

**CULTURAL DIVERSITY MANAGEMENT AND BANK PERFORMANCE:**

**A CASE STUDY OF BANK OF AFRICA AND**

**UNITED BANK FOR AFRICA IN KENYA**

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## **DECLARATION**

I declare that this research project is my original work and has not been presented for a degree in any other institution.

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## **DEDICATION**

I dedicate this research project to my soul mate, my love Shadrack and to our wonderful children with whom I have walked this journey. To my loving parents, Odillia and the late Moses Ashton Mwani.

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## **ACRONYMS AND ABBREVIATION**

BOA	Bank of Africa
CBK	Central Bank of Kenya
EPRG	Ethnocentric, Polycentric, Regiocentric, Geocentric.
RBV	Resource Based View
SHRM	Strategic Human Resource Management Practices
UBA	United Bank for Africa



## ABSTRACT

The world has become a global village, and companies have increasingly expanded their markets across borders. Intensified internationalization of businesses has been achieved through cross-border mergers, alliances, acquisitions and joint ventures. Although banks in Kenya and the world at large are recognizing the importance of making workforce as broad and diversified as customers, many are faced with unique challenges in managing the culturally diverse workforce. The main objective of this study was to examine the relationship between cultural diversity management and bank performance, with a specific focus on international firms' subsidiaries in their host countries. The study adopted a case study research design, comparing results from United Bank for Africa and Bank of Africa. Data was collected using an interview guide. Data analysis was done using content analysis which was summarized according to common themes. The findings of the study indicated that the most common forms of cultural diversity in both banks are gender, age, religion and nationality. However, the levels of cultural diversity in the two institutions were found to vary. Further, the study established a relationship between cultural diversity management and performance, indicating that effective cultural diversity management led to better bank performance. Based on the findings of the study, the researcher recommended that for a multinational company to gain competitive advantage in a host country, cultural diversity management should form an integral part of their management activities. The study was found to have various implications for theory, knowledge, managerial practice, and managerial policy. There was value addition to the RBV theory in the effective application of heterogeneous internal resources to gain competitive advantage. Further, the upper echelons theory was supported by the finding that managers' decisions are affected by their cultural orientations and backgrounds. There seemed to be limited empirical data on local studies for cultural diversity management and bank performance. The study sought to contribute to a knowledge gap in the area of international business management within Africa by looking at a case study in Kenya, hence providing a critical reading for the management teams of international banks in their host countries within Africa. The findings and recommendations of the study can contribute to the achievement of vision 2030 by assisting policy makers in developing policies that are all inclusive. Most importantly, this study will enlighten practitioners in the field of international business management to inculcate cultural relativism in their organizations; acceptance and appreciation of cultural diversity in order to create an enabling environment for all to thrive and enhance the institution's overall performance.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

The globalization of businesses, technology advancement, free movement of goods, services and labor across the world along with increasing number of transnational mergers, acquisitions and strategic alliances have resulted in more organizational workforce being multicultural and multinational (Tayeb, 1996). Relentless competition has driven firms to constantly adapt, renew, reconfigure and recreate their resources in line with the competitive environment which is characterized by complexity and dynamism (Wang & Ahmed, 2007; Ansof & Suvillan, 1993). Further, this complexity and dynamism has an effect in the internationalization of firms, presenting the challenge of acculturation to the host country culture for sustainable competitive advantage.

According to Paul and Kapoor (2008), the analysis of the Ethnocentric, Polycentric, Regiocentric and Geocentric (EPRG) framework reveals that the management's thinking, philosophy and guiding principles towards the internalization of the company's operations will divide the level of involvement of the firm's resources, including its marketing activities and talents. There can be a negative impact on performance of a foreign firm associated with poor management of cultural diversity in its various subsidiaries in host countries. Ogutu and Samuel (2011) argue that creating strategies to cope with cultural diversity is critical for the long term survival of any organization.

The Resource-based view (RBV) theory as a basis for sustainable competitive advantage of a firm lies primarily in the application of valuable tangible or intangible internal resources in formulating strategy (Wernerfelt, 1984; Rumelt, 1984). Resources may include people, machinery, finances, technology, skills, competencies and organizational culture. People, being part of the firms' resources are driven in part by their cultural orientations. The foreign firms ability to appreciate, manage and leverage on the benefits and challenges that come with cultural diversity, is key for survival in a new and competitive environment. Organizational resources which are distinctive relative to those of rivals may become the basis for competitive advantage if properly matched to environmental opportunities (Andres, 1971; Thompson & Strickland, 1990).

The upper echelons theory suggests that top management teams, who are part of the human resources of the firm, make decisions that are consistent with their background characteristics (Hambrick & Mason, 1984) which consists of psychological characteristics and observable experiences. In addition, Hambrick (2007) proposes that cultural factors such as experiences, values, personalities and other human factors have a determining influence on an individual's behavior, hence the need to know the managements' cultural orientation in order to understand the management of cultural diversity in the organization.

United Bank of Africa (UBA) and Bank of Africa (BOA) are two diversely owned foreign banks registered in Kenya with head offices in other parts of the world. The head office for UBA is in Lagos, Nigeria while BOA has its head offices in Dakar, Senegal and Benin, Cotonou. The duo offer commercial banking services through their branch

networks while under the Central Bank of Kenya regulations. Both banks operate internationally, with a presence in several countries, and are faced with the challenge of managing cultural diversity in host countries as a result of the differences in culture at national level, organizational level and individual level. Hofstede (1997) suggest that the further a company moves out from the sole role of doing domestic business, the more it needs to understand and manage cultural differences. In the corporate meeting room, intercultural business meetings are an area where differences in cultural values, etiquette, interpretations of professional conduct and corporate rules are at their most visible and challenging to manage.

### **1.1.1 Cultural Diversity**

Culture has been defined in many different ways, reflecting the variety of cultural phenomena that can be observed, such as age, gender, ethnicity, language, religious background, education values, beliefs, norms, and many others. Lederach (1995) defines culture as the shared knowledge and schemes created by a set of people for perceiving, interpreting, expressing, and responding to the social realities around them. On the other hand, diversity refers to differences between individuals on any attribute that may lead to the perception that another person is different (Williams & O'Reilly, 2008).

Foreign firms operating internationally experience cultural diversity in various aspects of business and personnel engagement, which can affect operations and performance. Marvin and Girling (2000) argue that diversity is not only derived from differences in ethnicity and gender but also based on differences in function, nationality, ability, religion, lifestyle or tenure. Schneider (1988) concurs that foreign firms are increasingly interested in promoting corporate culture to improve control, coordination, and

integration of their subsidiaries in the host countries. Further, these subsidiaries are embedded in local national cultures wherein the underlying basic assumptions about people and the world may differ from that of the national and corporate culture of the organization.

Cultural diversity should ideally increase a firm's knowledge base and increase the interaction between different types of competences and performance (O' Reilly, Caldwell & Barnett, 1989). Tsui and O'Reilly (2009) posit that as the cultural, background of employees becomes more diverse, so does the knowledge base of the firm, on condition that there is interaction and communication within the firm. The cultural baggage that the employees bring with them to their workplace such as learning, motivation, communication, conflict resolution, influences to a large extent the way they manage themselves, with a likely influence on performance (Tayeb 1996; Okubo, 2010).

### **1.1.2 Organizational Performance**

Machuki and Aosa (2011) refer to organizational performance as effectiveness and efficiency in achieving various outcomes and results with respect to some criteria. The measurement of performance can be expressed in terms of parameters or indicators that are complimentary and sometimes contradictory (Kaplan & Norton, 1992). Delaney and Huselid (2006) posit that organizational performance comprises the actual output or results of an organization as measured against its intended outputs or goals and objectives, and that performance of an organization can be measured in various ways which include qualitative and quantitative, financial and non financial, among others.

In the 1990's, performance was measured on the basis of the shareholder theory using financial ratios (Porter, 1980). Critics of this measure argued that it was historical in nature and could not explain how the performance measures were aligned to strategy (Kaplan & Norton, 1992). Further refinement of financial ratios led to the development of the balanced score card (Kaplan & Norton, 1992) which incorporated non- financial measures such as customer perspective, internal business processes into the financial ratios. In addition, in order to incorporate environmental and social aspects into the performance measurement the sustainable balanced score card framework was developed (Elkington, 1997; Hubbard, 2009).

Cox (1991) identifies six areas of business performance that are impacted directly by cultural diversity management, which include cost, attraction of human resources, marketing success, creativity and innovation, problem solving quality, and organizational flexibility. The researcher will adopt Cox's (1991) model in addition to the non financial measures of the balanced score card.

### **1.1.3 Commercial Banks in Kenya**

There are 43 commercial banks in Kenya, 30 of which are locally owned and the other 13 are foreign owned (CBK, 2014). Of the 13 foreign owned commercial banks, 10 are locally incorporated subsidiaries of foreign banks and 4 are branches of foreign incorporated banks. Kenya's financial landscape has considerably changed over the period 2006-2013 and the sector has grown in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in East Africa community region as well as automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' products. Among these innovations

include moving from the traditional decentralized banking to one branch banking that has been enabled by integration of various business functions (PWC, 2013). This means that customers from any part of the world can be served in any branch, and subsequently by any representative who works for the bank to which the customer subscribes.

There is a need therefore for a workforce that is as culturally diverse as its clientele, in order to sufficiently meet customer expectations. The CBK annual supervision report emphasizes that the financial institutions will need to cope continuously with changing business environment and a continuous flood of new requirements via a robust ICT platform, while staying sufficiently agile. Consumers will continue to demand individualized services, and to demand them faster than ever before (CBK, 2014).

#### **1.1.4 Bank of Africa and United Bank for Africa**

The Bank of Africa was established in Bamako, Mali, in 1982 and today, the institution is established in 17 countries around the world. BOA began its operations as a commercial outfit in Kenya in 2004 through acquisition of the Kenyan branch of Credit Agricole Indosuez. The Kenyan subsidiary provides commercial banking services to corporate, SME and retail clientele through the various branches in Kenya under the supervision of the Central Bank of Kenya regulations and its operations in Kenya are headed by a managing director assisted by several departmental and branch managers.

United Bank for Africa began its operations in Kenya in 2009 as a wholly owned subsidiary of United Bank for Africa PLC, one of Africa's oldest financial institutions offering banking services for over 40 years, with a presence in 22 locations around the world. With its head office in Nigeria, the Kenyan subsidiary provides commercial

banking services through several branch networks under the supervision of the central bank of Kenya. The institution is headed by a chief executive officer assisted by various sectional heads and line managers, with a diverse workforce of both local and foreign origin.

Preliminary investigations by the researcher show that the two banks differ in the way they manage cultural diversity. Given that they are foreign institutions, having come in with their own organizational and national cultures, they, like their foreign competitors in the same market, each have their own approach to cultural diversity management. This study seeks to compare the two approaches in relation to the performance of both banks.

## **1.2 Research Problem**

One of the most challenging issues facing organizations today is that of managing cultural diversity in the workplace be it at a national level, organizational level, occupational or individual level. Trompenaars (1993) observes that international managers must operate on premises that arise from their culture of origin, the culture in which they are working and the culture of the organization which employs them. Recognizing and valuing cultural diversity is imperative in order to enhance productivity, effectiveness, and sustained competitiveness. Understanding and applying the concept of cultural relativism rather than ethnocentrism in the management of cultural diversity can help a firm to gain competitiveness in a foreign market. The one size fits all approach to cultural diversity management may not be appropriate for ensuring maximum performance. The EPRG model (Wind, Douglas & Perlmutter, 1973) as a framework for a firm to better pinpoint its strategic profile in terms of international business strategy, identifies the various orientations of organizations undergoing the internationalization process. The firm can either be ethnocentric, polycentric, regiocentric or geocentric.



UBA and BOA are two foreign banks that are doing business in the Kenyan market and are competing with other banks for a share of the market. They both are faced with the challenge of managing costs, attracting human resources, achieving marketing success, creativity and innovation for the survival of their subsidiaries in Kenya, their host country. These, according to Cox (1991) are the six areas of business performance that are impacted directly by cultural diversity management. Through preliminary investigations by the researcher, it was established that although both banks are of West African origin, have different approaches to cultural diversity management in their Kenyan subsidiaries hence the choice for comparison.

Pitts, Hicklin, Hawes and Melton (2010) studied the factors that influence the implementation of diversity management practices and found that diversity management springs from a series of complex and nuanced environmental factors. This was supported by other researchers (DiMaggio & Powell, 1983; Hannan & Freeman, 1977; Meyer & Rowan, 1977) who opined that the environment dictates the structures and organizations of firms, and that managerial behavior is severely constrained by the external environment. On the other hand, some scholars (Child 1972; Hambrick & Mason, 1984) argue that individuals possess considerable free will in charting their own courses of action, an argument anchored on the upper echelons theory. The above mentioned studies and their findings were done in business environments abroad, hence the need to examine cultural diversity management and performance in companies within the East African region.

Locally Muhura (2012) studied the influence of workforce diversity and strategy implementation among manufacturing firms. He established that workforce diversity leads to improved decision making, enhanced implementation of customer related strategies and result in the achievement of strategic targets. Ikama (2010) study on the benefits and challenges of workplace diversity management established that high performance is exhibited where teams include diverse age, ethnicity, nationality gender and other differences. K'obonyo and Dimba (2007) examined the influence of culture and strategic human resource management (SHRM) and deduced that culture has a great influence on SHRM practices in multinational companies in Kenya.

Though management of cultural diversity and the impact on performance have been studied these have been confined mainly to local firms in the various countries that the studies were carried out. The researcher did not find any study that looks at the influence of cultural diversity management on performance of foreign firms in host countries. The study seeks to answer the question, what is the influence of cultural diversity management on performance of foreign banks in Kenya?

### **1.3 Research Objectives**

The objective of the study was to:

- i. Examine the forms of cultural diversity in the Bank of Africa and United Bank for Africa in Kenya;
- ii. Determine the relationship between management of cultural diversity and performance in Bank of Africa and the United Bank for Africa

#### **1.4 Value of the Study**

The findings of this study will add value to the RBV theory and to theories of organizational culture by shedding more light on the relationship between cultural diversity management and performance. The results of the study will lay bare the understanding of the antecedents of multiple dimensions of cultural diversity management and may allow international managers to carefully evaluate the trade-offs associated with increasing team diversity while maintaining heterogeneity balance. Furthermore, the results of this study may assist human resource teams in evaluating individual executive profiles and their fit to the existing composition of potential employers.

The findings of the study will also give insights about the strategic and performance consequences of cultural diversity management, and, in particular, complementarities between backgrounds of individuals and experiences that are of direct relevance to the overall performance of the team. The findings of the study will benefit other foreign owned subsidiaries of banks and all other related industries as they will understand the influence of a culturally diverse workforce on performance of organizations and the challenges facing the banking industry in Kenya with regard to adoption of cultural diversity management activities in their recruitment and selection processes.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The chapter provides information from publications on topics related to the research problem. It examines what various scholars and authors have said about the effect of cultural diversity on organizational performance. The chapter covers the theoretical foundation of the study, concept of cultural diversity, organizational performance and effect of cultural diversity on organizational performance.

#### **2.2 Theoretical Foundation**

The relationships in the study will be anchored on resource based view (RBV) theory (Wenerfelt, 1984; Barney, 1991) and the upper echelons theory (Hambrick & Mason, 1984). The basis of the RBV is that successful firms will build competitive advantage on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature. The intangible resources include information (Sampler, 1998), knowledge (Spender, 1996), and dynamic capabilities (Teece, Pisano & Shuen, 1997). A recent extension of the RBV theory is the knowledge based view, which focuses on knowledge as a key resource which incorporates the human, social and organizational capabilities next to economic and technical capabilities. Blomqvist and Aino (2008) summarize knowledge from a management perspective as a fundamentally human issue: a product and vehicle of human activity, bounded by the limitations of human cognitive and other psychological capacities, and by the social and cultural environment of activity.

Some scholars (Priem & Butler, 2001) however argue that the RBV theory has contributed very little to the explanation or prediction of competitive advantage. They further recommend that the core connections between resources and the environment should be addressed because, while resources represent what can be done, the competitive environment represents what must be done to compete effectively in satisfying customer needs.

The application of valuable tangible or intangible internal resources in formulating strategy for the sustainable competitive advantage of the foreign firm is a key managerial responsibility. However, the management, who also constitute the human resources of the firm, influence organizational performance through the decisions they make, and observable experiences are systematically related to the psychological and cognitive elements of orientation (Hambrick & Mason, 1984; Finklestein & Hambrick, 2009). This is supported by the upper echelons theory which builds on the idea of the dominant coalition to propose that organizations outcomes, strategic choices and performance are predicted by the managerial background characteristics. In view of the resource based view and the upper echelons theory, it is safe to say that cultural orientation which defines the basis for cultural diversity in the organization, affects the work force as a whole, and this study seeks to examine the relationship between management of cultural diversity and performance of a foreign firm in the host country.

### **2.3 Forms of Cultural Diversity**

Cultural diversity takes different forms such as gender, ethnicity, and age among others. Mkoji and Sikalieh (2012) suggest that managers need to be aware that there might be gender differences regarding the relative importance assigned to distributions and communication. This may imply different communication strategies for dealing with

male and female subordinates as management tries to create an optimal environment of fairness. Failure of communication among different gender may lead to unfavorable performance in an organization.

According to Kochan *et al.* (2002), providing an equal job opportunity to women, a societal mandate that has been adopted the world over and eliminated formal policies that discriminated against certain classes of workers and raised the costs to organizations that failed to implement fair employment practices, is vital to improve the performance of employees in an organization. Gender-based inequities in organizations are reinforced and justified by stereotypes and biases that describe positive characteristics and therefore a higher status to the males (Leonard & Levine, 2003).

Zgourides, Johnson and Watson (2002) studied ethnic diversity and leadership, group process and performance, and found that the differences in cultural characteristics were predictive of team scores, thereby implying that having ethnically different views for team problem solving could increase team performance after the teams learn how to utilize the differences to their benefit.

According to Timmermans, Ostergaard and Kristinson (2011) innovation is an interactive process that often involves communication and interaction among employees in a firm and draws on their different qualities from all levels of the organization. In addition, members of the minority group can experience less job satisfaction, lack of commitment, problems with identity, perceived discrimination among others. Ethnicity can be used as a proxy for cultural background and diversity in ethnicity can be expected to be positive for innovative performance, since it broadens the viewpoints and perspectives in the firm (Richard, 2000; Timmermans *et al.*, 2011).

Bell and Marvin (2007) explain that the modern individual has four generations working side by side: the traditionalists, baby boomers, generation x and generation y. Further, because of these demographic realities, managers must develop new programs to attract younger workers and entice older productive workers to delay retirement. With an increase in age diversity of the work force, comes higher levels of perceived age discrimination climate which is potentially related to performance, hence, age discrimination is not only an issue that should be avoided from a normative and ethical point of view, but it might also have business consequences if not adequately addressed (Kunze, Boehm & Bruch, 2011).

#### **2.4 Management of Cultural Diversity**

Thomas (1996) defines managing cultural diversity as a planned, systematic and comprehensive process for developing an organizational environment in which all the employees with their similarities and differences can contribute to the strategic and competitive advantages of the organization and where no one is excluded on account of factors unrelated to productivity. On the other hand, Fuhr's (1994) postulates that managing diversity is the creation of a working environment in which everyone has a true sense of belonging and worth where the barriers of the fulfillment of human potential has been removed. This is further supported by Daniel (1994) who states that diversity management is the process of developing an environment that fosters awareness, gives employees opportunities and judges them fairly on their talents and contributions and hence attempting to address expectations and remove or reduce bias and stereotypical behavior.

Kreitner (2001) emphasizes that diversity applies to the entire spectrum of individual differences that makes people unique, describes differences among them as well as similarities and the responsibility of managers to integrate the collective mixture of similarities and differences between into the organization. Grobler (2003) further insists that diversity management is a planned systematic and comprehensive management process for developing an organizational environment in which all employees with their similarities and differences can contribute to the strategic and competitive advantage of the organization, and where no one is excluded on the basis of factors unrelated to productivity.

Cox (1991) refers to management of cultural diversity as a variety of management issues and activities related to hiring and effective utilization of personnel from different cultural backgrounds. In his view, the activities include proper management of organization culture, mind-sets about diversity, cultural differences, education programs, HR management systems, higher career involvement of women and heterogeneity in race, ethnicity and nationality (Cox 1991). However, according to Grobler (2003), diversity management programmes have not had great success in firms as top management view diversity as a human resource issue that does not contribute to the organization's long term success, while line management often see diversity management as another activity that complicates their current role.

## **2.5 Cultural Diversity Management and Organizational Performance**

Since the 1990's relentless competition has driven firms to constantly adapt, renew, reconfigure and recreate their resources in line with the competitive environment (Wang & Ahmed, 2007), which is characterized by complexity and dynamism (Ansof &



Suvillan, 1993). Further, this complexity and dynamism has resulted in the internationalization of firms, in a bid to adapt to the ever changing environment, bringing together people from different origins, back grounds, beliefs and norms.

Scholars have studied the relationship between cultural diversity management and organizational performance and have produced mixed results. Awino, Muchemi and Ogutu 2011; Hambrick et al., 1996). Awino, Muchemi and Ogutu, (2011), posit that heterogeneous groups may have the advantage of being more creative and effective in their decision making processes if conflict resolution is well managed. Diversity on the other hand can be disadvantageous to organizational performance (Hambrick et al., 1996), in which homogenous top management tends to produce better results than heterogeneous top management.

Larner (2007) concurs that firms with diverse cultural connections may have better access to international markets; national governments have increasingly used high-skill diaspora communities in development strategies, so that the wide membership is constituted by identity and governmental action. Fernandez (1993) argued that good workforce diversity practices in the area of human resources are believed to enhance employee and organizational performance.

Conversely, Alesina and La Ferrara 2004 established that organizations may find it more difficult to make decisions as a result of inability of a diverse set of managers to communicate which negatively affects the generation of ideas with a likely influence on performance. It can be observed that the manner in which cultural diversity management is undertaken by top managers across firms' influences performance. From the above, it can be postulated that cultural diversity management has an influence on organizational performance.

From the literature review, the empirical studies that have been done on the relationship between cultural diversity management and performance have failed to address the problems international businesses face when managing cultural diversity in the host countries, and how it affects their performance. This study therefore seeks to address the forms of cultural diversity at UBA and BOA, and their different approaches to management of cultural diversity. Further, the researcher seeks to determine the relationship between cultural diversity management and performance at UBA and BOA.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology that was used to carry out the study. The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

#### **3.2 Research Design**

The research project adopted a case study method on United Bank for Africa and Bank of Africa, so as to make a comparison of the two foreign firms' performance in relation to their approach on cultural diversity management. Kothari (1990) describes a case study as a form of qualitative analysis that involves a careful and complete observation of a social unit. He further describes a social unit as a person, family or institution.

The researcher adopted a case study in order to have an in depth understanding of the complex social phenomena at UBA and BOA, which include the individual, group, organizational, social and political phenomena. Case study method also allowed the researcher to find the holistic and meaningful characteristics of the real life events such as individual life cycles, organizational and managerial processes (Robert, 2002).

#### **3.3 Data Collection**

The data collection was done with the help of an interview guide. Interviewing is a way to collect data as well as to gain knowledge from individuals. Kvale (1996) regards interviews as an interchange of views between two or more people on a topic of mutual interest, sees the centrality of human interaction for knowledge production, and emphasizes the social impact of research data.

The researcher personally conducted the data collection exercise through face to face interviews with the respondents. In order to get a full representation of the workforce, the researcher collected information from two senior managers, two mid level managers and two clerical staff in each of the banks.

### **3.4 Data Analysis**

The qualitative data collected was analyzed using content analysis. Nachmias and Nachmias (1996) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages. Kothari (2004) also explain content analysis as the analysis of the contents of documentary and verbal material and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness.

Prior to embarking on content analysis, the researcher assessed the written material for an accurate representation of what was said. The researcher further enlisted and summarized the major issues contained in the interview guide responses. This enabled the structuring of data in a way that made it easier for analysis and interpretation.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents data analysis, findings, and discussions. Data analysis involves categorization, manipulation and summarization of data to obtain answers to the research problem. Since the data collected was qualitative, content analysis technique was used to make inferences by systematically and objectively identifying and specifying characteristics of the information and relating it to the study.

#### **4.2 Interviews**

Interviewees were drawn from BOA and UBA with two senior managers, two mid level managers and two clerical staff from each bank making a total of twelve interviewees. Of the twelve interviewees targeted, only eight agreed to participate in the study. It can be said that the respondents interviewed were qualified for the positions which they held since all had more than three years in their areas of specialization, having risen from lower positions. This implied that the interviewees were knowledgeable and the information collected from them was reliable.

The interview guide consisted of 31 questions covering the forms of cultural diversity within the two organizations, the activities involved in the management of cultural diversity, the performance of both banks based on the six measures suggested by Cox (1991) and the relationship between cultural diversity management and performance.

### **4.3 Forms of Cultural Diversity at BOA and UBA**

The interviewees were asked to define cultural diversity. All the interviewees had a mutual understanding of what cultural diversity denotes. They indicated that cultural diversity is a mixture of race, religion, culture, age and ethnic groups. One interviewee stated that:

“It denotes ethnical mixture of employees in terms of the gender, age, religion, ethnic background and nationality’.

#### **4.3.1 Gender**

Cultural diversity at BOA and UBA has been broken down into four main forms, namely gender, age, religion and nationality. When asked about the gender diversity in the organization, the interviewees from BOA concurred that the ratio of male to female employees is somewhat balanced, with the male employees at 53 percent, and female employees at 47 percent.

The study shows that gender composition in the two banks is a form of cultural diversity. The management of diversity represents a challenge to organizations because different gender have diverse expectations.

#### **4.3.2 Age**

The interviews in UBA and BOA mentioned age as a form of cultural diversity. The interviewees in BOA described majority of employees as being young falling in the age bracket of 25-35, followed by employees in their mid-careers in the age bracket of 36-45 years and minority of the employees are over 45 years.

In UBA, the interviewees concurred that employees in the age bracket of 25-35 years were the highest, followed by 36-45 years and the least were 46-60 years. There seems to be a mutual understanding among the interviewees that majority of the employees in both banks are fairly young. In addition interviews stated that the employees are distributed in different age brackets. This represents a challenge in the banks pertaining to the retention of employees representing a form of cultural diversity.

### **4.3.3 Religion**

From the interview responses, the interviews responded that the highest majority of the staff as Christians followed by Muslims. However UBA represented a wider variety consisting of Muslims, Hindus, Buddhist and atheists. The general feeling of the interviewees was that Christianity was more dominant as compared to the other religions.

Religion has been a contentious issue in major organizations around the world and largely influence the culture of people. In addition, religion determines the dressing code, work ethics and values of people. The diversity of religion suggest that managers need to put mechanisms in place to ensure that employees are not discriminated because of their religion. Moreover, managers need to ensure that policies and procedure they have in place treat all employees fairly. In addition it requires the management to take into consideration the different religious holidays followed by different employees in the organization.

#### **4.3.4 Nationality**

Nationality was another form cultural diversity mentioned by the interviewees in both banks. The interviewees had a common feeling that most of the staff members were of Kenya descent. The interviewees from BOA commented that only about 2 percent were expatriates from other countries. On the other hand, the UBA, submitted a higher representative of expatriates from other countries especially Nigeria. They also said that there were employees from China, Korea and India presenting a more diverse workforce as compared to BOA.

The composition of workforce in terms of nationality is a Major consideration in internal business. This is especially with the diversity of stakeholders' expectations that organizations decision making should reflect diversity. In addition, to overcome barriers such as language barrier, a racial diverse workforce underscore the importance of managing diversity.

#### **4.4 Management of Cultural Diversity**

The activities of cultural diversity management were adopted from Cox (1991). The interviewees responded to questions formulated to guide the interviewees on management of cultural diversity. The responses from the UBA and BOA are discussed in this section.

##### **4.4.1 Human Resource Management Systems**

The interviewees were questioned on whether or not the HR management systems were bias free, and those from UBA had a feeling that there were unfair human resource practices pertaining to appraisal, training and workload allocation. Some of the interviewees commented that appraisal of the employees is undertaken in Nigeria and the



employees are not involved in the process. They generally felt that this process can result to biasness especially if the objective of performance appraisal is for compensation or promotion purposes. In addition, the interviewees cited discrimination in selection of staff to undergo training. They complained that lower level employees 'missed out on training opportunities'. Other interviewees also felt that training mostly favored the foreigners and the locals were often neglected.

The interviewees generally agreed that most of the employees are happy with their compensation. They felt that their compensation package was slightly higher in comparison to their colleagues in other banks holding similar positions. Another interviewee lamented that there was undue heavy workload allocated to the employees. The interviewee also felt that the difference in time zones between Kenya and Nigeria complicated the working hours of employees at the expense of their personal lives. The interviewees generally agreed that on most days they have to stay in the office up to around nine o'clock which has an effect on their personal lives.

The interviewees in BOA reported some challenges ranging from employee retention and competition from other banks. Further, they felt that the staff morale had been negatively affected due to the recent acquisition of the bank by Banque Marocaine du Commerce Exte'rier (BCME) without proper involvement of employees and yet the cultural diversity management style of BCME is a great variance to the previous ownership. The perceived lack of cultural integration has created a sense of fear in the employees who seem disillusioned about their future prospects in the bank.

As opposed to the UBA system of appraisal, the interviewees from BOA were contented with their performance appraisal systems. The appraisals were carried out locally between the employee and their supervisor. In addition, the interviewees agreed that training was fair and continuous among the different cadres of employees. Similar to their colleagues in UBA, the interviewees also had a general feeling that compensation was fair as compared to the market rates in other commercial banks.

#### **4.4.2 Higher Career Involvement of Women**

The interviewees in UBA generally cited heavy work load as a major problem in the bank. Some interviewees stated that heavy work load and unfavorable working hours has a negative impact on career women work life balance. Some male interviewees seem to sympathize with their female colleagues who have young children. In addition, the interviewees in UBA complained that ‘chauvinism is a norm in the bank’. Male employees are generally reluctant in taking instruction from the female employees due to the high domination of male employees. Furthermore, UBA has employees from different nationalities who have different views on the role of women in society.

On the other hand, the interviewees in BOA seemed not to have any problem with the career involvement of women. They cited more accommodative hours for their fellow female employees. They said that working hours are friendly, there is continuous training provided for all employees, thus providing the women with an opportunity for growth.

#### **4.4.3 Heterogeneity in Race/ Ethnicity/ Nationality**

Heterogeneity can be described as diversity in race, ethnicity and nationality. The interviewees in UBA felt that stereotyping is wide spread in the bank. The interviewees seemed to profile the employees according to their nationalities of origin. For instance,

one interviewee stated that their Nigerian colleagues are '*pushy, loud, bossy and have a feeling of superiority*' as compared to their Kenyan colleagues. On the other hand, the interviewees also felt that the Nigerian employees had a negative perception of Kenyan. They perceive Kenyans as unprofessional, lack-relevant skills to make strategic decisions, lazy.

Generally, the interviewees felt that stereotyping has affected the cohesiveness between different groups in the bank especially Nigerians and Kenyans creating a perception of 'us' versus 'them'. Further, stereotypes have affected execution of decision. The interviewees complained that decision making takes a long time and most instances does not reflect the view of local employees.

The interviewees in BOA said that heterogeneity in nationality has had little effect on cohesiveness, conflict and staff morale. However, the employees complained of language barriers between the English speaking and the French speaking employees at top management which they largely felt has speed of decision making. The interviewees felt that there is no problem of ethnocentrism as the management of the bank has adapted to the host country culture. To a large extent the bank has facilitated the socialization between employees of different nationalities and cultures by enrolling them in health clubs and social club membership. This provides an avenue for networking and for appreciation of diverse cultures and acceptance. It also promotes free communication among the different cadres of employees hence enrolling the employees in the vision of the bank.

#### **4.4.4 Education Programs**

Despite the various problems facing the banks, various initiatives have been instituted to provide solutions to challenges of cultural diversity management. Interviewees from UBA unanimously agreed that the bank has deployed a senior member of staff from the head office in Nigeria to study the culture and the market needs of Kenya in a bid to understand and appreciate the cultural orientations in the host country which may contribute towards integration of nationalities in the bank.

On their Part, the interviewees from BOA agreed that the bank has taken steps to embrace cultural diversity management through continuous educational programs both formal and informal. They cited the ‘Sema Sessions’ as an example of efforts by the bank to gain acceptance and openness in sharing ideas. This has created an enabling environment for effective cultural diversity management.

BOA has also undertaken informal steps by engaging in social activities including games such as scrabble, chess; health clubs where employees can free interact regardless of their positions and challenge each other. This breaks down cultural barriers and promotes communication and team work. Informal relations are also created enabling free flow of information and minimize resistance for change. In addition, the bank encourages holding regular meeting with employees promoting integration of the employees different cultures.

#### **4.4.5 Organization Culture and Cultural difference**

Organization culture is defined as a company's prevailing ideas, values, attitudes and beliefs which subconsciously guide the way in which its employees think, feel and act. An organization culture that enables employees of different backgrounds to value differences amongst themselves, accommodate other cultures and accept prevailing value systems, scores highly in the management of cultural diversity. The interviewees from UBA and BOA had diverse opinions pertaining to organization culture.

Interviewees from UBA opined that there is lack of integration of culture between the nationality of the parent company in Nigeria and that of its Kenyan subsidiary. For instance, there interviewees reported a general mistrust between the Nigerian employees and Kenyan employees; head office and Kenyan subsidiary's inability to make independent decisions. Some interviewees stated that one of the major reasons for mistrust was hostility created by discriminative appointment at the managerial level. One of the interviewee commented: *'It is a preserve for non-Kenyans.'*

Another interviewee said:

*'Top managerial positions being held by Nigerians who are from a different country with different cultural orientation with a feeling of superiority'*. This shows that there is a problem of acceptance of individuals from other countries, thus need for prudent cultural management practices.

Some of the interviewees cited the culture of micro management in the bank by the parent company, who seem to have control on all decisions made, even by the managing director. This has fueled the communication problems being experienced in the bank,

since the channel is purely from the top, downwards and never two ways. Further this has had an effect on the attitude of employees inhibiting creativity, lowering their morale and creating suspicion. In addition, this scenario has inhibited employee's involvement in sharing the vision of the bank, thus deterring the growth and competitive advantage of the bank.

When questioned about whether the mother country has taken initiative to understand the host country culture, the interviewees from UBA pointed out that: "The ownership of the bank assumes that what works in mother country will automatically work in the host country like Kenya". This has led to a myriad of problems in the bank. This is an indicator of lack of appreciation of host country culture.

The interviewees in UBA viewed insufficient education on valuing cultural differences as a major issue in the bank. The bank focuses more on buying employees rather than making them. That is, the bank is bent on poaching employees presumed to have the requisite skills at the expense of developing and promoting internally. This has an effect on the morale of the employees who feel less valuable and may resist any changes associated with newcomers. In addition, the 'poached employees' may impose their cultural orientation from previous employers as they feel more superior to the internal employees complicating the cultural integration progress. Other interviewees observed that only employees in top management have an opportunity to visit Nigeria where the head office is located. This hampers effort by the bank to implement sound cultural diversity management due to lack of sound understanding of cultural values of host country culture.

In terms of importance attached to cultural diversity majority of interviewees in UBA reported that cultural diversity has insignificant benefits to the bank. The interviewees noted that the bank has incurred a lot of retention cost. This implies that when an employee leaves the bank, the bank incur extra cost in recruitment and selection, and orientation. In addition it has contributed to heavy workload on the remaining employees as they have to redistribute the tasks from time to time

Interviewees from BOA pointed out that the management has taken positive initiatives towards culture integration of different nationalities in the bank. This has been achieved through localization of practices such as recruitment and selection, marketing. The interviewees perceived open door policy and the 'sema sessions' as positive steps undertaken towards recognizing and appreciating all employees regardless of their cultural orientation. In addition, the interviewees agreed that socialization has assisted in employee's appreciation of other cultures leading to reduced conflicts and easier adoption of change. However, there was feeling of anxiety amongst some interviewees who felt that the recent acquisition from BCME could impede proper management of culture diversity. The perceived lack of cultural integration has created a sense of disillusionment about their future prospects affecting their morale.

The interviewees in BOA felt that management of cultural diversity has a significant benefit to the bank. For instance, ease of recruitment, faster decision making, better problem solving, and innovativeness in introduction of new products.

#### **4.4.6 Mindsets about Diversity**

When asked about the mindset of the bank in regard to diversity, the interviewees in both had very diverse answers. The interviewees from UBA felt that management of cultural diversity has barely addressed the challenges facing the bank in Kenya. To a large extent, the interviewees agreed that the bank has made very little effort towards management of cultural diversity, hence has not leveraged in opportunities that cultural diversity offers to better enhance its performance.

The interviewees reported that there is little buy in by the majority culture to support the banks effort to manage culturally diversity. The majority culture in this case was referred to Kenyan culture. The interviewees felt that perceived lack of cultural diversity management has created resistance towards minority cultures and vice versa. Thus management of cultural diversity has created more problems than opportunities for the bank.

On the other hand, the interviewees from BOA view management of cultural diversity as an opportunity for the bank to improve on their performance. They said that this has been achieved through attraction of employees with innovative ideas and unique skills, better decision making capability. The interviewees cited the localization of marketing practices brought about by cultural sensitivity that diverse members bring on board.

#### **4.5 Management of Cultural Diversity and Performance**

The interviewees were asked to comment on how cultural diversity management contributes to performance as measured by Cox's (1991) dimension of cost, resource acquisition, marketing, creativity, problem solving and system flexibility. The interviewees' responses on the influence of cultural diversity management and performance differed across the banks.



The discussion depicts that UBA has not been successful in integrating the culturally diverse employees. This has created a problem of turnover, absenteeism, and low staff morale affecting the productivity of the bank. Slow decision making has also been a major problem in the bank. For instance, the interviewees reported that the MD has to consult with the head office for every approval pertaining to credit management. This takes time in consultation sometimes leading to loss of business and customers. Generally the interviewees pointed that customer retention is a major problem in the bank contributing to dwindling profits.

On the other hand, the interviewees from BOA described the effort of the bank in integrating the culturally diverse employees as successful due to acculturation of bank practices to fit into the Kenyan culture. The cost savings from integration from successful integration of culturally diverse employees has seen less turnover, high employee morale, better decision making and good communication. This has had a positive improvement on the operations of the bank in terms of attraction of customer and less cost staff retention cost. Thus, BOA the management of cultural diversity in BOA has a positive impact on performance as compared to UBA.

Due to the management of cultural diverse practices, UBA has not been able to develop a reputation as a favorable prospective employer in the market. One interviewee commented that the bank has resulted to poaching which has a cost implication since the poached employees have to be paid higher than their colleagues in the market. The interviewees in BOA expressed their satisfaction in general outlook of their bank as employer of choice. Some interviewers cited the recent recruitment of management

trainees from a pool of young qualified candidates as a positive step towards internal development of skills and capabilities rather than poaching which is costly. Internal development and training of employees has a positive impact on morale and retention.

Reports from the banks on the influence of cultural diversity on their marketing practices differ. UBA is driven by mother country marketing practices and has not localized their strategies to meet the local needs. One interviewee stated UBA has not made effort to learn the market needs of Kenyans. For instance, Kenyans value for prime land as collateral is not appreciated in the same way by the mother country. This narrows the accessibility to credit to business banking with UBA sometimes leading to customer turnover. The BOA on the other hand, has made some efforts to localize their market practices in order to accommodate the various customer need in Kenya. BOA has continuously come up with innovative and creative products in the past such as venturing into retailing marketing, introduction of 'chama accounts' to meet the small businesses and women needs.

Due to cultural diversity management of heterogeneous workforce at both UBA and BOA, the interviewees gave diverse answers pertaining to ability to solve problems through critical analysis of issues and a wider range of perspectives. As earlier discussed, the UBA team views heterogeneity of the workforce as a problem, rather than an opportunity, to enhance organizational performance. The ethnocentric nature of UBA management has not accommodated the ideas from the Kenyan employees on how to

compete locally, hence they unsuccessfully attempt to solve problems related to market growth and retention, competitors. The problem solving and decision making is centralized and executed from the mother country down to Kenyan subsidiaries without the cultural inclusion of all the stakeholders.

BOA on their part has taken advantage of the heterogeneous workforce. Through the effort towards acceptance and valuing of all cultures within the bank, they have produced better decisions through a wider range of perspectives. One such example is the decision to go into retail business which was arrived at after critical analysis of the market situation through the involvement of all the staff which has led to growth of the market share of the bank. The bank has made tremendous steps towards integrating the needs of employees, provision of cheap study loans at two percent per annum, team building initiatives, interactive sessions between management and subordinates, inclusion of minorities in their policy making and many other initiatives. On the other hand, the interviewees from UBA did not mention any initiatives by their employer to leverage of the heterogeneous workforce through integration, cultural inclusion and valuing of cultural differences by the staff. However, one interviewee shared the intention of the bank to send one employee from Nigeria to come to Kenya and study the culture.

A culturally diverse management should have an influence on the company's adaptation to change. Both banks have differences in flexibility to adoption of the changing environment. UBA has had problems in adapting to changes in Kenyan industry environment due to centralization of their operations in the heads office. This hinders creativity, flexibility and speed at which decisions are made. This explains why UBA has not been able to meet the needs of the local customers. BOA has decentralized their

operations, appreciation of local employees. In turn, they have been able to respond to various customer needs by coming up with products that are relevant to the Kenyan market. In addition, decisions in UBA are still made in mother country regardless of changes in business environment.

#### **4.6 Discussion**

This study sought to examine the relationship between cultural diversity management and performance, more specifically of foreign firms' subsidiaries operating in their host countries. The researcher utilized a case study method to compare the cultural diversity management approaches used by two foreign commercial banks in Kenya. The data was collected by use of interview guides within the precincts of each of their offices. Out of the 12 targeted, only 8 of them agreed to participate in the study. In the discussion, confirmatory patterns and inconsistencies with previous studies were identified. The sections are arranged according to the objectives of the study.

##### **4.6.1 Forms of Cultural Diversity**

The most popular forms of cultural diversity in the study were gender, age, religion and nationality, respectively. Although UBA had many more male employees than there were female, BOA's male employees were slightly more than the female employees, thereby presenting a more balanced outlook of gender representation in the bank. UBA seemed to have majority of their staff aged 35 years and under, while the rest were over 35 years old. BOA on the other hand had a more balanced representation of age groups with one half of the staff aged 35 years and under, while the other half were over 35 years old.

In terms of religion, both banks had majority of their employees as Christians and the rest were Muslims, with UBA having a small representation of Buddhists and Atheists in addition to the two main religions represented. Despite both banks having more than one nationality represented, UBA was observed to have more diverse workforce in terms of nationalities with Kenyan, Nigerian, Korean, Chinese and Indian employees in the bank. The high levels of cultural diversity in both organizations is supported by Richard's (2000) argument which draws upon the resource based view of the firm to position cultural diversity as a source of competitive advantage. Ely (2004) also found that workforce diversity enhances organizational effectiveness and productivity by contributing to higher-quality decisions and by taking advantage of a broader range of alternatives and new ideas.

#### **4.6.2 Relationship between Cultural Diversity and Performance**

The findings indicated that there is a difference in the management of cultural diversity in BOA and UBA, such as the HR management systems, organization culture, mindsets about diversity, cultural differences, education programs, higher career involvement of women and heterogeneity. These differences have indirectly affected the performance of both banks in various ways which were established by use of the performance measures suggested by Cox (1991). These performance measures consisted of six arguments, namely: cost, resource acquisition, marketing, creativity problem solving and system flexibility arguments.

The HR management systems of UBA were found to be wanting as they were not free from bias, with interviewees citing unfairness in appraisal, recruitment and selection processes, promotion, training and work load allocation. This is inconsistent with the

argument of Nyambegera (2002) who posits that managers cannot afford to ignore the diversity of their human resources, which influence behavior, because if they are not well managed, the promises inherent in HRM cannot be realized. The effect is low staff morale, high staff turnover and reputational costs for the bank. On the other hand, BOA has made efforts to ensure appraisal systems were fair and interactive between the supervisor and the employee, balanced recruitment and selection of candidates, frequent and all inclusive training for staff and fair work load allocation. Both banks however are competitive in their compensation packages, with the salaries at UBA being generally higher and those of BOA being the same as those of the other banks in their tiers.

The career involvement of women in UBA was found to be very low, due to heavy workload, unfavorable working hours and chauvinism. This could explain the findings on the forms of cultural diversity in UBA where the women population in was much lower than that of the men. Further, the situation can be likened to Kanter's (1977) findings on her study of organizational ethnography which showed how gender roles, relative numbers, network structures and sex- specific reward systems kept women from advancing in their careers. BOA seemed to have scored highly on the career involvement of women, with accommodative hours of work and continuous training for the betterment of career for all.

Profiling and stereotyping according to nationality, race and ethnicity seemed to be a major issue at UBA. From the study, it was evident that there is a cultural rift between the Kenyan and Nigerian staff, some degree of ethnocentrism from the Nigerian staff which greatly affected their performance due to lack of team cohesiveness, hence difficulty in decision making on critical issues as a team. This is in line with Trice (1993) argument that ethnocentrism sets the stage for conflict with management and makes it difficult for

the team to work together cohesively. BOA on the other hand seems to have benefitted from heterogeneity in different Nationalities, by engaging in practices that have enhanced the appreciation of diversity within the workforce. They however mentioned the language barrier between the French speaking management and the English speaking team making it difficult to communicate directly with one another easily. Ethnocentrism seemed not to be an issue at BOA.

In as far as education programs on cultural diversity awareness within the organization were concerned, UBA seemed not to have put in as much effort as BOA. The findings show that only one employee was deployed to Kenya to learn about the cultural orientation and how best to do business with Kenyans. The move was supposed to inform the head office where all decisions are made on the market need of Kenya and best practice when it comes to doing business. However, this does not take into consideration, the other expatriates who were sent from the head office without prior orientation, hence their failure and poor performance in management of cultural diversity. Similar study by Stewart and Mendenhall (1990) showed that 16% to 40% of all expatriate managers who are given foreign assignments fail or end their assignments early because of their inability to adjust to the foreign environment. Conversely, the findings show that BOA has made efforts to initiate regular interactive sessions to enhance interaction, exchange ideas and break down cultural barriers within the work force.

The organizational culture at UBA was found to be characterized by ethnocentrism, displayed by the parent company in its Kenyan subsidiary; mistrust between the Nigerian expatriates and other colleagues; discriminative appointments at the managerial level; a culture of micromanagement, with communication channels purely from the top

downwards and never in the reverse. There is a belief that what works in the parent country will work for its Kenyan subsidiary, hence the centralization of the locus of control of crucial management activities and decisions. This has led to a myriad of problems for UBA such as irrelevance of products and services offered, high staff turnover due to low morale and poor decision making by the management. This is in line with the results of Black and Porter (1991); Raslton et al. (1995). The said scholars found that the rules of good business are not the same everywhere and that what works in one culture may have little or negative effect in another cultural context.

The localization of practices such as marketing, recruitment and selection has enabled the Kenyan subsidiary to gain competitive advantage through the attraction and retention of the right candidates for the jobs, and market penetration and market share acquisition by use of relevant techniques based on the market needs in Kenya. The open door policy, culture of all inclusiveness, socialization and interaction at BOA have contributed to the staff's appreciation of cultural diversity and also demonstrated the importance of cultural diversity to the bank. BOA bears characteristics similar to Cox's (1991) description of the features a multicultural organization. They include pluralism, full structural integration of all cultural groups, full integration of minority culture groups, an absence of prejudice and discrimination, equal identification of minority and majority group members with the goals of the organization, and minimal intergroup conflict based on race, gender, nationality and others.



The study findings indicate a negative mindset on cultural diversity at UBA, with the staff feeling that cultural diversity has created more problems and benefits due to its poor management. There is little buy in by the majority culture, which is the Kenyan culture to support the efforts of management in the management of cultural diversity. BOA employees on the other hand have a positive mindset on cultural diversity and they attribute the bank's lower costs of staff retention, attraction resource acquisition, marketing success and problem solving prowess to proper management of cultural diversity.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary, conclusions, and recommendations from the study findings in line with the research objectives. The chapter begins with a summary of major findings covering the two objectives of the study. The major conclusions are presented, and finally, recommendations are provided, including the implication of the study to theory, knowledge, policy and practice. The limitations of the study as well as suggestions for further research are also presented.

#### **5.2 Summary of Findings**

The findings indicate that there is a difference in the management of cultural diversity in the two foreign banks, UBA and BOA. Although the most dominant forms of cultural diversity in both banks were age, gender, nationality and religion, there is a difference in the demographic characteristics. For instance, BOA's representation of men to women was more balanced than that of UBA; UBA seemed to have more nationalities represented in the organization than BOA; Both banks had a small representation of other religions with a majority of Christians, although UBA had a wider variety of religions such as Christians, Hindu, Muslim and Buddhists while BOA had only Muslims and Christians; UBA had a larger number of young people under the age of 35 years while BOA had a more balanced mix of age groups.

There was a general laxity in the cultural diversity management activities by UBA, which had an impact on the performance of employees and consequently, the overall performance of the bank. BOA on the other hand seemed to get the activities of cultural diversity management right in many aspects, hence the better outcomes based on Cox's

(1991) six areas of business performance that are impacted directly by cultural diversity management, which include cost, attraction of human resources, marketing success, creativity and innovation, problem solving quality, and organizational flexibility.

### **5.3 Conclusions**

The topic of the research project was on cultural diversity management and performance, more specifically, on foreign firms' subsidiaries operating in Kenya. A case study was carried out on UBA and BOA for comparison purposes, and the primary data collected was qualitative, in form of an interview guide comprising of 31 questions. Of the twelve interviewees targeted in UBA and BOA, only eight agreed to participate in the study. The research project was anchored on two theories: the RBV and upper echelon theories. Two research objectives were formulated to guide the study. The first research objective was to examine the forms of cultural diversity at UBA and BOA. The second objective was to examine the relationship between cultural diversity management and performance at UBA and BOA.

The spheres of activities in cultural diversity management and performance indicators were adopted from Cox (1991) and they included proper management of organization culture, mind-sets about diversity, cultural differences, education programs, HR management systems, higher career involvement of women and heterogeneity in race, ethnicity and nationality. Based on the findings of the interview guide, the performance of both banks varied in terms of cost, attraction of human resources, marketing success, creativity and innovation, problem solving quality, and organizational flexibility, according to the performance measures suggested by Cox (1991). The results showed that there are different forms of cultural diversity at UBA and BOA, however, the levels of diversity differ, with BOA being more culturally diverse and balanced in terms of the

demographic characteristics. Further, the management of cultural diversity at BOA was better in comparison to UBA, based on the results of their performance, using the measures adopted.

### **5.3.1 Forms of Cultural Diversity**

The first objective of the study was to examine the forms of cultural diversity in UBA and BOA. The findings of this study indicated that the interviewees identified cultural diversity in form of demographic characteristics such as age, gender nationality and religion as the most dominant forms of cultural diversity. The results indicated that BOA had a more balanced representation of cultural diversity as compared to UBA. Thus it can be concluded that BOA scores higher than UBA in terms of cultural diversity.

Overall benefits and problems of a culturally heterogeneous organization can be closely related to how effectively it is managed. A culturally diverse organization has the opportunity to benefit from enhanced problem solving capacity, cost reduction, resource acquisition advantage, marketing success, creativity and system flexibility. A culturally heterogeneous workforce that is properly managed can be seen as an asset and a resource for the organization. This is true for organizations that need to introduce new products in the market and review strategies for marketing.

### **5.3.2 Cultural Diversity Management and Performance**

The second objective of the study was to examine the relationship between cultural diversity management and performance in UBA and BOA. As per the findings of the study, BOA has leveraged on their cultural diversity to achieve higher performance. The results from the interview guide point that BOA has successfully integrated cultural diversity through open door policy, interactive sessions, inclusiveness, thereby explaining better organizational outcomes and positive employee behavioral outcome. Conversely,

the reports from the interview guide point that UBA has not fully integrated the culturally diverse workforce. They have faced problems ranging from low staff morale, poor reputation for resource acquisition in the market, slow decision making and slow decision making.

Conclusively, the comparative results of BOA and UBA depicts a variance in performance based on the cultural diversity management practices. For a foreign firm operating in a host country to gain competitive advantage, there is a need to properly manage cultural diversity. The activities involved in the management of cultural diversity include proper management of organization culture, mind-sets about diversity, cultural differences, education programs, HR management systems, higher career involvement of women and heterogeneity in race, ethnicity and nationality (Cox 1991). This will yield better results in cost reduction, attraction of human resources, marketing success, creativity and innovation, problem solving quality, and organizational flexibility, hence gaining competitive advantage for the foreign firm in its host country.

In conclusion and consistent with the RBV and the upper echelon theory, it seems that when an organization has a heterogeneous workforce Organizations that apply resources that are heterogeneous, unique, valuable it can achieve competitive advantage. In addition, the study is consistent with the upper echelon theory by demonstrating that top management teams are influenced by their cultural background and orientation. Thus, management of cultural diversity is a practice that foreign firms subsidiaries operating in host countries should adopt in order to be competitive in the ever changing environment.

## **5.4 Recommendation**

The study recommends that cultural diversity management of foreign banks' subsidiaries should form an integral part of their management activities for enhanced competitive advantage. The understanding and recognition of the importance of cultural diversity in the institutions, management of cultural diversity, and the relationship between cultural diversity management and performance has implication for theory, knowledge, policy and practice. A comparison of the performance of both banks against the backdrop of their cultural diversity management practices indicated that if well managed, cultural diversity can enhance organizational performance and competitiveness. On the contrary, if poorly managed, cultural diversity can pose a challenge to a foreign firm's subsidiary's performance in the host country. Thus, the study has implication for theory, knowledge, practice and policy.

### **5.4.1 Implication for Theory**

The study on cultural diversity management and bank performance was guided by RBV theory and upper echelon theory. The findings of the study have the following implications to the theories.

The first objective of the study was to examine the forms of cultural diversity in UBA and BOA. This objective was guided by RBV theory that proposes the application of heterogeneous resources for the benefit of the organization. Results from the study confirmed that the most dominant forms of cultural diversity in both banks were age, gender, nationality and religion. BOA's representation of men to women was more balanced than that of UBA; UBA seemed to have more nationalities represented in the organization than BOA; Both banks had a small representation of other religions with a

majority of Christians, although UBA had a wider variety of religions such as Christians, Hindu, Muslim and Buddhists while BOA had only Muslims and Christians; UBA had a larger number of young people under the age of 35 years while BOA had a more balanced mix of age groups. To a large extent, the heterogeneity has support of RBV, and explains why BOA has better performance as compared to BOA.

The second objective was to determine the relationship between cultural diversity management and performance. This objective is guided by RBV theory and upper echelon theory. The results from the interview guide provide support for both theories. In particular, the results show that top management teams' decisions are affected by their cultural orientations and backgrounds as suggested by the upper echelons theory. Managers being the drivers of strategy formulation and implementation come from different cultural backgrounds as individuals which affect their world view and decision making capabilities, which will in turn affect the performance of teams. The results also depict the application of heterogeneous internal resources that are valuable, rare, and inimitable to gain competitive advantage. This is a construct of the RBV theory. The level of effectiveness in the management of cultural diversity in the organizations in both organizations is reflected in their performance.

In addition, results suggest that performance is achieved through cultural diversity management. The difference in performance in UBA and BOA suggest that an organization can gain competitive advantage through cultural diversity management. The results of the study indicate that BOA has better performance. There was a general laxity in the cultural diversity management activities by UBA, which had an impact on the

performance of employees and consequently, the overall performance of the bank. BOA on the other hand seemed to get the activities of cultural diversity management right in many aspects, hence the better outcomes based on Cox's (1991) six areas of business performance that are impacted directly by cultural diversity management, which include cost, attraction of human resources, marketing success, creativity and innovation, problem solving quality, and organizational flexibility.

#### **5.4.2. Implication for Knowledge**

Locally, there seems to be limited empirical research on cultural diversity management and performance the field of international business management. A review of literature shows that majority of studies on cultural diversity management are based on research carried in United States, Europe and Asian countries. The results of studies suggest that different countries have contrasting cultures and as observed by Adler (1991) conclusions drawn from these studies assume a universal approach. Kamoche (2000) proposes that studies must fit the cultural and institutional context under which they operate, as studies undertaken in a developed country has a limitation of overlooking the cultural practices and mindsets of employees in African context. The results of the study provide that cultural diversity management has an influence on performance adding frontiers of knowledge on international business management in a Kenyan Context.

The study is valuable not only to students and researchers in international business management, human resources, organizational theory and cross-cultural management, it is topical and much needed study. The study forms a critical reading for African managers in MNCs and domestic managers in Africa (Kamoche, Nyambegera, Mulinge



2002). Furthermore, the study provides a point of reference for future scholars in field of management. Specifically, the results of the study and suggestions thereafter, provide insights to future scholars.

#### **5.4.3 Implication for Managerial Policy**

The results of the study has implications for the vision 2030 which states that Kenya's journey towards prosperity involves building a just and cohesive society that enjoys equitable social development in a clean and secure environment. This quest is the basis of transformation of the society in seven key sectors: Education and training, health, water and sanitation, environment, housing and urbanization; as well as gender, youth, sports and culture as well as equity and poverty eradication. It also makes special provision for Kenyans with various disabilities and previously marginalized communities.

The results of the study can assist policy makers in developing policies that are all inclusive in terms of age, gender, religion and nationality in the wake of globalization of businesses. Further, the results of the study can assist policy makers to implement affirmative action programs which guide human resource practices in terms of recruitment and selection, training, promotion, and compensation of women, minority groups and the physically disadvantaged. In light of the results of the study, the level of heterogeneity within the organization has an influence on creativity, innovation, problem solving and marketing success.

The results of the study will be of value to policy makers in international business management towards formulating policies from a perspective of cultural relativism as opposed to ethnocentrism. This implies that foreign firms' subsidiaries should acculturate

their management practices to the host country culture. For instance, they need to learn and integrate the host country culture into their cultural diversity management practices in order to gain competitive advantage over other their competitors.

In addition, the research provides useful insights to local policy makers in both private and public organizations in their human resource practices. This will assist the policy makers in developing policies that are all inclusive and to achieve a culturally diverse workforce for the benefit of the organization.

#### **5.4.4 Implication for Managerial Practice**

This research provides useful contribution for management of international business as it provides the various forms of cultural diversity. The results of the study will assist foreign firm's subsidiaries operating in host countries to manage cultural diversity. Particularly, the study indicates that there are differences emanating from cultural diversity management practices in UBA and BOA which create variances in performance of both banks. UBA has not fully integrated cultural diversity management practices which has affected the performance in terms of morale, problem solving, and innovativeness. On the other hand, BOA has adopted cultural diversity management programs in a way that has enhanced the performance of the bank.

The results of this study will assist international business managers in instituting human resource management systems such as training, workload allocation, compensation and performance appraisal, recruitment and selection that are free from bias. The practitioners can also ensure that work life balance of employees is supported through fair allocation of workload and favorable working hours. This was exemplified by BOA which seems to have consistent and favorable working hours as compared to UBA which

seems to maintain the mother country time shifts which are two hours behind Kenya. In addition, the results will assist practitioners in international business to educate their employees on valuing cultural diversity through various interactive session and activities such as sports, team building and open door policy. The adoption of policies of inclusion would benefit management from taking advantage of diversity.

### **5.5 Limitations**

The research project adopted a case study, which made a comparison between two banks, UBA and BOA. Due to the sensitive nature of the information required, it was not easy to for the participants to agree to an interview. Out of twelve, only eight of them agreed to participate in the study. Some of the information collected was subject to biasness from the participants, for fear of being said to have taken a negative position on certain issues. This was however mitigated through reassurances on the confidentiality and use of the data, purely for academic purposes.

Time was also a limiting factor as most of the interviewees kept on postponing the appointments to reschedule tor a time of their convenience. Some interviewees declined to participate in the study, citing time constraints as the main reason for declining. As a result, only eight interviewees out of the twelve who were contacted agreed to the interview within the limited time available to the researcher. Some meetings had to be arranged very early in the morning in order to get the interviewees to participate before the start of their daily routines.

## **5.6 Suggestions for Further Research**

The research project's main objective was to examine the forms of cultural diversity and the relationship between cultural diversity management and performance of foreign firms' subsidiaries in their host countries, with a specific focus on foreign banks in Kenya. A case study was carried out on BOA and UBA in order to compare the results, and the findings revealed that there is a relationship between cultural diversity management and bank performance. In addition, the findings depicted that if cultural diversity is effectively managed, it can enhance the performance of the organization.

Further research could be carried out on cultural diversity management and performance of foreign firms' subsidiaries in their host countries, with a specific focus on other industries that are regulated both locally and internationally, such as the mining industry and horticultural industry. This would shed light on the complexities, challenges and benefits, if any, of managing cultural diversity in an industry that is highly regulated both in the host country and internationally.

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**APPENDICES**

**APPENDIX I: LETTER OF INTRODUCTION**



**UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA PROGRAMME**

Telephone: 020-2059162  
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P.O. Box 30197  
Nairobi, Kenya

DATE 2/09/2015

**TO WHOM IT MAY CONCERN**

The bearer of this letter LISA-MARIA MWANI

Registration No. D61/62931/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**PATRICK NYABUTO  
MBA ADMINISTRATOR  
SCHOOL OF BUSINESS**



## **APPENDIX II: INTERVIEW GUIDE**

1. What is the name of your institution?
2. In what tier does your bank fall in the Kenyan industry?
3. Describe the ownership of the bank.
4. How many countries does the bank operate?
5. What were the reasons for expansion to these countries?
6. What challenges did the bank encounter in the expansion?
7. What is your current position in the bank?
8. How many years have you worked in the institution?
9. What is your highest level of education?
10. How old are you?
11. What is your gender?
12. In your own words, what is your understanding of cultural diversity?
13. How important is cultural diversity to this organization and why?
14. Does the organization experience cultural values clashes? What are some of the potential areas where these clashes cause problems?
15. What are the key benefits that the employees have experienced from a culturally diverse organization?
16. What are the key benefits that the organization has experienced from a culturally diverse organization?
17. In your view, what are some of the problems experienced in the management of a culturally diverse organization?

18. Name some of the practices the management has put in place to manage culturally diverse workforce.

19. To what extent would you gauge the organizations fairness in the management of the following practices irrespective of age, gender ethnicity and nationality?

- Recruitment
- Training and development
- Performance appraisal
- Compensation benefits
- Promotion
- Work-life balance
- Affirmative action

20. Does the organization provide continuous training programs on valuing differences among individuals from different backgrounds? Explain.

21. Does the management continuously sensitize employees on the importance of cultural diversity? Explain.

22. Is there general acceptance of employees from different cultural backgrounds? Explain.

23. Kindly classify the following factors as satisfactory or non satisfactory in your organization:

- Socialization
- Friendliness
- Flexibility
- Teamwork

- Trust
- Stereotypes

24. Please elaborate extensively, to what extent do you feel that the organization's practices and strategies fit into the competitive banking environment and culture in Kenya?
25. Does the organization have a cost advantage of integrating workers from different cultural backgrounds? Explain.
26. Does the organization have a reputation of attracting the best pool of candidates during recruitment? Explain.
27. To what extent is the marketing success of the organization driven by the marketing practices of the mother country of your institution? Explain
28. To what extent is the marketing success of the organization driven by the marketing practices of the host country (Kenya)? Explain
29. How often does your organization introduce improvements or new products and services into the market?
30. Do the different opinions from employees result in critical analysis of issues in the organization?
31. Does the organization react faster and at a less cost whenever there is environmental change as a result of cultural diversity?