

Perttunen



## HOW CULTURAL DIFFERENCES AFFECT COMMUNICATION IN AN INTERNATIONAL ORGANIZATION: A CASE STUDY

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International Business  
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ABSTRACT OF  
 BACHELOR'S THESIS

<p><b>Author:</b> Essi Perttunen  <b>Title of thesis:</b> How Cultural Differences Affect Communication in an International Organization: A Case Study</p>
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<p><b>Objectives</b></p> <p>The main objectives of this study were to find out through an online survey how the employees of the case company feel the organization approaches and takes into account different cultures, as well as finding potential solutions to possible challenges resulting from intercultural interaction. The survey also aimed to examine the attitudes of the employees towards working with people from other cultures and the effect of these attitudes as well as multiculturalism on the effectiveness of work.</p>
<p><b>Summary</b></p> <p>Eighty-three people out of a population of about 300 participated in the survey. The questions mainly concerned the background and attitudes of the respondents as their opinions on the organization's intercultural approaches. Language was not the primary topic of interest but was naturally linked to the subject.</p>
<p><b>Conclusions</b></p> <p>There do not seem to be any significant problems with intercultural communication that the case company is facing. However, many of the respondents indicate that there is ignored potential in how the organization could benefit from the different cultures and previous international working experience that many of the employees have.</p>
<p><b>Key words:</b>          Intercultural communication, cross-cultural communication, case study, international business</p>
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## 1. INTRODUCTION

### 1.1 Background

#### 1.1.1 Intercultural communication

Intercultural business communication did not become a common field of study until the 1970s and 1980s (Anca & Vázquez, 2007). Some of the factors that triggered the growing amount of management across cultures and therefore the need for research on the subject include the ineffectiveness of expatriates' work, the changing economic environment in parts of Asia, and the westernization of many European countries (Branine, 2011). Piller (2011) defines intercultural communication as both a cause and a form of globalization.

As intercultural business communication became a widely recognized field of study, the global business environment had become well emerged and constantly changing. What further drove the need for more research and attention on the subject were the growing number of multinational companies and therefore international competition, which resulted from for example the new technological advantages, political and cultural influences, and regionally occurred economic integration (Branine, 2011).

The difference between intercultural communication and intercultural business communication is not only the environment in which the interaction takes place. Intercultural or cross-cultural communication is a complex phenomenon that includes and is influenced by the general practices, goals, strategies, and objectives of the company or companies that are involved. The communication strategy of a company should consider the effect of the specific business context, including the objectives and structure of the organization, on the communication practices. Therefore, the intercultural communication process can be seen as an environment that is composed of business, communication, and culture (Varner, 2000).

The starting point for research in the field of intercultural communication is often assuming that there are cultural differences between two cultural groups and then

further investigating into those differences by observing interaction (Piller, 2011). What is important in studying intercultural interaction is to understand the need for going beyond discovering differences between countries and cultures and examining the effect of the cultures on practices and policies that companies have established and that have been influenced by the differences (Branine, 2011). It is also crucial to study different companies' practices and approaches towards different cultures which what also this thesis aims to accomplish.

As the effective management of an organization on both local and global levels is a big challenge to international companies, it is important to build a corporate culture that all employees understand and can apply and adapt their behavior to (Branine, 2011). Therefore, considering the influence of cultural differences and intercultural communication on the effective implementation of the organization's strategy and practices is crucial.

### 1.1.2 Background: Case 'Expense Reduction Analysts'

Expense Reduction Analysts is a global franchise organization that operates in more than 25 countries and employees over 700 consultants. Their focus is on non-core cost consulting in more than 40 categories including supplier management, process re-engineering and office suppliers. Clients include for example manufacturers, healthcare providers and retailers.

Expense Reduction Analysts operates on a success based model that makes their services low-risk for customers. Incentives to the organization are paid based on the amount of savings achieved. The cost consulting process lasts 24 months and has four different steps: analysis, research, selection, and implementation. The organization's philosophy is based on common targets with clients, and values include openness, teamwork, confidence and trust. (ERA, [www.en.expensereduction.com](http://www.en.expensereduction.com))

Owner Fred Marfleet founded the organization in 1993. It is based in the United Kingdom, with headquarters in Kent. There are 25 staff members including a

management team working at the headquarters that manage approximately 300 franchisees across Europe.

The organization is based on the area developer model of franchising but in the United Kingdom, Mexico, Brazil, New Zealand, Ecuador and parts of the United States and Australia the master franchisee model is applied.

A report by the World Franchise Associates (2010) introduces the two most common types of franchise models that are in use also at Expense Reduction Analysts. The master franchise model gives the franchisee the rights to operate in a specific area or country after paying a franchise fee. They can then further give away franchisee rights in that particular territory and in general have more rights in terms of making new arrangements and agreements in their area than the franchisees that operate under the area development model.

The area development arrangements give the franchisee the opportunity to recruit and train new franchisees in the specific operating area. Different from the master franchisee model, an area developer does not make contracts with the new franchisees, but works and gains a fee as an intermediary in finding and recruiting the new franchisees to the organization. The area developer rights are usually issued for a shorter period of time than the master franchisee rights, which are commonly granted for 15 years or more

## 1.2 Research Problem

As a result of globalization, the amount of cross-cultural communication has increased significantly. In an international organization the employees have people from different countries and cultures as their co-workers and this can result in problems in everyday communication. The challenge for the companies is to find ways to bring the number of cross-cultural conflicts to a minimum and make sure that they do not affect the quality or efficiency of work.



### 1.3 Research Objectives

1. To find out how the employees feel the company approaches and takes into account different cultures, for example by looking at the company's organizational culture – is it easy to adapt it to each country's national business culture?
2. To explore the different ways the company could make their cross-national communication more effective, for example through cross-cultural training and workshops.
3. To find out how the employees view cultural differences – as a negative or a positive thing. If the attitudes seem to be negative, it would be necessary to explore the ways the company could make them better.
3. To explore the everyday challenges that the employees face when communicating with people from other cultures.

The first research objective is to examine the presence of intercultural communication in the organization. It attempts to find out if the case company recognizes cultural differences as a challenge and something that can affect work effectiveness. The employees' perception of the presence of challenges that cultural differences bring will also be studied, as well as what the employees consider something that the organization could do to improve communication, if there is a need.

The second objective is continuation from the first objective because after establishing the possible need for changing the organization's approaches to culture, solutions for making intercultural communication more effective will be explored. The employees of the organization will be asked about ways to improve communication and based on the survey results the options will be considered. This combined with information from the literature that offers solutions for intercultural issues will contribute to the suggestions section of the thesis. Something that is crucial to the way multiculturalism is approached and represented in the organization are the employees' attitudes towards different cultures. This will be examined to complete the third research objective. The

attitudes have to also be considered when considering any action to make intercultural communication in the organization more effective.

The fourth and final research objective aims to explore the general issues in intercultural communication and if the main challenges discussed in the literature reviewed are also present in the case company.

#### 1.4 Research Questions

1. What challenges in cross-cultural communication does the case company face?
2. How do the employees feel that the company currently approaches cultural differences?
3. In what ways can the case company decrease the potential for cross-cultural conflicts and therefore increase the effectiveness of multicultural communication?

The first research question approaches multicultural communication by introducing the subject, as well as defining the main aspects and most common issues. The main challenges established and recognized in the literature reviewed will be combined with the issues that appear in the case company as a result of the survey.

Focusing on the case company in more depth, the second research question examines the current presence and atmosphere of intercultural communication in the case company. Based on the survey answers by the people working in the organization, conclusions will be drawn. The second research question serves as a base for the third question because it establishes the possible need for improvements in the company's approaches to interaction between cultures. Therefore, based on the survey results and previous literature, the third research question attempts to find solutions to the possible issues the organization is facing with intercultural communication.

## 1.5 Definitions of Main Terms

Piller (2011) has defined the following two terms that are commonly used in this thesis:

Culture is a wide phenomenon that can be approached from many different points of view: national asset (high culture like theatre, music and the arts in general), popular culture (customs, folklore), country facts like currency, national language, the flag, and the media including TV, radio and newspapers; culture as challenge concerns non-verbal and interpersonal communication and relationships, and lastly culture as a citizenship that includes habits that reflect and signify a cultural identity.

Intercultural and cross-cultural communication can be differentiated from each other, but in this thesis the terms will be used in synthesis. “Intercultural communication is one domain where culture as concerned with specific – and different – way of life of different national and ethnic groups is constructed” (Piller, 2011)

The term ‘multicultural’ is defined in the Oxford English Dictionary in the following way: “Of or relating to a society consisting of a number of cultural groups, especially in which the distinctive cultural identity of each group is maintained”. In this thesis, the term will be used to identify the fact that there are many different, mostly national, cultures represented in the case organization.

Globalization is a multiconceptual term since it appears in many different fields and phenomena, in for example culture and business to mention a few. The term describes the change that has been concurring in the world as cause of mainly information revolution, international political conflicts and increased consumerism. This has resulted in the blurring of cultures of the world and increased interaction among different areas and nationalities (Branine, 2011).

## 2. LITERATURE REVIEW

### 2.1 Introduction to the Literature Review

Cross-cultural business communication is a fairly new field of study. For a long time business was considered something that did not require research on different cultures, but in the 1970s and especially 1980s different cultures' influence on how companies work globally became something that business theorists began examining (Anca & Vázquez, 2007; Branine 2011). As globalization has become a growing phenomenon during the last few decades, an increasing number of companies have gone global. The challenge now for this field of research is to cope with the constant changes that happen and that have an effect on communication across cultures and the globe (Aharoni, 2011).

The purpose of this literature review is to reflect on and analyze literature on cross-cultural communication and discuss the issues that are relevant to intercultural business communication. There are three parts: the first part will focus on the general issues and literature on cross-cultural business communication, the second part will address the previous case studies that have been conducted in this field, and the last part will establish a conceptual framework for the thesis.

The main theme of this thesis is to approach the effect of cultural differences on the working environment in a multinational company. Therefore, less attention will be paid to challenges that the use of language brings, even though it is a vital part of cross-cultural communication. Some of the literature discusses language issues, and the subject will be analyzed if necessary. The focus will not be on specific countries or cultures, but on a case company, Expense Reduction Analysts, and their approach to different cultures and the challenges that cultural differences bring in the company's internal everyday communication. This approach, not studying any specific countries but a single company's approach to cultural differences, appears to be less common in this field of business research. Also, the fact that there is no comparable research that has been done on this particular case company before gives this literature review

and overall thesis a unique perspective and may fill some gaps in the research conducted in the industry. The literature, especially the case studies will be compared based on the similarities of the objectives of the studies and the amount of critical analysis.

A common tool and framework for analyzing cultural differences is Geert Hofstede's (2001) dimensions of national cultures –model. This approach was also introduced and used in many of the sources for this literature review. However, as the focus is not on any specific countries this model will not be taken into account. It would take the attention from studying the company's ways of approaching culture and too deeply analyze the reasons for cross-cultural conflicts, which is not the purpose of this thesis. Even though Hofstede's approaches to cultural differences are a widely used framework for intercultural studies, some academics find his work over appreciated. In his article Jones (2007) critically compares opinions for and against using Hofstede's literature, especially the cultural dimensions –model, as a base for intercultural communication research. This article provides an interesting viewpoint to a theory that seems to be the base for many pieces of literature on cultural differences or cross-cultural communication. Some problems with Hofstede's work are raised by Piller (2011). She indicates that Hofstede quantifies culture to just the five specific dimensions by using a quantitative approach. According to her, the approach in question leads to overgeneralization of cultures as well as essentialism.

## 2.2 Cross-Cultural Business Communication

In intercultural business communication, the focus has shifted from an emphasis on individual countries to a global, more multicultural view. Therefore, even though there are large amounts of literature on the subject it is mostly recent. Since the global business environment has gone through many changes in the last decade, including for example new technological advantages and the 'westernization' of many countries, recent literature is the most relevant since it takes into account all these changing factors.

While basic information is important and it provides a base for more research, the literature reviewed and used for this thesis includes many different viewpoints to the subject, including approaching communication from the globalization, language, research methods, and cross-cultural training perspectives. It is important not to only state that cultural awareness is important, but to approach the issues with more depth and from a critical viewpoint. This field of study is very wide and there are many aspects of business that cultural differences have an effect on.

### 2.2.1 Globalization

Globalization is mentioned in almost every publication on international business. In their book Carté and Fox (2008) make a useful statement by suggesting that globalization is hard to define since it can lead people to think that there are global standards to how things can be done so that cultural differences will be taken into consideration equally. According to them, it is hard to tell right and wrong apart in the global context and therefore one should initially trust in their own views on what are the right and wrong things to do. A statement that could be considered a counter-argument is offered by Luo (2016). He does not particularly argue that there is a specific global mindset and way of doing things but states that instead of companies trying to adapt to regional or national cultures, they should expect reverse adaptation from their employees and require them to fit the company's international perspectives and mindset. Piller (2011) in turn agrees with a Carté and Fox (2008) with a consideration that globalization is a factor in communication that blurs national and cultural borders and therefore makes it difficult to establish any clear-structured rules or instructions. This has to do with the perception of what is right and wrong in different cultures, which is a factor that often leads to miscommunication (Carté & Fox, 2008).

### 2.2.2 Language issues

Language issues are mentioned in majority of the literature on intercultural interaction, whether or not it is discussed as the main subject. The biggest challenges with language are the different levels of language skills, including accents, which can make

understanding difficult as well as the effects that national cultures have on communication patterns and styles (Kovalainen & Keisala, 2012). English is often used as the main language of communication in global companies and in addition to creating a clear base for communication, it can enhance the social cohesiveness in an organization (Lauring & Selmer, 2010). The use of English is especially beneficial when the aim of using the language is getting work done and being understood in working situations instead of trying to achieve an advanced level of language skills (Charles, 2006). Lauring and Selmer (2010) as well as Weldon and Rogers (2013) indicate that frequent contact with colleagues from different cultures makes communication more precise and trustful. Overall, in the literature language is seen as one of the most basic problems in intercultural communication since it is visible and usually one of the first problems to appear.

### 2.2.3 Other relevant aspects

A noticeable part of the literature on intercultural communication is somehow linked to psychology or social sciences. However, most literature seems to link the subject to management. Especially books that focus more on the practical side of cultural differences, which usually has to do with communicational challenges, often introduce intercultural communication as something that is on managers' responsibility to control and direct and therefore fail to see it as a responsibility of all the employees of a company (Gesteland, 2012).

The interrelation between different organizational aspects and intercultural business communication is discussed by Varner (2010). She emphasizes that there is a clear connection between the cultural, business, and communication strategies and indicates that this relation has not been discussed in much of the literature in the field. Also other pieces of literature mention aspects that are not commonly taken into account in cross-cultural management but that can affect communication. One of these variables is work engagement. By getting dedicated employees to do jobs in an intercultural environment can mean a shorter adjustment period to a new culture (Selmer & Lauring, 2016). Overall, to diminish the negative effects of cultural

differences on company performance and the different aspects of the organization, like strategy, diversity should be addressed in a balanced way (Nurdin, 2009).

Many of the case studies in the field analyze the problems that emerge from intercultural communication and focus on how the issues are perceived by the people involved. What is harder to find and what should be done more is research on how the companies that have faced challenges with their employees coming from different cultures have managed to solve these problems and if it has helped them create a more effective working environment. Many pieces of literature offer suggestions on how to manage intercultural communication, for example by creating an understanding of deep cultures (Hofstede, 2015), paying more attention to the choice of language (Charles, 2006; Piller, 2011) and by finding a middle ground in issues like differences in showing emotions (Toegel & Barsoux, 2016).

An interesting point about the ability of a person to improve their intercultural communication skills is raised by Javidan, Teagarden, and Bowen (2010). They talk about the required traits for global leaders, but in a way that can be also applied to everyone engaging in cross-cultural business communication. The main attributes that the authors indicate are intellectual, psychological and social capital. Intellectual capital is about the general knowledge and willingness to learn about global business issues, psychological capital concerns the openness to diversity and change, and social capital includes trusting intercultural and interpersonal relationships. The article emphasizes the importance of the ability to adjust to new situations and differences among people and environments. This is a good approach, since it highlights the need for the own effort of a person in acquiring more and better communication skills. Even though the article is not a good source of information for solving intercultural issues, it could be used as a starting point for cross-cultural training as it highlights the vital parts of becoming a good communicator.

Many studies approach the changed international business environment by studying the communication methods that have become more common in the recent years and decades. One of these methods is email communication. Meyer (2015) defines written communication as something that can make intercultural communication more effective and therefore sees it as a good tool for cross-cultural interaction. Holtbrugge,



Weldon and Rogers (2013) in turn approach email communication from a more critical perspective, stating that cultural differences are present in also this form of communication and can have an effect on for example the preciseness and formalness of the message. Lan and MacGregor (2010) take a largely neutral stand on the subject and remind that written communication can lead to non-native English speakers spending more time trying to make their language fluent, even though an email message usually fills its purpose when it is functional and the material and message of the email is clear.

To summarize, as the main focus of intercultural communication research has somewhat shifted from studying individual cultures to analyzing globalization, recent studies can be seen as a more relevant source of information than literature from the past decades. Some of the main topics in cross-cultural business research are the effects of globalization and the constantly changing international business environment. There are also factors that are not very commonly approached, like the ways to improve intercultural communication skills and how cultural differences affect email or overall written communication.

## 2.3 Case Studies in International Business

It is important to look at other case studies in the field of international business and more closely on intercultural communication. There are many different approaches and ways to do case studies and that allows creativity for the methods of research. In international business, a case study is often the most useful method for doing research since it makes it possible to examine the complicated intercultural settings (Fletcher & Plakoyinnaki, 2011).

### 2.3.1 Common approaches and issues studied

Most case studies in this field focus on specific countries' cultures and the challenges that rise when people from those cultures do business together. Those studies can help when studying particular cultures, but since this study will be focused on a

company's approach to cultural differences and cross-cultural communication, the findings of these country-specific studies become mostly irrelevant. In addition, even case studies that have been done on specific companies might not be comparable since there are many differing factors in the way that companies are structured and in the way that they do business. However, many case studies introduce useful frameworks and findings that can help in planning the research.

A common finding in case studies on cross-cultural communication appears to be that the employees of a company recognize the challenges that working across cultures brings but the cultural issues that arise are not solved properly (Clausen, 2007; Kovalainen & Keisala, 2012; Jonasson & Luring, 2012). An example of this kind of an issue is the tendency of an employee to voice their opinions, which is something that is affected by one's background but often not recognized as a cross-cultural communication issue.

Based on the research and observations done for this literature review, most of the case studies done on cross-cultural communication and on a specific company seem to be focused on usually two specific countries. Many of the case studies focus on comparing a western and an eastern country since the cultural differences are often easily recognizable. For example, Jonasson and Luring (2012) compare the Chinese and Danish business cultures, and a similar approach has been taken by Clausen (2007), who in her case study uses Japan and Denmark as examples. The problem with studying the aspects of specific cultures is that it generalizes people's behavior and therefore unnecessary stereotypes can form. In the globalized world, many people have been influenced by more than one culture, and in these cases generalizations can be more of harm than helpful (Tomalin & Nicks, 2010; Piller, 2011). The sources of information that focus on certain cultures and the comparison of them cannot be seen as relevant to this literature review as the ones that are concerned with a company's actions. It should be noted that some of the research done to analyze a company's approach to culture might not be publicly available, and therefore inaccessible for this literature review.

### 2.3.2 Common suggestions and recommendations

When it comes to solutions for the communication problems in an international organization, the most usual recommendation is to internally work on making communication more effective (Clausen, 2007), by for example recommending that a third language should be used in communication (Kovalainen & Keisala, 2012). Louhiala-Salminen, Charles, and Kankaanranta (2012) as well as Charles (2006) emphasize the benefits of using BELF (Business English Lingua Franca) as the main language in business communication. BELF communication is based on the idea that no one can identify it as his or her native language and therefore it establishes an equal atmosphere among the speakers. As a result of the case study conducted, Clausen (2007) found that a common ground for an effective intercultural environment can be established by negotiating some company-specific issues, for example, how the common platforms of communication like meetings should be held, and the overall philosophy and organization of the communication.

Surprisingly, many of the case studies discussed in this literature review did not appear to offer any solutions related to intercultural training in order for the companies to reduce the negative effect of cross-cultural communication on overall effectiveness in the companies. Elias (2010) comprehensively addresses the importance of planning when engaging in intercultural training. According to him, it is important to carefully establish the purpose and objectives of the training and then focus on those aspects instead of training the employees on the basics of cross-cultural communication. Interaction with people from various cultures is offered as an effective way to develop intercultural skills and competencies; in long-term conflicts in cross-cultural communication cannot be prevented but they are often useful since they further help to develop communication skills (Bartel-Radic, 2006).

When using case studies as a source of literature, there is always the question of whether or not generalizations can be made. A case study that focuses on only one company might provide some ideas and base for further research, but does not necessarily give any information that could be generalized.

### 2.3.1 Research methods

Interviews, especially semi-structured interviews, are used as a research method in majority of the case studies discussed in this literature review (Kovalainen & Keisala, 2012; Clausen, 2007; Louhiala-Salminen et al, 2005). Even though it will not be the method used for this thesis it is recognized as the most useful tool in international business research by for example Morais (2011) since it allows better understanding of the complex global business environment. The main problem with the interview approach to doing research in this case is that collecting the responses requires more time and effort than conducting a web-based survey, especially if a large sample size is wanted. Therefore, even though the qualitative approach to doing research in the field of international business might enable a better access to the complexity of the issue, due to time constraints a quantitative approach has been chosen for use. In this case, a web survey is believed to give results that are more generalizable since it gives the access to the thoughts and opinions of more people.

As a conclusion, even though globalization is recognized as a phenomenon that blurs the borders of national cultures, many case studies still approach intercultural communication from the perspective of a comparison of two cultures. A common example is comparing communication styles between a western and an eastern culture. The challenges that cultural differences bring are often recognized but not solved (Clausen, 2007; Kovalainen & Keisala, 2012; Jonasson & Luring, 2012). For recommendations, the research studied for this literature review commonly suggest internally working to solve the issues, by for example considering changing language policies. Intercultural training is not widely discussed as a solution. When it comes to research methods, semi-structured interviews are a common approach to collecting data. Overall, qualitative research has been recognized as the most effective tool in intercultural communication research (Morais, 2011).

## 2.4 Conclusions and Conceptual Framework

The aim of this thesis and the research that will be conducted is to find out about the kinds of challenges there are in cross-cultural communication and to specifically

focus on the problems that the case company possibly faces. In addition, the company's approach to cultural differences and the ways they could decrease the potential for cross-cultural conflicts will be looked at. The existing literature gives a good base for the research by for example highlighting issues that are commonly faced. It also proves that even though the research questions are less focused on the language issues and more on the cultural challenges, language is an aspect of intercultural communication that cannot be ignored.

This thesis will attempt to give a new perspective to cross-cultural business research by examining a multinational franchise company's approach to cultural differences. It will pay less attention to what countries and cultures are involved in the company and more on the company itself. In addition, recommendations and solutions to the possible problems will be discussed, which is different from most of the case studies that were analyzed. There is a large amount of existing research and therefore it is impossible to precisely tell what has not been done yet. Therefore, the appropriate question is what should be studied more.

The starting point for research is making interpretations on the subject by studying existing literature. Based on the literature studied, the main issues in the field of intercultural communication include dealing with cultural differences and the use of language. Then the focus shifts to the actual empirical research. With the information acquired from the literature on the subject, the effectiveness of the cross-cultural internal communication at Expense Reduction Analysts will be studied. With the evidence from the study as well as the literature reviewed, conclusions will be drawn in order to give suggestions to the company and the field in general. Therefore, the main aim of research is to establish a new perspective on the subject, using current knowledge.



Figure 1: Conceptual Framework

The aim is to establish a main theory for what cross-cultural communication is about, and through that information and the results of the case study to provide criteria and suggestions for effective intercultural communication.

As mentioned, there is a wide range of literature in the field of intercultural business communication. It is possible to use only a small part of it for a thesis, and therefore the literature introduced and discussed in this literature review only covers a minor part of all the information that is available.

Among the literature that was reviewed, surprisingly much of the research seems to concentrate on comparing specific countries and cultures, and less on certain fields and companies in international business. Also, the research seems to be more focused on identifying issues and not on how to solve them. Qualitative research is recognized as the most effective form of conducting a study and it is widely used (Morais, 2011). This thesis aims to fill gaps in this field of research by studying an international franchise company's approach to culture.

What could be considered a major challenge for both the companies in the industry and anyone that is interested in or already engaging in conducting research in the industry is keeping up with the changing business environment. The amount of international companies and working across borders has increased in the last decades and that combined with the new technological advantages has meant that

companies have had to be able to adjust to the constantly changing environment. That has been a challenge also when reviewing literature for this thesis. Some theories and practices can remain relevant for decades, but many factors bring new kinds of complexity to the way global business works. Therefore, some of the research that was conducted in the last decade can be partly outdated.

As a conclusion, some of the criteria for effective business communication include ensuring that the employees of the company have the needed communication skills and the ability to critically reflect on them (Kovalainen & Keisala, 2012), as well as consistent management, created by for example negotiating company-specific rules (Clausen, 2007), and frequent contacts in a common language (Lauring & Selmer, 2010). Openness for change and the ability to respect and build relationships with people with different backgrounds are some of the defining factors of good communication skills (Javidan et al, 2010). Therefore, ignoring the possibility of being flexible when communicating interculturally is one of the biggest pitfalls of poor communication and it can lead to blaming cultural differences for communication problems (Jonasson & Lauring, 2012). These criteria will be considered when analyzing communication in the case company.

### 3. DATA AND METHODOLOGY

#### 3.1 Study Design

The survey was sent to about 300 people working for the Expense Reduction Analysts, including centralized functions/support workers, area developers/country managers, and franchisees, mainly European citizens. The actual population – the ERA members globally – consists of more than 700 people but the survey could only be sent to 300 members of the population, making the sample size 300. The survey was distributed to the members of the population via email, including a message explaining the purpose and basic facts of the survey. A ten days long deadline was set, with one reminder message two days before closing the survey. The final number of respondents was 84, meaning that the response rate was about 28 percent.

The survey included 17 questions (appendix) that included eight basic background questions and nine questions concerning intercultural communication. All questions were multiple-choice questions, but most included a possibility to add an open response. At the end of the survey, there was an open-ended question that offered a possibility to share any additional experiences or give suggestions or feedback. In addition, at the end of the survey the participants were given an email address where they could send anything else they would like to share or ask.

#### 3.2 Data Collection

The thesis will be based on the company's approach to cross-cultural communication and therefore the main findings and conclusions will mainly be based on primary data. The company operates in over 25 different countries so the most convenient way to approach the employees is through an online survey. Secondary resources will be used to introduce the topic and point out previous research findings and to establish a theoretical framework around the topic.



### 3.3 Analytical methods

The survey started with eight background questions and the rest nine questions were mainly multiple choice with a possibility to specify the given answer if needed. For the open-ended answers that compose the majority of the survey, qualitative analytical methods will be used. The answers to the background questions will be used to form an understanding of the average respondent.

The background questions as well as the open-ended questions can and will be analyzed using qualitative methods. Questions that concerned intercultural communication were chosen for the survey based on the objectives of the study as well as common themes from previous literature. The qualitative analysis will be based on the deductive analysis approach, meaning that the data will be grouped based on the differences and similarities of the answers so that it answers the research questions as specifically as possible.

## 4. ANALYSIS AND FINDINGS

### 4.1 Background information

Eighty-four people completed the survey, including 20 different nationalities from 20 different countries, some respondents working in more than one. The average age of the participants was 53 years, with only a few outliers. The respondents had worked for the organization for 2.7 years on average, ranging from less than a year to 13 years.

Country that you currently live and work in	Number of respondents	Number of countries
Austria	1	1
Belgium	4	1
Croatia	1	1
Denmark	6	1
Finland	3	1
France	1	1
France and Belgium	1	
Germany	25	1
Italy	6	1
México	1	1
Netherlands	8	1
Norway	2	1
Poland	3	1
Portugal	1	1
Romania	1	1
Slovakia	1	1
Spain	7	1
Sweden	3	1
Switzerland	2	1
The Czech Republic	3	1
United Kingdom and Europe	1	
United Kingdom	2	1
<b>Total</b>	<b>83</b>	<b>20</b>

Table 1: Countries involved

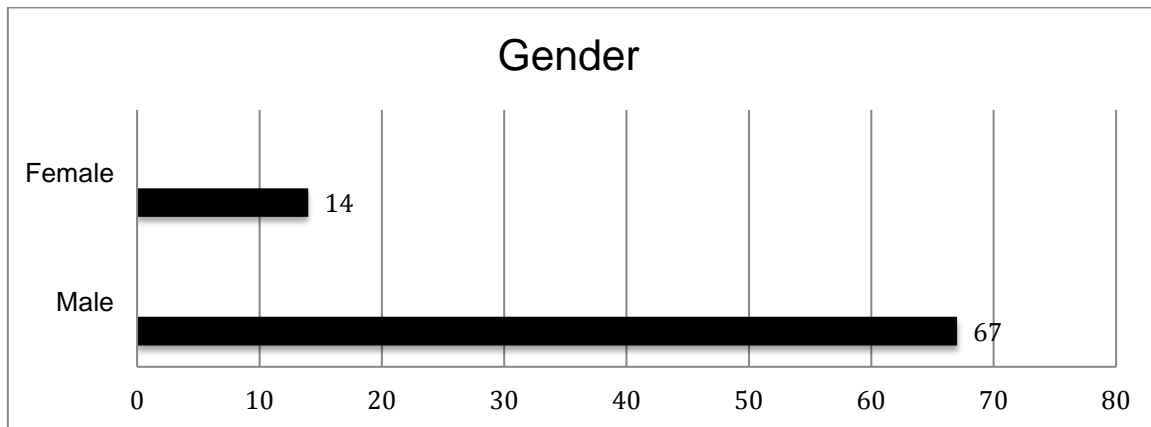


Chart 1: Gender distribution of the survey participants

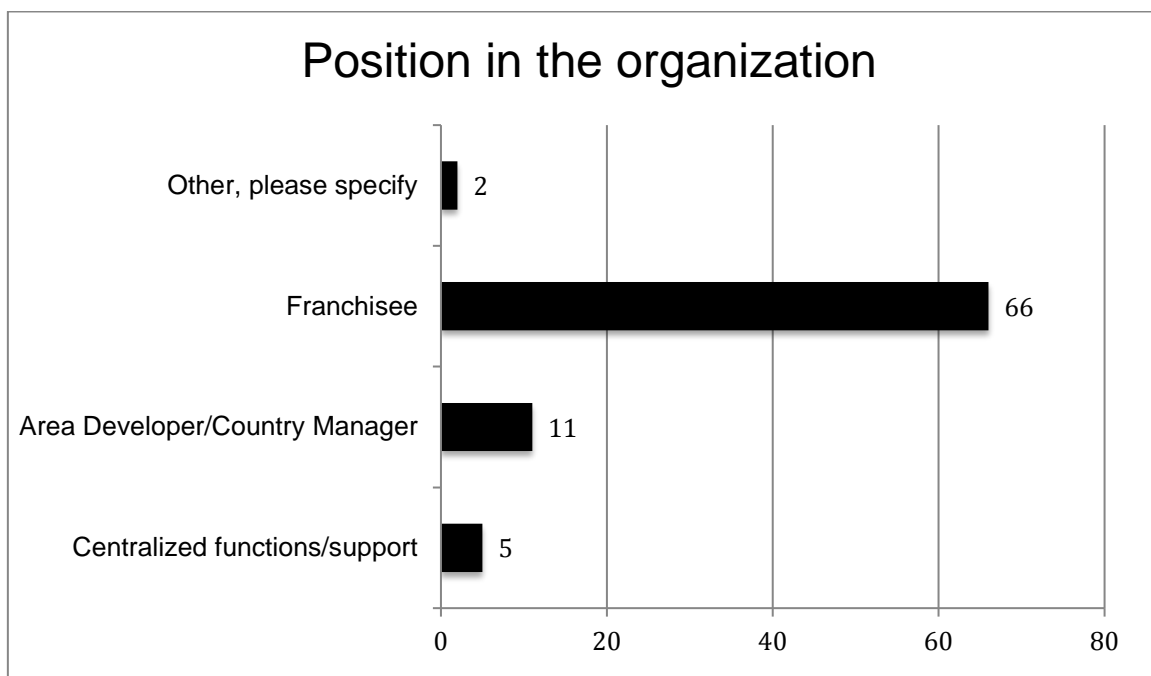


Chart 2: Position in the organization of the survey participants. One respondent works in both franchisee and support functions. Two participants answered "Other, please specify": One of them works in recruitment and the other in analysts.

The first question after the background question concerned the presence of multiculturalism in the respondents' everyday work. Fifty-two out of 82 respondents (63%) stated that they are in contact with people from other cultures daily. The biggest reasons for this kind of interaction were projects that are done with people from multiple countries as well as contacts to the headquarters in the United Kingdom. Some of the respondents also have expatriates as clients and some do

coaching to the partners internationally. In addition, a couple of answers indicated that living in a multicultural environment, for example in a bicultural country like Belgium, results in multicultural contact in everyday life.

#### 4.2 Multiculturalism at Expense Reduction Analysts

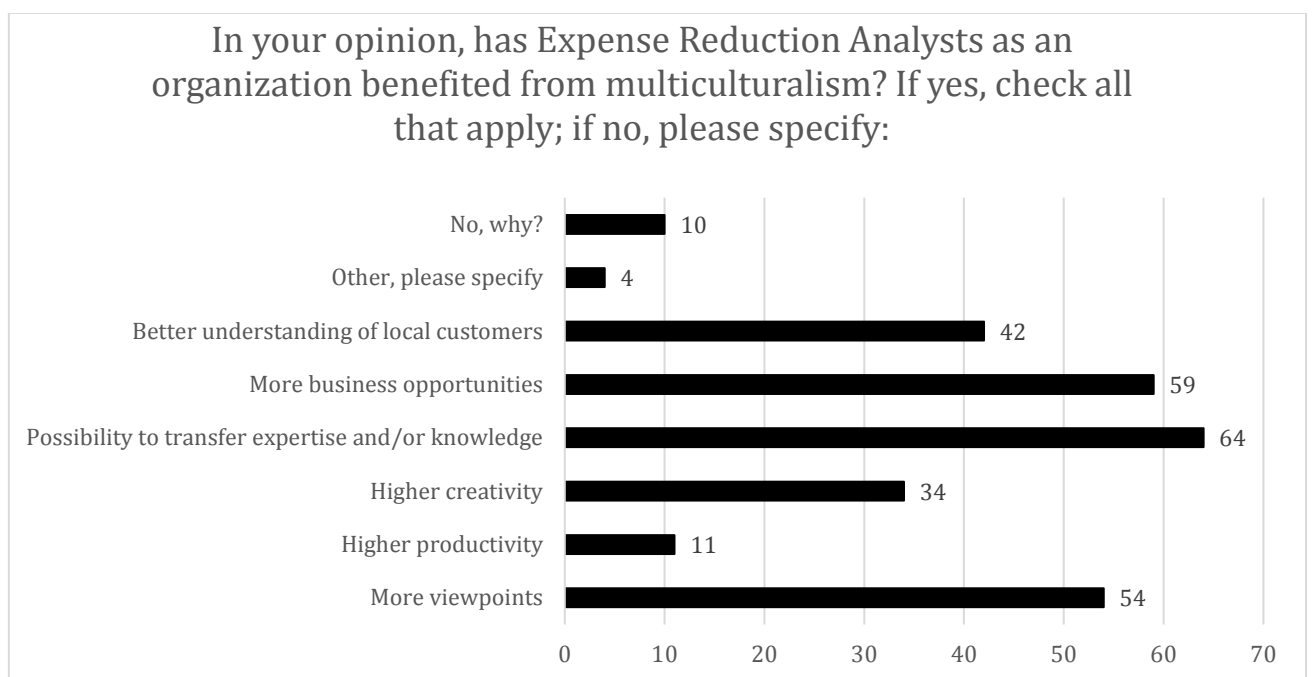
The first question after the background questions concerned the impact of multiculturalism on work. The participants were asked if they have experienced any impact of multiculturalism on work efficiency, effectiveness or productivity. 59 out of the 83 respondents (71%) of the question answered "yes". This number was higher than in the previous question, so it can be concluded that there are some partners in the organization that have experienced the challenges or benefits of intercultural communication even though it is not part of their everyday work life. A common theme on the open-ended answers on this question was how cultural differences and challenges that emerge from them make doing work more time-consuming. According to some of the responses, intercultural communication often results in misunderstandings and therefore there is often a need for communicating using simple language.

*"Slower and simpler communication - People can easily misunderstand questions and answers"*

The comments also stress the differences in preferred management styles – one respondent thinks that the management practiced in the case company is quite hierarchical, which is not common in Scandinavian countries and therefore can be hard to absorb. Also cultural differences in behavior, in for example organizing and holding meetings can be challenging. However, many of the responses discuss the positive aspects of multiculturalism, and a major part of the comments that mention some of the challenges also recognize the benefits of intercultural communication and mention for example increased creativity and knowledge as some of the advantages.

The attitude of the respondents towards working with people from other cultures seems close to very positive with an average of 4.53 on a scale from 1 to 5 (1 = very negative, 5 = very positive). The answers to the open-ended questions of the survey as well as the last question that gave the possibility to share experiences or give any kind of feedback or recommendations also gave an impression of an overall positive attitude towards multiculturalism. This result has also be considered from a critical point of view. The respondents knew the topic of the survey, multiculturalism and intercultural communication, before starting to complete it. It is possible that the attitudes of the people that the link to the survey was sent to had an effect on whether or not they decided to complete it. If one finds the topic unimportant or repulsive, they might decide not to spend time taking part in it.

The participants were also asked of the ways they think Expense Reduction Analysts has benefited from multiculturalism. The distribution of the answers is presented in the chart below.



Of the 82 people that answered the question, about 78% thought that the possibility to transfer expertise and/or knowledge is a benefit that arises from multiculturalism. Also, about 66% thought that the different nationalities bring more viewpoints. The popularity of these two answer options supports the answers, especially the open-

ended answers that were submitted to the other questions of the survey. Therefore, there seems to be a strong belief in appreciating the possibility to share different viewpoints and approaches to doing work.

There were ten people, 12% of the respondents, that thought the organization has not benefited from multiculturalism. Majority of them found that ERA does not have enough international activity to get all the possible benefit from the different cultures involved. According to a few responses, the organization does not take advantage of having local expertise and many different culturally varied approaches to doing business:

*“While there has been benefits then there remains a higher untapped potential among other by providing higher allowance for local variances in how business is conducted (while still staying true to the fundamentals of the ERA concept).”*

In addition, some of the respondents who chose this option stated that they have worked for the organization for a short time period and therefore have not experienced any impact of multiculturalism on their work. A few participants also indicated that their work is local and therefore they do not experience the influences of different cultures. The fact that the amount of international work among the respondents varies has to be considered in the analysis of the data for this thesis. Some of the survey participants are in constant contact with people from other countries, while some only work locally and rarely have any cross-cultural work-related contact.

When asked about whether or not it is easier to work with people from some countries than others, the opinions of the respondents' were clearly divided. 41 out of 83 people answered "yes", and 42 out of 83 answered "no". The participants that agreed that some nationalities are easier to work with than others were asked to elaborate their answer. The open-ended answers mentioned some countries and areas, mainly in Europe since the respondents were mostly European, that expressed a clear trend in how the participants mentally divide the different European parts of the organization. Some areas mentioned were for example Scandinavia, German speaking countries, the United Kingdom, and Southern European countries. Even though much cannot be interpreted from the answers to the question since the

opinions were evenly divided, it is interesting to see how there clearly are areas in the organization in which each partner identifies himself or herself. The following comment was left under the last question which allowed the participants to leave any additional comments:

*“The Brits definitively have a different approach to doing business, than the Europeans ... Britain is far closer to the US than we (Europeans) think.”*

Majority of the respondents stated that they feel the most comfortable working with people from countries that have similar cultures to theirs. Many answers also indicated that language skills have much to do with how effective cross-cultural communication is, and especially Scandinavian people were mentioned as easy to work with due to a high level of English skills. Many people also seem to prefer working with coworkers that have the same or similar native language to theirs, mostly in Scandinavia and German speaking countries. Some participants also told that in their opinion the differences in personalities have a much bigger effect on communication than cultural differences. This opinion was also discussed in answers to some of the other questions, and probably would have gotten more support from the participants that answered "no" to this specific question and that were not asked to elaborate their answer.

#### 4.3 Language issues

The question on the impact of language differences was different from the previously discussed question that concerned the effect of multiculturalism on work in the matter that it took a more negative viewpoint to the subject. The participants were asked if they have experiences any decreased working efficiency/effectiveness/productivity due to language differences. Therefore, these two questions cannot be compared in terms of whether or not culture causes more problems than language or the other way round.

The number of respondents that reported some negative experience from language differences was 36 out of 83 respondents on the question. Considering the fact that

the average estimate of English language skills for the respondents was 4.12 on a scale from 1 to 5, the language skills of the partners in the organization do not seem to be a big challenge. The comments on how language issues have affected work mostly concern misunderstandings and how poor English skills have an impact on the effectiveness of communication. One comment discusses the differences in language skills among different nations:

*“Some members of some nations consider their language to be international one. And their English is rather poor.”*

Even though many responses propose that people from certain countries and areas of the world have more trouble communicating with their international coworkers than others, some also recognize the difficulty of doing work and communicating in a language other than one's native language. This indicates that even though there are some problems, there is also understanding towards the issue.

The respondents were asked to evaluate their written and spoken English skills on a scale from 1 (poor) to 5 (excellent). The average on written skills was 4.11 and on spoken skills 4.13. This tells that the partners in the organization are confident of their knowledge on language and therefore might consider themselves good communicators. However, there are signs of overconfidence since in other parts of the survey many of the respondents state that language is an issue in intercultural communication and often results in misunderstandings. In addition, there are many grammatical and spelling mistakes in the open answers that the respondents have submitted which also tells that the evaluations of language skills might not represent the actual level.

#### 4.4 Additional comments and findings

At the end of the survey, the participants were given a chance to share their experiences, or give recommendations or feedback before submitting the survey. Thirty-two out of the 83 respondents left a comment. Some of those comments will be introduced and discussed in the section below.



A comment that also quite concerns the second to last question of the survey about what ERA could do differently to make cross-cultural communication more effective indicated an interesting viewpoint of the organization:

*“Several franchisees have significant multicultural experience from working in other countries. ERA could consider using these experiences to strengthen the network and improve franchisee satisfaction.”*

It can be interpreted from the answers to the actual questions of the survey that there are many people working for the organization that have intercultural working experience from their previous jobs. The comments concerning experiences from other companies were ignored for the most part since the idea behind the survey was to analyze the intercultural communication at Expense Reduction Analysts. In general, many of the responses indicate that the organization could and should benefit more from its multicultural workforce and the fact that there are people in the organization that have valuable international working experience.

*“I see a clear distinction between partners who had international jobs in the past and good English skills and those who worked most of their lives in the German speaking area: the latter are not interested in working cross border. ... We need to develop more international teams in other categories to find other opportunities on the back of it. This could be promoted through international category trainings, workshops etc.”*

Overall, the survey participants seem to think positively of the organization. Even though many find areas in the organizational structure that should be improved, there were many comments where the respondents expressed their gratitude and satisfaction for the organization.

*“One of the real strengths of ERA is that a partner can fast and easily set up a multinational, cross-border team and ERA's culture as such is pretty much the same in every country.”*

## 5. DISCUSSION AND CONCLUSIONS

### 5.1 Main Findings

After analyzing the survey results it seems like the case company, Expense Reduction Analysts, does not face any significant challenges resulting from multiculturalism. According to a major part of the respondents, the biggest problem in intercultural communication that the organization faces is that multiculturalism is not considered something that could be benefited from and therefore there is potential that gets ignored. The following will discuss the findings and link them to the research questions that were introduced in the introduction part of the thesis.

The first research question, “What challenges in cross-cultural communication does the case company face?”, concerned the perceptions of the employees of whether or not there are issues in current intercultural communication. As mentioned in the previous paragraph, there do not seem to be any specific widely known challenges. It can be seen that the perceptions of the current effectiveness of the organizations’ communication differ due to the different perceptual views caused by different positions in the company as well as the geographic and organizational location of the respondent’s home country. Some of the challenges identified by the participants include language barriers, different approaches to organizational structure and management style, the need for communication to be slower and simpler, and misunderstandings.

The second research question was “How do the employees feel that the company currently approaches cultural differences?”. Many of the respondents seem to be satisfied with the organization’s current approaches to internationalism but many also recognize an ignored potential for more benefit from multiculturalism. Referring to the current state of the understanding of cultural differences, many respondents seem to think that the head office in the United Kingdom does not have enough understanding of different cultures and the potential that they bring.

*“... Another area is satisfaction among franchisees could be higher if head office was more culturally aware.”*

*“Support centre must understand the network is multicultural and adapt better to other cultures, especially the British staff”*

In conclusion, the main problem with the current approach to different cultures and multiculturalism in general is not realizing the benefits that could be acquired from it. Even though there are possibilities for participating in projects including multiple countries, according to the survey participants the organization does not support interaction among the different countries as much as it could.

The last question, “In what ways can the case company decrease the potential for cross-cultural conflicts and therefore increase the effectiveness of multicultural communication?”, concerned the solutions to the potential problems. As it can be predicted from the overall trend of opinions in the survey results, more than half of the respondents agreed that the organization would benefit from encouraging the employees from different countries to interact more, as well as from organizing more opportunities for cross-cultural cooperation. This aspect of the study will be discussed in more detail in section 5.2, Recommendations.

Even though language issues were not the main focus of the study, it seems like the respondents see cultural differences and issues as more of a challenge than differences in the use of language. The survey included one question about the effect of language differences on work, and more than half of the respondents did not recognize language as a factor that could have a negative effect on the quality of work.

As a conclusion, many respondents seem to think that the organization is at least partly ignoring the potential that multiculturalism has. In multiple sections of the survey some of the participants expressed their concern of not getting enough opportunities to meet the partners from other countries and areas and that way create more international working opportunities. Therefore, it could be concluded that cultural differences are not seen as an obstacle and as the multicultural attitudes of the respondents seem to be very positive it seems that many of the people in the organization would like to engage in even more international projects.

## 5.2 Recommendations

The respondents were asked about what they think ERA should do differently in order to make their cross-cultural work communication more effective. Different options were given and the respondents could check all the options they agreed with. The option that was most voted for was “Encouraging more interaction among the different nationalities” with 43 votes out of 81. A similar option, “Organizing more opportunities for the partners from different countries to communicate/meet”, got the second most approvals, 35 out of 81. “Creating more specific guidelines” was the least voted for, with only 14 respondents agreeing.

*“Global INTERACTION is increasing because of our global acting Clients. Therefore it is good to have the international conferences in order to meet other ERA colleagues from other countries and benefit from their expertise.”*

The question included two possibilities for open answers – an “other” option and a “nothing should be done” option. A few people thought that ERA does enough already, and others thought that cultural differences should be acknowledged more, especially in the headquarters in Kent, United Kingdom. There were 14 people out of the 81 respondents that thought that nothing should be done. The specified answers on this question expressed varied responses. Many of the respondents thought the possible intercultural problems are not something that ERA could solve. A common opinion was that the partners in the organization are responsible for their own cross-cultural activity and that it is not the responsibility of the organization to do something.

*“Because of the distance between the management and the consultants, we need more integrated tools for the daily activities to coordinate partners and management. I mean especially integrated software tools.”*

*“... So the question is not to "meet" more frequently, the question should be, how we can support our clients effectively in cross-border (multinational) projects.”*

To summarize the responses to the question, the respondents seem to agree that the organization would benefit from emphasizing the intercultural opportunities and overall

interaction among the different nationalities. Also organizing some kind of cultural training and developing a new communication platform that would make international communication easier.

Previous literature in the field of international business commonly suggests internal work on making communication more effective, by for example negotiating company-specific issues like platforms of communication. One of the most common solutions to language issues is using a third language in cross-cultural communication. These recommendations to improve intercultural communication in an organization could be applied to the case company to some extent, but according to the survey data might not be the most effective solutions. Many of the respondents do not see the actual communication as a problem, but more the way the organization approaches the fact that it operates among many different countries and cultures.

### 5.3 Limitations

The main limitation of the study is that a very small population and sample was studied and therefore the results cannot be generalized. Also, as only one company was studied, the results might not be applicable for other companies.

Also, as the survey respondents were told that the study would concern multiculturalism and experiences on and attitudes towards doing work from other cultures, the people in the population that have a more positive attitude towards the subject might be more willing to complete the survey. The average on the respondents' answers to the question "How would you describe your attitude towards working with people from other cultures?" (1 = very negative, 5 = very positive) was 4.52, with no answers on the "very negative" or "negative" options, indicating that overall the attitudes of the respondents were very positive. There might also be social pressure arising from the fact that the employees work for an organization that requires at least some interaction with people from different countries and cultures.

Other limitations to the study are the time constraints that for example prevented from doing more specific research by for example including qualitative methods. With more resources to complete the study the results could have been more detailed.

#### 5.4 Implications for International Business

The research conducted for this thesis helps the field of international business and especially the researchers on intercultural business communication to get more information on the different ways that multiculturalism can appear in international organizations. It can also provide a comparable base for more research on multiculturalism in worldwide franchise organizations. The franchise model gives this thesis a unique perspective since the organizational structure differs from most international companies.

The field of intercultural business communication research is complex and constantly changing due to for example technological advantages. Therefore, this study adds to the knowledge of the current state of the research field.

#### 5.5 Suggestions for Further Research

As it was not possible to conduct a survey that would have been completed worldwide, the case company could benefit from further studying the effects of multiculturalism on the organization globally. Due to the geographical closeness of European countries, there is more interaction among the European parts of the organization. Also, combining the quantitative and qualitative methods of doing research could help with getting more detailed results and therefore a more thorough analysis.

Overall, for intercultural business communication research, the field would benefit from more studies on intercultural training and solutions on issues and challenges that arise from cultural differences in business organizations. Also, in addition to studying Western countries and cultures which is common in the field it would be interesting to see studies and analysis from for example the BRIC countries and other parts of the

world where globalization is not as apparent as in for example Europe and North America.





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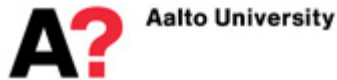
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Appendices:

1. Survey that was used for the study



### Multiculturalism at Expense Reduction Analysts

The following is a survey about multiculturalism at Expense Reduction Analysts. It should take you less than 10 minutes. All responses will be treated in absolute confidence and anonymously.

The results will be used for my bachelor's thesis that discusses intercultural communication. If you have any concerns or would like to know more before continuing, please email me at [essi.perttunen@aalto.fi](mailto:essi.perttunen@aalto.fi).

Thank you for your time!

Essi Perttunen

1. Age

---

2. Gender

- Male
- Female
- Other

3. Nationality

---

4. Native Language

---

5. Country that you currently live and work in

---

6. Please evaluate your written and spoken English skills (1 = poor, 5 = excellent)

1 2 3 4 5

Written English ○○○○○

Spoken English ○○○○○

7. What is your position in the organization

Centralized functions/support

Area Developer/Country Manager

Franchisee

Other, please specify

---

8. How long have you worked with the organization? (Years)

---

9. How would you describe your attitude towards working with people from other cultures?

Very negative Negative Neutral Positive Very positive

Attitude ○ ○ ○ ○ ○

10. Is multiculturalism present in your everyday work?

Yes, how?

---

No

**11.** Have you personally experienced any impact of multiculturalism on work efficiency/effectiveness/productivity?

Yes, please describe:

\_\_\_\_\_

No

**12.** In your opinion, has Expense Reduction Analysts as an organization benefited from multiculturalism? If yes, check all that apply; if no, please specify:

More viewpoints

Higher productivity

Higher creativity

Possibility to transfer expertise and/or knowledge

More business opportunities

Better understanding of local customers

Other, please specify

\_\_\_\_\_

No, why?

\_\_\_\_\_

**13.** Have you personally experienced any decreased working efficiency/effectiveness/productivity due to language differences?

Yes, please describe:

\_\_\_\_\_

No

**14.** Do you feel there are challenges in everyday communication among the partners of the ERA, which might result from multiculturalism?

Yes, please elaborate

---

No

**15.** In your experience concerning ERA, is it easier to work with people from some countries than from others?

Yes, please elaborate:

---

No

**16.** What do you think ERA could do differently in order to make cross-cultural work communication even easier and more effective? (Check all that apply)

Encouraging more interaction among the different nationalities

Organizing more opportunities for the partners from different countries to communicate/meet

Organizing (more) cross-cultural training opportunities

Creating more specific guidelines for communication

Having stricter language skill requirements for new partners

Developing an communication platform that makes communication among different countries easier

Other, what?

---

Nothing should be done, why?

---

**17.** Is there anything else you would like to share or comment before submitting the survey (experiences, recommendations, feedback)?

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2. Email message that was sent to the partners and staff members of Expense Reduction Analysts by the European Operations Manager on Monday February 27, 2017.

**Sent:** Monday, February 27, 2017 1:32 PM

**To:** ERAEU franchisees

**Subject:** Multiculturalism Thesis

Dear All

We have agreed to help with some research that will in turn provide us with some interesting information about our business.

Please read the message below which explains what this is about, we hope that you will take a few moments to support this.

"Hi,

My name is Essi Perttunen and I am Pekka Perttunen's (Country Manager of Finland) daughter. I study International Business at the Aalto University School of Business and I'm working on my bachelor's thesis at the moment.

My thesis is about the effect of culture on work in an international organization. As part of my thesis, I am conducting a short survey among ERA global. The survey includes questions about attitudes and experiences on working with people from other cultures as well as how multiculturalism is present at ERA. All replies to the survey will be treated anonymously and in absolute confidence.

The survey takes less than 10 minutes to complete and I would really appreciate it if you could take the time to fill it out. <https://www.webpolsurveys.com/S/40977FE26EBBD9AC.par>

Please do not hesitate to contact me with any questions.

Best regards,

Essi Perttunen  
Aalto University School of Business  
BScBA Program in International Business, Mikkeli, Finland

Mail: [essi.perttunen@aalto.fi](mailto:essi.perttunen@aalto.fi)

Phone: +358 400 664 552"

Thank you in advance, kind regards

3. Email reminder message that was sent to the partners and staff members of Expense Reduction Analysts by the European Operations Manager on Monday, March 6, 2017.

**Sent:** Monday, March 6, 2017 11:11 AM  
**To:** ERAEU franchisees  
**Subject:** Multiculturalism Thesis: Reminder

Dear All

Further to my e-mail below I would like to remind you to take part in the survey using the link below.

The link will expire on Wednesday 8<sup>th</sup> March 2017

Thank you for your support