

## **THE INFLUENCE OF CULTURAL DIFFERENCES ON HUMAN RELATION ASPECTS OF ORGANIZATIONAL CLIMATE AND JOB SATISFACTION**

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### **Abstract**

The findings of the influence of cultural differences on multinational enterprises state controversies. An exploratory research in Thailand attempts to clarify the effects of cultural difference on subsidiaries of multinational enterprises by comparing two subsidiaries operating in Thailand. One exposed to high and one exposed to low cultural difference, defined by Hofstede's cultural dimensions "Individualism" and "Power Distance". Organizational climate dimensions, assuming to be influenced by the cultural differences among the employees of the subsidiaries, and its relationship to job satisfaction dimensions are being examined by using descriptive analysis, analysis of variance (ANOVA) and correlation analysis. This study contributes to both theoretical and practical realms. Theoretically, this study contributes to the literature of organization studies, since it has been found that cultural difference does affect organizational climate to some extent, and that there is a positive relationship between organizational climate and job satisfaction. Especially the organizational climate dimensions of "Integration" and "Welfare" correlated significantly with the mean values of job satisfaction in both subsidiaries. Moreover, the subsidiary exposed to high cultural differences showed lower perceived organizational climate dimensions and a lower perceived job satisfaction by the employees, in comparison to the subsidiary exposed to low cultural differences. Regarding practical implications, this study suggests that multinational enterprises need to be aware of these cultural influences and seek to improve their organizational climate, due to its relationship to job satisfaction and indirect influence on overall firm performance.

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#### **Keywords:**

Cultural difference, Multinational companies, Subsidiaries, Organizational climate, Job satisfaction, Firm performance

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## Introduction

Multinational Enterprises (MNE) have become a central part of globalization, which influence the economic, political and social environment throughout the world (Collinson & Morgan, 2009). A MNE is defined as “*a firm that controls operations or income-generating assets in more than one country*” (Jones, 1996:4). Consequently, MNEs are constantly in contact with different cultures when entering foreign markets in form of employing multicultural labour, negotiating with foreign contractors or aiming to satisfy the needs of the stakeholders, to name but a few (Rozkwitalska, 2013). Hofstede (2014) defines culture, as “*the collective programming of the mind distinguishing the members of one group or category of people from others.*”

Therefore the question arises, how does cultural difference affect a multinational firm and its performance. Some organization studies that examined the relationship between cultural differences and performance found that cultural differences have a negative effect on firm performance (e.g. Li & Guisinger, 1992). Other studies conclude that they add value to the parent firm (e.g. Ghoshal, 1987). Moreover, other data find no significant effects at all (e.g. Ahammad, Tarba, Liu & Glaister, 2014). Therefore, the results of the findings regarding the impact of cultural difference on firms and their performance are controversial.

## Research objectives

This study uses a modified approach to add to the field of organization studies, which include cultural influences, by using selected factors which affect firm performance, rather than just analysing the relationship between cultural differences and financial performance data. One selected factor is organizational climate, as a construct in firms, which is being influenced by people, therefore being influenced by culture (Hofstede, 2014). Organizational climate can be defined as the various particular perceptions which employees form when describing and reflecting on the organization they work for (Denison, 1996).

Furthermore, according to previous research, organizational climate influences job satisfaction (e.g. Yi-Jen, 2007) and job satisfaction affects job performance (e.g. Jones, Jones, Latreille and Sloane, 2009). Moreover, since job performance affects firm performance (e.g. Farooqui & Nagendra, 2014), the influence of cultural differences on job satisfaction will also be analysed. “*Job satisfaction is defined as the extent to which employees like their work.*” (Abraham, 2012: 27).

Therefore, organizational climate and job satisfaction will be used as elements of a firm which are being influenced by cultural difference, as well as affecting firm performance indirectly, to achieve the objective of this study. This is analysed by comparing two subsidiaries operating in Thailand, whereby one subsidiary originates from a country with high cultural differences and the other from a country with low cultural

differences in respect to Thailand, whereby both subsidiaries employ foreign and local staff.

## Research questions

The research questions will be based on Hofstede's (2014) cultural dimensions, since its application will allow defining cultural differences. According to the 6

dimensions of national culture of Hofstede (2014), there are always two opposite implications per cultural dimension (see table 1), depending on the score. The scoring of Hofstede's (2014) dimensions allows quantifying cultural differences. Scorings between 1-50 points indicate one implication of a dimension, whereas scores of 50-100 points indicate the other implication of that dimension.

**Table 1** Hofstede's 6 dimensions of national culture (Hofstede, 2014)

Dimensions	Implications of the dimension
1. Individualism	Individualism vs. Collectivism
2. Power Distance	Low Power Distance vs. High Power Distance
3. Uncertainty Avoidance	Low Uncertainty Avoidance vs. High Uncertainty Avoidance
4. Masculinity	Masculinity vs. Femininity
5. Time Orientation	Short Term Orientation (Pragmatic) vs. Long Term Orientation (Normative)
6. Indulgence	Indulgence vs. Restraint

Ahern, Daminelli and Fracassi (2012) state that the two dimensions "Power distance" and "Individualism" are the only two dimensions, which are also occurring in various other cultural models (e.g. Fiske, 1992; Trompenaar & Hamden-Turner, 1993; Schwartz, 1994). The occurrences of these particular two dimensions in different models suggest that these are essential components of national culture. For this reason, this study will focus on the dimensions of "Individualism" and "Power Distance", which are defined subsequently and applied to the Thai culture.

*The Power Distance Index (PDI) is defined by Hofstede (2014) as: "This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally" (Hofstede, 2014). The PDI in Thailand scores 64 points, meaning that the culture is slightly leaning towards accepting hierarchical structures. (Hofstede, 2014)*

The Individualism versus Collectivism (IDV) dimension is defined as *"The high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves*



*and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty.”* (Hofstede, 2014). The IDV in Thailand scores 20 points and is therefore highly collectivistic.

Hence, following underlying research questions a) and b) are derived:

a.) How is the organizational climate influenced of subsidiaries in Thailand, which are exposed to large cultural differences defined by Hofstede’s (2014) cultural dimensions “Power Distance” and “Individualism”, in comparison to a subsidiary operating in the same market, which is exposed to low cultural differences?

b.) How is the job satisfaction influenced of subsidiaries in Thailand, which are exposed to large cultural differences defined by Hofstede’s (2014) cultural dimensions “Power Distance” and “Individualism”, in comparison to a subsidiary operating in the same market, which is exposed to low cultural difference?

## Literature review

Successionally, examples of effects of cultural differences on firms and the reasoning for those influences will be stated as well as the relationship between organizational climate, job satisfaction

and firm performance, according to previous research findings.

### **Positive influence of cultural differences on firm performance**

Morosini, Shane and Singh (1998) find that, cultural differences had a significant positive effect on the performance of cross-border acquisitions, especially in countries which were culturally more distant to the MNEs home-country. due to the enabling of the access to differing routines and capabilities.

A major identified gain of interacting with countries which are culturally distant, is the possibility that the two cultures can learn from oneanother and therefore enhancing knowledge-based resources (Vermeulen & Barkema, 2001). Therefore both the investing MNE aswell as the foreign employees, partners or associated parties may benefit from the cultural distance of their countries respectively.

### **Negative influence of cultural differences on firm performance**

According to various findings, high cultural distance results in lower performance when involved in business in foreign markets (e.g. Brock, Barry & Thomas, 2000) Furthermore, Ahern *et al.* (2012) concludes that cultural difference results in considerably higher costs in cross-border mergers, holding other factors constant. The following three



types of costs have been identified, namely coordination cost, agency cost and transaction cost, which will affect an MNE's performance negatively, the more culturally distant host-markets are where subsidiaries are located (Hutzschenreuter & Voll, 2008).

When there are large cultural differences between home-country and host-country: *“structural preferences introduce a potential for inhibited integration, lower managerial commitment among subsidiary employees, and less resource sharing between a parent and its acquired subsidiary.”* (Brock, 2005: 273).

## **Organizational climate**

Researchers use various approaches to create organizational climate models and appendant dimensions or attempts to build on existing models (e.g. Moran & Volkwein, 1992). Apart from an inexistant concerted theoretical construct

for defining the dimensions, a further shortcoming in the research of organizational climate is that the individual dimensions, even if they occur identically in different models, are not described and implemented in the same way (Patterson, West, Shackleton, Dawson, Lawthom, Maitlis, Robinson & Wallace, 2005).

Patterson *et al.* (2005) set up a model taking into account the most frequently used and defined dimensions from researchers between the years 1960 and 2000, as well as adressing the previously explained problematics. Furthermore, Patterson *et al.* (2005) compiled the collected data using four approaches, to build an extensive model, taking research regarding organizational values and effectiveness into account. On this basis, Patterson *et al.* (2005) built the Organizational Climate Measure Model (OCM) which consists of 17 scales, assorted according to the four approaches (see table 2).

**Table 2** The OCM-Model (Patterson et al., 2005)

1. Human Relations Approach	<ul style="list-style-type: none"><li>• Autonomy</li><li>• Integration</li><li>• Involvement</li><li>• Supervisory</li><li>• Support Training</li><li>• Welfare</li></ul>
2. Internal Process Approach	<ul style="list-style-type: none"><li>• Formalization</li><li>• Tradition</li></ul>
3. Open Systems Approach	<ul style="list-style-type: none"><li>• Innovation &amp; Flexibility</li><li>• Outward Focus</li><li>• Reflexivity</li></ul>
4. Rational Goal Approach	<ul style="list-style-type: none"><li>• Clarity of Organizational Goals</li><li>• Efficiency</li><li>• Effort</li><li>• Performance Feedback</li><li>• Pressure to Produce</li><li>• Quality</li></ul>

## The effects of organizational climate on job satisfaction

Numerous researches conclude that a more favourable organizational climate will lead to a higher job satisfaction (e.g. Yi-Jen, 2007). This on account of the fact that providing a more desirable work environment will result in a higher job satisfaction (Metle, 2001). Similar notions have been found by Jing, Avery and Bernsteiner (2011) and Fu and Deshpande (2014) that a caring climate had a significant direct impact on job satisfaction, but concluding even further that a caring climate also significantly affected job performance positively. In a cross-industrial study conducted by Rahimić (2013) on the effect of organizational climate on job satisfaction, it was concluded that 86.6%

of changes in job satisfaction were caused by changes in organizational climate dimensions.

## Job satisfaction and its relationship to firm performance

Job Satisfaction will result on account of positive subjective perceptions of employees towards their firm, their co-workers and the job itself (Sypniewska, 2013). Yang and Hwang (2014) conclude that job satisfaction is caused by an individual's psychological satisfaction due to factors such as the job itself, job challenges, promotions, benefits and fairness.

Jones *et al.* (2009) found according to their research that job satisfaction is



significantly positively associated with job performance. According to Yang & Hwang (2014) job performance can be defined as whether the job outcomes of employees match the companies job expectations. This may be for example in terms of efficiency and effectiveness or in terms of collaboration inbetween employees (Yang & Hwang, 2014).

Similiarly to Jones *et al.* (2009), Farooqui and Nagendra (2014) state that there is a positive relationship between job satisfaction and job performance as well as further concluding that job performance is an essential factor to determine firm performance. Therefore current research implies that job satisfaction has a significant positive effect on job performance and therefore also on firm performance.

A multi-facet approach to job satisfaction was developed by Antoncic and Antoncic (2011). The framework investigated the relationships between job satisfaction, intrapreneurship and firm growth. Thereby they compiled 27 items by adapting questions on the basis of a wide range of previous research regarding factors influencing job satisfaction (e.g. Porter, Lyman & Lawler, 1968; Hackman & Oldham, 1975). Antoncic and Antoncic (2011) structured these items on the following dimensions of employee satisfaction:

- General satisfaction
- Employee relationships
- Remuneration, benefits and organizational culture
- Employee loyalty

## Conceptual framework

This study is designed to investigate the following relationships. How does the organizational climate of firms, determined by an organizational climate model of Patterson *et al.* (2005), which are exposed to high cultural difference versus firms, which are exposed to low cultural difference, defined by two of Hofstede's cultural dimensions (2014), relate to employee satisfaction, determined by a multi-facet job satisfaction questionnaire by Antoncic and Antoncic (2011) ?

### **Selection of the independent variables: The human relations approach of the OCM- model by Patterson *et al.* (2005)**

The organizational climate measurement in this study will utilize one of the four approaches of the OCM-model (Patterson *et al.*, 2005), namely the „Human Relations Approach“. This due to the assumption, that a great deal cultural interaction and therefore effect of cultural difference within a firm takes place, when employees interact.

The human relations model comprises according to Patterson *et al.* (2005, 385): *“norms and values associated with belonging, trust, and cohesion, achieved through means such as training and human resource development. Coordination and control are accomplished through empowerment and participation, and interpersonal*



*relations are supportive, cooperative, and trusting in nature."*

The corresponding 6 dimensions of the human relations model, is defined by Patterson *et al.* (2005: 386) as the following:

- *Autonomy—designing jobs in ways which give employees wide scope to enact work*
- *Integration—the extent of interdepartmental trust and cooperation*

*Involvement, consisting of:*

- *participation—employees have considerable influence over decision-making*
- *communication—the free sharing of information throughout the organization*
- *Emphasis on training—a concern with developing employee skills*
- *Supervisory support—the extent to which employees experience support and understanding from their immediate supervisor*
- *Employee welfare—the extent to which the organization values and cares for employees*

## **Selection of the dependent variables: Job satisfaction questionnaire by Antoncic & Antoncic (2011)**

The 4 dimensions can be defined according to Antoncic and Antoncic (2011) as the following:

General satisfaction: How happy are employees with working hours, the conditions of work and the reputation of their job?

Employee relationships: How are the relationships of employees with co-workers?

Remuneration, benefits and organizational culture:

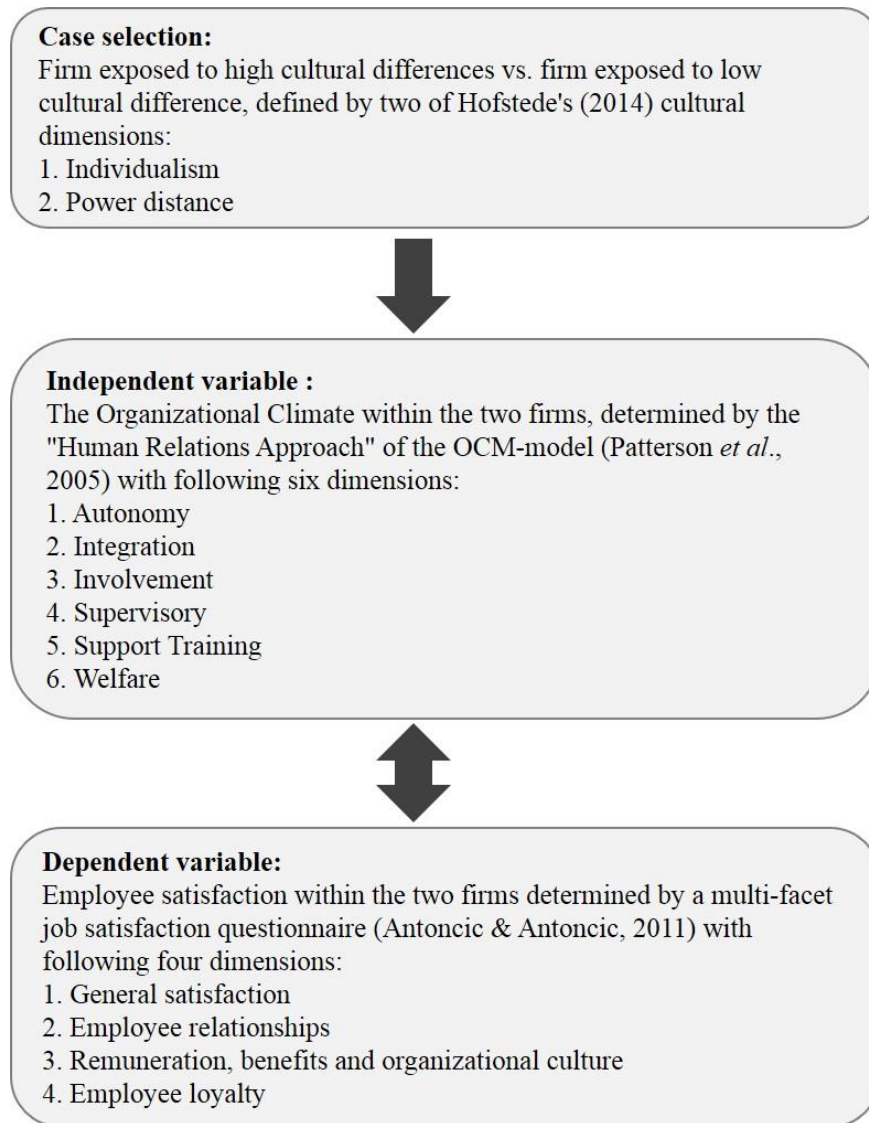
- How high is the salary?
- Are there remunerations in the form of benefits and praise?
- Are there promotions?
- How strong is job stability?
- How is the organizational climate and organizational culture?

Employee loyalty:

- Do the employees feel loyal towards their company?
- Do employees talk about their company in a positive way?



## Overview of the conceptual framework



**Figure 1** Conceptual framework

## Hypothesis

It is assumed that subsidiaries exposed to high cultural differences have different organizational climates than subsidiaries, which are exposed to low cultural difference. This assumption is made due to Hofstede (2014) stating that culture influences the state of mind of people and many of the dimensions of organizational climate are influenced by people.

**H1:** Large cultural differences (i.e. cultural diversity) between home-country of MNE and host country of the subsidiary (Thailand), measured by Hofstede's (2014) cultural dimensions "Power distance" and "Individualism", will result in a different organizational climate within the subsidiary, than the organizational climate of a subsidiary, operating in the same market, which is exposed to low cultural difference.

Moreover, it is assumed according to the literature review, that organizational climate has a (positive) relationship with job satisfaction (e.g. Yi-Yen, 2007).

**H2:** Large cultural differences (i.e. cultural diversity) between home-country of MNE and host country of the subsidiary (Thailand), measured by Hofstede's (2014) cultural dimensions "Power distance" and "Individualism", will result in different levels of job satisfaction of employees working for the subsidiary due to its positive relationship to organizational climate, than the job

satisfaction levels of employees in a subsidiary, operating in the same market, which is exposed to low cultural difference.

According to Hofstede's (1980) assumption that a large cultural distance between individuals, groups and organizations implies that there will be difficulties, costs and risks involved. Based on this, as well as the large number of negative influences of cultural differences found by previous researchers, hypothesis H3 and H4 are formulated.

**H3:** Large cultural differences between home-country of MNE and host country of the subsidiary (Thailand), measured by Hofstede's (2014) cultural dimensions "Power distance" and "Individualism", will result in a less positive perceived organizational climate within the subsidiary, than the organizational climate of a subsidiary operating in the same market, which is exposed to low cultural difference.

**H4:** Large cultural differences between home-country of MNE and host country of the subsidiary (Thailand), measured by Hofstede's (2014) cultural dimensions "Power distance" and "Individualism", will result in a lower job satisfaction of the subsidiary, than the job satisfaction of the subsidiary operating in the same market, which is exposed to low cultural difference.

## Methodology

### Research design and sampling strategy

The methodological approach combines a case selection and the utilization of questionnaires. The first step is thus selecting two companies to enable a comparison. The second step is gathering data of the employees for the independent and dependent variables, thus organizational climate and job satisfaction, by using questionnaires.

To fulfill the research objectives, one subsidiary with high and one with low cultural difference to Thailand, defined by Hofstede's (2014) dimensions of "Individualism" and "Power Distance". To not just define cultural difference according to cultural indications of Hofstede's dimensions, this study applies

additional criteria to define cultural difference more distinctively:

#### Low cultural difference:

- Same cultural indications of power distance and individualism dimension
- Not more than 5% difference in points per scale

#### High cultural difference:

- Opposite cultural indication of power distance and individualism dimension
- More than 25% difference per scale

Two subsidiaries were chosen, which wish to remain anonymous and are both operating in the service sector in Thailand, featuring following firm characteristics (see table 3). Both companies operate in the consulting segment of the service sector and have a moderate length of operation in Thailand.

**Table 3** Sample company characteristics

Company:	A (Low cultural difference)	B (High cultural difference)
Origin:	South Korea	United Kingdom
	<b>PDI: 60</b>	<b>PDI: 35</b>
	<b>IDV: 18</b>	<b>IDV: 89</b>
Nr. of total employees:	74	87
Nr. of Thai employees:	50	64
Nr. of foreign employees	24	23

Furthermore, all 24 employees of company A originate of South Korea and

all 23 foreign employees of company B originate from the United Kingdom.



## Data collection

A 5-point Likert scale is used in combination with the organizational climate as well as the job satisfaction questionnaire (1 point standing for “Strongly disagree” and 5 points standing for “Strongly agree”). Furthermore, the link to the questionnaires are sent to the employees by e-mail in English as well as translated into Thai or South Korean respectively, to ensure that the questions are fully understood by all the respondents. All employees are informed that the survey is anonymous.

The scoring is interpreted as the following for each dimension. A maximum score of 5 Points for the 6 dimensions of organizational climate, composed of a chosen 21 items/questions, indicates:

- Autonomy: High autonomy of the employees
- Integration: High integration of the employees
- Involvement: High involvement of the employees
- Support: High support of the employees
- Training: High amount and encouragement of training for the employees
- Welfare: High welfare towards employees

A maximum score of 5 Points for the 4 dimensions of job satisfaction, composed of a chosen 26 items/questions, indicates:

- General satisfaction: High general satisfaction
- Employee relationships: Good employee relationships
- Remuneration: High remuneration

- Employee loyalty: High loyalty of employees towards their firm

Whereas the value of 1 means the opposite indication, thus instead of high it is perceived as low or bad respectively.

## Data analysis

In a first step, the means of all respondents are calculated to determine how the organizational climate dimensions and the job satisfaction dimensions are perceived by the employees of both firms, thus examining the results by utilizing descriptive analysis. Furthermore, a one-way analysis of variance (ANOVA) is going to determine whether the mean values of organizational climate and job satisfaction are significantly different between the two samples. ANOVA is suitable since socio-demographic factors are also taken into account. Then, to explain the relationship between cultural differences and performance, correlation coefficient analysis is used to statistically measure the covariance and thus investigate if there is a relationship of organizational climate dimensions and job satisfaction dimensions.

## Results

Following data was compiled of questionnaires from 74 of 74 employees of the South Korean Firm and 85 of 87 employees of the UK firm. Of the 74 South Korean employees, 50 people have Thai nationality and 24 have South Korean nationality. Of the 85 employees of the UK firm, 63 people have Thai nationality and 22 have UK nationality.



### Descriptive statistics

Table 4 shows the means for each of the 6 dimensions of organizational climate.

These were all rated higher by the employees of the South Korean subsidiary than of the employees of the UK subsidiary.

**Table 4** Mean values for organizational climate dimensions

	South Korean subsidiary	UK subsidiary
<b>Autonomy</b>	3.87	2.88
<b>Integration</b>	3.91	3.11
<b>Involvement</b>	3.88	2.88
<b>Support</b>	3.90	3.21
<b>Training</b>	3.83	3.03
<b>Welfare</b>	3.83	3.03
<b>Mean of organizational climate dimensions</b>	3.87	3.03

Table 5 shows the rounded means for each of the 4 dimension of job satisfaction. Again, these are all rated

higher by the employees of the South Korean subsidiary than of the employees of the UK subsidiary.

**Table 5** Mean values for job satisfaction dimensions

	South Korean subsidiary	UK subsidiary
<b>General</b>	3.95	3.13
<b>Relationships</b>	3.92	3.35
<b>Remuneration</b>	3.95	3.23
<b>Loyalty</b>	3.82	3.02
<b>Mean of job satisfaction dimensions</b>	3.91	3.18

### ANOVA

The one-way ANOVA for both the items of organisational climate and job

satisfaction items showed that the samples were significantly different (Sig. < 0.005) in both cases, with the exception of two items.



### Correlation analysis

Tables 6 and 7 show the correlation of the means of organizational climate dimension with the means of job

satisfaction dimensions for the employees of the South Korean subsidiary and the subsidiary from the UK.

**Table 6** Correlation matrix for organizational climate dimensions with mean job satisfaction for South Korean subsidiary

	Autonomy	Integration	Involvement	Support	Training	Welfare	Job Satisfaction
Autonomy	1						
Integration		1					
Involvement			1				
Support				1			
Training					1		
Welfare						1	
Job Satisfaction	0.049	<b>0.386**</b>	<b>0.356**</b>	0.132	0.085	<b>0.526**</b>	1

\*\* = Correlation is significant at 0.01 level in a 2-tailed test

**Table 7** Correlation matrix for organizational climate dimensions with mean job satisfaction for UK subsidiary

	Autonomy	Integration	Involvement	Support	Training	Welfare	Job Satisfaction
Autonomy	1						
Integration		1					
Involvement			1				
Support				1			
Training					1		
Welfare						1	
Job Satisfaction	-0.132	<b>0.364**</b>	0.143	0.142	-0.200	<b>0.352**</b>	1

\*\* = Correlation is significant at 0.01 level in a 2-tailed test

Certain individual items of organizational climate correlated notably stronger than others with the individual items of job satisfaction, as showed consequently.

In the South Korean subsidiary these were:

- Sharing information widely with employees
- Involving employees in decision making
- Avoiding communication breakdowns
- Looking after the employees



- Treating employees fairly

In the UK subsidiary these were:

- Sharing information widely with employees
- Collaboration between departments
- Respecting employees
- Showing interest in employees
- Treating employees fairly

## Hypothesis testing

All the mean values of all the single dimensions of organizational climate by the employees of the South Korean subsidiary were perceived as higher than the ones of the employees of the UK subsidiary. Therefore, it can be said that there were reasonable differences with a mean value of 3.87 for the South Korean firm and 3.03 for the UK subsidiary.

Thus, H1 can be accepted.

All the mean values of all the single dimensions of job satisfaction by the employees of the South Korean subsidiary were perceived as higher than the ones of the employees of the UK subsidiary. Therefore the cultural difference did result in different levels of job satisfaction. Also, there was a positive relationship between organizational climate and job satisfaction, since organizational climate as well as job satisfaction was perceived higher by the employees of the South Korean subsidiary than by the employees of the UK subsidiary.

Thus, H2 can be accepted.

All the mean values of all the single dimensions of organizational climate by

the employees of the UK subsidiary (exposed to high cultural difference) were perceived as lower than the ones of the employees of the South Korean subsidiary (exposed to low cultural difference). The mean of all dimensions combined was with a value of 3.87 of the South Korean subsidiary considerably higher than of the UK subsidiary with a value of 3.03.

Thus, H3 can be accepted.

All the mean values of all the single dimensions of job satisfaction by the employees of the UK subsidiary (exposed to high cultural difference) were perceived as lower than the ones of the employees of the South Korean subsidiary (exposed to low cultural difference). The mean of all dimensions combined was with a value of 3.91 of the South Korean subsidiary considerably higher than of the UK subsidiary with a value of 3.18.

Thus, H4 can be accepted.

## Limitations

The main limitations of this research are the sample size of employees and of considered companies as well as number of involved cultures. Since there is no universally agreed upon definition as well as dimensions of culture, and culture being complex and multifaceted, it makes this topic of research challenging. Although this research chooses a prominent example of Hofstede (2014) and limiting the 6 dimensions to only 2, since these dimensions are part of various other models, there is still no guarantee





that these two dimensions are truly defining dimensions of culture.

Furthermore, even though the chosen models and questionnaires regarding organizational climate and job satisfaction were proven to be reliable, there are many other models, which approach organizational climate and job satisfaction in differing ways. Therefore it is not certain that the chosen models for this research are the most appropriate or comprehensive.

Moreover, this study focused on elements within a firm, namely organizational climate and job satisfaction, which is influenced by culture, disregarding interactions between a firm and external parties which have different cultures, such as the relationship to local suppliers or customers for example. However, these as well as other internal factors which were not included in this research, may affect a firm and its organizational climate and job satisfaction as well.

## Conclusion

This research could prove that the organizational climate dimensions of “Integration” and “Welfare” in both subsidiaries did correlate significantly with job satisfaction dimensions. In the South Korean subsidiary, the organizational climate dimension “Involvement” in addition did also correlate significantly with the means of the job satisfaction dimensions.

Furthermore, there were certain items, which stood out of these organizational

climate dimensions “Integration”, “Involvement” and “Welfare”, since the number of significantly correlating job satisfaction items was much higher, than in other dimensions. Two of those organizational climate items, which were significantly correlating in both subsidiaries, were “Information”, thus widely sharing information among employees and “Fairness”, thus treating employees fairly.

Moreover, it seems that the organizational climate of subsidiaries is affected by the interactions of employees with different culture. The dimensions of the “Human Relations Approach” of organizational climate were all perceived higher among employees with less cultural difference. Also, the utilized job satisfaction dimensions in this research, were all perceived higher among employees with less cultural difference.

Thus, these results are in line with the research that suggests that large cultural difference will affect subsidiary performance negatively (e.g. Kogut & Singh, 1988; Li & Guisinger, 1992; Mjoen & Tallmann, 1997). Communication, as element of the organizational climate dimension of integration, was perceived as lower in the subsidiary exposed to large cultural difference and is therefore in agreement with the research findings of Reus and Lamont (2009), which stated that cultural distance will impede communication. Furthermore, this is also conform with Brock’s (2005) findings that large cultural differences between home and host-country of a company and its





subsidiary can inhibit integration.

Also, Ahern's (2012) findings could be partially confirmed, namely that a higher complexity in teamwork and coordination due to cultural differences occur, since this is again in line with the findings that the organizational climate dimensions of integration and involvement were perceived lower by the subsidiary exposed to high cultural differences. The comparison and conformity to Ahern's (2012) results are meaningful, since the comparison between individualistic and collectivistic employees was carried out in a similar manner as in this research design. Brock (2005) states that cultural differences may also cause lower managerial commitment, which is related to the organizational climate dimension of supervisory support, which was according to the findings of this study the case.

Thus, due to the results of this research, while considering the limitations of this study, it can be said that for subsidiaries, which operate in foreign markets:

- Organizational climate is influenced by cultural difference to some extent.
- Organizational climate influences job satisfaction to some extent.
- High cultural difference results in lower perceived organizational climate dimensions of autonomy, involvement, integration, supervisory support, training and welfare.
- High cultural difference lowers job satisfaction to some extent.

Hence, in combination with the secondary research findings, it can be

said that cultural difference influences organizational climate, which relates to job satisfaction, which influences the performance of a firm. In the case of this research, high cultural difference between home country of MNE and host country of subsidiary affected job satisfaction negatively, thus it is assumed that it will also affect overall performance of a company negatively.

## **Implications for business**

According to this research, firms should take cultural differences among employees into account, since these differences affect organizational climate and job satisfaction negatively. Firms employing people with different cultures, especially MNEs operating in foreign markets, should seek to improve organizational climate, due to its positive relationship to job satisfaction and the positive relationship between job satisfaction and firm performance. Consequently, they should in general also seek to improve job satisfaction of its employees. According to this research, this should be done especially for the organizational climate dimensions: "Integration", "Involvement" and "Welfare".

## **Further research recommendations**

The relationships between cultural difference and organizational climate as well as job satisfaction need to be examined on a larger scale research to gain more significant data, meaning a



higher quantity of companies, employees and cultures. Future research should seek to apply different models of culture since culture is very complex, as well as dimensions, not just the dimensions of “Power Distance” and “Individualism”. Furthermore, research should not only focus on intra-firm processes, such as organizational climate, but also on the external relationships of firms operating in foreign countries, which may affect them and their performance. To support firms and enhance their performance,

research should find efficient methods on how to influence organizational climate, since it has a relationship to job satisfaction and job satisfaction influences overall firm performance. Moreover, qualitative measures of employee perceptions may allow further insight in the relationship of organizational climate and job satisfaction, especially in seeking ways to improve organizational climate and job satisfaction.

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