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CROSS-CULTURAL MANAGEMENT

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Abstract

Purpose: Globalization has made global changes, and a rapid increase of multinational corporations which has resulted in creating more businesses that have more culturally diverse workforce. Cultural diversity affects the performance of an organization and various conflicts can be occurred because of misunderstandings among the culturally diverse workforce. The purpose of this study is therefore to contribute to the current field of cross-cultural management and how cultural diversity is managed.

Methodology: The study investigates four chosen cross-cultural aspects to see how issues within these areas can be minimized.

Unique Contribution to Theory and Practice: The knowledge of cultural differences within these aspects will contribute to a better understanding of how these differences can be managed in a Swedish multinational organization with a subsidiary in India.

Keywords: *Cultural diversity, Cross-cultural workforce, Global organizations, Management.*

INTRODUCTION

Globalization made the world to become more connected and integrated and with reducing country borders obstacles it continuously encourage and makes a golden opportunities for the different organizations that have the enough capacity to expand globally to generate more profit and to spread the culture of their countries globally and to benefit from the innovative ideas of the foreign workers and to know different strategies for running the business activities. As the global economy has grown there has been a rapid increase of international corporations who are eagerly want to gain a strong reputation globally, and this strong desire to expand globally has caused international businesses having a more culturally diverse workforce. The global corporations nowadays have their workforce made of a variety of different ethnical and cultural employees from different countries globally since they are operating in many different countries. Due to cultural diversity, the awareness that is related to how to manage adaption to local culture has increased together with organizations desire of knowledge of the benefits of conducting localization process to make the international business activities successful (Axelrod,1997)As a result, the concept cross-culture has generated, a meaning of the interplay of different cultures and the characteristics of these contexts. Organizational culture has during the last decades got the awareness of many scholars and managers globally because without a wise cross-cultural management. The interest of how the working environment is affected by a cross-cultural workforce has caused an increase in the attention to how organizations globally can develop the competence of this matter. Managers may think that foreign employees within the same global organizations will behave and act in similar way as the original employees that came from the original country even if the employees have different national backgrounds. National culture can be considered to be more essential element when interacting with foreign customers, than internally among the colleagues of the organization (Birukou et al,2003). It is said that organizational culture is influenced by the national culture, so it's better for any international organization to completely understand the national culture of the host countries (Hofstede, 1984, p. 30-31) and will therefore affect management practices. Within a multinational corporation the employees have many different national cultural backgrounds eventuating in different values, attitudes and behaviors which is the foundation of cultural diversity. Organizational culture has during the last decades got increased awareness from scholars and managers. The interest of how the working environment is influenced by a cross-cultural workforce has resulted in increased attention to how organizations develop competence of this matter. Managers of international companies must assume that international employees within the same global organization could be cooperative and adaptive to the new culture. It is said that organizational culture is not tailed based on the national culture of the foreign culture of the foreign country, that will therefore affect negatively on the management practices which that lead to the failure of the business activities. Due to globalization, international organizations is required to be open and adapt to a heterogeneous business environment, and the international organization must pay attention for recruiting the local employees in the sensitive positions that are considered the

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most important engines for creating the many different business strategies and essential business partnership with the native supplier and the other business strategic partners and of course with the foreign customers (Bryman,2015).

THEORETICAL ASPECTS OF CROSS-CULTURE MANAGEMENT

Culture is considered a social pattern that is heritage within a society. It determines what is important and unimportant, what is right and wrong, what is acceptable and unacceptable. Culture includes explicit and tacit values, norms, attitudes, beliefs, behaviors and assumptions.

The below table will show the concepts of the organizational culture and the culture diversity and globalization and organizational performance (Brown,2018).

Definitions	Meanings
Cultural diversity	The cultural variety among people that have different racial or ethnical backgrounds that is present in the world, societies or organizations.
Organizational culture	made of the norms and values developed in an organization that are considered the engine of the organization. It is based on shared beliefs, attitudes and rules that regulate the employees of the organization. The culture supports the way an organization treats its employees, customers and how it conducts its business activities.
Globalization	The integration and connection of people, organizations and governments from many different nations around the world which is directed and supported by information technology, international trade and international investments.
Organizational performance	The activity or task that has been conducted by a person or a group inside a certain organization and how successfully that particular activity or task has been performed.

The culture is considered an important factor that can determine the success and the failure of all the different international business activities. Cultural diversity affects the performance of an organization (Adler & Gundersen, 2008). A culturally diverse employees that are coming from many different nations and working in an international organization could result in making low performance and organizational inefficiency which that will lead to the international business activities failure because of the culture clash among the different culturally diverse employees (Buckley et al, 2017). Various conflicts can arise due to misunderstandings among the culturally diverse workforce. Thus, it is of importance that organizations develop an effective way to manage the diversity to gain a competitive leverage since it is seen as a factor of success (Buckley et al, 2017). Companies that are working and operating around the world are from time to time forced to rebuild their strategies and keep their employees updated to meet the continual changes in demand. Workforces are becoming progressively multicultural, therefore the need to understand diversity is extremely important to operate as effectively in different cultures as possible (Isaac, 2020). Not managing the diversity in a sufficient manner increases the probability of international activity failure and not operating as efficient as possible since internal misunderstandings might emerge (Isaac, 2020). This emphasizes the importance to apprehend the cultural diversity and use the unique differences of the labor force as a competitive advantage. Hence adequately managing a multicultural workforce within an organization is of increasing concern. Additionally, the globalization has increased organization's willingness to expand abroad leading to a culturally diverse gap that every organization will come across. The ability to manage these differences plays a major role for an organization to efficiently succeed in a globalized world where cultural diversity is present. It is required to understand the relationship between people and their context when developing a global mindset, which is why culture is an important element to focus on (Farren, 2009). In the process of expanding abroad, organizations are required to be more open and cooperative to a heterogeneous working environment.

Literature Review of the Cross-cultural management

Managing a labor force that have culturally diverse in a proper way results in a competitive advantage, as the international company who hired them will benefit from the different innovative ideas and the different skills and talents and the different created strategies that are created from the foreign worker that could enable the international business activity to be very successful. Since people from different cultures have different viewpoints, skills, and concerns that will open a new ways of management and open a new way of thinking .The foreign labor force could be difficult because some workers have individualistic culture and some of them have collectivism culture, and some of the foreign workers might have a high level of uncertainty avoidance and some may not have this trait, so the possibility of culture clash is high in the international cultures . Managing the workforce in effective way means that the workforce is able to conduct their work at its full potential in a work environment where there is no discrimination among the different employees

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(Flick, 2013). One of the key components to create an advantage is to make the employment connected to the organization (Farren, 2020). To succeed with managing cultural diversity, the organization has to obtain a culture where people respect each other, where people feel included and where the employees can use their knowledge to its full potential (Lockwood, 2005). The ability to effectively manage diversity encourages innovation that is fundamental for development and keeping a competitive advantage in a global economy. Researchers within cross-cultural management have suggested several ways for organizations to manage cultural diversity. However, it seems that there is an agreement regarding the organizations need to use an open-minded approach and have to reshape how they work. Having employees from different backgrounds means that the company culture has to be adjusted and adapted to fit them in order to conduct their work as efficient and effectively as possible.

Case Study: Swedish Subsidiaries in India

In 1920's Swedish companies decided to start to invest in India. There are more than 150 Swedish companies working in India because India is a growing market that has a big amount of cheap labor. It is estimated that one new company will be registered every month. This results in 750,000 citizens in India being employed by Swedish companies (Meyer, 2021). India is a fast-growing emerging market that is attracting more international companies from many different countries around the whole world, The Indian market is growing at a fast rate and might even overtake the largest economies in the world in the future (Newman & Nollen 2018). The Indian market is therefore very important for global organizations, as the Indian government is always exerting all its efforts in order to remove all the barriers that could hinder the international business activities and Swedish companies have understood the impact it has on today's economy (Molnar., 2019). On the other hand, India is said to be a very difficult and challenging market for foreigners to operate in because of the conservative cultural values and the underdeveloped infrastructure (, 2011). Organizations have to put considerable effort into the managing of the cultural differences to succeed on this market considering the pace of India's growth (Buckley et al, 2018). One of the biggest problems when managing the cultural differences in India is that organizations from the western world tend to implement their own culture in India (Saunders et al, 2009). India had a score of 77 out of 100 in power distance in the Hofstede's dimensions, and is meaning that there is a strong hierarchy where the decisions made by the top management is accepted, both in the Indian society and organizations decisions are made only from the top authorities (Hofstede, n.d). The organizations that have high-power distance will have a centralized structure that has unequal rights between employees and top management. Employees are expecting to have many assignments coordinated and controlled by management. Employees expect the managers to take the role of making decisions and they do not believe in the delegation of authority for them (Hofstede, n.d). Relationships between employees and their managers are extremely valued and trust and loyalty among them is developed. Sweden had a score of 31 out of 100 on the power

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distance dimension which that means that Swedish people are independent, hierarchy exists only as a structural form and all people benefit from equality (Hofstede, n.d). The leadership style is including more of a coaching matters and management is there to ease the work for the employees as well as empowering them. Power is decentralized and managers does have the high power for themselves only and the managers are seen as any other employee. Organizations usually have a flat structure where the line of authority between managers and subordinates are flexible (Hofstede, n.d). harsh Control is not appreciated within the decentralized organization and there is an informal environment at the workplace. India is a relatively considered a masculine society that had a score of 56 out of 100 in the dimension regarding masculinity and femininity. The divisions of roles between the two genders are widely accepted and the society is led by achievements, competition and success. Tolerance for the uncertainty and unexpected circumstances are high and people are very open for changes (Hofstede, n.d). The equal rights in Sweden means that the workplace has to be a balance including everyone. The low score of 5 out of 100 on the masculinity and femininity dimension makes Sweden a feminine society. The Swedish culture is considered moderated and it is seen as improper if an individual lift themselves above others. A masculine culture is encouraging competition and conflict oriented, compared to a feminine culture that encourages good relationships and desire to stop and avoid conflicts (Hofstede, n.d). Gender discrimination is considered a big problem in the Indian society. The norms have relegated women to a secondary status at both the household and the workplace (Smith,2018). Women usually marry young in India, and they become mothers and are then they are taking the responsibility and taking care of the household. There are only 54 percent of the women in India that are receiving a good education and that is compared to 76 percent of the men who are the most educated category (Foundation for Sustainable Development, n.d.). It is therefore hard to create a security environment and independence for women in India. Sweden has a society with fairly strong equality between the genders. There is still a big and strong difference and gap between the both genders in India regarding salary and the percentage of women who are get promoted in top positions (Shaw, 2015). In Sweden there are stern rules and laws that are regulating and managing and supporting the equality and fighting all kinds of discrimination, and fighting all kinds of unfair treatment and equality goals that any employer must pursue to avoid any punishment enforced by law (Buckley et al, 2018). According to the World Economic Forum (2016), India had ranked 108 among 145 countries on the measurement of gender equality, whereas Sweden had ranked 4th on the list. Time is considered a cultural aspect, which can make a big confusion between the two nationalities because of the different perceptions. If a meeting starts at 13:00, Swedish people tend to be there on time compared to Indians who usually arrives late in their work. This can be extremely frustrating and discouraging for Swedish employees as this could make them does not have a strong desire in working and make them unable to cooperate with the Indian employees which this will result in the failure of the international business activities of the international Swedish companies in India. This is something that the workforce needs to align with and what

Project place has done is that the rule in Sweden is to be in the office by 9:00. This rule does not apply in India, where employees can show up at 11:30 or later. The rules are standardized to some extent, e.g. regarding meetings.

Two compaies were selected to assess how they conduct the cross-cultural management activities in the international business environment. Ericsson company was the first choice because its a global telecom giant company that began its journey in india in order to make a manual switchboards for indian government in 1903.Ericson is considered one of the most international companies that successfully adapted to the foreign culture of india and fastly this company grow in the indian market(Meyer,2019). The second choose was ASEA that started as a small company in producing an electric light and generators,and the this company started to expand its business activities in many different countries around the whole world including india and it was successfully growing in the indian market from time to time.Both companies used different methods to manage the cultural diversity matter.

The aim of the research: assessing the methods that both companies use for conducting an effective cross-cultural management

The objectives of the research:

1- assess the challenges that both companies faced them while managing cultural diversity

2-assess how effectively the both methods manage the cultural diversity in both international companies.

3-examine the benefits of cross-cultural management for both companies

Research Methods: a qualitative method was used

An interview was conducted with the head managers and that made me collect more data about how both companies managed cultural diversity and what are the challenges that they faced them, and what are the benefits they both got them from Cross-cultural management.

Ericsson company:

According to the interview that was conducted with the Ericsson company. This company was hiring employees from England as this company has a huge percentage of business activities in England ,so England is consider an important country for Ericsson and that made Ericsson company hire a huge percentage of the employees from England not only in India but also in another countries that Ericsson company invested in them beside the Swedish and the Indian employees who are working in Ericsson company .Ericsson company's' British employees and the Swedish employees are individualism and the Indians employees are collectivism and they like to cooperate and they ask too many questions about the things that they do not know and they like to work in groups and they like making a lot relationships and they used to take orders from a

certain one leader that supposed to have all the authority, and they are not used to be empowered and take their own effective decision that they think that it will be trusted .Indians are tending to uncertainty avoidance and they are accurate in their time not only in their work but only in in the work life but also in life as a general unlike the Swedish and the England employees who are accurate in the time in their work and they are like to focus on their individual work more making relationships and they tending to be empowered and that made a big cultural clash . Ericsson Company decided to hire the most closest deputies of the head managers from the Indians to help in directing the head managers from Sweden in running the company according the culture of India and keeping the most important secrets with the Swedish head managers, as its allowed for any other nationality to take the position of head managers in all the department other than the Swedish managers .Ericssons focused on hiring Indians mentors specially who travelled outside India for work , as they understand how the Indians work and they know how they can integrate the Indian worker with Swedish and British workers as they have a work experience for many years and they have a good knowledge about the foreign knowledge, and of course the Indian mentors who worked in a Swedish and a British culture have the priority in the hiring process .Ericsson put a huge budget for conducting a cultural training program and that program was led by the Indian mentors and the company provided also an intensive courses for free for the Indian employees ,so they can learn the Swedish language .The Ericsson company allocated a variety of rewards for the Indian employees who are try to integrate in the Swedish culture and also the employees who are creating innovative ideas and. Ericsson Company benefited from the successful cross-cultural management process, the innovative ideas and the strategies for running the business activities of the company were rewarded of the Indians who are integrated in the Swedish culture in a short time, and the cross-cultural management training made the reduced the cultural clash and built a cooperation and understanding bridge between the Indian and British and Swedish employees(Morden,2018).

ASEA company

According to the interview that was conducted with the ASEA company. This company was hiring employees from Sweden and from India and this company has the challenge of Cultural clash and the misunderstanding between the different employees during doing their work, beside that this company has a strong and essential element that must in its organizational cultural that cannot give up from them like time commitment and sticking to the deadlines, The strict firing policy that are related to work accuracy and this policy does not have a clear improving plan for Indian employees .ASEA company decided to overcome this challenges by allowing the Indians managers who have an intensive experience abroad specially the ones who used to work in Sweden and the ASEA shared the positions of the top management in the company to the Indian employees and the British employees. The company also allows for empowering the Indian and Swedish employees equally, and revising all the benefits of their decisions and rewarding the most useful

and profitable ones and providing a useful recommendation and improvement training programs and plans about decisions that are not effective. The ASEA company provide a a training programs that have simulation of the real tasks in ASEA company, and the company provided also a shared task and these shared tasks where the Indian employees and the Swedish employees are cooperating and trying to understand all the different patterns of their different cultures, and when they understand each other they will achieve excellent results in all their different tasks. The company of ASEA decided to put harsh punishment for all the employees whether they are Swedish or Indians, who are breaching the essential rules that are related to the time commitment. The ASEA company decided to make some concessions about the strict firing policy that are related to the work accuracy specially for the novices and providing them more training programs to improve their skills. The ASESA company benefit from the cross-cultural management strategies getting more innovative ideas and decisions from both the Indians and the Swedish employees. The shared tasks that the AESA company decided to provide them lead to a high level of cooperation between the Indian and the Swedish employees and that made them be able to a huge percentage of work load in an accurate way. The training programs that has simulations and plans for doing the different tasks of the company in the right and accurate way, which that in the end encouraged the novices to exert all their effort in order to achieve an excellent result in their tasks. The ASEA provided them beside the cross-cultural management training these extra training programs that have a simulation about the tasks in the ASEA company to develop all the skills of novices not just to fire them, which that will make them effective creators of innovative ideas (Brown,2018).

CONCLUSION

Cultural diversity influences on the performance of an organization (Adler & Gundersen, 2008, p. 44). A culturally diverse labor force may cause low performance and organizational inefficiency (Granovetter, 2005). Many issues and conflicts can arise due to misunderstandings among the employees that have culturally diverse. Thus, it is very important that organizations develop an effective method to manage the diversity within it to gain a competitive leverage since it is seen as an essential element foro success (Stevens & Ogunji, 2011; Kundu, 2001). Companies that are operating around the world are continuously forced to rebuild their strategies and keep their employees updated to meet the continual changing business environment. Workforces are becoming more progressively multicultural, therefore the need to understand diversity is very important to operate effectively (Isaac, 2003). Not managing the diversity in a sufficient method increases the probability of not benefiting from the advantages and not operating as efficient as possible since internal misunderstandings might emerge (Isaac, 2003). This emphasizes the significance to apprehend the cultural diversity and use the unique differences of the labor force as a competitive advantage. Hence adequately managing a multicultural workforce within an organization is of increasing concern. Furthermore, poor knowledge about the host country's norms

and values can cause a problem in the understanding of others behavior, and some acts might even be seen as offending. Because of globalization, people work more internationally and culture differences will cause limitation in the communication process, which might lead to dissatisfaction in the workplace and hinder employees to adapt to each other. The negative effect of dissatisfied employees will lead to a lower performance level (Montagliani & Giacalone, 1998). The construction of how the work within an organization is designed need to be considered and may have to be modified to promote effectivity (Sherwood, 2003). Knowledge within diverse cultures can explain how and why people behave and act in different ways and minimize the risk for misunderstandings. Knowing how to manage cultural diversity is crucial for a global organization to be productive, hence the focus on the workforce should not be placed on differences and communication difficulties.

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