Study on the impact of the culture of the host country on the management style of the subsidiaries of multinational firms

Auteur 1 : Pr.Chokri Slim

Auteur 2 : Mahjoubi Hanéne

CHOKRI Slim, Full professor,
Directeur du laboratoire de recherche Modélisation Comptable, Financière et Economique (MOCFINE)
Faculty of Manouba, High School of Business (ESC) –Manouba, Tunisia.

MAHJOUBI Hanéne, PhD student of management,
Laboratoire de recherche Modélisation Comptable, Financière et Economique (MOCFINE)
Faculty of Manouba, Higher Institute of Accounting and Business Administration (ISCAE)-Manouba, Tunisia.

Date de soumission : Juillet 2023

Date de publication : Août 2023

Résumé :

La mondialisation des échanges et les situations internationales qu'elle engendre nécessite de réfléchir sur les filiales des firmes multinationales à travers le monde et l'influence que peut provoquer la culture du pays d'implantation sur le choix du style de direction à adopter.

En effet, au sein des filiales des firmes multinationales, la confrontation avec des personnes de cultures différentes peut avoir un impact sur la manière de gérer la filiale donc la culture à travers ses trois dimensions à savoir la culture nationale, la culture organisationnelle et la culture du dirigeant peuvent avoir un effet sur le choix du style de direction à adapter au sein des filiales des firmes multinationales.

La Tunisie, par sa position géographique et ses couts compétitifs attire les investisseurs étrangers. Afin de connaitre les perceptions, d'individus issus de cultures différentes, nous avons choisi la filiale CAT COLACEM Tunisie, qui est l'une des filiales du groupe italien Financo, au sein de laquelle on a passé une semaine afin d'effectuer des entretiens semi-directifs avec des dirigeants étrangers et des collaborateurs locaux.

L'objectif de cette étude est de comprendre l'impact de la culture du pays d'implantation sur le style de direction de la filiale de la firme multinationale.

Mots clés : Culture, culture nationale, culture organisationnelle, culture du dirigeant et style de direction.

Summary :

The globalization of trade and the international situations it generates require reflection on the subsidiaries of multinational firms around the world and the influence that the culture of the country of establishment can cause on the choice of the style of management to adopt. Indeed, within the subsidiaries of multinational firms, the confrontation with people from different cultures can have an impact on the way of managing the subsidiary, therefore the culture through its three dimensions, namely the national culture, the organizational culture and the culture of the leader can have an effect on the choice of the management style to be adapted within the subsidiaries of multinational firms.

Tunisia, by its geographical position and its competitive costs attracts foreign investors. In order to know the perceptions of individuals from different cultures, we chose the subsidiary CAT COLACEM Tunisia, which is one of the subsidiaries of the Italian group Financo, in which we spent a week in order to carry out semi-structured interviews with foreign managers and local employees.

The objective of this study is to understand the impact of the culture of the country of establishment on the management style of the subsidiary of the multinational firm.

Keywords : Culture, national culture, organizational culture, leader culture and leadership style.

Introduction :

The globalization of economies and organizations in recent years has prompted several companies, in all sectors of activity, to set up abroad.in order to "seek new ways to improve their performance and best meet the expectations and requirements of their customers" (El Mokhtati & Regragui, 2022). Among the countries with a high number of private companies of foreign nationalities is Tunisia because foreign direct investment on Tunisian territory increased by 28.6% between 2017 and 2018 (Laadheri, 2019).

Tunisia, which is an African, Arab, Maghreb country and close to Europe,has the same human resources trends as those revealed by surveys carried out in other countries of the world (Kharrouf, 2017).

In the current context where economic exchanges between countries around the world are more and more frequent, leaders are ,sometimes, forced to manage their affairs in a new environment which may be different from their own and which is characterized by multiculturalism. That is to say "the coexistence of different cultures, namely the national population and other groups" (Chobeaux and Ladsous, 2005).

As a result, people from different cultures rub shoulders daily and work on common projects, within the subsidiaries of multinational firms (FFM), which can lead to misunderstandings, relational difficulties, frictions and intercultural conflicts which can have an effect on the flow of work, the achievement of pre-established objectives and the choice of the management style to be adapted (Ait Alla & Rajàa, 2022).

Such a situation involves decision-making processes that can be influenced by different cultures, including in particular the culture of the hosting country, the organizational culture and the culture of the leader. This multiculturalism imposes the use of mechanisms that lead to better understanding and cooperation between the different parties involved in a space of conviviality, creativity, co-optation and innovation and therefore to intercultural management.

In this research, we focus on the impact of the culture of the hosting country on the management style of the subsidiaries of multinational firms.

Our study is structured in four parts: First, we present a literature review on culture and its three dimensions, namely national culture, organizational culture and leader culture, leadership style and intercultural management. Second, we present our research methodology

followed as well as the main results achieved and finally, we deal with the limits and implications of our research.

I. **Literature review :**

The specific areas of this literature review relate to the following three main concepts: first, culture and its three dimensions: national culture, organizational culture, and leader culture. Second, the leadership style, and finally, intercultural management.

1. **Culture, national culture, organisationnel culture and leader culture :**

In 2004, Berger and Diggs based their definition of the term culture on the definition proposed by Taylor in 1871, which stipulates that culture is "a complex whole which includes knowledge, beliefs, art, law, morals, customs and all the other aptitudes which man acquires as a member of a society" (Diggs & Berger, 2004).

In the same way, Hofstede, in 1987, describes culture as "a system of meanings learned and shared among the majority of members of a group, this system of meanings encompasses the artifacts and productions of a culture. (rites, heroes, but also lifestyle, etc.) Which are based on values and norms but also "the basic assumptions" that constitute the heart of the culture" (Bartel Radic, 2003).

Furthermore, Every country has its own culture which is an inseparable part of man, it is an inheritance that the human being obtains without asking (even if the person chooses or is obliged to leave his country of origin), the national culture is "embedded in the behavior and characteristics of each individual" and it manifests itself in his choices, his language, his beliefs, his habits, his customs and traditions, his knowledge, his talents, his habits and his way of acting. (Ben Hamadi & Chapellier, 2014)

The dimensions of national culture isolated by Hofstede were drawn from a survey carried out within IBM and its subsidiaries throughout the world. The results of this study (1980) made it possible to formulate five criteria of national culture, namely: hierarchical distance, degree of individualism or collectivism, degree of masculinity or femininity, control of uncertainty and long-term or short-term orientation (Hofstede, 1993), but these criteria have been broadened by the nature of control will and degree of commitment, resulting in seven criteria (Hofstede, 2004)

As far as organizational culture is concerned, it is "made up of all the shared facts, built up throughout the company's history" (Delavallée, 1995).It is a culture shared between all members of the organization regardless of their origins in order to standardize their behavior.

About the leader's culture, it is the least analyzed and treated dimension in the literature (Apitsa, 2013) and, above all, its influence on the choice of leadership style has been very little treated (Ait Alla & Rajaa, 2022) even less that of an FFM leader. This term can be defined as "corresponding to character traits (such as talents or skills) or values (such as beliefs, life goals, etc.) guiding one's choices during one's career" (Charreire Petit & Huault, 2017).

Indeed, culture and its three dimensions, namely national culture, organizational culture and leader culture, can be defined as a set of values that characterizes either the country, the organization or the individual.

2. **Leadership style :**

There are many definitions of leadership style, but they differ according to the criteria chosen by each author. Bass, et al. (2003) define leadership style as "the ability to mobilize a group of people together for specific purposes to achieve organizational goals and objectives".

Indeed, it is a mode of action that takes into account the attitudes and behaviours of the leader in order to accomplish the different functions and achieve the pre-established goals. (Casimir, 2001)

## II.	Methodology:

Table 1: Research Methodology

Approach	Qualitative
Type of study	exploratory
Method	Case study
Data collection	Semi-structured interviews
Data analysis	Analysis of the verbatim of foreign hierarchical superiors and local subordinators

We have opted for an exploratory study through the case study, which makes it possible to study complex phenomena, to control the influencing factors and to broaden the information on phenomena already studied. (Yin, 2003 & 2009)

The study was carried out within the Italian subsidiary, established on the Tunisian territory, CAT COLLACEM, specialized in the production and distribution of cement works. Nine semi-structured interviews were carried out, including six local subordinates and three foreign hierarchical superiors.

Table 1 : the interviews

Interview number	Nationality	position
001	Tunisian	Sales manager
002	Tunisian	Purchasing manager
003	Tunisian	Training manager
004	Tunisian	IT department manager
005	Tunisian	Head of electrical department
006	Tunisian	Production manager
007	Italian	mechanical chief
008	Italian	Human Ressource manager
009	Italian	General manager

Our epistemological posture is developed positivism. This choice is established following two causes, namely on the one hand, we try, through this study, to understand the notion of culture

and its three dimensions, which are the national culture, the organizational culture and the culture of the leader.

On the other hand, we try to explain the impact of culture (and its three dimensions) on the choice of the management style to be adapted within the subsidiaries of multinational firms.

For this, we pursued a qualitative approach based on a case study within the Italian subsidiary established on the Tunisian territory CAT COLLACEM.

III. Findings :

In order to obtain findings, we chose to analyze the verbatim responses of foreign leaders and local subordinates and we obtained these results :

First, the prevailing style of management within CAT COLACEM is a democratic style because decision-making is done collectively. There is a possibility of making suggestions and convincing superiors of a perspective that may be different from theirs.

Then, the national culture is characterized by a very low hierarchical distance and this translates into the fact that foreign hierarchical superiors try to get as close as possible to their local subordinates who opt for "we" to designate their company without making any distinction between superiors and subordinates.

The national culture is characterized by a high degree of collectivism because group work is essential to CAT COLACEM and everyone works together to achieve the objectives of the subsidiary. It should also be noted that there is a high degree of control of uncertainty through the strategies that are put in place beforehand in order to limit the risks and guarantee the sustainability of the subsidiary.

Then, a strong organizational culture shared between foreign superiors and local subordinates and the most shared values are trust, collaboration and a sense of belonging to the subsidiary.

Finally, the manager's culture is very dominant within CAT COLACEM, and this is deduced through a six-month internship period, which must be carried out within the parent company, in Italy, in order to adapt to the method and techniques of work of the leaders and their behavior with the subordinates.

IV. Research limitations and implications:

This study is relevant in the fact that we have integrated the dimension "leader culture" which has been little analyzed in subsequent research, even that of a leader of a subsidiary of a multinational firm (FFM).

Future research can be based on other dimensions of culture such as business culture, professional culture... Moreover, study their impact on the choice of management style within subsidiaries of multinational firms**.**

Conclusion:

The literature in intercultural management has long focused on the impact of national and organizational culture to show its influence on managerial practices.

The phenomenon of globalization requires international companies to influence their strategic and managerial choices, precisely in the strategic decision of the choice of the leaders of the subsidiaries.

In addition, cultural diversity can be a source of conflict and a brake on the development of the FFM or a source of innovation, creativity and collaboration between the different multicultural professional groups who work together around common projects in order to achieve the pre-established objectives of subsidiary of a multinational firm.

Bibliography

Ait Alla, A. & Rajàa, O. (2022).   L'influence de la culture nationale et organisationnelle sur le leadership et sur les pratiques de la gestion des ressources humaines : analyse de la littérature managériale, Revue Française d'Economie et de Gestion, 13(2), 213-233.

Apitsa, S.M. (2013).L'hybridation des pratiques de GRH à l'international par le truchement de l'ethnicité en Afrique, Gérer et Comprendre, 113, 51-61.

Bartel Radic, A. (2003).La compétence interculturelle dans les entreprises : un phénomène individuel, collectif ou organisationnel ? , 12ème conférence de l'AIMS, Tunis, 3-6 juin.

Ben Hamadi, Z. & Chapelier, P. (2014), Le profil du dirigeant des PME tunisien : entre culture nationale, impact générationnel et impérialisme managérial, 12ème congrès international francophone entrepreneurial et PME, Agadir, Maroc.

Berger,B.& Diggs, A. (2004). Cultural comptence: overcoming biais, U.S Pharmacist, 6(29).

Casimir, G. (2001). Combinative aspects of leadership: the ordering and temporal spacing of leadership behavior, Leadership Quaterly 12(3).

Charreire Petit ,S.& Huault I ,(2017). Les grands auteurs en management, EMS éditions, 638 pages.

Chobeaux ,F & Ladsous J ,(2005) . Vie sociale et traitements , éditions Erés , vol3,n° 87, pp31-33.

Delavalée,E. (1995). Culture d'entreprise : la contribution d'Herbert Simon, cahier de recherche, 24,336-373.

El Mokhtari, M.M. & Regragui, F. (2022). Le management total de qualité et performance organisationnelle : une revue de littérature et essai d'analyse, Revue Economie, Gestion et Société, 1(35), 1-20.

Hofstede, G. (1993). Cultural contraints in management theories, Academy of Management Review, 7, 81-94.

Hofstede, G. (2004). Cultures and organizations, McGraw-H ,2ème édition, États-Unis.

Huault, I.,Petit, S.C. (2017). Les grands auteurs en management, éditions EMS, Caen.

Kharouf, E. (2017), Management, nouvelle organisation et nouvelle culture de l'entreprise en Tunisie, 3ème édition du rendez-vous annuel « les tendances en matière de RH ».

Laadheri, Z. (2019), Lusail news.

Livian, YF. (2011), Pour en finir avec Hofstede : renouveler des recherches en management interculturel, 1ère conférence annuelle ATLAS/AFMI, Paris ,26-27mai.

Yin, RK. (2003). Case study research, design and methods, 3rd edition, Sage Publications, London.

Yin, RK. (2009). Case study research, design and methods, 4rd edition, Sage Publications, London.