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Commitment for hire? The viability of corporate culture as a MNC control mechanism

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Abstract

This paper discusses the effectiveness of corporate culture as a control mechanism in the multinational context. While there is widespread managerial support for its use, there is also considerable challenge to the idea that corporate culture can be 'managed'. A review of relevant literature dealing with the internalisation of corporate values, organizational commitment, psychological ownership, and corporate identification provokes questions about the viability of corporate culture as a MNC control mechanism. Much depends on individual employee responses that range from support to outright resistance, and may be moderated by variables, such as managerial action and the extent of violation of the psychological contract. It is concluded that, in the long run, it may not be in the best interests of MNC management to have a strong corporate culture. A workforce of highly inculcated employees might, in fact, impede MNC management's need for strategic changes.

Keywords: MNC control mechanisms; Normative control; Corporate culture; Multinational management

The international management literature has been concerned with the challenges faced by firms in integrating dispersed units without stifling local subsidiary initiatives; while simultaneously facilitating cross border transfers of resources, technology, knowledge and information. The MNC challenge has been to achieve a workable balance between centralised strategic direction and control and local responsiveness, ensuring that the organization does not sink into confusion and dysfunctional behaviour. The ability to achieve this balance is affected by a range of external forces such as the actions of competitors, advances in technology, and host government policies. The way in which internationalising firms deal with these pressures

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varies—depending on industry, level of competition, firm characteristics, strategic direction, and managerial predispositions (towards, for example, staffing).

Extant international management literature dealing with multinational control and coordination issues over the past two decades has consistently reported that, particularly in transnational firms, top management has attempted to address the global–local imperative through a mixture of formal and informal control mechanisms, with some stressing less formal, soft control mechanisms (see for example, Bartlett & Ghoshal, 1990; Fenwick, De Cieri, & Welch, 1999; Ghoshal & Bartlett, 1995; Harzing, 1999; Hedlund, 1986; Martinez & Jarillo, 1989; Nohria & Ghoshal, 1994). Informal control mechanisms identified in this literature include informal communication though channels such as personal relationship networks that cross organization functions and national borders, enhanced through staff transfers and international teamwork and projects; and normative control through shared values (that is, internalisation of a corporate culture). This body of literature supports the use of corporate culture as a way of uniting a dispersed organization through commitment to a common purpose and behaviour built on shared values. An underlying premise is that a strong corporate culture supports the effective transfer of information, knowledge, processes, programs, resources and people (Sørensen, 2002). However, despite strong advocacy from international management consultants, and the considerable amount of assumption and acceptance surrounding its role, there is a dearth of work that critically questions the viability of corporate culture as an informal control mechanism in a multinational, cross-cultural (national) context. This is a curious situation given the vigorous debate in the organizational symbolism and organization behaviour literature about whether corporate culture can be used as a management tool. As Smircich (1983: 346) noted, already in the early 1980s, some "genuinely question whether organization culture is indeed manageable … The talk about corporate culture tends to be optimistic, even messianic, about top manager's moulding cultures to suit their strategic ends … an ideology cultivated by management for the purpose of control and legitimation of activity".

In this paper, therefore, we examine the viability of corporate culture as a mechanism for control and coordination within a multinational company (MNC). First, we present an overview of the concept of corporate culture and its role as a management tool. The aim is to expose the key points of difference in the general debate surrounding corporate culture as a managerial tool, rather than to critique individual research contributions regarding corporate culture per se. The general focus is the MNC and its demanding global context of disparate activities, national cultures and geographical dispersal, and how the concept of corporate culture as a managerial tool is portrayed in the international management literature. Key questions addressed are how effective are managerial attempts to develop a strong corporate culture, and whether this has the desired outcomes in terms of compliance and consistency in terms of performance directives, expectations, and behaviour.

Second, we develop a framework comprising elements of corporate culture constructs and influences, based on key factors identified in the relevant corporate culture and international management literature. The framework is used as a basis for explaining how, in an attempt to improve control, MNC managerial action to change or modify corporate culture sets in train a series of interlinked reactions. Following the connections assists in understanding the various processes at work, and provides a basis for assessing the feasibility of achieving MNC control through the management of corporate culture. We demonstrate how the range of individual employee responses to managerial attempts to impose a given corporate culture inevitably produces mixed outcomes. A strong corporate culture may have negative consequences. For example, those employees who have deeply-held corporate values might resist managerial