

## **Topic 2.3: Multicultural Business Organizations**

### **1. Multinational and Multicultural Business Organizations**

A multinational business organization has facilities and other assets in at least one country other than its home country. Usually, it has offices and / or factories in different countries and a central head office from where it coordinates its global management (Chen, 2020). “The basic values of a multinational business organization are determined by the nationality and personality of its founder(s) and later significant leaders. [...] In multinational business organizations the values and beliefs of the home culture are taken for granted and serve as a frame of reference at the head office” (Hofstede, Hofstede and Minkov, 2010, p. 402).

A multicultural business organization consists of a workforce that includes people from different backgrounds in all departments and offers them equal opportunities for input and development within the company. In a multicultural business organization, there is no discrimination or prejudice against people on the basis of their race, religion, ethnicity, gender, age, sexual orientation or physical limitations. Skill, talent and performance are the criteria for meritocratic advancement in such an organization (Hayes, 2020).

### **2. Characteristics of Multicultural Business Organizations**

A multicultural organization recognizes that the performance of its employees includes perspectives based on culture and other unique characteristics. There are few companies today that want to make their products or services available to only a small part of the population. A multicultural workforce helps them to produce products that meet the needs and expectations of a wider target group (Hayes, 2020).

An emphasis on diversity may also attract an enhanced talent pool. In a survey conducted by Glassdoor.com, 67% of jobseekers indicated that a diverse workforce was an important factor in their decision to accept or decline a job offer. An addition, a multicultural workforce is considered to be essential for any company planning to go global (Hayes, 2020).

An annual ranking of the world’s most diverse and inclusive companies (Thomson-Reuters D&I Index) lists Accenture PLC, Novartis AG and Medtronic PLC as its top three for 2018 (Hayes, 2020).

### **3. Opportunities and challenges of Multicultural Business Organizations**

Cultural diversity offers many potential benefits to an organization. However, these advantages can only be realized if they are systematically pursued. The challenges that diversity presents may also have a negative impact on the organizational performance if not managed properly (Trefry, 2006, p. 568).

The following paragraph describes opportunities and challenges of multicultural business organizations for both organizations and individuals.

#### **3.1 Opportunities of Multicultural Business Organizations**

Multicultural diversity is an important value for organizations and offers several advantages for the organization itself. For example, multicultural organizations have the opportunity to match employees with diverse customers or clients, which increases the level of customer satisfaction (Trefry, 2006, p. 568). Another advantage of multicultural organizations is the ability to apply knowledge of different cultures to business projects, which could improve the project in several ways. A higher level of diversity increases the decision-making and problem-solving processes of organizations by considering different perspectives and leads to more creativity in products and services (Trefry, 2006, p. 568).

Multicultural business organizations are not only beneficial for the organization but also for its employees. Diversity leads to a greater individual ability to deal with the unexpected and to a broadening of one's perspectives on any given issue. Other advantages of multicultural organizations for individuals are the increased tolerance and acceptance of others' differences, the greater flexibility in their own personal behaviour, communication and interaction styles as well as an enhanced self-insight (Trefry, 2006, pp. 568-569).

#### **3.2 Challenges of Multicultural Business Organizations**

Although multicultural organizations have the potential to be highly productive and effective, the greater diversity amongst employees makes interactions and group dynamics more complex. One challenge is a slower team development as it takes more time to build trust and rapport between employees with multicultural backgrounds. Also, the communication is more difficult and time consuming. Moreover, creating common understanding requires much more

effort and different expectations of different people may lead to misunderstandings and conflicts (Trefry. 2006, p. 569).

Such challenges faced by multicultural business organizations can affect the performance of the organization and increase its costs, if not managed properly (Trefry. 2006, p. 569).

#### **4. Hofstede's Cultural Dimensions and business organizations**

In order to compete successfully on an international and global level, a business organization must deal with the different cultures and countries in which it operates. Also, multicultural organizations with a high degree of cultural diversity should be familiar with the diverse cultural backgrounds of their employees. Therefore, five of Hofstede's Cultural Dimensions, learned in the previous topic, will be applied to the business level.

##### **4.1 Power Distance**

Examining this dimension in a business context, it deals with the type of decision-making by the superior (e.g. autocratic or patriarchal), the employee's preferred decision-making style and the fear of an employee telling the superior to have a different kind of opinion (Hofstede, 2001, p. 28). Companies in countries with a high Power Distance index are often characterized by a strong hierarchical classification, with employees strictly following and respecting the hierarchical levels. Decisions are usually made on a central basis and delegations are implemented according to the 'top-down' principle. Differences in power are particularly emphasized by special tasks, distribution of roles, privileges and status symbols. Organizations in cultures with a low Power Distance index tend to have a democratic leadership, inequalities of power need to be justified and subordinates expect to be consulted (Kutschker and Schmid, 2002, p. 705).

##### **4.2 Individualism versus Collectivism**

Concerning the workplace within business organizations, this dimension deals with various aspects, such as personal time, freedom, challenge, further training, physical conditions and application of skills (Hofstede, 2001, p. 67). Employees of individualistic countries put their own interests before those of the group, which is associated with low loyalty to the company and frequent workplace changes. The work task is seen as a way of self-fulfilment, while subordinating a good relationship with other employees to it. The relationship with the

employer is considered as a contract with economic benefits (Kutschker and Schmid, 2002, p. 708).

### **4.3 Masculinity versus Femininity**

Masculine ways of thinking in business life are values such as income, acknowledgement, promotion and challenge. On the contrary, feminine values are for example the relationship to the superior, cooperation, environment and safety of the workplace (Hofstede, 2001, p. 113). For companies in masculine countries, terms such as work, ambition, self-discipline, toughness, competition and career orientation are dominant values. Participation is mostly avoided, and conflicts are solved in the sense of being the more powerful (Kutschker and Schmid, 2002, p. 710).

### **4.4 Uncertainty Avoidance**

This dimension deals with issues such as rules that shouldn't be broken, even if it seems best to the employee, employment stability and the frequency of stress situations at the workplace (Hofstede, 2001, p. 157). Companies in countries with a high level of Uncertainty Avoidance structure the decision-making process with great accuracy and clarity. Unsafe situations, such as disputes or disagreements, are avoided as far as possible. Future developments are to be controlled through standardization and comprehensive regulations. Space for innovation or other creativity thus remains closed (Kutschker and Schmid, 2002, p. 706).

### **4.5 Long-term versus Short-term Orientation**

The following aspects may have possible consequences for business organizations in long-term oriented countries: The company's strategy is long-term and future-oriented, with priority given to tactical and operational considerations. Therefore, strategic planning time frames often cover several years, and the entire company is aligned to requirements assumed for the future (Kutschker and Schmid, 2002, p. 712).

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

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