A Comparison Study on Dominant Factors of Organizational Culture Between Foreign Investors and Local Investors in Indonesia (A Study of Japanese and Indonesian Automotive Companies at Jababeka Industrial Estate-Indonesia)

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Abstract: Recently, international business becomes a part of daily business activities. Having many abroad subsidiaries or investing capital in any other countries are also parts of nowadays business mechanism and indeed this will have another issue to face that is differences in culture. That is the reason why organizational culture becomes one of the essential issues nowadays. This research is aimed to compare dominant factors of organizational sub-culture or dimensions between a Multinational Company (MNC) and a local one (Indonesian company). It involved 103 respondents from MNC and 103 respondents from a local company in Jababeka Industrial Estate. All respondents are working for the production department. Factor analysis was used to find the dominant factors. The research results show 2 dominant factors for MNC whose essence is carrying "advancement aspect" which tends to be similar to create (adhocracy) culture. Whereas, there are 4 dominant factors for the local company whose essence is carrying "current aspect" which tends to be similar to collaborate (Clan) culture. From this finding, based on culture, it suggests that indonesian companies need to prepare more, particularly in facing nowadays higher competition in economic Asean community.

Key words: Organizational culture, dominant factors, MNC, local company, current aspect

INTRODUCTION

It has been our concern that advancement in technology will play a significant role in supporting human activities. One of these activities is known as International Business in which an organization will have international operation. This kind of organization might have a headquarter in a certain country and have subsidiaries in other countries or a particular organization will invest their capital in another country (Foreign Investors) so called multinational company. As a consequence this organization will have to deal with a number of differences. Afterward, cultural diversity is one of the prevalent topics that every multinational company has to face. From Indonesia's standpoint as one of the developing countries with densely inhabited in ASEAN region, the capability to deal with this cultural diversity issues will take part significantly to prepare the higher competition in economic Asean community era.

There are many theories or concepts in connection with culture. One of these concepts was proposed by Hofstede (1997). He described that culture as mental programming. This can be concluded that each individual will bring within themselves patterns of thinking, feeling and potential acting which were learned all the way through their own natural life. To a great extent this has been attained since their own childhood in which this individual is still in the condition of being most susceptible to learn. Once one individual learn about something, he or she has to prepare himself or herself before he or she learns something new. Certainly, this new information will link up with the issue that has been learned before. The starting place of one individual's mental programming will be situated within the social environments in which this individual grew up and experience their life. This programming will start from the family then the neighborhood, at school, at the living community and the result will be brought to the work place by the individual. Different family, different neighborhood, different school and any other differences may contribute to the differences in the process of mental programming. Furthermore, this should be accommodated by the management of the organization as a reasonable consequence for each multinational organization.

Organizational culture: According to Willcoxson and Millett (2000), an organizational culture may commonly be

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described as a set of norms, beliefs, principles and ways of behaving (Brown, 1995). Willcoxson and Millett (2000) state that similar to national cultures, organizational cultures are also formed and transformed over time of course in a much milder figure. As discussed by Arslan and Zaman (2014), naturally an organization will respond to the change of business environment and accommodate business characteristics, mainly the high level of competitiveness, more demanded sophisticated customer requirements, together with the wider community values held by the employees and also the values and behaviors of the originators or earlier leaders (Schein, 1985; Ott, 1989). Commencing the perspective of anthropological attitude, scholars and researchers stated that organizations are cultures (Bate, 1994) describing something that what an organization is (Smircich, 1983) so that similar to national cultures, an organizational culture will cover:

- A configuration of shared essential assumptions
- Originated, learned or developed by a particular given group
- As it learns to deal with its predicaments or problems of external adaptation and internal integration
- That has worked satisfactory enough to be considered valid and therefore
- Is to be taught and trained to new members of the group as the
- Correct and appropriate way to perceive, think and feel in relation to those problems (Schein, 1999)

Indeed, based on the definition above there are several key ideas to express the meaning of organizational culture as has been stated in the study of Sun (2009) as follows:

- Culture is a learned entity or body
- Culture is considered as a belief system
- Culture is perceived as strategy
- Culture as mental programming

Besides, through year of empirical research, many scholars have found a number of facts that there are relationships between organizational culture and organizational performance. Beforehand, business people were not aware of the importance of understanding organizational culture or not able to make use of the stren Therefore, knowing its own organizational culture is one of important ways to equip the organization and to strengthen itself in facing global competition. gth of its own organizational culture as a competitive advantage.

MATERIALS AND METHODS

The competing value framework: In order to identify the organizational culture or its own dimensions, Quinn and Rohrbaugh (1983) proposed a framework called "The Competing Values Framework". This framework consists of 2 axes or dimensions, constructing 2×2 matrix containing 4 areas or clusters. The first dimension sets the values of flexibility, discretion and dynamism on one pole and stability, order and control on the other pole. In other words that some organizations, usually start-up organizations will tend to be more flexible and dynamic while other organizations tend to stabilize the performance in accordance with the age of the organizations. The second dimension indicates internal orientation, integration and unity on one pole and external orientation, differentiation and rivalry on the other pole. Some of the organizations are effective due to focusing in internal processes and integration. Meanwhile, other organizations tend to be more effective through focusing in external processes and differentiation.

From these 2 axes or dimensions, it is clearly seen that there are 4 quadrants. Further research on illustrating how each of these 4 quadrants is related to the characteristics of the organization was conducted by Cameron and Quinn, (1999, 2005). Each quadrant represents organization's best and most appropriate way to operate. In other words these quadrants represent the organization basic assumptions, beliefs and values in which these are the substance of culture. The first quadrant is called collaborate (Clan).

The area is between flexibility and internal processes. Therefore, this area is characterized by inward focus and concern for integration. At the same time, this quadrant also reflects the orientation of organization in flexibility and dynamism. This can be learned from many Japanese companies in the late 1970s and 1980s in which they had a more team-centered approach. This basic awareness contributed to the way Japanese companies structured the organizations and handled problems collaboratively, like families that value cohesiveness, a humane working environment and loyalty. In short, collaborate-or clan-culture can be described as an open and pleasant place to work. The member of this organization can easily share almost anything. Leaders of this organization are taken into account to be mentors to guide or even to be parental figures. Usually, members of this organization show high loyalty. Meanwhile, this quadrant also exhibits a sense of long-term benefits of human resource development, group cohesion, teamwork, consensus and member participation.

The second quadrant is called control (Hierarchy). The area is between internal processes and stability. This

Table 1: Factors and/or dimensions of organizational culture

Years	Factors or dimensions
Wallach (1983)	Bureaucratic, innovative and supportive
Deal and Kennedy (1984)	Values, heroes, rites and rituals, communication network
Glaser *et al.* (1987)	Teamwork, morale, information flow, involvement, supervisions, meeting
Judy *et al.* (2003)	Supportiveness: Being team-oriented, sharing information freely, being people-oriented, collaboration
	Innovation: Being innovative, quick to take advantage of opportunities, risk taking, taking individual responsibility,
	Competitiveness: Achievement orientation, emphasis on quality, being distinctive, being competitive
	Performance orientation: Having high expectation for performance, enthusiasm for the job, being result-oriented, being highly organized
	Stability: Being calm, security of employment, low conflict, stability
	Emphasis on reward: Fairness, opportunity for professional growth, high pay for good performance, praise for good performance
	Social responsibility: Being reflective, having a good reputation, being socially responsible, having a clear guiding philosophy

Table 2: MNC component transformation matrix component

Component	1	2
1	0.728	0.686
2	0.686	-0.728

Extraction method: PCA rotation method; varimax with Kaiser normalization

Table 3: LOCAL component transformation matrix

Component	1	2	3	4
1	0.769	0.030	0.638	-0.027
2	-0.143	0.971	0.132	0.142
3	-0.618	-0.163	0.743	-0.197
4	-0.083	-0.174	0.150	0.970

Extraction method: Principal component analysis; Rotation method: varimax with Kaiser normalization

organization often shares similarities, values standardization in many aspects and has well-defined structure of organization. Rules and procedures will direct member's behavior and embrace togetherness within the group. Successful leaders for this hierarchical culture need to coordinate, monitor and organize the people and processes for the benefit of efficiency. This is needed to preserve a smooth-running activities within the organization.

The third quadrant is called create (Adhocracy). The area is between flexibility and external processes. Similar to collaborate (Clan) this organization values flexibility and discretion but does not value inward focus. Instead, this organization will focus on external processes and strive to have differences. Therefore, this organization will have several characteristics of a dynamic, creative and entrepreneurial place to work. Risk-taking and innovation are incorporated by all members of the organization. Encouragement to commit in experimenting and thinking differently are factors that bring together the organization. This organization also strives to have the position of leading edge by producing unique valuable new products and/or services.

The fourth quadrant is called compete (Market). The area is between stability and external processes. Similar to control (hierarchy), this organization will emphasize stability and control. At the same time, this also will focus on external orientation. Activities within organization will value differentiation over integration and reflect a result driven and/or job completion orientation. Therefore, the members of organization are goal-oriented and competitive. Leaders almost always set the bar high and are hard-driving and demanding. Long-term focal point will be on competitive accomplishment and reaching for measureable objectives.

It has to be considered that this research in relation to organizational culture types, focuses on organizations as a whole. This is very important to mention because other research that was conducted approximately the same time as the competing value framework, accentuates that the organizational culture is not homogenous as per being stated by Trefry (2006). As a substitute other called subcultures are present and sometimes even have different essence or contradict the culture of organization. Schein (1999) states that this is not inevitably dysfunctional, somewhat it gives the organization space to perform successfully in different challenges or environments, derived from market, product, location, etc., therefore, there is a possibility that a create (adhocracy) organization has a compete (market) of production department, a collaborate (clan) of human resources management department and so forth. This needs to be done to anticipate the rapid change of the global competition.

Considering the theoretical illustration above and also the objectives of this research, the factors and/or dimensions used in this research can be seen as follows (Table 1).

Research questions: In line with the purpose of this research, the research questions that will be used in this research are Table 2 and 3:

- Are there any differences in the dominant factors of the organizational culture's dimensions between multinational companies and local companies in Indonesia

Table 4: Contrast of the dominant factors

	MNC	LOCAL
No. of factors	2	4
Factors	Innovation is already part of daily activities Senior officers will accommodate ideas, questions, inputs from subordinates with enthusiasm	Employee feels appreciated and rewarded in the workplace Quality of personal relationship to the supervisor will influence the employee's performance activities related to social responsibility will support the working spirit of the employee employee considered that social responsibility activities have been Well established

- What are the dominant factors of the organizational culture's dimensions within multinational companies and local companies in Indonesia

Research objectives: The purpose of this research is 2 fold:

- To identify whether there are any differences in the dominant factors of the organizational culture's dimensions between multinational company and local company in Indonesia
- To identify the dominant factors of the organizational culture's dimensions within multinational company and local company in Indonesia

RESULTS AND DISCUSSION

Implementation of the research: The population of this research is employees in 2 companies located in Jababeka Industrial Estate, Cikarang, Bekasi, Indonesia who are involved in production department of heavy equipment industries. In this industrial estate there are 2 heavy equipment companies, 1 of them is owned by indonesian and the other one is a multinational company. Since, the purpose of this research is to compare multinational company and local company, there are 2 groups of population, called MNC and LOCAL.

The questionnaire as data collection technique used in this research, applies 5-scale level, from strongly disagree to strongly agree, with Convenient Sampling as sampling technique. In fact, out of 200 questionnaires distributed for each group, 103 questionnaires to each group were returned. In terms of the number, based on Slovin formula (since the population is 180 in LOCAL and 234 in MNC) it is eligible to be involved in the further process. This research applied factor analysis as part of multivariate statistics. Hypotheses for significance for each group are:

- H_0 = Sample is not adequate to be further processed
- H_1 = Sample is adequate to be further processed

And the criteria are:

- Sig. >0.05 then accept H_0
- Sig. <0.05 then reject H_0

The table of KMO MSA and Bartlett's test for MNC shows that sig. value is equal to 0.000 and KMO MSA is equal to 0.819 and for LOCAL the sig value is also 0.000 and KMO MSA is equal to 0.584. For this reason we may conclude that we can reject H_0. Since, the KMO MSA value is bigger than 0.5. we may conclude that the variables for both groups still can be predicted and can be further processed. From the rotated component matrix table with the principal component analysis extraction method and Varimax with Kaiser normalization rotation method and use 3 eigen values we will have the first difference between these 2 groups. MNC will have 2 factors extracted whereas the LOCAL will have 4 factors extracted. This fact might suggest that MNC tend to be more focused than LOCAL. We also will have component transformation matrix for each groups as follows.

Both component transformation matrixes above demonstrated that factors could be concluded positively well-constructed. When the number in the diagonal position are bigger than 0.5, it could be concluded that the factors are well-constructed which also means that factors constructed have a strong correlation before and after the process of rotation. The contrast of the dominant factors between MNC and LOCAL can be seen in the following (Table 4) (Brown and Starkey, 1994).

CONCLUSION

Answering the first research questions there are differences in the dominant factors of the organizational culture's dimensions. MNC has 2 new factors whereas LOCAL has 4 new factors. These facts may lead us to the predisposition that MNC tends to be more focused on a certain direction. Obviously, the less number of new factors does not automatically reflect the tendency to focus on a certain direction but in this case and also part of the effort to answer the second research question, it

can be interpreted that MNC tends to be more focused on 'advancement aspect'. This conclusion can be drawn from the 2 factors of MNC: "innovation" and "enthusiasm of the supervisor to support the employee". These 2 factors are considered to have the essence of "future" and close to the characteristic of the competing value framework as create (Adhocracy) organization. As illustrated and discussed before, this category of organization, besides value flexibility also pays a good attention to external processes, performs to have a good preparation to compete and has good information about the competitors. In short, this organization will put attention and effort to get ready to compete and/or win the competition.

On the other hand, although LOCAL has 4 new factors, it can be categorized into 3 topics: "reward", "quality of relationship to the superior" and "social responsibility" and these topics can be translated as 'current aspect' and close to the collaborative (Clan) organization. It can be easily understood that the local company in which all members are Indonesian will have Indonesian culture in this case, value of relationship. Basically, there is nothing wrong with valuing relationship but competing within present high-level global competition, each organization needs to be ready. In short, LOCAL needs to accommodate 'advancement aspect' within its organizational culture to strengthen themselves to face today's competition.

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