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## SIRVA Consulting

Importance of Cross-Cultural Awareness



## Importance of Cross-Cultural Awareness

While globalization has opened many opportunities for business, it has created some significant challenges. One leading challenge for global managers is learning to understand and appreciate cultural values, practices and the various nuances in different parts of the world. Experts in international business agree that to succeed in global business, managers should be open to others' ideas and opinions and have the flexibility to respond positively and effectively to practices and values that are oftentimes drastically different from what they are accustomed to. In fact, renowned business leader Jack Welch was quoted as saying, "The Jack Welch of the future cannot be me. I spent my entire career in the United States. The next head of General Electric will be somebody who spent time in Bombay, in Hong Kong, in Buenos Aires. We have to send our best and brightest overseas and make sure they have the training that will allow them to be the global leaders who will make GE flourish in the future."

Companies operating in the global market are quickly discovering business success depends heavily on expatriate managers' knowledge and familiarity with the cultures in which they do business. Culture clashes have a momentous influence on an expatriate's assignment, and

understanding the host country's culture is a significant piece of the puzzle. Since expatriate failure is costly for companies, it is to a company's benefit to provide cross-cultural training to employees working on overseas assignments.

In recent years, researchers have attempted to isolate the criteria that most contributes to the success of expatriate assignments. Three areas have been identified: assignee's ability, knowledge and personality. While ability and knowledge can be "trained," personality is an innate trait and, therefore, more difficult to influence. In 1990, renowned cultural experts J. Stewart Black and Mark E. Mendenhall conducted a comprehensive review of previous studies that specifically looked at the effectiveness of cross-cultural training as a way to influence an individual's personality. Black and Mendenhall's review showed overwhelming evidence that cultural training fosters the development of cross-cultural skills and leads to higher performance. Cultural training has also been shown to improve an individual's relationships with host nationals and allows expatriates to adjust more rapidly to a new culture.

### What Is Cross-Cultural Training?

There are a variety of training techniques that prepare people for foreign work assignments. They range from documentary programs that merely expose people to a new culture through materials about the country's socio-political history, geography, economics, language and cultural institutions, to intense interpersonal-experience training, in which individuals participate in role-playing exercises, simulated social settings and similar experiences in order to "feel" the differences in a new culture.

Although generic programs exist, cross-cultural training is most effective when it's tailored to the specific needs of the expatriate and the host country. Because learning about a new culture requires an understanding of one's own cultural biases and behavioral traits, companies that use customized, cross-cultural training typically receive better results. Successful cross-cultural programs can include the following:

**Host country information.** Basic information about the assignee's host country, including its history, common religions, political structure and recent events, so employees can understand citizens' values and beliefs.

**Behavior adaptation.** Although people have a hard time changing their cultural understanding, they can learn to alter their behavior to adapt to a new culture. In this phase of cross-cultural training, expatriates examine the way they currently handle a situation and what is required in the new culture.

**Local business etiquette.** Even the most veteran and prolific employee can have difficulty without an understanding of business etiquette in other cultures. For example, the U.S. tendency to "get down to business" is regarded as rude in Japan, where business transactions often have a greater personal relationship component. An employee who appears impatient with Japanese traditions designed to establish friendship and trust will have little success in business negotiations.

**Communication techniques.** A manager going to live in a foreign country for the first time might not realize how communication styles differ around the world. For example, U.S. employees tend to use "low context" communication, which is direct and task-oriented. Many other cultures have "high context" communication, in which messages are more indirect, like in the Middle East.

**Cultural biases.** International assignees should always examine the way their own culture affects their perceptions of right and wrong, good and bad manners, values, dress and other customs. Cultural training can improve understanding of the cultural forces that affect their own behaviors and help assignees learn how to adapt to new cultural demands.

**Cultural variances.** This part of a cultural program compares and contrasts the expatriate's culture of origin with the culture of assignment. For example, in Australia, people are quick to address one another by their first names, while in France, such informality can be insulting.

**Cultural profile.** In this part of cultural training, employees develop personal cultural profiles that indicate their positions in relation to their larger national culture, since people who come from the same society do not necessarily all behave in the same way. The cultural profile helps expatriates determine how to develop an effective behavior to adapt to the host country's culture.

**Role play and simulations.** Role play and simulations help expatriates apply the lessons they have learned to new situations they will likely encounter. Training not only includes the situations that might come up in the workplace, but also those situations the expatriate (and his or her family) might encounter in daily life.

**Customized training.** Additional training can include special modules to help the employee and his or her family with their own individual concerns. For example, if the assignee's children will be attending local schools, modules and resources on education etiquette would be appropriate.

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## Cultural Awareness Background and Overview

In 1980, Geert Hofstede (an influential expert on the interactions between national cultures and organizational cultures) shared a comprehensive analysis of cultural diversity, based on a survey of 160,000 employees in 60 countries, all of whom worked for IBM. His database eliminated any differences that might be attributable to varying practices and policies in different organizations, so any variations that he found between countries could reliably be attributed to national culture. In his analysis, Hofstede found that national culture had a major impact on an employee's work-related values and attitudes. In fact, it explained more of the differences than did age, gender, profession or position in the organization. More importantly, Hofstede found that managers and employees vary on five dimensions of national culture: individualism vs. collectivism, power distance, uncertainty avoidance, masculinity vs. femininity, and time orientation. While this is not a comprehensive list, these five factors have moved to the forefront as the dimensions that best illustrate the differences in cultures.

### **INDIVIDUALISM VS. COLLECTIVISM**

Individualism refers to a loosely-knit social framework in which people are supposed to look after their own interests and those of their immediate family, as opposed to embracing a societal view. An individualistic country values autonomy and freedom. Collectivism is the opposite, characterized by a tight social framework in which people expect others in their groups (i.e., organization or company) to support and possibly protect them. In exchange, this builds a strong loyalty to the group as a whole. An example of the different perspectives

is that a manager from individualistic societies, when in a collective society environment, may expect his or her employees to respond to incentives for individual achievement. In this case, the manager is neglecting to utilize his or her employees' strong cultural value of group achievement for success and by mistakenly relying on individual rewards. In countries such as China, Japan, Mexico, Singapore and South Korea, group harmony and cooperation are paramount; therefore, individual rewards do not motivate employees. Countries that tend to be individualistic include Australia, Italy, Sweden and the United States.

### **POWER DISTANCE**

Within every society there are differences in wealth, power, social status, prestige and human rights. Power distance is used to measure the extent to which a society accepts the unequal distribution of power. A high power-distance society accepts wide differences in power within organizations, and a low power-distance society is the opposite. In high power-distance cultures, employees show a great deal of respect for their managers and executives, because titles, rank and status carry a lot of weight in the office. Communication in high power-distance countries is often one-way, from the top down. For example, Americans working in Singapore, a high power-distance country, often notice that their Singaporean counterparts are extremely hesitant to speak up in meetings or question managers about decision making. In addition to Singapore, other countries with a high power-distance include Mexico, India and the Philippines. Countries with a low power-distance rating include New Zealand, Denmark and Israel.

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## Cultural Awareness Background and Overview

### UNCERTAINTY AVOIDANCE

This dimension can be defined as a country's reliance on social norms and procedures to alleviate the unpredictability of future events. It refers to the extent to which a country's population seeks orderliness, consistency, structure, formalized procedures and laws to cover situations in their daily lives. Some cultures are more or less comfortable with risk. They can also be relatively tolerant of behavior and opinions that differ from their own because they don't feel threatened by them. These types of societies have low uncertainty avoidance. Basically, this can be interpreted to mean that people feel relatively secure in their everyday lives. Countries that fall into low uncertainty avoidance include Denmark, Hong Kong, Sweden and the United States. Alternatively, a society ranked high in uncertainty avoidance feels threatened by or afraid of uncertainty and ambiguity. Organizations in these countries are likely to have more formal rules; there will be less tolerance of deviant ideas, and a definite aversion to risk. Typically in a high uncertainty avoidance society, employees have low job mobility, as lifetime employment is a widely practiced policy. Countries in this category include Greece, Japan and Portugal.

### MASCULINE VS. FEMININE

As a cultural dimension, masculinity represents the extent to which a culture emphasizes or accepts the traditional masculine role. A feminine culture, on the other hand, reflects the extent to which the culture accepts the blurring of gender

roles. A highly masculine culture emphasizes assertiveness, success and the acquisition of money and material things. Feminine cultures emphasize the importance of relationships and show sensitivity and concern for the welfare of others. Japan and Austria score high on the masculinity scale. For example, in Japan women are often expected to stay home and take care of the children, and it is also common for a Japanese woman to resign from work when she marries. At the other extreme end of the scale are the Nordic countries such as Finland, Norway and Sweden. In these countries, it is common to see men staying home as "house-husbands" while their wives work. Working men are also offered paternity leave.

### TIME ORIENTATION

Societies differ as to the value they place on time. For instance, Western cultures perceive time as a scarce resource; Americans can often be quoted as saying "time is money." Americans, Australians and others from countries with short-term time orientation tend to focus on the present and the near future. For example, it is common for Western business ventures to predict a break-even point at 12 months. The Far Eastern nations, in contrast, take a longer-term view. Cultures with long-term orientation relate time with patience. For example, in Singapore and Japan, employees are often given up to five years to prove their worth in a company, as opposed to the United States, where an employee is usually given about one year to perform.

### **Don't Forget the Family**

Just as spouses should be involved in the assignment selection process, they should be involved in training for global assignments. Some experts estimate that nearly 80 percent of all failed global assignments can be linked to the spouse's inability to adjust to the new environment. Each member of the family faces special issues in the expatriate environment that should be addressed.

### **Other Cultural Resources**

Organizations should consider utilizing their returning expatriates for help with cultural awareness initiatives. Employees who have already completed a similar assignment can act as subject matter experts (SMEs) to help new expatriates learn business customs and how to navigate in foreign business circles. SMEs can also prove invaluable in helping new expatriates learn the hierarchy in companies with which they will be dealing. It's important to note, however, that companies should not rely solely on employees to provide guidance to new expatriates. Relying exclusively on veteran expatriates can be problematic if the guidance reinforces cultural stereotypes or results in the new expatriate adopting the predecessor's bad habits. While other expatriates have a role to play in helping newcomers adjust, they should not replace professional trainers.

### **Alternative Views**

Although cross-cultural awareness is important, some might argue that its importance is just a hyped up myth. In actuality, on average only 30 percent of American managers sent on foreign assignment lasting from one to five years receive any cross-cultural training. It can be argued that managing is simply "managing," so where it is done is irrelevant. Another point of view is that any type of short-term cultural training would be ineffective because people can't learn to work and live in a foreign culture after only a few days (or even a few weeks) of training. Others argue that an understanding of a country's culture is something people assimilate over many years based on personal experiences in that specific culture. Others will say that corporate culture takes precedence

over country culture. For example, a local employee working for a "bullish" American firm in Thailand might show traits of aggressiveness and conflict, which are not traits normally associated with the Thai culture. These traits, however, may be common in the corporate culture of the employee's organization, causing the Thai employee to act outside his or her normal cultural dimensions.

Nevertheless, in order to be successful, an expatriate must be comfortable with his or her staff, colleagues, clients and business atmosphere—regardless of location. Cultural specialists also agree that to be successful in dealing with people from other cultures, expatriates need knowledge about the cultural differences (and the similarities) among work locations. The global employee of today's business world can only benefit from gaining cultural awareness, either through direct training or personal experience, which would lead to greater professional effectiveness and company performance.

### **Why Cultural Training Is Important**

The five cultural dimensions discussed in "Cultural Awareness Background and Overview" (see page 4) provides valuable insights into the cultural practices of different countries. This is the type of information that global managers need in order to better understand cultural similarities and differences while on an international assignment. The ability to effectively communicate with people from all over the world is also key to a global manager's success. An expatriate will have to interact with all types of people in the assignment location, i.e., employees, customers, shareholders, regulators and vendors. Effective cross-cultural communication requires finding integrated solutions and compromises that allow decisions to be implemented by members of diverse cultures.

Cross-cultural training will provide expatriates with a starting point for the preparation of working overseas, addressing cross-cultural communication and cross-cultural conflict resolution. For example, by knowing whether a society is individualistic or collective, an expatriate manager would benefit by knowing what to do in cases of decision-making, offering incentives or even scheduling meetings.

Knowing the cultural dimensions of the society he or she is working in, the expatriate will have a point of reference when investigating what to expect with respect to all management practices.

Depending on assignee needs, there are a variety of cross-cultural training programs available. Prices typically start at \$1,500 to \$3,500 for one to two day programs, and increase as the duration and complexity of the services increase. These costs are miniscule, however, when compared to the overall cost of an expatriate assignment, and could save your organization from absorbing the financial burden of a failed assignment due to an assignee's inability to adjust to his or her new location.

#### **About SIRVA, Inc.**

SIRVA, Inc. is a full-service relocation company that provides a wide range of services to support all of your global relocation needs, including a variety of cross-cultural training programs. Each of our 12 Global Service Centers provides assignment management, visa and immigration services, complete destination services and expense management tailored to its region. In addition, we're continually developing new solutions as our clients' needs and market conditions change. SIRVA's global services include:

#### **Client Services**

##### **Process Management**

- Global assignment management
- Vendor management
- Consolidated invoicing and reporting
- Group move management
- Expatriate compensation, tax and payroll-information management
- Visa and immigration program management

##### **Consulting Services**

- Global policy creation
- Policy cost analysis and containment initiatives

- Management of special projects
- Global policy review and benchmarking
- Global mobility process mapping and flow analysis

#### **Assignee Services**

##### **Departure Services**

- Home sale
- Home marketing
- Conveyance
- Property management
- Lease termination

##### **Destination Services**

- Orientation
- Temporary housing
- Home search
- School search
- Settling in
- Education consulting

##### **Ongoing Assignment Services**

- Policy counseling and program administration
- Tenancy management
- Assistance for spouses and partners
- Expense management
- Language training
- Cultural training

##### **Immigration Services**

- Work authorizations
- Residence permits
- Visas
- Extensions

##### **Household Goods Move Management**

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