THE IMPORTANCE OF MANAGING CULTURAL DIVERSITY FOR MODERN BUSINESS ENVIRONMENT

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Abstract:
The employees of multinational companies of various nations around the globe are working together to fulfill the task entrusted to them. Together with the new millennium, the global economy that is "world without borders" has become an everyday way of modern business. Given the large number of contacts with various people, the successful usage of cultural diversity has become an important area of management. Although the area of managing cultural diversity is still emerging, it is an area of vital importance for management in the modern economy. Understanding and accepting national culture with its values, beliefs, attitudes and forms of behaviour is a prerequisite for the comparison of national and international business practice, expansion on foreign markets, acquisition of knowledge and skills on which the success of an individual or organization is based. Modern business does not recognize the boundaries between the countries, and expects us to embrace and utilize all types of competitive advantages that the modern environment brings. Culture is for sure potential advantage, but it has to be managed properly.

Key-Words: - national culture, cultural diversity, cultural dimensions, management, modern business environment; JEL classification codes: M10, M16

1 Introduction
In the context of globalization process and the growth of economical interdependence between countries, national culture is becoming crucial for modern business processes. Drucker [5], uses the best and the most concise way to express the cultural impact on management, with the statement that what managers do is the same in the whole world, but how they do it can be entirely different. Understanding culture can equip person for the challenges of modern business environment. Nevertheless, recognizing the importance of cultural differences helps managers understand their international partners and competitors and ultimately helps to improve their managerial skills [4]. However, it is rather difficult to recognize a direct influence of culture on business. Cultural diversity is a part of reality, so ignoring it is unproductive and undesirable, therefore the focal interest of the paper is to emphasize the relevance of managing cultural diversity in contemporary business environment.
2 Culture – meaning and dimensions
A significant challenge to international business is a successful adaptation of diverse cultures and their impact on daily operations. Such adaptation requires an understanding of culture, cultural diversity, views, stereotypes and values. Thus, in the last few decades there has been increase in interest in this subject, and in recent years academics have carried out a considerable amount of research related to cultural dimensions and attitudes. These investigations have demonstrated the importance of addressing this issue in order to improve business performance.

2.1 Definition of Culture
Different authors from different scientific fields are trying to define culture by starting off from different levels and forms. Culture is the shared values and beliefs that enable its members understand their roles and norms of the organization [6]. Anthropologists see culture in many ways. For example, according Kluckhohn [13], one of the most widely used definition of culture is: "Culture consists of explicit and implicit patterns, and behaviours acquired and transmitted symbols, which form the characteristic achievement group of people, including embodiments in artefacts; essential core of culture consists of traditional ideas and especially their values added; system of culture on the one hand can seen as a product of action, on the other hand, as conditional elements of future action.

According Bahtijarevic-Siber, Sikavica [2], culture can be defined as a general pattern of behaviour, based on the values and beliefs that develop over time in a given society. These are common knowledge, beliefs, values, norms of behaviour and ways of opinions of members of a society. One of the most commonly used definition of culture is the one given by Geert Hofstede, according to which culture is the collective programming of thought that the members of one group or category of people distinguished from others [10].

Due to the existence of different cultures in the world, an understanding of their impact on behaviour is critical for global business. If global managers do not know the culture of a country with whom or in which they operate, business performance can be extremely negative [14].

2.1.1 Cultural values

The basic concept in studies of culture is precisely the values [8]. According Bahtijarevic-Siber, Sikavica [3] values represents the basic, relatively enduring beliefs and concepts desirable that provide general standards for assessing specific behaviours, actions and goals and the criteria for the assessment of what is good or bad, acceptable or unacceptable, and creating individual and group preferences. These are abstract, generalized principles and standards of behaviour to which group members are emotionally attached and devoted. Values provide the basic principles of organizing and integrating individual and group goals, prioritize and sort of hierarchy of needs and the importance of goals, satisfaction with the assessment, and general human and social behaviour. Due to the strong emotional dimension, loyalty and their role as the standard evolution of specific activities and goals, values, often seemingly absolute, although basically acquired through a process of social interaction and socialization [2]. Values are fundamental beliefs that people have regarding the notion of good and evil, right and wrong, important and unimportant [6]. In general, the results show the diversity and similarity among the values of work and managerial values in diverse cultures. Trompenaars and Hampden-Turner have developed a model of culture that is reminiscent of concentric circles, the inner circle, that is the core of the basic assumptions that determine human behaviour, the middle represents the norms and values that are the foundation of society, while the outer part of an explicit artefacts and products of the company [17].
by comparing culture as a normal distribution [1].

Equally, given the diversity in cultures, those parts that differ significantly, so-called cultural extremes, represent the basis for stereotyping. Stereotypes are often exaggerated when describing members of other cultures, and therefore wish to emphasize specificities, and the inability to communicate and collaborate. This is also a big reason why the understanding of national culture is so important for all those who contact, work and/or cooperate with members of other cultural groups.

2.2 Cultural dimensions

In order to facilitate cross-cultural and business behaviour, it is necessary to clearly systematize and classify all the difference, and to determine their causes and consequences. A large number of scholars have dealt with this issue and for his research developed simple as well as complex, multi-dimensional models. The three most commonly used models that will be discussed in the remainder of this paper are: (1) Hofstede’s model of cultural dimensions, (2) Trompenaars’s model of cultural dimensions, (3) GLOBE's model of cultural dimensions.

2.2.1 Hofstede’s model

Hofstede’s study confirms that national culture have a great influence on the work values [9]. His dimensions of national culture, determined for 53 countries and regions of the world, lead by the number of quotes and by importance in the field of cross-cultural management [16]. The basis of the model is the research conducted among employees of IBM on a sample of 60,000 workers in the period 1967-1969. The inclusion of the results of other authors who have used an identical methodology produced a sample that includes 71 countries and three regions. The extension of the model with the original four-dimensional culture of the society got one extra dimension.

Database eliminates the differences that arise as the impact of corporate policies and procedures because of the impact of various strategies. Therefore any variation between countries can be reliably attributed to national culture. Hofstede also found that employees and managers vary according to the following dimensions of national culture: (1) power distance represents the degree of inequality in the distribution of power within societies to be considered socially acceptable, and is derived from the fact that power in institutions and organizations is not evenly distributed [9]. Societies with high power distance accept large differences in power within the organization, staff show great respect for those who have the power, and the title, rank and status have considerable weight. Countries with high power distance are considered to be Philippines, Venezuela and India. On the other hand, companies with low power distance strive to minimize the inequalities. Denmark, Israel and Austria are very low on the list, of the countries with low power distance. (2) Uncertainty avoidance dimension measures “the extent to which the members of a culture feel threatened by uncertain and unknown situations”. Uncertainty avoidance indicates the extent to which a society feels threatened by ambiguous situations and the extent to which a society tries to avoid these situations by adopting strict codes of behaviour, a belief in the absolute truths, establishing formal rules, and not tolerating deviant ideas and actions. Individuals with high uncertainty avoidance are concerned with security in life, feel a greater need for consensus and written rules, less likely to take risks while individuals in low uncertainty avoidance societies are less concerned with security, rules and they are more risk tolerant [10]. (3) Dimensions of individualism refers to societies in which the ties between individuals are poor and every individual is expected to look after themselves and their immediate families, while collectivism refers to societies in which people from birth include the strong cohesive groups that are protected throughout their life in exchange for unquestioning loyalty. Hofstede has noted that the degree of individualism in a country complies the wealth of the country [9]. So rich countries like the U.S., Great Britain, Holland, etc. are very high on the list of individualism, while poor countries like Colombia, Pakistan and Taiwan are highly collectivistic. Similarly, Hofstede has come to another interesting conclusion: countries with a high degree of individualism are more inclined to the Protestant ethic, individual initiative and progress to the market shift. Countries with low level of individualism are less prone to the Protestant ethic, show less individual initiative. (4) Masculinity refers to a society in which one can clearly observe the social roles by gender [9]. Since men are expected to be assertive, tough and focused on material success, while the women are expected to be modest, gentle and concentrated on quality of life. Femininity refers to a society in which gender roles overlap, and that of the women and men are expected to be humble, gentle, and focused on quality of life [8]. Hofstede found that Japan has the highest ranking countries in the ranking, while the
lowest-ranking Nordic countries and the Netherlands. Countries that are highly ranked as a so-called "male society" pay attention to making money, status, benefits and challenges. Individuals are encouraged to be independent decision-making, and achievements are measured in terms of the recognition of the status and wealth. Jobs are often characterized as a place of high stress, and a large number of managers believe that their employees do not like the job, and therefore must be kept under some degree of control. Countries that ranked low on the scale of "male societies" put a greater weight on the element of cooperation, a friendly atmosphere and safety of employees. Individuals are encouraged to become full partners in the decision-making group, and achievements are measured in terms of improving the living and working environment. Just position is characterized as a place of low stress levels, and managers allow employees a greater degree of autonomy for their responsibilities, as well as a greater degree of freedom. Dimensions can be compared using a two-dimensional matrix. The integration of cultural factors in the two-dimensional image helps illustrate the complexity and understand the impact of culture on behaviour. But unfortunately, the matrix can not serve as a safe pattern of how the members of these cultural entities behave. The fact is that societies with high power distance should be less individualistic and vice versa, but the behaviour of individual members in such a multicultural environment due to the influence of other factors may differ significantly from the behaviour that imply Hofstede’s matrix. (5) The fifth dimension of long-term vs. short-term orientation was added later [7], and refers to the degree of orientation of the society, in the past, or the future. Long-term orientation is characterized by the virtues of focusing on future rewards, in particular perseverance and thrift, while the short-term orientation focuses on the past and present, and is characterized by the expectation of quick results, high consumption and low savings [9].

2.1.2. Trompenaars’s model
Trompenaars’s model is based on two rounds of the survey, which together comprise more than 45,000 managers in 50 countries and 15 years of scientific and research work. The results and conclusions of his research are seven bipolar dimensions [17]: (1) Universalism-particularism - universalism is the belief that ideas and practices can be applied everywhere without further modification. Particularism, on the other hand, represents the belief that circumstances dictate how ideas and practices should be applied. (2) Individualism-collectivism - individualism refers to people seeing them as separate individuals, while communitarianism refers to people in the sense that members of the group (members) of the group. (3) Neutrality-emotionality - a neutral culture is a culture in which it is expected refrains from expressing emotion. Members of neutral cultures trying not to show my feelings, ie, all influences react stoically and maintain composure. Emotional cultures are those in which emotions are expressed openly and naturally. Members of emotional countries often laughing, talking loudly when excited, greet each other with enthusiasm and frequently expressed his emotions gestures. (4) Specificity-diffuseness - specific cultures are those in which individuals have a large social space and readily allow others to enter into it, and share it with them, and a small private space for yourself and keep your good friends. Diffuse cultures are those in which the private and the social space of the same size, and individuals preserve their social space carefully, because entry into the social space and the means to enter into a private space. Dimensions clearly define the relationship between the private and business. (5) Achieved status-ascribed status - culture achieved the status characterizes access to people on the basis of how well they do their job. Culture is characterized by an attributed status lecture individuals on the basis of the status of what or who that person is. Thus, the culture of high status attributed to assess the long-in the company or have a high-ranking friends while the culture reached the status of respect capable individuals, regardless of age and sex relationship. (6) The internal-external routing - cultural dimension of internal routing refers to the relationship with the environment. Internal guidance emphasizes that what is happening to somebody a result of his activities, while external orientation emphasizes the force beyond our control. (7) Sequential time-synchronous time - sequential access refers to the orientation on just one activity, firm adherence to time agreements, and showing clear preference for planning. Synchronously notion of time involves dealing with more things than one, agree with that about the time and can change in the blink of an eye, and schedules are changed according to the relations.

2.1.3 GLOBE's model
GLOBE (Global Leadership and Organizational Behaviour Effectiveness Research Program) model
of cultural dimensions is the result of many years of work 170 scientists and management students from 61 countries led by R.J. House [12]. Researchers dispersed throughout the world are exploring the relationship between the culture of society, organizational culture and organizational leadership. In the beginning, the goal of the project was to develop a social culture and organizational measures and determine the characteristics of managers that can be applied in a multicultural environment. The task is accomplished and the project provided nine dimensions to explain cultural differences also nine dimensions of organizational culture and an additional six behavioural patterns of global managers.

The first six dimensions rely on Hofstede’s dimensions, but many believe that GLOBE’ s model because of its width provides a more solid basis for understanding the cultural diversity of the previous two models. GLOBE’ s model includes the following dimensions [11]: (1) assertiveness-the degree to which society promotes and encourages people to be ruthless, confronting and competitive in social interaction, (2) focus on the future-the degree to which society encourages individuals and organizations to focus on future behaviour (planning, savings, investments), (3) sexual differentiation-the degree to which society minimizes gender differences (differences in the roles of men and women), (4) uncertainty avoidance-the degree to which members of an organization or society strive to avoid uncertainty by relying on social norms, rituals, bureaucratic practices in order to mitigate the uncertainty of future events, (5) power distance-the degree to which the members of the company or organization agree that power should be unequally distributed, (6) institutional collectivism-the degree to which organizational and social institutions encourage and reward collective distribution of resources and collective action, (7) within-group-collectivism reflects the degree to which individuals are proud of belonging, loyalty and cohesiveness in their organizations, families and groups, (8) focus on results-refers to the degree to which the Society and its members encourage organizations to increase efficiency and focus on the result, (9) humanistic orientation-indicates the degree to which society and organizations encourage and reward their members to be fair, altruistic, friendly, generous and caring.

3 Managing cultural diversity
Awareness of the existence of cultural similarity and diversity becomes increasingly important for successful operations of multinational companies, as they are increasingly becoming transnational. In doing so, managers must be aware that when doing business outside their country of domicile that same way of doing business can not be transferred to another country to "copy-paste" method. Cultural diversity has a real impact on the operation and behaviour within organizations. In many cases, people are recognizing cultural diversity associated with negative aspects such as racism, sexism, ethnocentrism and professionalism. Managers recognize the cultural diversity when observe and understand that members of different cultures behave differently, and that it is this diversity affect the way business across the organization. It should be noted that the recognition of cultural diversity is not the same as judging people based on their cultural background, it only represents the awareness of difference. Neither one cultural group is successful or unsuccessful, and only because of the element of culture. Ignoring cultural differences is unacceptable and extremely unproductive. On the other hand, awareness of the difference has the opposite effect. Cultural blindness limits the ability of "profiting" from the diversity, while members of other cultures are seen as a projection of ourselves; we often see similarities and dark where they do not exist. In other words, cultural blindness is a perceptual and conceptual: we do not see and do not want to see the difference. The literature often reports the following types of strategies for managing cultural diversity [1]: (1) Ignoring cultural diversity- managers do not recognize cultural diversity and their impact on the organization. This strategy is very often used in parochialization (type of organization in which managers believe that their approach is the "only true" [15]). Therefore, they do not see and do not want to see any impact of cultural diversity on the management and organization, but the cultural diversity is considered irrelevant. This strategy excludes effectively manage cultural diversity and preclude the possibility of minimizing the negative impact and increase the positive impact of cultural diversity. (2) Minimization of cultural diversity- this strategy is often adopted in ethnocentric organizations. Managers recognize cultural diversity, but only as a source of (potential) problems. In ethnocentric countries managers of organizations believe that their way of operation and management "best", the other modes are considered inferior. Diversity has been reduced in a way to minimize the differences, while the benefits that derive from it are not taken into account. This type of organization is trying to find a culturally homogenous or employees or trying to socialize
members who do not belong to the dominant culture of their behaviour in full conformity with the members of the dominant culture. Ethnocentric organizations, minimizing diversity, preventing possible benefits that heterogeneity provides. (3) Managing cultural diversity - organizations that adopt a management strategy cultural diversity is synergistic organization. This type of organization is the impact of cultural diversity that includes their advantages and disadvantages. Managers who use a synergistic approach believe that "our way and their way are different, but none of them is superior." Just the right combination "of our and your way of" giving optimal management approach. Accepting synergistic approach, managers and employees reduce potential problems in a way to manage the impact of cultural diversity, and not in a way to reduce the very diversity. Similarly, increasing the potential benefits in a way to manage diversity rather than ignoring them. Organizations that use diversity management strategy, train its managers and employees that they can recognize and take advantage of cultural diversity in a way that they become an advantage for their organization.

4 Conclusion

Understanding and accepting national culture with its values, beliefs, attitudes and forms of behaviour is a prerequisite for the success in the modern business environment. Nowadays, business does not recognise the boundaries between the countries, and expects us to embrace and utilize all types of competitive advantages that the modern environment brings. Culture and cultural diversity can be both an asset and a liability. Managers must be able to tie the issue of managing cultural diversity to the need of business and be skilful in business issues, goals and results.

References: