

CROSS-CULTURAL MANAGEMENT

LITERATURE REVIEW

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Executive Summary

The paper reviews literature on cross cultural management and the strategies for managers reducing cultural differences in an organization. Various studies have provided similar views on the importance of value dimensions and the association between individual-level and national-level cultural structures. Similarly, the review has identified stress perception, organizational behavior, complexity of global corporate cultures, and incompatibility of business theories to cultural contexts as challenges affecting managers of multicultural employees and organizations.

Managers can reduce these cultural differences using multiple cultural centers, convergence approach, divergence approach, a cross-vergence approach, and cross-cultural training.

Introduction

Cross-cultural management refers to the management of a diverse workforce and the use of this diversity for competitive advantage (Greblikaite & Daugeline, 2010). This type of management tackles the cultural differences between employees caused by global processes. Global processes such as acquisitions and mergers are important for companies' growth in new markets. This importance means that managers face structural, legal, and financial issues when making their expansion decision (Gopalan & Stahl, 2001). Often neglected from the decision criteria is the impact of cultural differences on organizational performance. Culture affects the way employees interact and work. Kandola (2008) argues that employees from the same culture often share similar assumptions, values, symbols (such as language and food), and rituals in business meetings. However, expansion strategies often result in acquisition of different talent from diverse cultures. This cultural integration creates conflict and frustration among employees (Gopalan & Stahl, 2001). Therefore, it is vital that managers know how to integrate diverse cultures in an organization. This paper will review literature on cross cultural management and the strategies for managers reducing cultural differences in an organization. It will discuss literature on the different types of cross-cultures, causes of cross-cultural problems, and solutions to these problems.

Literature Review and Analysis

To understand the different cross-cultural management approaches, it is important to identify the cultures in organizations. Kandole (2008) proposes the dimensions of culture as task-relationship, risk-caution, individual-groups, and equality-hierarchy. A task-based culture emphasizes the material success of an organization (Deleersnyder, Dekimpe, Steenkamp, & Leeflang, 2009) whereas a relationship-oriented culture emphasizes the development of relationships between employees. The relationship-oriented culture emphasizes the resolution of conflict and establishment of feedback mechanisms to achieve organizational success. In the risk-caution dimension, the risk-based culture allows employees to make decisions from incomplete information whereas caution-based culture specifies the use of rules for decision-making.

In the individual-group dimension, individualist managers allow employees to express their opinions while the group-based management approaches focus on harmony and close relationships among employees and managers (Kandola, 2008). Finally, the equality-hierarchy management approach focuses on the status differences and treatment of different genders in organizations. Managers of equality cultures usually emphasize minimal status differences and equal treatment of employees while those in hierarchical cultures emphasize different treatment of genders and higher status differences between subordinates and managers (Kandola, 2008). The cross-cultural dimensions highlight the need for global managers to understand the interactions of different cultures and their role in helping organizations overcome cross-cultural differences affecting communication (Greblikaite & Daugeline, 2010).

Fischer and Poortinga (2012) concur on the consideration of value dimensions in organizations. Their research on the link between cultural value theories and individual value theories show that there is a difference between country-level values and individual values. These two values, however, overlap and serve different roles in organizations. Understanding the nature of this overlap in the business context would help managers understand the cultural factors influencing their decisions. For instance, Smith and Fischer (2008) believe that individual and country-level values affect the manager's interaction and responsiveness on an individual level (cited in Fisher & Poortinga, 2012, p.159). This suggests that global managers may find it difficult to separate country-level value structures from individual-level structures in decision-making. Nevertheless, the article proves that managers need to appreciate the two value structures to create a proactive and risk-taking cross-cultural organization (Kreiser, Marino, Dickson, & Weaver, 2010). Kalliny, Cruthirds and Minor (2006) support this understanding. For instance, they argue that the difference in value structures may cause Arab employees to interpret an American manager's self-enhancing humor as an overture while American employees may perceive an Arab manager's self-defeating humor as weakness. Their study on cross-cultural leadership confirms the relevance of Hofstede's cultural dimensions. It also helps global managers understand how their management styles can cause conflict (Kreiser, Marino, Dickson, & Weaver, 2010).

Stress perception is an important cultural difference affecting organizations (Gopalan & Stahl, 2001). According to Dbaiho, Harb and Meurs (2010), negative work experiences, perceptions (such as unfair treatment of employees), and value incongruence have significant behavioral, psychological, and physiological impact on an employee. Their cross-cultural research on the Lebanese environment shows that these stressors affect employees in different ways. Their research is relevant to global managers because it helps them understand how high value congruence and injustice (such as nepotism) increase an employee's perceived stress and reduce the accountability of systems. Although the study focuses on one cross-cultural management issue, it provides useful information on the impact of stress perceptions on employee and company performance.

Organizational behavior is another cultural difference affecting MNCs. Organizations exhibit different behavior in different political, social, judicial, and economic environments. The cultural environment in which a company operates also affects this behavior. This explains why American culture influences the use of American management approaches while Asian culture is suits the Asian business environment. However, the cultural context of different business environments often makes some management ideas and theories incompatible. This incompatibility makes it difficult for managers to transplant their management models universally (Gopalan & Stahl, 2001). Hofstede (1993) agrees that cultural differences reduce the transferability of a management model or theory to solve a local cultural problem. In particular, the differences in national cultures make it difficult for managers to share American management theories. This incompatibility creates stress on the individual, manager, and the business environment. Nevertheless, the literature is relevant to global managers because it improves their understanding of internationalizing business and management theories at national levels regardless of the national culture (Hofstede, 1993).

Criticisms of Hofstede's approach to cross-cultural management abound. The challenge with Hofstede's theory is its impracticality from a theoretical and methodological perspective (Jackson, 2011). This is because cultural values have multiple interfaces influenced by organizational culture, individual culture, and power dynamics. The plausibility of Hofstede's

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Boyancigiller, 2010). Such a localized approach would allow the company to review its global culture, identify any cultural weakness, and contextualize its values to local needs. Gopalan and Stahl (2001) propose three solutions for reducing such cultural differences as convergence, divergence, and cross-vergence perspectives. The convergence approach argues that globalization would make cultures similar and reduce the influence of national culture on management decision-making. Divergence strategy proposes that management behavior be shaped by national values, attitudes, and beliefs rather than organizational-level cultural structures. Finally, the cross-vergence approach proposes that managers combine domestic and global values in their management approach. The cross-vergence approach is suitable for global managers because it integrates the positive aspects of foreign and local cultures. Furthermore, integrating local and global values would allow the managers to develop boundary-less cultural values suiting the global environment (Judge, 2001).

Cross-cultural training is the final solution for managers. This training is important because managers often find that their knowledge of cross-cultural management does not align with cultural reality in the business environment. Osland and Bird (2000) confirm that managers are surprised by cultural contradictions of knowledge and reality in a multicultural environment. Through this training, global managers would be taught to create models of cultural sensemaking to help them decipher the behavior of multicultural employees and corporations. Learning foreign languages and forming collective teams would also improve cross-cultural management (Greblikaite & Daugeline, 2010).

Conclusion

This paper has reviewed literature on cross-cultural management and the strategies for managers reducing cultural differences in an organization. It has shown that global managers need to understand the dimensions of cross-cultures and impact on organizational performance. In addition, an awareness of cross-cultural management problems such as perceived stress, organizational behavior, cultural complexity, and incompatibility of management theories would help global managers resolve disputes, enhance cross-cultural communication, and improve

global control. Furthermore, the managerial role in information exchange and control would help address the challenges of cross-cultural management.

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