



The Relationships between National Culture and Employee Performance

Among US Multinational Companies in Bangkok

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Abstract

This paper aims to study the relationships between National Culture (Power Distance, Individualism and Collectivism, Masculinity and Femininity, and Uncertainty Avoidance) and Employee Performance (Work Result, Job Knowledge, and Job Satisfaction). This research using descriptive research with survey questionnaire. The selected 400 respondents are low-to-middle management level employees, who are working with the US Multinational Corporation (MNC) located in Bangkok during June 2013 to August 2013. Employees are classified by gender of which this study have normally distributed to 49.5 percent male (198 respondents) and 50.5 percent female (202 respondents). Methodology used in this research is Pearson Correlation Analysis testing relationships between National Culture and Employee Performance. All hypotheses show that there is a significant relationship between National Culture and Employee Performance. The research result supported by Newman and Stanley (1996), suggested that National Culture is the central principle of organization as it also the principle of employee understanding of their work and which type of action is preferable by others. Additionally, study of Taras, Steel, and Kirkman (2011) indicated that National Culture does influence Employee Performance base on the nature of the job. They believe National Culture affect peoples' attitudes, perception, and behavior which does influence on performance but whether in good or bad way depends on the fit between culture and individual nature of the job.

This research will benefit 3 parties including, organization with US MNC management style to understand the relationship of National Culture and Employee Performance. So they can manage to run their organization more effectively with better performance and lead to better profit. This research would benefit the readers who have no idea about US MNC, this research would give them an insightful information of what US MNC is all about. Lastly this research would benefit the researcher herself as she is now working in the US MNC. Conducting this research allows the researcher to know deep information of the US MNC in terms of strong and weak point, number of imports and export between US and Thailand each year, and the signifying relationship between National Culture and Employee Performance.

Keywords: National Culture, Employee Performance, Multinational Company (-ies)

Introduction

Globalization can be defined as the movement of knowledge (technology) and people (labor) across the border. With globalization, people can now access to better technology, more capital, larger export market, and cheaper imported goods (International Monetary Fund, 2008). This benefits and the access in foreign capital market from developed nations lead to more efficiencies and productivity that increase growth and created better job performance in the developing countries (United Nations, 2000). Multinational Corporations (MNCs) as

a consequence of globalization means corporation that has an asset in at least one country other than their home country. In this study, the corporations that have their office or factory in US with centralized management decision.

According to the Bureau of East Asian and Pacific Affairs in 2013, United States of America (US) is the third largest trading partner to Thailand after Japan and China. US is also one of the largest investors in Thailand with bilateral trade value of more than USD 41 billion in 2012 (U.S. Department of State, 2014). Thailand is the largest growing economic market, US MNCs can



conveniently trade with China, India, and countries in Southeast Asian Nations (ASEAN) with total population of nearly USD 600 million in 2014 and growing (Solheim, 2014). It is expected that in 2013 Thailand economic growth would be 6% to 8%, this expected number would surely create the investment opportunities for US companies (U.S. Commercial service, 2013). In 2013, Thailand was US 24th largest goods trading partner with approximately \$38 billion in two ways goods trade: main export goods of Thailand to US include computer parts, semi-conductor, cotton, jewelry, seafood, clothing, natural rubber, auto parts, rice, and furniture (Avery and Dolven, 2014).

Thailand and US enjoy special commercial relationships of 178 years under Treaty of Amity and Commerce. The treaty allows US MNCs to operate in Thailand with the same entities as Thai corporate but still with restriction in business sectors such as transport, banking sector, exploitation of natural resources, and communication.

This research used convenience sampling techniques with 400 completed questionnaires. All respondents are low-to-middle management level working in US MNCs, 50% of the questionnaires were distributed face-to-face while another 50% of the questionnaires was sent by electronic mail as well as Facebook and Line in the form of Google Spreadsheet.

Methodology

This research used quantitative method in collecting primary data, the researcher tested reliability of questionnaire from pretest group of 50 respondents and later distributed to all respondents for hypothesis testing. Convenience sampling was used in understanding the non probability sampling method all respondents in this research are Thai white collar employees who are working at US MNCs in Bangkok.

Population size of this research cannot be specified, as not all US MNCs have registered their company to Thai government agencies. Therefore, Berenson and Levine (1999) calculating method of unknown population was used. The researcher use desired level of confidence of 95% and maximum random sampling error of 5%. The minimum questionnaires for the unknown population is equaled to 385 sets, however 400 sets was collected for this study. Moreover, the researcher screened all questionnaires to find errors if found the researcher will eliminate them. Thus, only valid questionnaire used to analyze for data analysis.

The reliability test of 50 and 400 sets questionnaire showed reliability prior to go further statistical process of Cronbach's coefficient alpha result of more than 0.6. According to Malhotra and Birks (2003), they explained Cronbach's coefficient alpha of greater than 0.6 indicates satisfactory internal reliability. All data have shown the reliability value of more than 0.6 which indicated that this research questionnaire can be further examining all hypothesis.

The frequency analysis analyzed demographic information of respondents was used. This analysis helped researcher in understanding the characteristics of participated respondents. Descriptive analysis analyzed each question was used in order to understand its mean score and standard deviation. The Pearson Correlation Coefficient Analysis was used to test the relationships between National Culture and Employees Performance.

Findings and Discussions

Frequency analysis on demographic data of respondents shown 49.5 percent of respondents were male (198 respondents) and 50.5 percent female (202 respondents).

If classified by age, 8 percent of respondents age under 25 years old (32 respondents), 42.8 percent age between 25-30 years old (171 respondents), 34.5 percent age between 30-35 years old (138 respondents),



10.8 percent age between 35–40 years old (43 respondents), 4 percent age 40 years and above (16 respondents).

If classified by education, 5.8 percent (23 respondents) high school graduated, 55.8 percent (223 respondents) bachelor degree graduated, 38 percent (152 respondents) master degree graduated, and 0.5 percent (2 respondents) doctoral degree graduated.

If classified by industry, 7.5 percent (30 respondents) working in light industry sector, 77.3 percent (309 respondents) working in service and public utility sector, 6.3 percent (25 respondents) working in electronic industry sector, 1.3 percent (5 respondents) working in mining, ceramics, and basic metals sector, 4.3 percent (17 respondents) working in machinery and transport equipment sector, and 3.5 percent (14 respondents) working in chemicals, paper, and plastic sector.

The correlation coefficient (r) result of **Uncertainty Avoidance** and Employee Performance in term of Work Result indicating very low positive relationships of 0.272. Following by the (r) result of Power Distance and Employee Performance (Work Result) indicating very low positive relationship of 0.262. Moreover, result of Individualism and Collectivism and Employee Performance (Work Result) indicating very low positive relationships of 0.130. Furthermore Masculinity and Femininity and Employee Performance (Work Result) indicating very low negative relationships of -0.163.

The relationships of National Culture and Work Result supported by the research of Merchant and Stede (2003), they explained that National Culture has directly effected on Performance Management as it is the cause for each employee in reacting differently on similar performance. Mendonca and Kanungo (1996) found that High Power Distance country, MNCs are operate in fixed positions with strong hierarchy. Individual in this type of working culture believe that obedience is the way to hold their position and the virtue simply come from

the authority. For effective Performance Management, individual performance and goal setting for each individual is to coach closely by manager.

Countries with Collectivism success of individual is mean to maintain the well being of family. While Individualism individual success is for self fulfillment and accomplishment. The performance management would be more effective in High Individualism as individual is more focus on their personal job performance.

In Femininity, individual are more rely on interpersonal relationships rather than achieving job objective. This type of National Culture, individual subordinate performance evaluation will always be problematic as individual believe that loyalty to superior is more important than their job obligations.

In Uncertainty Avoidance, individual are reluctance to take initiative role outside from their daily life. Individual in this kind of culture believes external environment control them and High Uncertainty Avoidance would be a sever constraint on the effectiveness of performance management.

The correlation coefficient result of **Uncertainty Avoidance** and Employee Performance in term of Job Knowledge indicating very low positive relationships of 0.208. Follow by the result of Power Distance and Employee Performance (Job Knowledge) indicating very low positive relationships of 0.112. Moreover result of Individualism and Collectivism and Employee Performance (Job Knowledge) of 0.169 indicating very low positive relationships. Further more the result of Masculinity and Femininity and Employee Performance (Job Knowledge) indicating very low negative relationships of -0.161.

Leyland (2006) reported that idea of Knowledge Transfer is to ensure that new knowledge is embedded within the organization. His research shows that individual is more open to their knowledge sharing when



the action is done with their peer as they believe knowledge is controllable if shared with trusted group. For a country with a high level of Power Distance, knowledge in an organization usually flows from the top down while the information from first hand, often been underestimated and later employee treated their knowledge as private property. According to Maletzky (2008) in Low Power Distance knowledge of employees can flow in all directions with open communication among top, middle, and lower level this will lead companies to better innovation, employee personal development, and company growth.

Fong and Guange (2007) conducted the research in Taiwan's firms to study organizational culture and also to determine how risk avoiding culture affects the achievement of knowledge sharing, found that a country with Individualism individual are more reluctant in sharing knowledge as knowledge is treated as powerful tool and play an important part of their success. Opposite of Collectivism explained by Qin (2008) individual in Collectivism believes knowledge belongs to an organization and individuals are inclining their personal interest for the group's goals. Dignum and Eijk (2007) found that in high Masculinity the flow of knowledge is more difficult due to competitiveness. Whereas high Femininity knowledge flow easier due to the willingness to bridge differences and at the same time sharing their common benefits. Leyland (2006), High Uncertainty Avoidance, is careful on what they see as risky, so if MNCs can create a friendly and supportive atmosphere, then it will reduce fear and increase the willingness to accept new knowledge and new way of working.

The correlation coefficient result of **Individualism and Collectivism** and Employee Performance in term of Job Satisfaction indicating low positive relationships of 0.308. Follow by Uncertainty Avoidance and Employee Performance (Job Satisfaction) indicating very low positive relationships of 0.295. Moreover result of Power

Distance and Employee Performance (Job Satisfaction) indicating very low positive relationships of 0.274.

Testa, Mueller, and Thomas (2003) conducted research with large US headquarter cruise line with over 10,000 employees from 90 different countries found that employees from High Power Distance experience higher level of Job Satisfaction than employees from Low Power Distance culture. Newman and Stanley (1996) studied 176 work units of the US based MNCs operating in 18 countries found employee from Low Power Distance culture were the highest performing in the participative environment while the employee from a High Power Distance tend to higher perform in less participative environment. Eskildsen, Kristensen, and Antvor (2010) studied the relationships between Job Satisfaction and National Culture by collecting the data from 25,411 employees from 22 countries such as Denmark, India, Norway, Brazil, Finland and many more. The result of the study showed Masculinity and Uncertainty Avoidance plays a role in determining the level of employee Job Satisfaction in the individual country. The more Masculinity each National Culture is, the greater uncertainty and the lower Job Satisfaction of employee tend to be. Masculinity and Uncertainty avoidance play the most influential role when come to the national level of job related evaluation while Power Distance plays the role on only certain situation.

Recommendations and Conclusion

This research would benefit organization with US MNCs management style to understand the relationships of National Culture and Employee Performance. So, when the organization knows this truth then they can manage to run their organization more effectively with better performance and lead to better profit.

Second, this research would benefit the readers who needs to gain business relationship with US MNCs, this research would them an insightful information and



understanding of what US MNCs is all about. In terms of strong and weak point of the MNCs, the number of imports of export between the US and Thailand each year, and the signifying relationships between National Culture and Employee Performance.

US MNCs should embraced host country National Culture by at least 3–6 months training before landing in host country. Therefore, increasing level of National Culture (Power Distance, Uncertainty Avoidance, and Individualism and Collectivism), the level of Employee Performance (Work Result, Job Knowledge, and Job Satisfaction) would have tendency to increase. On the other hands, decreasing level of National Culture (Masculinity and Femininity), the level of Employee Performance (Work Result and Job Knowledge) of Thai respondents are fair and giving opportunity to both genders. In order to increase Job Knowledge US MNCs offices should not only make the local understand the expatriate but expatriate should share their culture to the local for example creating social activities together such as Loy Kathong, Wisakha Bucha, Asarnha Bucha, Songkran, and Makha Bucha Day.

In terms of Uncertainty Avoidance, the MNCs should publish manual written step by step so that employee can follow and achieve MNCs goal. Then it would have tendency of increasing on Employee Performance (mostly on Job satisfaction, follow by Work Result and Job Knowledge).

In terms of Individualism and Collectivism, MNCs should frequently arrange team building activities such as dinner, game, sport day, and field trip to make employees feel they belong to the group. Then it would have tendency of increasing on Employee Performance (mostly on Job Satisfaction, Job Knowledge, and Work Result).

In terms of Power Distance, MNCs should include power and authority level of each manager level in

MNC's manual and organization chart. Then it would have tendency of increasing on Employee Performance (mostly on Job Satisfaction and follow by Work Result, and Job Knowledge).

In terms of Masculinity and Femininity, MNCs should promote their employees base on capability of their past experiences, overall performances, knowledge, and skills. Then it would have tendency of increasing on Employee Performance (mostly on Job Knowledge and follow by Work Result).

Further studies

1. Further research should analyze additional factors such as gender, age, and education in order to find different correlation between National Culture (Uncertainty Avoidance, Individualism and Collectivism, Power Distance, and Masculinity and Femininity) and Employee Performance (Work Result, Job Knowledge, and Job Satisfaction).

2. The additional factors such as organizational commitment and human resource management that correlate with Employee Performance should also included in the research.

3. Further research should not only measure the relationships between National Culture (Uncertainty Avoidance, Individualism and Collectivism, Power Distance, and Masculinity and Femininity) and Employee Performance (Work Result, Job Knowledge, and Job Satisfaction) of Bangkok but also others capital city in 10 ASEAN countries such as Manila, Naypyidaw, Vientiane, Banda Seri Begawan, Singapore, Kuala Lumpur, Jakarta, Hanoi, Phnom Penh.

4. Further in depth research of relationships between Organization Culture and Employee Performance of US MNCs or other expat should also be included.



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