Managing Cultural Diversity as Challenge of Organizational Culture in Multinational Business Environment

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Purpose. Global intellectualization of the economy actualizes the urgency to work out a new model of the human resources development and use. The study is aimed at analyzing the essence and purpose of organizational culture as a factor of optimizing cross-cultural relations in multinational business context. The specific paper objectives are: to review the core approaches to the conceptualization of organizational culture; to analyze the concepts of cross-cultural management and cognitive management from the point of view of their common and specific attributes; to outline the possible variations in local operating practices to improve business performance of multinational corporations.

Design/methodology/approach. The research can be defined as executing an investigation to acquire an additional knowledge or idea to add to an existing understanding and knowledge as far as the problem of managing cultural diversity in multinational business context is concerned. The process for this study has involved a combination of research, synthesis and analysis.

Findings. The subject matter of this paper is cultural diversity in multinational business context. The study is conducted to explore how companies manage workforce diversity and its consequences to the company’s efficiency as well as to examine how companies deal with challenges that come with employees from diverse cultural backgrounds. Cultural diversity refers to most problematic aspects of multinational companies operating. Successful adaptation managing can result not only in gaining congruence in the various cultures where they operate. Such business practice is probable to convert cultural diversity itself into a source of advantage.

Managing adaptation implies ensuring compliance with cultural and other types of inconsistency.

Research limitations/implications. Managers in today’s multicultural global business community frequently encounter cultural differences, which can impede the successful completion of organizational goals. The internationalization of socio-economic processes puts forward the task not only to correctly identify differences in the national cultures, but also to adequately use them to overcome intercultural barriers while developing relations with foreign partners. Optimizing cross-cultural relations becomes essential to the organization’s functioning and is the main task of cross-cultural management.

Originality/value. Ensuring compliance with cultural inconsistency in global business context is closely related to defining ways of optimizing needs for such variations and their costs. The solution of the task may entail two approaches. One of it refers to business practice on territories with more similar cultures. Another can be implemented through promoting strong organizational culture. In case it is really powerful it is able to cultivate staff and customers and thus softening national cultural discrepancy.
Keywords: organizational culture, cultural diversity, global business context, cross-cultural management, cultural adaptation.

Problem setting. Culture is one of the most powerful forces in our world due to its significance for a person as far as world perception and self-actualization are concerned. On the other hand cultural discrepancy causes a clash of values. The latter is among most widespread motives of misunderstanding and discord that can even result in devastating conflicts. The expansion of international relations in the globalized economy and overcoming contradictions in new social and cultural conditions due to different patterns of thinking, when traditions, values and norms of one society affect the perception of the other culture, is impossible without managing inter-ethnic communication. The internationalization of socio-economic processes faces the manager with the task not only to correctly identify peculiarities of national cultures, but also to adequately use them to overcome intercultural barriers while developing relations with foreign partners. Optimizing cross-cultural relations becomes essential to the functioning of the organization and is the main task of managing cultural diversity.

Recent research and publications analysis. The problem of organizational culture in scientific literature is actively developed in foreign and domestic studies, most of which are aimed at studying the totality of various elements of the phenomenon. The analysis of the existing theories of the organization allowed to highlight the works of the scholars (J. Coleman, Ch. Argyris, K. Levin, P. Drucker, A. Adle, R. Perrin, M. Watkins, E. H. Schein, N.J. Adler, F. Laurent) that are crucial for understanding the role and place of organizational culture in the life of modern organization, its structure, stages of formation and problems of organizational culture management.

There is a fairly complete description of a variety of dimensions and attributes of organizational culture. Notable contributors to the use of typologies include R. D. Lewis, G. Hofstede, F. Trompenaars, E. T Hall, R. E. Quinn, K. S. Cameron [2; 6; 7; 11; 13]. Insofar as national cultural differences remain fairly stable over time the management researchers and culture experts convincingly proved that dealing with them therefore requires not only knowledge about adequate behaviors. The answer to the question why certain behaviors are more appropriate than others roots in the awareness of values that represent deeper-level assumptions.

However, in modern society, organizational culture is considered not only as a tool for organization developing, but it also becomes important as a subject of global cultural space forming. On the one hand global values change the functions of organizational culture, on the other - organizational culture under the impact of globalization becomes a subculture and transfers its norms, values, rituals to the society [1; 3; 12]. Thus two simultaneous processes occur in the activities of organizations in the globalization context. First, it is new emphasis the organization performance acquires under the influence of external impacts and global changes. Second, the significance of the basic components of organizational culture remains relevant.

Consequently, the need for fundamental rethinking of the essence of the culture of the organization and its compliance with the objectives of the society, both global and national businesses, as well as related problem of convergence-divergence of cultures, actualizes the research topic.

Paper objective. The study is targeted on analyzing the essence and purpose of organizational culture as a factor of optimizing the process of managing adaptation in multinational business environment.

The specific paper objectives are:
- to review the core approaches to the conceptualization of organizational culture;
- to analyze the concepts of cross-cultural management and cognitive management from the point of view of their common and specific attributes;
- to outline the possible variations in local operating practices to improve business performance of multinational companies.
The solution of the above-mentioned tasks is expedient to start with the conceptualization of the “the culture of organization” phenomenon. Notwithstanding the terminological diversity (“culture of entrepreneurship”, “economic culture”, “corporate culture”, “organizational culture”), there is a general consensus among organizational researchers that it refers to the shared meanings or assumptions, beliefs and understandings the group is committed to. More comprehensively, Schein defined organizational culture as, “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems” [12]. There can be regarded as very close to the above mentioned another interpretation of organizational culture as “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with norms for behaviors in the organization” [4].

Organizational culture begins in the minds of people and the essence of this sociocultural phenomenon is their spiritual life in the conditions of the business environment or organization, their morale, thinking and actions. A sense of belonging to the culture of the organization is not something inborn, but acquired. Various manifestations of cultures in organizations are related, all members of the society are characterized by common cultural values and it is culture that defines the boundaries of different social groups. Hence its main semantic components are values and procedures.

In other words: “Organisational culture could be defined as a set of values that are share in the organisation, which reflects on the company’s activities. There are five components to organisational culture that involves its practices, vision, value, people, place, and its history. Each organisational culture is unique and different from any other company’s, therefore any decision made my a company about workplace diversity is based on the company’s beliefs and norms, and must therefore reflect on that company” [3].

According to the structure, organizational culture is a multi-layered socio-cultural phenomenon. If at the level of a certain organization the intrinsic characteristics of organizational culture can be identified with the corporate culture, the next level is the combination of the corporate cultures of organizations in the branch. Finally, organizational culture can also be treated as ideology of business in general that is based on capitalist thinking and specific values. If the first two levels of organizational culture aim at solving specific socio-economic objectives, at the level of business ideology it is able to penetrate into various cultural forms and spheres of life and influence them. Bearers of organizational culture are the staff of the organization (firm, company, industry) that, through a shared system of values and a sense of belonging to the team, self-identify as a member of the professional community. Therefore, organizational culture becomes an important subculture in the culture of society.

There can be traced two main approaches to conceptualizing organizational culture: rational-pragmatic, and phenomenological.

The rational-pragmatic approach proceeds from the direct interdependence between the transformation in the culture of the organization and real changes in the organization: organizational culture as one of the organization subsystems must be subject to control, and, therefore, is the result of the activities of the organization’s leader and his team. The practice-oriented, rational-pragmatic school is based on the idea that necessary positive changes can be achieved through influencing the culture of the company.

Given the phenomenological approach, organizational culture has an active impact on the processes in the company, its foundations are laid at the level of the organization’s mission. It therefore serves as a reference point in determining goals and strategies, as well as in assessing the activities of the enterprise. Hereby the employees’ performance acquires additional significance and suggests the level of consistency between stakeholders. Herewith the person-
nel acts as subject and object at a time. If at the initial stage the people themselves are carriers and source of forming organizational culture, the latter eventually acquires the features of a sustainable phenomenon and becomes an attribute of the organization that affects its staff through determining their behavior and relationship.

The task of managing cultural differences in multinational business context envisages reference to the phenomenon of national culture. If the national culture means to shape the national identity, the organizational culture creates the uniqueness of each organization with its own system of values, beliefs, attitudes and norms of behavior that are studied by a new member of the institutional community and subject to change. By assimilating the individual to organizational norms the organization provides his identification. It is important to emphasize that national identification is ensured through unconscious assimilation of values and standards in early childhood. Organizational values are usually consciously perceived and internalized by an adult.

The ambiguity of the interpretation of this ratio is confirmed by the opinions of the most eminent researchers. So in Shein’s opinion the impact of organizational culture on company’s employees is as mighty as the influence of national culture on people's lives [12]. While Laurent questioned the influence of organizational culture on such a deep level through the invincibility of the national culture in conflict with organizational [10]. Proceeding from understanding the nature of the organization as something peculiar and different from the social system of nation, Hofstede insists that the employee himself determines the degree of self-immersion in the organizational culture [7].

However vast majority of scientific investigations have in common the idea of the business culture mission as follows: to build a cohesive team, develop team spirit, provide consensus and loyalty of the staff as far as their organization is concerned, define common standards of conduct for staff, establishing mutual communications. Creating common organization's brand as a tool of organizational culture building is guaranteed to result in leveling, or even eliminating differences between the economies and cultures of different countries, and thus, organizational culture contributes to the process of globalization. It is common knowledge that in culturally kin countries, organizational cultures are not notably different from each other. But in current cultural heterogeneity there may occur a relatively slow process of "fusion", that requires the involvement of both parties. So, the Japanese company as an owner of foreign companies creates hybrid, problem-permissive culture: the new culture reproduces the atmosphere of the Japanese company and is not typical of the local national culture. Practical experience shows that the fusion of cultures has been effectively used in automotive companies, high technology business, while it is less prevalent in food and pharmaceutical industry and the least successful - in research organizations that are too individualistic by their nature.

Managing the company’s values by international and interregional corporations is provided (among others) through external communication and envisages the interaction of professional business subcultures. It couldn’t but evoke the cross-cultural management. As a sphere of academic research it focuses on the organizational behavior of people in different countries and cultures, compares different models of this behavior and strives for understanding and improving the interaction between employees, customers, suppliers and partners from different countries and cultures [1]. The relevant scientific discourse suggests another term - "managing diversity" that aims at improving the interaction of people belonging to different ethnic groups, cultures, races, religions in a homogeneous environment. The main threat to cross-cultural management is ethnocentrism.

Holden, in his belief that cross-cultural management is the management of many cultures within the organization and in its external relations, justifies its new understanding as a form of cognitive management (knowledge management) [8]. This differs substantially from the traditional understanding of cross-cultural management as the management of cultural differences and ability to deal with cultural shock.
The author offers a fundamentally new approach to cross-cultural management as a sphere of practical activities that implies operating with knowledge as the most valuable resource of the company in competitive struggle in the era of globalization and geo-economics. Hence the tasks of cross-cultural management is the development of global networking, organizational learning and cognitive management. In contrast to the traditional understanding of culture in terms of specific "entities" and antagonistic "differences," Holden interprets it as a form of organizational knowledge and competence of the company. Herewith the emphasis is on personal knowledge: the images of professional and organizational reality that occur in the minds of managers, as well as the ways of its identification, preservation and transfer. Actually, Holden was the first to comprehensively analyze the phenomenon of cross-cultural management taking into account three characteristics of the organization: self-learning, knowledge sharing and developing interactive networks at local and global levels. It is the combination of these components that allows the use of a variety of cultures not as an obstacle but as a resource of the organization. The axiom of cross-cultural interaction suggests: cultures are learned in comparison; there are no bad cultures, there are just different cultures; all cultures are different but equal.

The interaction and collision of different cultures are highly likely traced in business practices that tackle with marketing and human resource management.

For example, unlike Japanese multinational companies American and European ones in their foreign affiliates usually prefer to recruit local managers, not expatriates, especially when it comes to positions of top management. It is due to purely cultural factors. As a rule, the Japanese manager more often than American or Western European strives for avoiding uncertainty. Hence the responsible assignment of the countryman with the same mother tongue and culture code minimizes the possible risk of misunderstanding and enhances credibility.

Globalization as an objective process unifies the organizational forms of people’s joint activity (the contractual relationship, uniforms, RR-stock companies, development of corporate style, a statement of goals and objectives the mission of the enterprise, standardization of meals, joint stay etc.). The trend towards economic universalization is associated primarily with the emergence of transnational corporations (TNCs) with their worldwide share over 80%. TNCs were the first to use standardized forms of production management. Today it has become common place to use the organizational culture discourse while shaping management policies.

However unification does not diminish the significance of some variation in local operating practices because operating in ways that are congruent with their cultural contexts can improve business performance. Such promotion of variations by multinational companies almost inevitably causes decentralization of decisionmaking and indigenization of in-country management teams and supports a company’s ability to be responsive to local conditions [5; 9].

Alongside with marketing and human resource management, communication is another business operating domain that demands managing diversity. Each culture forms its own ideal model of communication. It consciously or unconsciously is used by the natives in particular while transferring, receiving and interpreting information from bearers of another culture. Thus one and the same text (verbal or nonverbal) is decoded in different ways across different sociocultural contexts. For example, straightness as characteristic attribute of the American style of communication does not seem an effectual factor for the representatives of such collectivist organizational culture as Japanese. So, in Japanese there are 16 different ways to express the idea of "no" to avoid a direct statement of facts and possible confrontation. Quite significant differences between these types of organizational cultures occur when making group decisions. In collectivist cultures, as a rule, consensus-building, harmonization of interests of all parties takes much more time than in individualist cultures. Nevertheless such
collectively approved decision is practically impossible to change.

Here it is expedient to emphasize that modifying practices for the sake of enhancing congruence may result in the domination of the local over the international and as a consequence may cause the decrease of potential international interaction effect. Managing adaptation implies ensuring compliance with cultural and other types of inconsistency. It is closely related to defining ways of optimizing needs for such variations and their costs. The solution of the task may entail two approaches. One of them refers to operations on locations with more similar cultures. Another can be implemented through promoting strong organizational culture. In case it is really powerful it is able to cultivate staff and customers and thus softening national cultural discrepancy.

The increasing interdependence of states, economies and cultures due to the global integration of the world community entails understanding of organizational culture not solely as an effective tool for organization development. It is obvious to become an important driver of building global cultural space. On the one hand, global values significantly modify socio-cultural functions of organizational culture. In particular, the organizational culture of the firm (corporate culture) under the influence of globalization becomes a very important factor of bringing people together at different productive and social levels due to the shared values and norms as well as through forming similar to all participants of the world picture.

Conclusions of the research.

Among the essential attributes of the postindustrial society is the formation of global economic space that requires common methods and techniques of human capital management. This function is intended to ensure that organizational culture as the quintessence of centuries-long experience refers to the organization of economic activities. Moreover, the impact of globalization on the nature of organizational culture is of dual character: on the one hand, globalization is a significant factor in the process of its transformation, on the other - organizational culture itself acts as a determinant of global processes.

Cultural diversity refers to most challenging aspects of multinational companies operating. Efficient adaptation managing can result not only in gaining congruence in the various cultures where they operate. Such business practice is probable to convert cultural diversity itself into a source of competition advantage.

Managing cultural diversity encounters a whole range of obstacles, most problematic of which can be defined in terms of difficult observing and measuring. Among possible destructive consequences of their underestimation may be embarrassing blunders, strain relationship, and dragging down business performance.

Being an integral part of the overall concept of management, cross-cultural management, as an ability to manage different attitudes, culture, religions and habits of people with the aim of achieving the best results in business, is one of the effective tools of organizational culture on a global scale. The formation of new consumption patterns, values and norms of interpersonal communication, implementation of modern managerial technologies set the task of ensuring in an unknown or mixed cultural environment a consistent behavior to achieve the goals of the organization through the comprehension of both national and corporate cultural differences and developing related actions. Only such organizational culture can be effective that integrates basic values of different cultures in the practice of management, combines the recognition of cultural differences with the global strategic priorities of the organization.

The awareness of a particular culture peculiarities, ability to take into account and apply these peculiarities in practice help the company to establish relations with partners faster and at lower costs, to fight more effectively with competitors. A universal recipe for success while adapting cultural differences in global business environment consists in the manager’s awareness of the necessity to focus on what unites us rather than what separates us. To achieve the goals and avoid cultural misunderstanding, the manager should be culturally sensitive and pro-
mote creativity and motivation through flexible leadership.

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УПРАВЛІННЯ КУЛЬТУРНИМ РОЗМАІТТЯМ ЯК ВИКЛІК ОРГАНИЗАЦІЙНОЇ КУЛЬТУРИ В КОНТЕКСТІ БАГАТОНАЦІОНАЛЬНОГО БІЗНЕСУ

Глобальна інтелектуалізація економіки актуалізує рух до нової моделі розвитку і використання людей ресурсів. Дослідження спрямоване на аналіз сутності і мети організаційної культури як чинника оптимізації міжкультурних відносин у контексті багатонаціонального бізнесу. Досягнення мети сприяє вирішенню наступних завдань: проаналізувати основі підходи до визначення сутності організаційної культури; розглянути концепції крос-культурного та когнітивного менеджменту на предмет загального і спеціфічного; окреслити варіанти робочих практик для підвищення ефективності діяльності багатонаціональних компаній. Предметом дослідження є культурне розмаїття в контексті проблем управління в умовах глобального багатонаціонального бізнесу.

Управління культурною адаптацією стикається з цілою низкою перешкод, пов’язаної зі складністю їхнього відстеження та вимірювання. Серед можливих деструктивних наслідків їхньої недооцінки можуть бути прикрі збої в роботі, погіршення міжособистісних відносин, зниження продуктивності бізнесу в цілому. Усвідомлення особливостей тієї чи іншої культури, вміння враховувати і застосовувати ці особливості на практиці допомагає компанії швидше і дешевше налагоджувати стосунки з партнерами, ефективніше боротись з конкурентами. Універсальний рецепт успіху в адаптації культурних відмінностей у глобальному бізнес-контексті полягає в усвідомленні менеджером необхідності зосередитися на тому, що нас об’єднує, а не на тому, що нас розділяє. Для досягнення цілей і запобігання культурних непорозумінь менеджери повинні враховувати культурні особливості і заохочувати творчий підхід і мотивацію шляхом гнучкого лідерства.

Ключові слова: організаційна культура, глобальний бізнес-контекст, крос-культурний менеджмент, культурна адаптація.
УПРАВЛЕНИЕ КУЛЬТУРНЫМ РАЗНООБРАЗИЕМ КАК ВЫЗОВ ОРГАНИЗАЦИОННОЙ КУЛЬТУРЫ В КОНТЕКСТЕ МНОГОНАЦИОНАЛЬНОГО БИЗНЕСА

Глобальная интеллектуализация экономики актуализирует движение к новой модели развития и использования человеческих ресурсов. Исследование направлено на анализ сущности и цели организационной культуры как фактора оптимизации межкультурных отношений в контексте многонационального бизнеса. Достижению цели способствует решение следующих задач: проанализировать основные подходы к определению сущности организационной культуры; рассмотреть концепции межкультурного и когнитивного менеджмента на предмет общего и специфического; очертить варианты оперативных практик для повышения эффективности деятельности многонациональных компаний. Предметом исследования является культурное разнообразие в контексте проблем управления в условиях глобального многонационального бизнеса.

Исследование проведено с использованием традиционных формального-логического и сравнительного методов. С учетом того, что культурное разнообразие относится к наиболее сложным аспектам деятельности многонациональных компаний, подчеркивается, что эффективное управление культурной адаптацией предполагает не только достижение согласованности различных культур, но и способно преобразовать это культурное разнообразие в конкурентное преимущество.

Управление культурным разнообразием сталкивается с целым рядом препятствий, связанных со сложностью их отслеживания и измерения. Среди возможных деструктивных последствий их недооценки могут быть досадные сбои в работе, ухудшение межличностных отношений, снижение производительность бизнеса в целом.

Осознание особенности той или иной культуры, умение учитывать и применять их на практике помогают компании быстрее и дешевле налаживать отношения с партнерами, эффективнее бороться с конкурентами. Универсальный рецепт успеха в адаптации культурных различий в глобальном бизнес-контексте - осознание менеджером необходимости сосредоточиться на том, что нас объединяет, а не на том, что нас разделяет. Для достижения целей и упреждения культурных недоразумений менеджеры должны учитывать культурные особенности и поощрять творческий подход и мотивацию посредством гибкого лидерства.

Ключевые слова: организационная культура, глобальный бизнес-контекст, кросскультурный менеджмент, культурное разнообразие, культурная адаптация.