MANAGING CROSS-CULTURAL DIVERSITY
A CHALLENGE FOR PRESENT AND FUTURE ORGANIZATIONS

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*I*NTRODUCTION

I The diverse workforce has become a reality today. The impact of cultural diversity varies with the type of environment and firm's overall strategy. As more and more number of firms move from domestic, multidomestic, multinational strategies to operating as a truly global firm, the significance and impact of cultural diversity increase markedly (Adler, 1997). Management of cultural differences has become more important for creating advantages and getting competitive edge.

Diverse workforce (diversity) refers to the co-existence of people from various socio-cultural backgrounds within the company. Diversity includes cultural factors such as race, gender, age, colour, physical ability, ethnicity, etc. (Kundu and Turan, 1999). Diversity includes all groups of people at all levels in the company. Diversity requires a type of organizational culture in which each employee can pursue his or her career aspirations without being inhibited by gender, race, nationality, religion, or other factors that are irrelevant to performance (Bryan, 1999). Managing diversity means enabling diverse workforce to perform its full potential in an equitable work environment where no one group has an advantage or disadvantage (Torres and Bruxelles, 1992).

Dynamic companies look for people who are different from us because the diverse workforce may bring different talents, interests, and viewpoints (Simmons, 1996). The organizations which fail to embrace diversity effectively and do not take a holistic approach to eliminate discrimination and injustice will adversely affect both employees and customers. Organizations must concentrate on holistic strategies that address broader human resource issues, and value diverse employees.

Companies must also consider stakeholders as employees. The viewpoints of stakeholders such as shareholders, suppliers, public agencies, and government regulators should be considered in shaping the culture of performance and approaching the diverse markets. Customers/clients are "partial" employees of service organizations (Mills and Morris, 1986) and directly involved in the service production function (Mills, chase and Margulies, 1983). In number of situations employees, customers and other stakeholders in the service environment interact to produce the ultimate service outcome (Zeithaml and Bitner, 1996). The service company managers should have diverse managerial strategies to manage both their full-time employees and "partial" employees those are customers (Govender, 1999). A type of organization should be created where diverse body of employees, customers and stakeholders are valued and integrated into all dimensions of the work. Companies must learn from the people they serve. Employees can get their best product and service ideas by listening to, intently and regularly, the outside constituencies (Peters and Waterman, 1994).

To solve the problem of unfair, inequitable treatment of diverse people, both as employees and customers, managers must recognize that such treatment is bound with bureaucratic structure, subjectivity and irrationality, inappropriate policies and practices, ineffective implementation of human resources and customer retention policies and practices, and inefficient and ineffective managers (Fernandez, 1998). In this manner, companies can create constituent capitalized workforce by establishing mutual trust and respect among employees, customers and stakeholders (Fernandez, 1998).

Companies should completely reshape the working culture that make possible the integration of a broad range of viewpoints that leads to a redefinition of how work gets done and how diverse markets are approached and capitalized upon. All employees should be held accountable for their behaviours and human resources results. Companies must create a post bureaucratic organization based upon trust and respect in which diverse employees are valued and integrated into all aspects of the work. Companies should rethink and redefine missions, strategies, management practices, cultures, markets, and products to meet the needs of an increasingly diverse body of employees, customers and stakeholders (Fernandez, 1998).

There are certain arguments for creating a diverse workforce, those are as follows:

(i)   As the number of women, minorities etc. in the workforce increase, so will their influence as consumers. Hiring women, minorities, disabled, etc. will help the organizations to tap these niche markets (Mueller, 1998).

(ii)   As all the segments of society have stake in the development and prosperity of the society as a whole, the creation of diverse workforce should be seen as a social and moral imperative.

(iii)   Diversity enhances creativity and innovation and produces advantages.

(iv)   Diversity helps organizations for entering the international arena.

(v)   Diverse teams make it possible to enhance flexibility and rapid response to change.

Diversity also causes certain problems those are as follows:

(i)   Communication becomes more difficult. Employees from different cultures fail to understand one another. Firms operating in different language areas find difficulty in communicating with the local employees as local employees speak different language.

(ii)   Diversity increases ambiguity, complexity and confusion.

(iii)   Diversity also causes problems when managers and employees overgeneralize organizational policies, strategies, practices and procedures.

(iv)   Cultural diversity creates difficulties for an organization when it wants to reach on a single agreement.

(v)   Cultural diversity increases the complexity and problems in developing overall organizational procedures.

A company with a diverse workforce can better serve and compete in diverse markets. Hiring a diverse workforce can be challenging but the greater challenge is to retain the diverse workforce.

Exploring best HR practices helps in indentifing the best tools for retaining a diverse workforce. These practices include establishing open communication, supporting ongoing training and mentoring programmes and linking pay to diversity goals. Ultimately, the key to create, develop, and retain diverse workforce is to find a way to make workforce to feel connected to their company (Farren and Nelson, 1999).

Cultural Diversity and Management
The cultural impact on management is reflected by basic values, attitudes, beliefs and behaviour of the people. Culture can affect technology transfer, managerial attitudes, managerial ideology and even government-business relationships. Moreover culture affects how people think and behave (Hodgetts and Luthans, 1994).

In some societies important decisions are made by few top managers, while in others, these decisions are diffused throughout the enterprise. American society comes under the first case and Japanese comes under the latter case. American and other Western countries' cultural norms require individual rewards that are not so in Japanese culture. In some societies, risk-taking is encouraged which is not so in others. People identify themselves very strongly with their company as in Japan against America where people identify themselves with their occupational group. Some societies encourage cooperation between people. Others encourage competition between people. Some countries believe in short-term goals, while others are more interested in long-term goals. Western countries put high value on innovation and change as against rest of the countries where stability is being encouraged. So, it is the cultural background that creates differences (Reynolds, 1986).

Dimensions of Difference
Differences in work-related attitudes exist across a wide range of cultures (Adler, 1997). Geert Hofstede (1980), an eminent Dutch management researcher, conducted a big survey of 1,60,000 managers and employees working for an American multinational corporation (IBM) covering 40 countries initially, which was later expanded to over 70 countries around the world (Adler, 1997; Hodgetts and Luthans, 1994). Hofstede found significant differences in behaviour and attitudes of employees and managers from different countries that worked for IBM. He further found that national culture explained more differences in work-related values and attitudes than the position within the organization, profession, age, or gender. Initially Hofstede found that managers and employees vary on four primary cultural dimensions:

✍ Individualism/collectivism

✍ Power distance.

✍ Uncertainty avoidance.

✍ Masculinity/femininity (Career success/quality of life).

Later Hofstede alongwith others identified a fifty dimension i.e. Confucian dynamism (Adler, 1997).

Individualism implies loosely knit social networks in which people focus primarily on taking care of themselves and their immediate family only. Countries with high individualism trait like United States, Great Britain, the Netherlands, Australia and India tend to have greater support for Protestant work ethic, individual decision-making, and promotions on the basis of market value. In contrast, collectivism is a tendency of people to belong to groups and to look after each

other in exchange for loyalty. Countries like Pakistan, Taiwan, Peru, Columbia, Singapore etc. have high collectivism trait (low individualism). These countries with high collectivism tend to have less support for the Protestant work ethic, less individual initiative, and promotions on the basis of seniority.

Power distance measures the extent to which less powerful employees accept an unequal distribution of power. In high power distance countries, such as Philippines, Venezuela, Mexico, South Korea and India, superiors and subordinates consider bypassing to insubordination; whereas in low power distance countries, such as Israel, Denmark and USA, employees expect to bypass the boss frequently in order to get their work done (Adler, 1997). Decision-making is decentralized in low power distance countries as against high power distance countries.

Uncertainty avoidance dimension measures the extent to which managers and employees feel threatened by ambiguity and, therefore, try to avoid ambiguous situations by providing greater career stability, establishing more formal rules, rejecting deviant ideas and behaviour, and accepting the possibility of absolute truths and the attainment of expertise. Lifetime employment is more common in high uncertainty avoidance cultures like Japan, Portugal, and Greece whereas high job mobility is more common in low uncertainty avoidance countries like Singapore, Hong Kong, Denmark and India (Adler, 1997). The country United States with high job mobility ranks is relatively low on uncertainty avoidance.

The dominant values in Masculine (Career Success) societies are success, money and things. The values in quality-of-life (femininity) societies are relationships among people, concern for others, and the quality of life. Highly masculine cultures are found in India, Japan, Austria, Venezuela, USA and Italy. Feminine cultures are found in Norway, Sweden, Denmark and Finland.

Confucian dynamism measures employees' devotion to work ethic and their respect for tradition. Asia's "Four Tigers" (Hong Kong, Singapore, South Korea, and Taiwan) have strong work ethic and commitment to traditional Confucian values (Adler, 1997).

The integration of these cultural factors into two-dimensional plots explains the complexity of understanding culture's effect on behaviour. Further, empirical evidence on the impact of cultural dimensions may differ from commonly held beliefs or stereotypes (Hodgetts and Luthans, 1994).

Managing Cultural Diversity

The five cultural dimensions highlight the important cultural differences in organizations. To manage effectively in a global or a domestic multicultural environment, we need to recognize the differences and learn to use them to our advantage, rather than either attempting to ignore differences or simply allowing differences to cause problems (Adler, 1997). Rather managers should be taught how to respect the differences at work and how to work with them to maximize the contribution of each employee (Cascio, 1998).

Strategies for managing cultural differences

The extent to which managers and employees recognize cultural diversity and its potential advantages and disadvantages defines an organization's approach (strategy) to manage cultural diversity. Adler (1997) has identified the following strategies for managing cultural differences.

(i)   Ignore cultural differences

(ii) Minimize cultural differences.

(iii) Manage cultural differences.

Ignore differences: By following this strategy, managers do not recognize cultural differences (diversity) or its impact on the organization. This strategy is very popular in parochial type of organizations. In such type of organizations, managers and employees believe that "our way is the only way" to manage and organize. Therefore, they do not see any impact of cultural diversity on managing an organization. They consider the diversity is irrelevant. The strategy of ignoring differences precludes effective management of cultural diversity and also precludes the possibility of minimizing negative impacts and increasing positive impacts of diversity.

Minimize differences: This strategy of minimizing cultural differences is commonly adopted by ethnocentric organizations. Here managers do recognize cultural diversity but only as a source of problems. In an ethnocentric organization, managers believe that "our way is the best way" to organize and manage. They consider others' ways of doing as inferior ways of managing. In this approach managers try to reduce the problems of differences by reducing diversity. They do not think about the advantages of diversity. Such type of organizations tries either to select a culturally homogenous workforce or to attempt to socialize all employees into the behaviour patterns of the dominant culture. Ethnocentric organizations, by minimizing differences, prevent the possibility of benefiting from the many cultures present.

Managing differences: The organizations which adopt the strategy of managing differences are synergistic organizations. These type of organizations recognize the impacts of cultural diversity that leads to both advantages and disadvantages. Managers using synergistic approach believe that "our way and their way of behaving and managing differ, but neither is superior to the other". Creative combinations of our way and their way may be the best approach to organizing and managing. By adopting synergistic approach, managers and employees minimize potential problems by managing the impacts of cultural diversity, not by attempting to minimize the diversity itself. In the same manner, managers maximize the potential advantages by managing the impacts of diversity, rather than by ignoring them. Organizations which use the strategy of managing differences train their managers and employees to recognize cultural differences and to use cultural differences to create advantages for the organization.

Synergistic organizations assume
(i)   that groups within society differ across cultures and that each maintains its cultural distinctness.

(ii)   that the similarities and differences are of equal importance.

(iii)   that there are many culturally distinct ways to live, to work, and to reach a final goal.

(iv)   that there are many different good ways to reach the final goal. The best way depends on the cultures of the people involved (Adler, 1997).

For recognizing cultural differences and using them to create advantages for the organizations, synergistic organizations can make use of cross-cultural training and valuing diversity.

Cross-cultural Training
Cross-cultural training stresses on training employees about other cultures and sensitizing them to the discrimination and biases diverse employees feel (Farren and Nelson, 1999). Cross-cultural training aims at helping employees live and work comfortably in another culture. Organizations can use two approaches of training that can play a big role in managing diversity.

(i)   First approach offers training to diverse groups of employees. People from diverse groups can be trained for an entry-level skill.

(ii) Second approach is to provide training to managers and other employees who work with diverse employees (Luthans, 1995).

Many organizations impart practical, real-life training to teach employees how to handle situations those arise due to cultural differences. The organizations can use the following cross-cultural training techniques:

Environmental briefings: to provide information about history, geography, climate, schools, government, economy, etc.

Orientation in culture: to familiarize the employees with value systems and culture of the host country.

Cultural assimilator: is a programmed learning technique that is designed to expose employees of one culture to some of the attitudes, customs, etc. of another culture.

Language training: to teach conversational language skills.

Sensitivity training: to develop attitudinal flexibility.

Field experience: to give first hand exposure to another culture (Hodgetts and Luthans, 1994).

Valuing and Utilizing Diversity

The companies can succeed at diversity if the initiative to create and manage the diverse workforce has the full support from the top management (Hayes, 1999). With this, five other steps must be considered which are as follows:

Conduct an organizational audit: The organizational audit should include a continuous monitoring of all human resource management decisions around hiring, placement, training and development, evaluation, promotion, compensation, and reward systems.

Assess the pulse of the company: If diverse workforce in the organization feels good about their stay and experience and enjoy at work, then the well-being, motivation, satisfaction, and commitment of people of any organization will increase.

Establish and communicate clear performance standards: Performance standards must be based on critical competencies necessary for each job. These must be clearly and objectively established, effectively communicated, and used on objective criteria.

Provide continuous feedback: Employees should be trained about how to give and receive feedback continuously on clearly identified undesirable behaviors the company want to change and desirable behaviors the company want to encourage. Identification of desirable and undesirable behaviors must be based upon performance feedback discussions involving diverse workforce.

Avoid copying: Very often, companies rely on benchmarking/copying to take advantage of the latest strategies. Copying may backfire. To be successful, the strategy (diversity or otherwise) must be based on the will of the human resources, strength, and culture of the organization.

Adopting a diversity strategy for a company whose culture and history are different and not suitable for diversity strategy reduces the viability and utility of the strategy. Managers must understand their firm's culture first and then implement diversity strategies according to that culture.

Indian Context

The Indian workforce is comparatively young. 52% of the total workforce is under age 34. Being young Indian employees can be trained easily for the purpose. The cultural dimensions those were discussed earlier identified certain features about the Indian workforce. Indian employees tend to show high power distance position. Titles, status and formality command high importance. Subordinates follow orders as a matter of course. Indians demonstrate a greater willingness to take risks, low levels of stress and low levels of anxiety, as they tend to be on the low uncertainty avoidance dimension. Indian employees are individualists with high level of autonomy and achievement orientation. Further they show the qualities of masculinity where assertiveness, acquisition of money and things are features. While managing Indian workforce, Indian managers and other countries managers have to take care of these specific characteristics alongwith others.

The multinationals may not face cultural problems in some respects in India. As this country had been a British colony for a long time, people in general can understand and speak English language that is an international language. There is no problem relating to business communication while dealing at least with Western countries. But it may not be so while dealing with other countries.

Implications for HR Managers

The focus of the workforce diversity issue has changed from equal employment opportunity to effectively managing workforce diversity as an organizational imperative (Torres and Bruxelles, 1992). As the globalization is increasing, workforce diversity is here going to stay. Those recognize the globalization of labor as a positive trend and facilitate the flow of workforce will benefit most (Johnston, 1991). Keeping this in mind our strategy should be aimed at creating change in organizations. To be successful in such type of new environment, managers must learn to value and respect cultural styles and ways of behaving those differ from our styles.

Managers must be able to tie the issues of managing cultural differences to the needs of the business and be well versed in business issues, goals and results. Managing workforce diversity should be considered by managers as an opportunity to serve the needs of customers better and to penetrate new markets. By valuing and managing diverse workforce, it is possible to enhance creativity, flexibility, and rapid response to change. Managers, to utilize the potential of diverse workforce, must link diversity to every business function or strategy i.e. recruitment, selection, placement, development, succession planning, performance appraisal and rewards.

To remain competitive, organizations must develop long-term intervention strategies rather than short-term solutions or strategies. Managers have to remove the barriers which prevent the organizations from developing and utilizing fully equitable systems that allow workforce to achieve its full potential.

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