

## CHAPTER 3

### THEORETICAL FRAMEWORK OF THE STUDY

#### **3.0 Introduction**

This chapter on the theoretical framework is a derivation of the preceding literature review on the organizational cultures of Japanese MNC's in Malaysia, and Hofstede (1980) four cultural dimension; individualism vs collectivism, power distance, uncertainty avoidance and masculinity vs femininity for the conduct of this study. Hence this conceptual framework is the basis for the research methodology for determining a conceptual model of Japanese MNCs organizational culture in Malaysia; and for testing the hypotheses pertaining to relations of the MNCs` home country and Malaysian organizational cultures, per Hofstede`s four cultural dimension; and their eventual business performance.

#### **3.1 Research Design**

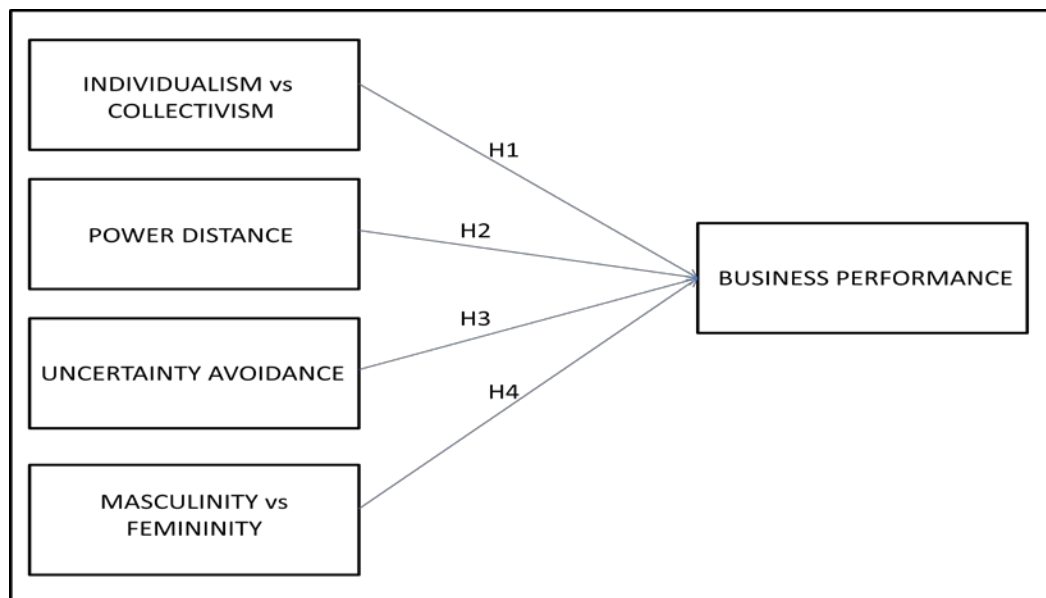
This study has been initiated to examine the relationship between culture and performance in the Japanese MNCs operating in Malaysia. This mixed qualitative and empirical study will be mainly based on Hofstede's four main culture dimension model (Hofstede 1980) as an independent variables; individualism vs collectivism, power distance, uncertainty avoidance and masculinity vs femininity, while the dependent variable is business performance. This research was conducted among Japanese MNCs, focusing on manufacturing and consumer electronic industry with unit of analysis was the executives and managerial level.

The final design of questionnaire was sent to the respondents using the survey method and data gathered were analyzed using the SPSS system.

### 3.2 Theoretical Framework

Figure 3.2.1 Theoretical Framework

The figure below illustrates the general theoretical framework of this study.



**Figure 3.2.1** shows the four chosen independent variables that may influence the dependent variable are individualism vs collectivism, power distance, uncertainty avoidance and masculinity vs femininity. Based on the theoretical framework, four hypotheses will be developed for this research. The variables that will be used in the hypothesis are as follows:

#### **Independent variables:**

1. Individualism vs collectivism
2. Power distance
3. Uncertainty avoidance

#### 4. Masculinity vs Femininity

##### **Dependent variable:**

1. Business performance

### **3.3 Hypothetical Model**

To facilitate the testing of the hypotheses, a hypothetical model of the MNCs organizational cultures are first to be formulated as a theoretical framework constructed through an integration of the various culture dimension to obtained through the survey questionnaire and interview on the Japanese MNCs, and their performance in business (financial and non-financial).

### **3.4 Sampling Population**

The MNCs are Sony (M) Sdn Bhd, Canon (M) Sdn Bhd, Fujifilm (M) Sdn Bhd and Panasonic (M) Sdn Bhd, which have been in operations for the past several decades. Their long presence have been perceived by Malaysian consumers and public as being much part of Malaysian households electronic products. The sampling is according to the general rule that the sample size should be at least ten times as large as the number of variables in the study, therefore a sample of 245 subjects selected. The population for this study are Malaysians currently employed at the Japanese Multinational Companies; and managers and executives of the MNCs. All the respondents are from high technology industries such as electronics and manufacturing with targeted complete respondents more than 100 respondents. The scope of the study is limited to electronic and

manufacturing industry players so as to minimize the influence of Western culture and other characteristics

### **3.5 Research Instrument**

Primary data collection instruments the questionnaires and interview checklist. The necessary data to fulfill the research objective are to obtain from self-administered questionnaires. Respondents will be asked to indicate their agreement and disagreement on a five-point scale. Forty two items to be used to assess the organizational culture on five-point scale ranging from (1) strongly disagree to (5) strongly agree. The items are adapted and lightly modified from Rajendar and Jun Ma's (2005) work. For the purpose of measuring the business performance, ten items are to be developed based on the work of disagreement on five-point scale. The two performance indicators are: financial (company financial report) and non-financial (customer perspective and market share). Various studies developed from Hofstede's theories are to be used as secondary references.

A questionnaire consisting of items relevant for this study is to be constructed in accordance with SPSS questions adapted from Rajendar and Jun Ma (2005). A 5-point scale ranging from "strongly disagree = 1" to "strongly agree=5" was used for each of the statement. However, a slight modification of accepted elements used by proven previous researcher to measure variables is to be made whenever appropriate. The structured questionnaire consists of 6 sections.

Section A - D consisted of a series of statements to measure the independent variables, section E for dependent variables and section F is the background of the respondents. For the purpose of measuring the business performance, ten items are to be developed based on the work of disagreement on five-point scale. The performance indicators are financial and non-financial perspective. The original and expansions of Hofstede's theories were used as secondary data.

### **3.6 Research Data Collection and Analysis**

The data is to be processed by the means of Statistical Package for Social Sciences (SPSS). The statistical analysis will include descriptive analysis for summarizing the data collected, ANOVA analysis for measurement of between group variance, Bivariate Pearson Correlation analysis for hypothesis testing and reliability analysis to test the correlation of items. To ensure no contradicting statement given, the collected data are to be edited to ensure the consistency. For any returned questionnaire that was left blank or more than 25 percent left blank, it will be discarded and will not be included in the data set for analysis. 2 negatively worded questions are to be included and recorded on the reverse point scale.

When they are compiled and completed, the factor analysis will be carried out to regroup the elements of the dimension. Descriptive statistics including frequency distributions for the variables, means, and standard deviation are to be used. Range and variance on the dependent and independent variables are to be

carried out to describe the characteristics of the population. The reliability analysis is to be carried out to determine for interim consistency reliability of measures, that is, to confirm that each theorized element is indeed obtained from the items and each dimension derived from the elements.

### **3.7 Validity and Reliability**

Discussion and thorough reference are to be made before the administration of the questionnaires with the advisor in the fields of organizational culture to verify the contents of the questionnaire. The content validity is to be determined to find out whether it is adequate, sufficient and representative of the set of elements to be measured in accordance with the intended concepts. Relevant questions are to be grouped together, then analyzed using descriptive statistics and correlations analysis. Proper and complete regression analysis will also be grouped and analyzed to test the hypotheses; chapter 4 will provide an analysis of the qualitative data.

### **3.8 Testing the Hypotheses**

The four hypotheses that will be tested are the independent variables such as individualism vs collectivism, power distance, uncertainty avoidance and masculinity vs femininity per an independent variable of business performance. The purpose is to test their relations to home organizational culture, based on Hofstede's four main culture dimension: individualism vs collectivism, power

distance, uncertainty avoidance and masculinity vs femininity. The frameworks of the hypotheses to be tested in this study are as follows:

### **3.8.1 Individualism vs Collectivism**

According to Hofstede (1980), the level of individualism or collectivism characterizing a culture reflects the nature of the relationship between the individual and the collectivity which prevails within that society. High individualism implies a preference for a loosely knit social framework within which people are supposed to take care of themselves and their immediate families only. Collectivism indicates a preference for a tightly knit social framework within which individuals are emotionally integrated in to an extended family or other in-group that will protect them in exchange for unquestioned loyalty. In individualistic cultures this self-orientation, or “I” consciousness, results in an emotional independence of the individual from organizations and institutions; an emphasis on individual initiative , achievement and rights; and a universalistic feeling that value standards should apply to all. Collectivism cultures are characterized by a ‘we’ consciousness that translates into the emotional dependence of the individual on society; a felt need to belong; the willing subordination of individuality and a private life; and, crucially, a particularistic belief that value standards differ for in and out group members. We suggest that social mobility, the pursuit of self-interest, the psychological independence of the individual, and the emphasis on initiative, achievement and equity characteristics of individualistic cultures, will cause the individual to apply his or her labor where it

will earn the highest available return. Conversely, the in-group/out-group distinction so strongly maintained in collectivistic cultures will be disabling for many, particularly for those who traditionally lack access to the levers of power.

Thus the following suggested;

**H1 : There is a significant relationship between individualism VS collectivism and business performance in Japanese MNC in Malaysia**

### **3.8.2 Power Distance**

Hofstede (1980) power distance factor references the extent to which members of a society accept that power and all that is associated with it is distributed evenly. According to Hofstede, in a high power distance society an order of inequality exist in which everyone has his her rightful place; dependence characterized the majority of the society's members, and independence the elite minority; superiors and subordinates are differentiated in other-than-hierarchical ways; and power is a basic fact of society that antedates good or evil. In such a society, power holders are entitled to privileges denied the powerless; coercive and referent power are emphasized; others are viewed as a threat to one's power and rarely are to be trusted; and latent conflict characterizes the relationship between the powerful and the powerless. In a low power distance society, beliefs exists that inequality is to be minimized; the interdependence of members replaces the dependence of the majority; superiors and subordinates are considered alike; and all members have equal rights.



Additionally, in low power distance societies legitimate and expert power are emphasized; people at various power level feel less threatened and are more prepared to trust each other; and latent harmony exists between the powerful and the powerless. Based on the rigid structures and relationships characteristics of high power distance cultures, the relative unwillingness of the powerful to value what less- powerful others bring to the economic table, and the intrinsic acceptance by its victims of this systematic discrimination, offer the following hypothesis;

**H2 : There is a significant relationship between the power distance and business performance in Japanese MNC in Malaysia.**

### **3.8.3 Uncertainty Avoidance**

Uncertainty avoidance can be defined as 'the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations'. In cultures of strong uncertainty avoidance, there is a need for rules and formality to structure life. People of high uncertainty avoidance are less open to change and innovation than people of low uncertainty avoidance cultures.

**H3 : There is a significant relationship between uncertainty avoidance and business performance in Japanese MNC in Malaysia.**

#### **3.8.4 Masculinity vs Femininity**

The masculinity vs femininity dimensions can be defined as follows; 'The dominant values in a masculine society are achievement and success; the dominant values in a feminine society are caring for others and quality of life'. In masculine societies, performance and achievement are important and achievement must be demonstrated, so status brand products such as jewelry are important to show one's success (De Mooij & Hofstede 2002; De Mooij 2010).

**H4 : There is a significant relationship between masculinity vs femininity and business performance in Japanese MNC in Malaysia.**

#### **3.9 Conclusion**

Hence with the theoretical framework described, the next chapter shall be on the methodology whereby the procedures of data collection and analyses are described in detail.