

## INSTRUCTIONS

### Individual Project Paper

The individual project paper assignment allows you to select from one of several options to customize your learning experience in this course. The assignment requires you to complete one of the following options and submit your project paper before session 5(Nov 19). After reviewing each of the following options, please send an email to the professor no later than session 4 (Nov 12) confirming your choice of assignments:

Option #1: Executive Interview & Analysis Paper

Option #2: Case or Research Paper

Option #3: International Analysis of Organization Design

Cultural Influence to Pepsi Cola International in Pakistan

Student Name

Institution Affiliation

Facilitator

Course

Date

### Cultural Influence to Pepsi Cola International in Pakistan

The impact of national cultures on organizational designs is an important concern of large, multinational corporations. This is because the advent of the internet has made it possible for any business organization to go global. For instance, balancing the esteem of individuals with group needs is one of the main determinants of national cultures. Countries that promote individualism have loose organizational designs and value individual achievements while collectivist countries have rigid organizational designs that mandate individuals to subsume own desires into group efforts. There are countries that believe in the power distance culture which measures the relationship between the subordinates and superiors. With power distance culture, business organizations take a top-down communication where managers give orders while subordinates follow them. Organizations with this culture have a centralized authority, where those with less central authority have a small central authority. Additionally, some countries believe in the uncertainty avoidance culture that measures an individual's perspective on uncertain situations. National cultures that encourage risk-taking and innovation don't believe in this culture whereas those with traditional mindsets have high uncertainty avoidance. The national culture of Pakistan has influenced the organizational design of Pepsi Cola International.

### The National Culture in Pakistan

Pakistan's national culture is a good example of a status-conscious, collectivist and high power distance culture. The social setup of the country is purely family-centred and existence is considered group-based. Citizens have robust security needs and don't believe in independent decision making and authority questioning. Basically, the business culture in this country depends on individual relationships where business transactions are based on close friends.

Before companies can negotiate business transactions, there is always a number of interpersonal bargains that must have been conducted in social settings before the issue can be raised in a boardroom. Decisions are made by the top management with or without the subordinates although their views are collected thereafter (Albers, Wohlgezogen & Zajac, 2016). When conducting business with foreign companies, a lot of lobbying must be done before the deal can be negotiated in order to form a friendship and build confidence. In this case, formal business meetings are only made to make the deal formal. As a colony of Britain, the influence of its colony created a system of social classes in the country.

The elite class is used to symbolize money, status and power while the system education required people to surrender to the authority and disapproved independent decision-making process. Organization managers in Pakistan make decisions that were rational to avoid spontaneous decisions that would expose them to high risks of power balance between the top management and the subordinate staff members (Khan & Law, 2018). The country's social infrastructure has been established around the joint family systems and organizational designs that clearly reflect a bureaucratic structure, centralized decision-making processes and authoritarian management. Decisions on employee management within organizations such as pay increase, training and promotions are purely based on who is favored by the top management (Barclay, 2018). Organization owners and managers mainly focus on organization profitability and ignore the wellbeing of their workers. Pakistan's national culture encourages uncertainty avoidance by following rigid and strict rules and regulations, punctuality and planning approaches that are passed from one management to the other.

#### Company background

Pepsi Cola International is a multinational company based in New York that manufactures food and beverages. Mainly, the company processes markets and distributes grain-based snacks and beverages. Since its formation in 1965, the company has expanded its Pepsi brand to a range of different food brands and beverages. In the beverage market, the Coca-Cola Company has been considered as the main competitor of Pepsi Cola International. Although Coca-Cola Company used to be the leader in the market, in 2005 Pepsi Cola International surpassed and become the leader in the market for the first time after 112 years since the two companies entered the market competition.

The two companies since then have specialized different and shared the market with Coca-Cola Company holding the largest market share for carbonated soft drinks while Pepsi Cola International maintaining the highest share of refreshment beverages. However, based on the different product lines pursued by these two companies, the continued mergers and acquisitions pursued by Pepsi Cola International have seen it's the business shift to include other products such as snacks, beverages and foods. The majority of Pepsi Cola International revenues are no longer from the sale and production of soft drinks which have been overtaken by the production and sale of beverages. Its primary non-carbonated drinks, Gatorade and Tropicana are the major sources of the company revenue. In regard to the snack food market, the company's two brands, Frito-Lay and Quaker Oats hold a significant share of the snack market in the US. The company's primary competitor in the snack food market is Kraft Foods. Other competitors in the carbonated drinks market are Cola Turka, Mecca-Cola, Afri-Cola, Inca Cola, Evoca Cola and Corsina Cola Companies.

### Comparative analysis of Pakistan's National Culture

There are a number of variables in the national culture of Pakistan that affect multinational companies operating within the country. For instance, 95% of the country's population is composed of Muslims who are very religious people. Islamic religion provides its believers with certainty and masculine values are highly respected. Social organizations are centred in the family where parents have very important roles. Urdu, Pakistan's national language is a high context language, meaning that implicitness, indirectness and nonverbal communication is high (Streeck, 2018). When negotiating business contracts, Pakistanis perceive business relationships as long term deals and trust people, not the representative companies. In regard to time management issues such as schedules, time controls, planning and deadlines, the culture of Pakistan does not pay much attention to time, not because it is not crucial but because its control has not been stipulated under the authority and scope of the country's national culture.

Pakistan society is a collectivist society where people are identified in terms of family, neighbourhood and society. The country's traditional culture has values that reflect family, class, past events and revealed truths. The country leadership is autocratic in nature with males as the family head model. The status of women in society is low and time urgency is not considered as an important aspect. The traditional culture of this country strongly emphasizes avoidance of uncertainty, associative thinking and high power distance (Khan & Law, 2018). Similarly, the country's culture is particularistic in nature where having a good family and established friend relationships are considered to be very important. Interpersonal relationships are highly respected and institutionalized responsibilities to family members and friends are the main considerations when it comes to employees' rewarding process like in the case of pay raise to encourage organization performance (Barclay, 2018). Organization rules and standards are accustomed

depending on subordinates or situations. Workers consider respect, conformity and loyalty to top management officials as the only approach to obtain rewards. Although to some extent honouring status is a part of its business ritual, the country is a multi-active, meaning that citizens are usually emotional, talkative, and impatient, seeks favors, people-oriented and delegates to relations. Lastly, the country's culture lies under the high power index cultures, where inequality is accepted as a cultural norm and people respect authority, formalized rituals and hierarchies in business organizations.

### Influence of Pakistan's National Culture in Pepsi Cola International

Pepsi Cola International is among the Pakistan companies which have been extremely affected by the national culture of the country. Compared to Pepsi Cola International's main branch in New York, the Pepsi Cola International branch in Pakistan has a different organizational design (Qamar et al, 2013). This is because of the national culture of Pakistan like autocratic and paternalistic approach to corporate management; top management approach in decision making process, hiring process which is driven by favoritism and nepotism, prioritizing job-related satisfaction over human needs such as esteem and affiliation and the high number of Islamic believers in the country as compared to America.

Organization managers in Pakistan make decisions that are rational; although dependent they avoid spontaneous decisions that make them highly risky in regard to the power balance between top management and subordinate staff members. In Pepsi Cola International Pakistan, the management approach is paternalistic and autocratic (Voegtlin, & Greenwood, 2016). The company values status and accepts leadership hierarchy where employees are expected to respect and recognize the roles of the organization leadership. Company employees are rarely involved

in the decision-making process of the organization. Generally, low-rank employees are not supposed to challenge top management decisions. This is contrary to the management approach in the company headquarters in New York which is characterized by individual decision making and responsibilities and formalized control of the entire organization.

The authority to make decisions in Pepsi Cola International Pakistan lies within the top management of the company. Such decisions are usually undemocratic and centralized in nature. Although there is a clear distinction of roles between the top management and other subordinate staff members, the top management makes decisions while the rest of the workers are expected to support those decisions without making any judgments (Albers, Wohlgezogen & Zajac, 2016). Usually, the top management rarely delegates authority to its employees in matters of decision making. Additionally, the authoritarian management style of the company discourages upward communication. Considering the fact that managers are autocratic, decision-making is centralized and controlled from the top of the organization. After the decision-making process by the top officials, decisions are communicated to the junior employees through the hierarchical channels of the organization. Interestingly, even the important and strategic decisions of the company are sometimes made orally and passed to the other staff members. On rare occasions, organization employees are requested to give their ideas and recommendations but denied the opportunity to take place in decision making. The decision-making process which is centralized at the top management is considered as the final decision. This is contrary to the American culture where individual decisions are considered very important and managers comfortably delegate authority and responsibilities to low-rank employees.

Hiring employees in Pepsi Cola International Pakistan is mainly driven by favouritism and nepotism. Connections and relationships of candidates with the top management of the

company act as the main criteria for selecting candidates rather than the educational qualifications of the candidates. Since loyalty to the top management is considered as a very important aspect in the company, this hiring process helps to hire employees who can be trusted. When selecting applicants, the company typically considers candidates with a working history that reveals the ability to cooperate and work harmoniously with the authority (Qamar et al, 2013). They also look for workers who are respectful, obedient and agreeable with the authority rather than independent and innovative. This is also contrary to the company's main branch in New York where productivity and candidate efficiency in the position is considered as the main sources of the organization's effectiveness hence based on academic qualifications, specialization and experience.

Pepsi Cola International workers have been forced to accept power distance, role identification, status and authority. Following rules, instructions and standards are minimal in the organization. Workers prefer social mechanisms to control them than formal controls such as rules and standards. The company employees usually take work as a favour but not their duty. They feel less accountable for their job but rather personal relationships and maintaining their image among fellow workers (Mathooko & Ogutu, 2015). The workers don't complain about authority inequalities. This is contrary to the American culture where control is acknowledged but implemented through standards, procedures and other formalized and explicit control measures such as performance-based evaluation and management objectives.

Though time is an overwhelming factor controlled by nature, the historical background in Pakistan does not teach employees to observe time in the working environment. Junior employees in Pepsi Cola International are expected to report to their offices on time while ordinary workers' time has no concept hence; completing tasks on time becomes impossible. To



some extent, organization managers are flexible in their time management which makes them accomplish assignments in the last minutes. Appointments are rarely considered as commitments in the organization and hence arriving late for appointments implies that such a person is a boss. Punctuality, on the other hand, is expected of junior employees and foreigners. This is different from the American culture where time management, planning and punctuality are universally appreciated.

Based on a developing economy where monetary benefits are considered very important in meeting the basic needs, job-related satisfaction in Pepsi Cola International is given priority over other human needs such as esteem and affiliation (Khan & Panarina, 2017). Though motivation in Pepsi Cola International requires the provision of social recognition and affiliative needs, it depends on the type of profession. This is contrary to the American culture where consumerism, social class and masculinity are based on good salaries, ownership and other tangible economic benefits that keep employees motivated.

Islamic religion which forms 95% of Pakistan population has a strong role in the organizational designs of companies in Pakistan. Pepsi Cola International was forced to allocate prayer rooms where employees could say their prayers during office hours, extended breaks on Fridays and short breaks during the month of Ramadan. Such religious rituals and practices are rare in nationalities like America where people have a secular view of religion and religious practices are very personal.

### Conclusion

When compared to American culture, Pakistan's national culture has a number of differences that affect multinational corporates operating in the country. For instance, contrary to

the American culture which advocates for well-established hierarchies to facilitate organization operations, consultations, employee-management close relationship based on equality and achieving organization goals, information sharing and participatory decision making; a system of employee hiring which is purely based on merit and expertise, Pakistan's culture is typically authoritarian and decision-making process is based on top of the organization management due to large power distance. Employees' autonomy is highly limited with minimal top-bottom communication and nonexistence bottom-up communication. The organization structures in the country are bureaucratic and non-responsive to employee needs. It has also been revealed that creative management has been limited by the rigid regulations and rules of the country where individual contributions and initiatives do not exist whether private or public. The society has been considered to be family-oriented and hierarchical allowing unequal power distribution and social classes to existing. Consequently, authority in Pakistan organizations is concentrated within the top management without delegation and decisions are centralized. The organizational cultures tend to be person-oriented since authority is paternalistic, powerful and figurehead. Based on these national cultures, the authority to make decisions in business organizations is bestowed on the top management of the companies; decisions are centralized and undemocratic, the process of hiring employees is mainly driven by favouritism and nepotism where connections and relationships of candidates with the top management of the organization matters a lot, organization management is autocratic and paternalistic where companies value status and accept leadership hierarchy and employees are not involved in decision-making process.

## References

- Albers, S., Wohlgezogen, F., & Zajac, E. J. (2016). Strategic alliance structures: An organization design perspective. *Journal of Management*, 42(3), 582-614.
- Ali, I., & Shukran, K. (2016). Managing supply chain risks and vulnerabilities through collaboration: Present and future scope. *The Journal of Developing Areas*, 50(5), 335-342.
- Barclay, L. A. (2018). The Art of Joseph Cornell: Visual Reflections of the Debate on Bureaucratic and Post-Bureaucratic Organizations. In *Visual Ethics* (pp. 27-43). Emerald Publishing Limited.
- Khan, M. A., & Law, L. S. (2018). The Role of National Cultures in Shaping the Corporate Management Cultures: A Three-Country Theoretical Analysis. In *Organizational Culture*. IntechOpen.
- Khan, M. A., & Panarina, E. (2017). The role of national cultures in shaping the corporate management cultures: A four countries theoretical analysis. *Journal of Eastern European and Central Asian Research*, 4(1), 13-25.
- Mathooko, F. M., & Ogutu, M. (2015). Porter's five competitive forces framework and other factors that influence the choice of response strategies adopted by public universities in Kenya. *International Journal of Educational Management*, 29(3), 334-354.
- Qamar, A., Muneer, S., Jusoh, A., & Idris, H. (2013). The relationship between organizational conduct and national culture. *Journal of Economics and Behavioral Studies*, 5(2), 82.

Streeck, W. (2018). Book Review: Structural Crisis and Institutional Change in Modern Capitalism: French Capitalism in Transition by Bruno Amable.

Voegtlin, C., & Greenwood, M. (2016). Corporate social responsibility and human resource management: A systematic review and conceptual analysis. *Human Resource Management Review*, 26(3), 181-197.