further study, but when $P > 0.05$, it is rejected.
Based on the research findings, the null hypothesis of no relationship between investment and creativity is rejected at the $P < 0.05$ level. $\rho = 0.44$ and $P = 0.000$ imply a significant relationship between investment and creativity.

Analysis indicates that assimilation is substantially related to creativity ($\rho = -0.56$ and $P = 0.000$). The decision rule determines this for accepting ($P > 0.05$) or rejecting ($P < 0.05$) the null hypothesis.

The association between divestment and creativity is $-0.667$ ($P < 0.0001$), showing a very significant relationship. According to the study, divestment is significantly associated with innovation at the $P < 0.05$ significance level, as indicated by the criteria for accepting (when $P > 0.05$) or rejecting (when $P < 0.05$) the null hypothesis.
**a) Investment Helps Saudi Multinationals Be Creative**

In Saudi Arabia, the practice of investiture has influenced the innovativeness of international corporations. In addition to cognitive, symbolic, and professional adaptation, the investment process entails social transformation and approbation. Despite their absence from the typical organizational profile, social skills are essential for maintaining a healthy hierarchical structure and evaluating the work performance of employees (Cable et al., 1996; Chatman, 1989). Moreover, investing increases synergy and enables more substantial corporate outcomes through creating enhanced social and interpersonal involvement and connection. Even though social abilities are crucial components of human capital, they are currently undervalued as intangible assets that may substantially impact the long-term generation of value. Now, there is a deficiency, which has complicated workplace relationships and implementation.

**b) Assimilation has a Substantial Effect on the Inventiveness of International Companies in Saudi Arabia**

Integration appears to harm the creativity of multinational firms in Saudi Arabia. Researchers have identified multiple outcomes as markers of newcomers’ capacity to integrate into an organization’s established culture. According to the research (Chatman, 1989), assimilation is connected with better work satisfaction, organizational identification, organizational commitment, and lower levels of intent to leave the company (Okwurume et al., 2020). Properly adjusted representatives are excited about their work and management, evaluate the advantages and interests of their organization, and are less inclined to quit their jobs. There is some evidence that effective osmosis substantially affects a few of the outcomes listed above. Work satisfaction and overall contributions to organizational performance were found to be more strongly influenced by an individual’s level of involvement in their organization than by demographic factors such as age, gender, education, marital status, occupation, or salary, according to research conducted by the Society for Human Resource Management (Roberson et al., 2013).

Assimilation expectations are an excellent predictor of job satisfaction, organizational commitment, and workplace happiness (D. A. Thomas et al., 1996). Assimilation has increased employees’ job satisfaction, which measures how much people like or dislike their jobs. When employees are dissatisfied with their jobs, it can be costly for firms as this can lower productivity and increase turnover. Job satisfaction has typically been defined as an assimilation variable. According to (Roberson et al., 2013), job satisfaction includes contentment with one’s coworkers, remuneration, career possibilities, supervisors, and job duties. (Kiggundu, 2002) research correlated these determinants of pleasure with absorption elements, including training, company knowledge, colleague support, and future opportunities within their employer organizations.
c) The Influence of Divestiture on the Inventiveness of Multinational Corporations in Saudi Arabia is Substantial

According to the study, the selling of multinational corporations in Saudi Arabia has had a substantial impact on their inventiveness. Throughout the acculturation process, managers must keep open lines of communication with new hires (Chatman, 1989). It is crucial to discover the preferred means of communication between new employees and superiors to create a pleasant, energizing, and supportive work environment (Lu et al., 2001). If subordinates see the communication style of their superiors as helpful, they are more likely to report satisfaction with their interactions with such superiors. Face-to-face communication, for example, is crucial for fostering availability and willingness to communicate and facilitating accurate work interpretation (Chatman, 1989). During structured cultural diversity management, an employee’s supervisory and peer communication may be satisfactory due to the explanation of responsibilities and the development of interpersonal relationships.

Conclusion

We infer from the research that there is a strong relationship between cultural diversity management techniques and creativity. The analysis also found that the organization’s cultural diversity tactics (investiture, divestment, and assimilation) were substantial and highly valued by its stakeholders. Considering these impressions and the findings of the hypothesis, which indicated considerable linkages between both variables, the following statements and inferences are drawn:

- Multinational corporations in Eastern provinces benefit from the innovative spirit of their residents due to the profound effect assimilation has on the nature of interactions at work and the degree of similarity across different cultures.
- Divestiture substantially impacts the creativity of multinational corporations headquartered in eastern provinces because it facilitates the identification and engagement of different sectors of the organization.
- The innovation of MNCs based in Eastern provinces is significantly impacted by divestiture since it helps recognize and engage different sections within the business.

Acknowledgement

This work was supported through the Ambitious Funding track by the Deanship of Scientific Research, Vice Presidency for Graduate Studies and Scientific Research, King Faisal University, Saudi Arabia [Project No 2658]


shared knowledge and assimilation. *Journal of Information Systems, 27*(2), 87-105. doi: [https://doi.org/10.2308/isys-50563](https://doi.org/10.2308/isys-50563)


