The Effect of Cross-Cultural Management On the Performance of Multinational Companies in Nigeria

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ABSTRACT

Effective cross-cultural management can become a critical source for increasing business competitiveness, which in firm can lead to success in international business. Multinational companies have played an important role in international business. This paper is designed to examine the impact of national culture on the performance and growth of multinational corporations. The population of this study is the staff of manufacturing companies in Nigeria. The sample is the Unilever Nigeria Plc, Agbara. The sample size for this study is 400 employees. Questionnaire was used to elicit data from respondents. Data collected was analyzed and the hypothesis was tested with chi-square. It was noted that culture has a significant influence not only on individual, but also on the performance of the ethnic multinational corporation in Nigeria. However, cross-cultural managers should endeavor to understand the tools used in handling cultural differences in multinational corporations.

Keywords: Cross-Cultural management, National culture, culture, multinational companies, Cross cultural managers

1. INTRODUCTION

Increasing globalization requires more interaction among people from diverse cultures and back grounds than ever before. People no longer live and work in an insular market place, they are now part of a worldwide economy with competition coming from nearly every continent. For this reason, organizations need diversity to become more creative and open to change. Therefore maximizing and capitalizing on work place diversity has become an important issue for management today (Akpoviroro & Owotutu, 2018). Many firms proactively pursue inter-nationalization as a strategic move.

However, even though expanding internationally can be attractive and lucrative, operating and managing an international business has become more complex in today’s business world due to several factors, which include differences in economic, cultural, legal and political environments. Internationalizing firms are routinely exposed to different types of risks, among others are:- cross-cultural risks, country or political risks, currency risks and commercial risks (Romani, Barmeyer, Primecz & Pilhofer, 2018). Hence, business that are situate abroad are vulnerable to more risk than undertaking domestics business.
Among all international business risks, cross-cultural discrepancies are inevitable in particular because human resources are required at all operational levels and across all business units. Therefore, there is a need to manage effectively the cross-cultural aspects of human resources for the advancement and success of multinational companies. According to Gancel, Rodgers and Raynaud (2002); the failure of cross-cultural awareness – managers that are not aware of the very existence of the cultural dimensions of management; insufficient understanding – manage know about the existence of culture, but they do not understand this issues and this underestimate the unpait that culture can have on business and do not deal with it; and insufficient willingness – managers knowingly decided not to deal with culture; and insufficient level of abilities and skills – managers may be aware of and may even try to manage the culture but fail due to a lack of intercultural competence. Many scholars finally conclude that effective cross-cultural management can become a critical source for increasing business competitiveness, which in fun can lead to success in international business which multinational companies have played an important role in international business. As defined by Romani et al (2018), a multinational enterprises is a large company with substantial resources that performs various of subsidiaries and affiliates located in multiple companies. The main reason for the expansion of multinational companies is to create global competitiveness by reducing production costs and exploiting market opportunities offered by trade liberalization and economic integration. The growing role of multinational firms has increased the volume of international trading and has stimulated business to become more competitive an the global market. Besides the emergence multinational corporations has also increases the degree of global interdependence.

1.1 Statement of the Problem
Generally, the interest of researchers and scholars in how multinational corporations operate within different cultural values contests in the past years can be described as overwhelming. This might not be unconnected with the associated effects of national culture and their important implications. In most cases, the values that characterize organizations are likely to be different from their own home countries in which the organization operates. Multinational corporations have been bedeviled with lots of setbacks and that had gone a long way in derailing the performance of managers. For instance, when individual join an organization or institution they carry with them their beliefs, values, cultures, norms, reflecting feelings, traditions, prejudices and cultures. These employees all possess diverse attitude with respect to the same management practices. It is a known fact that organizations do to not exist in a vacuum but in a specific culture or socio-culture environment. That reveals that each environment has a different culture which require different managerial prowess, strategies, organizational structure, planning and control (Romani, Mahadevan & Primecz, 2018).

Every culture has a set of beliefs that influence nearly all aspects of human behaviours and help institute order to a society and individual. This will influence and shape managers and employees ways of behaviour, thoughts, recognition, perception, expectation and understanding of various circumstance, and events related to work and other. It is worthy of note to beacquainted with the fact that international managers who manage multinational corporations today faces an external environment that is fast changing, complex, uncertain and vigorously competitive. Internationalization of a company’s operation can result in developing a competitive advantage but only under a certain environments.

A global presence will translate into competence only when a company underrates local markets differences, realizes global economics of scales, and effectively transfers knowledge without significant understanding of the organizational and socio-cultural environments. Multinational companies may not succeed in taking full advantage of available resources and opportunities. The major challenge for MNC operating in different markets is therefore to adapt to these different socio-economic and cultural context.
This research endeavor to attain the following objectives:
1. To examine the impact of national culture on the performance and growth of multinational corporations.
2. To ascertain the effect of employees diverse culture on management practice on a multinational cooperation.
3. To determine if multinational corporation consider the local social-cultural and economic factor before taking a business decision.
4. To determine whether cross cultural management affect consumer buying behaviour in a multinational market.

In light of the stated objectives, the following hypothetical statements were synthesized:

- **H₀₁**: National culture is not a tool to evaluate performance and growth of Multinational Corporation.
- **H₀₂**: Diverse culture does not have any significant impact on management practice in a Multinational Corporation.
- **H₀₃**: Multinational Corporation does not consider local socio-cultural and economic factor before taking a business decision.
- **H₀₄**: Cross-cultural management does not affect consumer buying behaviour in a Multinational market.

### 2. LITERATURE REVIEW

#### 2.1 Cross – Cultural Management and Culture.

Cross – Cultural Management is obviously important and has a great effect on the success of overseas business operations. Akpoviroro and Owotutu (2018) have reports that International business management is inseparable from the sphere of patterned cultural behaviours because culture is represented in terms of the pervasive and shared beliefs, norms, values and symbols that guide the everyday life of different groups. International Managers have to decide to choose and adjust their strategies aligned with each country’s culture. Appropriate business strategies can be used to reduce possible risks and impacts of cross cultural discrepancy and deliver successful outcomes for their own enterprise. According to Romani, Mahadevan and Primecz (2018) culture can be generally classified into three major levels (1) National culture – the dominant culture within the political boundaries of the nation – state (2) Business culture – the norms, values beliefs and expected ways of behaving for people in the same occupational group, while organization culture is set of important understanding that members of an organization shares. All of the levels of cross –cultural differences affect all interaction of business as well as business performance. Smith et al. (2008) presents a conceptual frame work on the factors affecting cross – country differences.

This frame work is associated with economic development, political /social history, and national cultures (norms, values and beliefs which has a powerful influence on definitions, motivation, and perception). These have influenced organizational citizenship behavior (OCB) and have had an important impact on organizational performance, team performance and individual performance ratings. In the meantime, there are several antecedents that also affect {OCB}, such as organizational contests, attitudes e.t.c

#### 2.2 Origin and Evolution of cross-cultural analysis

The first cross-cultural analyses done in the west, were by anthropologists like Edward Burnett Taylor and Lewis it Morgan in the 19th century. Anthropology and social anthropology have come a long way since the belief in a gradual climb from stages of lower savagery to civilization, epitomized by Victorian England. Nowadays the concept of “culture” is in part a reaction against such earlier western concepts and anthropologist argue that culture is “human nature” and that all people have a capacity to classify experiences, encode classifications symbolically and communicate such abstractions to others.
Typically anthropologist and social scientist tend to study people and human behaviours among exotic tribes and cultures living in far off places rather than do field work among white-collared literate adults in modern cities. Advances in communication and technologies and socio-political changes started transforming the modern workplace yet there were no guidelines based on research to help people interact with other people from other cultures. To address the gap arose the discipline of cross-cultural analysis or cross-cultural communication. The main theories of cross-cultural management draw from the fields of anthropology, sociology; communication and psychology are based on value differences among cultures. Edward T. Hall, GeerstHotsetede, Shalom Schwartz and Clifford Geerlz are some of the major contributors in this field.

2.3 Aims of Cross-Cultural Analysis
Cross – cultural communication or intercultural communication looks at how people from different cultural background try to communicate. It also tries to produce some guidelines, which help people from different cultures to better communicate with each other. Culture has an interpretative function for the members of a group, which share that particular culture. Although, all members of a group or society might share their culture, expression of culture resultant behaviour are modified by individuals’ personality, upbringing and life-experience to a considerable degree. It aims at harnessing this utilitarian function of culture as a tool for increasing human adaptation and improving communication.Cross – culture management is seen as a discipline of international management focusing on cultural encounters, which aims to discover tools to handle cultural differences seen as a source of conflict or miscommunication (Akpoviroro & Owotutu, 2018).

The growing importance of world business creates a demand for managers sophisticated in international management and skilled at working with people from other countries. Cross-cultural management studies the behaviour of people in organizations around the world and trans-people to work in organization with employee and client populations from several countries (Beamer, 2008). Cross cultural management is a system designed to train people/dimension in the global business about the variation of cultures, practices and performance of customer around the globe (Romani, Mahadevan & Primecz, 2018). The debate regarding to the nature of culture and its implications has a long history. And it had been part of a sociological, historical and anthropological debate about the relation between individual action and society (Neal: 1998) defined culture as that complex which includes knowledge, belief, act, law, custom and other capabilities acquired by man as a member of society”. Also, it is pertinent to the consideration of what Hofstede (2003) defined culture as “the collective programming of mind that distinguishes the member of one human group from another”.

2.4 Cultural Dimension
Culture is a difficult concept to define due to the multi – dimensional nature of the concept and the existing variations of thought on different cultural aspects. For the purpose of this project Culture has been defined as “the sum total of ways living built up by a group of human beings, that is transmitted from one generation to another”. culture has also been described as how people think and behave as a society (Hofstede 2003) and how group problem solving and what basic assumption those groups use during their problem solving (Romani, Barmeyer, Primecz and Pilhofer, 2018). All description bring out common themes in that culture operates within a group, culture is learned (often through generations), influences the basic thinking process of groups of people, and describes common behaviours and values that groups of people may exhibit under certain conditions. Due to the learned aspect of culture, a cultural pattern can be developed by which a detailed understanding of group behavior can be developed. These patterns allow researchers to compare behaviours of people across different cultural contexts (Romani, Barmeyer, Primecz & Pilhofer, 2018). Hofstede and Bond (1988) and troupenenaars (1994) all developed cultural dimension by which different national cultural patterns can be compared.
Cultural dimension simplify the companion process by lightening the main elements on which national culture can be compared and they include:

a) **Power distance insure (PDI):** that is the extent to which the less powerful members of organization and institutions (like the family) accept and expect that power is distributed unequally. This indicator measures the employee’s preferences in how to interact with their employers, subordinates and peers. This varies substantially international and there is overwhelming evidence that their performance is much better when it fits their preferences. Indeed, companies need to leverage the host country preference into their system. The dimension describes the relationship between bosses, and subordinates. When power distance is high people choose little communication between superiors and subordinates; this behaviour is the consequence of an autocratic or paternalistic management style. On the other hand, lower power substance describe environment where people refer major consultation about decision making process.

b) **Individualism Vs Collectivism:** According to Hofstede, this dimension represent the society where the ties between individual are loose. The word “Individualism” state that is a term used to describe a moral, political, or social outlook that stresses human independence and the importance of individual self reliance and liberty. Individualists promote the unrestricted exercise of individual goals and desires. On the other hand, the opposite meaning of individualism is collectivism where society concern is into him/her family matter. The new “collectivism” concerns about people who are strong, and cohesive in groups. It has no political meaning; it refers to the group, not to a state. Therefore, this dimension means of extremely importance in the society.

c) **Masculinity Vs Feminity:** Feminity refers to the contribution of rules between the gender which is another fundamental for any society to which a range of solutions are found. The IBM studies revealed that

i) Women’s values differ less among society than man’s values

ii) Men’s values from one country to another contain a dimension from very assertive and competitive and maximally different from Women’s values on one side, to modest and caring on the other. The assertive pole has been called “masculine” and the modest, caring pole “feminine”. The women in feminine countries have the same modest, caring values as the men, in the masculine countries, they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men’s values and women’s values.

d) **Uncertainty Avoidance Indes (UAI) -** Deals with a society’s tolerance for uncertainty and antiquity, it ultimately refers to man’s search for truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novels, unknown, surprising, different from usual. Uncertainty avoiding cultered try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute truth; there can only be one truth and we have it’ people in uncertainty avoiding countries are also more emotional, and motivates by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativists and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative and not expected by their environments to express emotion (Romani, Barmeyer, Primecz and Pilhofer, 2018).

e) **Long – Term Orientation:** This fifth dimension was added after Hofstede subsequently conducted a study among students in 23 countries around the world, utilizing a questionnaire designed by Chinese scholarly. This dimension measures the commitment to a future. It conveys thrift and perseverance message into the society. Also, it is thought to support a strong work ethic where rewards area a result of today’s sacrifice. The value associated to the low long – term orientation hence is the opposite. According to Hofstede, low long – term are respect of tradition, satisfying social obligation and protecting one’s face. It also establishes that change can occur more quickly as long – term cultures tradition and commitment do not become barriers to change.
f) **Cross – Cultural Management Role** - According to Romani, Barmeyer, Primecz and Pilhofer (2018), Cross cultural management is applied in enterprises for solving problems using between members of organization in internal environment and on external environment. Cross –cultural management is a new type of management factoring in and tackling cultural differences between staff in management in general with a view to improving communication in the company and its international exchanges. Cross – cultural management helps to go across cross-cultural barriers or move them. Other important role of cross-cultural management is preventive work in multicultural enterprises avoiding formation of barriers. Culture shapes the context of management work, which in turn influences managerial roles (Thomas, 2008). As globalization increase the amount of inter-cultural contact in organizational settings, the inadequacy of our present understanding of management to explain and predict behaviour in these settings becomes more apparent. Global managers face an environment that is more complex, more competitive than ever before the challenges presented by economic, legal and practical aspects of the international business environment are formidable. It is the influence of culture on management that can be most difficult to deal with because culture has a broad influence on behaviour and on other environmental factors. This is because cultural effect are difficult to observe.

2.5 **Factors influencing behaviours of workers in multicultural environment.**

Acting and ways of behaviour of workers in multicultural environment is influenced by many factors. One of the most important factors is information about culture of partners of colleagues know to workers understanding and correct interpretation of different behaviour of a partner can contribute to mutual understanding and good cooperation.Companies enter cooperation relationship with other companies and they can operate within more organization or national cultures. This fact influenced the behaviour of the company.Problems caused by different perception, ways of thinking and behaviour of members of different cultures may exist on more levels (Nový, Schroll 1996). On the level of organization as well as national cultures within the framework of national fusion acquisitions and other forms of cooperation of companies.

If fusions or acquisition are created within one country which means among local companies, the cause of conflict is difference of the content of organizational culture.Confrontation on the level of organization processes, systems, practices and behaviour of employees that takes place here is relatively visible for the employees of the fusing companies. Less visible or hidden is the conflict on the level of organization values and especially the main conditions through which the external manifestation are determined. If fusions and acquisition are created among companies from different countries, the employees are exposed to a double conflict; a conflict on the level of organization cultures and a conflict on the level of national cultures. The agreement reach is that the differences in thinking, feeling and behaviour resulting from differences of national cultures are deeper than the differences resulting from various organization cultures (Hall, 1995).The starting point for managing intercultural standards is the realization of validity of one’s own culture patterns and the recognition of cultural groundwork of the partner. Nový, Schroll (1996) recommend quite a simple procedure consisting of three consequent steps leading to a successful cooperation in international environment:

2.6 **The importance of cultural values for international managers**

Managers in international business need to understand a variety of difference among nations. They should appreciate and respect others culture to get the things done. They should create a cultural environment where no one feel ignorant and everyone nurture their talent. Managers who have worked in foreign locations acknowledge that understanding the culture in those locations is necessary if one is to manage and cope up with work effectively. Some emphasis on particular area can be taken seriously. They are international forms or MNCs can negotiable with various foreign constituencies and try to understand the cultural profile of the negotiator. Similarly, Manager in foreign locations often finds that the way employees behave are quite different from their expectation. In that situation being a manager he should find a solution to meet the goal by adopting various strategic alliances.Cultural shock sometimes affects employees’ general ability to function well in foreign locations. Cultural understanding and adaptability of managers may bridge the gap.
Finally, various functional aspects of organizations also differ from one country to another such as finance, accounting, and marketing. Sometimes they have conflicts in terms of business ethics and corporate social responsibility fit functional aspects with the local culture yet continue to relate to the home culture.

2.7 Possible Solutions for cross-cultural problems
From theoretical point of view possible effective solutions of cross-cultural problems may be knowledge transfer and dissemination which helps to attract new knowledge, make information exchange form professional view as well as from cultural view. Most importantly is effectiveness of knowledge transfer, because not every transfer is effective. Successful transfer of knowledge includes the understanding how employees develop and manage commonly. Have knowledge culture of organization is important within the organization, it is very important that essential values were widely and deeply spread. Virtual teamwork helps to overcome distance and communicate rather directly even without real contact. Modern technologies help connect easily and work virtually as often as it is needed. Also effective management of human resources with high quality skills may be capable to adapt to the situation in more appropriate way, especially than problem that are rising in multicultural environment. Goods communication skills help managers discussing problems: also finding the appropriate ways of solving them. Leadership theories when combined with knowledge of cross-cultural interactions drawn from social cognition can be useful in drawing important implications for managers about appropriate leader behaviours (Thomas, 2008).

Having specific knowledge of another culture can be thought of as a task relevant ability for some groups tasks. The expression of alternate views by culturally different groups member can raise the quality decision making and problems sowing by increasing the attention of the group to the decision making process (Romani, Mahadevan & Primecz, 2018).

3. METHODOLOGY

The study adopted a survey research design. The study population is individual respondent who live members of staff of Unilever Nigeria Plc, Agbara Plant. The population of the study culture-cross various departments of the company which include, resources, finance and account, sales and marketing, production, stores and warehouse, training and development, security, information technology, and canteen. Five MNC were selected from all the MNC in Ogun State of which Unilever was used as the case study. Based on the information generated, a total number of four hundred (400) were given as the staff strength of the organization which spread across all the various departure of the organization in the following categories.

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<tr>
<td>Human Resources</td>
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<td>Finance</td>
<td>19</td>
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<td>Operation</td>
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<tr>
<td>Store</td>
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<td>Maintenance</td>
<td>18</td>
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<td><strong>Total</strong></td>
<td><strong>400</strong></td>
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</tbody>
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3.1 Sample Design and Procedures
For the purpose of this study simple random sampling technique was be uses the entire population of four hundred (400) staffs of which the organization is the sample size 240 empty reporter simple random sampling technique is a technique in which every member of the population has as equal chance of being selected. The national behind the use of this technique is that it is not based and it reduces sampling errors.
4. DATA PRESENTATION

**Hypothesis 1**

H₀: National culture is not a tool to evaluate performance and growth of multinational-corporation.

**Chi-Square Test**

Expected counts are presented below observed counts

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\[\text{Chi-Sq} = 4.500 + 2.500 + 0.167 + 8.000 + 0.000 + 4.500 + 2.500 + 0.167 + 8.000 + 0.000 = 30.333\]

\[\text{DF} = 4, \ P-Value = 0.000\]

**Decision**

On the basis of the above calculation p value is < than 0.05, therefore, alternative hypothesis is accepted.

**Hypothesis 2**

H₀: Employee diverse culture does not have any significant impact on management practice in a multinational corporation.

**Chi-Square Test**

Expected counts are printed below observed counts

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\[\text{Chi-Sq} = 0.271 + 0.053 + 1.885 + 0.643 + 0.643 + 0.271 + 0.053 + 1.885 + 0.643 + 0.643 = 6.988\]

\[\text{DF} = 4, \ P-Value = 0.137\]

4 cells with expected counts less than 5.0

**Decision**

On the basis of the above calculation p value is less than 0.05, therefore, null hypothesis is accepted.
Hypothesis 3
Ho: Multinational corporation does not consider local socio-cultural and economic factor before taking a business decision.

Chi-Square Test

Expected counts are printed below observed counts

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Total 350 30 45 28 27 480

Chi-Sq= 3.571 + 1.667 + 2.500 + 2.571 + 3.130 + 3.571 + 1.667 + 2.500 + 2.571 + 3.130 = 26.878

DF = 4, P-Value = 0.000

Decision
On the basis of the above calculation p value is less than 0.05, therefore, alternative hypothesis is accepted.

Hypothesis 4
Ho: Cross cultural management does not affect consumer buying behaviour in an multinational market.

Chi-Square Test

Expected counts are printed below observed counts

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Total 330 45 35 35 35 480

Chi-Sq= 1.364 + 0.278 + 0.357 + 3.214 + 3.214 + 1.364 + 0.278 + 0.357 + 3.214 + 3.214 = 16.854

DF = 4, P-Value = 0.002

Decision
On the basis of the above calculation p value is less than 0.05, therefore, alternative hypothesis is accepted.
5. SUMMARY

Effort was made to the importance of cross cultural management impact on Multinational Corporation. It was discovered that there is significant cultural influence on the performance of multinational corporation. It was discovered that cross-cultural management is seen as a discipline of international management focusing on cultural encounters, which aims to derive tools to handle cultural differences seen as a source of conflict or miscommunication. It was revealed that cross cultural management helps boost the image of Multinational Corporation thereby increasing the relationship between the parent and host countries. The business organization sample i.e Unilever Nigeria Plc identifies the importance of cross cultural management which help in boosting the relationship with host country.

The study also reveals ways of managing cultural differences in trying to overcome possible misunderstanding and to create an environment favourable for all participating parties and various ways adopted in managing cross cultural differences. It also identify the consequences of ignoring cultural differences, studying various ways of overcoming cultural difference thereby identifying the importance of cultural value for international managers. Finally, the research finding also reveals that cross cultural management is an important tool for managing multinational corporation not only because if increases sales performance but because it also educate managers of multinational corporation in dealing with cultural differences.

6. CONCLUSION

Based on the data collected from the field survey and various literatures reviewed on the research topic, it is pertinent to raise conclusion. The understanding and correct interpretation of different culture and behaviour of consumers ensures good relationship with multinational corporation. Cross-cultural management which is seen as a dyspeptic to international managers aims to discover tools to handle cultural differences in which eventually engenders growth. Also, culture has a significant influence not only on individual, but also on the performance of the ethnic multinational corporation in Nigeria.

Any multinational corporation that want to excel should give more priority to cross cultural management as an effective ingredient designed to train people oriented organization in the global business about the variation of culture, practice and performance of consumer around the globe for easy interaction with consumer in a multinational content. Similarly, understanding the importance of managing cultural differences to be key to building successful relationship between the host and parent country of a multinational market. Management should not be limited to the performance of economic but also pay attention to the influence of culture in the environment MNC operates in when taking decision.

Consumer behaviour shapes the context of multinational managers works which in-turn influences managerial role. Culture can be seen as a window of opportunities to accessing new market and enhance personal and organizational growth. Good knowledge of foreign culture helps to create mutual understanding and cooperation between the company and the host country which eventually leads to success of the company. Finally, this research work hopes that with effective cross cultural management, interaction with consumers with diverse culture will be positive and have great impact on the sales performance of multinational corporations.
7. RECOMMENDATION

Consequently, upon my finding and based the hypothesis tested, I therefore suggest the following recommendation which I have keenly considered to be suitable ideal and resourceful for multinational managers in Unilever Nigeria Plc and any other multinational corporations. Effort should be made to ensure and ascertain good and mutual relationship between two diverse cultures. Also, cross-cultural managers should endeavor to understand the tools used in landing cultural differences in multinational corporations. Multinational corporation managers should respect and understand cultural differences between the host and the parent’s country. Effective cross-cultural management process helps to increase and advance the performance of multinational corporations. Management should not be limited to performance of the economy and technical but also should devote their attention on the influence of culture in the environment multinational from operation. Also multinational managers should acquaint themselves cultural factors that influence organizational strategies and objectives. A due analysis of cross-cultural management process will help to manage the performance of multinational corporation. Managers of MNC should have good knowledge of foreign culture so as to be able to ensure better cooperation between the cross and the parent country.
REFERENCES