Implementation of Value-Based Management in Multinational Organizations Facing Cultural Differences

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ABSTRACT

Value-based management is increasingly being introduced as an important approach to improving organizational performance and culture. However, its implementation faces major challenges, especially in multinational organizations operating in different countries with different cultural perspectives. This article discusses the impact of cultural differences on the effectiveness of VBM implementation in multinational organizations. Differences in cultural values, such as collectivism versus individualism, as well as the way decision-making is influenced by hierarchy or egalitarianism, can hinder the consistent application of Values-based management across operational levels. For this reason, it is important for organizations to be aware of any mismatches between their core values and local cultural norms. This research suggests that organizations should be more sensitive to design a value-based management implementation that is flexible and tailored to the needs of the local culture without compromising the core principles of the company. Open communication and effective feedback mechanisms are needed to ensure the values are well received and implemented. Through careful adaptation and employee involvement in the change process, organizations can optimize the implementation of value-based management that can improve long-term performance and create a harmonious organizational culture across multiple locations.

INTRODUCTION

In an increasingly competitive business world, organizations are faced with the challenge of constantly evolving and adapting to the rapid changes occurring in technology, consumer preferences, and market dynamics (Jamaluddin et al., 2013). One approach that is increasingly being adopted by various organizations is value-based management (VBM), which emphasizes the embedding of core values in every aspect of the company's operations and strategies. This concept emerged as a response to the need to create a work environment that not only focuses on achieving financial goals, but also on aspects of employee welfare, sustainability, and social responsibility. Along with the increasing awareness of the importance of ethics and culture in organizations, value-based management is considered as a way to create harmony between achieving business goals and meeting the needs of wider stakeholders (Quach & Frey, 2020).

The implementation of VBM in practice often encounters various challenges that can hinder its effectiveness. While the value principles underlying this concept have the potential to significantly enhance organizational culture and provide clear direction for decision-making, many organizations struggle to consistently integrate these values across all operational levels (Kaufmann & Kaufmann, 2020). This inconsistency can lead to confusion among employees and dilute the intended impact of value-based initiatives. Research shows that the performance of organizations that implement VBM is often influenced by the extent to which the values are accepted and understood by all members of the organization. The positive impact is seen in increased employee satisfaction, customer loyalty, and corporate reputation, but challenges remain, especially in terms of effectively communicating values and ensuring that every action of the organization is aligned with these values (Kuchinke, 2017).

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One of the main problems in implementing VBM is the difficulty in consistently applying the established values at all levels of the organization. Many organizations experience a gap between the values proclaimed at the top management level and the reality on the ground (Kokovikhin, 2017). This is often due to a lack of understanding and commitment from all members of the organization to the values (Mahyanalia et al., 2017). For example, although values such as integrity and social responsibility have become part of the organization's vision and mission, the reality is that many employees feel that they are not getting real examples from their leaders (Kaplan & Norton, 2001). As a result, although these values are important in theory, their implementation is hampered by the mismatch between what is said and what is done.

One of the significant challenges in value-based management is measuring its impact on organizational performance. Often, the indicators of success used are more focused on short-term financial results, while the impact of implemented values on long-term performance, such as customer loyalty, employee satisfaction, and corporate reputation, is difficult to measure precisely. Research by Collins and Porras (1994) shows that although value-based organizations have the potential to achieve good long-term performance, unclear measurements and inconsistent standards make assessments of their effectiveness hazy. This leads to confusion as to whether the values actually contribute to overall performance or are merely cosmetic without significant impact.

The implementation of value-based management is also often constrained by cultural differences within the organization, especially in companies that have a very diverse structure or operate in several countries with different cultures. The values implemented may be difficult to accept or translate effectively across different cultural perspectives. As described by Hofstede (2001), differences in cultural values can cause conflict or resistance to value-based management initiatives, especially in multinational companies that face the challenge of balancing local values with global corporate values. This creates barriers to creating a cohesive culture thus reducing the effectiveness of VBM implementation in large-scale and multicultural organizations.

The phenomenon of VBM should be closely observed as its implementation can have a significant impact on an organization's long-term performance. Organizations that successfully integrate core values in their operations will improve internal efficiency, and create better relationships with customers, employees, and other stakeholders. Without an understanding of how these values are implemented and how they affect performance, an organization risks not being able to optimize the full potential of its VBMs, hindering its long-term growth and sustainability (Kaplan & Norton, 2001). Therefore, understanding the issues in VBM implementation is critical to keeping the organization relevant and competitive in an increasingly dynamic marketplace.

In addition to the impact on performance, values-based management also plays an important role in shaping and maintaining a strong and cohesive organizational culture. A culture based on clear and well-understood values will create a healthy work environment, increase employee satisfaction, and reduce high turnover rates (Padma et al., 2018). However, if these values are not implemented consistently, or if there is significant cultural resistance, this can lead to internal tensions, damage employee-management relations, and disrupt the long-term stability of the organization (Collins & Porras, 1994). Therefore, it is important to observe and identify problems in the implementation of VBM so that the organizational culture remains aligned with the company's goals and can survive in the long term.

The purpose of this research is to analyze how organizations can overcome the difficulty of consistently applying core values across operational levels, as well as ensuring that they are accepted and well understood by all members of the organization. This study aims to examine the impact of cultural differences in organizations on the effectiveness of implementing value-based management, especially in multinational organizations operating in various countries with different cultural perspectives.

RESEARCH METHOD

This research method uses a literature study approach to analyze the concept of VBM and its implementation in organizations. The literature study approach was chosen because it allows researchers to explore various perspectives, findings, and existing theories related to this topic. The researcher will collect and analyze various relevant sources, including scientific journals, books, and articles that discuss the application of VBM in various types of organizations, be it small, large, or multinational companies. Through this approach, the researcher can identify existing research gaps and understand the main challenges faced by organizations to effectively implement core values (Hart, 1998).

This literature study also aims to explore theories related to organizational culture and how cultural differences can affect the effectiveness of value-based management. References from previous studies examining the relationship between organizational culture and firm performance will be an important basis for understanding the challenges faced by multinational companies to implement VBM across different cultural perspectives. This literature study will also look at broader management theories, such as leadership and decision-making theories, to see how values can be integrated in organizational structures and operational processes (Schein, 2010).

In conducting the literature study, the researcher will select relevant and verified sources, especially those published in indexed international journals and reputable books. These sources provide insight into the concepts and theories that have developed in the field of value-based management, as well as how these concepts are applied in the real world. The researcher will also review studies that address the outcomes and impact of implementing VBM on organizational performance and culture, as well as the challenges faced in its implementation (Bass & Avolio, 1994).

This literature study approach is expected to provide a more comprehensive understanding of VBM and its application in various organizational settings. By analyzing various existing findings and perspectives, this research can help explore the potential benefits and barriers that may arise for implementing VBM. The results of this literature study will provide a clear picture of the main problems faced by organizations to implement core values and contribute to the development of knowledge in the field of management (Kotter, 1996).

RESULT AND DISCUSSION

Value-Based Management (VBM) within the scope of multinational organizations is a managerial approach that emphasizes the importance of corporate values in decision-making and business strategy. It focuses on creating long-term value for stakeholders, including shareholders, employees, customers and society.

In practice, multinational organizations strive to create sustainable value, not just short-term profits. This involves investing in innovation, product development, and service improvement. To measure performance, VBM uses value-focused metrics, such as Economic Value Added (EVA) or Return on Invested Capital (ROIC). These metrics help management understand whether their decisions are truly creating value.

Stakeholder engagement is also an important aspect of VBM. In a multinational setting, it is important to consider the different perspectives and needs of stakeholders in different countries. Value-based management encourages dialog and collaboration with stakeholders to understand different values across cultures.

VBM encourages the development of a strong organizational culture, where the company values are internalized by all employees. This is important to ensure that all members of the organization work towards the same goal. In terms of global strategy, multinational organizations must adapt their strategies to local perspectives while still maintaining the company's core values. These adjustments could involve products, marketing, and business practices to meet the needs of different markets.

Corporate social responsibility (CSR) is also a part of value-based management, where organizations seek to make a positive impact on society and the environment, in line with their values. By implementing Value-Based Management, multinational organizations can more effectively achieve their strategic goals, improve performance, and build better relationships with stakeholders around the world.

Difficulty in Consistent Implementation of Core Values at All Levels of the Organization

Implementing core values consistently across operational levels is a major challenge for many organizations. To overcome this difficulty, organizations need to create a clear understanding of the values from the top management level to employees in the field. One way to do this is to explicitly set out and communicate the core values in the company's vision and mission, and ensure that they are relevant to the organization's goals. For example, organizations should ensure that the values outlined reflect their priorities in terms of quality, innovation, and work ethics that are acceptable to all team members (Kaplan & Norton, 2004).

It is also important for organizations to ensure that core values are communicated verbally, and implemented in daily actions. This means that the organization's leaders should model the values and practice them in their decision-making and interactions with employees. Leadership based on leading by example can reinforce the message and encourage employees to emulate the behavior (Dwyer & Azevedo, 2016). In this case, leaders must demonstrate commitment to core values to create a strong organizational culture based on trust and integrity (Schein, 2010).

To ensure the values are accepted by all members of the organization, it is important to conduct continuous training and socialization. Good training will provide an understanding of how the core values should be applied in relation to daily work. An effective approach is to use case studies or simulations that illustrate real challenges faced by employees to apply the values. Training can increase the understanding and skills needed to integrate values in work decisions and actions (Kotter, 1996).

It is important for organizations to create a reward system that supports the implementation of core values. Rewards given to employees who demonstrate behaviors that are in line with the organization's values will encourage others to follow their lead (Kaufmann & Kaufmann, 2020). This reward system can be in the form of financial rewards, public recognition, or career advancement opportunities. By providing the right incentives, organizations can ensure that employees feel rewarded for their efforts to implement core values, which in turn encourages consistency in their implementation across all levels of the organization (Lencioni, 2002).

It is also important to have an effective feedback mechanism to assess the extent to which core values are accepted and understood by employees (Darmawan et al., 2020). Organizations can conduct employee satisfaction surveys, interviews, or group discussions to evaluate whether the values are being implemented consistently. With this mechanism, the organization can identify areas that need more attention in terms of values implementation and make necessary adjustments to the strategy. This feedback can also be used to ensure that communication about core values remains relevant and understood by all members of the organization (Denison, 1990).

The biggest challenge to implementing core values consistently is resistance to change. Many employees may feel reluctant to adapt to new values, especially if they are used to the old way of working. Therefore, organizations must manage these changes carefully. Effective change management, as described by Kotter (1996), includes steps such as creating a sense of urgency, forming a coalition to support the change, and ensuring that every individual feels involved in the change process. By involving employees in the planning and implementation of core values, they will be more receptive to change and more motivated to carry it out in their work (Kokovikhin, 2017).

To ensure that core values are consistently understood and accepted across operational levels, organizations must maintain open and clear communication between various levels of hierarchy. Effective two-way communication between managers and employees is vital to convey expectations and address any issues or confusion that may arise. This process helps create transparent information channels, enables constructive feedback and increases employee engagement.

The mutual understanding and trust built through this communication is an important foundation for the application of core values in daily activities. When employees feel heard and valued, they are more likely to internalize the values and apply them in their work. Thus, creating a culture that supports core values strengthens organizational identity, and improves overall performance and job satisfaction (Lencioni, 2002).

The Impact of Cultural Differences on the Effectiveness of Value-Based Management Implementation in Multinational Organizations

Cultural differences within organizations can affect the effectiveness of implementing value-based management (VBM), especially in multinational organizations that operate in different countries with different cultural perspectives. Organizational cultures in different locations can vary widely, which creates a challenge to ensure that the core values espoused by the organization are accepted and applied consistently across the globe. Research shows that different cultures can influence individuals' perceptions of established values and how they interpret them in relation to their daily work (Hofstede, 2001). For example, values such as hierarchy or power in Asian countries may be viewed very differently to the more egalitarian views prevailing in Western countries.

The application of VBM in multinational organizations can be even more complex due to differences in the way people communicate and make decisions. In some cultures, such as in Japan or Korea, the values of collectivism and team harmony are favored, whereas in Western cultures, such as the United States or Europe, the values of individualism and autonomy are valued. This can lead to mismatches in the application of core values set by central management. For example, if a multinational organization promotes the value of innovation and risk-taking, employees in countries with more conservative cultures may feel less comfortable pursuing such innovation (House et al., 2004).

These cultural differences may affect the way leaders lead and manage teams. In countries with hierarchical cultures, leaders tend to have more control and centralize decision-making, while in countries with more egalitarian cultures, leaders encourage team participation in decision-making.

This has the potential to create a gap in the way core organizational values, such as collaboration or transparency, are implemented. The application of such values may be perceived as less compatible with local cultural norms, which may reduce the effectiveness of implementing value-based management (Hofstede et al., 2010).

The impact of these cultural differences is also seen in the way organizations assess employee performance. In many cultures, a higher value is placed on hard work and commitment to the group, while in others, such as in some Western countries, individual results and personal achievement are often the primary measures of performance. Organizations must be careful to determine how they communicate and evaluate the applicability of core values across cultures. If the values are not adapted to local cultural preferences and norms, their implementation may fail or not have the expected impact (Schneider & Barsoux, 2003).

The mismatch between the values desired by the company and the values accepted at the local level may lead to resistance to change. For example, if a multinational company attempts to impose individualistic values in countries with collectivistic cultures, employees may feel that these values conflict with their local cultural values. This can lower employee morale and damage working relationships, which in turn can negatively impact organizational performance. Therefore, it is important for multinational companies to consider cultural differences to design and implement VBM (Trompenaars & Hampden-Turner, 1998).

However, although cultural differences can challenge the implementation of value-based management, there are also opportunities for organizations to adapt their core values in a way that respects the local culture. In this case, organizations need to adopt a more flexible and culturally sensitive approach. Successful multinational organizations often adapt their core values to local needs without neglecting the basic principles that have been established. By understanding local cultural values, organizations can develop more appropriate strategies to implement VBM across different cultural perspectives (Jackson, 2004).

It is important for organizations to involve all levels in the process of cultural adaptation and implementation of core values (Lee et al., 2018). By building cross-cultural awareness throughout the organization, they can create mutual understanding and reduce potential conflicts that may arise due to value differences. Engaging all members of the organization in this dialogue about culture and values ensures that every voice is heard, further strengthening commitment to common goals.

Organizations that are able to manage cultural differences well and integrate core values in a locally sensitive manner are more effective at achieving long-term goals. This approach improves performance, and strengthens the overall culture of the organization. By creating an inclusive and adaptive environment, organizations can build a solid foundation for innovation and sustainability, adapting to the rapidly changing global business world (Adler, 2008).

CONCLUSION

The implementation of values-based management (VBM) in multinational organizations operating in different countries with varying cultural perspectives faces a number of challenges. Cultural differences can affect the way core values are understood, accepted and applied by employees in each location, potentially reducing the effectiveness of VBM. For example, a more hierarchical or collectivistic culture may not directly align with the more individualistic or egalitarian values implemented by the central organization. The way decisions are made and performance appraisals are influenced by local culture can also add complexity to ensuring consistent application of values across operational levels. Therefore, organizations should be more sensitive to cultural differences and design more flexible and adaptive VBM implementation strategies, according to each country's cultural perspective.

Recognizing these challenges, it is suggested that multinational organizations be more active in engaging employees in the process of socialization and training on the core values to be implemented. This process should be done by taking into account the cultural differences that exist, as well as involving a more localized approach in its implementation. Organizations also need to ensure that the core values implemented remain relevant and acceptable in the local cultural perspective without compromising the overall organizational goals. In addition, an open communication system and continuous feedback are essential to assess the extent to which the values are understood and accepted by employees. Organizations that are able to manage cultural differences well and integrate their core values in a locally sensitive manner will be more effective at achieving long-term goals, both for improving performance and for strengthening a cohesive and inclusive organizational culture.

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