

# CULTURAL DIVERSITY AND HUMAN RESOURCE MANAGEMENT IN MULTINATIONAL COMPANIES

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**Abstract:** *When the multinational firms employ human resources from different countries they have to submit to the restrictions concerning cultural differences. The paper is an attempt to show how the human resource management administrates these cultural differences.*

**Keywords:** diversity, cultural differences, human resources management, multinational company, multiculturalism

**JEL Classification:** F23, M12, A13, Z13

The cultural diversity for the employees represents an essential problem for the managers, because beside the unquestionable reality of this one in the majority of the multinational companies but in the national companies also, a different force of labor from the cultural point of view, brings to the organization advantages and inconvenient.

When the society employs personnel from different countries, this one must obey to the restrictions coherent to the cultural differences. To understand the impact of the multiculturalism or of the cultural variety of the human resources over the activity of the company with the international activities, we consider convenient the presentation of the principal criterions which define the cultural groups, identified by G. Hofstede (Hofstede, 1996) as a result of the investigation made on the basis of questionnaire realized in the field of workers from the company IBM from the entire world. This are;

- *Distance in front of the power*, signifying the importance given by the members of the unequal economical society and social. The distance in front of the power is little in the cultures in which is tried the reduction of inequality in strength and wealth (SUA, Austria, Denmark, Israel, Sweden) and the great society in which the individuals resigns with the managerial position held (Latin countries from Europe, the countries from South America and Africa: Italy, Spain, Mexico, Venezuela, Panama, Malaysia etc);

- *Individualism - collectivism*, which describes the relations between peoples. In this way it was recorded that the richer a country is the individuated the comportment of its inhabitants is and the reverse, the poorer it is the more developed is the communitarian spirit.

- *The masculineness – womanhood*, describing the position occupied by the respective culture and the equality between the sexes. In a masculine society the role between man and woman are clearly differentiated, while in the feminine cultures the roles interchangeable, existing much equality. The predominant masculine cultures may be found in: Japan, Greece, Italy, Switzerland, Greece, Venezuela and the feminine one are in Sweden, Denmark, Holland and Finland;

- *The control of incertitude*, namely the measure in which the individuals are threatened by the unknown. The cultures in which the control of the incertitude is bigger prevails the need of security, planning, order, as it is happening in Japan, France, Greece, Portugal, Belgium. In exchange, in Denmark, Sweden, Great Britain, SUA the control of the incertitude is reduced, which consist in assuming of risk in the developed activity.

- The Confucianism –dynamism, criteria extended by Hofstede (Lynch, 2002, p. 340-341), in connection with the horizon of long and short time. The Confucian society of long term put the accent on the long perspective and perseverance (China, Hong Kong, South Korea), while the short term society have as defining values the importance of the state, the social obligations and the faster decisions (USA, Canada, Great Britain, Nigeria).

The implications of every culture over the management of human resources are synthesized in the table 1.

**Table 1 - The implications of cultural differences over the management of human resources**

<b>Low distance from the power</b>	<b>Big distance from the power</b>
<ul style="list-style-type: none"> <li>- little number of the hierarchical level</li> <li>- reduced palette of salary</li> <li>- Highly qualified workers, with the same statute as the officials</li> </ul>	<ul style="list-style-type: none"> <li>- big number of the hierarchical level</li> <li>- large palette of salary</li> <li>- mot-qualified workers, with inferior statute as the officials</li> </ul>
<b>Individualism</b>	<b>Collectivism</b>
<ul style="list-style-type: none"> <li>- the relations between the employees are based on personal interests;</li> <li>- The employees doesn't expect the company to care of them;</li> </ul>	<ul style="list-style-type: none"> <li>- the relations between the employees are based on morality</li> <li>- The employees expect the company to care of them</li> </ul>

<ul style="list-style-type: none"> <li>- the initiatives of the personnel have precedence;</li> <li>- uni-personal decisions are predominant</li> </ul>	<ul style="list-style-type: none"> <li>- loyalty and duty have precedence;</li> <li>-are predominant the group-decisions.</li> </ul>
<b>Masculineness</b>	<b>Womanhood</b>
<ul style="list-style-type: none"> <li>- the men are looking for a career;</li> <li>- There is tensions in work;</li> <li>- uni-personal decisions are predominant;</li> <li>- personal achievement is predominant</li> </ul>	<ul style="list-style-type: none"> <li>- the men and the women are looking for a career</li> <li>- little tension in the work;</li> <li>-are predominant the group-decisions;</li> <li>-integration in the team is important.</li> </ul>
<b>High level of incertitude</b>	<b>Low control of incertitude</b>
<ul style="list-style-type: none"> <li>- preference for big companies;</li> <li>- small ambition for promotion and preference for ancient managers;</li> <li>- avoidance of concurrence between the employer;</li> <li>- resistance at the change;</li> <li>- promotion of the personnel from the interior of the company;</li> </ul>	<ul style="list-style-type: none"> <li>- preference for small companies;</li> <li>- huge ambition for promotion and the access of the young for the position of manager;</li> <li>- promotion of concurrence between the employer;</li> <li>-the employees doesn't oppose resistance to change;</li> <li>- promotion of the personnel from the interior and from outside of the company ;</li> </ul>
<b>The Confucianism</b>	<b>Dynamism</b>
<ul style="list-style-type: none"> <li>- it is important the achievement of a career based on long experience;</li> <li>- reduced mobility of the personnel between companies;</li> <li>- loyalty for the company</li> </ul>	<ul style="list-style-type: none"> <li>- it is important the material wellbeing on short time;</li> <li>- high mobility, dictated by the material gain;</li> <li>-reduced loyalty for the company</li> </ul>

Source: Partially adapted after Burdus, 1998, pp. 55-61, *Comparative management*, Economical Publishing House, Bucharest, 1998, Page 55-61.

Therefore, it is understandable that the tasks of the managers are more complex in the multinational companies which hire personnel from multidimensional geographic spaces (even from national companies with employees of different nationalities), having problems with the co-

existence of the cultures in the same company. In this sense, the principle strictness- liberty made by Peters and Waterman (Peters and Waterman, 1992, p. 318), according to which the organizations are highly controlled, but, in the same time, permit (and promote) the autonomy, the initiative and innovation of the employees, may function on the American employees, but has some difficulties in other cultures such as the japping or the Korean one, where is a high control of incertitude and an important collective spirit.

Another example, much more particular, is that of an American employee who works in a Japanese company and who expects from his subordinates to announce when a problems appear. Due to a different perception of the "problem", which belongs to a different cultural perception, the Japanese employees go to their American manager only when the situation becomes critical, the situation couldn't be resolved.

After a study made in 16 private and public organizations from the USA and from other countries, the author of the study evidenced the *advantages of diversity*, for the company (Morrison, 1992, p.11-28). And these are: the winning and the keeping of a big quote on the market; reducing of the costs; productivity and the multiplied innovation for the forces of work; the improvement of the quality of the process of management; the capacity of employees to use points of view, stiles for leading and different landing in the process of taking decisions and in cultivation of the new ideas; the development of the multicultural competences for the employees, the capacity to recognize, to light, to analyze and to work when have problems at work, problems with differences of global order, cultural and at the level of the group; the reduction of the resistance of the employees at the organizational change.

The market specificity belongs to different national cultures and their diversity represents for many companies an obstacle hardly to pass. The mentioned study concluded that an efficient modality to gain and to maintain highly quote of life in this circumstances is that of having managers belonging to different cultures. Beside the multiplication of the credibility of the company for the clients- we take into account those who identifies with the manager from the cultural point of view – this managers know better the habits, the expectance, the consumer's behavior from the same country. Thus, in the fight between two big companies in a town from the South- West of the USA, which was mainly inhabited by a Hispanic community, won the candidate who chooses a Hispanic project manager.

When in a company works personnel belonging to a minor community (culture), comparatively with the rest of the employees, usually they are marginalized which makes them to leave the company. The costs for recruiting, training, transfer and that of replacement of the employees being expensive, it was attain the conclusion that is more economical to promote the

diversity, a practice applied with success being that of offering to the “untraditional” managers stimulants for maintaining them into the company. This thing comes into the contestation of the other “untraditional” employees, who will become loyal to the company. If this thing isn’t achieved, the productivity of labor will be clearly evident. More over, being appreciated, they will give full expression to their ideas, contributing to the improvement of the company’s performance.

The mentioned study showed that a correct competence for promotion, at which may take part also the “untraditional” employees, enlarges the group of talented persons, improving the quality of the managers. The team labor with workers from different cultures helps the manager to enlarge the horizon, to become more opened.

Moreover, all this advantages, may be added the fact that the work- groups or the teams of work which relies on the contributions of some members belonging to different cultures benefits of the advantage of an excess of information regarding the labor process, the decisions being well-founded.

The experience of the multinational companies (and not only), and different empirical studies demonstrated that a force of diverse labor is more efficient when the managers are capable to create a medium in a company characterized by pluralism (in which the differences are recognized, accepted and perceived as elements which contributes significantly at his success). The landing or the strategies for the efficient administration of the diversity of the working force was classified by Jean Kim, professor at the Stanford University in 5 categories (Kim, 1991):

1. The landing of the “golden rule” has its basis on the saying “behave with the others as you like them to behave with you”, so on the morality of the peoples. What is reproached of this landing of cultural diversion in the company is that every person has its own system of reference, not taking into account the traditions and the cultural characteristics of those persons.

2. The landing of assimilation, which supposes the adaptation of every member of the company at the dominant culture of the company, the homogeneity from the cultural point of view. This presents the disadvantage that encumbers the creativity and the diversity of the points of view which the company may have.

3. The landing of correcting the errors, characterized by the fact that focuses on the mistakes from the past which have effect over a cultural group from the company. The improvement of the errors refers to those policies adopted by the company in front of different cultural groups with a detriment in the past.

4. The landing of the cultural specifics used for the employees who have a transfer abroad and which implies to learn the norms and the specifics of others culture. In this way, those will interact efficiently with the members of that culture, but it is appreciated that they aren’t capable to

appreciate correctly the culture in which they will reintegrate, they identifying better with the mother- company than with the foreign branch.

5. The multicultural landing, which offers to the employees the opportunity to appreciate the differences between the cultures and those existent between the characteristics of the peoples. The mentioned landing focuses on “the way in which the interpersonal qualifications and the changes of attitude are reported to the performances of the organization”. Its basis is on the idea that the company and its employees will need to change to adapt to diversity of manpower. It is appreciated that this approach is the most efficient because endorses the change at the level of the management, and of the employees, of the systems and of the structures from the organization.

Being given the importance of promotion the cultural diversity in the companies, the managers need preparation in the field of diversity. This means “a complex process of learning foredoom to enlarge the sensibility of the managers and to develop their competences in the landing of the problems of the leading a diverse manpower. The conceived programs generally endorse the following aspects: consciousness of the behavior; recognition of the biased and stereotypical accents; focus on the results obtained at the place of work; the avoidance of the suppositions; the change of the manuals regarding the policies and the procedures (Certo, 2002, p.716.).

The managers must adopt also an *equilibrated attitude in the synergetic administration of the cultural differences*. Many times is it necessary the conciliation of the differences, through the recognition and their adaptation by the employees at the habits of the others. On the other way, in a global business medium and more sophisticated, an attitude of exaggeration of the cultural diversity may be in the detriment of the communication and of collaboration between the employees, production for the marginalized. For that, the optimal solution is the reconciliation and the equilibration of the differences. Moreover, the advantages will be multiplied if beside the equilibration and the adaptation of different cultures is resorted to synergetic exploration of the best aspects of the respective culture. “Reconciliation of the differences leads to the discovery that diversity is pleasant and that integration of the reflection and of global action may be fruitful” (Mockler, 2001, p.318-320).

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