

THE GROWING NEED OF CROSS-CULTURAL MANAGEMENT AND ETHICS IN BUSINESS

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Abstract

The article discusses questions of growing need of cross-cultural management and ethics in business. Globalization and migration are the main causes of growing number of multicultural enterprises. Globalization is affecting the environment in which managers must function. Fast developments of technologies, growing competition, networks of enterprises are consequences of globalization. Multicultural business environment conditions different problems. Different aspects of culture are affected by technological and economic change.

Effective solutions are needed for enterprises. Cross-cultural management and ethics helps to make preventive actions and solve the existing problems. Global managers are concerned with legal and political characteristics of countries, which are derived from their history and culture.

The main task of cross-cultural management and ethics in business is to propose effective and mostly adapted to situations decisions of problems. There are different cross-cultural problems such as standards, practice, laws, ethics, culture, customs, management system, and socioeconomic system. Managers of multicultural enterprises use different techniques useful to their situation. International managers face a variety of decisions every day. Resources must be allocated, employees selected, and the attractiveness of joint venture partners evaluated. All must be done in a highly complex international environment. Work in virtual teams, difference in time zones, understanding and values in different cultures makes difficulties for managers.

Appropriate solutions of cross-cultural problems may be effective knowledge management, effective management of human resources, virtual teams, and bicultural skills. Especially is important effective work with human resources in the enterprises. Positive view to different attitudes and values help prevent problematic situations and possible conflicts. Here helps organizational culture also.

As empirical research results show the most important cross-cultural barriers are believes and stereotypes, verbal language, traditions, values, nonverbal language, social rules, and other. The made research results show that the appropriate and effective solutions may be collective parties, learning foreign languages, cultural instructing, and cultural programmes. In big multinational corporations solutions may be directly connected with internationally oriented cultural instructing, seminars for staff, global managers' work.

It is very important to remember that large companies and SMEs have very different capabilities of financial and human resources. Solutions may be made in different management levels of the multicultural enterprise. Information technologies connect millions of SMEs, develop foreign markets and compete strong as nether before. Lithuanian enterprises face not so many cross-cultural problems because our country is rather closed and not very mixed by living nations. Migrants select other more developed countries of the EU as their destination countries.

Key words:

Cross-cultural management, Cross-cultural management ethics, business.

Introduction

Nowadays globalization processes are so quick and so unstable, that business communication becomes more multicultural or cross-cultural. In multicultural environment connections become more complex. And, problems rise in various situations of life, as also in business.

Cross-cultural management and ethics need is growing. This growing has several obvious causes. One of them is globalization. Economic links are growing every day. Work environment becomes more complex and more dynamic. Rapid change is occurring in economic alliances, the work environment, trade and investment, and the players on the international stage. Development of technologies is

so fast (Seilius, Šimanskienė, 2006; Thomas, 2008). Modern technologies become available even for small companies (Bannock, 2005). The European Union (EU) support helps to implement technologies, also attract new knowledge in SMEs (small and medium-sized enterprises). Competition is stronger every day. Only strong enterprises having competitive products stay in the market these days.

Globalization processes, also growing European Union force enterprises compete globally risking and using unused resources. This process may be as seeking-founding process when international enterprises seek, find and try new possibilities (Seilius, 2004).

The other very important cause of growing need for cross-cultural management and ethics is migration. It is growing in such countries as Lithuania, and even in very developed countries as Germany. The people with high competence leave their native countries because of better living and work conditions in foreign countries. And, they often do not come back to their native countries. Also, international business expands depending on migration circumstances. So, this precondition of the growing number of multicultural enterprises should be emphasized.

Those circumstances reveal such **a scientific problem** of the article as disclosing the growing role of cross-cultural management and ethics; developing culture and management synergy process in multicultural business. **The task of this article** is to distinguish the main cross-cultural problems and barriers in multicultural business environment.

Cross-cultural management role

In multicultural environment business enterprises act more complicated that only in national markets. Concept “cross-cultural” is any of various forms of interactivity between members of disparate cultural groups; taking into account the interaction between people of different cultures when making arrangements, mixes between various cultural contributions to overcome differences that may be an impediment to communication (Thomas, 2008).

Cross-cultural management is applied in enterprises for solving problems rising between members of organization in internal environment and in external environment. Cross-cultural management is a new type of management factoring in and tackling cultural differences between staff in management in general, with a view to improving communication in the company and in its international exchanges¹.

The main problems or, in other words, cross-cultural problems of multicultural enterprises are (Thomas, 2008):

- Standards. In different countries work standards are different.
- Practice. Practical business activity differs among people, enterprises, cultures, countries.
- Ethics. Implementation of ethical standards in business is difficult and complex.
- Laws. Legal standards are very important.
- Culture. It is as itself complex phenomena, and in business appropriate management of culture is essential.
- Customs. They are still very important nether less the assimilation sometimes is seen.
- Management system. Management systems differ depending on company size, activity, tasks. Especially they differ in different countries.
- Socioeconomic system. The state of economic situation of countries directly impacts enterprises and their activity. Also, the characteristics of social systems in different countries reflect in business, and special adaptation is needed from employees of different socioeconomic systems.

Cross-cultural management helps go across these cross-cultural barriers or move them. Other important role of cross-cultural management is preventive work in multicultural enterprises avoiding formation of barriers. Culture shapes the context of managerial work, which in turn influences managerial roles (Thomas, 2008). As globalization increases the amount of intercultural contact in organizational settings, the inadequacy of our present understanding of management to explain and predict behavior in these settings becomes more apparent. Global managers face an environment that is more complex, more dynamic, more uncertain, and more competitive than ever before. The challenges presented by economic, legal, and political aspects of the international business environment are formidable. It is the influence of culture on management that can be most difficult to deal with because culture has a broad influence on behavior and on other environmental factors and because cultural effects are difficult to observe.

Why is cross-cultural ethics important?

Cross-cultural ethics is a branch of ethics philosophy. Cross-cultural ethics (also known as moral philosophy) is a branch of philosophy that addresses questions about morality—that is, concepts such as good and bad, noble and the ignoble, right and wrong, justice, and virtue solving problems between disparate social groups or members. Social group may be diverse by nationality, religion, believes, values, and etc.

Professional ethics solves various problems rising in special spheres as in medicine, law, also in business. Business ethics (Vasiljeviene, Jeurissen, 2002; Pruskus, 2005) can play an important role in economic and society transformations. The process of globalization

¹ <http://www.tamu.edu/classes/cosc/choudhury/culture.html>

requires a company's prompt response to upcoming technological, organizational and human relations' changes, in order to succeed in a highly competitive business world. These developments produce a whole range of new ethical challenges for managers. Managers need to deepen their knowledge about social, cultural, and moral environment that they are operating in. Here the knowledge that business ethics provides is a strategic means for optimizing business/ professional activities and achieving more integrated, well-functioning and humane European and world society.

Now in business ethics the benchmark is universal ethical standards and legal acts, international humanized norms which could be applied for multicultural enterprises.

Possible solutions for cross-cultural problems

From theoretical point of view possible effective solutions of cross-cultural problems may be:

- **Knowledge transfer and dissemination.** It helps to attract new knowledge, make information exchanges from professional view as well as from cultural view (Probst, Raub, Romhardt, 2006). As T. C. Chini (2004) says, most important is effectiveness of knowledge transfer, because not every transfer is effective. Successful transfer of knowledge includes the understanding how employees develop and manage communication (Al-Hawamdeh, 2003; Girdauskiene, Savaneviciene, 2007). Here knowledge culture of organization is important. Within the organization it is very important that essential values were widely and deeply spread (Hansen, 1999; Girdauskiene, Savaneviciene, 2007).
- **Virtual teams.** It helps overcome distance and communicate rather directly even without real contact. Modern technologies help connect easily and work virtually as often as it is needed (Gasos, Thoben, 2003). Teams are working autonomic, freely geographically dislocated (Barkema, Baum, Mannex, 2002; Seilius, Simanskiene, 2006).
- **Effective management of human resources.** It prevents from cross-cultural problems, at first (Seilius, Simanskiene, 2006). Employees with high quality skills may be capable to adapt to the situation in more appropriate way, especially than problems are rising in multicultural environment. Good communication's skills help managers discussing problems; also finding the appropriate ways of solving them. Leadership theories when combined with knowledge of cross-cultural interactions drawn from social cognition can be useful in drawing important implications for managers about appropriate leader behaviors (Thomas, 2008). Having specific knowledge of another culture can be thought of as a task-relevant ability for some group

tasks. The expression of alternate views by culturally different group members can raise the quality of group decision making and problems solving by increasing the attention of the group to the decision-making process (Nemeth, 1992; Thomas, 2008).

- **Bicultural skills.** Such skills are acquired in bicultural families or spending part of life living and working in the other country as native country is. Bicultural skills are as advantage in multicultural environment, also multicultural enterprises. It is important to say that research indicates that bicultural persons do not just superficially adapt their behavior. They are able to hold different conceptions of themselves as simultaneously independent of others and interdependent with others (Yamada, Singelis, 1999; Thomas, 2008).

From practical positions the research about cross-cultural barriers was made interviewing one small bicultural enterprise in Lithuania². The research results show that the most important cross-cultural barriers are:

- Believes and stereotypes. They are so strong in our cultures. They can difficultly be changed or forgot. Believes and stereotypes are the part of cultural identity. Stereotypes are based on very limited information about others. That is, we use very basic physical or social evidence to categorize people and to organize information about them (Taylor, 1981; Thomas, 2008).
- Verbal language. It is one of the strongest components of cultural identity. Lithuanian language is very old language and should be valued. It is very important to use actively native languages in business also. Of course, the need of learning foreign languages is obvious and necessary.
- Traditions. They are tightly connected with nationality and native country.
- Values. They should be cherished and composed in business culture. In multicultural enterprises strong values can help to appreciate colleagues with different cultural identity.
- Nonverbal language. Language of body often is much more important than verbal language. Often happens that verbal language contradicts nonverbal language. Nonverbal communications convey important messages and are produced more automatically than are words (Argyle, 1988; Ferraro, 2006; Thomas, 2008).
- Social rules. They especially differ in different countries because of different governmental model and different social system, even different attitude to social status.
- Other.

² T. Kalonas. Cross-cultural barriers and ways of moving them in Lithuanian business. Interview results, 2010.

The most appropriate solutions of problems proposed by employees as empirical research results show are:

- Collective parties. Parties may be very useful way for connecting employees of different cultures. But it must be remembered that the parties can not become casual event. They might be related with traditional festivals, have their value between employees.
- Learning foreign languages. It solves not only cross-cultural problems, but also helps to improve skills useful for direct duties.
- Cultural programmes. They may be useful as they are planned by management of the enterprise and prepared for connecting the work team.
- Cultural instructing. It mostly depends on management attitude to solve cross-cultural problems, or make more comfortable environment in the enterprise.

As the research results show the multinational organizations emphasizes the need of the key managerial roles of information exchange, coordination, information scanning, and control (Vora, 2008).

It is very important to notice that the different levels of problems might rise in SMEs and large companies. Large multicultural companies can put strong efforts and even make special teams for solving cross-cultural problems. SMEs have limited financial and human resources, so the solutions might be made sometimes by one managing person or main investor (Bannock, 2005).

Ending the article such a thought could be said: „If you reject the food, ignore the customs, fear the religion and avoid the people, you might better stay at home.“ (James Michener (1907-1997).

Conclusions

- The growing need of cross-cultural management and ethics has several causes. One of the causes is globalization connected with growing competition, networks, and new technologies. The other main cause of growing role of cross-cultural sciences is migration. This process creates environments where multicultural societies, cultures, and enterprises develop.
- The main problems or cross-cultural barriers of multicultural enterprises are standards, practice, ethics, laws, culture, customs, management system, and socioeconomic system.
- From theoretical viewpoint possible solutions of cross-cultural problems may be knowledge transfer and dissemination, virtual teams, effective management of human resources, and bicultural skills. Important role plays modern business ethics which standards and norms are constructed on international viewpoint.
- As empirical research results show the most important cross-cultural barriers in Lithuanian enterprises are

believes and stereotypes, verbal language, traditions, values, nonverbal languages, and social rules.

- Possible effective solutions of practical cross-cultural problems may be collective parties, learning foreign languages, cultural programmes and instructing. The effectiveness of cross-cultural management and ethics appliance in enterprises especially depends on managers' qualification.

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