

## **CHAPTER 2: LITERATURE REVIEW AND HYPOTHESES FORMULATION**

### **2.1 Introduction**

The purpose of this chapter is to explore the relevant literatures related to White Supremacy Culture in MNCs. This chapter begins with a review of the literature on White Supremacy Culture, a potential modern discrimination in the MNCs. Next, a review of the literature on the variables for this study and their relationships are explored. Both the independent and dependent variables of the study are analysed to identify the dimensions and the relationship between variables. Past empirical findings of the relevant relationship will be discussed. Finally, the chapter ends with a proposed study framework and the discovery of study approach for the variables.

### **2.2 White Supremacy and Perceived Discrimination**

The term White Supremacy is historically associated to special privileges of whites or westerners and discriminatory racism in the politic institutional. It is believed that white people are superior to other racial groups, by having immunities in human rights, liberties and power to human freedom (Crenshaw, Gotanda, Peller and Thomas, 1995). Crenshaw et al. (1995) defined the properties of being “white” in the American society, a) as the subordination of the non-whites minorities, b) as being a higher social hierarchy and c) as the delegation of sovereign power. The white Americans are granted legal privileges to whiteness identity defined the primary status in both economics and politics. At individually level, the whites are perceived to be a higher social hierarchy than the minorities. Whiteness posited white

American at a higher status in the society and allowed them disassociate themselves as the slaves, which typically associated to the black Americans. As the whiteness status embraced by the society and law, the status of the whites inherently being carried through generations as a legacy. Overall, this historical event has provided social advantage where the white Americans were established as the positive and superior sense of identity.

As the time progresses, most developed countries started to introduce legislative acts to prevent discrimination. Western countries like the United States with its Title VII of the Civil Rights Act of 1964, the United Kingdom with its The Employment Equality (Religion or Belief) Regulations 2003, and the European Union with the Directive 2000/43/EC on Anti-discrimination, enacted laws designed, among others, to prevent racism discrimination in business conduct and encourage equal employment opportunities (United States Department of Labour; United Kingdom Office of Public Sector Information, 2003; European Communities, 2000). In international business perspective, the introduction of these legislation encouraged more western countries, especially MNCs, to undertake equal employment policies. These policies raise awareness in workforce diversity and prohibition of discrimination against specific social groups, blatant intentions and efforts to alienate women and minorities from organizational life (Cortina, 2008). In a comparison survey, (Carrell, Mann and Sigler, 2006), the number of organisation with written workforce diversity policy has increased by 35 percent over the 12 years, from 1992 to 2004 in the U.S.

In spite of the progress, the black minorities are still enduring racial disparities in American organizations, typically by the white Americans, who hold the authoritative power and are assumed to be more incompetent within the white-dominant organisations (Brief, Dietz, Cohen, Pugh and Vaslow, 2000; Pettigrew and Martin, 1987). The blacks were reported to have less job discretion and lower feeling of acceptance compared to their white counterparts (Greenhaus, Parasuraman and Wormley, 1990). In addition, black managers were perceived to be incompetent and lack of effort if they failed, in contrary, the failure of whites was perceived to be lack of external environment like luck and conditions beyond their control (Orpen, 1981). The same research also showed the opposite perception, the black successes were perceived contributed mostly by their luck and the ease of the assignment, while the successes of the whites are perceived due to their internal competencies.

In addition, research has also shown limited career upward opportunities by the non-whites in white-dominant organisations. Research in the Federal Department of U.S. has reviewed that that non-white employees experienced less career progression in comparison to the whites (Powell and Butterfield, 1997). Asian Americans in public services were also found to be discriminated, which caused them to earn lower salaries, attain lower organizational grades and command less supervisory authority than white employees with similar education and experience level (Kim and Lewis, 1994).

The question remains how could organizations still can mask discrimination and still maintain an unbiased image even though with the reformation in legislative and organisational management. In fact, the definition into equal employment, for example, workforce diversity, has not formally defined consensually by law or employees unions (Carrell et al., 2006). The subtleness in racial biasness to non-whites makes its difficult for employees and employers to recognize, much less control.

As MNCs from the developed European/American countries setting up local subsidiaries in under-developed or developing countries, the same equal employment policies will be incorporated to their local subsidiaries. Along with these changes, local employees, which are minorities group within these large MNCs could now enjoy much greater access to occupational and economic opportunities. Unfortunately, the white superiority may unconsciously exist in the organisation and make it difficult to open to other local cultural norms and standards. This would impede the full utilisation and upward career mobility of local employees in the predominantly white organisations. Racial of employees will be then, perceived as the factors to organisation discrimination and career curtailment (Weisenfeld and Robinson-Backmon, 2007).

As the situation widens, the white supremacy creates a transparent barriers in preventing certain individuals from escalating into the management hierarchy, called the "glass ceiling". The U.S. Department of Labour defines the glass ceiling as "those artificial barriers based on attitudinal or organisational bias

that prevent qualified individuals from advancing upwards in their organization into management level positions” (Martin, 1991).

Cortina (2008) describes this situation as a modern discrimination in organisations, which gender and racial disparities persist in American organizations. These acts of discrimination, or workplace incivility, are being masked and are maintained as an unbiased image behind the laws and policies. Andersson and Pearson define workplace incivility as “low intensity deviant behaviour with ambiguous intent to harm the target, in violation of workplace norms for mutual respect. Uncivil behaviours are characteristically rude and discourteous, displaying a lack of regard for others” (1999, pp. 457). In workplace incivility, implicitly stereotypic attitudes, preference for in-group members and motivation to maintain social power, could give rise to subtle biases against the unknowingly target out-group minorities employees (Cortina, 2008).

Cortina (2008) built an integrated model of incivility as the model of modern discrimination, an unseen justice occurs in organisations. This model proposes that the driving forces behind this modern discrimination are due to the multi-level influences: the individual, organization, and society. These multi-level influences are discussed further in the following sections.

### **2.3 Barrier of Ethnicity**

Based on the Cortina’s integrated model of incivility (2008), the influence at the society level contributes to the modern discrimination in organizations.

Society groups people together that are bound by a common culture (Hill, 2008). They share a common set of values and norms. As the society grows, the cultural heritage of the society shapes the tradition and social role. It will influence individuals believe system, how they perceive and their reactions when they meet particular situations.

As discovered by Geert Hofstede, probably the most famous study, cultures plays an important role in influencing the values of workplace. Hofstede (1983) developed five dimensions, on which, Asian countries emphasize on collectivism and scores high power distance. At the other extreme, most western nations such as the U.S and Britain score high on individualism and low on power distance scale. Hofstede defines the dimension "power distance" as "the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally" (1980, pp. 45). In organisation, this means employees from higher power distance cultures usually expect leaders to direct what and how they perform their tasks (Peterson, 1972). The social cultural background of Asian employees has also prompted them place less emphasis on control and social status, thus rank power low in value hierarchy (Choy and Ramburuth, 2009).

The other dimensions that has large difference between western and Asian cultures is "individualism" and its opposite "collectivism". Hofstede defines "collectivism" as a tight social framework in which a person's "identity is based in the social system" and his or her "belief is placed in group decisions" (1980, pp. 45). Conversely, people in "individualistic" cultures tend to put forth and

promote their own welfare over the interests of their group or organization (1980, pp. 45). Asians are found to emphasise on affective dimension, putting community good first than individual gain (Choy and Ramburuth, 2009). In the GLOBE study, Malaysian middle managers gave the highest rating of any cultural scale to group/family collectivism (Kennedy, 2002). Being in the collectivism culture, Malaysians are found to be has less attainment in leadership, not prepared to speak up and hesitate to express their opinion in comparison to Australian managers (Wood and Jogulu, 2006). As a result, most Malaysians behave humbly as the Asian culture is also discourages assertive or confrontational behaviour.

Although Malaysian consists of multiple ethnics, Malaysian were shaped socially and culturally with the coming of British colonial rule during the late eighteenth century, lasted for almost two centuries until Malaysia granted her independence in 1957. Historically, Malaysia (then Malaya) has been subjected to white supremacy in all aspects of political, society and economy. The era of colonization by the Europeans began from the sixteen century with the arrival of Portuguese since 1511, followed by the Dutch in 1641. During the colonisation, British saw themselves as superior to Asians not only in economic terms, but also in their unique capabilities (Hirschman, 1986). British gained the real administration power, while the Malay sultanates were only continued to possess limited powers in matters concerning Malay religion and custom (Milner, 1987). Similarly, the Chinese were viewed and treated as people that do no understand equality and the easiest people to govern, while

the Indians were viewed as the main source of cheap labour (Hirschman, 1986).

The coming of the British has altered and shaped social organisation of Malaysian, infused deeply into the consciousness of most Asians. The historical colonisation in Malaysia fits to Wertheim's characterization of Southeast Asia as: "Nineteenth century colonial society was moulded on racial principles: belonging to the dominant white upper caste provided one with prestige and power largely independent of one's personal capabilities. A strict ritual was introduced and maintained, by force when necessary, to preserve the white caste from contacts with Asiatics on the basis of equality and to maintain the former's prestige as the dominant group" (1968, pp. 432, as cited in Hirschman, 1986). Consequently, local Malaysians tend to internalize the values and beliefs as part of their culture and ethnic identity.

These cultural perspectives underpin Malaysian to the Asian ethnic identity as the minority in white dominant MNCs. The importance of ethnic identity formation in the personality development of ethnic minorities has been recognized by various researchers, including Helms (1990), Phinney, (1990) and Smith (1991) (as cited in Leong, 1995). Ethnic identity refers to "person's feelings and attitudes towards affiliation with one's social ascribed ethnic group versus the dominant or majority group" (Keefe & Padilla, 1987; Phinney, 1990, as cited in Leong 1995). Differences in ethnic identities lead a person how they perceive themselves and thus, response differently to the environment.



From business perspective, the consciousness of local employees' ethnicity would shape their relationship and operations within organizations. Oyserman and Sakamoto (1997) found that the high collectivism among Asian American led to the increase of perception that their Asian ethnicity would reduce their chances to succeed. It also follows individuals into their places of work: "Employees come to the organization with heavy cultural and social baggage obtained from interactions in other social contexts" (Scott, 1992, pp. 20).

Researches have shown the minority groups are ready to accept lower standard of treatment in their career, due to their ethnicity. In comparing white and non-white employees salary expectation, Gasser, Flint and Tan (2000) found out that non-whites employees are ready to take up similar job with lower start pay salary, and feeling fair for getting a lower salary than the whites. In addition, researches have discovered that ethnic minority anticipated more barrier than the whites in education and career advancement (Cardoso and Marques, 2008, Luzzo and McWhirther, 2001, McWhirther, 1997).

In short, collectivism and ethnic identity were found to have increased the sensitivity to race as barrier, due to being Asian (Oyserman and Sakamoto, 1997). Hence, Malaysian, being Asian, could possibly accept the fact of white supremacy culture occurs in the MNCs they are working with. This leads to the first hypothesis of the research:

***Hypothesis 1: The greater the belief in ethnic barrier to success among Malaysian employees in MNCs local subsidiaries, the greater the perceived White Supremacy culture existence in the organisations.***

#### **2.4 Participative Decision-Making Opportunities**

The second level of influence to discrimination is at the organizations. Organization environment and policies play an important role in either enabling or inhibiting discrimination. Unequal distribution power and control might gives individuals at the top of the social structure the tools to translate their biases into discriminatory conduct (Cortina, 2008).

When MNCs invest in FDI by settling up local subsidiaries in various location and countries, the management from the headquarters need to strategize how these subsidiaries to be organised. In most organisational development, local subsidiaries could be structured as the international divisions, regional management centres, geographical division or product division (Keegan and Green, 2008) to operate the subsidiaries' role in that particular region or local activities. MNC headquarters assign mandates or autonomy for their subsidiaries to execute responsibility and strategic control.

Different level of control will be reflected by the level of autonomy afforded by MNCs to their subsidiaries. Subsidiaries of MNCs are given different level of autonomy, subject to product diversification, geographic diversification with the headquarters and the nature of decision area (Vachani, 1999). In addition to these factors, Roth and Morrison (1992) found that mandates from the

headquarter increases when the local subsidiaries possesses managerial expertise in managing interdependencies and strategic flexibility to exploit global advantages among other sister subsidiaries.

As above situation focused on the organisation wide, the actual autonomy and control in making decision granted to local subsidiaries in fact, is hold by the white expatriates. Research has examined the use of expatriates in top management positions at the foreign subsidiary as a means of control through monitoring, in which the expatriate top manager is considered an extended form of headquarters supervision (Boyacigiller, 1990). O'Donnell (2000) further linked this situation as an agency theory model, in which headquarters monitor their subsidiaries management with the presence of MNC headquarters personnel at the foreign subsidiary in positions that enable them to monitor subsidiary management behaviour.

However, the question arises if the local employees are given similar autonomy and opportunities to participate in making important decision when they are promoted or to replace the white expatriates. In comparing Japanese and American management style, Daft (2004) characterised the traditional American management models as a “dominated by a white-male mindset” with “managers were the thinkers and deciders, and workers were the doers”. According to Daft as well, this traditional American management model needs to evolve and redress towards management that emphasis on employee participation and engagement. One of the many current forms of employee

involvement in the workplace decision making is employee participation in decision making (PDM).

Black and Gregersen (1997) identified six dimensions of PDM. The first dimension, rationale, according to Black and Gregersen (1997) encompasses the democratic and humanistic perspective. PDM allows employees to exercise their intellectual potential and rights to participate in making decision affecting to the organisations (Black and Gregersen, 1997) and at the same time allows employers and employees striving toward a shared goal (Cludts, 1999). The second dimensions refer to the structure of PDM involvement, whether the organisation has formal policies and procedures for formal participation (Black and Gregersen, 1997). Contrary, informal participation are through encouragement and given opportunities to employees to participate in decision-making without any written policies or regulations. The third dimension explains the structure of participation. PDM with direct participation involves employees immediately in the decision-making process, while indirect participation restricts selected or represented individuals to represent the other members (Black and Gregersen, 1997).

The fourth dimension links the PDM with the decision issues employees participate in (Black and Gregersen, 1997), that encompass work and task design, working conditions, strategy issues and capital distribution and investment issues. In other words, the participation level could range from day to day task up to the long term organisation-wide strategic decision. The fifth dimension identified by Black and Gregersen (1997) is the degree of

involvement in decision-making, which represents the influence level to the final outcome. The influence level, may in one end, allows employees to have control over the final decision outcome, and on the other end may just ended as “pure suggestion” without taking into consideration when final decision is made.

Lastly, the sixth dimension proposed by Black and Gregersen (1997) is the process of decision-making where employees have the option to participate at five different levels. These five levels being: a) the basic level where employees are encouraged to identify problems only; b) the second level, where employees may offer solutions to problems; c) the third level where employees have the power to select a specific solution; d) the fourth level where employees have the power to plan and implement a solution; and e) the fifth and highest level, gives employees control over evaluating results.

The intensity of PDM in each of these dimensions determines the decision rights granted to individual level. In a nutshell, PDM grants rights to individual employees to participate in the decision making process whether in the form of autonomy in making decision to everyday job, participation over decision to be made locally within divisions, or even influence on strategic decisions at corporate wide level (The Ownership Culture Report, 1998).

Looking closely to Malaysia, Edwards, Ahmad and Moss (2002) found that local management of MNC subsidiaries in Malaysia has been conferred with limited autonomy, and even subsidiaries in MNCs that could be classified as

decentralized federations enjoyed no greater autonomy in other aspects of management than did those that were part of centralized hub. Richards (2000), in examining the control exercised by U.S. MNCs over their overseas affiliates, also discovered that the United Kingdom locally run affiliates are given significantly more autonomy than are the Southeast Asian locally managed ones. Similarly, when comparing U.S expatriates views on PDM, U.S expatriates showed more support on PDM in German subordinates, than in Latin American subsidiaries (Miller, Bhatt, Kumar, Catteno and Hill, 1981), an indication of belief of white supremacy.

If such situation continues in non-white subsidiaries, the headquarters of MNCs will continue to assign more expatriate to run operation in local subsidiaries, rather than granting autonomy to local employees through career promotion or granting lower level of autonomy in making decisions. The lack of autonomy to local subsidiaries would, therefore limit the opportunities of local employees in holding of prominent decision-making role in MNCs. This leads to the second hypothesis of the research:

***Hypothesis 2: The greater level of participative decision-making opportunities conferred to Malaysian employees in MNCs local subsidiaries, the lower the perceived White Supremacy culture existence in the organisations.***

## **2.5 Impression Management Tactic**

The third influence, according to Cortina's model (2008), that drives discrimination is at individual level. In organisation, employees need to interact with different groups of people, subordinates, peers and supervisors. Especially when career advancement is concerned, dyadic communication with supervisors is inherently important to ensure leader-member relationship leads to positive outcomes for both the employees and the organisations. High quality of leader-member exchange relationship could be achieved through four dimensions: affection, loyalty, contributory behaviour and professional respect between supervisors and subordinate (Liden and Maslyn, 1998).

However, the dyad relationship between supervisor and subordinate may become difficult due to possible discriminatory factors exist. According to Cortina (2008), individual level discrimination may exist when a person is categorized to a particular group through salient cues like gender and race whether within intention or unconsciously. This is linked to the cognitive factors, where individuals from different social categories differ in their way to influence and impress others; and affective factors when different social groups possess different attitudes and values even though they are facing the same encounters (Cortina, 2008). In such situation, there exists possible gap of impression of the minority employees by the whites supervisors, through "unconscious stereotyping" and prejudice, which Cortina (2008) regarded these as the form of modern discrimination.

Minorities individuals need to play active roles in determining how others perceive and evaluate them. The impression made to others will have implication on how individuals being evaluated and treated. Hence, individuals need to use impression management to control how the others form impression of them (Leary & Kowaski, 1990). Wayne and Liden (1995, pp. 162) define impression management as those “behaviours individuals employ to protect their self-images, influence the way they are perceived by significant others, or both”. In the aspect of organisations, individuals will try to present themselves in the best possible manner from people around, whether their subordinates, peers or supervisors. Especially the relationship with supervisor, it is important for employees to use appropriate impression management techniques as it may affect the success in upward career mobility (Wayne & Ferris, 1990). In influencing supervisors, Wayne and Ferris (1990) classified three types of impression management tactics that individuals tend to use: supervisor-focused, self-focused, or job-focused.

Wayne and Ferris defined supervisor-focused impressions management tactics as individual using “behaviours and verbal statements directed toward the supervisor” (1990, pp. 493) for example praising the supervisor and doing personal favours for the supervisor. Job-focused impressions management tactics on the other hands refers to individuals using “behaviours and verbal statements related to the related to the individuals performance on their job, attempted to manipulate information to make a positive impression on the supervisor” (Wayne and Ferris, 1990, pp. 493). For example, individuals come arrive at work early and stay back lack in the office to make a good



impression to their supervisors. The third tactics was defined by “behaviours that were intended to create the impression that the subordinate is a nice, polite person” (Wayne and Ferris, 1990, pp. 493), labelled as self-focused impression tactics), for example employees always keep their supervisors informed of all their accomplishment.

According to Xin (2004), Asian American appeared to use impression management tactics that did not impress and have less convincing to their supervisors. Asian Americans are using significantly large job-focused impression management tactics, but with significantly less self-disclosure, less self-focused and less supervisor-focused impression management tactics compared to European American managers. Unfortunately, job-focused impression management tactic was found to do more harm than good for employees. Job-focused impression tactics is found to be negatively related to a high-quality supervisor-subordinate relationship (Xin, 2004), supervisor liking to subordinate (Wayne and Ferris, 1990) and performance rating by supervisors (Balino, Varena, Bande and Turnley, 2006). On the other hand, these researches (Wayne and Ferris, 1990; Balino et al., 2006), which based on supervisors from the western communities, favour supervisor-focused impressions management tactics in improving supervisors’ appraisal and perception on job performance on subordinates.

As cultures play a more important role than nationality that influence work values (Tan and Chow, 2009), Malaysia employees, who are adopting Asian cultures, are expected to use the similar impression management tactics as

the Asian American. Malaysians are also found to be emphasised of affect and respect to their supervisors by working harder (Ang, Jantani, Ansari and Canada, 2009), which could possibly be misinterpreted by the white supervisors as job-focused impression management tactics. When this situation happens between Malaysian employees in the white-dominated local subsidiaries of MNCs, a gap exists between the impressions portrayed by local employees and how the white supervisors perceived their subordinates job performance.

The misplace of impression management efforts would then inhibit upward mobility as what might be expected by local Malaysian employees. This could have resulted white supremacy culture continues to exist in MNCs local subsidiaries. This leads to the third hypothesis of the research:

***Hypothesis 3: The greater used of job-focused impression tactics by Malaysian employees in MNCs local subsidiaries, the greater the perceived White Supremacy culture existence in the organisations.***

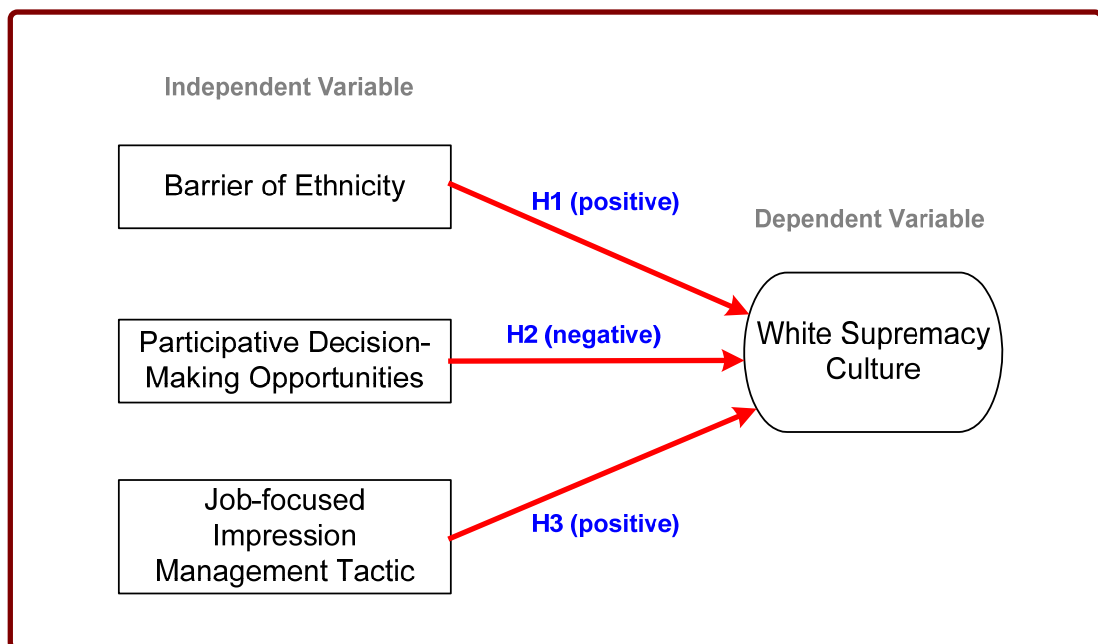
## **2.6 Conceptual Framework**

As indicated in Chapter 1, the purpose of this research is to try to answer the interesting questions: Why do Malaysian employees not “moving up” as easily as European/American managers in MNCs? Three hypotheses have been developed based on the research question and literature review and are reflected in the conceptual framework in Figure 2.1. This conceptual framework expresses the relationships between the various factors that

influence of the White Supremacy Culture in MNCs and will be studied based on a quantitative mode.

This study consists of three independent variables and a dependent variable. Barrier of Ethnicity and Job-Focused Impression Management Tactic are believed to directly positively influence the existence of White Supremacy Culture in MNCs. Participative Decision-Making Opportunities, on the other hand, is hypothesised to having negative influence the existence of White Supremacy Culture in MNCs.

Figure 2.1: Conceptual Framework of the Study



*Adapted from Cortina, L. M. (2008), Unseen Justice: Incivility as Modern Discrimination in Organizations, Academy of Management Review, 33, 1, 55-57.*

## **2.7 Conclusion**

The potential existence of White Supremacy Culture, a form of modern discrimination, has been examined in the first section of the Chapter. Empirical evidence was presented using the conceptualised framework for modern discrimination developed by Cortina (2006). The relationship among variables has been reviewed through integrative method which enabled the development of the study model.

This framework identifies the influences of modern discrimination through an integrated concept from organizational and social psychology, and management science. The multi-level influences come from individual level, the organization a person work with, as well as norms and practices of the bigger circle in the society. Understanding of these influences and their role as the predictors to workplace incivility will give a clearer understanding of relationship between MNCs and local employees.