A Study on Cultural Difference Management Strategies at Multinational Organizations

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Abstract

This study aims to reveal multinational company managers' perceptions of cultural difference management. For this purpose, data was collected by means of structured questionnaires and question forms, and the findings were analysed. The research universe covers the multinationals operating in Ankara. The companies in the research sample are: Coca Cola, MAN Türkiye A.Ş., Siemens, Real, Metro, CarrefourSA, Media Markt, IKEA, and Bauhaus. The research findings suggest that multinational company managers are aware of cultural differences, along with their advantages and disadvantages, that they believe in their significance for the advantages, and that they have the skills to turn cultural differences into advantages.

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1. Introduction

Multinational companies are those operating in two or more countries, making some of their profits from their activities abroad, and with some assets in other countries (Sherman and Bohlander, 1992). These are supranational economic and technical entities born out of the free movement of capital, goods, and services in line with the advances in communication and transport facilities. These are also enterprises that require not only the management of production sources in the traditional sense but also, due to the employment of people from different cultures and beliefs, the management of these differences. Common investment deals with different countries allow companies to operate both alone and in partnership in foreign countries, thus making the management of cultural differences inevitable. The activities of multinationals differ from those of local companies in terms of the nature of ownership and managers’ nationalities as well as a workforce composed of people from different cultural backgrounds. The
multicultural employee profile at multinationals requires the harmonization of the expectations of these employees and the company standards, which leads to the need to manage cultural differences (Helvacıoğlu and Özutku, 2010).

Difference is just any other quality that a person uses to uncover personal differences (Mannix and Neale, 2005; Jackson, Joshi, and Erhardt, 2003). Differences are people’s variations in terms of ‘race, culture, gender, age, and physical adequacies’. Some definitions of difference also include variables such as ethnic origin, national origin, class, religion, ways of learning and communication, place of birth, and profession. Cultural difference is a structure that arises from the mixture of people with different group identities within the same social system (Tereza and Fleury, 1999). Management of cultural differences is to create an environment that allows employees from different cultures to use their potentials to the full, and to direct and manage these differences in line with the organizational goals. In other words, it is the activity of directing and managing the attitudes and behaviours of employees from different cultures in line with the organizational goals. It is the process of turning cultural differences into a competitive edge by supporting them with managerial and organizational strategies rather than melting them away in organizational settings. This includes all the organizational and managerial activities relating to a sense of multinational leadership, formation of multicultural teams, and creation of a multicultural structure representative of all these teams.

Multinationals are a new way of organization resulting from today’s economic structures turning global and adapting to the global economy. In order to keep a competitive edge in the global economy, multinational companies prefer to produce goods and services in foreign countries rather than exporting their products there. This underlies the fact of multinationals. Present in almost all sectors of economic activity, multinationals are different from other organizations in that they require management of employees from different cultural backgrounds. The assignment of managers, experts, and workers responsible for the management of a multinational’s offshore investments to countries with different cultural, legal, and political structures on the one hand, and their relations with the employees in the host country on the other, make the management of cultural differences necessary in these organizations (Dereli, 2005).

On the local and international scales, the fact that ‘cultural environment’ is one of the most important factors affecting organizations raises the significance of the management of cultural differences as regards language, religion, values and attitudes, education, politics, and legislations. It follows that, in order for executives of multinationals to effectively demonstrate their functional expertise, they need personal training to realize their own personal values, social training to perceive others’ values as attractive and advantageous, work training to focus on organizational success, and cultural training to understand, manage, and assess cultural differences (Rosen, 2000). It would be disadvantageous if a manager ignored these differences and behaved only following their own cultural norms. As beliefs, attitudes, behaviours, and ways of expression differ from culture to culture, management of cultural differences would make a crucial managerial skill for executives at multinationals. One of the top managerial issues in multinationals that are now present in almost all sectors of economy is therefore the management of employees from different cultural backgrounds (Dereli, 2005).

As multinationals have workforces composed of people from different geographical, religious, linguistic, and political backgrounds – in short, from different cultures – cultural differences are more prominent than homogeneity and similarities. Multinationals therefore need to take these differences into consideration in their managerial activities. In a multinational where cultural differences are ignored, they can lead to an unfruitful organizational climate and culture, whereas in organizations where such differences are considered important and effectively managed, they can contribute to a culture of synergy (Aksu, 2008). In this context, ‘cultural synergy’ means blending differences together in order to create more effective activities and systems. Organizing the effects of cultural differences so as to create synergy is important for the creation of cultural synergy. Creating synergy out of the different cultural moulds of the workers of an organization, while at the same time producing institutional policies and strategies, requires the creation of cultural synergy out of concepts that differ. Culturally synergic organizations present a structure with new managerial and organizational forms that go beyond their members’ individual cultures (Adler, 1999). The synergic approach is about the ability to take notice of cultural differences and similarities, and to turn them into a competitive edge.

Multinationals are ‘multicultural’ structures and the fact that they require a different management concept in the managerial and organizational field is due to the need to better cope with the challenges that arise from cultural differences (Palmer, 2003). In this context, being multicultural means being open to the positive effects of all cultures
and developing methods for new and significant interaction (Connerley and Pedersen, 2005). The most important aspect of being multicultural from an organizational perspective is the positive perception of cultural variety and the consideration of different cultural values as a crucial part of belonging to a culture and being human (Fergeson, 2008).

Bringing together employees from different cultural and demographic backgrounds under the same roof of a multinational can make positive contributions but, at the same time, cause problems as well (Yeşil, 2007). In the management of cultural differences, the way the organization perceives these differences is important. For instance, while ‘parochial’ organizations find cultural differentiation ineffective and suggest ignoring these differences, ‘ethnocentric’ organizations consider these differences to be negative and suggest minimizing them. The ‘synergic’ approach, however, recognizes both positive and negative aspects of cultural differentiation and prefers to develop strategies for benefiting from the positive aspects and minimizing the negative (Ehtiyar, 2003; Yeşil, 2007).

2. Literature Review And Hypotheses

2.1. Multinational Organizations and Management of Cultural Differences

The cultural environment is one of the most influential factors for businesses on both local and global scales. For success and harmony, the human resources manager must take into account the components of this environment such as language, religion, values and attitudes, education, politics, and laws. If these are disregarded by a manager who considers only his or her own cultural norms, a multinational organization is doomed to fail (Dereli, 2005). Attitudes, feelings, and ways of self-expression vary from one culture to another. As a term, culture is used to describe the social relations and behaviour models that characterize a given society and distinguish it from others.

Even though culture does not have a single, universally agreed-upon definition, it is described as the whole of people’s mental, emotional, imaginative, and physical products. The most widely accepted definition of culture is that by Tylor. According to Edward Burnett Tylor, culture is ‘a complex whole of values relating to knowledge, belief, art, ethics, and tradition created by humankind as members of their societies’ (McCort and Malhotra, 2001; Giddens, 1998). In other words, it is a group of people’s own way of life. Culture is essentially a whole of artefacts, i.e. handmade ‘things’ by humans. Cultures emerge through customs, traditions, concepts, and institutions. Apart from crude and refined techniques aimed at meeting material needs, all societies have rules, traditions, ideas, and personal opinions regulating interpersonal relations. The grand total of these relations and systems gives rise to a social institution and fact called culture.

Culture has an important place in people’s private as well as professional lives. When witnessed together, different cultures need effective management, as in multinationals. Effective management of different cultures in businesses is called ‘cultural adequacy’. ‘Cultural adequacy management’ could then be said to be one of the factors enhancing employees’ motivation and performance in multicultural settings such as multinationals.

What is meant by cultural differences at multinationals? How do cultural differences manifest themselves and how are they managed? How can cultural differences be effectively managed and turned into advantages? These are significant questions that need tackling from this perspective. Hofstede holds that culture is more effective than demographics as far as values and attitudes at an organization are concerned. He first found four scales of differentiation in his study and then added a fifth (Kundu, 2001). The first scale is the power distance and is about the stress on power between the managers and the managed. The second scale is the avoidance of ambiguity and is about the societies’ levels of tolerance towards ambiguities. The third scale is individualism and socialism, the former meaning that individuals see themselves as individuals and the latter meaning that they see themselves as parts of a society. The fourth scale is masculinity and femininity, the former being about enforcing authority and earning money and the latter being about interpersonal relations, interest in others, and stress on quality of life. The fifth scale is ‘long-term harmony’, focusing on a society’s commitment to traditional, far-sighted values in the long run (Wu, 2006, Kundu, 2001, Fang, 2003).

Effective management of cultural structures in multinationals is only possible through ‘cultural adequacy’. Ineffective management of cultural differences in such organizations may give rise to a ‘cultural adequacy hierarchy’, which could in turn cause cultural destruction. On the other hand, ignoring cultural differences, pretending that
everyone is the same, and meeting only the needs of the dominant groups may cause cultural blindness. In organizations where cultural adequacy is effectively and successfully managed, there is an awareness of individual and cultural differences, respect of the opinions of different cultural groups, and an environment free of cultural prejudices. Matveev and Mitler (2004) hold that intercultural adequacy requires three main components: cultural knowledge, skills, and personality orientation. These three components both complement and support each other. The following is therefore of significance for an effective management of cultural adequacy in multinationals:

**Cultural Knowledge:** This is the general knowledge resulting from a particular culture and individuals’ knowledge of their own culture. Individuals must accept the differences between cultures, be flexible in the solution of possible misunderstandings, and be completely at ease in their communication with individuals from other cultures.

**Skills:** These include the appropriate attitudes and behaviours of employees in multinationals. It is also about the relations between employers and employees in different cultures and, in particular, the extent to which managers can understand and adapt to their environments, with efficient communication.

**Personality Orientation:** This is about multinational managers’ views of different cultures emerging through their emotional and physical reactions. In personality orientation, managers try to be in the shoes of the individuals from the culture that they interact with – and this requires cultural adequacy.

### 2.2. Cultural Difference Management Strategies

In the intercultural (comparative) approach, culture is the set of structures serving people’s psychological needs whereas organizations are the tools necessary for the implementation of the tasks (Yelğlu, 2011). In multinationals composed of the representatives of various cultures, the managers that use the organization as an implement need to have a certain level of awareness of their employees’ cultural differences (Yeşil, 2007). They must be sensitive to the local cultural differences in the countries where they operate while at the same time they need integrated strategies applicable all over the world (Helvacioğlu and Özutku, 2010). In general, organizations have different reactions to different workforces. These are affirmative action, valuing differences, and managing differences. This classification further leads to the definition of three types of organization: singular, pluralist, and multicultural (Sürgevil and Budak, 2008). Singular organizations dominantly have a uniform culture. People from different cultural backgrounds can only get certain positions. Pluralist organizations have broad cultural variations. As for multicultural organizations, they overcome the problems faced by pluralist organizations and value differences rather than see them as obstacles (Aksu, 2008). These reactions and organizational structures also have a bearing on the strategies relating to the management of cultural differences.

A framework model has been designed in order to understand the employees’ dynamics of differentiation at multinationals. The three main issues here are aspects of differentiation, mediating situations and processes, and consequences of behavioural explanations. In this way, differences can be analysed as individual characteristics, as the different characteristics between the individual and their work group, and as the characteristics of the work group (Aksu, 2008). This allows the reflection of cultural differences upon processes and teams, and the analysis of the management of the differences in question. Today, the focus is not on the similarities between culturally different people but on realizing, accepting, and valuing their differences (Yeşil, 2007).

**H1:** Managers at multinationals are aware of their employees’ different cultural backgrounds.

A management strategy and concept that takes different cultures into consideration is of crucial importance in the prevention of conflicts of a multicultural nature and of the economic losses that might arise out of these conflicts. Global management practices do not mean ignoring cultural differences or assimilating a different culture. Rather, they mean turning cultural varieties into a competitive edge. A global competitive edge rises in correlation with the understanding and management of intercultural differences in multinationals.

**H2:** Managers at multinationals see cultural differences as richness.
Managers at multinationals are advised to consider five points in approaching employees from different cultural backgrounds. These are ‘individualism’, which defines a person’s attitudes towards independence, ‘informality’, which defines interpersonal relations, ‘materialism’, which defines people’s attitudes towards nature, ‘change’, as a naturally occurring fact, and ‘time’, for making good use of it. In addition, managers need to be capable of managing these differences if multinationals are to succeed in their cross-border activities (Yeşil, 2007).

H3: Managers at multinationals are capable of managing cultural differences.

Pathak (2011) defines the strategies for managing multicultural differences at multinationals as isolated, idealistic, globalist, and imperialist. The isolated approach, only dealing with itself, and the idealistic approach, recognizing but dealing with differences in the same way at all times, are not very strong. The globalists, accepting and managing cultural differences, and imperialists, using these differences for their own interests, are stronger. Alternatives to the globalist and imperialist strategies are the cultural synergy and cultural intelligence approaches. Cultural synergy is a perspective on the management of the effects of cultural variations and allows efficient problem-solving in truly multicultural organizations (Ehtiyar, 2003).

H4: The strategies for the management of cultural differences adopted by managers at multinationals show similarities.

3. Methodology

3.1. Research Goal

In a global environment with an increasing number of organizations where more and more people from different cultural backgrounds work together, the way in which cultural differences are perceived and managed gains significance. The present study is expected to make a contribution to the literature both with its findings and the academic critiques that it will attract. This study mainly aims to reveal how managers at multinationals perceive cultural differences and what their cultural difference management strategies are. Studies along these lines are significant both for management literature and for managers who have to work with people from different cultures.

3.2. Sample and Data Collection

The study focuses on the managers of multinationals operating in Ankara, Turkey. As the research topic is more suitable for data collection through interviews, the interview questions were written down and the question forms were delivered to the managers either in person or by e-mail. The analyses centred on the 18 question forms returned by the managers of multinationals operating in Ankara (quoted in the Abstract). The answers were analysed descriptively and the managers’ perceptions of cultural differences and their strategies for managing them were sought after.

3.3. Analyses and Results

The data collected from the managers of multinationals operating in Ankara (Coca Cola, MAN Türkiye A.Ş., Siemens, Real, Metro, Carrefour SA, Media Markt, IKEA, and Bauhaus) were analysed. A total of 18 managers yielded data. The managers’ answers to the questions were analysed descriptively, with the focus on seeking out their perceptions of cultural differences and their strategies for managing these differences. The findings from the data analysis can be interpreted as follows:

Managers’ Perceptions and Definitions of Cultural Differences: The managers of the multinationals operating in Ankara constituting the research sample recognize cultural differences but some of them believe in acting according to the dominant character of their own culture. Even though they acknowledge that certain misunderstandings may arise from different cultural backgrounds being at work together, they stress that real managerial efficiency is managing the differences in question. They also recognize that an effective management of these differences could contribute to the organizational climate, culture, and efficiency. This perception proves our hypothesis H1 that managers at multinationals are aware of their employees’ different cultural backgrounds.
Views on Cultural Singularity, Cultural Pluralism, and Richness: A cultural union can be defined as moving together towards a common goal. Cultural pluralism can be defined as having different perceptions of reality. Managers think that working in culturally singular organizations may not be much fun and that cultural singularity could kill variety, which is an important source of creativity. Managers also hold that, for local enterprises, cultural singularity is less advantageous than cultural pluralism as far as global market conditions are concerned. It follows that managers share the idea that cultural pluralism is more appropriate for global expectations and goals. Consequently, it is understood that hypothesis H2 of the study (Managers at multinationals see cultural differences as richness) is accepted.

Challenges and Advantages of Different Cultures for Managers: The research findings suggest that emotional reactions may cause different perceptions, that being understood and accepted by others is important for individuals, and that it is more fun to manage an organizational structure composed of multicultural people barring any communication breakdowns. According to managers, ‘what counts in management of cultural differences and determines the outcome is the existence of the ability to manage these differences’. This judgment is directly linked to the participating managers’ ability to manage cultural differences. Hypothesis H3 (Managers at multinationals have the ability to manage cultural differences), formed to reveal managers’ perceptions in this respect, is understood to be accepted.

Advantages and Disadvantages of Different Cultures: The research findings also suggest that the cultural structure is the determiner in taking responsibilities but that the managers think otherwise in relation to agreeing with the decisions, taking responsibilities, and organizational identity. It is clear that different cultural backgrounds may make reaching agreement more difficult. Heterogeneous cultural settings may give rise to different attitudes or misunderstandings, which in turn could lower performance and raise conflicts. What is taboo for some may be a joke for others, which could jeopardize organizational communication and diminish employees’ satisfaction. While different cultures may enrich an organizational culture, they can also weaken communication and emotional commitment.

The participating managers complained about having to explain things at length to members of other cultures. It is further suggested by the research findings that cultural differences may make communication difficult but at the same time make the work more interesting, with many points that often go unnoticed being questioned. The disadvantages of cultural differences are lack of communication, misunderstandings, conflict, and, consequently, poor performance. According to the participating managers, the advantages are a wide range of opinions, flexibility, increased creativity, and more tolerance. Multicultural management of multinationals is of significance for the following key factors: while informing employees of organizational activities, information must be given in more detail and in more time, communication breakdown in certain processes and activities, too much difference in opinions and perspectives, and respecting other cultures. On the other hand, managers from different cultural backgrounds have different views on multicultural management. They might sometimes prefer employees from their own culture. This raises the importance of forming a common language (concept) in the work environment. For this reason, in management of different cultures, focusing on meritocracy and performance, rather than culture alone, is more important.

The question of ‘what must be the organization’s main strategy for managing cultural differences’ was answered by most participants as ‘recognition and support for the development of employees’ cultural differences’ and, by some, as ‘focus on the organization’s culture rather than that of the employees’. And some others supported the former position for the first few years after the establishment of the organization but the latter for afterwards. This is indicative of a difference of opinion amongst the managers constituting the research universe, which refutes our hypothesis H4 that the strategies for the management of cultural differences adopted by managers at multinationals show similarities.

4. Conclusion

An organization may design a product that will present it with a competitive edge, develop it to perfection, market it creatively, and launch it on the market quickly; however, sustaining this is a question of culture that underlies the organization’s social architecture (Demirel and Karadal, 2007). Organizations that ignore cultural differences or see them as obstacles to clear will lose out on the contributions that these differences could bring along. When cultural
differences are not properly grasped, such organizations may even try and impose their own culture and experience by reflecting them onto others (Sargut, 2010).

As multinationals have workforces composed of people from different geographical, religious, linguistic, political, and economic backgrounds, cultural differences are more prominent than similarities. Organizations need to take these differences into consideration in their managerial activities. In an organization where cultural differences are ignored, the negative consequences of this can drive the employees apart from each other. On the other hand, in an organization where such differences are thought of as important and effectively managed, employees get closer to each other and more committed to their workplace (Aksu, 2008). Various organizational and managerial tools need to be developed so that cultural differences can contribute to the competitiveness of a business. In this context, global leadership, multicultural teams, organizational communication, and synergic culture should be in the foreground (Helvacıoğlu and Özutku, 2010). Success in the management of differences requires first and foremost a proper ‘recruitment’ process.

Multicultural organizations enjoy great advantages in understanding and entering world markets. Multicultural organizations have relatively higher levels of creativity and innovation. They benefit from better problem-solving skills and an organizational flexibility which allows quicker and easier adaptation to change (Yeşil, 2007). All these advantages turning into competitiveness depends on management of these differences with appropriate strategies. Managers of multinationals therefore need to be aware of the advantages and disadvantages that cultural differences present, take the advantages into account, and ensure that these differences are respected, protected, developed, and made use of.

Multinationals must adopt a sense of leadership/management to create a cultural synergy unrelated to employees’ training, ethnic origins, functional expertise, and cultural background. Globally adequate leadership requires understanding the worldwide business environment from a global perspective, learning about and adapting to different cultures, creating a synergic organizational structure in a cultural sense, improving the abilities to use intercultural skills on an international scale, having a global perspective for career development and organizational development, and self-preserving in a global environment (Abbas and Camp, 1996). A combination of these managerial qualities at multinationals means for every business a distinguishing competitive edge that is hard to imitate. Human-focused competitiveness is the most significant tool for competition when a culturally mixed workforce is efficiently managed (Dadfar, 1991). This kind of management is referred to as ‘Affirmative Action Programmes’. These proactive programmes involve a series of Human Resources Management processes such as turning differences into advantages, selection and training of employees, performance management, and career development (Gwendolyn et al. 2005).

Providing better services in a global market, forming a creative workforce, creating the image of a business citizen, reducing conflicts that stem from intercultural differences, lowering costs by minimizing workplace-related dissatisfactions, and creating an organizational culture with no gender or ethnic biases that is likely to be better perceived by the employees and potential customers are significant fields of efficiency in the management of cultural differences. Multinationals need to be sensitive to the local cultural differences in the countries where they operate while at the same time they need integrated strategies applicable all over the world (Gwendolyn et al. 2005; McCuiston et al. 2004). In order to remain effective, efficient, and competitive, multinationals must attach proper importance to employees’ differences and manage them in line with the organizational objectives (Adler, 1999; DiStefano and Maznevski, 2000; Maldonado et al. 2002).

One of the most significant goals of businesses is to make full use of their employees’ abilities. This necessitates the management with effective strategies of different workforces in multicultural organizational settings. This necessity leads to an intellectual, emotional, and intuitive sense of leadership that sees cultural variety as an opportunity rather than a threat. For this reason, managers from different cultural backgrounds need to have a cultural know-how and an awareness of differences in order to develop a management strategy suitable for multicultural structures. Only then will the employees feel that their differences are valued and perceive an organizational climate conducive to organizational trust which is the basis of creativity and enterprise (Bhadury et al. 2000; Foxman and Easterling, 1999).
Drawing on the findings and conclusions of the study, the following suggestions could be put forward for the researchers in this field: knowledge of and experience in intercultural communication and management of cultural values are imperative for cultural adequacy. Managers with such knowledge and experience enjoy a competitive edge in multinational settings. When behaviours, attitudes, rules, and practices are destructive of other cultures, this really is cultural destruction. Ignoring certain people from different cultural backgrounds is cultural blindness. Managers of multinationals should not ignore cultural differences; rather, with a high level of awareness, they should recognize, accept, and turn them into advantages for organizational socialization. ‘Cultural skilfulness’ needed in this context means approaching and valuing different cultures with the utmost respect.

References

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