ARTICLE IN PRESS

Journal of World Business xxx (xxxx) xxx–xxx

Contents lists available at ScienceDirect

Journal of World Business

journal homepage: www.elsevier.com/locate/jwb

Not walking the talk? How host country cultural orientations may buffer the damage of corporate values' misalignment in multinational corporations

Dana Minbaeva[a,*], Larissa Rabbiosi[b], Günter Stahl[c,d]

[a] *Strategic and Global HRM, Copenhagen Business School, Denmark*
[b] *International Business, Copenhagen Business School, Denmark*
[c] *International Management, WU Vienna, Austria*
[d] *Organizational Behavior, INSEAD, France*

ARTICLE INFO

Keywords:
Corporate values
Value incongruence
Affective organizational commitment
Country cultural values
Multinational enterprises

ABSTRACT

We argue that a perceived misalignment between a multinational corporation's espoused values and how those values are lived in the subsidiary has detrimental effects on group outcomes, specifically groups' affective organizational commitment. Using data from 1760 work groups in the foreign subsidiaries of a large European MNC, we find support to our hypotheses and show that when there is a misalignment between a particular espoused value and the lived value, and the value at stake is central to the value system of the country in which the subsidiary is located, the detrimental effect on the group's outcomes is more pronounced.

1. Introduction

Given the geographic spread of multinational corporations (MNCs) and the diversity of their employees, shared values serve as a common thread in guiding and achieving integration across foreign subsidiaries (Grøgaard & Colman, 2016). MNC headquarters (HQ) rely heavily on corporate values to establish and maintain behavioral norms, achieve global integration across subsidiaries, and facilitate knowledge sharing and creation (Chen, Paik, & Park, 2010; Harzing, 2001; Zander, Jonsen, & Mockaitis, 2016). As companies become increasingly globalized, shared values act as the "glue that holds an organization together as it grows, decentralizes, diversifies and expands" (van Rekom, van Riel, & Wierenga, 2006, p. 175).

To act like a common glue requires the company's core values to be "lived" throughout the MNC (Michailova & Minbaeva, 2012; Zander et al., 2016). The difference between *espoused* and *lived* values is critical in this context. Espoused values are "the articulated, publicly announced principles and values that … [an organization] claims to be trying to achieve" (Schein, 1992, p. 9). These values emerge from the underlying principles to which (most) members of the organization are expected to subscribe (Grøgaard & Colman, 2016). Although these values may predict what people say, they may differ widely from what people actually do (Argyris & Schon, 1996). On the other hand, lived values involve a theory-in-use that explains actual behavior (Argyris & Schon, 1996; Argyris, 1999; Kabanoff & Daly, 2002). Organizational values become "lived" only if they are internalized by individuals. Alignment between espoused and lived values is advantageous (Zander et al., 2016) but can be difficult to achieve, especially in MNCs organized as transnational, differentiated networks or as heterarchies (Bartlett & Ghoshal, 1989; Hedlund & Rolander, 1990; Nohria & Ghoshal, 1997). In such global networks of geographically dispersed subsidiaries, there are often notable differences between the values embraced by the HQ (espoused values)—manifested in mission statements, codes of conduct, corporate communications, and so on—and how they are practiced within the subsidiaries (lived values) (O'Reilly, 1989). These differences may result in value incongruence (Schein, 1992), and complicate shared interpretation and understanding of the MNC's underlying value system (Kwantes, Arbour, & Boglarsky, 2007). In turn, this can violate the established psychological contract and "create cynical and dispirited employees … and undermine managerial credibility" (Lencioni, 2002, p. 5) to the extent that the commitment of foreign subsidiary employees and work groups is affected negatively (Howell, Kirk-Brown, & Cooper, 2012; Ortega-Parra & Sastre-Castillo, 2013; Simons, 2002).

In this paper, we argue that a misalignment between the values espoused by the HQ and how these are lived within the foreign subsidiary may affect work-group (hereafter group) outcomes in the subsidiary. Furthermore, we argue that the effect of this type of headquarters-subsidiary *value incongruence* on group outcomes can be augmented or reduced by the characteristics of the host-country context in which the groups are located. We propose that the cultural values of the host country moderate the link between value incongruence and

* Corresponding author.
E-mail addresses: dm.smg@cbs.dk (D. Minbaeva), lr.int@cbs.dk (L. Rabbiosi), Guenter.Stahl@wu.ac.at (G. Stahl).

https://doi.org/10.1016/j.jwb.2018.07.005
Received 2 May 2017; Received in revised form 24 May 2018; Accepted 13 July 2018

group outcomes. Specifically, we theorize and show empirically that the adverse effect of value incongruence on group outcomes is reduced or does not emerge if the perceived misalignment between a particular espoused value and a lived value is consistent with the national cultural context in which the group is embedded. For example, failure to "live" the corporate value "empowerment" is unlikely to have a detrimental effect on employees from cultures where empowerment is neither expected nor desired (i.e., cultures characterized by high power distance values). In contrast, a high level of empowerment value incongruence may have a significant impact on outcomes in cultures where hierarchy is de-emphasized, authority is distributed, and participation in decision processes is valued (i.e., low power distance cultures).

As a manifestation of group outcomes, we focus on groups' *affective organizational commitment*. This is "one of the most often studied variables" in organizational behavior since "it is assumed to influence almost any behavior that is beneficial to the organization such as performance, attendance, and staying with the organization" (Riketta, 2002, p. 257; see also Mathieu & Zajac, 1990; Meyer & Allen, 1997). Affective organizational commitment refers to an "emotional attachment to, identification with, and involvement in the organization" (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002, p. 6). Groups with higher affective commitment share a sense of belonging and identification which increases their willingness to pursue the groups' goals and goals of the organization (Kehoe & Wright, 2013). As Kehoe and Wright (2013, p. 371) argue, higher affective organizational commitment is reflected in group members' "desire to see the organization succeed in its goals and a feeling of pride at being part of the organization."

Overall, we argue that from an MNC standpoint, reducing misalignments between espoused and lived values is highly desirable because it results in "appropriate behavior that is guided by knowing what is right and proper" (Welch & Welch, 2006, p. 22), and pushes employees to move away from external regulation toward self-regulation, or from heteronomy toward autonomy (Deci & Ryan, 1985; Ryan, 1995). As companies move to the transnational stage (Bartlett & Ghoshal, 1989), shared values serve as a tool for social control, and facilitate trust which is essential for strategic alignment and effective lateral governance, horizontal problem solving, and knowledge creation (Evans, Pucik, & Bjorkman, 2011).

Our study contributes to research in the area of international management in multiple ways. First, we believe that a simultaneous focus on the MNC's internal context and its local contexts is crucial for an understanding of the generic challenges related to global working arrangements (Allen, Lee, & Reiche, 2015). Such simultaneous focus moves the discussion toward the more contextual conception of culture advocated by Hinds, Liu, and Lyon, (2011). These authors criticize previous research for failing to accommodate this conception of culture, and argue that "it is precisely this shift that will enable global work to become critically relevant to central discourses in organizational scholarship and contribute meaningfully to theoretical advances" (Hinds et al., 2011, 177). In this paper, we view culture as intertwined with the local context in which groups are embedded (Kitayama et al., 2002) and study how these interactions affect groups' affective organizational commitment. Further, in studying how the adverse effects of HQ-subsidiary value incongruence depend on national cultural orientations, we move beyond the traditional "culture matters" argument and the large body of work on cultural distance, and offer a more nuanced perspective on the role of culture in MNCs (Tsui, Nifadkar, & Ou, 2007, p. 435). Second, our study contributes to the growing body of literature on the role of corporate values in MNCs. Recent years have seen renewed interest in the role of corporate values in global work and social integration in an MNC context (e.g., Grøgaard & Colman, 2016; Michailova & Minbaeva, 2012; Zander et al., 2016). However, to date there is no empirical research that explicitly examines the consequences of value incongruence for employee outcomes in an MNC context, although the adverse effects of value misalignment on employees' morale and company performance are well documented in both the academic (e.g., Greenbaum, Mawritz, & Piccolo, 2015; Simons, 2002) and popular literatures (Collins & Porras, 2000; Lencioni, 2002). An MNC provides an "insightful context" (Kostova & Roth, 2003, p. 314; see also Roth & Kostova, 2003) for examining empirically the consequences of a misalignment between espoused and lived values, and for probing how this relationship can be enhanced or worsened by contextual characteristics (Michailova, 2011; Minbaeva, 2015). Finally, our study also has important managerial implications for managing corporate values practices in MNCs.

The paper is structured as follows. First, we discuss the importance to MNCs of corporate values. We then present theoretically derived propositions about the relationships between value incongruence and a group's affective organizational commitment, and the moderating role of the host country's cultural values. Following this, and in line with the "clinical approach" suggested by Wiener (1998), we develop our generic propositions into testable hypotheses by zooming in on a specific MNC (Gooderham, Nordhaug, & Ringdal, 1999 adopt a similar structure). We test our hypotheses using data from a global survey of 1760 groups located in the MNC's foreign subsidiaries. Finally, we discuss our findings and some limitations of our study and suggest avenues for future research as well as some possible implications for practitioners.

2. The importance of corporate values for MNCs

In general, corporate values refer to beliefs about the means and ends that apply to all of an MNC's units, to run the enterprise, establish objectives, implement strategies, and decide on the preferred business actions (Meglino & Ravlin, 1998). Similar to individual values, the type of paradigm prevailing in the organization depends on the corporate values (Smircich, 1983) since they give rise to patterns of organizational behavior. In line with a main assumption in the literature on culture as normative control, we contend that organizational values are the sense of "what ought to be, as distinct from what is" (Schein, 1992 p. 15), and we assume that values reveal "how people communicate, explain, rationalize, and justify what they say and do as a community" (Sathe, 1985, p. 10). For example, IBM believes that in a knowledge-based world in which firms rely on a highly professional workforce dispersed around the globe, the only way to integrate employees into the firm is through values that are broadly shared and internalized by all, such that they steer autonomous action at every level in the organization (2007, Palmisano, 2004). As a former president and CEO of IBM explained:

> A strong value system is crucial to bringing together and motivating a workforce as large and diverse as ours has become. We have nearly one-third of a million employees serving clients in 170 countries. … There's no way to optimize IBM through organizational structure or by management dictate, you have to empower people while ensuring that they're making the right calls the right way. … That's why values, for us, aren't soft. They're the basis of what we do. They're a touchstone for decentralized decision making. (Palmisano, 2004, p. 63–65)

To act as a "common glue," the company's values must be lived throughout the MNC (Michailova & Minbaeva, 2012). The HQ can instill the values in the subsidiary network through continuous communication and consistent reinforcement, and through the alignment to the desired values and behaviors of all people-related processes (e.g., leadership, talent management, performance management, and knowledge sharing) (Chatman & Cha, 2003; Evans et al., 2011; Michailova & Minbaeva, 2012). A process of social validation (Schein, 1992) ensures that these corporate values are gradually "transformed into non-discussable assumptions supported by articulated sets of beliefs, norms, and operational rules of behavior" (Schein, 1992, p. 20). It is argued in the literature that MNCs achieve social integration if the social-validation process results in the convergence of values that guide behavior (Cicekli, 2011; Grøgaard & Colman, 2016).