Managing Cultural Diversity by Effective Human Resource Management of International Trade: Focus on Asian Perspectives

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Ⅰ. Introduction

Managing cultural diversity is not a new concept any longer in current times. Ever since globalization has taken its place in our lives companies

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have started to focus on the relationship between cultural diversity and their work performance as they arguably seem to be affecting one another. It just is not until recent years that much attention has been placed on such relationship. Managing cultural diversity now seems to be a key to succeed in international trade. The important fact, however, is that such diversified environment has created some critical issues regarding the success of companies. The people coming from different cultures and the struggles to understand the similarities and differences between one another have rapidly increased which requires urgent attention of organizations on the cultural diversity issues.[1] As a result, understanding cultural differences has become one of most important issues for organizations and an efficient way to manage such diversity has become their priorities. Globalization makes managing culture a must. Culture plays a significant role in workplace assumptions, behavior and organizational cultures.[2] Different cultural groups have different values which may have a substantial effect on the way they do business. Cultural distance has gained a broad interest in international business research.

The aim of the paper is to identify and study the following issues; whether cultural diversity affects organizations(focusing on MNCs), the relationship between cultural diversity and organizations' performance in general and in what ways can Human Resource Management in international trade help to reduce the impact of cultural diversity on organizations' performance. The general picture rather seems to be negative. However, there also is a wide recognition of the value of workforce diversity. This paper hence aims to discover to what extent cultural diversity affects organizations' performance and suggest the ways in which their performance can be improved through

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1) Chang, L., Cross-cultural differences in styles of negotiation between North Americans(U.S.), Journal of American Academy of Business, Vol. 1, 2002, p. 182

2) Smith, B., T. Larsen and B. Rosenbloom, Understanding Cultural Frames in the Multicultural Sales Organization: Prospects and Problems for the Sales Manager, Journal of Transnational Management, Vol. 14, 2009, p.287

human resource management.

Ⅱ. Literature Review

1. Cultural diversity

During the 21st century, one of the most important trends affecting the workforce is increasing diversity. Such diversity can be identified as differences in communication styles, attitudes towards conflicts, approaches to completing tasks, decision-making styles, attitudes towards disclosure and approaches to knowing. In recent years, it has been broadly argued that increasing diversity is influential on firms' management and their performance. A multi-cultural workforce is now a common thread in organizations globally.

Cox states that a set of individual, group and organizational factors interact to influence a set of individual outcomes that in turn influence organizational outcomes and moreover, affective outcomes and achievement outcomes can be affected by the individual and organizational outcomes.[3] Interestingly, a recent research suggests language profoundly influences the way people see the world which means languages shape the way we think and shape how we understand causality.[4] Nonetheless, some argue that there is a universal grammar for all human languages that they do not really differ from one another in significant ways. Because languages did not differ from one another it made no sense to ask whether linguistic differences led to differences in thinking.

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3) Cox, T. Jr., Cultural Diversity in Organizations: Theory, Research and Practice, San Francisco, CA: Berrett-Koehler, 1993, p. 57

4) Boroditsky, L., Lost in translation, Wall Street Journal, 2010, July 24

2. Hofstede's cultural dimension

Geert Hofstede carried out one of the most comprehensive studies on how values in the workplace are influenced by culture. He is a Dutch organizational sociologist who conducted a big survey of 1,60,000 managers and employees working for an American multinational corporation(IBM) covering 40 countries initially (expanded to 70 afterwards). Hofstede found significant differences in behavior and attitudes of employees and managers from different countries that worked for IBM. Hofstede found that managers and employees vary on five cultural dimensions:

1. Power distance: The extent to which less powerful members of that cultur accept that power is distributed unequally.

2. Uncertainty avoidance: In cultures with high uncertainty avoidance, employees will look for clearly defined, formal rules and conventions governing their behaviour.

3. Individualism/collectivism: To extent to which individuals are integrated into groups or not.

4. Masculinity/femininity: In highly "masculine cultures" dominant values relate to assertiveness and material acquisition while in highly "feminine cultures" values focus on relationship among people, concern for others and quality of life.

5. Long-term orientation : Long-term cultures value thrift and perseverance while short-term value tradition.[5]

Hofstede explains culture is important as it impacts the way strategic moves are presented, influences management, decision making and negotiations and finally, makes international business difficult or easy.[6]

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5) Hofstede, G. and G. J. Hofstede, Cultures and Organizations: Software of the Mind, New York : McGraw-Hill U.S.A., 2004, p.25

6) *Ibid.*, p. 29.

3. Trompenaars's cultural dimensions

Fons Trompenaars is another Dutch culturalist who have spent the past 30 years on cultural diversity and its effect on business. Trompenaars developed a model of differences in national cultures which includes seven dimensions. They are believed to shed light on how people in different national cultures interact with each other. The seven dimensions were found using questions that were designed to portray different dilemmas of everyday life.

1. Universalism vs. particularism(What is most important – rules or relationships?)
2. Individualism vs. collectivism(Do we function in a group or as individuals?)
3. Neutral vs. emotional(Do we display or hide our emotions?)
4. Specific vs. diffuse(Do we handle our relationships in specific and predetermined ways, or do we see our relationships as changing and related to contextual settings?)
5. Achievement vs. ascription(Do we have to prove ourselves to receive status, or is status given to us?)
6. Sequential vs. synchronic(Do we do things one at a time or several things at once?)
7. Internal vs. external control(Do we believe that we can control our environment, or do we believe that the environment controls us?)

Trompenaars tested these 7 dimensions on 55 national cultures. The results found illustrate the preferred response to different dilemmas concerning each dimension, can therefore be used by business managers to foresee, how different people from different cultures may act.[7]

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7) Trompenaars, F. and C. Hampden-Turner, Riding the Waves of Culture: Understanding Cultural Diversity in Business, 2nd edition, Nicholas Brealey Publishing, 1997, p.57

4. Impacts of cultural diversity on MNCs

Achieving economies of scale is an important task for organizations. However, it is believed to be a less likely situation if organizations are formed with culturally distanced member groups. This applies the same to the MNC managers. High cultural distance can limit MNCs' performance owing to increased training, monitoring, and control costs, as well as differences in managerial cognition of environmental and organizational issues.[8] Moreover, it is likely to increase the cost of operations since the more firms are diversified the more complexity they will gain and hence, performance will suffer beyond a certain point.[9] As for instance, the social and cultural values and norms and perspectives of people in the Western and Asia countries are completely in contrast with one another. When these separate and distinctive cultures come closer, groups may fail to empathies with each other and hence damages productivity and effectiveness of work environment, disturbing the business consequently.

However, some scholars support diversity's existence as they are a tool for bringing even better effectiveness. The UNESCO(UN Educational, Scientific and Cultural Organization) world report states that the business world is beginning to understand to the challenges of cultural diversity as a key factor of economic success. By making use of workforce diversity, many organizations seek to improve marketing capabilities. Cultural differences also play a central role in the conception, brand image and marketing strategies of products that are successful in the global market, the UN report added. Multinational corporations are becoming increasingly aware of the benefits of diversifying and customizing their products to penetrate new markets and meet

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8) Egelhoff, W. G., Strategy and Structure in Multinational Corporations: An Information Processing Approach, Administrative Science Quarterly, Vol. 27, 1982, p. 448

9) Capar, N. and M. Kotabe, The Relationship between International Diversification and Performance in Service Firms, Journal of International Business Studies, Vol. 34, 2003, p. 348

the expectations of local consumers. Major global brands like Coca-Cola spend a large amount of money on advertising and promoting their products to align with the cultures and needs of consumers. Valuing diversity may become a source of competitive advantage, increase the quality of organizations' business.

5. Limitations faced by international management

Although there has been a growing popularity of the study of cultural distance effects there are no clear consensus on them even after decades of research.[10] Many conceptual properties of existing cultural distance measures are at best "illusory". Although these criticisms may be valid, we know very little about whether cultural distance is, in fact, a useful predictor of other important strategic and organizational constructs used in the international business literature. Besides, the importance accorded to national culture differences on international alliance performance may have been over stated. This is because most studies have failed to consider or specify the influence of organizational culture differences. Moreover, international management scholars hesitate to evaluate different cultural groups explicitly in terms of their management effectiveness. It is widely recognized that there is a disconnect between management research and management concerns in the real world, because management research is mostly theory-driven, not problem- or phenomenon-driven. The search for prescriptive knowledge in the realm of international management will make the current discipline more relevant and meaningful in the eyes of managers and other stockholders in society.

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10) Brouthers, K. D. and L. E. Brouthers, Explaining the Cultural Distance Paradox, Journal of International Business Studies, Vol. 32, 2001, p. 185

Ⅲ. Human Resource Management of International Trade

1. Driver of human resource transformation

Cultural diversity is argued to have the most impact on groups in the workplace and society. In today's business world, managers are well aware of such cultural diversity and how it can affect the performance of firms. Particularly in recent years, related to the dimensions of values involving business and the need to know how cultural variety in the organizational concept should be managed have been emphasized. Under the pressure modern organizations are facing Human Resource Management(HRM) has been considered as one of the most popular management concepts as a planned approach to manage people effectively to reach good performance. HRM can manage cultural diversity which is specially essential for MNCs who have operations on a global scale and employ people of different countries and cultural backgrounds. The tasks of the managers are more complex in the MNCs which hire personnel from multidimensional geographic spaces, having problems with the co-existence of the cultures in the same company.

2. Roles and responsibilities of HRM of international trade

Multinational companies today are in need of cultural diversity management. Diversity management is a human resource and corporate policy concept that human resource managers have been dealing with increasingly over the past few years. HRM creates an organizational environment that allows all the employees to reach their full potential leading to an achievement of the organizational goals. The management of cultural diversity in the workplace can be considered a response to the need to recognize, respect and capitalize on the different backgrounds in our society. If cultural diversity can be managed effectively, there is a potential to use diverse workforce for organizational benefits. This is because effectively managed multi culture

companies have cost effective competitive edge and in further it helps to promote minority friendly reputation among prospective employees. Ability to manage cultural diversity increases adaptability and flexibility of an organization to environmental changes.

Good HRM practices are needed if firms wish to achieve their objectives and enhance productivity. In order for organizations to experience a success HRM must be available to play a more strategic role. Cultural diversity management interacts with other strategies and, for example, can play a key role in achieving improved productivity and innovation through effective talent management as a HRM strategy. However, it should be noted that culture is a difficult concept to capture and understand in business research.

3. Challenges of HRM of international trade

Snape and Redman argue that among many global organizations that promote various forms of diversity, implementation is more an issue of talk than of actual practice.[11] Many multinational enterprises have not established adequate diversity programs in their overseas operations. Empirical evidence suggests that managers, employees and different sub-groups within an organization often have different perceptions of diversity management. HRM in broad terms ensures all employees are assigned to do the adequate tasks and that the overall performance of the organizations is aligned well with their goals and missions. HR should be able to influence key decisions and policies in order to succeed. The crucial issue on HRM is that human resources are used most effectively with a view to bringing 'administrative performance' which is not measurable in terms of profits or direct cost.[12]

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11) Snape, E., and T. Redman, Too Old or Too Young? The Impact of Perceived Age Discrimination, Human Resource Management Journal, Vol. 13, 2003, p.781

12) Bechtel, M., Human resource management: Key challenges and recommendations, CEPA, 8th session, New York, 2009, 30th March

The crucial truth about HRM is that if it is well applied into the workplace then this will help bringing innovative and new ideas into the companies but if not, companies will end up facing difficulties and be in a position where their competitors will be stronger than them. This is especially true for MNCs who have operations on a global scale and employ people of different countries, ethical and cultural backgrounds. HR managers are recommended to undergo cultural-based HRM training. In many ways, the effectiveness of workplace diversity management is dependent on the skilful balancing act of the HR manager. Furthermore, there has been no empirically proven association of HRM diversity practices with increases in diversity and improved organizational performance. Unfortunately, researchers have not investigated how diversity has been managed in the HRM area and what HRM approaches are appropriate to manage diversity effectively. The possible reason is a lack of effective HR diversity management practices in organizations.[13)]

4. Asian culture

A rapid economic growth in Asia has led global investors to re-focus their attention on Asia and spotted out the issue of cultural differences once again as a critical factor in operating in the region. Managing Asian cultural diversity can be complex for Western management teams for their cultures are different from one another.

It is generally known that Asians are quiet, reserved and never say what they mean. One of the most interesting cultures about Asians is that being direct is not a valued trait. Instead, maintaining harmony is viewed as more important. Most Asians tend to avoid any situation that might lead to a

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13) Shen, J., A. Chanda, B. D'Netto and M. Monga, Managing diversity through human resource management: an international perspective and conceptual framework, The International Journal of Human Resource Management, Vol. 20, 2009, p.241

conflict.[14] In Asian culture, it is important to keep trust between two parties since they generally tend to pay more attention to the relationships that they build with the other party. Asians believe solid personal relationships will help minimize potential conflicts. When it comes to negotiations, Westerns make themselves clear of the results - yes or no. But this is less likely to happen in most of the Asian countries as they believe saying a direct no is not a polite way. Japanese are said to have at least seventeen ways to avoid saying "no" while Chinese people would delay to give their answers knowing the negotiations will die itself after a while. Korean people often make the other party wait until the last minute before giving an answer.[15]

Finally, in most Asian countries people are highly deferential to tradition and authority. Deference is certainly a large part of Asian doctrine, due in no small measure to the pervasiveness of Confucianism. This age-old doctrine has been deeply ingrained in the philosophies and world view of many Asian countries. Confucianism teaches that it is unacceptable to question authority or to undermine group harmony. But with globalization, younger Asians are less inclined to be deferential as compared to their elders. Some do not hesitate to assert themselves or question tradition and authority.

Ⅳ. Case Study

1. Coca-Cola

1.1 Diversity management at Coca-Cola

The Coca-Cola company embraces diversity in the workplace. They have an entire section of their website devoted to diversity statistics, reports, and

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14) Gross, A., Asian Cultural Diversity in Human Resource Management, 2007.

15) *Ibid.*

policies who values and puts their priority on embracing the similarities and differences of people and cultures. This allows to focus on strategic workplace programs which in turn help assure the success of their commitment. Coca-Cola takes care of communications within organizations. Knowing the importance of managing communication they have put much effort on the area through a number of different ways such as training, workshops, and Employee Forum programming. Besides, they run Diversity Advisory Council which is formed with a representative group of associates from all functions and business units of the organization. Through this council senior management receive recommendations on advancing the company's efforts towards achieving their diversity objectives. The company also makes use of Employee Forums as they believe a sense of community improves their ability to attract and develop diverse talent. These forums can connect with colleagues that share similar backgrounds as well as helping people to support each other.

1.2 Progress at Coca-Cola

The CEO of the company mostly values to meet their diversity goals. In trying ensuring their success in this area, he created a position called Vice President and Director of Diversity Strategies whose role is to report directly to CEO. The company built two core assets: its brand and its people. The company keeps its central promise through these assets as opportunities are brought in them. While Coca-cola company have also been taking cultural consideration into account to drive sales. In 1919, the company begun to advertise its product globally by sending market researchers all over the world to study its target audience and almost a century later they are still recognized as one of the top producing soft drinks in the world. Their effort to understand different cultures attributed the success of the company.[16]

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16) Bilaras, Coca-cola marketing mix, (n.d.)

2. The American Express

2.1 Diversity management at American Express

American Express Company(AmEx) is one of the well-known cooperations in America for its commitment to diversity. They have been at the forefront of understanding the need to allow its employees the ability to succeed both at home and at work. In trying so, the company has built a strong global diversity council and has been increasing its efforts to understand complex local issues and their impact on its global business. They also created a work culture where diversity is valued and promoted and partnered with several profit and non-profit organizations to ensure an access to a diverse pool of candidates in its recruitment efforts. The company's culture and policies make sure diversity is promoted in all parts of the organization as focusing on diversity was one of the ways to gain competitive advantage in the rapidly expanding global markets.

2.2 Progress at American Express

The mission of AmEx company's diversity efforts is to build an inclusive environment that leverages the unique experiences, talents, skills and perspectives of all the employees. The company has a strong history of community philanthropy, with a third of its philanthropic spend going toward multicultural non-profits. In January 2006, AmEx was featured on Fortune's 3 list of the '100 Best Companies to Work for' in America. AmEx was ranked ninth among large companies, and 37th in the overall ranking of the list of the best employers in the US. AmEx had been one of the regulars on this list in the early 2000s. AmEx's diversity initiatives made the company one of the best places to work for in the United States.

V. Recommendations

All cultures have slightly different ways of operating. For using cultural differences to create advantages for the organizations, they can make use of cross-cultural training and valuing diversity.

First of all, cross-cultural training stresses on training employees about other cultures and such training aims at helping employees live and work comfortably in another culture. To recommend a couple, organizations can use the following cross-cultural training techniques:

1. Environmental briefings: to provide information about history, geography, climate, schools, government and, economy.

2. Orientation in culture: to familiarize the employees with value systems and culture of the host country.

Secondly, the pursuit of a functional multi-cultural workforce starts with the business strategy. Cultural diversity should be imbedded into the organization business strategy and cascaded down to all entities as operational goals. It is integral to have an attitude change throughout the command chain starting with the CEO down to the frontline supervisor.[17] This change can be brought about by one-to-one coaching sessions, or a workshop that highlights the previously mentioned demographic changes and benefits that can be captured from a functional multi-cultural workforce. The companies can succeed at diversity if the initiative to create and manage the diverse workforce has the full support from the top management.

Organization leaders need to overcome mistrust by capitalizing on their cultural knowledge and continuously communicate with their employees to build and strengthen trust.[18] In addition, providing communication training

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17) Terry, J., New techniques for training and motivating your company's multicultural management team', Employment Relations Today, Vol. 34, 2007, p. 38

programs such as language skills, communication styles, team building exercises and providing a space for social events where different cultures can meet and learn about one another.[19] If diverse workforce in the organization feels good about their stay and experience and enjoy at work, then the well-being, motivation, satisfaction, and commitment of people of any organization will increase.

Ⅵ. Conclusion

The 21st century business world would probably be remembered for its issues on globalization, cultural diversity and human resource management of international trade. It is inevitable for multinational companies to grow in its size and to operate in different cultured places although it brings side effects that need to be handled with a careful attention; cultural diversity management is one of them. When it comes to cultural diversity matter one of the best and effective way to handle it in international trade is through human resource management since the roles such management play in foreign trade compliance are extremely important. While the globalization of businesses may carry us closer to universal standards for work there is a clear and present need for organizations to acclimatize to diversity.

This paper has overall studied the cultural diversity issues and how they are related to the MNCs' performance. There seems to be a relationship existing between the two. The findings and studies in this paper give advice that in or der to take advantages of diversity benefits organizations must manage

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18) *Ibid.,* p. 40

19) Edewor, P. and Y. A. Aluko, Diversity Management, Challenges and Opportunities in Multicultural Organizations, The International Journal of Diversity in Organizations, Communities & Nations, Vol. 7, 2007

diversity strategically with good human resource management of international trade. This is because the roles of human resource management in foreign trade compliance are vital. Findings suggest that there is no comprehensive solution to the problems of cultural diversity. Companies should try to build good human resource management in the fields of international trade and turn the cultural diversity into good factors. When such diversity is managed well they could turn into opportunities.

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ABSTRACT

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Changes in the global business environment continue at an accelerated pace. The 21st century maybe remarked, perhaps, for its hot issues on globalization and diversity. Diversity may arise in terms of ethnic, gender, age and culture. Cultural diversity out of all stands out in front in modern times as more multinational companies operate internationally resulting more people to start living abroad and work with people from different cultures. In recent years, these multinational companies realized the important roles human resource management play in international trade since cultural diversity is very influential on their work performance. A well-managed human resources will ensure organizations' success to a great extent. This paper touches the field of cultural diversity and introduces human resource management of international trade as a way to handle diversity matters faced by international organizations.

Key Words : Globalization, Culture, Cultural diversity, Human Resource Management of international trade, Multinational Companies