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## A REVIEW ON THE NEED OF CROSS CULTURAL MANAGEMENT IN MULTINATIONAL CORPORATIONS

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**Abstract:** *The study discusses the issue of rising needs of cross-cultural management in the organization due to increase in immigration and globalization of multicultural corporations. Rapid expansions of business, growing competition, and technologies are the major reasons of globalization and multicultural business environment conditions. This paper intends to diagnose the effect of cross-cultural management & make preventive measures to solve the problems arise due to culture, ethics, laws, customs, socioeconomic system and management system, for the above purpose number of literature has been reviewed to find out the appropriate solution of cross-cultural problem. The result suggests that through creative motivation, efficient knowledge management, effective human resources management and bicultural expertise can establish operative cultural management in multinational corporations. This paper links the imperative cross-cultural barriers in verbal language, traditions, values, beliefs and social rules which provides an alternative approach to motivate employees to be more creative.*

**Keywords:** *Cross-Culture Management, Globalization, Multinational Corporations, socioeconomic system and Knowledge Transfer.*

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## **INTRODUCTION**

In domestic company segment the cross-cultural aspects are not very important, where the employees are ethnically homogenous as the resources come from the domestic market and produced and used locally. However in International Corporation stage embodies an organization that is based in one country, but sells its products in other country being an exporter, the organisation needs to understand the cultural background of its customers to increase & sustain the demand for its products. Because much of its resources are also procured abroad, so cultural features are highly important. Knowledge of overseas languages and business decorum is a requirement for collaborating with external suppliers and buyers, because business meetings make a systematic part of the business. The multinational corporation segment takes place when an organization decides to move its manufacturing activity to out of the country and require hiring employee from overseas where the organisation has to deal with the host countries' government agencies for employee relations. Cultural elements are more important when an employee from home country deals with organizations ethics.

With the globalization of markets, production, economies, and consumption activities it has become more and more imperative that managers at all levels develop understanding to decision making, intercultural negotiation and cross-cultural communication. Now the cross cultural communication become important in the many process such as making decisions, building consensus and in the process of reaching agreements. [2][6] As firms are setting up their contributory, shaping strategic alliances, and also creating the joint ventures in many countries, individuals in the managerial positions and professional levels must be well trained in the skills of cross-cultural communication competencies. The Recent comprehensive movement and events are positioning cross-cultural communication and business manners as critical management concerns because of the rising number of businesses concerned in multinational ventures, joint ventures and strategic alliances. The environment of business has become uniformly complex and challenging as a result of conflicting standards, opportunities and cross-cultural communiqué and concerns linked with management ethics. [3][6][12] The twenty-first century globally-interdependent market sturdily point out that multinational corporations are providing opportunities for their executives to move overseas to engage in cross-cultural communication so that they



will obtain the essential knowledge, skills and directions for managing the cultural divergence. The global experience allows these executives to relate efficiently with peoples of other countries in an attempt to take benefit of the opportunities available in culturally-diverse marketplace. [6][8]

In order to narrow the scope of this research, the conflict that might happen between individuals from different cultural backgrounds can be considered a “cross-cultural conflict”. Conflict may occur within the same social group according to different criteria: such as families; language; religion; ethnicity; nationality; socioeconomic characteristics; education; occupation among others. Thus, any society is made up of various “subcultures”, by virtue members of any society are “multicultural”.

“Conflict is a predicament that forces us to recognize clearly that we live with multiple realities and must bargain a common reality that we fetch to each situation differing - commonly contrasting-stories and must create together a single collective story with a role for each and for both”. [2][9] Conflict has become indivisible part and parcel of our lives, we experience conflict as we experience pleasure or sorrow in our day to day life. It has become a natural. It has become a natural incident of our personal and professional subsistence. It is an inevitable constituent of human activity that may be viewed as a condition in which the apprehensions of two or more individuals emerge to be incompatible and which leans to occur when individuals or groups recognize that others are preventing them from achieving their objectives. [11] The Channeling conflict in a positive or negative way may influence the nature of the conflict whether valuable or destructive. [2][5] If not managed appropriately, conflicts can result in high turnover, bad feelings and costly litigation and are said to be one of the most complex challenges the organizational members face and one of the most frustrating and uncomfortable knowledge for managers . At the most severe levels conflicts can bring teams, departments and sometimes whole organizations to a virtual decline. Moreover, looking at the brighter side if accurately managed, conflict can “increase individuals’, innovativeness and productivity”. [2][11]

The conflict can be defined as “Relational clashes between two or more than two parties in which those concerned perceive a threat to their interests coming from those on the other side of the divergence. While this definition can express a diversity of conflict but not



explain the full range of possibilities". The word conflict derived from a Latin word 'Conflingere' means to come together for a battle. [1][5][6][11][12]

## **CROSS CULTURE & ITS DETERMINANTS**

One of the determinants of cross culture is Conflict which is of mainly three types: relational, task-oriented and mixed. Relational concerns are highly personal and gyrate around differences in values, beliefs, communication styles and work habits. [1, [3] Task-related conflicts are impersonal and refer to meanings, issues, ideas, and procedures. Mixed conflicts comprise both task-related and relational concerns. Culture commonly plays an important role in the foundation of conflicts. Behaviors, Perceptions, communication patterns and expectations are all embedded in culture and effect directly or indirectly to the conflicts. [5][8] It is essential to grow a conflict gamut for dealing with gender deliberations. One person's gender and the gender of other person affect their behavior in a very efficient and effective ways in the circumstances of conflicts. [8][9] Some researchers evolve that all conflicts are erected on the parties' sensitivity of unsuited goals. At first a party presumes that the other also trying to attain the same thing. As conflicts erect the parties become conscious of differences in their goals and may consider the other party as a barrier for their goal achievement. [10] Conflict resolution can be obtained when both parties find common ground and work from there. [2][5][8][10]

## **NEED OF CROSS-CULTURAL MANAGEMENT IN MULTI-NATIONAL CORPORATIONS**

Cross-cultural management is being appropriate in the corporations for solving issues intensifying between individuals of organization in internal surroundings and in external atmosphere. Cross-cultural management is a renowned kind of management factoring in and attempting cultural dissimilarity between employees in management with an analysis for improving communication in the organization in its international interactions. The major causes of cross-cultural concerns of multinational enterprises are: [1][12][5]

1. Standards: The very first cause of cross culture difference is the work standards. The work standards vary according to the environment of a particular country.
2. Practice: Practical business activity fluctuates amongstcultures, countries people, enterprises etc.



3. Ethics: Ethics is basically a concept such as bad and good, ignoble and the noble, wrong and right, injustice and justice. An implementation of ethical standards in multinational corporations is complicated and complex.
4. Laws: Legal standards are very imperative.
5. Culture: It is also a complex trend and in multinational corporations appropriate management of culture is indispensable.
6. Socioeconomic System: The economic state of countries directly affects the enterprises and their operations and related activities. Also, the uniqueness of social systems in different nations reflects in the business, and special adaptation is desirable from employees of diverse socioeconomic systems. [5][12][11]

### **CROSS-CULTURAL MANAGEMENT IN MULTI-NATIONAL CORPORATIONS**

Cross-cultural management helps to go across the cross-cultural barriers. Another significant role of cross-cultural management is precautionary work in multicultural organizations evading configuration of such barriers. The culture plays an important role in the shaping of managerial work which in turn influences managerial roles. As globalization boosting the cross cultural contacts in managerial settings, the insufficiency of our present considerate of management to explicate and expect behavior in these settings becomes more obvious. Global managers face surroundings that are more dynamic, more uncertain, more difficult and more competitive than ever before. The challenges presented by legal, economic and political facets of the multinational corporation environment are complex. [2][8][9]

From both the practical and theoretical point of view the potential solutions of cross-cultural problems may be:

**Knowledge Transfer and Dissemination:** Knowledge transfer and dissemination helps to attract new skills, knowledge, make informative interactions from professional view and from cultural view as well. Effective knowledge transfer is one of the most important tool for cross cultural management the successful transfer of knowledge includes the understanding that how human resources develop and manage communication. Knowledge culture of organization is essential and must be ensure that values are widely and extremely spread amongst the individuals. [1][3][6][7]

**Effective management of human resources:** Effective management of human resources avoids the cross-cultural issues. Employees with excellent skills may be competent to adapt



to the situation in more appropriate way, particularly than problems are rising in multicultural surroundings. Good communication skills help managers to discuss problems and finding the suitable ways of solving them. Leadership theories when collectively used with knowledge of cross-cultural interactions drawn from social cognition can be useful in drawing important suggestion for managers about appropriate leadership behaviors. Having explicit knowledge of another culture can also be useful as a task-relevant ability for some group tasks. Moreover, the expression of alternate opinion by culturally different group members can raise the superiority of group decision making and problems solving capability by increasing the interest of the group to the decision-making process. [2][6]

**Bicultural skills:** Bicultural skills are acquired in bicultural families or spending part of life working and living in the other nation as resident country is. Bicultural skills are used as benefit in multicultural environment in multicultural corporations. Many researches reveals that the bicultural peoples do not just apparently adapt their behavior but also are able to grasp different conceptions of themselves as concurrently independent of others and interdependent with others. [3][5][11]

## **CONCLUSION**

The increasing need of cross-cultural management has several reasons. One of the reasons is globalization connected with new technologies, expansion of business as joint ventures, acquisition of businesses etc., growing competition, and networks. The other main reason of mounting role of cross-cultural sciences is immigration. [3] This phenomenon creates the atmosphere where multinational corporations, multicultural societies, multinational cultures develop. [12] The main concerns or cross-cultural issues of multicultural corporations are socioeconomic system, ethics, laws, standards, practice, culture, customs and management system. From theoretical as well as practical viewpoint potential remedies for cross-cultural issues may be knowledge transfer and dissemination, management of human resources, virtual teams, effective and bicultural skills. [11][8] Many researches reveals that the most important cross-cultural barriers in multicultural corporations are verbal language, values, beliefs, traditions, nonverbal languages, and social system. The Possible effectual solutions of cross-cultural problems may be cooperative team formation, cultural programmes, learning foreign languages etc. The efficacy of cross-cultural management in enterprises mainly depends on managers' abilities and qualification.



[2][4][7][9] Along with several limitations of the study, mainly the broad subject area further scope is there in the particular area. In the above some issues were only sketched. Cross-cultural relationships can be analyzed separately and explored in more detail. Future research could be extended by an in-depth case-study with selected Multinational Corporation.

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