

## Cross cultural management and it's role in diversity management : Evidence from companies in India

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### ABSTRACT

The globalization of business which is considered as a 'second industrial revolution' is a trend that makes Diversity management crucial for all organizations. Given the challenges and opportunities presented by our diverse world and a lack of top-down approach in a non-hierarchical organization, the role of the future leader will be his ability to balance differences in cultures, generations, race and communities. This study examines the best practices in managing across a culturally diverse and geographically dispersed workforce in organizations in India and the effect of these on diversity management. This study proposes a theoretical model to present the current state and future recommendations in the fields of diversity and cross-cultural management.

**KEYWORDS:** corporate culture, Global trade, cultural intelligence, Diversity management, overseas negotiations, training.

### INTRODUCTION

Diversity is generally defined as acknowledging, understanding, accepting, valuing, and celebrating differences among people with respect to age, culture, ethnicity, gender, physical and mental ability, race, sexual orientation (Esty, et al., 1995). Diversity these days, is a challenge of meeting the needs of the diverse workforce and sensitizing the workforce and managers to the differences associated in an attempt to maximize the potential productivity of all employees.

Diversity management refers to the voluntary organizational actions that are designed to create greater inclusion of employees from various backgrounds into the formal and informal organizational

structures through deliberate policies and programs with the aim of :

1. Increase in productivity
2. Reduced interpersonal conflict
3. Effective inter group communication
4. Successful marketing to different types of customers
5. Better problem solving and decision making

Culture determines a person's belief's, behaviors and values. Culture is an indirect reflection of our language, learning styles, religion, values, notions and ideas (Bodley, 1999). Human Resource Management necessitates a direct link between human beings as a resource and their cultural backgrounds (Jackson, 2002).

A study of organizations in different ownership forms and industrial sectors through an in-depth case study of 24 firms , reveals the differences between western MNCs and eastern firms as well as the varying views of Indian managers and employees on issues related to diversity management. The CAPS research 2014 newsletter indicates questions about how companies are succeeding in meeting or surpassing their supplier diversity goals and how they work with diverse suppliers to develop new business opportunities. HP believes that a diverse workforce encourages creativity and innovation and has a special 'Diversity and Inclusion leadership Committee' consisting of senior leaders from all over the world. Also the gender diversity drive has taken many organizations such as IBM, Kotak Mahindra, SAP labs etc. by storm. In fact Deutsche bank offers a 2% additional fee to a recruiter for bringing women candidates to the bank.

Many corporate giants like, Infosys which was the first Indian IT company to establish an office for diversity and inclusivity believes that talent diversity is the key to propel it's business growth engines and sustain momentum. Cognizant, Dell, Microsoft, Vodafone are working on " second career" programmes .

Hindustan lever Ltd. (HLL) Unilever is an extremely diverse organization in terms of its ethnic and cultural make-up. The Unilever Leadership Executive (ULE) comprises managers from five countries and the top 100 executives come from over 20 countries. The company has a diversity board chaired by the CEO .

Accenture has numbered 9 in the Top 50 Companies for Diversity , up from number 12 last year making Accenture's seventh consecutive year on the Diversity Inc list . Diversity Inc also included Accenture in three "Top 10" lists for

- No. 7 for Global Diversity
- No. 7 for Supplier Diversity
- No. 10 for Persons with Disabilities

Wipro Limited received the 'NASSCOM Corporate Award for Excellence in Diversity and Inclusion, 2012', in the category of 'Most Effective Implementation of Practices & Technology for Persons with Disabilities'. It has also been ranked 2nd in the list of Top 25 U.S diversity councils, by The Association of Diversity Councils, a practice group of diversity and inclusion consulting and training firm PRISM International, Inc.

Genpact Limited , a global leader in business process management and technology services, has been

recognized at the NASSCOM Corporate Awards for Excellence in Diversity and Inclusion, in the category of best BPO company with more than 5,000 employees. Diversity is part of the DNA at Genpact and is integral to the company's ethos.

In spite of all the above, in most companies in India – the awareness of the challenges of a diverse workforce is still at a very nascent stage. If Indian organizations do not awaken to this issue fast and take the necessary steps, they will lose their best talent and their competitive edge! (Source: Deloitte and the Confederation of Indian Industries released a report titled, "Gen Next Workforce Study, 2013.")

## LITERATURE REVIEW

Organizational leaders and policy makers are required to know how human resources are managed in different parts of the world and how they should perceive and react to different cultural beliefs and practices (Budhwar & Sparrow, 2002). These principles, policies and practices of managing people in organizations differ from people to people of diverse cultural backgrounds thereby necessitating the HRM to be carefully altered and aligned to match the organizational objectives (Society for Human Resource Management, 2007).

Taylor H. Cox and Stacy Blake (1991) presented data on how managing diversity can create a competitive advantage, cost, attraction of human resources, marketing success, creativity and innovation, problem-solving quality, and organizational flexibility as six dimensions of business performance directly impacted by the management of cultural diversity.

The conventional HR practices tend to promote and perpetuate homogeneity in the workforce as a result of the A-S-A (attraction-selection-attrition) cycle (Schneider, 1987; Smith, Paul, 2001). Typically, individuals are *attracted* to organizations that appear to have members with values similar to their own. In turn, organizations *select* new members that are similar to their existing members because their hiring continues to make everyone feel comfortable (García, Posthuma, & Colella, 2008). Employees who do not fit in well with the dominant organizational culture eventually leave or are fired, creating a selective *attrition* process that supports and maintains a workforce that is homogeneous. In the long run, this trend is unhealthy for organizations in that it limits their talent pool, their long-term growth and renewal, and the ability to trigger a change management.

Cross-cultural misunderstandings can be seen among people working across MNC's with diverse cultural backgrounds which tend to perpetuate cross-cultural conflicts, low morale stress, and poor employee performance (Milliman, 2002; Higgs, 1996; Monks, Scullion and Creaner, 2001).

### The multicultural organization paradigm

Cox (1994, 2001) presents a diversity management paradigm that classifies organizations to three types: the monolithic type, the plural type, and the multicultural type. Diversity management, according to this paradigm, should strive to create multicultural organizations wherein employees of various all social-cultural backgrounds can contribute to and maximize their potential.

**The monolithic organization.** This is an organization that is homogeneous both in terms of demography and culture. Most Chinese companies are monolithic from a cultural and ethnic perspective, as the overwhelming majority of their employees are ethnically Chinese. These organizations have a culture that will perpetuate the homogeneity of its workforce through its hiring and promotion practices. There will be an expectation that members of diverse groups will assimilate into the culture of the majority with minimal degrees of structural and formal integration.

**The plural organization.** This is an organization that has a heterogeneous workforce, relative to the monolithic organization, and tries to conform to laws and policies that demand and expect equality at workplace. It will take active steps to prevent discrimination in the workplace such as audits that assure equality of compensation systems and manager training on equal opportunity and gender issues. Examples of plural organizations include companies in which members of minority groups constitute a sizable proportion of the workforce but only a small percent of the managerial positions.

**The multicultural organization.** This is more an ideal than an actual type because very rarely do companies achieve this level of integration. However, Cox (1994, 2001) indicates that it is important to understand this type and use it to create a vision for effective diversity management. A culture that fosters and values cultural difference characterizes the multicultural organization. This type of organization is fully integrated both in structure and domain, is unbiased and has reduced inter group conflict.

Shaw, J.B. & E. Barrett-Power(1998) in their research paper suggest that Diversity is an increasingly important factor in organizational life as organizations worldwide become more diverse in terms of the gender, race, ethnicity, age, national origin. In this article, a "group-development" model is used to examine the impact of diversity on group processes and performance.

Anjana Nathwani (2010) conducted a recent global employee survey that included over 25,000 front line and managerial employees in India, 84% confirmed that they thought the company promoted equal opportunities in the work place. Also in the NAMESA (North Africa, Middle East and Southern Asia) Region, women hold a number of senior positions across a range of functions including operational management

## OBJECTIVES

1. To study and enumerate the main components of cross cultural management and the correlation among these across companies in India
2. To study the relationship between diversity management and Cross cultural management across companies in India
3. To establish the role of training in implementing best practices in Diversity management across companies in India
4. To study and validate the relationship between effective diversity management and the increase in organizational productivity.

## RESEARCH METHODOLOGY

### Population, Sample unit, Sample size

A total of 5 industries (Manufacturing, IT, Pharma, ITES, R&D) were contacted with 20 senior level managers from each to find out their opinion on Cross cultural management and diversity practices in India making a total sample size of **100**.

### Sampling technique & Data Type

Non-probability convenient sampling method was used to collect primary data from the respondents.

### Data Collection tools

Structured questionnaire was prepared on the basis of Literature review for the collection of primary data consisting of questions on a scale of 5 .

The questionnaire analyzed the thinking of personnel specialists based on the following aspects: cultural intelligence and overseas assignments, cross cultural communication ,training , overseas negotiation success and Diversity management . The companies chosen operated in India with an employee base of 200 or more.

Two approaches are used to estimate the factors namely;

1. A five (5) point likert scale method which ranges from Strongly Disagree (1) to Strongly Agree (5) for preparation of questionnaire.
2. Econometric model by taking the *Dependent and Independent Variables* : Dependent variable is diversity management while components of cross cultural management are included as independent variables.

### Data Analysis tools

1. The collected data was coded and tabulated
2. SPSS software was used for further analysis of data.
3. Reliability of the data collected was assessed by applying the Cronbach Alpha method.
4. t test ,Mann Whitney U test.
5. Correlation and regression analysis

## ANALYSIS AND EMPERICAL RESULTS

### Reliability analysis

**Table 1**

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.730	.713	12

Cronbach alpha for the questionnaire was 0.63 initially when all 14 questions were taken into consideration. Eventually two questions were excluded and subjected to analysis which resulted in a value above 70 % per cent showing reliability of scale measurement. The measure shows that remaining 12 variables are internally consistent.

## HYPOTHESES TESTING

### Hypothesis 1

**H0: There is no significant relationship between cultural Intelligence, overseas negotiation success, employee communication ,training & development and effective cross cultural management**

**H1: There is a significant relationship between cultural Intelligence, overseas negotiation success, employee communication ,training & development and effective cross cultural management**

### Tables and interpretations

**Table 2**

#### Model Summary

DEPT	Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
NONIT	1	.812 <sup>b</sup>	.660	.570		.45799

a. Predictors: (Constant), CULTURAL\_TRNG, COMMUNICATION\_FEEDBACK, DIV\_TRNG, COMMUNICATION\_GAFFES, CULTURAL\_ADAPTION, DIV\_RECOGNITION, OVERSEASASSIGN\_LANGUAGE

b. Predictors: (Constant), CULTURAL\_TRNG, COMMUNICATION\_GESTURS, OVERSEASASSIGN\_LANGUAGE, DIV\_TRNG, COMMUNICATION\_FEEDBACK, CULTURAL\_ADAPTION, COMMUNICATION\_GAFFES, DIV\_RECOGNITION, OVERSEASASSIGN\_NEGOTIATION

The table 2 shows a strong R Value among the dimensions/ components of cross cultural management

Dependent variable is Cross cultural Human resource management

Independent variables are it's components - Cultural Intelligence (CI), Employee communication (EC) Training and development(T&D) and noverseas negotiation(ON)

**Table 3**

Coefficients

DEPT	Model	Standardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
		B	Std. Error				Beta	Lower Bound	Upper Bound
NONI T	1	(Constant)	1.953	.969					
		COMMUNICATI ON_GAFFES	-.506	.137	-.494	-3.694	.001	-.785	
		COMMUNICATI ON_FEEDBACK	.288	.123	.314	2.342	.025	.038	
		OVERSEASASSI GN_LANGUAGE	.316	.124	.397	2.537	.016	.063	
		CULTURAL_ADA PTION	.577	.186	.485	3.110	.004	.200	
		DIV_TRNG	-.130	.123	-.114	-1.052	.300	-.380	
		DIV_RECOGNITI ON	-.069	.132	-.072	-.519	.607	-.338	
		CULTURAL_TRN G	.157	.114	.197	1.379	.177	-.074	
		COMMUNICATI ON_GESTURS	-.204	.116	-.200	-1.756	.088	-.440	
		OVERSEASASSI GN_NEGOTIATI ON	.089	.151	.112	.593	.557	-.217	

a. Dependent Variable: CROSSCULTURAL\_MGT

In table 3, the significance level below 0.01 implies that the CI,EC,TD,ON contribute to increase Cross cultural management. Thus, the decision would be to reject the null hypothesis (H0) and accept the alternate hypotheses that there is a strong relationship among the variables.

**From table 3 ;**

Cross cultural human resources management= function (CI+EC +ON+TD)

Where CI=Cultural intelligence EC=Employee communication , ON=Overseas negotiation ,TD=Training&Development.

A linear regression established that Cultural Intelligence, overseas negotiation ,Employee communication and Training and development could statistically significantly predict Cross cultural Human resource management .A regression model is also built as follows:

$$\text{Cross cultural human resources management} = 1.953 + 0.577 (CI) + 0.28(EC) + 0.31(ON) + 0.157(TD)$$

This means that every 100% change in Cross cultural human resources management , Cultural intelligence also contributes 57% and overseas negotiation another 31% with communication and training accounting for 28% and 15.7% respectively.

**Table 4**

ANOVA<sup>a</sup>

DEPT	Model	Sum of Squares	df	Mean Square	F	Sig.
NONIT	1 Regression	13.846	9	1.538	7.334	.000 <sup>c</sup>
	Residual	7.132	34	.210		
	Total	20.977	43			

a. Dependent Variable: CROSSCULTURAL\_MGT

b. Predictors: (Constant), CULTURAL\_TRNG, COMMUNICATION\_FEEDBACK, DIV\_TRNG, COMMUNICATION\_GAFFES, CULTURAL\_ADAPTION, DIV\_RECOGNITION, OVERSEASASSIGN\_LANGUAGE

c. Predictors: (Constant), CULTURAL\_TRNG, COMMUNICATION\_GESTURS, OVERSEASASSIGN\_LANGUAGE, DIV\_TRNG, COMMUNICATION\_FEEDBACK, CULTURAL\_ADAPTION, COMMUNICATION\_GAFFES, DIV\_RECOGNITION, OVERSEASASSIGN\_NEGOTIATION

The ANOVA (Table 4) indicates that the model is a significant fit of the data overall .The *F*-ratio in the ANOVA table tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable  $p < .005$  (i.e., the regression model is a good fit of the data for the population).

## Hypothesis 2

**H0: There is no significant relationship between the cross cultural management and diversity management**

**H1: There is a significant relationship between the cross cultural management and diversity management**

**Table 5**

Correlation between Diversity management and cross cultural management

DEPT		Involvement of all diversity groups in crucial decisions making/problem solving helps to improve the productivity	Correlation Coefficient	1.000	Having factual and reliable knowledge about cultural norms /practices of diverse groups helps in managing them effectively and efficiently.
NON IT	Spearman' s rho	Involvement of all diversity groups in crucial decisions making/problem solving helps to improve the productivity	Correlation Coefficient	.499**	Having factual and reliable knowledge about cultural norms /practices of diverse groups helps in managing them effectively and efficiently.
			Sig. (2-tailed)	.000	
			N	68	68
		Having factual and reliable knowledge about cultural norms /practices of diverse groups helps in managing them effectively and efficiently.	Correlation Coefficient	.499**	1.000
			Sig. (2-tailed)	.000	
			N	68	68

\*\* . Correlation is significant at the 0.01 level (2-tailed).

In table 5, the significance level is below 0.01 and also there is a strong correlation between the cross cultural management and diversity. Thus the decision would be to reject the null hypothesis (H0) and accept the alternate hypotheses that the two are strongly related.

### Hypothesis 3

**H0: Diversity training to managers handling diverse teams is not essential now days in companies in India**

**H1: Diversity training to managers handling diverse teams is essential now days in companies in India**

## Tables and interpretations

**Table 6**

### One-Sample Test

DEPT	Test Value = 0						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
					Lower	Upper	
NONIT DIV_TRNG	45.859	43	.000	4.25000	4.0631	4.4369	

This study found that for Diversity training to managers handling diverse teams, the t test indicates that the significant value is <0.01 hence the null hypothesis that Diversity training is not essential these days is rejected and the alternate is accepted

### Hypothesis 4

**H0: Involvement of all diversity groups in crucial decision making and problem solving does not help to improve the productivity companies in India**

**H1: Involvement of all diversity groups in crucial decision making and problem solving helps to improve the productivity in companies in India**

## Tables and interpretations

**Table 7**

### One-Sample Test

DEPT	Test Value = 0						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
					Lower	Upper	
NONIT DIV_RECOGNITION	36.216	45	.000	3.97826	3.7570	4.1995	

The significance level below 0.01 implies a statistical confidence of above 99%. This implies that null hypothesis that involvement of all diversity groups in crucial decision making and problem solving does not help to improve the productivity is rejected and the alternate is accepted.

## FINDINGS AND RECOMMENDATIONS OF THE STUDY

**1.This study concludes that various associated factors like cultural intelligence ,employee communication, overseas negotiation and training together form strong components of Cross cultural management and affect it significantly**

### Recommendations

- Cultural intelligence and sensitivity has a significant proportional relationship with corporate performance in companies across India
- An effective and structured training and development programme on culture and diversity if followed will significantly moderate the inverse relationship between cultural issues and corporate performance.
- A formal reporting and enhanced employee communication and feedback will significantly moderate the inverse relationship between communication gaffes and employee corporate performance.
- The need for organizations to embark on cross cultural human resource management for increasing the overseas negotiation success rate has become obvious with a strong correlation between the two.

**2.This study indicates the general mindset and attitude of employees towards cross-cultural management and diversity aspects.**

The employees lay more significance to the following factors;

- Diversity recognition
- Cultural influence on behavior
- Pre research on culture before overseas negotiation

### Recommendations

*Cross cultural management if followed will become a progressively more critical factor in the broad HRM and diversity management initiatives before implementing a policy decision*

**3.The empirical results show that Cross cultural human resource management plays an important role in supporting the diversity management which in turn enhances the performance of companies.**

### Recommendations

*Based on the findings and conclusions of this study, it is recommended that cross cultural human resource management should be accommodated in the company's policies to ensure that employees are not secluded by cultural and diversity issues. Diversity management intervention strategies and compulsory training should be done for all employees. The policies of cos should be hinged upon this. Senior Management level employees should take the lead and demonstrate high commitment to the above.*

## LIMITATIONS OF THE STUDY

- The area of study is an academic one and hence restricted by time, cost and geographical

coverage and sample size.

- The suggestions may require policy decisions on the part of the top management while implementing the same.
- The findings and suggestions are applicable only to organizations of the same size and like.

## CONCLUSION

Based on the findings, cross cultural management is a vital tool for employees for performance enhancement and increase in organizational productivity. Cross cultural human resources management is a strategy and practice that shall bring more benefits to the organizations. Researchers must increase their scope of work to comprehend the advantages in implementing Cross cultural human resources management. The importance of incorporating the above factors into organizations diversity management initiatives is imperative and the entire process of direction will take place at senior management levels accompanied by competence and willingness. Cross cultural development will definitely bring in some desirable changes in the behavior and productivity of the employees thus effecting the diversity management

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