

Managing Cross-cultural Diversity: Issues and Challenges in Global Organizations

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ABSTRACT: Today, globalization has become a reality. Advances in the field of information and technology and liberalization in trade and investment have increased the ease and speed with which companies can manage their global operations. Due to globalization, many companies are now operating in more than one country. This crossing of geographical boundaries by the companies gives the birth of multicultural organization where employees from more than one country are working together. It may be true that companies are finding these expansions as attractive and lucrative but operating and managing a global business is normally a lot tougher than managing a local company. The global business is affected by a number of factors like differences in socio, economic, cultural, legal and political environments. The global business is also prone to a number of risks like political risk, currency risk, cross-cultural risks etc... Human resources are required to perform at all operational levels across all business units be it domestic or global. In such circumstances, the risk of cross cultural discrepancies is inevitable. The aim of this paper is to find out these discrepancies and then suggest some effective solutions to manage effectively the cross cultural aspect of human resources for the success of global business.

Key words: cross-culture, globalization, global business, expansion, diversity

I. INTRODUCTION

Due to globalization, many companies are now operating in more than one country. This crossing of geographical boundaries by the companies gives the birth of multicultural organization where employees from more than one country are working together. It may be true that companies are finding these expansions as attractive and lucrative but operating and managing a global business is normally a lot tougher than managing a local company. The main reason for the expansion of companies is to create global competitiveness by reducing production costs and exploiting market opportunities offered by trade liberalization and economic integration. Effective knowledge and use of cross cultural diversity can provide a source of experience and innovative thinking to enhance the competitive position of organizations. However, cultural differences can interfere with the successful completion of organizational goals in today's multicultural global business community. To avoid cultural misunderstandings, managers should be culturally sensitive and promote creativity and motivation through flexible leadership.

II. LITERATURE REVIEW

Cross-cultural management is obviously important and has a great effect on the success of international business operations. Cullen and Parvoteeah (2008) have reported that international business management is inseparable from the sphere of patterned cultural behaviors because culture is represented in terms of the pervasive and shared beliefs, norms, values, and symbols that guide the everyday life of different groups of people. International managers have to decide to choose and adjust their strategies aligned with each country's culture. The traditional strategies used by management to manage culturally diverse workforce are proving inadequate and may not be able to solve the problem of cross cultural diversity in the era of globalization. In order to enlighten the management to solve this problem with some novel approach this paper intends to find out about culture, diversity and how to manage the culturally diverse workforce in the era of globalization with the following objectives:-

The Objectives of This Study are to Find out

- [1] The concept of culture, diversity and their importance in global organizations.
- [2] The issues and challenges of cross cultural diversity.
- [3] Recommend the necessary strategies to manage culturally diverse workforce.

III. RESEARCH METHODOLOGY

The nature of data used in this study was mainly secondary data. The data primarily consists of extensive review of existing literature comprising of Journals, internet, Books, previously conducted research in the field, white papers, websites dedicated for culture and diversity, magazines etc. . . . The data was used to find out the contemporary cross cultural diversity strategies employed by the organizations, and all other previously conducted research in the field so far. This had enabled to identify the prevalent gaps in the existing literature and prompted me to undertake this study.

What is Culture?

Culture can be defined as the acquired knowledge that people use to interpret experiences and generate social behavior. It is important to recognize that culture is learned and helps people in their efforts to interact and communicate with others in the society. When placed in a culture where values and beliefs are different, some people have a great deal of difficulty adjusting. [8]Culture evolves within each society to characterize its people and to distinguish them from others. First, it captures how the members of the society live—for instance, how they feed, clothe, and shelter themselves. Second, it explains how members behave toward each other and with other groups. Third, it defines the beliefs and values of members and how they perceive the meaning of life.

Having described what culture is, it is also important to define what culture is not. Culture is:

5.1 Not right or wrong

Culture is relative. There is no cultural absolute. People of different nationalities simply perceive the world differently. They have their particular ways of doing things, and do not fit any one standard. Each culture has its own notions of what is acceptable and unacceptable behavior. For instance, in some Islamic cultures, a wife cannot divorce her husband. In many countries, nudity is entirely acceptable on TV. In Japan and Turkey, wearing shoes in the home is taboo.

5.2 Not about individual behavior

Culture is about groups. It refers to a collective phenomenon of shared values and meanings. Thus, while culture defines the collective behavior of each society, individuals often behave differently. For instance, in most countries, men wear their hair short. But a few mavericks have very long hair and stand out among their peers. In Australia, Canada, Europe, and the United States, some men wear makeup. Such nonconformist behavior does not represent the cultural values of the larger population.

5.3 Not inherited

Culture is derived from the social environment. People are not born with a shared set of values and attitudes. Children gradually acquire specific ways of thinking and behaving as they are raised in a society. For example, in the United States, children usually acquire values of individualism and Christianity. But in China, children learn to depend on family members and acquire values based on Confucianism. Culture is passed from generation to generation—from parents, teachers, mentors, peers, and leaders. Modern methods of communication, including transnational media, play an enormous role in transmitting culture. [1]

IV. ORGANIZATIONAL CULTURE

When people join an organization, they bring with them the values, beliefs they have been taught. However these values and beliefs are generally insufficient to help the employee succeed in the organization. They need to learn that how that particular organization functions and need to adapt to it accordingly. Organizational culture has a number of important characteristics; some of them are given below-

6.1 Observed behavioral regularities

When organizational participants interact with one another, they use common language, and rituals related to deference and demeanor.

6.2 Norms

These are the standards of behaviors, it includes the guidelines on how much work to do etc...

6.3 Dominant values

These are major values that the organization advocates and expects the participants to share. Some of the example includes are- high product quality, low absenteeism, and high efficiency.

6.4 Philosophy

These are the policies that set forth the organizations beliefs about how employees and /or customers are to be treated.

6.5 Rules

These are the strict guidelines along in the organization. New comers must learn those “ropes” in order to be accepted as full-fledged members.

6.6 Organizational climate

This is an overall feeling that is conveyed by the physical layout, the way participants interact, and the way members of the organization conduct themselves with customers of other outsiders. [8]

V. DIVERSITY

Diversity can be defined as, “The concept of diversity encompasses acceptance and respect. It means understanding that each individual is unique, and recognizing our individual differences. These can be along the dimensions of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies. It is the exploration of these differences in a safe, positive, and nurturing environment. It is about understanding each other and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual.” [4]

VI. CULTURAL DIVERSITY

Cultural diversity can be defined as, “Cultural diversity is when differences in race, ethnicity, language, nationality, religion, and sexual orientation are represented within a community. A community is said to be culturally diverse if its residents include members of different groups. The community can be a country, region or city. Cultural diversity has become a hot-button issue when applied to the workplace.” [6]

VII. REASONS FOR THE EMERGENCE OF DIVERSITY

Changing demographics is the main reason for the emergence of diversity. Women, older workers, minorities, physically challenged people, and those with more education are entering the workforce in a record numbers. Some other factors too are responsible for the emergence of diversity like – It can help organizations in meeting competitive pressure faced by them globally. The pace at which the global business is expanding, it too contributes to the emergence of diversity. Also diversity helps organizations to recognize and strive to obtain diverse view points in their decision making processes and teams. [8]

VIII. THE ADVANTAGES OF DIVERSE CULTURE IN THE WORK FORCE

A diverse culture in a workplace means the organization employs workers from a wide array of backgrounds, including ethnicity, race, gender and religion. However, a number of other less common and more minor distinguishing traits contribute to a culture in which employees work with others who aren't their mirror images.

10.1 Improved Morale

One benefit of a diverse workplace culture not as routinely discussed is improved morale. However, this is an important advantage. When diversity is well-managed and employees are trained on cultural sensitivity and awareness, the ideal result is a workplace where all people are validated and regarded as important, regardless of differences. This affirmation of value improves individual worker morale and the collective positivity in the workplace.

10.2 Broader Perspectives

An advantage that is more often pointed out about a diverse workplace is broader perspectives and deeper ideas. A collection of people with varying backgrounds and life experiences are more likely to share different perspectives on a workplace challenge. They are also more likely to present and discuss a number of

ideas. By increasing the quantity of perspectives and ideas, the quality of the final decision or solution is typically optimized.

10.3 Global Impact

In a global world economy, having a work force that is diverse from a cultural and country perspective can help companies establish roots and develop business in foreign markets. The ability to communicate effectively with global business markets, to establish strong relationships with partners and suppliers in non-domestic markets and to understand the cultural implications of doing business in different parts of the world are key benefits.

10.4 Community Relationships

As communities become more diverse, it is important that organizations become diverse as well, for both functional and psychological reasons. Functionally, companies need employees who speak customers' languages and understand their needs. Psychologically, communities and customers typically prefer to do business with companies who employ people from their own backgrounds. Thus, companies in diverse communities often make hiring for and managing a diverse culture an important strategic element. [5]

Why Culture Matters in International Business?

Effective handling of the cross-cultural interface is a critical source of a firm's competitive advantage. Managers need to develop not only empathy and tolerance toward cultural differences, but also acquire a sufficient degree of factual knowledge about the beliefs and values of foreign counterparts. Cross-cultural proficiency is paramount in many managerial tasks, including:

- ❖ Developing products and services
- ❖ Communicating and interacting with foreign business partners
- ❖ Screening and selecting foreign distributors and other partners
- ❖ Negotiating and structuring international business ventures
- ❖ Interacting with current and potential customers from abroad
- ❖ Preparing for overseas trade fairs and exhibitions
- ❖ Preparing advertising and promotional materials

Let's consider specific examples of how cross-cultural differences may complicate workplace issues:

Teamwork

Cooperating to achieve common organizational goals is critical to business success. But what should managers do if foreign and domestic nationals don't get along with each other? Try to sensitize each group to differences and develop an appreciation for them? Rally the groups around common goals? Explicitly reward joint work?

Lifetime employment

Workers in some Asian countries enjoy a paternalistic relationship with their employers and work for the same firm all their lives. The expectations that arise from such devoted relationships can complicate dealings with outside firms. Western managers struggle with motivating employees who expect they will always have the same job regardless of the quality of their work

Pay-for-performance system

In some countries, merit is often not the primary basis for promoting employees. In China and Japan, a person's age is the most important determinant in promoting workers. But how do such workers perform when Western firms evaluate them using performance-based measures?

Organizational structure

Some companies prefer to delegate authority to country managers, creating a decentralized organizational structure. Others are characterized by autocratic structures with power concentrated at regional or corporate headquarters. Firms may be entrepreneurial or bureaucratic. But how can you get a bureaucratic supplier to be responsive about demands for timely delivery and performance?

Union-Management relationships

In Germany, union bosses hold the same status as top-level managers and are required to sit on corporate boards. In general, European firms have evolved a business culture in which workers enjoy a more equal status with managers. This approach can reduce the flexibility of company operations if union representatives resist change.

Attitudes toward ambiguity

In each country, nationals possess a unique capacity to tolerate ambiguity. For example, some bosses give exact and detailed instructions on work to be performed, whereas others give ambiguous and incomplete instructions. If you are not comfortable working with minimum guidance or taking independent action, then you may have difficulty fitting into some cultures. To gain a more practical perspective on culture's role in business, let's take the example of doing business in Japan. In the West, "the customer is king," but in Japan, "the customer is God." Whenever customers enter retail stores in Japan, they are greeted with vigorous cries of "Welcome" and several choruses of "Thank you very much" when they leave. [1]

Managing Culturally Diverse Workforce

When an organization tries to expand its operation geographically to more than one country, it tends to become a multicultural organization. The biggest challenge to be faced by the organizations then will be blending employees from different cultural backgrounds. When employees from two or more cultures interact with each other on a regular basis, it results into multiculturalism. The employees entering to another nation needs to adjust their leadership styles, communication patterns and various other practices to fit with the styles of the host nation. Sometimes the employees from the parent country nationals from the nation in which the home office is located and sometimes they belongs to a third country. Both of these categories of employees are called expatriates, as they belong to other countries. What the organization wants is the fusion of cultures of these employees so that greater productivity is ensured.

Barriers to Cultural Adaptations

There are a number of barriers to cultural adaptations, some of them are-

Parochialism

The international operations of expanding organizations are conducted in such an environment whose social system is different from the one in which the organization is based. This new social system affects the responses of all persons involved. The employees posted to a new country exhibit a variety of behaviors' which is often true to their citizens and country. They may fail to recognize key differences between their own and other cultures. Even if they do, they tend to conclude that the impact of those differences is insignificant. In effect, they are assuming that the two cultures are more similar than they actually are.

Individualism

Some of the workforce may be relatively individualistic, means that they place greater emphasis on their personal needs and welfare. At the extreme, individualism suggests that their action should be guided by the motto, "look out for themselves before being concerned about others."

Ethnocentrism

This is another potential barrier to easy adaptation to another culture. It occurs when people are predisposed to believe that their homeland conditions are the best. This predisposition is known as the self reference criterion, or ethnocentrism. Even though this type of thinking is natural, it interferes with understanding human behavior in other cultures and obtaining productivity from local employees. In order to integrate the imported and local social systems, international workforces need cultural understanding of local conditions. Even with this understanding, they must then adaptable enough to integrate the community of the interest of the two or more cultures involved.

Cultural Distance

In order to predict the amount of adaptation that may be required when an employee moves to another country, it is helpful to understand the cultural distance between the two countries. It is the amount of difference between any two social systems, and this may range from minimal to substantial. Whatever be the amount of cultural distance, it does affect the responses of all persons to business. Employees naturally tends to be somewhat ethnocentric and to judge conditions in a new country according to standards of their homeland. These problems will be magnified if the cultural distance is great.

Cultural shock

When employees enter another nation they tend to suffer cultural shock, which is the insecurity and disorientation caused by encountering a different culture. They may not know how to act, may fear losing face and self confidence, or may become emotionally upset. Some individuals isolate themselves, while a few even decide to return home on the next airplane. It is virtually universal. It happens even on a move from one advance nation to another. Some of the common reasons for cultural shock are-

- ❖ Different management philosophies
- ❖ language
- ❖ Alternative food, dress, driving patterns, availability of goods.
- ❖ Attitude towards work and productivity
- ❖ Separation from friends and colleagues
- ❖ Unique currency system[3]

IX. OVERCOMING BARRIERS TO CULTURAL ADAPTATIONS

In spite of the strong evident need for employees moving on foreign assignments to understand local culture and be adaptable, they often arrive unprepared. Their selection is typically based upon their job performance in the home country. Because of their parochial, individualistic or ethnocentric beliefs, they might not be concerned about the fact that they will be doing business with people whose traditional beliefs are different from their own. They may not know that local language and might have little interest in becoming a part of the community. They may also have been selected based on their technical knowledge by their employer. However cultural understanding is essential to avoid errors and misunderstandings that can be costly to the organization. There are a number of steps that the organization can undertake to prevent cultural shock and reduce the impact of the other barriers listed above. Some of them are given below-

Careful Selection

Employees can be selected who are low in ethnocentrism and other possibly troublesome characteristics. The desire to experience other culture and live in another nation may also be an important prerequisite attitude worth assessing. Learning the attitude of employees spouse toward the assignment also can be important; to ensure that there is strong support for serving in foreign country.

Compatible Assignments

The adjustment to new country becomes easy for the employees especially on their first international assignment, if they are sent to the countries that are similar to their own .

Pre-departure Training

Many organizations try to hasten adjustment to a host nation by encouraging employees to learn local language. They offer training prior to assignments. It often includes orientation to the geography, customs, culture and political environment in which the employees will be living.

Orientation and the support in the new country

Adjustment is further encouraged after arrival in the new country if there is a special effort made to help the employee and family get settled, this may include assistance with housing, transportation and shopping. It is especially helpful if a mentor can be assigned to ease the transition.

Incentives and Guarantees

Another problem that can arise when employees transfer to another culture is that of intensified need deficiencies. This means that their need satisfactions are not as great as those of comparable employees who remain at home. Although a move to another nation may be an exciting opportunity that provides new challenges, responsibilities, and recognition, an international job assignment may bring about financial difficulties, inconveniences, insecurities, and separation from relatives and friends. In order to motivate such employees to accept such assignments in other nations, organizations frequently should give them extra pay and fringe benefits to compensate for the problems they may experience. They should also be assured for better position in the organization upon their return to the home country, which could help them to relieve their job insecurities.

Preparation for reentry

Employees who return to their home country after foreign assignment tends to suffer cultural shock in their own country. This is sometimes called cross-cultural reentry, and may cause reverse cultural shock. After adjusting to the culture of another nation and enjoying its uniqueness, it is difficult for employees to readjust to the surroundings of the home country. This situation is made more difficult by the multitude of changes that have occurred since they departed. [3]

X. MANAGERIAL GUIDELINES FOR CROSS-CULTURAL SUCCESS

Cross-cultural proficiency helps managers connect with their foreign counterparts. Seasoned managers attest to the importance of a deep knowledge of culture and language in international business. Managers can achieve effective cross-cultural interaction by keeping an open mind, being inquisitive, and not rushing to conclusions about others' behaviors. Experienced managers acquire relevant facts, skills, and knowledge to avoid offensive or unacceptable behavior when interacting with foreign cultures. They undergo cultural training that emphasizes observational skills and human relations techniques. Skills are more important than pure information because skills can be transferred across countries, while information tends to be country specific. Various resources are available to managers for developing skills, including videotape courses, cross-cultural consultants, and programs offered by governments, universities, and training institutes. Planning that combines informal mentoring from experienced managers and formal training through seminars and simulations abroad and at home go far in helping managers meet cross-cultural challenges. Although every culture is unique, certain basic guidelines are appropriate for consistent cross-cultural success. Let's review three guidelines managers can follow in preparing for successful cross-cultural encounters.

Guideline 1

Acquire factual and interpretive knowledge about the other culture, and try to speak their language. Successful managers acquire a base of knowledge about the values, attitudes, and lifestyles of the cultures with which they interact. Managers study the political and economic background of target countries—their history, current national affairs, and perceptions about other cultures. Such knowledge facilitates understanding about the partner's mindset, organization, and objectives. Decisions and events become substantially easier to interpret. Sincere interest in the target culture helps establish trust and respect, laying the foundation for open and productive relationships. Even modest attempts to speak the local language are welcome. Higher levels of language proficiency pave the way for acquiring competitive advantages. In the long run, managers who can converse in multiple languages are more likely to negotiate successfully and have positive business interactions than managers who speak only one language.

Guideline 2

Avoid cultural bias. Perhaps the leading cause of culture-related problems is the ethnocentric assumptions managers may unconsciously hold. Problems arise when managers assume that foreigners think and behave just like the folks back home. Ethnocentric assumptions lead to poor business strategies in both planning and execution. They distort communications with foreigners. Managers new to international business often find the behavior of a foreigner hard to explain. They may perceive the other's behavior as odd and perhaps improper. For example, it is easy to be offended when our foreign counterpart does not appreciate our food, history, sports, or entertainment, or is otherwise inconsiderate. This situation may interfere with the

manager's ability to interact effectively with the foreigner, even leading to communication breakdown. In this way, cultural bias can be a significant barrier to successful interpersonal communication. A person's own culture conditions how he or she reacts to different values, behavior, or systems. Most people unconsciously assume that people in other cultures experience the world as they do. They view their own culture as the norm—everything else may seem strange. This is known as the self-reference criterion—the tendency to view other cultures through the lens of one's own culture. Understanding the self-reference criterion is a critical first step to avoiding cultural bias and ethnocentric reactions. Critical incident analysis (CIA) refers to an analytical method for analyzing awkward situations in cross-cultural interactions by developing empathy for other points of view. It is an approach to avoiding the trap of self-reference criterion in cross-cultural encounters. Critical incident analysis encourages a more objective reaction to cultural differences by helping managers develop empathy for other points of view.

Guideline 3

Develop cross-cultural skills. Working effectively with counterparts from other cultures requires an investment in your professional development. Each culture has its own ways of carrying out business transactions, negotiations, and dispute resolution. Cross-cultural proficiency is characterized by four key personality traits:

Tolerance for ambiguity—the ability to tolerate uncertainty and apparent lack of clarity in the thinking and actions of others.

Perceptiveness—the ability to closely observe and appreciate subtle information in the speech and behavior of others.

Valuing personal relationships—the ability to recognize the importance of interpersonal relationships, which are often much more important than achieving one-time goals or winning arguments.

Flexibility and adaptability—the ability to be creative in devising innovative solutions, to be open-minded about outcomes, and to show grace under pressure.

XI. CONCLUSION

Organizations' ability to attract, retain, and motivate people from diverse cultural backgrounds, may lead to competitive advantages in cost structures and through maintaining the highest quality human resources. Further capitalizing on the potential benefits of cultural diversity in work groups, organizations may gain a competitive advantage in creativity, problem solving, and flexible adaptation to change. Multi-cultural workforce is becoming the norm. To achieve organizational goals and avoid potential risks, the managers should be culturally sensitive and promote creativity and motivation through flexible leadership.

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