CROSS-CULTURAL MANAGEMENT-EMERGING ISSUES AND CHALLENGES BEFORE MANAGERS OF MNCS

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Abstract:

Today, Globalization in business is spreading like an epidemic. Many organizations have widespread their business units in overseas not only to strengthen their financial status but also establish strong business network worldwide. Organizations, nowadays, have speared their wings across the geographical boundaries which are the main reason for forming cross-cultural management. Though it seems to be very profitable offer in expanding business across the counties but in reality, it comes with a lot of troublesome issues. Such issues include cultural differences, language problem, variation in rituals and beliefs, instability in political circumstances etc. A multi-diversified organization is very much familiar with the occurrence of cultural shock. The Smooth running of any organization depends on its human resources personnel and their ways of addressing the problems. In this paper, the emphasis has given on the different dimensions which give birth to multiculturalism. Also, some suggestions and possible guidelines have been narrated to overcome with such problems and hazard free running of the global business. This paper also suggests howInitiatives have to be taken by higher authorities and subordinates for building nonracist organization. An *Input-process -Output* model has been illustrated to depict the conversion of a domestic work culture to multi-diverse work culture and the feasible obstacles in an MNC.

Keywords: **Cross-culture, Multiculturalism, Issues, Diversified workforce, cultural integrity, Globalization**

INTRODUCTION:

India is counted as adeveloping country. Indian economy is greatly influenced by foreign business. With the rapid growth of globalization and foreign trade, most of the MNC's and IT in India are exposed to new challenges every day. The multicultural workforce is a common scenario which consists of people with different value system, priority and belief which reflect in their decision-making system. Changing culture is not possible, as one grows with it but dealing tactfully with multi-diverse workforce can bring greater success to the manager. It is not true always that if an organization is operating with cross-cultural workforce will always create a fuzz but it improves the problem-solving skill of the manager as well as it donates some cultural knowledge to the co-workers. It provides a better scope of communication in spite of language barriers.

At the same time,cross-cultural management faces many difficulties as different persons have different mindset and belief which is a result of their cultural upbringing. Success comes to that management who sensitively handle the issues of cultural difference and show respect to all culturesirrespective of his/her own culture.Cultural differences reflect in language, attitude, norms, values, belief etc. Culture forms a psychological framework of a person which ultimately becomes the root cause of their behaviour inthe workplace.

In our study, we will focus on the concept and dimensions cross-cultural management in MNC, What are the big issues associated with it and strategies to minimize its negative impact? And how cross-cultural system can be used as an effective tool in making a successful management?

REVIEW OF LITERATURE

In the year of (2008), Cullen and Parvoteeah, narrated the indivisible relationship between International business and multi-cultural workforce. He focused on the strategies and methodology which managers used to follow to manage culturally diversified workforce in previous days, must be replaced by more dynamic and problem-solving approach.

Diwkar Singh, in his research paper-*Managing Cross-Cultural Diversity: Issue and Challenges in Global Business*, explain the challenges and issues in dealing with multiculturalism and also provide corrective measures to dilute its negative impact. According to his opinion, cultural diversity, although considered as a big challenge for the management, has many advantages, if properly managed can become a lucrative one.

InHofstede's study (1980), he had mentioned four basic dimensions of culture which varies across the boundaries. Different countries follow a different set of values which reflect in the way they work in any organization. Some countries support equality in distributing power and authority in organizations. In some places,people believe in working together as a team where some are in favour of high individuality at the workplace. In some countries, the role played by men and women are expected to be equal but some other countries show a high degree of gender bias. Some organizations are characterised by a high degree of uncertainty avoidance where they try to control the known facts at the same time few are there ready to take up the future as challenging one.

Fischer and Poortinga(2012),established a connection between country-level value and individual value. According to the research, these two values have a different impact onthe behaviour of the employees at the workplace. The Difference in value system, however, influences the pattern of decision making.Though these two are poles apart from each other but a manager should encourage the existence of both values for an energetic cross-cultural management.

Gopalan and Stahl (2001), argued that due to rapid mergers in the global business process, cultures of the employees are also get integrated. This blended culture breeds more confusions and annoyance among the employees. A manager should always be ready to face challenges caused due to expansions of global business.

Kandole (2008), stated various dimensions of cultures which are based on task-relationship, risk versus caution based management, individuality- team-based management and equality versus hierarchy based management. A task-based management focus only on accomplishes the deadline showing less concern about maintaining an interpersonal relationship. In risk-based management, employees are given the leniency to make decisions with insufficient data where more emphasis is given to making managerial decisions.Individual management supports employees to perform individually unlike the management believein teamwork and harmonious relationship.In equality management, all the employees are treated alike irrespective their genders, castes and cultures. But the same picture cannot be seen in the hierarchical management system.

Simmons (1996) contended that companies with high ambitions always welcome a multi-diversified workforce with different skills, knowledge and potentials.

Bryan(1999) urged in the favour of such organizational culture where employees can pursue their career planning smoothly if there is no bias against their cultural orientation.

Govender (1999) had suggested that in service companies a diversified workforce is preferable to manage full time employees as well as prospective customers.

Hodgetts and Luthans(1994), researched that, cultural differences have a strong impact on technical know-how, managerial skills, potentiality and talent of the employees. The behaviour of an individual at workplace much depends upon their cultural inclination.

Farren and Nelson (1999), proposed the fundamental strategy to retain employees in the organization in a diverse workforce. He said, in any non-discriminatory organization, employees feel attached to the company and this is the main reason behind constitution of such management.

Adler (1997) suggested three strategies to overcome the issue of cultural differences viz, *Ignore cultural differences*, *Minimize cultural differences*, and *Manage cultural differences*. In his research, he put emphasis on finding out the root cause of the differences and developing the way out to resolve rather than ignoring it.

CONCEPT AND DIMENSION OF CROSS-CULTURAL MANAGEMENT:

To understand the cross-culture the concept of culture should be clear. Culture is an inherently social behaviour of human beings right from their childhood, it is transgenerational and it is acquired from the society in which we live. It is said that India is a country of Unity in Diversity. Basically, in India, there is only one culture that is Indian culture which is further subdivided into various sub-cultures. These subcultural differences are the result of different demographic, geographic, psychographic and behavioural background. People follow a certain culture in which he or she has grown up with and this particular behaviour reflects in the work-

life also. The Manager may have confronted with some dimensions of cross-culture while handling a cultural diversified group as stated by Hofstedeare:

1. **Power Distance (PDI):** It measures the degree of inequality of power that may prevail in the organization and its acceptance among the people. It shows the degree of centralized power, which means the power, is not shared with the members of the organization. A Different organization has different approaches towards the levels of power distribution.The degree of power distance is measured by Index in Hofsted's research. An organization may face both a High Power Index and Low Power Index. An organization with HPI deviance centralized power distribution and employees followa specific pecking of power. Employees maintain a distance as they are aware of their position and ranking in the organization. On the other hand, organizations which secure a low score of PDI do not support inequality of power. Decentralization of power is more acceptable in these types of organizations. Employees and managers share almost equal dissemination of power and there is no such hierarchy is to be maintained.
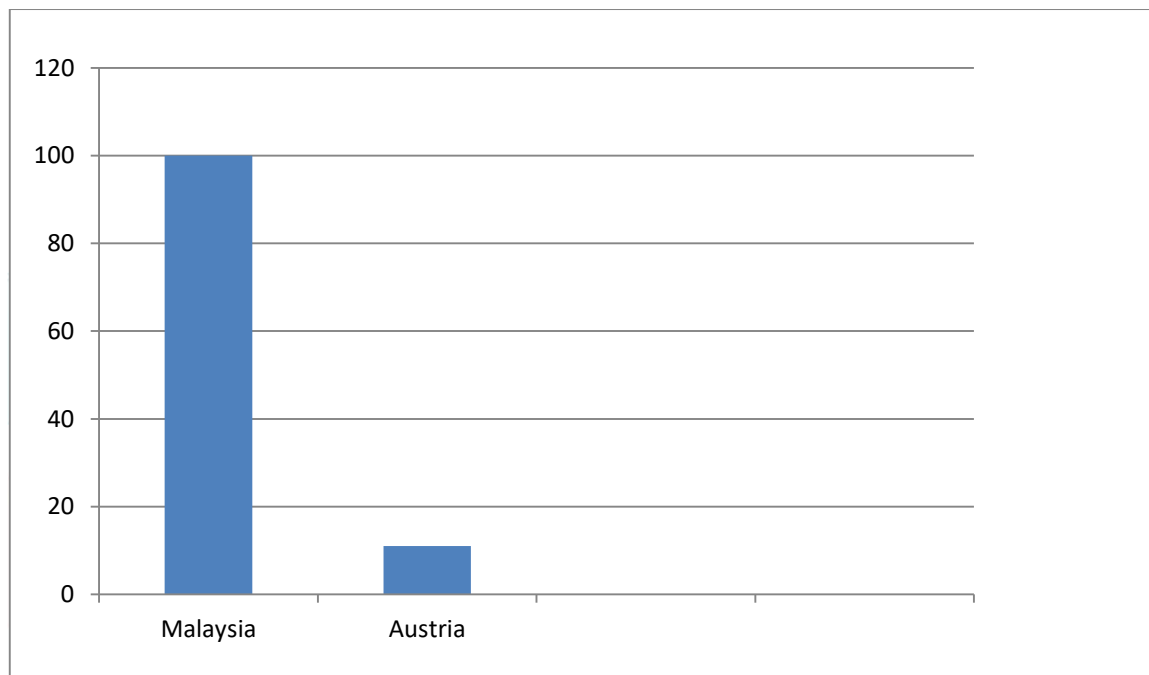
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In A survey conducted by Hofsteds, Drs Michael H. and MichaelMinkov, they gavea score for each dimension for different countries on a scale of 0 to 100. Malaysia is a country which exhibits 100 out of 100 PDI. The score of PDI is highest in this country as compared to others, which shows employees of this country are not self-motivated. They like to get instructed by their higher authority. Managers have to take all kinds of initiatives to get things done and direct his/ her subordinates. Whereas Austria scores lowest with 11 in Power Distance Index which shows employees do not accept any situation of equality of power distribution. They are self-motivated and they desire for delegation of authority.

2. **Individualism versus Collectivism (IDV):** This dimension shows the degree of connections among the employees within the organization. People from different background and culture may have different perception and they have a different inducement of life. This is the reason behind a Multi-cultural diversified work team more often seen to be conflicted with each other in the decision-making process. High score of IDV means people prefer to work individually and wants to get appreciated or criticized for his own work. People like this do not take charge of others work and avoid being responsible for the outcome made by others. They do not believe in team work and have a little hold on interpersonal relationshipOpposing this situation, the organization where a low score of IDV exists, a high priority of team work for a specific goal can be seen. Irrespective of their cultural barrier employees work as a team and they enjoy a strong interpersonal relationship with other members in the group. Being loyal and committed to their work overpowers their cultural difference.
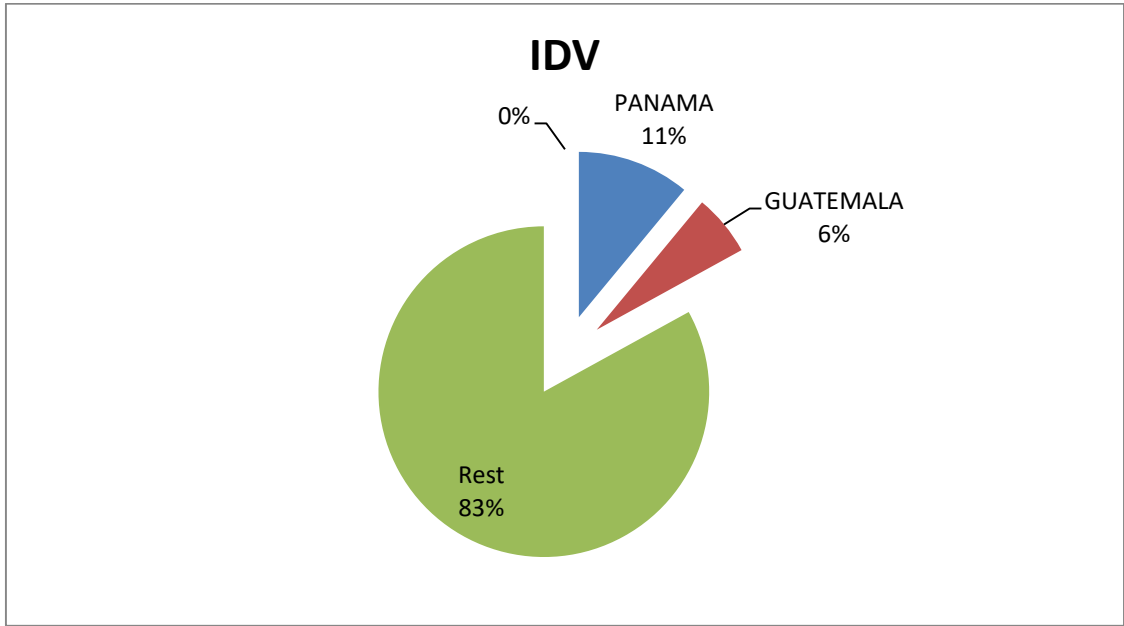
Source: MindTools. Com

In this diagram, its shows Central American counties like Panama and Guatemala scored least in IDV that is 11 and 6 respectively out of 100. It indicates that these courtiers believe in community goal for the benefit of the whole society.

3. **Masculinity Verses Femininity (MAS):** It indicates the difference between the emotional status of men and women regards to their decision making in the social system. In any organization, now a day's treat men and women alike without any gender bias. But, still there always be a comparison between the role play by men and women in society. Those organizations follow masculinity have a clear cut picture of gender bias. In this type of environment, men are expected to be egoistic, strong, bold, assertive and career oriented. Whereas tender, soft, friendly, concern these words go with famine only. Contradict to this situation, in femininity organization, the role played by men and women overlap. The men are expected to show the same emotional quotient played by women. Modesty, helping nature, level of concern are expected from both.
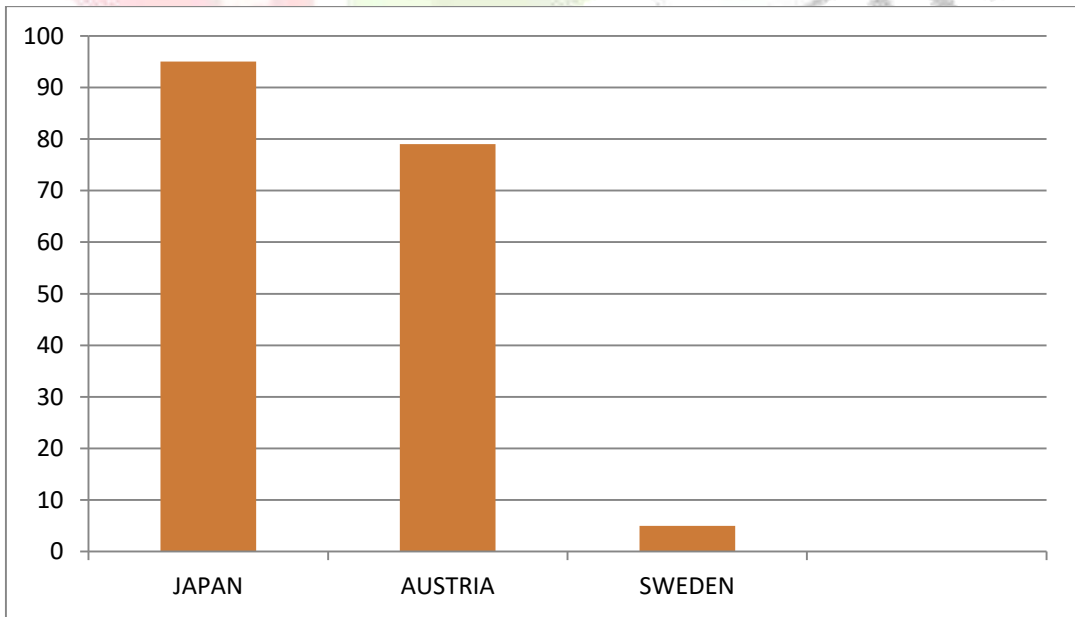
Source: MindTools. Com

This diagram is based on the research data of Hofsteds. Above diagram showing, there is a huge difference in the emotional role played by men and women in Japan with 95 out of 100 followed by Austria 79 out of 100 where Sweden score very low with only 5 out of 100. In both the countries men and women play their emotional status strongly? Men exhibit strong masculine values where women perform modesty and cooperation. It can be assumed that managers in Japan or Austria have to be very careful while handling the team as men are more bold, assertive and money making in nature. They won't mind working long hours and take up more work pressure but women at the same time may fail to follow the same due to their family related commitments. Talking about Sweden scored only 5 out of 100,believe in a feminine work couture where things can be carried out by consultations, cooperation and compromise.

4. **Uncertainty Avoidance (UAI):** It shows the degree to which people can control the uncertain situation and how dynamically people can react to it. In an organization where people get a high score in UAI tries to control the uncertain situation arising from unknown sources and they try to predict situation as much as possible. On the other side, low UAI organization adopts more relaxed style of management. Employees are ready to face the uncertainty and they are more inclined towards surprises and unknown challenges.
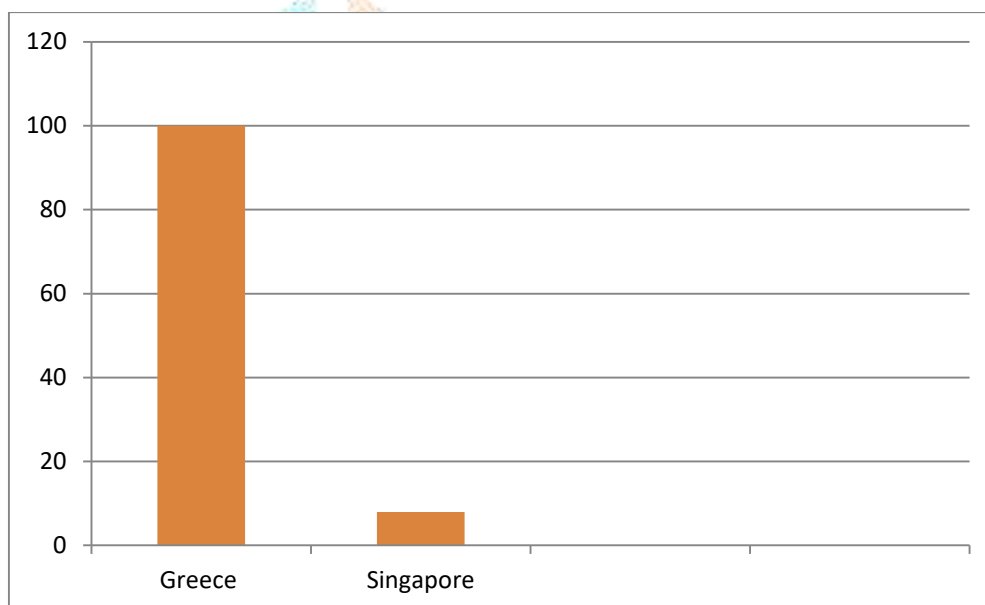
Source: MindTools. Com

According to the facts and figure found by Hofstede, Greece gained 100 percent UAI, implicated that the people are rigid and conservative. They like to follow the traditional practice and try to control the situations which are uncertain and uncontrollable. Handling employees of this kind are very challenging as they are reluctant to change. Managers have to be very sensitive while making any changes in the rules and systems.While in Singapore people are more open minded. Employees welcome new things and ready to take up new challenges as they are not afraid of unknown circumstances.

Hofstede initially focused on only four dimensions of cross-culture which was published at the end of 1980's. He conducted a survey of the employees of IBM in more than 50 countries. During his survey, he felt these four dimensions are not enough to distinguished cultural differences and resemblance. This instigated him to add two more dimensions of cross-culture: Pragmatic Verses Normative and Indulgence Verses Restraints, with the consultation of Drs Michael H. and Michael Minkov.

Pragmatic Verses Normative: It is a degree of comparison between realistic thinking and religious thinking, long term goal vs. Short term benefits. Countries with ahigh number of pragmatic values are more modest, rational in terms of spending resources, chasing after knowing the truth and believe in creating long term goal by compromising. Whereas, other countries with fewer score in this dimension have strong normative values, put more emphasis on their rights and they have a tendency to gain short term benefits. Countries like the US gained high score in normative value. They believe in a quick result and are not flexible. A manager has to be

very firm and strict in dealing with employees with high normative values to get the job done quickly as they are not looking for building long term relationship. But organizations with high pragmatic values are thriftier and well advised. They are fit for contracting long term orientation. So a manager can expect modesty and commitment from the team he/ she is handling.

Indulgence Verses Restraint: This sixth dimension has included new to the model so it contains less data as compared to other dimensions. This dimension measures the level of freedom given by different cultures. Scoring High in IVR implicates the culture allows people to enjoy their life without any restrictions. People have full freedom to speak out of their heart. Generally, people are positive thinker and optimistic. People are more concern about self satisfaction. On the other hand, Countries where this score is low, are rigid and restricted by social norms. They are more religious and devoted. These people are self controlled and pessimistic in nature. As per the research data, some Eastern European countries like Russia fall under the second category. The society is restrained by high cultural morals. They don't have any means of enjoying life and people have curtailed themselves to a great extent. More leniencies can be adopted when handling with a team scoring high IVR for the Managers whereas stringent rules have to be followed for the second kind of work culture.

ISSUES IN DEALING WITH A MULTICULTURAL WORKFORCE:

Communication Gap: Communication barrier is one of the most unavoidable problems with cross cultural management. Communication gap does not necessarily occurs due to the different language but it is due to the thought process of two different people from different backgrounds. MNCs and ITs often evidence these types of situation as these organizations operate PAN India basis. Employees from different nations and regions are being recruited and posted anywhere across India which ultimately lead to communication gap. Managers and the subordinates, if are from different cultural roots, may fail to understand each other's point of view due to communication as well as mental gap.

Cross cultural management has to be dynamic in nature: Culture is something that can be shared with and acquired from others. When different people from different background come together for a specific goal, they share their valuable knowledge with each other for a better a learning process and teamwork. But many organizations follow a strict and rigid management style.When an employee relocates from one region to other, he or she most likely to experience a cultural shock. In such a situation a sensitive and generalise approaches have to be taken by the managers to welcome the newcomer.

Different pattern of behaviour: People differ in nature, attitude and behaviour depending upon their cultural orientation. It is very easy to connect with a person from the same cultural background. But when it comes to a different community, people generally limit themselves from being mingling. This situation implies in work life also. When two or more people with different morals and values come under the same roof for the same purpose, may get collided with each other, for having different attitude and behaviour, to make a unanimous decision. With the rapid flow of national and international trade, these situations are often arising out in front of managers of MNCs and ITs all over the world.

Impact of regional culture: Every Organization operate in a society and some way or the other are influenced by social festivals, rituals and customs. Though India has one big culture call Indian Culture but people from different regions and community has broken down into many subcultures. Every state celebrates some regional culture along with national festivals. Companies like IBM, TCS, Deloitte, Google, Microsoft have their branches in various states in India. Not permitting regional/ state holidays, may turn out to be a big issue for the locals working in that particular organization. Managers, if fail to handle this situation sensitively and intelligently it can take a big shape of conflict in future because people are very much attached to their roots in India and any attack on their cultural norms can make them go to any extent.

Diversified habits and Etiquettes: Though in organizations only corporate etiquettes are acknowledged and acceptable, still employees unknowingly act according to the habits inculcated within them. For instance, in India people have a complete different mannerism than western culture. On the first meeting, Indians prefer to fold their hand for greeting 'Namaste' where in the west a handshake is the gesture of greeting. Personal habits and etiquettes are counted as a big issue in front of managers in big corporate houses composed of different cultural talent pools.

Partiality: Sometimes managers are alleged of being partial for some employees of his or her owncommunity. It is true that managers sometimes get influenced by Halo effect and take some bias decisions. But it is always advised to the managers to be open minded and flexible for all cultures. Their personal beliefs and prejudices should not create any kind of hindrance in their work life. Unnecessary confusion and dissension can be dealt only by showing openness and flexibility towards multiculturalism.

Ethnocentrism: It is a tendency of considering one's own cultural superior over other's culture, the way they work and their behaviour towards working are only the correct way to do so than others, working on the same project. If not resolved properly this issue can create a massive mess in the organization which can lead conflict and grievances.

POSSIBLE STRATEGIES TO DEAL WITH CROSS CULTURAL PROBLEMS AND MAKE IT AS A USEFUL TOOL FOR SUCCESS.

Multiculturalism seems to be a big issue to be dealt if not properly harnessed. It is true that a multicultural diversified organization may face lots of confusion and misunderstanding but there are certain advantages of these types of management which cannot be overlooked. Few major advantages of multi-diversified workforce are there which can be utilised as a powerful weapon to achieve success. Few are listed below:

Broader scope of leaning: Presence of well-managed multi-culture in workplace, can an added advantage to the company. As culture can be shared and leant over a period of time, it provides a broader scope of leaning to the employees. A collaboration of people having different roots and ideas share different work life experiences and can provide deeper insight to address similar problem.

Globalization in work force: A multi-diversified workforce with broader perspective of the global economy can bring a greater deal of success. Business is not confined within the boundaries. To spread out business across the world, a company requires a well structured diversified team to handle foreign dealings. A blended cultural team are well managed to communicate with foreign business partners and helps to set up new ventures in overseas. A heterogeneous work group is more sensitive about cultural differentiation and well aware of its ramifications.

Building social Relationship: The success of any trade depends upon the personnel and their social corporate connections. Societies, now a day, are becoming more and more dynamic so it is important for the organization to adopt same policy to sustain in the competitive market place. According to Diwakar Singh, in his study on *Managing Cross-Culture Diversity: Issues and Challenges in Global organization*stated that adopting dynamic management style is important for the organization for two reasons i.e.Fictional and psychological. An organization has to perform a number of functions for which they require employees who can handle all the responsibilities delicately. Employees who can well connect with the customers, understand their language, are able to empathize their need and demand can bring business to the organization. On the other hand, from psychological context, some customers and clients are likely to build business relationship with those organizations where they found people from their community and culture. It is a major strategy to stick a business with different part of the world.

Upgraded Ethical values: Another important feature of Multiculturalism is shaping ethical and social values. An organization with multi diversified personnel treats each and every employee alike irrespective of their communities and caste. Employees are getting trained to handle cultural diversity at work place which increases their ethical value.

Employee commitment: Getting a loyal and committed employee is a big challenge in this competitive work environment. Organizations provide different types of fringe benefits to retain dedicated employees. Undifferentiated management style can be an effective tool for retaining employees. Organizations enjoying low rate of employee turnover follow the practice where all employees are given equal importance and value regardless of their cultural background. Employees are judge sickly on the basis of their work performance without the influence of cultural bias.

These are only a few advantages of cross cultural management. It depends upon the organization to organization, management to management how they will manage the diversified team. If a manager wants to make multiculturalism as a vital mechanism for the success of the organization ,the first Step is to make all possible strategies to uproot the problems of cultural bias. The organization can formulate number of strategies to overcome the problem with pluralistic culture. Some are discussed below:

Proper selection of employee: To avoid unnecessary cultural ambiguity management should take extra care in hiring employees. Before selection, more emphasis has to be given in recruitment criterions. During scanning process, only candidates exhibit interest in

working in the diversified work environment should be given first priority. A rigid and narrow minded candidate must be avoided as much as possible even though possess good skills.

Orientation and induction: Proper orientation and induction programs can help the organization to deal with such problem. Proper job descriptions and delegations of authorities have to be clear on the first day of their job to avoid confusion afterwards. There should be clarity of expected outcome from their end on the very first day at work.

Well defined organizational rules: Companies formulate various rules and regulations to be abided by the employees. Formulations of rules are not sufficient for running an organization smoothly but to implement and periodical review is needed. Rules and regulations have to be uniform, well defined and properly communicated to eliminate misunderstanding and errors.

Effective cross cultural and multi linguistic training program: Though this type of training is not conducted in every organization but most of the companies operating across the world do feel it necessary. Employees relocating to other states, nation or country should be given pre-arrival training to learn new language, customer, behaviour etc. This type of training reduces the chances of cultural shock.

Remuneration and incentives: Some larger companies provide relocation bonus as a part of employees CTC (Cost to the Company) component. It is a special financial assistance given to the employee with the motive of getting them settled in the new location. That is the reason behind a relocated employee paid higher than a local employee at same level. Some companies offer benefits like company residence, alteration in job timings, special travelling allowances, food allowances etc.

MODEL OF MULTICULTURALMANAGEMENT IN MNCS

Thousands of Models have been published to explain the framework of Multicultural management. Below furnished Model is a simplest form to understand the framework of Cross-culture management in MNCs. This Input-Process-Output Model shows how differences in cultures evolve into cultural integration. The model has developed in the context of MNCs across the world. Multinational companies are flooded with employees from different corner the world. Global enhancement in business processes not only provide the scope for technological collaboration but also encourage employees to hood up together. The below diagram illustrates the assortment of two different cultures (C1 and C2) which turn out to be a cross-culture. In the further process, this blended culture passes throw some stages and in each stage, it filters and moves towards an integrated culture. During the process of transforming the interior work culture to mixed one, many barriers can come in the way of success such as linguistic difference, differences in caste- value- norms –beliefs. Education and family background also create hurdles in achieving a successful multi diverse management. An Organization, if survive all of these barriers and resolve those issues sensibly can enjoy an efficient and innovative management in international business market. The below illustrated diagram is a pictorial representation of the above discussed content:

An Input Process Output Model of cross cultural management in MNC.
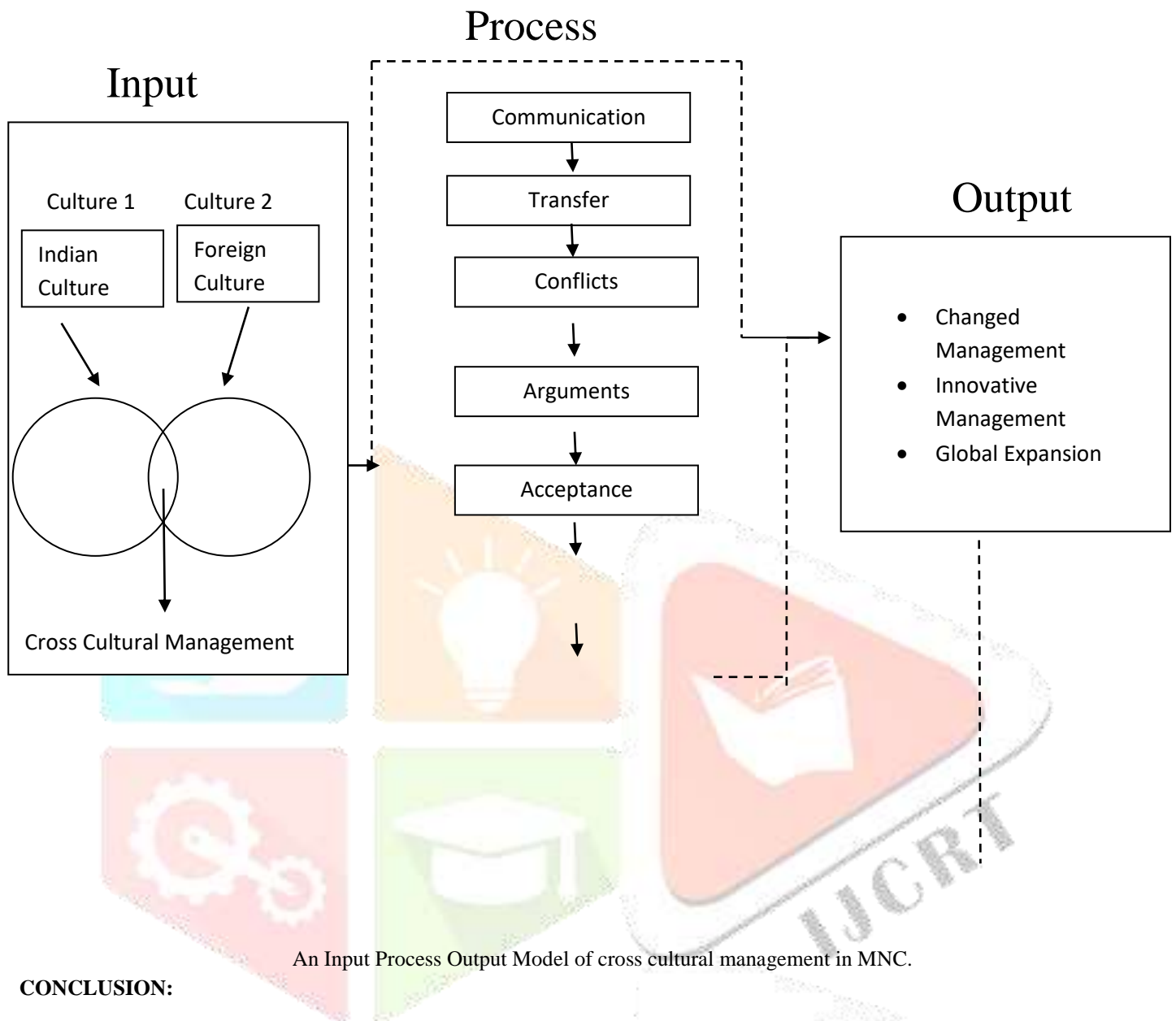
CONCLUSION:

To respond to the diversified society organizations also undergo changes. Different corporate equipped with different dimensions according to the locations they are operating in. Obviously ,the fact cannot be denied that global business brings any company success in spite of having a lot of difficulties. So this problem has to be resolved internally by facilitating qualified employees in different ways to reduce the negative impact of cross-culture. A leader, to achieve the mission of the organization, has to be more neutral and fragile towards all cultures. Global business brings a lot of opportunities and threat to an organization. An insightful manager should always identify the opportunities and eliminate the threats to earn apex success to the organization.

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