

THE RELEVANCE OF INTERCULTURAL COMPETENCE FOR INTERCULTURAL MANAGEMENT

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Abstract: The different changes in economic conditions such as the increasing interdependence of the world economy, the economic integration of Europe, the transformation of Central and Eastern Europe and the dynamics of the technological development have resulted in the fact, that the internationalization of business activities was inevitable. New businesses and firms were set up as a "conversion" of Western companies, as part of collaborations or linkages with Western organizations. The intercultural understanding cannot keep up with the pace of globalization. Business cooperation between different nations often fails due to the difference of the cultural values and attitudes. The economic imperative of globalization forces, on the one hand, more and more companies to expand their activities worldwide. On the other hand, companies are more and more exposed to cultural differences and their conflict-prone consequences without there being sufficient nation state or multinational mechanisms of control available. The failure of co-operation shows that purely economic conditions for success are necessary but not a sufficient condition for a successful collaboration. In addition to the necessary economic conditions, cultural aspects should be involved. Organizations should design and support organizational culture that maximizes the benefits of diversity, and use that culture to manage various groups of organizational members, project teams, business start-up teams, customer service response teams, and top management.

Intercultural management intends to create and maintain a positive work environment where the similarities and differences of individuals are valued, so that all can reach their potential and maximize their contributions to an organization's strategic goals and objectives. In addition, ensures that all employees have the opportunity to maximize their potential and enhance their self-development and their contribution to the organization. It recognizes that people from different backgrounds can bring fresh ideas and perceptions, which can make the way work is done more efficient and make products and services better.

This paper discusses the importance and necessity of implementation of intercultural management approaches. Therefore, are listed examples that stress the contribution of the intercultural management approaches to the success of many western companies operating in different parts of the world, and to the success of mergers and acquisitions. In addition, an attempt is made to differentiate constituent elements of intercultural management, based on their representation in the largest number of authors, as well as pointing to areas of further research in the field of intercultural management.

Keywords: intercultural competence, intercultural management, organizational culture, cultural difference

INTRODUCTION

At the 1998 World Economic Forum, 377 CEOs representing leading global companies with combined revenues of \$2.23 trillion and with more than 8 million employees ranked "setting vision and strategy" as their top concern, "exploring mergers and acquisitions" as their second priority, and ranked "reshaping corporate culture and human behavior" as their third; ranking cultural concerns higher than "monitoring corporate financial information" or "monitoring customer relations." This fact illustrates crucial attention to cultural sensitivity in understanding global strategies.⁹³

The fast process of internationalization and overall globalization brings requirements for inevitable integration of cultures and cooperation within the framework of multinational organizations. Culture and cultural differences play an important role in international companies, at work of multicultural teams and at international meetings. Different understanding of approaches, different cultural patterns may cause that it is not possible to efficiently and successfully execute good intentions and ideas. People in various countries may view and interpret the same facts differently. The meanings given to them are a place where the different cultural traditions can be seen the most. The knowledge of cultural differences may help the workers operating in multicultural environment to reduce the possible misunderstandings and it enables them to foresee the possible reactions of their partners. The

⁹³ Iyer, U.J. (2008): Cultural Differences in Perception of Fairness in Organizational Contexts In Wankel, C. 21st Century Management: A Reference Handbook, Sage Publications

workers who are ready to admit, understand and respect the cultural differences of other nations and to take helpful steps have a great advantage at fulfilling tasks in multicultural environment. Intercultural management is not only a marginal area but it has been gaining more and more significance for international as well as purely national companies, if they want to succeed in the demanding competitive environment. The development trend in this area goes towards converging individual nations, communication and understanding of intercultural differences, which represents a possible way to mutual cooperation reaching beyond the contemporary borders of individual states or groups.

ORGANIZATIONAL CULTURE VS. NATIONAL CULTURE

Changes in economic and social environments are not the only cause of challenges in organizations. National cultures also have an influence on the organization's activities and operations. Local employees represent a culture that contains typical elements and aspects of national culture, for example values, ideologies, norms and beliefs, and they have an impact on organizations' activities and operation because they are brought along to the workplace by local employees. Both the business environment and national cultures put pressure on organizations. (Savolainen, 2007)

The concept of organizational culture has its major roots in culture theory. Among the most popular publications in the field of cultural studies are those of Alvesson (2002)⁹⁴; Chhokar, Brodbeck, and House (2007)⁹⁵; Hofstede (1980); and House, Hanges, Javidan, Dorfman, and Gupta (2004)⁹⁶. Their seminal work deals with various dimensions of societal and organizational culture or concentrates on leadership practices in organizations and uses a distinct set of team or group leadership dimensions that are of high relevance for organizational cultures. Organizational culture, as a construct separable from societal culture, has been subject to research for some decades, and various models can be found across different disciplines. According to Dauber, Fink and Yolles (Dauber, Fink, Yolles, 2012) approaches to organizational culture can be classified into three categories: (a) dimensions approach; (b) interrelated structure approach; and (c) typology approaches. The dimensions approach strongly focuses on measuring organizational culture empirically along (in some cases bipolar) scales that can be related to other, mostly dependent, variables of interest. Interrelated structure approaches concentrate on linking the concept of organizational culture to other constructs or characteristics of organizations and less to single variables. Therefore, they often represent the theoretical underpinning for empirical research designs.

Dauber, Fink and Yolles (2012) point out that the dimensions approach is one of the most prominent approaches to cultural constructs, in particular in quantitative research.⁹⁷ Conventional anthropological research designs have partly lost ground due to the paradigm of culture dimensions by Hofstede (1980, 2001)⁹⁸ and paved the way for new research contexts that are based on the quantitative measurement of cultures. The popularity of Hofstede's five national culture dimensions (power distance, individualism, masculinity, uncertainty avoidance, long-term vs. short-term orientation) can partly be "attributed to a simplification of the approach to culture" (Fink & Mayrhofer, 2009)⁹⁹. Regarding organizational culture, Hofstede et al. (1990)¹⁰⁰ highlight that there is a significant difference between national culture and organizational culture. While the dimensional model of organizational culture by Hofstede et al. (1990) was initially derived from a large set of narrative interviews and a consequent test

⁹⁴ Alvesson, M. (2002): Understanding organizational culture, SAGE, London

⁹⁵ Chhokar, J. S., Brodbeck, F. C., & House, R. J. (2007): Culture and leadership across the world: The GLOBE book of in-depth studies of 25 societies, Lawrence Erlbaum, Mahwah, NJ

⁹⁶ House, R. J., Hanges, P. J., Javidan, M., Dorfman, P., & Gupta, V. (2004): Culture, leadership and organizations: The GLOBE study of 62 societies, SAGE, Thousand Oaks

⁹⁷ Dauber, D., Fink, G. and Yolles, M. (2012): A Configuration Model of Organizational Culture, Sage
<http://sgo.sagepub.com/content/2/1/2158244012441482>

⁹⁸ Hofstede, G. (2001): Culture's consequences: Comparing values, behaviors, institutions and organizations across nations, SAGE, London

⁹⁹ Fink, G., Mayrhofer, W. (2009): Cross-cultural competence and management—setting the stage, European Journal of Cross-Cultural Competence and Management, 1, 42-65

¹⁰⁰ Hofstede, G. (1980): Culture's consequences—International differences in work-related values, SAGE, Newbury Park

with a questionnaire, Sagiv and Schwartz (2007)¹⁰¹ define the organizational culture construct based on theoretical considerations. They argue that organizational culture is influenced by the “surrounding society,” “personal value priorities of organizational members,” and “the nature of the organization’s primary tasks.” Organizations are embedded into societies, which can be defined by certain national culture values. Sagiv and Schwartz (2007) argue that organizations operate under societal pressure. Therefore, organizations have to comply to norms, values, and regulations of societies to be an accepted member of this society and secure social and consequently financial survivability. Organizations consist of individuals who introduce their own value preferences into the organization, which represents the “way people select actions, evaluate people and events, and explain their actions and evaluations” (Sagiv & Schwartz, 2007), thus shape organizational culture to a certain extent. Finally, Sagiv and Schwartz (2007) add that tasks, which need to be achieved by an organization, shape their cultural values as well. This seems to coincide with what Hofstede et al. (1990) defined as “perceived practices.” Different tasks require different organization and execution of activities, that is, different strategies and structures. It seems obvious that a production company differs severely from a service provider, or a state agency from a private firm, not only with respect to final products but also with respect to their organizational culture. This is mainly due to the different nature of businesses, clients, and operating processes. So, Dauber, Fink and Yolles (2012)¹⁰², point out that in view of the above, two quite important aspects have to be taken into consideration: (a) Organizational values significantly differ from national or societal values and (b) organizational values are affected by societal values, organizational members (personality, value preferences), and their tasks, which require appropriate organizational actions to be achieved.

CULTURAL DIVERSITY

According to H.A.Patrick and V.R.Kumar (Patrick, Kumar, 2012) concept of diversity includes acceptance and respect. It means understanding that each individual is unique, and recognizing our individual differences. These can be along the dimensions of race, ethnicity, gender, sexual orientation, socioeconomic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies. It is the exploration of these differences in a safe, positive, and fostering environment. It is about understanding each other and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual. Diversity is a set of conscious practices that involve understanding and appreciating interdependence of humanity, cultures, and the natural environment; practicing mutual respect for qualities and experiences that are different from our own; understanding that diversity includes not only ways of being but also ways of knowing; recognizing that personal, cultural, and institutionalized discrimination creates and sustains privileges for some while creating and sustaining disadvantages for others; and building alliances across differences so that we can work together to eradicate all forms of discrimination. Patrick and Kumar (2012) point out that workplace diversity refers to the variety of differences between people in an organization. It might sound simple, but diversity encompasses race, gender, ethnic group, age, personality, cognitive style, tenure, organizational function, education, background, and more. Diversity involves not only how people perceive themselves but also how they perceive others.

As the importance of diversity in the organizational context has increased manifold, most organizations would like to research on diversity–organizational culture linkage, its effect on diversity openness¹⁰³, and between diversity and performance both at individual and organizational levels. Patrick (2010) found that diversity determines not only the effects of the diversity within an organization but also the level of openness to dissimilarity characteristics among the organization’s members, work groups, and culture. Despite the technological wonders of today’s communication, international relations require us to deal with one another on a person-to-person basis. To create opportunities for collaboration, global leaders must not only learn the customs, courtesies, and business protocols of their counterparts from other countries but must also understand the national character, management philosophies, and mind-sets of the people (Hofstede, 1994).

¹⁰¹ Sagiv, L., & Schwartz, S. H. (2007): Cultural values in organizations: Insights for Europe, *European Journal of International Management*, 1, p.176-190

¹⁰² Dauber, D., Fink, G. and Yolles, M. (2012): *A Configuration Model of Organizational Culture*, Sage
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¹⁰³ Erez, M., Shokef, E. (2008): *The Culture of Global Organizations* In Smith, P.B., Peterson, M.F., Thomas, D.C. (2008) *The Handbook of Cross-Cultural Management Research*, Sage Publications

DEFINITION OF INTERCULTURAL MANAGEMENT

Zaman and Meunier (2011) point out that the need for a specific intercultural discipline in the management field comes from the evident insufficiency of linguistic competencies: speaking a foreign language is not enough for full communication between people belonging to different cultures because the formal structures of a language represent just a vector of communication, the surface of a process that is much more complex than the simple understanding of what the other says. This is because the communication is not linear, which means that the transmission of a message is never neutral; the spoken message transmits words and notions, but also norms and values and some of these norms and values may not be fully shared by the interlocutors. In recent years, the intercultural management became particularly important as the phenomenon of globalisation has been accompanied by increasing migration flows, enlargement of the European Union, economic openness of many countries around the world, the emergence of new economies like China or India for example, and the expansion of economic partnership between countries disposing of different economic systems. We often speak about the Japanese economic model, the Russian way, the American type of economy, the Scandinavian model, etc. The cooperation between these different economic systems, which are based on significant cultural differences, requires a new – intercultural approach.

INTERCULTURAL MANAGEMENT IN PRACTICE

The mobility of capital and of information causes the activities of multinational enterprises to spread like a network over more and more countries and cultures and therefore to be removed increasingly from the control of individual states and their legislation. Capital follows the logic of the market economy and looks for the most reasonable supplier of workforce, know-how and material resources. This process is supported in a sustainable manner by the improvement of information processing and the cheapening of transportation.¹⁰⁴

Following the process of economic globalization, the number of international mergers and acquisitions has considerably increased. Mergers and acquisitions can be defined as strategic agreements between two or more independent companies that choose to share their resources (technological, productive, sales, etc.) with the aim to reach common goals. In a merger, companies combine their assets in order to create a new company; in an acquisition, one firm takes control of the majority of the capital of another company and integrates the acquired company¹⁰⁵. Since the early 1980s, mergers and acquisitions have developed considerably on both a European and worldwide scale. After the impressive rise in the number of mergers and acquisitions in the later part of the 1980s, a rapid progression of cross-border mergers as well as a significant increase in the value of transactions marked the 1990s. At the beginning of the new millennium, mergers and acquisitions continue to be a critical part of the global business landscape. Yet, available studies show that the failure rate of mergers and acquisitions is high: approximately one out of two transactions is considered as unsuccessful¹⁰⁶. The risk of failure is emphasized in cross-border transactions where cultural differences make the integration process particularly difficult. In fact, in cross-border mergers and acquisitions, companies face problems linked to differences in both corporate cultures and national cultures. (Soderberg, Vaara, 2003) In cross-border mergers and acquisitions, the integration process is often delicate, especially when considering the different cultural backgrounds of the involved companies. Cultural differences influence management practices of companies and strengthen the differences between organizational cultures. From this point of view, it is necessary to clarify that problems of cultural incompatibility can have a negative impact on the results of mergers and acquisitions.

Barmeyer and Mayrhofer (2008) examine the contribution of intercultural management approaches to the success of mergers and acquisitions. They analyze the integration process of EADS (European Aeronautic Defense and Space Company), resulting from the merger of the French company Aerospatiale-Matra, the German company DASA and the Spanish company CASA by illustrating the impact of cultural differences on managerial situations. According to Barmeyer and Mayrhofer (2008), when dealing with the management on a social and human level, one must anticipate and define the necessary changes that will bring about a successful transaction. The creation of a

¹⁰⁴ Steinmann, H., Scherer, A.G. (1998): Corporate Ethics and Global Business: Philosophical Considerations on Intercultural Management, In Kumar, B. N. & Steinmann, H. (Eds.) (1998) Ethics in International Business, Walter de Gruyter, Berlin/New York, p. 13-46

¹⁰⁵ Mayrhofer, U. (2004): The influence of national origin and uncertainty on the choice between cooperation and merger-acquisition: An analysis of French and German firms, *International Business Review*, 13(1), p. 83–99

¹⁰⁶ Ibid

new company necessitates the forming of mixed teams and the maintaining of a certain balance when putting together work groups, delegating responsibilities and allocating salaries. Given the managers' different interests, communication plays an important role. Also, it is advisable to anticipate cultural changes within the company, for each party generally seeks to implement its own methods, work tools and management style. The creation of a new corporate culture that integrates the positive aspects of each culture helps to avoid conflicts. In addition, they point out that, intercultural management plays an important role in international mergers and acquisitions where collaborators from several countries are put into a situation where they have to work together. Nonetheless, the differences between systems, which can bring about conflicts and misunderstandings, are often underestimated. This underestimation of the cultural factor seems surprising, because the merging of companies is, above all, a merging between different human beings. It is humans that create follow or divert rules and structures of companies, and that make sure that companies live, function and make benefits. It is their ideas, strategies, thoughts and decisions that are transformed into action and they contribute to the success or failure of a company.

Barmeyer and Mayrhofer point out that the EADS merger shows that it is necessary to manage cultural diversity, which necessitates the acknowledgement of differences, an adequate distribution of tasks and mutual respect.¹⁰⁷ It is important to take into consideration the advantages of each culture and the competence of each member in an organization. Valuing diversity can trigger superior performance and synergetic effects. These synergies can be woven by opposite capabilities: creativity and the flux of original ideas, which meet up with constructive feedback to structure them and put them into play.

Examinations of cultural differences in organizational subgroups and between merging organizations has already demonstrated the many ways in which cultural conflict can hinder productivity and lead to demoralization. All of these factors have relevance in multinational organizations as well, but these organizations also include another dimension of cultural complexity. When dealing with organizations that span national boundaries, attention must be lent to the differences in national cultures of the parent company and its subsidiaries abroad. Differences between the two complicate the achievement of organizational goals and potentially lead to increased employee turnover or other destabilizing effects in branch locations. For this reason, among others, it is important to find a way to negotiate a space in which the national values and cultural norms of the host country are accounted for and integrated in work practices. Still, the mission and goals of the parent organization should not be lost or corrupted.¹⁰⁸

As with other instances of intercultural management, here again, the role of clearly communicated objectives from management is vital. Since it is not only language that varies from culture to culture but also forms of appropriate speech, leadership must be acutely aware of these factors when framing messages across organizational sites. What is and is not appropriately discussed in different settings varies widely. It is important to keep in mind that the fundamental goal one seeks to achieve is not necessarily a function of the message that would be used to convey that desire in one's native country.

ACQUIRING INTERCULTURAL COMPETENCE

Once, managers realize the importance of intercultural competence for dialogue, they'll need to participate in programs for development of intercultural competence through examples of best practices in the workplace, in educational contexts and in daily life. Because, the competences necessary for intercultural dialogue are not automatically acquired: they need to be learned, practiced and maintained throughout life. The process of becoming interculturally competent is much more complex than just realizing that there are Self and Others. It requires certain attitudes, knowledge and skills to be promoted, in addition to learners' linguistic, sociolinguistic and discourse competence. According to the one of the theses presented by the Bertelsmann Stiftung based on models of intercultural competence by Dr. Darla K. Deardorff (2006), intercultural competence is neither a static state nor the direct result of one discrete learning experience. Language ability and explicit (i.e. learnable) knowledge of cultural characteristics alone do not suffice for intercultural competence. Nor is intercultural competence acquired by visiting a foreign country or ad hoc through further education. If the assumption is correct that culture is constantly in flux, then individuals must learn and master the ability to deal with ongoing processes. The development of intercultural

¹⁰⁷ Barmeyera, C., Mayrhofer, U. (2008): The contribution of intercultural management to the success of international mergers and acquisitions: An analysis of the EADS group, *International Business Review* 17, p. 28–38

¹⁰⁸ Deetz, S.A., Tracy, S.J., Simpson, J.L. (2000): *Leading Organizations Through Transition: Communication and Cultural Change*, Sage Publications

competence is thus complex and multidimensional and, depending on the intercultural situation, can take on a variety of forms. The acquisition of intercultural competence is a continual, dynamic process, one that moves through diverse dimensions while developing and enriching itself in an upward spiral.

CONCLUSION

Intercultural competence linked to the business life delivers an ambiguous image of the stance of actors in the business life. Literature reveals a growing importance of intercultural competence in companies, due to a growing diversity and globalization, but some actors in the business field did not seem to be convinced of its necessity.

The significance of intercultural competence cannot be overstated. Nowadays, companies are confronted with an increasingly open intercultural environment and growing competition. In order to develop in new high-growth markets, it is important to have a good understanding of the cultures in these new economic areas and to attach special importance to human relations to be developed in the company itself as well as with clients and suppliers. In this context, the need to consider cultural differences and the interaction between different cultures become key challenges in the management methods to be implemented. Management with multiple socio-cultural perspectives has an advantage of a contextual evaluation skill that allows informed managers to consider issues from differing vantage points. Motivation for attaining intercultural competence is fueled by less than successful intercultural interactions that are filled with a clash of world views. The reality of participating in the global community suggests managers both identify and exploit cultural differences in designing appropriate action in specific environments. Without intercultural competence there is the very real possibility managers in the global community will commit needless mistakes that ultimately cost organization ventures.

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