

## HOW MULTICULTURALISM IMPACTS MANAGEMENT PROCESS WITHIN INTERNATIONAL CORPORATIONS

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### *Abstract*

*International business conflicts take place when one part sends a message in accordance with a specific culture, while the other part decodes the message considering another set of values, corresponding to their own culture. This situation is present because the particularities of other cultures are not known. Very often, the fact that people belonging to other cultures are different is ignored, through their religion, statute, decisions they take, attitude towards time and nonverbal language.*

*Therefore, the essential element in taking decisions in the international business environment for the corporations that are involved in a global competition is the adjustment of management methods and techniques into the specific cultural space where they operate.*

**Key-words:** *international corporations, multicultural communication, multicultural behavior, management process, multicultural approach*

**JEL Classification:** M<sub>16</sub>

### 1. Introduction

In a multicultural approach, the person who wants to understand the cultural phenomena expressed in other language must have the consciousness of attachment to his own culture. The most appropriate way to achieve such consciousness is to compare your own culture with other one. This method involves an open attitude towards another culture and the ability to understand its values.

Therefore, a great interest is manifested for multicultural approach and for its importance in the context of business internationalization and globalization of business.

The domain is dealt with, first of all, from a managerial perspective, which justifies the title of the article. As such, the present article is included into the management literature, where it is defined by the object of study – internationalization and globalization of business, the microeconomic level –, as well as by the reference environment. The international life, in management studies analyzes the way how the leadership functions (planning, organizing, coordination, control) provide the implementation of the internationalization strategy into the companies.

The issue of cultural differences is important for both economy specialists, international business or social sciences, and the public.

The success of international and national companies largely depends, on the multicultural cooperation skills of their members. Globalization is a reality. The world has entered a new era of unprecedented economic activities, which is characterized by global production, international distribution and global strategic alliances.

International management issue is approached from an multicultural perspective, which means taking into account the cultural diversity in the world business environment. This approach has been recently imposed to the specialist literature into the worldwide plan and is currently the main source of renewals in the conceptual and operational plan of the management field.

Cultural differences at regional, national or corporational levels express different approaches of some human communities, motivated to solve basic problems of existence: world creation, how to achieve internal integration and how to adapt to environmental requirements. The study of cultural differences generally starts from the comparative analysis of “existential solutions”, essential for some communities, whether they are called “options or fundamental assumptions,” “cultural dimension” or “cultural values”.

## **2. Review of the specialist literature**

One of the most elaborate studies on how national culture influence the management practices belongs to the scientist *Geert Hofstede* (*The consequences of culture*, 1980). Hofstede’s concepts had a big impact on comparative research and only a few studies do not mention his research. Sondergaard (1994), and Redding (1994) believe that his work provides a model for future comparative research. He received both praise and criticism; also, he inspired a series of imitations and the adoption of certain managerial decisions. He observed 116,000 people in over 50 countries, who worked for the same multinational American company (IBM) and discovered that its subsidiaries displayed big differences from one country to another, as they are culturally linked to their employees. Consequently, the subsidiaries of the same company were different due to four cultural dimensions that were perceptible in the way how organizations structured, and behaved. Later, he will discover a new dimension in his studies, along with the Canadian Michael Bond.

## **3. Content**

The world of organizations and managers has expanded dramatically in the last decade. Providers, beneficiaries, competitors and staff, all moved easily from one country to another. A series of evolutions like accession into the European Union, implementation of the North-American Free Trade Agreement (NAFTA), the result of Uruguay Round, the General Agreement on Tariffs and Trade (GATT) and subsequent establishment of the World Trade Organization (WTO), with global market penetration of the former USSR and her vassal states, all of these

things have generated favorable opportunities for the development of the international economic relations.

Managers and customers, an increasing number of organizations – be they commercial companies or non-profit – are tackling this international reality in their strategic and tactical thinking on a daily basis.

In parallel with the expansion of the international economic environment, a continuous revolution of communications technology emerged, which enabled a rapid contact among individuals or groups geographically dispersed. A wide range of research and development projects involves members who are miles away one from the other. Negotiation of contracts takes place in real time among groups located on different continents. Multinational organizations may more closely monitor the performance of their foreign subsidiaries, and a more rapid correction of deficiencies is possible. Achievement of organizational tasks, in the evolving business world, may be monitored and thoroughly coordinated from virtually any place on the earth.

These constant modifications have triggered new problems that organizations have to be able to solve. An international economic environment in tireless development requires that managers be aware of the worldwide developments (Ghoshal, 1987). This means that, in order to make decisions quickly and correctly, there must be new systems for collecting and processing information. Internationalization also means that global organizations staff work more often with people from different cultures or with those whose formative years were spent in another country.

The term ‘multinational’ emerged for companies whose operations are distributed in many countries of the world, in the early 60’s and was given by companies like Nestlé, Unilever, Philips etc. In the 80’s, this name gradually lost ground to ‘globalization’, involving two distinct attitudes: concentration and coordination.

Any enterprise with an international vocation is likely to vary the degree of globalization that wants to implement in its activities.

Bartlett and Ghoshal described the evolution of the organizations in the following way: the *multinational model* considers that the exterior operations are a set of autonomous activities; the *international model* in which exterior activities are perceived as an annex of the local parent companies; the *global organization* in which management treats exterior activities as supply routes for a unified international market. Finally, the new transnational model focused on action outside national borders and adaptation responses to differentiated markets.

Due to the specificity of each culture, there are many differences in how to communicate within the international environment. Therefore, a good manager, besides knowledge, has to show tolerance and respect for the values and habits of the people who come in contact with him and accept patiently the ambiguity or confusion. Edward Hall argues that there is a correlation and a mutual dependency between culture and communication. In addition, he introduced the idea of the effect of cultural context upon attitudes and communication behaviors, making a classification of cultures according to the degree of influence of this

context; he started with countries where the influence of culture on communication is very high and ended with those in which these influences are very small:

1. *Communication in countries with strong cultural context* is mostly oral, based on personal knowledge, trust, credibility, ethics of communication on the psycho-social image of the individual in general. The reputation of the companies in community has a great importance, based on how it does business, creates communication relationships before discussing business, performance of rituals related to process knowledge. Negotiators, managers, entrepreneurs from these countries will want to know how their discussion partners think. A contract takes long to conclude and patience is one of the basic attitudes of management in the communication process. Promises that are made should be kept not in fear for the law, but to maintain good personal reputation, family and business.

2. *Communication in countries with little influence of cultural context* has opposite characteristics. The emphasis is on the communication in writing, written documentation, detailed discussions all along. It matters only what is in writing and proved by the law. Insolvency or failure is not a shame or a story and give companies more opportunities to try.

To better understand the different ways of thinking, feelings and behavior of people in different cultures and countries, we have considered the results of four academics who have studied cultural differences among nations, by examining a set of questions showing the employee behavior towards one other, their opinion of what reasonable and appropriate behavior means, their opinion about the manager role within the organization, and their attitude towards time (J.M. Hiltrop and Sh. Udale, 1998, p. 103-108).

The responses differed significantly from one culture to another. Thus, north-Americans and northern Europeans consider that you have to obey the law, even if it means you do not help colleagues and friends. In Russia, Venezuela, Indonesia and China, more than half of those polled responded that they would lie to protect their colleague and friend, even if that involved breaking the law.

In a baseline survey on national cultures, Geert Hofstede (another Dutch specialist in management and international organizations) questioned 116,000 IBM employees in over fifty different countries, between 1967 and 1973.

The results obtained by Hofstede showed that:

a. People from different countries have different views on how to define proper behavior, reasonable and adequate.

b. These differences can be explained to a great extent by the following key factors: power distance, masculinity, individualism and uncertainty avoidance.

Another striking example of cultural differences appeared in a survey for the mid-level managers, who attended programs for executive personnel; the survey was about their views on the role of manager in an organization and about the readiness of a manager. The responses revealed that only a minority (13%) from the Swedish and American managers considered that a manager should respond to any challenge or problem. A majority (59%) from the French and Italian managers agreed to that. Between 30 and 50% of the British, German, Swiss and Belgian managers concurred with the statement.

Thus, while most French and Italian managers expect to have answers from the supervisor in line, Americans and Swedes apparently do not. As a result, French and Italian managers must often claim to know more than their subordinates, even if the situation is not like that. If somehow people find that they have less knowledge than their subordinates, their authority will suffer and they could lose their credibility.

Michael Bond's recent work has revealed some clear cultural differences in the human behavior across time. He analyzed the data contained in a questionnaire, deliberately on an eastern orientation, to measure how students in 23 countries perceive values. From this information, he was able to derive three factors identified by Hofstede, along with a fourth factor, unknown to Hofstede. He called the discovery 'Confucian dynamism', referring to a company long-term orientation versus short-term one and human concern about future or past issues. Bond chose the name of Confucius as almost all values seem to be directly taken from his teachings.

His research revealed that:

- People with a short-term orientation focus on the next values: perseverance, ordering relation by status, consideration and a bit of shame.
- By contrast, people with long-term orientation focus on reliability and personal stability, protecting the personal "image", respect for tradition, favors and gifts.

After he classified the 23 nationalities in the Confucian dimensions, Bond noticed that:

- The west Europeans and North Americans have a short-term orientation and think very much of the past.
- By contrast, most Asians have a long-term orientation and are concerned about the future.
- Some countries like Brazil and the Netherlands have received relatively high evaluation in this Confucian dimension.
- United Kingdom, Canada, Nigeria and Pakistan are countries with the strongest short-term orientation.

### **Conclusions**

International activity is continuously growing and involves new requirements for those participating at cultural activities. They must deal with issues such as interpretation of actions and the attitudes of individuals or organizations operating in a different context than the normal one. They have to negotiate with groups, with different purposes, and different methods of reaching them, alongside with not similar expectations about the dialogue partner behavior. Growing diversity of the organizational world, together with the increased pace of the environmental change, bring new demands and problems to be solved by the organization members. Unfortunately, they are not trained to properly cope with the situation.

At another level, however, comparative and international management areas are not yet satisfactorily responding to questions about global management development. For the most part, the domain is still overshadowed by a centrist vision of international management. This vision, based on form of the traditional multinational corporations looks at the foreign subsidiary and suppliers like they are clients who have to be controlled from the company headquarters. Centrist organization imposes its control through managers from the country of origin who are temporarily sent to foreign subsidiaries. With an expatriate manager, the big problem comes from respective the differences or similarities between the origin country and the subsidiary. For example, in a negotiation, will the local representatives go directly to business or speak about a series of social activities? Is it their initial position an authentic offer or is just an unexpected extraction of the level that they agree? From this perspective, the idea is that the manager must have the ability to integrate himself or he cannot work in that local culture. If the manager will be asked to move to a third country, a similar process will take place in terms of cultural discovery and adjustment. All the international relations are perceived like a bilateral interrelation between the origin country and the foreign culture.

As international organizations have evolved in response to the global market pressures, the centrist view has been replaced by the application of international integration. The basic idea that has to be presented in the international relations is not the one of multinational executives people who must be sent to foreign countries, but it refers to managers or, much more, to the organizations lower level employees who has to operate in a multicultural context, no matter where they are (Rao, A., S.M. Schmidt).

The growing importance of the information flow, professional training within organizations and the teams or internal flexibility, have turned the centrist model into an adequate one and in some cases, in a limited one. The new global reality of the organizations means that a part of labor has contact with those involved in international relations; the numbers managers going foreign countries is small.

While a large part from the comparison terms is still working following the British Empire model, other managers are complying with in the European Union context. The stress placed upon specific contrasts between management processes and organizational structures often led to an incomplete and limited image of compared organizational behavior (O. Nicolescu). The processes at lower levels have sometimes been neglected for the description of observable differences. Current international context supposes studies that illustrate how managers and other employees adapt their way of working and thinking in order to cope in a world that is becoming increasingly multinational, multicultural and dynamic.

This approach requires a shift from a descriptive program to one that focuses on how members of the organization are coping with an international segmented environment, generated by the international context.

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