

How Does Multiculturalism Impact Firms' Business Strategy and Competitive Advantage?

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Abstract:

In the past two decades, multinational corporations (MNCs) have come under enormous pressure to address issues relating to multiculturalism, as part of their international business (IB) strategies. Addressing multiculturalism issues has become urgent for MNCs seeking to sustain competitive advantage and achieve UN's Sustainable development goals (SDGs). Our objective is to test the hypothesis that multiculturalism does not positively and significantly impact firms' business strategy. We adopt quantitative methodology, comprising a Questionnaire Survey of 318 MNC employees selected from 10 UK-based MNCs between April and June 2020. SPSS multiple regression analysis of the data, reveal three key findings: a/three measures of multiculturalism, namely, 'liberalism', 'heterogeneity', and 'retention' have positive but statistically insignificant effects on business strategy; b/'heterogeneity' has the greatest effect, followed by 'liberalism', and 'retention' has the least effect; c/in a declining order, salad bowl multiculturalism positively impacts 'product differentiation', 'focus strategy', and 'low-cost leadership'. These findings contribute to IB research and practice given the increasing relevance of issues of sustainability, social responsibility, governance, and the urgency to achieve UN's SDG goals in every country. Future research would adopt mixed research methodology to provide a holistic understanding of the association between multiculturalism and business strategy.

Keywords:

Multiculturalism, Business Strategy, Competitive Advantage, Multinational Corporations, UK.

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Introduction

Multinational corporations (MNCs) have in the last two decades struggled to expand their international business (IB) activities in both domestic and international markets, due primarily to increasing turbulence in the external environment (Whittington, Regnér, Angwin, Johnson, and Scholes, 2019). From the perspectives of IB and strategic management a critical analysis of the external environment enables firms to identify the opportunities and threats in countries they wish to operate in (Dunning, 2000; De Wit, 2020). This is followed by a critical internal environmental analysis to identify the firm's strengths and weaknesses and then mapping the strengths to the opportunities as a basis for achieving and sustaining competitive advantage (De Wit, 2020; Whittington et al., 2019). The issue of multiculturalism interfaces the internal and external environments of firms, because it relates to the coexistence of multiple or diverse cultures in an organizational, national, international and global contexts (Berry and Ward, 2016; Hofstede, 2003, 2024). This paper has contemporary relevance because attempts to answer the question: how does multiculturalism impact firms' business strategy and competitive advantage? This question aligns with the growing demand for organizations - especially those engaged in operations across diverse cultures - to urgently address issues of equality, diversity, and inclusion (EDI), to prevent the discriminatory effects the lack of EDI have on stakeholders' and shareholders' values vis-à-vis the UN's Sustainable Development Goals (SDGs) (UN, 2024; Ashcroft and Bevir, 2016, 2018; O'Donovan, 2018; Berray, 2019; Berry and Ward, 2016; CIPD, 2021, 2022). The motivation to address EDI issues in the context of multiculturalism stems from our cross-cultural experiences working for MNCs in Sri Lanka, Ghana, and the UK, for over two decades. In this context, our overarching aim is to provide a critical understanding of the nature of multiculturalism, by determining the cause-and-effect relationship between 'multiculturalism' and 'business strategy'. Achieving this aim will enable MNCs to enhance their organizational culture for superior performance in both domestic and international markets.

Understanding the concept of multiculturalism requires an understanding of the concept of culture. In simple terms culture is embedded in multiculturalism because both concepts are concerned about the beliefs, values, and norms which are central to the development of human societies and organisations (Berry and Ward, 2016; Hofstede, 2003, 2024). However, multiculturalism represents a more complex construct which embeds multiple and diverse cultures co-existing in a society or organisation (Brannen, 2015; O'Donovan, 2018; Ashcroft and Bevir, 2016, 2018). Reference to prior studies reveal a lack of clarity about the nature of multiculturalism, how it should be measured, and how it should be applied in the context of an organization (Hofstede, 2024; Brannen, 2015). This paper, therefore, first, clarifies the definition and meaning of multiculturalism by identifying and describing its component factors (e.g., liberalism, heterogeneity, and retention), and relating them to the two well established theories of

multiculturalism, namely, 'salad bowl' and 'melting-pot' theories (Berray, 2019; Berry and Ward, 2016; Brannen, 2015). While the 'salad bowl' theory is based on coexistence of different cultures and retention of unique characteristics of cultures; the 'melting pot theory' assumes the opposite, i.e., assimilation of different cultures into a predominant culture (Berray, 2019; Brannen, 2015).

To answer our key research question, on how multiculturalism impacts a firm's business strategy and competitive advantage, we first acknowledge the fact that extensive research has already been carried out on the nature and relevance of business level strategy to firms, and therefore, do not intend to go into details in this paper. As such we used Porter's (1998, 2003) three generic competitive strategies or sources of competitive advantage, namely, cost, differentiation, and focus, as measures of business strategy (Datta, 2022; Atikiya et al., 2015). First, a low-cost leadership strategy requires a firm to become more cost-efficient than its rivals, often by producing goods and delivering services at a lower cost with the goal of increasing market share thereby achieving higher profitability (Hitt, Ireland, and Hoskisson, 2016). Second, in the field of marketing, the process of distinguishing a firm's product or service from the product or service of competitors is referred to as product or service differentiation. The aim of product differentiation is to make the product more attractive to a particular target market (Porter, 2003; Atikiya et al., 2015). Finally, a focus strategy from a marketing perspective is a niche strategy, because it helps a firm to focus on a narrow or specifically defined segment of the market, to develop, market, and sell a specific product to a specific or targeted group of customers (Datta, 2022; Hitt et al., 2016).

Literature Review

Many well established MNCs e.g., GlaxoSmithKline, AstraZeneca, Unilever, and Tesco, operating in at least one country are motivated to practice multiculturalism because they carry out different multicultural activities and over time have built up thousands of workforces outside their home country (Phillips, 2009; Jansson, 2020; Berry and Ward, 2016; Hines, Foley, and Wessel, 2021). As such the business strategies MNCs develop impact on their shareholders and stakeholders in both their home-base and host economies (De Wit, 2020; Giuliani and Macchi, 2014; Jansson, 2020). Etymologically, 'multiculturalism' is concerned about the co-existence of multiple cultures in a firm, society, or country (Online Etymology Dictionary, 2024). This meaning receives support from Brannen (2015, p. 1) who defines multiculturalism descriptively as "cultural diversity" and prescriptively as "cultural variation". Culture is therefore embedded in 'multiculturalism' (Brannen, 2015). In the field of strategy, 'culture' comprises of 'beliefs', 'values', 'norms', 'customs', 'behaviour', 'habits', and 'capabilities' – which codify acceptable conduct - in human societies, countries, or organisations – and can be acquired through the learning processes of socialization (Dickson, Kwantes, and Magomaeva, 2014; Hit et al., 2016; Hofstede, 2024). MNCs employ people from diverse cultures who work together (Eze, Bello, and Adekola, 2017), with clearly defined roles to achieve long-term goals (Mehmet and Aşçı, 2016). As such MNCs' business strategy

processes address a wide range of issues relating to multiculturalism e.g., EDI in the workplace (Ahmady, Mehrpour, and Nikooravesh, 2016; Galia, Lentz, Max, Sutan, and Zenou, 2017; Giuliani and Macchi, 2014; Almeida, 2007).

Multiculturalism, Business Strategy, and Competitive Advantage

The emerging development in extant literature and previous works is that multiculturalism and business strategy can be leveraged for competitive advantage across different countries as part of a firm's market-entry strategy (De Wit, 2020; Dunning, 2000). Although prior research (Berry and Ward, 2016; Berray, 2019) has outlined the theoretical underpinnings for why and how multiculturalism has a measurable impact on business strategy, we outline the underlying logic for this cause-and-effect relationship. Multiculturalism certainly influences firms' business strategy, but why and how the influence is exerted is yet to be critically researched (Berray, 2019). MNCs usually develop business strategies country by country based on country-specific conditions and sources of competitive advantage (Whittington et al., 2019; Abdulwase, Ahmed, Nasr, Alyousofi, and Yan, 2020). Dunning's (2000) ownership (O) advantage theory, and Barney, Wright, and Ketchen's (2001) resource-based view (RBV), suggests that MNCs' competences and capabilities in leveraging multiculturalism and business strategy is a source of sustainable competitive advantage which can be transferred to subsidiaries in different countries. Indeed, creating a unique organizational culture based on multiculturalism represents a firm's 'ownership advantage' that cannot easily be imitated by competitors (Barney et al., 2001, 2011). Ownership advantage however has an intrinsic disadvantage, in terms of the liabilities or costs of foreignness e.g., a British MNCs in a host country is seen as a non-native, faces possible language barriers, lacks knowledge of the local demand trends (Dunning, 2000).

Development of Hypotheses

Multiculturalism and Business Strategy

The received wisdom is that the salad bowl and melting-pot theories of multiculturalism are applicable in organizational and international contexts (Berry and Ward, 2016; Berray, 2019). Firms' multiculturalism policies and practices influence their motives for foreign direct investment (FDI) (Dunning, 2000; Dunning and Pitelis, 2008), and their market-entry business strategies, e.g., enhancing corporate image as part of corporate social responsibility; seeking markets, resources, assets, and efficiencies; seeking political support; seeking tax incentives; pursuing market diversification; seeking lower labour costs; seeking preferential tariffs; and seeking access to cheap natural resources from their home- and host countries (Buckley, 2011; Moosa, 2002; Dunning and Pitelis, 2008; Ietto-Gillies, 2005). We argue that these market-entry strategies lower firms' costs of engaging in multiculturalism and create sources of sustainable competitive advantage for firms in both home- and host countries. Prior studies

on the role of multiculturalism in business strategy development (e.g., Adamczyk, 2017; Furxhi, 2021; House, Javidan, Hanges, and Dorfman, 2002; Inegbedion, Sunday, Asaleye, Lawal, and Adebajji, 2020; Richard, Barnett, Dwyer, and Chadwick, 2004), provide evidence confirming the association between multiple cultures and business strategy (Adam Jr. and Page, 2005; Mohapatra and Ratha, 2011; UNDESA, 2017). In this context it is imperative for MNCs to address issues relating to multiculturalism in their business strategies (Adamczyk, 2017; World Bank, 2019; Vaaler, 2011). The value of multiculturalism to business strategy arises because, it enables MNCs to overcome the inequalities, lack of diversity, and lack of inclusivity in a work environment characterized by mistrust and discrimination, based on language, religion, colour, or race, without any requisite organisational framework to protect employees' interest (CIPD, 2021, 2022). MNCs' ability to overcome or counteract discriminatory behaviour in decision-making processes, facilitates a multiculturalist mindset, which over time cumulatively has a positive effect on business strategy (Adamczyk, 2017; Berray, 2019). For a given MNC operating in multiple countries around the world, the baseline level for commitment to multiculturalism and makeup of its market-entry business strategies depends on a variety of macroenvironmental and competitive influences (Adamczyk, 2017; Whittington et al., 2019). Although commitment to multiculturalism contributes to the success of firms' market-entry business strategies, it usually comes at a cost, especially in poor developing economies (Dunning and Pitelis, 2008). To minimize the costs of multiculturalism MNCs can publicize and promote the idea that, when multiculturalism policies and practices are successfully implemented it encourages socially responsible investment (SRI), creates jobs, raises household incomes, and the multiplier effect of the influx of capital from foreign socially responsible investors also creates positive spillovers for the nation's broader economy (Adamczyk, 2017; Dunning, 2000). We therefore propose the null hypothesis that:

Hypothesis 1: multiculturalism does not positively and significantly impact business strategy.

Where: 1/multiculturalism = independent variable measured in terms of degree of liberalism, degree of heterogeneity, and degree of retention in the context of EDI initiatives. 2/business strategy = dependent variable measured in terms of cost, differentiation, and focus.

MNC's EDI Practices and SRIs' Motivation

MNCs' commitment to multiculturalism increases shareholders' and stakeholders' interests (Sherwood and Pollard, 2023, Hardymont, 2024), and the chances of success for their market-entry strategies, which ultimately gives rise to a virtuous cycle, in which there is reciprocity between firms' commitment to multiculturalism and success of business strategies (Dunning, 2000; Hardymont, 2024; Adamczyk, 2017). Most MNCs' multiculturalism agenda align with national governments' EDI policies, the motives of socially responsible investors (SRIs), and firms' market-entry business strategies (Abdulwase, Ahmed, Nasr, Alyousofi, and Yan, 2020). For example, liberalism (e.g., advocates gender and racial

equality), heterogeneity (e.g., accepts racial and ethnic diversity), and retention (e.g., accepts distinctiveness and promotes political inclusion) (Sherwood and Pollard, 2023; Hardymont, 2024). Such alignment of multiculturalism policies, SRIs' motives, and market-entry strategies represents, in RBV terms, is key to the development of firms' core competences and dynamic capabilities in IB policy (Barney et al., 2001, 2011). In terms of SRIs' motives, reciprocity between MNCs and stakeholders' interest, tends to increase consumer loyalty in host countries (Sherwood and Pollard, 2023). One way for stakeholders to reciprocate is to spread positive information about the MNC's approach to multiculturalism (Sparkes, 2003; Jackson, 2004). This evidence is supported by prior empirical studies which examined various ways in which SRIs influence MNCs' activities and FDI inflows e.g., promoting EDI in both home- and host countries (Sparkes, 2003; Hardymont, 2024). Therefore, our hypothesized logic is that MNCs/SRIs who advocate for EDI gain transferable specialist knowledge, thus lowering their liabilities of transaction costs of foreignness (Jackson, 2004; Hardymont, 2024). We predict that, as MNCs engage in EDI policies and practices, SRIs will reciprocate by increasing the flow of investment to a host country. Therefore,

Hypothesis 2: MNC's active engagement in EDI policies and practices does not positively and significantly impact SRIs' motivation to increase investment.

Where: 1/multiculturalism = independent variable measured in terms of MNC's active engagement in EDI policies and practices. 2/business strategy = dependent variable measured in terms of SRIs motivation to increase investment in a host country where the MNC operates.

EDI Initiatives and Stakeholders' Trust in MNCs

Some SRIs are motivated by the salad bowl approach because it promotes EDI, while other SRIs prefer the melting pot approach which emphasizes assimilation of cultures (Sherwood and Pollard, 2023; Sparkes, 2003). This means SRIs who prefer the salad bowl approach would easily get along with MNCs' who prioritize EDIs in host countries (Sparkes, 2003). We therefore predict that SRIs and stakeholders will trust and demonstrate more commitment to MNCs' whose EDI initiatives are based on salad bowl and not melting pot approach to multiculturalism. EDI initiatives can range in importance from an office housed within a wider division of the company to a fully autonomous department dedicated to addressing EDI issues across different countries (CIPD, 2021, 2022; Sparkes, 2003). The salad bowl approach unlike the melting pot approach signifies high degrees of liberalism, heterogeneity, and retention of cultures, demonstrating greater commitment to MNCs' EDI initiatives, allowing firms to have relatively greater freedom to set policy agendas, allocate resources and adjust to shifting needs and expectations of diverse cultures in different host countries (Sherwood and Pollard, 2023). This allows the salad bowl approach to be more effective at accomplishing cross-cultural goals of increasing freedom of expression, respect, reciprocation and loyalty (CIPD, 2022; Berray, 2019). This is particularly

important for SRIs because they require a supportive host country environment to make investors feel more comfortable initiating investments in high-risk activities (Sparkes, 2003, Jackson, 2004). In contrast, the melting pot approach to multiculturalism is characterized by low degrees of liberalism (i.e., conservatism), heterogeneity (i.e., homogeneity), and retention (i.e., assimilation) (Berray, 2019). Melting pot approach therefore places a greater emphasis on domination of minority cultures by a dominant culture which would be perceived negatively by some SRIs as discriminatory and a reminder of past colonial dominations in an era when one race was perceived to be superior to another race (Hardyment, 2024). However, there are some SRIs who are motivated by the melting pot approach to multiculturalism, given that in some industries and countries assimilation of cultures seems to benefit MNCs significantly (Berray, 2019). Such an emotional appeal is important for some stakeholders and SRIs interested in doing business in information-poor developing countries where EDI initiatives are not prioritized (Berray, 2019; Hardyment, 2024). We therefore predict that MNCs who prioritize EDIs in host countries by adopting the salad bowl approach, will benefit from increased levels of stakeholders' satisfaction and trust (Berray, 2019). All things been equal, prioritizing EDI initiatives in host countries will lead to an increase stakeholder satisfaction and trust in MNCs' activities and ultimately help them sustain their competitive advantages across host countries. Therefore, we propose:

Hypothesis 3: Prioritizing EDI initiatives does not positively and significantly impact Stakeholders' Trust in MNCs operations.

Where: 1/multiculturalism = independent variable measured in terms of MNCs' decision to prioritize EDI initiatives. 2/business strategy = dependent variable measured in terms of Stakeholder satisfaction or trust in MNCs.

Salad Bowl Multiculturalism and Socially Responsible Investment

There are tradeoffs between the 'salad bowl' and 'melting pot' approaches to multiculturalism vis-à-vis a company's own organizational culture and strategic goals in host countries (Berray, 2019; CIPD 2022). On one hand, the salad bowl approach gives stakeholders a direct voice in the strategic decisions of firms, which is salient from the perspective of stakeholder theory (Berray, 2019). Stakeholder voice, gives proponents of salad bowl approach to multiculturalism a sense of efficacy because it represents a substantial socio-emotional resource, encouraging reciprocal behaviours that we predict includes SRI and traditional FDI in the host country (Dunning, 2000; Berray, 2019). On the other hand, a melting pot approach, has the propensity to assimilate minority cultures, and to prioritize shareholders' voice over stakeholders' voice in the strategic decisions of the company, which is salient from a shareholder value perspective (Berray, 2019). Prioritizing shareholders' voice, gives proponents of melting pot approach a sense of efficacy because it represents a substantial socio-economic resource, encouraging reciprocal behaviours that we predict includes less SRI but more traditional FDI in the host country (Sparkes, 2003,

Jackson, 2004). We predict the melting pot approach may lack the same symbolic representativeness and possibly decrease the positive effect of SRIs on host country investment activity. Therefore,

Hypothesis 4: salad bowl multiculturalism is more positively associated with socially responsible investment activity than melting pot multiculturalism in host countries.

Where: 1/multiculturalism = independent variable measured in terms of MNCs' salad bowl approach to multiculturalism. 2/business strategy = dependent variable measured in terms of SRIs motivation to invest in host countries of MNCs.

The next section brings together all the key findings from the literature to create a conceptual framework for the study.

Conceptual framework, empirical model and analytical strategy for the study

Figure 1 presents the conceptual framework for the study based on four proposed hypotheses involving 'multiculturalism' and 'business strategy': (H) (overall positive), H1(+), H2(+), H3(+), and H4(+).

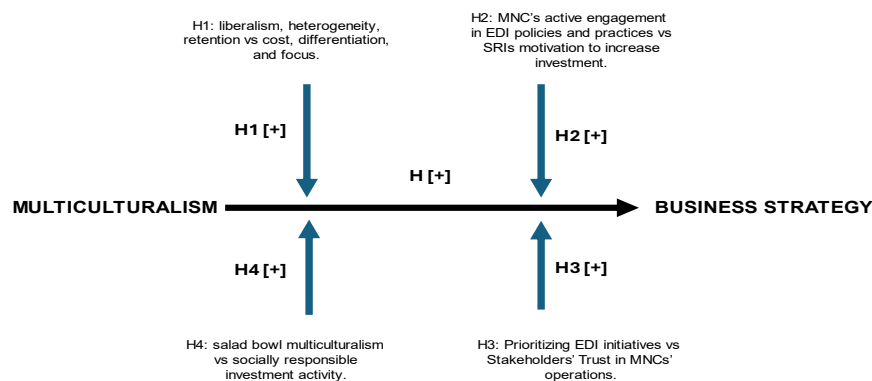


Figure 1: Conceptual framework for the study

The conceptual framework is premised on three key findings in the literature: first, that multiculturalism has been linked to EDI initiatives; second, that, EDI initiatives impact Shareholders and Stakeholders values; finally, that the links between SRIs' motives, FDI motives, and EDI initiatives are well established. Figure 1 depicts 'multiculturalism' as the independent variable - measured using its key characteristics e.g., liberalism, heterogeneity, and retention (Brannen, 2015; Brannen and Thomas, 2010; O'Donovan, 2018). In contrast, 'business strategy' is the dependent variable – measured in terms of Porter's (1998, 2003) three generic sources of competitive advantage, namely, cost, differentiation, and focus (Datta,

2022). Table 1 below provides a summary of the central results of the literature review including the hypotheses.

Central results from the literature	Hypotheses	References
Demographics impact performance.	Control variables	Bachrach (2014)
Liberalism impacts business strategy	H1: liberalism vs strategy	Hofstede (2024).
Heterogeneity impacts strategy	H1: heterogeneity/strategy	Brannen and Thomas (2010)
Retention impacts strategy	H1: Retention/assimilation	Hofstede (2024)
Equality impacts SRIs' motivation	H2: Equality/SRI motives	Sparkes (2003)
Diversity impact SRIs' motivation	H2: Diversity/SRI motives	Atikiya et al. (2015)
EDI impact SRIs' motivation	H2: EDI integration vs SRI	Brannen (2015); De Wit, 2020.
Equality impact Stakeholders' Trust	H3: Equality/Stakeholders	Carpenter (2002)
Diversity impact Stakeholders' Trust	H3: Diversity/Stakeholder	Hofstede 2024; De Wit, 2020.
Inclusion impact Stakeholders Trust	H3: Inclusion/Stakeholder	Barney et al. (2011)
EDI impacts Stakeholders' Trust	H3: EDI/Stakeholders	CIPD (2022), Hofstede (2024)
Low-cost impacts Stakeholders	H4: Low-cost/Stakeholders	Porter (1998, 2003),
Differentiation impacts SRI activity	H4: Differentiation/SRI/FDI	Abdulwase et al. (2020)
Focus strategy impacts MNCs	H4: Focus/MNC activity	Porter (2003), Dunning (2000).

Table 1: Summary of central results of the literature review linked to hypotheses

The next section provides justification for choice of quantitative research design and methods.

Methods and Data

We answered our research question (RQ: How does Multiculturalism impact Firms' Business Strategy and Competitive advantage?), by achieving our specific research objective (RO: To test the hypothesis that multiculturalism does not positively and significantly impact firms' business strategy). To achieve objective RO, we adopted a quantitative research design and methods underpinned by a positivist paradigm (Easterby-Smith et al., 2021). We conducted an exploratory questionnaire survey via Qualtrics^{XM} Online, targeting employees of ten (10) purposively selected UK-based MNCs between April and June 2020 as part of a successful sponsored PhD research project. The responses to the questionnaire were subjected to SPSS statistical procedures, namely, Factor analysis and Multiple Linear Regression (Andy, 2024; Pallant, 2020; Creswell and Creswell, 2018). As positivists, we assumed that what is important in answering our research question is a rigorous scientific approach that values rationalism, objectivism, empirical knowledge, and standardized designs and methods to establish cause-and-effect relationships as part of the process of testing hypotheses (Saunders et al., 2018).

Description of Sample Size and Sample Composition

In this study we used both probability (simple random) and non-probability (purposive) sampling techniques. We first used a purposive sampling technique to select 10 MNCs headquartered in the UK (see Table 2 below), which provides the research context. This was followed by the use of simple random

techniques to administer the questionnaire to the targeted population of MNC employees via Qualtrics^{XM} Online - this gave each employees, equal and fair chance to enter the sample.

Code	UK Industry Category	Employees	Sample size	Completed Questionnaire
MNC#1	Consumer Goods	7300	365	45
MNC#2	Pharmaceuticals	6500	363	57
MNC#3	Oil & Gas	15000	375	19
MNC#4	Pharmaceuticals	17000	376	117
MNC#5	Tobacco	55000	382	22
MNC#6	Alcoholic Beverage	28420	380	10
MNC#7	Consumer Goods	40000	381	26
MNC#8	Retail	450000	384	7
MNC#9	Food Retail	2660	336	9
MNC#10	Automobile	44101	381	6
	Total	665,981	3,723	318

Note: For N=665,981; E=5%; Raosoft Calculated n^c = 3,723. Actual n^a =318 employees. Period of study: April-June 2020

Table 2: Sampling techniques used

Table 2, gives a targeted Population size (N) of 665,981 employees from 10 MNCs, a calculated sample size (n^c) of 3,723 employees, based on the Online Raosoft Sample Size Calculator (<https://certifiedcalculator.com/raosoft-sample-size-calculator/>), where, E = margin of error of 5%, and c = Confidence level of 95%. As shown in the last column, our actual sample size (n^a) based on completed questionnaire is 318 employees, representing a Response rate of 8.54% (318/3723 x 100).

Exploratory Questionnaire Design

As shown in Table 3 below, the questionnaire design comprises of a total of 20 closed-ended questions, categorized into two. First, we have 7 questions on respondents' demographic characteristics (using different scales), and 13 questions/statements on 'multiculturalism' and 'business strategy' (using the standard 5-point Likert scale: 1/strongly disagree, 2/disagree, 3/neither disagree nor agree, 4/agree, 5/strongly agree).

Questions	Alternative Responses and Scales
1/Job title	4-scale; 1/CEOs, 2/Directors, 3/Senior executives, 4/others.
2/Age	5-scale; 1/20-29, 2/30-39, 3/40-49, 4/above 50, 5/others.
3/Sex	3-scale; 1/Male, 2/Female, 3/others.
4/Ethnicity	4-scale; 1/CEOs, 2/Directors, 3/Senior executives, 4/others.
5/Religion	4-scale; 1/Christian, 2/Muslim, 3/Buddhist, 4/others.
6/Education	4-scale; 1/Bachelors, 2/Masters, 3/Doctorate, 4/others.
7/Origins	5-scale; 1/UK, 2/Europe, 3/Africa, 4/Asia, 5/others.
8/Liberalism	A liberal approach to multiculturalism promotes EDI at the workplace
9/Heterogeneity	Heterogeneity of cultures promotes EDI better than Homogeneity of cultures
10/Retention	Retention of some unique aspects of cultures should be emphasized.
11/Equality-SRIs	Equality initiatives motivates SRIs to invest in poor developing countries.
12/Diversity-SRIs	Diversity initiatives motivates SRIs to invest in poor developing countries.
13/EDI-SRIs	EDI integration motivates SRIs' to invest in poor developing countries.

14/Equality-SHT	Prioritizing Equality initiatives increases Stakeholders' Trust in MNCs
15/Diversity-SHT	Prioritizing Diversity initiatives increases Stakeholders' Trust in MNCs
16/Inclusion-SHT	Prioritizing Inclusion initiatives increases Stakeholders' Trust in MNCs
17/EDI-SHT	EDI integration increases Stakeholders' Trust in MNCs
18/Low Cost-SHT	Prioritizing Low-cost leadership increasing Stakeholders' Trust in MNCs
19/Product-SRI	Prioritizing Product differentiation increases SRI activities in host countries
20/Focus-MNCs	Focus or niche strategy increases MNCs' internationalisation activities

Table 3: Questionnaire design: questions and key references in the literature (Source: Authors)

The result of the pilot study confirmed the validity of the questionnaire design. The next section discusses the data collection and analysis processes used.

Data Collection and Analysis

The responses from the Qualtrics^{XM} Online Questionnaire Survey were downloaded to IBM SPSS Statistics Version 26. The SPSS statistical procedures, involve, variable labels, numerical scores, descriptive statistics, reliability and validity tests, Factor analysis, multiple linear regressions, and hypothesis tests to establish the relationship between multiculturalism (independent variable) and business strategy (dependent variable) (Andy 2024; Pallant, 2020).

Results

The descriptive statistics based on our empirical model for multiple regression analysis (see equation below) are presented below.

$$\text{Business Strategy} = \beta_0 + \beta_1 \text{Liberalism} + \beta_2 \text{Heterogeneity} + \beta_3 \text{Retention} + \epsilon$$

Where, 'business strategy' is the dependent variable, β_0 = value of 'business strategy' when all other parameters are set at '0', β_1 . Liberalism is the regression coefficient (β_1) of the first independent variable (Liberalism), β_2 . Heterogeneity is the regression coefficient (β_2) of the second independent variable (Heterogeneity), β_3 . Retention is the regression coefficient (β_3) of the third independent variable (Retention), and ϵ = model error term (Andy, 2024; Pallant, 2020).

Descriptive Statistics: Correlations, Multiple Regression, and Robustness Analysis

Descriptive Statistics and Correlations

Although we obtained a low Response rate of 8.54% from MNC employees (N = 318) we deem it fit-for-purpose because the 3-month duration was relatively short, coupled with the fact that the data collection was at a time (April-June 2020) when Covid-19 pandemic was still prevalent in the UK. The descriptive statistics (Table 4) reveal several items of interest. First, the Correlation matrix for all the 20 questions in the questionnaire shows perfect symmetry e.g., for q1/job title and q20/EDI integration, the top right

cell and the bottom left cell show the same value (-0.034). Second, the demographics (items 1-7) show that, majority of respondents are in the following category: job titles (60.3% directors), age (63%, 30-39 years), sex (79.6% male), ethnicity (76.5% White Caucasians), religion (52% Christians), education (70.5% postgraduate degrees), and country of origin (80.3% Europe). Third, from Table 4 we can see that most control variables seem to show the predicted signs. For example, Age, Sex, Ethnicity, and Religion, are all positively associated with business strategy measures, suggesting their consistency and validity as measures of favourable association between multiculturalism and business strategy.

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1/Job	2.39	.93	1.00																			
2/Age	3.26	.82	-.03	1.00																		
3/Sex	1.20	.40	-.00	-.26	1.00																	
4/Ethnicity	1.71	1.37	-.01	-.27	.07	1.00																
5/Religion	2.63	1.83	-.03	-.17	.07	.12	1.00															
6/Education	3.88	1.46	.05	.00	.10	.09	.05	1.00														
7/Origin	2.19	.58	.05	-.13	.125	.34	.06	.07	1.00													
8/Liberalism	2.38	.87	.01	-.00	.01	.12	.03	-.01	.03	1.00												
9/Heterog	2.27	.86	.00	.03	-.05	.07	.03	.00	-.01	.44	1.00											
10/Retent	2.31	.88	.03	-.05	.01	-.13	.10	-.08	-.08	.15	.22	1.00										
11/Eq-SRI	2.24	.85	.02	-.00	.05	-.01	.09	.01	.01	.17	.20	.30	1.00									
12/Div-SRI	2.28	.89	.07	-.02	.03	-.09	.07	-.05	-.03	.15	.16	.34	.27	1.00								
13/EDI-SRI	2.16	.88	-.03	.09	-.01	-.02	.01	-.08	-.11	.06	.24	-.06	.02	-.00	1.00							
14/Eq-SHT	2.32	.86	.02	.02	.02	.11	.01	-.00	-.07	.08	.27	-.09	.05	.03	.76	1.00						
15/Div-SHT	2.38	.87	-.04	.05	.09	.06	.10	-.02	-.05	.09	.20	-.11	.07	.03	.73	.79	1.00					
16/Inc-SHT	2.27	.86	.02	.07	.02	.06	.04	-.03	-.08	.11	.27	-.06	.08	.05	.77	.88	.84	1.00				
17/EDI-SHT	2.31	.90	-.03	.07	.04	.05	.02	-.05	-.09	.08	.20	-.08	.06	.02	.80	.83	.80	.86	1.00			
18/Co-SHT	2.24	.85	.03	.08	-.02	.07	.04	-.01	-.06	.09	.28	-.02	.08	.06	.70	.86	.78	.87	.80	1.00		
19/Pro-SRI	2.28	.91	-.02	.07	.10	.05	.09	-.04	-.06	.06	.19	-.04	.07	.05	.75	.78	.87	.85	.81	.80	1.00	
20/Fo-MNC	2.16	.90	-.00	-.18	.14	.15	.03	-.09	.03	.14	.18	-.03	-.03	-.00	.11	.12	.12	.09	.09	.06	.091	1.00

Table 4: Pairwise correlations and descriptive statistics

Fourth, note the positive but relatively weak correlation (0.09) between 'liberalism' as a measure of multiculturalism and 'low-cost leadership' business strategy. This suggests that the two measures, though somewhat correlated, may be capturing different aspects of the cause-and-effect relationship, thus suggesting the possibility of different explanation for the relationship between the dependent and independent variables. Similarly, 'heterogeneity' as a measure of multiculturalism is positively correlated with all three measures of business strategy, namely, low-cost leadership, product differentiation, and focus strategy, though the correlations are weak, suggesting that there is an underlying impact from other measures of multiculturalism e.g., liberalism and retention. However, in contrast, 'retention' as a measure of multiculturalism is negatively correlated with all three measures of business strategy, namely, low-cost leadership, product differentiation, and focus strategy, though the correlations are weak, suggesting that there is an underlying impact from other measures of multiculturalism e.g., liberalism and heterogeneity.

The negative relationships between 'retention' and the three business strategy measures, indicate that the positive relationships between the other measures of multiculturalism (liberalism and heterogeneity) and business strategy, is more complicated than a bivariate correlation would indicate. In this context, it is important to point out, that our primary interest in this study is not the bivariate relationships between our variables of interest, but the combined and integrated effects of increasing multiculturalism efforts on firms' business strategies. For that, multiple linear regression methods are most appropriate.

Hierarchical Multiple Linear Regression: Robustness and Hypothesis Test Results

The analysis of robustness includes, test of sampling adequacy and reliability. We obtained a Kaiser-Meyer-Olkin (KMO) sampling adequacy value of 0.860, which indicates the data set is suitable for Factor analysis (values closer to 1.0 are ideal, values less than 0.50 are unacceptable) (Pallant, 2020). The Factor analysis and reliability tests using Cronbach alpha(α)-values, reveal eight (8) factor solutions or components, with only three (3) components selected for further statistical analysis: Component 1 ($\alpha = 0.967$, $N = 7$ items, $\alpha > 0.7$), Component 2 ($\alpha = 0.905$, $N = 3$ items, $\alpha > 0.7$) and Component 3 ($\alpha = 0.857$, $N = 3$ items, $\alpha > 0.7$). The remaining components were excluded from the Hierarchical multiple linear regression, because their Cronbach alphas were below the threshold of $\alpha > 0.700$: Component 4 ($\alpha = 0.606$), Component 5 ($\alpha = 0.396$). There were no results for Components 6, 7 and 8 because only one item/question loaded on each component.

Table 5 below presents the SPSS Model Summary for the data set revealing the characteristics of two models (Model 1 and Model 2).

Model Summary ^c									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df2	Sig. F Change
1	.185 ^a	.034	.012	.828	.034	1.570	7	311	.144
2	.339 ^b	.115	.074	.802	.081	3.973	7	304	<.001
a. Predictors: (Constant), Job Title, Age, Sex, Ethnicity, Religion, Education, Origin.									
b. Predictors: (Constant), Job Title, Age, Sex, Ethnicity, Religion, Education, Origin, Liberalism, Heterogeneity, Retention, Equality_SRIs, Diversity_SRIs, Inclusion_SRIs, Equality_STHTrust, Diversity_STHTrust, Inclusion_STHTrust, EDI_STHTrust.									
c. Dependent Variable: Business strategy									

Table 5: SPSS Model Summary

The predictors or control variables are the 7 demographic factors, in addition to the 13 related measures of business strategy (dependent variable) and multiculturalism (independent variable). The R-values for Model 1 and Model 2 are less than the threshold value of 0.4 - a value greater than 0.4 is taken for further analysis (Pallant, 2020). This is supported by the R-square value of less than 0.5 - a value greater than 0.5 is needed to demonstrate that the model is effective enough to determine the relationship between business strategy and multiculturalism (Andy, 2024). The Sig. F Change of <.001 for Model 2 is satisfactory, despite the fact that the difference between R-square and Adjusted R-square values, e.g., Model 1 (.034, is far off from .012) and Model 2 (.115, is far from .074).

The SPSS Coefficient table (see Table 6 below), shows the strength of the relationship between dependent and independent variables. We used the Sig. values to perform the hypothesis tests for H1, H2, H3, and H4. In this study, the tolerable level of significance is below 0.05 for 95% confidence interval. This means we reject the null hypothesis if the Sig. value is < 0.05, and accept the null hypothesis if the Sig. value is > 0.05. If a null hypothesis is rejected, it means there is an impact - however, if a null hypothesis is not rejected, it means there is no impact. For example, our Model 2, results show that, the Sig. values, for all the variables (q1-q20) are more than the acceptable limit of 0.05, therefore we ACCEPT the null Hypotheses – there are no positive and statistically significant relationships between the independent variables and the dependent variable.

Model 2	Unstandard. Coefficients		Standard. Coeff.	t	Sig.	95.0% Confi. Interval for B	
	B	Std.E	Beta			Lower	Upper
(Constant)	1.33	.38		3.46	<.00	.57	2.08
Job Title	-.03	.05	-.03	-.58	.56	-.13	.07
Age	-.03	.06	-.03	-.51	.61	-.15	.09
Sex	.23	.12	.11	1.95	.05	-.00	.47
Ethnicity	.05	.04	.08	1.24	.22	-.03	.12
Religion	-.01	.03	-.02	-.42	.68	-.06	.04
Education	-.03	.03	-.06	-1.02	.31	-.09	.03
Origin	-.04	.08	-.03	-.44	.66	-.20	.13
Liberalism	.02	.09	.02	.23	.82	-.16	.21
Heterogeneity	.29	.13	.30	2.22	.06	.03	.55
Retention	.01	.12	.01	.07	.94	-.22	.23
Equality-SRIs	-.23	.15	-.24	-1.52	.13	-.53	.07
Diversity-SRIs	.01	.11	.01	.08	.94	-.22	.23
Inclusion-SRIs	.09	.12	.10	.77	.44	-.14	.32
Equality-STHT	-.20	.13	-.26	2.01	.13	.03	.42
Diversity-STHT	.01	.10	.01	.07	.61	.20	.33
Inclusion-STHT	.03	.15	.03	1.00	.10	.33	.10
EDI_STHT	.11	.10	.10	.07	.34	.11	.44
Low-Cost	.09	.11	.08	.61	.24	.10	.33
Differentiation	.25	.10	.22	.22	.05	.02	.45
Focus strategy	.09	.13	.09	.67	.50	-.16	.33

Table 6 Coefficientsa (Model 2) (Source: Authors)

Note: a. Dependent Variable: Business strategy. Std.E = Standard Error

We used the ‘standardized coefficient’ or Beta-values to answer two questions. First, which of the independent variables in the multiple linear regression model e.g., liberalism/22, heterogeneity/300, and retention/9, have a greater effect on the dependent variable/business strategy/18.19.20. Second, what is the ‘magnitude’ of the effect one variable on another. From the table, we can see that for Model 2, Equation 1, the B-values are $\beta_0=1.328$, $\beta_1/q_8=.021$; $\beta_2/q_9=.291$; $\beta_3/q_{10}=0.008$ produces the equation below. It shows that ‘heterogeneity’ ($\beta_2 =.291$, $p >.05$) has the greatest effect/impact on business strategy, followed by ‘liberalism’, and ‘retention’ has the least effect on business strategy.

$$Business\ Strategy = 1.328 + 0.021Liberalism + 0.291Heterogeneity + 0.008Retention + \epsilon$$

Hypothesis Tests: H1, H2, H3, and H4

In this study we used the sign on the Beta-values (positive or negative) to indicate the direction of the effect independent variables have on the dependent variable, and the size of the effect is indicated by the ‘absolute’ value of each Beta-value (Pallant, 2020). Overall, we ACCEPT the null hypothesis H1, because although ‘multiculturalism’ has a positive effect on business strategy, the effect is not statistically significant - this is confirmed by the three related sub-hypotheses (H1a, H1b, H1c). First,

H1a (liberalism has a strong positive impact, but not statistically significant) (Sig. value = .820, $p > .05$) – we ACCEPT Null Hypothesis (H1a); H1b (heterogeneity has a weak positive impact, but not statistically significant) (Sig. value = .057, $p > .05$) – we ACCEPT Null Hypothesis (H1b); and H1c (retention has the strongest positive impact, but not statistically significant (Sig. value = .943, $> .05$) – we ACCEPT Null Hypothesis (H1c). Since the size of the Beta-value in ‘absolute value’ terms indicates the size of the effect the independent variable has on the dependent variable, our results, shows that, it is ‘heterogeneity’ (Beta = .300) that has the greatest effect/impact on business strategy, followed by ‘liberalism’ (Beta = .022), and ‘retention’ (Beta = .009) has the least effect on business strategy.

Similarly, we ACCEPT the null hypothesis H2, because although ‘MNCs’ active engagement in EDI policies and practices has a positive effect on SRI’s motivation to increase investment in host-countries’, the effect is not statistically significant - this is confirmed by the three related sub-hypotheses (H2a, H2b, H2c). First, H2a (equality has a negative impact, but not statistically significant) (Sig. value = .130, $p > .05$) – we ACCEPT Null Hypothesis (H2a); H2b (diversity has a positive effect, but not statistically significant) (Sig. value = .935, $p > .05$) – we ACCEPT Null Hypothesis (H2b); and H2c (inclusion has a positive effect, but not statistically significant (Sig. value = .443, $p > .05$) – we ACCEPT Null Hypothesis (H2c). From the Beta-values we can see that, ‘equality’ (Beta = -.235) has the greatest effect/impact – although negatively - on SRI motivation, followed by ‘inclusion’ (Beta = .095), and ‘diversity’ (Beta = .010) which have positive effects – although in a declining order - on SRI motivation.

Also, we ACCEPT the null hypothesis H3, because although ‘prioritizing EDI initiatives’ has a positive effect on Stakeholders’ Trust in MNCs’ operations, the effect is not statistically significant - this is confirmed by the three related sub-hypotheses (H3a, H3b, H3c). First, H3a (equality has a negative impact, but not statistically significant) (Sig. value = .134, $p > .05$) – we ACCEPT Null Hypothesis (H3a); H3b (diversity has a positive impact, but not statistically significant) (Sig. value = .610, $p > .05$) – we ACCEPT Null Hypothesis (H3b); and H3c (inclusion has a stronger positive impact, but not statistically significant (Sig. value = .100, $> .05$) – we ACCEPT Null Hypothesis (H3c). From the Beta values, we can see that, it is ‘equality’ (Beta = -.260) that has the greatest effect/impact – although negatively - on Stakeholders’ Trust in MNCs operations, followed by ‘inclusion’ (Beta = .031), and ‘diversity’ (Beta = .011) with declining positive effects on Stakeholders’ Trust in MNCs.

Finally, we ACCEPT the null hypothesis H4, because although ‘salad bowl multiculturalism’ is more positively associated with SRI activity than ‘melting pot multiculturalism’, the effect is not statistically significant - this is confirmed by the four related sub-hypotheses (H4a, H4b, H4c, H4d). First, H4a (EDI integration has a negative impact, but not statistically significant) (Sig. value = .335, $p > .05$) – we ACCEPT Null Hypothesis (H4a); H4b (low-cost leadership has a positive impact, but not statistically significant) (Sig. value = .243, $p > .05$) – we ACCEPT Null Hypothesis (H4b); H4c (product differentiation

has a stronger positive impact, but not statistically significant (Sig. value = .051, $>.05$) – we ACCEPT Null Hypothesis (H4c); and H4d (focus strategy has a stronger positive impact, but not statistically significant (Sig. value = .502, $p >.05$) – we ACCEPT Null Hypothesis (H4d). From the Beta values, we can see that, adopting salad bowl approach rather than melting pot approach has more positive effects on the following variables in a declining order, 'product differentiation' (Beta = .223), 'EDI integration' (Beta = .099), 'focus strategy' (Beta = .087), and 'low-cost leadership' (Beta = .077).

The next section discusses the above results and findings in light of the research gaps found in the critical review of extant literature and prior studies.

Discussion

The objective of this study was to explore whether and how firms' multiculturalism policies and practices impact firms' business strategy and competitive advantage through directing firms' resources toward low-cost leadership, product differentiation, or focus strategies. Our results suggest that, if firms' multiculturalism policies and practices have an impact on business strategy and competitive advantage, it is likely because multiculturalism impacts shareholder and stakeholder values by enhancing corporate image, stakeholder trust, brand loyalty and market access. Our results provide a partial/mixed answer to the two aspects of the question of whether multiculturalism impacts firms' business strategy and competitive advantage; and how key components of multiculturalism e.g., liberalism, heterogeneity, retention, equality, diversity, and inclusion, impact firms' sources of competitive advantage: cost, differentiation, focus. The conceptualization and application of multiculturalism seem to shift from salad bowl theory to melting pot theory mainly by shifting socially responsible investment (SRI) patterns and behaviours of shareholders and stakeholders towards issues of equality, diversity, and inclusion. The type of multiculturalism theory adopted by MNCs seem to actively change both the composition and the impact of the massive efforts put in to address equality, diversity, and inclusion in an organisational context. Although some prior research has addressed the broader topic of multiculturalism (Brannen, 2015; O'Donovan, 2018), it has largely been conceptual work, or simply focused on assessing the levels of EDI in a work environment (CIPD, 2021, 2022). The past two decades have witnessed very rapid proliferation of EDI initiatives and are being recommended widely to MNCs by governments, international organizations and consultancies. However, to our best knowledge, our study is perhaps the first empirical study of how multiculturalism impacts business strategy and competitive advantage.

Our hypotheses and empirical tests were designed to show that multiculturalism had an effect on business strategy and competitive advantage, and to suggest how and why. We showed evidence consistent with the proposition that multiculturalism promotes equality, diversity, and inclusion in organisations and countries, which are then reciprocated through CSR, sustainability, and SRI activities e.g., they help shareholders and stakeholders to trust MNCs' operations both in their home and host

countries; and show how multiculturalism influences the investment behaviours of foreign direct investors and SRIs. We examine how the salad bowl and melting pot effects of multiculturalism influence investment decisions of socially responsible investors (SRIs) in poor developing countries. In this context, we discuss and interpret the hypotheses test results to tease out the key findings from the study, vis-a-vis the research gaps identified in existing literature and prior studies. This involves, comparing and contrasting the results with existing research to help identify similarities and differences or contradictions – including key areas of complementarity and major limitations.

Multiculturalism vs Business Strategy

Overall, our survey suggests we should accept there is an association between ‘multiculturalism’ and ‘business strategy’. This result confirms the emerging development in extant literature and previous works that multiculturalism and business strategy can be leveraged by MNCs to sustain competitive advantages in international business (Dunning, 2000; Gillespie, Riddle, and McBride, 2010; Vaaler, 2011). In addition, the results receive support from Barney et al.’s, (2001) RBV theory on competitive advantage, which suggests that a firm’s ability to leverage multiculturalism and business strategy can be transferred to subsidiaries in different countries. Furthermore, the results complement the works of Giuliani and Macchi (2014), Jansson (2020), and Hines et al. (2021), which indicate that firms operating in multiple countries, face multiple cultural differences or challenges, which are best managed by adopting effective multiculturalism policies and practices in support of their FDI motives and market-entry business strategies (Dunning, 2000). However, a key difference is that while we set out to precisely estimate the cause-and-effect relationship between ‘multiculturalism’ and ‘business strategy’, these previous works did not. We found that although ‘multiculturalism’ has a positive effect on ‘business strategy’, the effect is not statistically significant – this we attribute directly to the positive effects of the three measures of multiculturalism, namely, ‘liberalism of organizational cultures’ (strong positive), ‘heterogeneity of diverse cultures’ (weak positive), and ‘retention of the unique aspects of individual traditional cultures’ (strongest positive effect) on the three measures of business strategy: low-cost, differentiation, and focus strategies. Furthermore, we observed that in terms of the size of the effect of multiculturalism on business strategy, ‘heterogeneity’ has the greatest effect/impact, followed by ‘liberalism’, and ‘retention’ has the least effect on business strategy. The implication for MNCs is two-fold, first, MNCs need to critically understand how multiculturalism impacts business strategy in terms of firms’ value propositions, value adding activities, and stock of assets in each country. Second, MNCs need to acknowledge the value of multiculturalism policies and practices in enabling MNCs to overcome the inequalities, lack of diversity, and lack of inclusivity in a work environment without any requisite organizational framework to protect stakeholders’ interest.

MNCs' Active Engagement with EDI Initiatives vs SRIs' Motivation to Investment in Developing Countries

Our results for hypothesis 2 (H2) reveal an association exists between 'MNCs' EDI initiatives' and 'SRIs' motives for investing in host countries'. This result confirms the findings from previous works by Sparkes (2003), Jackson (2004), Sherwood and Pollard (2023), and Hardymont (2024), which identify promotion of EDIs as a motive for FDI in poor developing economies. In addition, we observed that even though there is a positive relationship between 'MNCs' EDI initiatives SRIs' motivation, the effect is not statistically significant - this we attribute to the fact that each of the three components of the EDI initiatives, impact SRI motives differently. For example, 'equality(E)' policies have a negative impact, and both 'diversity(D)' and 'inclusion(I)' components have positive effects on SRI motives. In addition, in order of declining magnitude of impact, our results show that, 'equality' has the greatest effect/impact – although negatively, followed by 'inclusion', and 'diversity'. While some aspects of our results e.g., association between EDI initiatives and SRI motives are confirmatory (Jackson, 2004; Sparkes, 2003), the aspects relating to the differential effects of equality, diversity, and inclusion are insightful. For example, the evidence that 'EDI initiatives' enhances the corporate image/reputation of MNCs is well established in IB literature (Hardymont, 2024; Jackson, 2004; Sparkes, 2003), but the evidence that SRIs will perhaps prefer 'diversity' and 'inclusion' policies to 'equality' provides deeper insight and new knowledge about what goes on in the mindsets or thought processes of SRIs and other foreign direct investors when choosing companies and countries to invest in. The implication is that MNCs' EDI initiatives need to effectively and coherently integrate equality, diversity, and inclusion policies and practices, to ensure they are communicating the same message to all SRIs across host countries MNCs operate in.

Prioritizing EDI Initiatives vs Stakeholders' Trust in MNCs' Operations

Hypothesis 3 (H3) test results reveal an association exists between firms' 'prioritizing EDI initiatives' and 'Stakeholders' Trust in MNCs' operations in host countries. Although, there is a positive effect, it is statistically not significant, which we attribute to the differences in the impact of the three components of the EDI initiative, namely, 'equality' (negative), 'diversity' (positive), and 'inclusion' (positive). Although, equality have a negative effect, meaning measures to ensure there is equality of cultures e.g., gender balance, most stakeholders' do not trust the sincerity of the company to sustain gender balance policies and practices. In addition, addressing issues of 'equality' across different cultures is perhaps more challenging and costly, compared to the related issues of 'diversity' and 'inclusion' (Brannen, 2015; Dickson et al., 2014; Bhaduri, 2019; Hit et al., 2016; Hofstede, 2003, 2024). These results confirm practices in many well established MNCs e.g., GlaxoSmithKline, AstraZeneca, Unilever, and Tesco, where prioritizing EDI have impacted shareholders and other stakeholders' values in their home-base

in the UK and across more than 100 different countries (Phillips, 2009; Jansson, 2020; Berry and Ward, 2016; Giuliani and Macchi, 2014; Jansson, 2020). Additionally, as developing countries and international policy-makers e.g., UN, World Bank, IMF, become more aware of which approaches to multiculturalism are more (or less) effective, they can better harness the valuable economic, social, and knowledge resources of MNCs as part of the strategies for achieving the UN's SDG goals. Existing IB and policy research (Leblang, 2010; Ratha, 2011) has identified several conditions affecting whether or not SRIs/MNCs can positively impact their home and host countries: the condition we highlight is whether or not the host country has a formal multiculturalism engagement agenda. Multiculturalism-related NGOs such as the UN, and the World Bank care deeply about making multiculturalism work for everyone anywhere (UN, 2024; UNDESA, 2017), and this study adds credibility to the idea that formal engagement of MNCs and SRIs in addressing EDI issues in host countries matters. There is therefore an urgent need to evaluate and improve the impacts of the multiculturalism approaches adopted by MNCs, NGOs and UN - this points the way for future research on the impacts of multiculturalism for IB policy research agenda.

Salad Bowl Multiculturalism vs Socially Responsible Investors' Activity in Host Countries

The baseline level for MNCs commitment to multiculturalism depends on their FDI motives, market-entry strategies and the attractiveness of the host countries they wish to do business in (Dunning, 2000; Dunning and Pitelis, 2008). Such commitments have been associated with the costs or liabilities of foreignness (Denk, Kaufmann, and Roesch, 2012). To minimize the liability of foreignness most MNCs adopt a cross-cultural approach to market-entry which includes the need to engage in corporate social responsibility (CSR) activities, including dealing with issues of sustainability, and EDI (Denk et al., 2012; Sparkes, 2003). In this context, our Hypothesis 4 (H4) test results confirm there is an association between MNCs adopting comprehensive and cross-cultural multiculturalism policies and practices based on the salad bowl approach and increase flow of socially responsible investments into host countries where MNCs operate (Moosa, 2002; Hardymont, 2024). Although our survey reveals that a salad bowl approach has a positive effect on SRI activities, we observed that the effect is statistically not significant. This can be attributable to the differences in SRIs' expectations about the relevance and effectiveness of salad bowl and melting pot approaches to multiculturalism vis-a-vis the success of MNCs' market-entry strategies e.g., EDI initiative, low-cost leadership, product differentiation, and focus. These differences in SRIs' expectations/motives confirms the arguments put forward by some critics, including, Almeida (2007), and Giuliani and Macchi (2014), that some SRIs collude and MNCs to exert undue political influence in host countries, to block the full implementation of multiculturalism policies and practices. Despite this criticism, we observed that most SRIs prefer 'salad bowl multiculturalism'

because it aligns better with their motives as socially responsible investors than 'melting pot multiculturalism' (Moosa, 2002; Hardyment, 2024; Sparkes, 2003). More specifically, we observed that although EDI integration into a single coherent policy and practice has a negative impact on SRI activities, the three generic sources of firm's competitive advantage have positive effects on SRI activities (low-cost leadership/positive, product differentiation/positive, and focus strategy/positive). Furthermore, we noted that adopting salad bowl approach impacts the variables in the following declining order, 'product differentiation', 'EDI integration', 'focus strategy', and 'low-cost leadership'. This has two serious implications for sustaining firm's competitive advantages across countries. First, MNCs need to develop cross-cultural capabilities which encourage people from diverse cultures to work together in harmony (Bertolino, Truxillo, and Fraccaroli, 2013; Eze et al., 2017; Mehmet and Aşçı, 2016; Ahmady et al., 2016). Second, because both the salad bowl and melting-pot theories of multiculturalism are applicable in organizational and international contexts, MNCs need to strategically align their multiculturalism to enhancing their corporate image, corporate social responsibility or sustainability agenda, and collaborative partnerships with SRIs (Buckley, 2011; Moosa, 2002; Dunning and Pitelis, 2008; Ietto-Gillies, 2005).

Conclusion

The overarching objective of this paper was to explore whether and how multiculturalism as practices by MNCs in the UK, statistically impacts their business strategies and competitive advantages. Although some prior research has addressed the broader topic of multiculturalism, it has largely been conceptual and not empirical (Brannen, 2015; O'Donovan, 2018; Gillespie, Riddle, and McBride, 2010). Our hypotheses and empirical tests show that multiculturalism has a positive effect on business strategy and competitive advantage.

Main Summaries

We summarise our findings in five ways. First, we conceptualise multiculturalism in terms of its three key characteristics, namely, cultural liberalism, heterogeneity of cultures, and retention of unique aspects of traditional cultures. Given the potential importance of multiculturalism in poverty alleviation (UN, 2024; UNDESA, 2017, World Bank, 2019) our findings would inform future work how multiculturalism facilitates cultural liberalism, heterogeneity, and retention of cultures in the context of poverty reduction especially in poor developing countries (Gillespie et al., 2010). Second, given the prevalence of state-owned enterprises (SOEs) operating in emerging economies, especially in Sub-Saharan Africa and Asia-Pacific regions (Cuervo-Cazurra, Inkpen, Musacchio, and Ramaswamy, 2014), our findings provides some insights about the nature of the association between salad bowl and melting pot approaches to multiculturalism and the motives of socially responsible investors (SRIs) in supporting

SOEs' inward or outward investment flows. Third, our empirical results suggest a moderating impact of cross-cultural dimensions (e.g., Hofstede, 2001) on the relationship between multiculturalism and business strategies, which is biased toward salad bowl approach than the melting pot approach to multiculturalism. Fourth, we believe that the three characteristics of multiculturalism are operationalised through EDI initiatives, which in turn enable MNCs to develop an enabling organisational culture for achieving and sustaining competitive advantage in their domestic and international markets. Our strategic framework for researching multiculturalism in an organisational and international context, makes a unique contribution to knowledge, in providing researchers and practitioners with opportunity to critically understand the antecedents, processes, and outputs of multiculturalism in terms of degrees of liberalism, heterogeneity, and retention of cultural beliefs, values, and norms in pursuit of EDI goals. Finally, we believe that a critical understanding of the relationship between multiculturalism and business strategies would enable firms to better align their approaches to multiculturalism with domestic and international approaches to dealing with EDI issues vis-à-vis motives for FDI, SRI, and UN's SDGs, to avoid the cost of misalignment of business strategies in an increasingly turbulent global business environment. We conclude that although there is a positive correlation between multiculturalism and business strategy, in terms of the three generic sources of competitive advantage: low-cost leadership, product differentiation, and focus strategies, the positive effects are not statistically significant, and possibly mediated by the cross-cultural dimensions of organisational culture.

Theoretical Implications: Further Research Questions Arise from the Results.

Our findings have six theoretical implications for cross-cultural management and IB research and policy. First, there is no agreed definition and meaning of multiculturalism, and this study does not completely unveiled the misconceptions and misapplication of multiculturalism. Theorists need a working definition of multiculturalism which addresses issues relating to EDI, sustainability, and UN's SDG goals (UN, 2024; UNDESA, 2017, World Bank, 2019). Second, the positive but insignificant effects of demographic characteristics, demonstrates the importance of clarifying the possible mediating effects of cross-cultural dimension on the causal effect of multiculturalism on business strategy. This raises further questions relating to the nature of the mediating role of cross-cultural factors on how multiculturalism impacts business strategies. Third, recent works on sustainability policies and SDGs have shown that the three key characteristics of multiculturalism identified in this study, namely, 'liberalism', 'heterogeneity', and 'retention' of cultures at both national- and organizational levels can result in tremendous differences in multiculturalism policy implementation, even under similar or identical international policy regimes. The key question relates to how the component factors of multiculturalism aligns effectively with domestic and international sustainability and related policies and best practices. Fourth, our study does have limitations because we do not have any qualitative evidence to suggest that the multiculturalism policies and practices of UK-based MNCs are directly impacting the broader

sustainability and investment environment or that they are significantly encouraging SRIs to increase their investment activities in developing countries.

Practical Recommendations for Action: What Can Practitioners Take Away from this Paper?

Given the importance of multiculturalism for achieving the UN SDGs (UN, 2024; UNDESA, 2017, World Bank, 2019), we offer five practical recommendations for action. First, practitioners or policy-makers need to appreciate and acknowledge the differences between the salad bowl and melting pot approaches to multiculturalism, and how they impact the effectiveness of business strategies differentially. Second, policy-makers need to critically examine how firms' multiculturalism policies and practices align with firms' market-entry strategies, FDI motives, and the motives of SRIs in shaping the relationship between stakeholders, shareholders, SRIs and other dimensions of sustainability. Third, this study is multiculturalism-focused it represents a rich arena for formulating and implementing EDI policies, which reflects the demands for sustainability, and the UN SDG goals.

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