

Cultural diversity: impact on multinational businesses



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This is a report which contains how cultural diversity impacts Multinational businesses in variety of positive and negative ways.

These days cultural diversity plays a significant role in a company. In this criteria it include these groups such as race, geographic basis, civilization, gender, age, functional or educational background, physical and cognitive capability, language, lifestyles, attitude, cultural background, economic category, occupancy with the business and sexual preference.

2. Cultural Diversity

MNC works in a global market it must be ready to identify all potential changes in the global environment and it should be able to communicate and adapt the uniqueness of the company to match with the environment. For example in India and Sri Lanka women's will not work for night so they have to manage time for their convenience. In some hotels and organization they are offering transport services to them.

The misinterpretation and disregards of different cultures and language direct to the failure of setting up multinational companies. To avoid this, a common knowledge of another country's culture and history is important.

For example,

McDonald's adopt the culture where they operate and made some changes to achieve market growth. In India, McDonald's doesn't serve any beef or pork in any of their menu because Hindus do not eat beef and Muslims do not prefer to eat pork and introduced Maharaja Mac to fit with Indian culture.

Google give us a chance to browse in many languages.

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2. 1 Attitudes towards Appointments and Deadlines

In America, Americans were give strict obedience to time commitment and it was an essential standard of professionalism and polite manners. They should want everything tends to be strictly scheduled, postponements in one appointment or deadline can have a serious effect on a coworker or customer's further work commitments.

But for example: The more flexible and open-ended approach to time of Indian and Sri Lankan businesses culture can create tensions and adverse impressions on American counterparts.

2. 2 Meaning of Agreements and Commitments

In business relations, commitments are taken accurately and seriously in US. They have a preference for understandable, detailed agreements and are uncomfortable with unclear expressions of general commitment. They look failure as a sign that a person isn't trustworthy. In Asian business culture tends to view agreements more flexibly as intentions and strategy for future action.

2. 3 Cross Country Difference in Individual Work Values and Attitudes

From the evaluation of several articles of Employee Work Values and Attitudes across many countries, a comparative study of the said socio-cultural features among an average American, Japanese and Indian employee can be made. The socio-cultural features have been compared from fifteen topics of consideration (Appendix 1). These topics are individualism, superstition, adaptability, time orientation, innovativeness, <https://assignbuster.com/cultural-diversity-impact-on-multinational-businesses/>

diligence, time consciousness, discipline, self-respect, religion-orientation, caste-orientation, sexual-orientation, gender discrimination, education and dependence on own language

3. Diversity Creates Lack of Cohesion

Multicultural groups often have diverse views of the problem. They often go on discussing about the problem statement. This problem can be the reason for three basic factors:

3. 1. Mistrust

A natural human being is to work directly with colleagues of their own culture and not to believe people who are from different cultures.

Some years ago, in Intel new members of the group were added to the project. While engineers were working at Puerto Rico, Texas engineers primarily have irrespective to their Puerto Rican colleagues. This was affected through the worth of education in Puerto Rico because of the fact that the American Engineers have. This was a fake categorize because every single one working on Puerto Rico were studied in the USA and have worked on complex projects earlier. Probably it will take sometime for the American engineers to recognize the engineering capability of their Puerto Rican colleagues.

3. 2. Miscommunication and Language Barriers

In MNC they are having one main challenge under culture is a language barrier. Communication is necessary for management. Yet communication

relies upon a common language, a condition that does not exist in many global business situations and that is when the problems start. The most pronounced sign of the language barrier at work can be found in the relationship between a multinational parent company and its network of global subsidiaries.

Multicultural teams are required to communicate in a common language – it's usually the language of the main group. It can be also in English or Tamil or Spanish or Hindi or French etc. This means that there are members in the team for whom the communicating language is not their native language. Where one colleague meant one thing, but said something else or it was understood in a different way which was frequently results in miscommunication between team members. The problem can arise in translation errors.

3. 3. Work Stress

The above two can create work stress on group members. Because if they are aware that there is a chance of mistake in inter-team interactions, then all problem analysis, decision making and inference are at risk. This creates a huge stress on workforce.

Members can frankly argue problems and issues in mono-culture teams. Whereas members are frightened of offending other members in multicultural teams- therefore forcing a “ polite diplomatic” approach to sensitive matters. This creates fake or superficial manners which raises stress on the company. This forced team members led to discouraged and disconnected which will efficiently lowers work productivity.

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4. MNC Workforce Diversity

Multinational Companies (MNC) had to face a number of challenges in their every day business over the past couple of years. Globalization has changed various things for international players. In general MNC formation illustrates a focal point on their main resources and sectors like finance, technology, marketing, sales and production, because they want to have a large number of customers and to earn profit.

A huge challenge MNC has to deal with their workforce diversity. The milestone research by Hofstede with 116, 000 recruits of IBM, a giant MNC in 50 countries and 3 regions recognized four cultural values in the workplace: Individualism-collectivism, Power difference, Uncertainty avoidance and masculinity-femininity.

For example:

In individualism United States was the greatest and Guatemala was lowest.

In the power distance values Malaysia was the highest and Austria was the lowest.

In the uncertainty avoidance Greece was the highest and Singapore was the lowest.

In the masculinity values Japan was the highest and Sweden was the lowest.

Because of this diversity one of the key success factors of MNC is the recruitment and selection of human resources who offer valuable uniqueness.

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These individuals are forming the values and beliefs of a business. There are two key challenges in international HRM, specifically building global corporate cultures and developing global leaders that have to be controlled in order to manage diversity and be successful in the international business surroundings.

Informal Integration

Informal groups play a significant role in any business. They influence both the success of the business and the career success of individuals. Total quality plans depend heavily on employee contribution and informal networks can greatly impact this process. Informal groups are influenced by factors such as common language, perceived social similarity, and ethnocentrism. These collective networks are critical for communication in organizations. It has been found that race has a major effect on collective networking. This is not astonishing as you would expect people to have a preference for interaction with members of one's own culture group, especially in an informal context.

4. 1 Managing diversity in MNC during HRM

To manage workforce diversity in MNC it's a challenge for the human resource management to set up a global corporate culture. To recognize with the corporate culture of the company is the most significant thing for the workforce. That is why building a global corporate culture is one of the most important challenges for Multinational Companies.

Employee behavior is possibly the most critical challenge that multinational organizations have to deal with. In Multinational Companies there is a huge <https://assignbuster.com/cultural-diversity-impact-on-multinational-businesses/>

potential of conflicts, because of its diverse personalities. As a result of this anxieties will arise among employees.

Successful cultural adaptation reduces members' anxiety, role conflict, and intentions to leave. Additionally, successful adaptation increases organizational obligation, job satisfaction, confidence, and job familiarity as well as successful acculturation and establishment of relationship.

For example: Google tries to maintain its workforce and assess them in a quantitative as well as qualitative manner. Actually, the company prepared its work environment vibrant and vehicles the image of an enjoyable place to work during what it proposes. For example, workers can have free refreshments or go to the fitness center or bring there pets to work place etc (Appendix2, 3, 4). workers can gain from flexible working hours and cover some time for their independent projects which shows the significance of the creativeness and innovation from each and every department.

5. Challenges of Working across Culture

5.1 Stereotyping

They are usually misrepresentations and inaccuracies fixed in false guesses and faulty analysis. Usually this valuation is seen in a negative perspective. The challenges to MNC are to acknowledge differences in positive terms.

Power struggles and can be the result of stereotyping in companies. For example, placing women, who stereotypically have had lower status than men in society; in senior management positions create status incongruence in the minds of many of the people. This can root complexities in the

leader/subordinate relationship and can root power differences in a business. This is done in such a way that affiliates of minority groups may find it hard to use influence over decision processes in the organization.

5. 2 Ethnocentrism

Ethnocentrism results while managers in MNC identify the differentiation in cultures. But they have a propensity to feel that their culture and their mode of doing things is the correct way. Their method of doing things is the simply way and the best way. Any difference from their culture or from their method of doing things is observed as “ distortion” or as a “ fault” or as “ immoral way”.

The majority of people have the propensity to pursue ethnocentrism.

Japanese, Americans, Germans, Chinese, French, Russians and Scandinavians, are more to ethnocentrism than other cultures when compared to other, Latin Americans, Asians, Africans, Australians, Indians and British.

5. 3 Parochial Attitude

Parochial attitude means to a person’s incapability to see cultural diversity. This is exactly the reverse of ethnocentrism. Managers who are sent overseas frequently meet people who are also dressed in suits and speak their language – this prompts them to disregard all other cultural differences and make them feel that all others are “ just like us”. In today’s business globe, most people are apt to dress similarly – in suits or other methods and speak in English, but this does not indicate that all people have the same

culture – but people often only see the outside and think that the other person shares the same cultural values.

In Asian countries Expatriate managers from US/UK frequently have a tendency to show a strong parochial attitude – mostly because the populace with whom they relate on regular base are dressed likewise in suits or western dresses and can speak English.

6. Positive ways when adopting cultural diversity

MNC generally offer much more wide-ranging benefits compared to local businesses. Overall, MNC be apt to value aptitude more than local companies. It's all in the culture. MNC was earning revenue and market from international than from their local country. For example: McDonalds earning more revenue from international other than their own country.

Gain positive ways such as:

Work practices such as technology and management proficiency obtained from competing in global market. Time commitment and it was an essential standard of professionalism and polite manners in US. Therefore can learn good work practices. For example MAS holding was adopting there work practices to success in the market.

Some MNC are giving educational facilities, comfort zones' to workers to feel free before work.

7. Conclusion

MNC controls production firm or delivers services in at least two countries. It can have a powerful influence in global relations and local economies.

Multinational corporations play a significant role in globalization.

Therefore when they are operating in more than two countries, cultural diversity impacts Multinational businesses in variety of positive and negative ways. In MNC there are overcoming negative as positive.

8. Recommendation

There are some challenges to MNC when adopting cultural work diversity.

Employee behavior is possibly the most critical challenge that multinational organizations have to deal with. In Multinational Companies there is a huge potential of conflicts, because of its diverse personalities. As a result of this anxieties will arise among employees.

In order to adapt to the environment, individuals sacrifice their individualities to fit in with their new cooperatives. Individuals become incorporated into the culture of an organization when they are successfully understood into the workplace and cultural adaptation it will reduces members' anxiety.

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Appendix

Points of consideration

U. S.

Japan

India

Individualism

High

Low

Moderate

Superstition

Low

Moderate

Varies from section to section

Adaptability

High

Moderate

Moderate

Time orientation

Short-term

Long-term

Long-term

Innovativeness

Moderate

High

Moderate

Diligence

Moderate

High

Low

Time consciousness

High

High

Low

Discipline

High

High

Moderate

Self-respect

Moderate

High

High

Religion-orientation

Moderate

Moderate

Moderate

Caste-orientation

Low

Low

High

Sexual-orientation

Free

Conservative

Conservative

Gender-discrimination

Low

High

Moderate

Education

Occupational

Occupational

General

Dependence on own

High

High

Low

Appendix 1: Comparative General Human Outlook among U. S., Japan and
India

Appendix 2

Appendix 3