

## **Topic 2.1: Doing business in a multicultural world**

### **1. Why business contributes to intercultural dialogue**

“As business has gone global over the past few decades, its role in spreading values has gained importance. Through commerce, trade and investment, and the exchange of ideas and knowledge, business has become a major actor across cultures and people. Business success today has much to do with a company’s ability to understand and respect the communities in which it operates. This is reflected in cultural initiatives, partnerships with communities, greater emphasis on ‘conflictsensitive’ business practices and celebration of diversity in the workplace” (Aramian, 2009, p. 5).

Companies are often in the front line when it comes to creating spaces where people from different cultures come together and cooperate. The process of learning how to work together is not always free of conflict, and mistakes are made. Nevertheless, business has become a powerful force in supporting cultural understanding, building bridges between people and cultures by offering the prospect of economic opportunities. (Aramian, 2009, p. 5).

Business has an important involvement and role in promoting positive intercultural relations as it is one of the most important ways of interaction between people across national, cultural and religious lines. Furthermore, it is a key player in the process of global economic integration. Through history, economic activity has been a major motivation for people to interact across national borders and cultures. Before people started to travel for leisure at the end of the 19th century, they travelled mainly for two reasons - as religious pilgrims and as commercial traders. Today, economic globalization, driven by the internet, has connected the world of business more than ever, while bringing people around the world closer together in unprecedented ways (Aramian, 2009, p. 14).

Because of these developments, we are likely to encounter people and cultures in the world today that we would not have crossed a generation ago. This growing global interdependence has several effects on business (Aramian, 2009, p. 15).

## **2. Managing cultural diversity as a business imperative**

To succeed in an interconnected world, companies of all sizes and from any country must be able to compete effectively in a diverse, multicultural environment. Therefore, businesses are at the forefront of addressing the numerous and complex intercultural challenges of operating in a global environment. Companies need to manage diverse workplaces, target a wide range of different and increasingly demanding customers and consumers in the marketplace, manage international supply and distribution chains and business partnerships, and foster relationships with government agencies and community groups from every country in which they operate. Being able to deal with this diversity is increasingly recognized by companies as a business imperative for several reasons (Aramian, 2009, p. 16):

Creating a diverse and inclusive workplace can have a significant impact on a company's ability to attract, retain and motivate the most capable employees. It also helps to ensure that each person can contribute their skills, knowledge and ideas to the success of the business (Aramian, 2009, p. 16).

The ability to identify and respond to the diverse and changing needs of customers in the marketplace is crucial to the creativity and flexibility that drives innovation and ensures continued demand for a company's products and services (Aramian, 2009, p. 16).

The capability to establish and maintain important relationships with government agencies and local communities is necessary to make sure that the company has a 'license to do business' in different markets all over the world (Aramian, 2009, p. 16).

The failure to recognise, respect and effectively implement cultural differences in the workplace, market or community often results in wasted talent, missed market opportunities, failed deals and a reduced 'licence to do business' in the community. Consequently, intercultural understanding has become a primary focus for many companies. A significant amount of resources is spent on market research to better understand the needs and preferences of increasingly segmented consumer groups from different countries and cultures. Intercultural training for managers is widely used. In addition, the development of a new generation of business leaders with a global view and understanding is considered as one of the key challenges by the world's largest companies. (Aramian, 2009, p. 16).

### **3. How polarization affects the business environment**

Business functions best in an environment of social stability. Like most conflicts, increased tensions along cultural, religious or ethnic borders are bad for business. Such tensions can increase insecurity, hamper operations, limit growth potential and cause higher risks and costs. Furthermore, in a society of conflict, a company's reputation and ability to operate can quickly be damaged if the company is seen to identify or favour one group to the exclusion of the others - among its employees, consumers or any other stakeholders (Aramian, 2009, pp. 16-17).

The expansion of this type of "identity conflict" (Aramian, 2009, p. 17) can also be observed on a wider, international level. This is partly a reaction to globalisation itself and might potentially threaten an open global business environment. Many people worry that economic integration - along with Western culture, the material values and impersonal bureaucracy - threatens to destroy local cultures and traditional values and lifestyles. Such concerns should not be ignored. They have contributed to an increase in ethnic conflicts within countries, to growing nationalism and to a resurgence of religious fundamentalism in different forms. Within this environment, the idea that the world is made up of different, mutually exclusive cultures that are on a collision course has become a widely accepted, if distorted, explanation of the challenges facing the world. These developments have fuelled a rise in extremism that has significantly affected the environment for business and economic growth (Aramian, 2009, p. 17).

The global threat of violent extremism, or terrorism, has led to a number of regulations imposed by national governments and international organisations, such as the Organisation for Economic Cooperation and Development (OECD). They limit the movement of people, the import and export of goods and means of production, and the transfer of funds via the financial markets, which is often necessary but can be costly and disruptive for business. In some areas, increased visa controls restrict access to highly skilled migrant workers. In addition, increased security policies to protect employees and facilities, as well as high insurance premiums, create new costs and complexity. These aspects and measures have complicated business operations, which may have an impact on productivity (Aramian, 2009, p. 18).

Acts of violence can also cause temporary damage to consumer and investor confidence. Furthermore, companies themselves may become targets, especially if the general mood of the host population is negative towards the country or the culture associated with the company. Via the Internet, such issues spread rapidly and can influence the attitudes and actions of individuals on a broad scale. For example, in each period of heightened conflict in the Middle East repeated calls have been made by Muslim consumer groups from countries around the world to boycott the products of companies based in the US and Europe as a way of protesting against the foreign policy of the US and other governments in the region (Aramian, 2009, p. 18).

Such tensions are not very beneficial to the business environment. Growing resentment among the population can provoke political conflicts as well as protests by the government and the people against the business sector. Therefore, business has a significant interest in combating polarization and supporting peaceful intercultural relations in order to contribute to a globally open business environment (Aramian, 2009, p. 18).

#### **4. The role of business for intercultural understanding and sustainability**

Business is playing an important role for promoting intercultural dialogue and understanding which relates to corporate social responsibility and the aim of ensuring environmental, economic and social sustainability of communities for assuring long-term business success (Aramian, 2009, pp. 20-21).

##### **4.1 Intercultural understanding**

To the extent that conflicts and resentment are stirred up by economic deprivation and inequality, business investment and economic activity, employment, income and the opportunities it provides, can make an essential contribution to creating an environment of stability and peaceful relations between cultures and ethnic or religious groups within a society. Moreover, business activity can also be a powerful incentive for bringing people together across national and cultural boundaries by developing relationships built on a common sense of identity and purpose. As a result, business helps overcoming differences that are more difficult to overcome in the wider society. (Aramian, 2009, p. 20).

As explained above, successfully managing diversity is a modern business imperative and companies are at the forefront of dealing with intercultural challenges worldwide, whether at the workplace, in the marketplace or in communities. Therefore, companies have important experience, expertise and tools to support fostering intercultural understanding. Because of their part in building economies, their role as places of shared purpose, identity and cooperation to achieve common goals, and their efforts in intercultural management, companies are likely to make a significant contribution to the promotion of intercultural understanding in the broader society (Aramian, 2009, p. 20). They have a choice as well, as the influence of a company on intercultural relations can be positive or negative, according to how it manages these relations in the business environment. Companies can either choose to intensify cross-cultural tensions or to reduce them by promoting diversity and tolerance. A company can heighten intercultural tensions for example by engaging in discrimination in the workplace, showing disrespect towards indigenous communities, offering products or services that undermine local cultures, or by conducting community programmes that exclude a certain group (Aramian, 2009, p. 21).

Companies can help to foster positive cross-cultural relations by encouraging diversity in the workplace, adopting responsible marketing approaches and supporting community projects that promote tolerance in the wider society (Nelson, 2000).

## **4.2 Sustainability**

Facing the challenges of globalisation, many companies realize the importance of working with international actors, as political, social and economic challenges are affecting companies as never before. Common goals such as building markets, protecting the environment, fighting corruption and ensuring social inclusion have led to unprecedented partnerships and openness between government, business, civil society and employees. For this reason, more and more companies are embedding corporate social responsibility in their policies and processes, convinced that the environmental, economic and social sustainability of communities is part of assuring long-term business sustainability (Aramian, 2009, p. 21).

“In an interconnected world, in which we are increasingly aware of our differences, it could perhaps be said that *building cultures of understanding, respect and cooperation*, undermining the stereotypes that deepen patterns of hostility and mistrust among societies, is an

*increasingly pressing aspect of the global sustainability challenge”* (Aramian, 2009, p. 21). As mentioned above, business has both a part and an important role in facing these challenges. Polarization and intercultural tensions can raise barriers for business and represent a growing threat to an open global business environment. Meanwhile, companies have had to learn to use cultural diversity as a competitive advantage as they operate in an increasingly global environment. Therefore, companies have developed tools and skills that are essential to increase intercultural understanding. For their own success and to ensure the sustainability of the wider society and the world in which they operate, companies are interested in supporting intercultural understanding, tolerance and cooperative relationships (Aramian, 2009, p. 21).

**Author:** Sonja Block, M.A.

## **Bibliography**

Aramian, C.W. (2009) *Doing business in a multicultural world: Challenges and opportunities*. New York: UN Alliance of Civilization Secretariat, UN Global Compact Office.

Nelson, J. (2000) *The Business of Peace. The private sector as a partner in conflict prevention and resolution*. The Prince of Wales Business Leaders Forum, International Alert, Council on Economic Priorities.