
Impact of Cultural Diversity on Employees Performance in Select MNC's in Coimbatore City

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ABSTRACT

This study examines the arguments in favour and against diversity in Organizations. The purpose of this paper is to study the impact of cultural diversity in organizations and to examine the effects of diversity as perceived by organizations represented by select MNC's operating in Coimbatore region. Questionnaire is used to collect the data from the respondents and statistical tools like ANOVA, chi-square and weighted average are used to test the impact of cultural diversity. From the study, a standard form of the internationalization-performance relationship was found across all the companies.

KEYWORDS: *Cultural diversification, Multinational Companies*

INTRODUCTION

Cultural diversity is the quality of diverse or different cultures, as opposed to monoculture, the global monoculture, or a homogenization of cultures, akin to cultural decay. The phrase cultural diversity can also refer to having different cultures respect each other's differences. The "Universal Declaration on Cultural Diversity adopted by UNESCO in 2001 is a legal instrument that recognizes cultural diversity as "common heritage of humanity" and considers its safeguarding to be a concrete and ethical imperative inseparable from respect for human dignity".

The international business literature suggests several reasons why global diversification and firm performance should be positively related. International diversification can be defined as a firm's expansion beyond the borders of its home country across different countries and geographical region. Multicultural groups often have diverse views of the problem. They often go on discussing about the problem statement. This problem can be the reason for three basic factors 1) Mistrust 2) Miscommunication and Language Barriers 3) Work Stress. Increasing cultural pre-eminence of the United States through the distribution of its products in film, television, music, clothing and nutritional products promoted in audio-visual media, consumer products virtually standardized on the planet.

Diversity is a concept that has emerged in the early 21st century as the United States has become more diverse, causing organizations to become more diverse as well. To make diversity work, companies typically need to offer some diversity training and proactively manage the workplace to promote tolerance and acceptance of differences. Cultural awareness and sensitivity training are the two common general components in a diversity training program.

The below figure shows the fundamental building blocks that support the essence of great workplace culture.



REVIEW OF LITERATURE

1. **Luis R. Gomez-Mejia & Leslie E. Palich(1997)** in their study entitled that “Cultural Diversity and the Performance of Multinational Firms” examined and found that culturally related international diversification will have a positive impact on firm performance and that the opposite will be true for culturally unrelated globalization. Regression tests using nine indicators of cultural diversity revealed no significant cultural effects. The paper examined the impact of key determinants of MNC firms. The study disuses the nature of the data used here primarily reflect the behaviour of companies where U.S. firms have a controlling interest.
2. **N. Capar and Masaaki Kotabe (2003)** in their study entitled that “The Relationship between International Diversification and Performance in Service Firms” examined and found that International diversification is a growth strategy that has a major potential impact on firm performance. The relationship between international diversification and firm performance has been extensively studied in the international strategy literature. To measure the cultural diversity has been used and to measure the impact multiple linear regression model have been used.

3. **James P. Johnson, Tomasz Lenartowicz and Salvador Apud(2006)** in their study entitled that “Cross-Cultural Competence in International Business” examined and found that propose a definition of CC as it applies to international business and develop model for understanding how CC is nurtured in individuals, linking definition to the concept of cultural intelligence. Cross-cultural assessment, that 'the most effective data-collection strategy is one that uses multiple measures and multiple methods of data collection'. A thorough discussion of a suitable measure of CC is beyond the scope of the present study, but they present here some possible approaches to the assessment of CC.
4. **Mary Lou Egan Marc Bendick Jr(2003)** in their study entitled that “Workforce Diversity Initiatives of U.S.Multinational Corporations in Europe” examined and found that Multinational corporations have substantial workforce diversity management programs in their U.S. operations, they are only beginning to consider parallel efforts in their overseas affiliates. Diversity training courses and administrative procedures will not work outside the United States in their "off-the-show" form, some envision the necessary changes primarily as substituting local examples and translating U.S. terminology.
5. **Winfried Ruigrok and Hardy Wagner(2003)** in their study entitled that “Internationalization and Performance: An Organizational Learning Perspective” examined and found that the relationship was examined through cross-sectional and longitudinal statistical analyses of data from 84 German manufacturing companies during the 5-year period 1993-1997. we had to rely on the ratio of foreign subsidiary sales to total sales (FSTS) as the 'degree of internationalization' measure. Given this, continuous limitation to US company samples may represent a major hurdle to advancing knowledge in this line of inquiry.
6. **Anna Shaojie Cui a, David A. Griffitha(et al) (2006)** in their study entitled that “The influence of market and cultural environmental factors on technology transfer between foreign MNCs and local subsidiaries” examined and found that the environment-strategy-performance framework is used to investigate the effects of market and cultural environmental factors on international technology transfer, and resultant performance. Further, a significant positive relationship between technology transfer and subsidiary performance was found. Theoretical and practitioner implications are discussed. The results of confirmatory factor analysis for the measurement model. The adequacy of the measurement model is evaluated on the criteria of overall model fit with the data, convergent validity, discriminate validity, and reliability.
7. **Barbara Mazur(2010)** in their study entitled that “Cultural Diversity in Organisational Theory and Practice” examined and found that the arguments in favour and against diversity in organisation. The study distinguished between advantages and disadvantages of diversity in organisation and examines the effects of diversity as perceived by organisations represented by chosen companies operating in their country.

STATEMENT OF THE PROBLEM

Host country restrictions and regulations were considered to be the most common problem faced by multinational firms to local customers may have to be adapted more extensively than manufactured products owing to linguistic and cultural differences of the customers. The study of CC in intercultural communications, on the other hand, is a natural extension of

language teaching and political science and examines the problems in communication among people from different cultural background. Multicultural organizations are found to be better at problem solving, possess better ability to extract expanded meanings, and are more likely to display multiple perspectives and interpretations in dealing with complex issues.

Conflicts created by diversity can create tension in the workplace, which could ultimately affect productivity if not managed effectively. If the workplace is moving from a homogeneous to a more diverse workplace culture, members of the "old guard" may resent the change, which could make it difficult for people to work together. One-way management can ward off potentially damaging conflict is to emphasize group goals and values early in the diversification process. We cannot simply put a group of people together with vast differences and expect them to immediately get along well. Many people are unfamiliar with other cultures and have never had to learn to coexist and collaborate with people from completely different backgrounds.

Therefore, diversity training is so important to the process. Adverse work groups often experience more conflict upfront than groups that share more similarities.

1. What are the problems encountered by multinational companies?
2. What are the various dimensions of cultural differences in MNC's?

RESEARCH METHODOLOGY

Sources of Data:

The study is based on primary data. The data which are collected mainly from employees of the select top three MNC companies in Coimbatore.

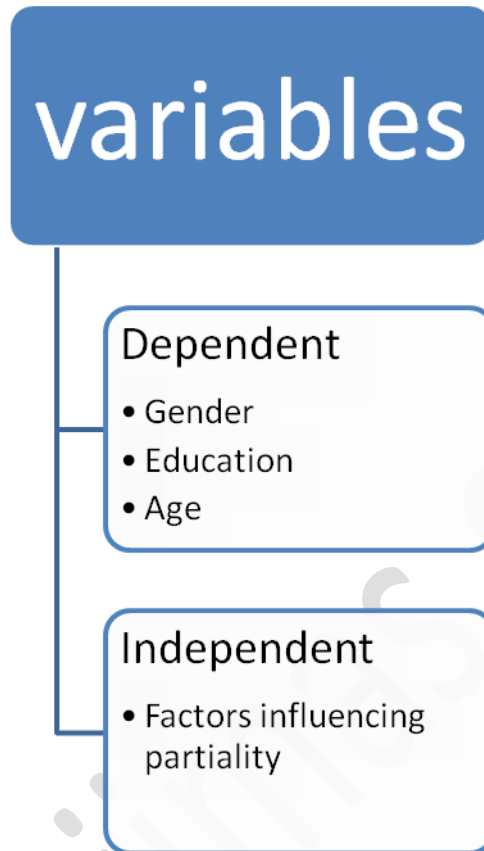
Sampling Design:

The multinational Companies for this study were selected based on purposive sampling method, among the MNC Companies listed with of India, top 3 multinational Companies in Coimbatore were taken for the study based on cultural difference. The data is collected through questionnaire from 100 respondents.

The following are the selected sample multinational Companies in Coimbatore for the present study:

1. Orbinox India Pvt Ltd
2. AMC cookware India Pvt Ltd
3. Index Technologies India Ltd

The collected data focused into the following variables:



HYPOTHESES:

To attain the objectives of the study, the following null hypotheses have been tested: -

H₀₁—There is no significant association with Age on factors influencing partiality in cultural diversity.

H₀₂—There is no significant association with Gender on factors influencing partiality in cultural diversity.

H₀₃—There is no significant association with Education on factors influencing partiality in cultural diversity.

ANALYSIS OF DATA:

**Table-1
ANOVA SUMMARY**

		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	1.251	3	.417	.485	.694
	Within Groups	112.719	131	.860		
	Total	113.970	134			
Gender	Between Groups	.192	3	.064	.259	.855
	Within Groups	32.400	131	.247		
	Total	32.593	134			
Highest level of Education	Between Groups	.101	3	.034	.060	.981
	Within Groups	73.632	131	.562		
	Total	73.733	134			

Table 1 reveals the ANOVA values of select multinational Companies in Coimbatore. Age, Gender, Education has a partial influence on cultural diversity. Since the significant value is more than **0.05** the null hypothesis is accepted among the education level have more influence (**.981**).

**Table-2 Age
Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.950 ^a	9	.745
Likelihood Ratio	5.854	9	.754
Linear-by-Linear Association	.005	1	.942
N of Valid Cases	135		

From the above table it is interpreted that there is a high level of association between age and factors influencing partiality. The chi-square value of age and factors influencing partiality is **.745**. Since the significant value is more than **0.05** the null hypothesis is accepted among the age and factor partiality level have more influence.

**Gender
Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.797 ^a	3	.850
Likelihood Ratio	.790	3	.852
Linear-by-Linear Association	.234	1	.629
N of Valid Cases	135		

From the above table it is interpreted that there is a high level of association between Gender and factors influencing partiality. The chi-square value of Gender and factors influencing partiality is **.850**. Since the significant value is more than **0.05** the null hypothesis is accepted among the Gender and factor partiality level have more influence.

**Education
Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.541 ^a	6	.957
Likelihood Ratio	1.571	6	.955
Linear-by-Linear Association	.022	1	.881
N of Valid Cases	135		

From the above table it is interpreted that there is a high level of association between Education and factors influencing partiality. The chi-square value of Education and factors influencing partiality is **.957**. Since the significant value is more than **0.05** the null hypothesis is accepted among the Education and factor partiality level have more influence.

**Table-3
Weighted average method
Statistics**

	age	gender	What is highest level of education you have completed
Valid	135	135	135
N Missing	22	22	22
Mean	1.99	1.51	2.16

The above table shows the weighted average mean value. The highest mean value of educational qualification is **2.16** and the lowest mean value of Gender is **1.51**.

Findings:

From the basis of the analyses of the study, the researcher found the following results

- There is a significance relationship between Education and partiality influences.
- There is high level of association between Education and partiality influences.
- There is a high range of influence of partiality in the multinational companies.

Suggestions:

- Diversity can take many forms from culture and to nationality to gender, race, sexuality, educational background and more. Following are the strategies to promote diversity in the workplace.
 - Make a point of educating employee self
 - Creating a workplace where different perspectives are valued and embraced.
 - Diversity and inclusion activities can take many forms.
 - Promoting diversity and developing a global mindset through cross-culture understanding.
- Language can make the difference between a deal going through and an agreement falling apart. However with a thorough understanding of local cultural and skill translator, it's possible to be an effective communicator in any country.
- The most reliable tools could be the level of sensitivity and the powers of observation. Learn how foreign country around employees conducts themselves and their business.
- In workplace employee will have to deal with uncertainty, especially in cultures where communication may be more subtle and nuanced than in the United States. Be patient with employer self as well as with business partners or potential customers.

CONCLUSION

The main contribution of this paper is that it represents the first attempt to empirically examine the relationship between cultural diversification and its impact of working employees. The average US MNC is likely to pursue a culturally related expansion strategy at the outset of internationalization. The result of this study concluded that the working employees are not much affected because of cultural diversification. A majority of the MNC employees do not consider their partiality in working place.

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