

National Culture Transformation and Its Impact on Multinational Corporate Culture: Case Study of Egypt

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Egypt, currently in a state of political unrest, following its revolution on January 25th 2011, has undergone several changes during the past months; the most prominent include the appointment of a military council to manage the state affairs following the overthrow of its former president – Honsy Mubarak. Accordingly investors have left the Egyptian market due to instability in both its political and economic system and fear of what might come in that regard. Since national culture sensitivity determines the success of international business; in April 2011, the researcher reapplied the VSM '94 questionnaire, devised by Geert Hofstede to a pilot study of seventy respondents. Egypt's position was assessed using mathematical equations, stated in his original research, on each of the four indices, to determine if the Egyptian national culture has shifted following the January revolution. This quantitative research has shown that the Egyptian national culture has undergone major shifts in all indices, placing Egypt in different quadrants characterized by low power distance and uncertainty avoidance, as well as an individualistic and feminine culture striving to enhance their quality of life. Since culture has a human construct, it was imperative that the researcher employ a qualitative method – the Delphi technique – to analyze the Egyptian corporate culture and discern if the shift in national culture has affected the multinational corporate culture. A parallel pilot study of thirty senior and junior managers were randomly selected from multinational companies in Egypt, in various business sectors. Results indicate that the Egyptian corporate culture is weak, and does not support international competition and innovation, which is indispensable for future progress.

Corporate culture in multinational organizations has remained the same suggesting that although the national culture has changed, the internal mechanism including policies, rules and procedures of companies have yet to change if both national and corporate culture are to be aligned. A transformed, strong corporate culture is needed to promote an economic climate that will attract foreign investment to augment the country's financial indicators. The relationship of national and corporate culture, within the Egyptian context, is the researcher's contribution to the gap in literature.

Field of research: Organizational Behavior

1. Introduction

Kotter and Heskett (1992), suggest that there are two levels of organizational culture. The visible tip of the iceberg represent[s] behavior patterns or norms, which are easier to change and the invisible, deeper roots, which represent shared values, [that] are more difficult to change. These are ingrained in the participant's tacit knowledge. Accordingly, two such cultures were examined, the national and corporate cultures. National culture is embedded deeply in everyday life and is relatively impervious to change (Newman & Nollen, 1996). As such, academics and

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practitioners have realized its growing importance in the success of companies operating outside their borders. Several research studies have concluded that multinational companies need to adjust their management practices to the national cultures in which they operate to achieve optimal financial performance. Newman & Nollen (1996) suggest that work units that are managed consistent with national cultural expectations will perform better than work units whose management practices do not fit the national culture.

Miller (2004) defines organizational culture as an organization's beliefs, attitudes, and behaviors that collectively define its values. Similarly, Morgan (1997, p.141) describes corporate culture as 'an active living phenomenon through which people jointly create and recreate the worlds in which they live'. Organizational culture is enduring and complex, and may have both a positive and a negative effect on the staff and the workplace. In many ways culture will determine the survival of an organization over the long term (Schachter, 2005).

Organizational culture has been studied and measured by several researchers during the past two decades (Trompenaars & Hampden-Turner, 1998; Kotter & Heskett, 1992; Schein, 2004; Handy, 1985; Deal & Kennedy, 1982; Hofstede et al., 1990). Studies researching the impact of national culture on aspects of organizational culture including managerial work values (Ralston et al., 1997), compensation practice variations (Schuler & Rogovsky, 1998), and strategy formulation (Schneider, 1989) are extensive. Researchers contend that national culture has a strong bearing on organizational culture because it influences the nature of the relationship of an organization with its environment as well as relationships among people within an organization (Schneider, 1989). However, research in the field of organizational behavior has been conducted in developed nations including the United States, Japan, China and Russia, but has not been extended to developing countries particularly the Middle East and Egypt.

1.1 Problem Statement

Torres and Jones' (2010) research suggests that Hofstede's cultural parameters can change dramatically. Their research indicates that the original classification of Peruvians by Hofstede has shifted over the last three decades. Since changes in national culture appear possible, the VSM '94 questionnaire was reapplied to remap the Egyptian national culture to determine whether changes have taken place following the January revolution.

This research aims to bridge the gap in the literature regarding the characteristics of the Egyptian corporate culture. Once this data has been determined, a relationship can be drawn between the national and corporate culture. Research results indicate that the Egyptian national culture has shifted, this association is imperative to determine the impact of a change in national culture on organizational culture. These results are novel since post-revolution national and corporate culture has not been studied to date.

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1.2 Research Objectives

- To map Egypt's position on each of Hofstede's five indices following the Egyptian revolution to consider the possibility of changes occurring over time. It is worth investigating the Egyptian culture more than three decades later especially in light of the current political changes in Egypt, which has no doubt left its mark on both citizens and organizations. This will be conducted through a reapplication of the VSM 94 questionnaire, based on Kotter and Heskett's (1992) view that 'cultures can be very stable over time but they are never static.'
- To ascertain whether the multinational corporate culture has changed in line with the national culture and its subsequent effect on corporate performance as indicated by the earlier work of Newman and Nollen (1996).
- To analyze the Egyptian corporate culture, and its relationship to the national culture. This relationship is the core of this research, whereby the impact of national culture on corporate culture will affect not only Egypt's ability to attract investment in the future, but also the ability to develop, in other several crucial domains including education and research, following the revolution.
- The paper will provide a review of the relevant literature followed by the methodology that underpins the reapplication of the VSM '94 questionnaire to determine the national culture and the Delphi technique to determine the multinational corporate culture. Finally, the research findings will be discussed to determine the relationship between both cultures.

1.3 Research Questions

- Has the Egyptian national culture shifted?
- What are the characteristics of the Egyptian corporate culture?
- Has the Egyptian corporate culture changed in line with the national culture following the revolution on January 25th, 2011?

2. Literature Review

The study of 'national character' was a popular research subject in anthropology in the 1930s to 1950s (Hofstede, 2001, p.13), as such, it is important to consider the dimensions of culture introduced by Hofstede as follows (pp.xix-xx):

- **Power distance index:** is the extent to which the less powerful members of organizations accept and expect that power is distributed unequally.
- **Uncertainty avoidance index:** refers to the extent a culture programs its members to feel either uncomfortable or comfortable in unstructured and novel situations.
- **Individualism versus collectivism index:** is the degree to which individuals are supposed to remain independent versus integrating themselves in a group usually around the family.

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- ***Masculinity versus femininity index***: refers to the distribution of emotional roles between the genders. Hofstede defines both terms as two extremes of any national culture and states that 'masculinity stands for a society in which social gender roles are clearly distinct: Femininity stands for a society in which social gender roles overlap, where both men and women are supposed to be modest, tender and concerned with the quality of life' (Hofstede, 2001, p.297).

Newman & Nollen (1996) suggest that national culture is a central organizing principle of employees' understanding of work, their approach to it, and the way in which they expect to be treated. The authors state that national culture implies that one way of acting or one set of outcomes is preferable to another (Ibid, 1996). The concept itself has been a fundamental focus of international business practitioners and scholars for several years, mainly due to the work of Geert Hofstede (2001) and the introduction of his five dimensions on national culture classification. A number of empirical studies have used Hofstede's conceptualization of national culture and studied their association to several topics; including entrepreneurial activity (Hayton, George & Zahra, 2002), performance management in MNC subsidiaries (Lindholm, 1992), adoption of information systems (Twati, 2008), development of trust (Doney, Cannon & Mullen, 1998) and learning in knowledge management systems (Mason, 2003).

Hofstede did not study the Egyptian culture individually, but rather grouped the country with different Arab states due to the lack of sufficient research results on each of the Arab countries. As discussed later throughout the research, the researcher believes that the Egyptian national culture is unique to the surrounding North African and /or Middle Eastern nations. It is this belief that provides the motivation to study the Egyptian national culture in isolation.

Trompenaars and Hampden-Turner (1998, p.21) state that there are three layers of culture, whereby the outer layer represents the explicit products which represents the 'observable reality of the language, food, buildings, fashions and art. They are symbols of a deeper level of culture'. The middle layer embodies both norms and values, where norms 'are the mutual sense a group has of what is "right" and "wrong"' while values 'determine the definition of "good and bad", and are therefore closely related to the ideals shared by a group' (Ibid, pp.21-22). Finally, the core signifies assumptions about existence, where 'each has organized themselves to find the ways to deal most effectively with their environments, given their available resources' (Ibid, p.23).

From Schein's (2004, p.11) standpoint, 'any social unit that has some kind of shared history will have evolved a culture, with the strength of that culture dependent on the length of its existence, the stability of the group's membership, and the emotional intensity of the actual historical experiences they have shared'. There appears to be a consensus among 'cultural' researchers to the role of leadership / management in organizational culture. This is evidenced by Schein's statement that 'culture and leadership... are two sides of the same coin; neither can really be understood by itself' (Ibid, pp.10-11). Similarly, Kotter and Heskett (1992, p.7) assert that 'ideas or solutions that become embedded in a culture can originate anywhere; from an individual or a group, at the bottom of the organization or the top. But in firms with strong corporate cultures, these ideas often seem to be associated with a founder or other early leaders'.

3. Methodology

The following represent the hypotheses of this research:

H₁: The Egyptian national culture has changed.

H₂: The Egyptian corporate culture has changed in line with the national culture.

In light of the above, the researcher has employed two distinct research methods to collect data as mentioned earlier. The primary method was the re-application of Hofstede's VSM 94 questionnaire in April 2011. Seventy surveys were distributed as part of a pilot study to an on-going research.

Data collection and sampling: The researcher distributed 70 questionnaires to a random sample of Egyptian citizens residing in Cairo – the capital of Egypt. This was critical to ensure that the questionnaire results would be representative of the national culture. The fact that the random sample did not include any Egyptian citizens from Egypt's other governorates, is a limitation of this study and might imply that the results of the national culture depict only the Egyptian capital and not the rural areas.

Although the random sample varied in age and gender, they all had the ability to speak English and, therefore, the researcher administered the questionnaire without having to translate any terms. Questionnaires were handed out in a face-to-face setting to ensure their completion, yet the researcher did not interfere in any of the respondents' choices to ensure response validity.

Following data collection, the questionnaire responses were then tabulated by question in order to apply Hofstedes' (2011) mathematical equations to determine Egypt's position and map it against other countries following his earlier study.

To reach the mean of each question, each choice on a likert scale of 1 – 5 was multiplied by the number of responses. A likert scale is one used by social science disciplines to identify respondent's stance on a certain issue, where 1 represents total disagreement and 5 represents total agreement with the posited issue. The total was then added and divided by the total number of respondents as follows:

Table 1: Individual questions' mean calculation

Number of people	Likert scale
12	1
29	2
19	3
5	4
5	5
Total = 172 / 70 = 2.45	

The above example is an illustration for question number 01 used in the individualism index. This was performed for each of the 16 questions required for the calculation of the following indices.

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$$\text{Power Distance Index} = -35m(03) + 35m(06) + 25m(14) - 20m(17) - 20$$

0 – Small power distance

100 – Large power distance

$$\text{Individualism Index} = -50m(01) + 30m(02) + 20m(04) - 25m(08) + 130$$

0 – Strong collectivist

100 – Strong individualist

$$\text{Masculinity Index} = +60m(05) - 20m(07) + 20m(15) - 70m(20) + 100$$

0 – Strongly feminine

100 – Strongly masculine

$$\text{Uncertainty Avoidance Index} = +25m(13) + 20m(16) - 50m(18) - 15m(19) + 120$$

0 – Weak uncertainty avoidance

100 – Strong uncertainty avoidance

To depict an illustration of Egypt's corporate culture, the researcher saw it best to apply a qualitative method since culture has been defined by Sulzanski (2003) as 'sticky', and accordingly requires a 'down-to-earth and attention-holding method' (Stake, 1978). Accordingly, the Delphi technique, chosen by the researcher, was selected as a procedure to “obtain the most reliable consensus of opinion of a group of experts... by a series of intensive questionnaires interspersed with controlled opinion feedback” (Dalkey & Helmer, 1963). The unique features of this technique include its speed and efficiency of obtaining novel and interesting feedback and the use of systematic procedures to send the questionnaires via email and compose the summary document two consecutive times until a consensus is reached in the third round (Dalkey, 1969).

A questionnaire was administered via email to 30 random senior and junior level managers in multinational organizations. Senior and junior level managers were targeted since the positions they hold and experience gained within their companies should enable them to give clear responses as to the culture of the firms within which they work. The contact person identified in each of the listed companies was emailed the questionnaire and asked to fill it in and choose two other junior respondents to fill out the questionnaire to total 3 respondents from each company. The questionnaires were then all scanned and sent back to the researcher via email. Since Egypt is in a state of political unrest following the January revolution, the issue of security is one of major concern, as such the researcher was not able to administer / collect the questionnaires in person.

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Table 2: Participant companies in the Delphi technique

Company Name
1 – Credit Agricole Bank
2 – CIC Capital
3 – Ericsson
4 – Johnson & Johnson
5 – Seasons Company
6 – Price Waterhouse Coopers
7 – Canadian International College
8 – Mahindra Satyam
9 – Microsoft
10 – IBM

4. Research Findings and Discussion

Table 3: UAI versus PDI Egypt

	Uncertainty Avoidance	Power Distance
Old	68	80
New	48.6	29.6

Table 4: IDV versus PDI Egypt

	Individualism	Power Distance
Old	38	80
New	68.2	29.6

Table 5: UAI versus MAS Egypt

	Uncertainty Avoidance	Masculinity
Old	68	52
New	48.6	31.2

Table 6: IDV versus MAS Egypt

	Individualism	Masculinity
Old	38	52
New	68.2	31.2

Pilot results show a transformation in the national culture of Cairo, Egypt's capital. According to the Egyptian directory of multinational companies, Cairo houses around 40% of Egypt's multinational companies. Egyptian Economist Galal Amin (2000), states that Egyptians have been feeling discontent, whether on the subject of performance of the Egyptian economy, the state of culture and intellectual life, social relationships, morality, or political developments.

The transformation from a high power distance (80) and uncertainty avoidance (68) culture to one characterized by low power distance (29.6) and moderate uncertainty avoidance (48.6) has important implications. Following the revolution, Egyptians have

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managed to reduce the barriers between subordinates and authority. This is not only evidenced politically with the increasing number of demonstrations asking for social equality, but also in the workplace. Employees in almost all business sectors are organizing protests to call for changes in their current leadership, whereby their managers were either corrupt or have remained in their positions for years. In the future, this might imply a workplace where employees can challenge the status quo. Formality and bureaucracy, which governed employees' relationship with their managers, will decline, resulting in a workplace characterized by a social atmosphere that is conducive to production and innovation.

The political turmoil witnessed by the nation has left citizens accustomed to change and hence the decline to a moderate uncertainty avoidance index. The political tensions and interplay between Liberals, Secularists, the Muslim Brotherhood and the Supreme Council for the Armed Forces (SCAF) is shaping Egypt's future. Egypt's pioneer experience since decades, where Egyptians voted on a referendum in favor of constitutional amendments with a high turnout of almost 20% of the society was impressive. In their current state, Egyptian companies have lost international competitiveness due to fear of change. Yet, in the future, this shift might imply a responsive corporate culture in line with market trends and demands.

The Los Angeles Times states that economic growth is expected to drop from an early forecast of 5.5% to a maximum of 2% for the 2010-11 fiscal year, the country's lowest growth rate during the past decade (Achy, 2011). It might seem that the Egyptian culture is a masculine one; nevertheless, the shift to a more feminine culture is primarily due to people's concern for the quality of life. Corporate culture implications might suggest a future shift in organizations' strategies with a focus on brand quality and price. This might explain why several consumer awareness groups have been forming during the past 2-3 years in Cairo in an attempt to ameliorate the standard of living.

Pilot study results of the Delphi questionnaire indicate that respondents agree that national culture has a strong bearing on corporate culture. The descriptive statistics show a low level of deviation from the mean, which might imply a consensus among the chosen respondents. The devised questionnaire tackled several issues including the relationship of national and corporate culture, as well as the strength of the existing corporate culture.

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Table 7: Descriptive statistics of the Delphi questionnaire

Question	Mean	Standard deviation
1	1.90	0.568
2	2.40	0.422
3	2.30	0.949
4	2.20	1.033
5	2.00	0.816
6	2.10	0.738
7	2.14	1.069
8	1.80	0.789
9	2.25	0.886
10	2.40	0.966
11	2.30	0.949
12	2.50	0.707
13	2.00	0.707
14	2.00	0.667
15	1.75	0.707
16	2.00	0.816

Responses indicate that most Delphi candidates view the existing corporate culture as weak as evidenced by the lack of knowledge transfer and innovation within the companies. Corporate cultures of multinational companies in Egypt are not shaped by the policies and procedures of the headquarter companies, but rather by the national culture of Egypt. Companies enter the market with a clear vision and mission statement, yet they have to comply with the strong Egyptian national culture to be able to survive in the market. Prominent examples include the use of 'wasta' in Egypt. This may imply that the hiring process, as an example, does not often comply to qualifications but rather with connections within the workplace.

Respondent answers indicate that the multinational corporate culture is a power culture – one that exists frequently in entrepreneurial organizations and is ruled by a central power or hub. Minor bureaucracy is apparent since staff function with few rules and procedures. This structure is 'popular in small businesses and professional practices in Egypt, with communication flows and knowledge transfer relating to the central source of power' (Nafie and Jones, 2009).

As such, H1 stating that the Egyptian national culture has changed can be accepted, while H2 stating that the Egyptian corporate culture has changed can be refuted. Although one would expect the change in corporate culture to take place, it seems that this change has yet to come in the future. This may be attributed to several reasons. Following the revolution, the political and economic unrest has rendered companies with a low level of productivity. Workers do not appear at work for both security and morale reasons. Several multinational companies have decreased their production levels or shut down their facilities altogether. This may raise the question of when change in the corporate culture is to take place.

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Moreover, the multinational corporate culture deals with the intricate working of several stakeholders including consumers, government, suppliers and employees. An internal change will have a ripple effect on the external environment. As such, it may be difficult to change requiring economic stability and flexibility to pursue.

5. Conclusion

The pilot study conducted as part of a larger research suggests that although the Egyptian culture has truly transformed from years of political repression and strives to ameliorate its situation, these revolutionary changes have yet a long way to come. The national culture shows a shift, as one would expect from Egypt, being a central hub to trade and politics in the Middle East and Africa. It would seem that the Egyptian organizational culture, impacted strongly by the national culture, is generally not fertile for creating a mainstream global knowledge player (Nafie & Jones, 2009). The Egyptian national culture will no doubt continue to evolve as the political and economic climate stabilize and the winds of change settle. The more intricate corporate culture will undoubtedly follow, yet the question of time remains pressing since this may be behind Egypt's deteriorating competitiveness.

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