

# Managing Cultural Diversity: The Case of Small & Medium Tourism Enterprises (SMTE)

*Sinno Nadine (PhD)*

Lebanese International University, Beirut, Lebanon

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## Abstract

For a long time, management has been developing and applying a standardized universal approach with its employees to optimize the operation of companies. This is regardless of the company's nature and the country where it operates. The failure of certain firms, the increasing globalization of trade, the circulation of goods, and the fast transfer of individuals and information have led to the need to take into account other aspects of management, in particular the intercultural factor.

Today, employees from different cultural backgrounds are working as a team in the same company. Nevertheless, differences in understanding values and visions of the world can create intra-team misunderstandings in collaborative work. Managing cultural diversity reduces these misunderstandings so that the benefits of the diversity emerge.

Managing cultural diversity means managing opposing opinions, constant contradictions, continuous oppositions, and different perceptions. Furthermore, managing cultural diversity contributes to improving team effectiveness where diverse teams often perform better than homogenous teams in problem solving and complex tasks. Greater diversity leads to innovative, higher-quality decisions, and solutions.

This paper sheds light on the importance of cultural diversity among the company's human resources and the role of cultural intelligence in intercultural management.

As part of the research, a study centered on the Lebanese small and medium tourism enterprises (SMTE) was conducted. The results obtained showed a shy diversity management approach in the Lebanese tourism sector due to several factors, namely: the economic instability and lack of training.

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**Keywords:** Culture, Cultural Diversity, Cultural Intelligence, Diversity Management, Intercultural Management

## **Introduction**

The business environment is changing at a great pace with the globalization of the economy and cultures, the relocation of production, the development of new markets, the global competition, the accelerated pace of technological advances towards digital and instant communications, the globalization of consumer tastes, the increased cultural pluralism, the increased immigration, and the aging population. To cope with these changes and to keep a steady profit growth rate, companies are increasingly dependent on their greatest strength, the human resources.

The previously mentioned major changes have brought new challenges and new opportunities to which companies must adapt. The practices and styles of human resource management are no longer limited to a single, uniform, and universal model of performance. Companies must consider to include cultural diversity among its employees as a mean of human resources strength. Nevertheless, this cultural diversity must be managed intelligently to achieve the success of the company.

In this regard, a fundamental question arises: What are the key issues of management in an intercultural context?

However, this question raises other important questions:

- What is cultural diversity and, in particular, intercultural diversity within a company or, simply, in a global market?
- What are the different approaches to intercultural analysis in international management?
- What role does Cultural Intelligence play in the management of cultural diversity?

## **Diversity and Intercultural Diversity**

Diversity could be defined as the existing differences between individuals from a variety of backgrounds, namely: Age, Sex, Physical/Mental Disabilities, Social Class, Ethnic/Country, Education/Culture, Professionalism, Religions, Traditions and Beliefs, Conflict, etc. (Peretti, 2006).

Companies recognized that differences between individuals, whether they are related to their belonging to certain groups or not, contribute to the economic performance of the organization. The main objective of these multi-cultural companies is to have different individuals working together harmoniously through appropriate cultural diversity management. Therefore, managing cultural diversity is about valuing all observable and non-observable differences, including skills and cultures (F. Bournois, S. Point, J. Rojot, J.L. & Scaringella, 2007).

Culture is an essential vector for determining and understanding the individuals' modes of work. Culture is independent of education. However, it may be the result of education, but may also come from personal research (reading, travel, etc.). Above all, its concerns are majorly about the knowledge (academic or general) that each individual acquires. It can also mean ethnic traditions, ideology, religion, belief, etc.

Intercultural diversity refers primarily to cultural and linguistic differences, as well as to the diversity of values and customs.

According to the UNESCO (2002), cultural diversity can be defined as the principle of organizing a sustainable cultural plurality in and through societies. It is a mechanism for organizing the most productive dialogue that is possible between a relevant past and a desirable future. Cultural diversity is a mechanism that ensures that the creativity, the dignity, and the tolerance are partners rather than victims in the establishment of models for sustainable development. A management approach to cultural diversity is therefore needed to achieve productive work and the desired level of development.

How can diversity management be defined and what are its derived benefits?

### **Managing Diversity**

Managing diversity means managing opposing opinions, constant contradictions, continuous oppositions, different perceptions, emotions, relative understandings, difficult actions, and conflicts inherent in human nature.

Diversity management aims to improve the competitiveness and performance of the company by capitalizing on:

- The diversity of the people (gender, age, origin, religious beliefs, sexual orientation, physical and mental conditions);
- The functionality of the organization (international settlements, business, culture);
- The style of interaction and mode of thinking (formations, training, communication).

Diversity is one of the few levers of business management that combines financial performance and social ethics (Centre de Ressources en Économie Gestion, CREG, 2013).

At the level of a company, diversity means:

- Human resources in terms of both their socio-demographic and psycho-graphic criteria
- Belonging to various ideologies, mainly religious and political
- Production
- Objectives
- Brands

- Consumers and / or users
- Different markets

### **The Different Approaches to Intercultural Analysis in Management**

According to Chevrier (2000), intercultural management, a discipline that emerged some fifteen years ago, is defined as a science management based on the analysis of cultural differences. It consists essentially of animating teams formed by people from different cultures, and by building joints between these teams. Thus, the management tools are used to reflect a conception of the organizational cultural context. There are two main approaches to national management models: the first one is a cultural approach that points at a strong link between culture and the modes of management, while the second one is a universal approach according to which, individuals' nationalities play only a small role in the management process.

### **Why Manage Cultural Diversity?**

Managing diversity is essentially a reinforcement of human and organizational capital. The advantages can be:

- Short-term (reducing certain costs related to turnover or short-term labor shortages).
- Medium- and long-term in large companies (retention of internal and external players, improvement of the company's reputation).

According to the Human resources center "CREG" (2013) in the field of Human Resources Management, diversity enables one to solve the problem of the lack of structural or cyclical labor. Companies known for their diversity management attract and retain the best of them. Investing in diversity management, therefore, helps companies win the competition for talent.

Furthermore, the promotion of diversity is a source of performance insofar as it strengthens the cultural values within the organization, ensures its reputation, retains top performers, motivates and promotes creativity of employees, and facilitates collaboration and teamwork. Consequently, differences in understanding values and visions of the world can create intra-team misunderstandings in collaborative work. Managing diversity reduces these misunderstandings and directs ideas constructively so that the benefits of diversity can emerge.

From a commercial point of view, a diversified workforce allows the company to better reflect the diversity of the company and thus to better understand the needs of its customers.

In addition, managing cultural diversity contributes to improving team effectiveness where diverse teams often perform better than

homogenous teams in problem solving and complex tasks. Greater diversity in approaches leads to innovation, higher-quality decisions, and solutions.

Managing diversity also increases staff satisfaction and commitment to optimally utilize staff potential. It also improves productivity by reducing absenteeism and turnover. However, it helps to solve the problems of communication and social integration. The manager will also see that his/her efforts to manage diversity will improve the management of all the staff.

In addition, cultural diversity is a wealth that allows the company to better understand the expectations of the markets when it launches and develops its activities on a global level.

How can the differences inherent in diversity become an opportunity for the company rather than a barrier to overcome? This is accomplished by carefully observing the behaviors of culturally different people. According to Marie-Soleil Pinsonnault (2008), the following points are the keys to the intercultural context that the manager must take into consideration:

### **The Environment**

How does this culture react with the environment? Is it in control or in harmony with it? Is the environment a constraint or a development tool?

The Time: How does this culture consider time? Is it one thing at a time or several things at a time? Is the time fixed or fluid? Does culture live in the present, past, or future?

The Action: How does this culture work or expect to work? Is it rather focused on doing it, on the do-it-yourself, or on the know-how?

### **Communication**

How does this culture communicate: high or low context? Formal or Informal, or Direct or Indirect?

High or Low Context: A weak context is a communication style where most information is transmitted by words rather than by non-verbal cues. The strong context is the style of communication where most of the information is conveyed by non-verbal cues rather than explicitly expressed words.

Formal or Informal: Informal communication is casual and spontaneous, while formal communication is more thoughtful and prepared based on learned experiences or organized training.

Direct or Indirect: Communication occurs directly (in direct conversations) or indirectly (in books, media, on the Internet, etc.). Indirect communication is slower and less interactive than direct communication. In direct communication, expression and formulation are often less precise and spontaneous, and the message may be altered because of the limited vocabulary of an interlocutor if the conversation takes place in a foreign

language. At the same time, the ability to ask direct questions if things are not clear can help with understanding. Also, the non-verbal elements can provide additional information about the message. In indirect communication, these complementary sources are absent but the communication as such is generally more elaborate and the information is more precise (Constanzo, 2006).

### **Space**

The way to occupy space in the presence of others is one of the markers of identity. Therefore, the spatial proximity is different according to the culture. Edward T. Hall (1966) described four levels of social distance:

The Intimate Distance (Between 15 and 45 cm): Is an area that is accompanied by a great physical involvement and a high sensory exchange.

Personal Distance (Between 45 and 135cm): Is used in special conversations.

Social Distance (Between 1.2 and 3.7m): Is used during interaction with friends and co-workers.

Public Distance (Greater than 3.7m): Is used when talking to groups.

### **The Power**

How does this culture exercise its power? Equal or hierarchical relationship?

### **Individualism**

How does this culture manage its interpersonal relationships: individually or collectively?

### **The Competition**

How does this culture interact with others? Is it focused on competition or cooperation?

### **The Structure**

How is the culture structured at the organizational level? Is it a culture centered on flexibility or order?

### **Theoretical Currents of Intercultural Management**

For a long time, management has been developing and applying a standardized universal approach with employees who are optimizing the operation of the company. Thus, this is regardless of the company's nature and the country in which it operates. The failure of certain firms, the increasing globalization of trade, the circulation of goods, individuals, and information have led to the need to take into account other aspects of

management, in particular the intercultural factor.

Intercultural management relies on approaches that reject the uniqueness of the structures and functioning rules of the companies. Intercultural management considers that the interests, the behaviors, and the rationality of individuals do not develop in the same way. To deal with multiple situations of intercultural management, whether through partnerships, international mergers and acquisitions, transfers of know-how or in situations encountered daily within the company, the establishment of an intercultural managerial approach and work processes is necessary.

According to Cazal, Chevalier, Davoine, and Louart (2011), the approaches to intercultural management are:

- The Universalist Approach,
- The Interactionist Approach,
- The Institutional Approach,
- The Cultural Approach.

**The Universalist Approach:** During the internationalization of companies in the 1950s and 1960s, research on management and organizational styles was based on the belief in the existence of universal management principles to be applied whatever the national context is.

This hypothesis of convergence is based on the idea of the "logic of industrialization". According to the scientific progress, the development of increasingly sophisticated technologies and production processes must lead all industrialized societies to the same point. In addition, societies increasingly resemble each other and a universal form of organization will emerge. Over time, it turned out that a universal management principle posed more problems relating to the behavioral ethics of the companies than it solved the difficulties encountered. However, it was necessary to choose a more flexible orientation that is emphasized by the famous "Think global, act local".

**The Interactionist Approach:** This approach developed by Aoki (1990), Crozier (2000), and Reynaud (1989) seeks to understand how individuals concretely construct national peculiarities, and invent rules of the game to articulate their interests. Country-specific rules, norms, or institutions influence the strategies of actors.

**The Institutional Approach:** This approach was developed by Maurice and Silvestre (1982). It is characterized by a careful analysis of the institutions and the rules or norms that prevail in each country. The decisions of individuals are informed by the identification of the legal or normative framework in which individuals find themselves.

**The Cultural Approach:** For Hofstede (2005), individual behaviors, institutions and rules are simply a product of national principles or values. From this perspective, individual interests and economic calculations are not

important. Also, individuals are driven by a mental program (oriented by national values).

According to Rosenzweig (1998), the point of departure is to recognize that cultural differences exist. The differences are manifested particularly in:

- Management style,
- Attitude towards the hierarchy,
- How to approach teamwork,
- How to express agreement and disagreement,
- Participation in decision-making processes.

The strategic management of diversity affects all the functions of the company, management and administration; human resources; marketing; production and engineering and financial management.

Intercultural management can thus be defined in a simplified way as the set of strategies that take into account the individual and the national cultures of the interlocutors (customers, staff, partners, public authorities, public opinion).

### **Cultural Intelligence in the Management of Intercultural Diversity**

Equipping the organization to understand diversity is an essential component of the affirmative leadership of business leaders. Above all, it is necessary to develop and integrate the competences of intercultural diversity among the basic knowledge of the human resources of the company.

Indeed, a key element in the management of intercultural diversity is to increase intercultural intelligence, among other things, by training and coaching. However, these are important levers for transforming corporate culture.

Training has better implications when prepared according to the specific needs of each level of employees and the requirements of the various departments. For the learning of different elements of intercultural diversity to be easier and faster, it is important to link it directly to the task. Although several basic concepts are suitable for all the staff, it must ensure that it is always better translated into everyday work.

For example, call center staff or service counter staff will receive intercultural customer service training. This training will focus, among other things, on communication styles, listening, dialogue, patience, and caring with groups of clients from all backgrounds.

The development of cultural intelligence in this regard, refers to the adoption of new behaviors. Also, it refers to framework in the field of intercultural diversity.

### **Cultural Intelligence and Cultural Diversity Management**



Cultural intelligence is the ability to recognize the common beliefs, values, attitudes, and behaviors of group members. Most importantly, it refers to the ability to effectively apply that knowledge to achieving self-specific project or a range of activities. It is often perceived as a synonym for cultural knowledge; however, cultural intelligence is much more than the mere knowledge of another culture. Cultural Intelligence is the ability to negotiate effectively with people from different cultural backgrounds (Early & Ang, 2003).

According to Sauquet (1997), intercultural frictions will not be solved by tolerance, but by exerting an effort in gaining the knowledge and in understanding the other. The great challenge in a multicultural environment is to move from the stage of "*they are crazy these people*" to the stage of "*It was a misunderstanding*".

According to Livermore (2015), cultural intelligence includes four dimensions:

- The Drive: It is a motivational dimension. It is the force that pushes us to leave our comfort framework, and to undertake the efforts necessary to understand others and to control the negative emotions towards the others.
- The Knowledge: It is a cognitive dimension. It is the ability to apprehend and accept information that is incompatible with our normal framework and to interpret them correctly.
- The Strategy: It is a planning dimension. It has to do with the measures that need to be taken in light of the cultural differences.
- The Action: It is a behavioral dimension. It is a concrete application of the knowledge and the knowledge acquired in appropriate contexts. In other words, it is the ability to demonstrate behaviors adapted to the contexts.

Cultural intelligence, therefore, is the effective and rational solution to the difficulties posed by multi-cultural environments (Romain, 2010).

In an attempt to highlight the role of cultural diversity management in intercultural relations in the workplace, a study centered on Lebanese small and medium tourism enterprises (SMTE) was chosen. The choice of this case is linked to the intercultural nature of the tourism sector and the need for cultural intelligence concept as an integral part of diversity management.

### **Cultural Diversity in Small and Medium Tourism Enterprises (SMTE)**

The empirical study is made up several in depth interviews with SMTE's managers on one hand and of several focus groups with SMTEs' employees on the other hand. Questions asked were directly related to cultural diversity, cultural intelligence, and intercultural management.

The interviews with the managers revealed that the Lebanese companies are still largely in the hands of family groups. One of their major challenges is to improve the quality of production while remaining

competitive. However, the concept of cultural diversity is NOT a characteristic of the performance of tourism enterprises in Lebanon. The managers' answers highlighted the fact that they work by intuition, if not by improvisation, following the results of the previous years. Indeed, the directors of the Lebanese tour operators rely on the competitiveness and the financial results of the previous years to determine their future strategy. In addition, the future strategies of the tourism enterprises are exclusively short-term strategies to guarantee their temporary or annual survival in the Lebanese market. As a result, one can associate this strategy to the political and economic instability in the country. Moreover, the Lebanese tour operators do not make any decisions based on market studies.

Finally, there is a complete ignorance of the managerial measures other than the Risk Management which is the only point highlighted by the Lebanese tour operators interviewed.

On the other hand, the focus groups were useful for obtaining information from employees in the tourism sector. The analysis of the focus groups was based on comparison and contrast between the answers obtained from the focus groups participants.

The results of the focus groups showed that the majority of the front-liner employees in the tourism sector in Lebanon are university students or new graduates. Therefore, their specialization at university is not necessarily in tourism or hospitality studies, but they are often specialized in business management. Essential courses received at the university deal with the topics of customer service, marketing, restaurant management, and tour operators. On the other hand, there are no courses taken that deals specifically with culture and intercultural differences. Some, on the other hand, have attended seminars on cultural diversity in companies.

The essential topics these employees were trained at are product knowledge and customer service. This leads to the saying that the interviewees have not been trained in any form about intercultural diversity. Also, their intercultural strategic thinking is totally subjective to their personal experiences at work.

What seemed to be constantly evident throughout the discussion was that the participants were well aware of the subject of "intercultural diversity" and its connection with the way of living in Lebanon. In other words, since Lebanon is characterized by a multitude of "subcultures", employees are always aware of the existence of the OTHER.

In conclusion, employees are motivated to know each other and learn about new customs. They are of great curiosity and this has often been noticed in the expressions appearing on their faces. This has also often been highlighted when they have asserted that they try to master several languages, to enable them speak with clients from different nationalities.

Intercultural motivation is natural among employees in the tourism sector as they are in continuous interaction with clients and employees of diverse cultures and nationalities. Nevertheless, how do they behave in intercultural interaction? They try to get along with other cultures but not beyond a certain limit that contradicts their own opinion and culture.

Finally, these results show that employees have not received training on the subject of cultural diversity or cultural intelligence. They possess an innate intercultural competence characterized by a behavior of intercultural acceptance resulting from the identity of the multi-cultural Lebanese society. However, this intercultural behavior must be deepened and developed through training sessions.

### **Recommendations**

While intercultural communication at work may present obvious difficulties, diversity creates opportunities for innovation and opens the door to a wide range of opportunities. It is good to reflect the role that culture plays in a person's frame of reference, as much as it is important to remember that the individuals' values and the styles of communication are influenced by a number of key factors such as family life, personal experiences, and education. The following suggestions could help reduce the risk of misunderstandings in managing cultural diversity:

#### 1) Openness to others

- Respect differences; Avoid making a judgment about how to speak or the accent of the interlocutor.
- Identify what an interlocutor might think or feel.
- Listen for the purpose of understanding, without preparing an answer. Try to put the interlocutor at ease.

#### 2) Tolerance

Tolerance is essential for good intercultural communication. Thus, practices can include:

- Never assume
- Encourage discussion among employees
- Listen carefully
- Treat people with respect
- Show interest
- Try to discover common ground
- Use short, clear, and simple sentences
- Do not talk too fast
- Confirm that the person understood
- Do not speak loud - the interlocutor hears very well
- Avoid local expressions
- Define from the outset the meaning of important technical vocabulary

- Avoid dual-negative questions

## Conclusion

Today, several minority cultures are afraid to lose the original meaning of their culture and their heritage. They are against globalization because it erases their identity, their culture, their ideas, and conquers their whole way of living.

Managing cultural diversity should build a bridge of understanding and resolve intercultural conflicts.

Subsequently, the success in managing cultural diversity is by expressing openness to the idea that the more we learn from other cultures, the more we will discover that we often have more in common than we originally thought.

Cultural intelligence is a way to comprehensively manage the diversity of the workforce, the clientele, and the global markets.

Finally, cultural diversity can be a major asset for the multicultural company. By combining cultural differences, the company will allow its employees to enrich their behaviors, their imaginations, their performance, and their openness to the others.

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