

Mirjana RADOVIĆ-MARKOVIĆ\*

## MULTICULTURAL BUSINESS ENVIRONMENT AND DIVERSITY MANAGEMENT

**Abstract:** This paper goal was to investigate the impact of globalization and multicultural business environment on organization behavior, leadership and management. It also includes the role of international business environment in the context of global strategy of companies, followed by the role of managers and leaders in managing global organizations. Finally, an attempt has been made to study the importance of managing a culturally diverse workforce in a global organization. The method of study is primarily literature survey and the websites of some of the organizations. Also, the analysis proves the point that globalization is inevitable in the present economic scenario. Hence, companies that can adapt faster to this trend of globalization by adopting suitable management techniques will have a competitive advantage. In the study is concluded, that leading a complex global organization requires a different mindset among the leaders and the employees. In an interdependent, networked and global organization, the leader's role becomes very important. The leader must create and communicate proper understanding of different roles, teams and different business units specific to the situation, while being consistent with the organization's core processes, values and purpose.

**Key words:** *globalization, cultural diversity, international business environment, leadership, JEL: L 22; M 14; M 54*

### INTRODUCTION

In recent times, the terms 'globalization' and 'multiculturalism' have dominated the research of business, leadership and management. Globalization can be understood as a process which calls for removal physical, political, economic and cultural barriers. At the same time, its promotes integration of the world in multicultural context. In other words, the process of globalization results in global integration supported by the "advancements in communications, technology and transportation that have truly made the world a unified global field and have

---

\* Institute of Economic Sciences and Faculty of Business Economics and Entrepreneurship, Belgrade, Serbia,  
Fellow of WAAS and EASA

contributed significantly to the globalization process”, p. 53. [1]. In addition, “we live in an era of business without boundaries, where competing effectively means collaborating across time, distance, organization, and culture”, p. 3 [2]. In this ever-complicated business environment, managers and leaders must forge new partnerships or relationships, and make an impact on organizations to be more innovative, more efficient and more cost-effective if they need to remain competitive. Accordingly, the new challenges imply new ways to organize work between globally dispersed experts, geographically dispersed employees, organizational units, and different companies. In short, organizations need more complex collaborations to address the challenges of a more complex world [3]. Also, managers must identify the benefit of diversity management and how, through effectively managing it, increase the potential of all employees and serve a diverse range of customers in multicultural business environment. In this context, global managers should know that diversity not only involves how people perceive themselves, but how they observe others- their gender, ethnic group, age, personality, cognitive style, education, background and more. Namely, global managers must be respectful of different cultures and customs, understand other government and political systems, and be able to communicate well with people from other countries [4].

Because of new challenges and cyber age, there is a call for a new kind of managing the organizational change, p. 3 [2]. Organizational change typically consists of three stages: establishing the need, implementation, and monitoring” [6]. Leading the course of change and explaining why potential changes will be good for an organization must be clearly communicated by management, so as to help soften the resistance employees might feel towards the anticipated changes heading their way. Making any type of change is always like taking a gamble, the outcome is not known until the change is enforced. In addition, as with any change, there will be many challenges faced by organizations and their employees. Some of these challenges include: Change might not equal progress, the cost to benefit ratio, internal resistance, and choosing the wrong solution [5]. Internal resistance is to be expected no matter how small or how beneficial the change may be. “According to an article by organizational change expert, the top two reasons people resist change are lack of knowledge about coming changes and fear of the unknown” [5]. This goes to show just how important communication is within an organization when there is organizational change coming.

## THEORETICAL OVERVIEW

Current trends of the contemporary business world are highly associated with the continuous globalization of the economy. These trends include a growing number of multinational corporations that play an important role in the world economy influencing constant flow of business transactions across countries and increasing divergence within the workforce. Therefore, “understanding the globalization of business practices is an important area and researchers have been studying the subject of business in multicultural settings for decades “[7]. Most recently, a great wave of migrant workers has made a significant impact on organizations in

a manner that it requires it to be more open and accommodative towards a different and multicultural working environment. According to a number of scientists, “we should be looking into the concept of an organization and organizational culture rather than a market if we want to understand contemporary economic transformation “, p. 4 [2]. Culture is a concept that has gotten much attention in the last couple of years and a number of research has been done on culture in different contexts [8]; [9]; [10]. The contemporary definition of organizational culture includes what is valued; the leadership style, the language and symbols, the procedures and routines, and the definitions of success that characterizes an organization. By using a multi-disciplinary approach, leaders are able to understand the communities where the organization is at present and have the ability to work with and motivate people in the different cultures [13]. Rejecting the cultural differences leads to unproductive working environment which restricts the firm from exploiting its untapped opportunities of its diverse cultural workforce “p. 111 [16].

Most recently, a great wave of migrant workers has made a significant impact on organizations in a manner that it requires it to be more open and accommodative towards a different and multicultural working environment. According to a number of scientists, “we should be looking into the concept of an organization and organizational culture rather than a market if we want to understand contemporary economic transformation “, p. 4 [2]. An international organization must develop a set of company ethics to guide employees. It is a challenge for global firms to “manage diversity in order to be more efficient and competitive” [9]. Namely, according to Sultana creating a positive, diverse culture results in a competitive advantage. This means “better decision making, greater creativity, and greater success both internationally and with the local communities” [9].

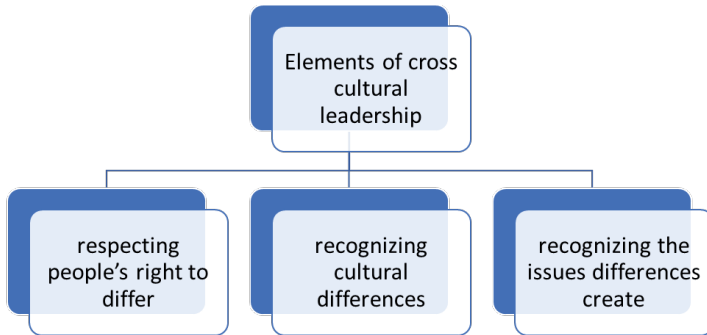
### MANAGING A CULTURALLY DIVERSE WORKFORCE

The changes in the domestic and global market suggest that companies need to understand diversity to succeed in their business and meet their customers needs.

Diversity can be broken into three levels (Picture 1). The first is the internal dimension. The internal dimensions are elements that cannot be changed. Examples are someone’s age, race, ethnicity, sexual orientation. The second dimension is external dimension. External dimensions can be changed but individuals are likely to resist changes to this dimension. Examples are someone’s education, religion, experiences, and marital status. The final dimension is the organizational



Picture 1. Three levels of diversity  
Source: Author



Picture 2. Elements of cross-cultural leadership  
Source: Author

dimension. This relates to how someone functions within an organization. These dimensions all interact together and create a corporate culture.

Research shows that leadership plays the most important role in defining how groups deal with problems with such diversity. Ideally, the three rules of cross-cultural leadership include: recognizing cultural differences, respecting people's right to differ, and recognizing the issues differences create. Management practices might need modification to deal with differences in economic values (Picture 2).

There are several benefits in having a culturally diverse workforce. Knowledge of different languages and cultures can help determine new product lines, service lines and marketing approaches. It can improve the knowledge base of the manager and improve communication skills of fellow employees. As corporations expand on a global scale, diversity helps speed up the adaptation to new cultures. Ignoring cultural diversity creates tension in the workplace, which leads to conflict and decreased productivity. It may also affect recruiting and retaining employees. Employees, who feel that a violation of their rights occurred, might also initiate legal recourse.

Global diversity must encompass not only an understanding of the differences between different countries, but also, the internal diversity of each country. The scope of diversity has become truly global and knowledge about each country's customers, employees and suppliers has become essential. The global organizations need to move fast towards better management of a culturally diverse workforce. This movement towards better management has to be adopted by organizations due to three main reasons as illustrated with some real examples. Some companies like Xerox were obliged to develop better management of a work force made more diverse by affirmative action. Other companies like Hewlett-Packard grew very rapidly and then they realized that they had to work with multicultural constituencies. A third type of companies like Avon products needed to have a diverse workforce in order to match the diversity in the marketplace. All these three kinds of companies had to work towards managing their diverse multicultural workforce better to gain a competitive advantage in the six dimensions of cost, resource acquisition, creativity, marketing and problem

solving and system flexibility. Thus, a culturally diverse workforce must be valued and managed well by all organizations in order to remain competitive in the present global scenario. Namely, the global organizations should be able to strike the right balance between the challenges and the benefits of globalization and the four basic areas for striking the right balance are cost, strategy, people and risk. Striking the right balance can be difficult, but, there lies the importance of management and the role of managers and leaders in the organization. In line with this, for leaders, having a diverse workforce means having a pool of talents that could lead to performance. Research conducted by Roodt [11] explained how important leadership is in a multicultural environment to drive performance forward by meeting the needs of all stakeholders. Important support in facing all these challenges has been provided at cognitive level by management system models and at technological level by information technologies. However, in the knowledge intensive firms, all traditional business models are challenged. Namely, faced with technology globalization leaders are confronted with more issues other than just having a multicultural workforce. The development of contemporary technologies, especially the Internet on one side, and changes in management practice, communication and the organization of work in companies on the other side, have led in the last years to changes in regard to knowledge type and acquiring method [12].

The new management concepts are developed dealing with questions such as e. g. organizational learning, multi-cultural teamwork, gender and diversity management. Namely, in order to meet the growing needs of diversity while addressing the issue of globalization, organizations should create effective diversity programs with training at all levels of the organization. In addition, organizations who have holistic approaches to support talent have more comparable talent flows for women and men than those who do not.

As suggested earlier, the current focus is not on managing equality, but rather managing diversity by capturing all sorts of opportunities that diversity brings to the workforce. For this matter, creating a culturally diverse workforce requires a leader who understand the knowledge or skills gaps of the individuals, the support needed to meet their needs and integration programs to promote engagement. The most effective organizations, are organizations that don't simply use their diversity in order to have legitimacy with clients, but use their diversity to increase the cultural competence of their workforce, writ large. "Organizations that develop multicultural leadership are focused on individuals who are skilled at working in various cultural contexts", p. 133. [9].

To achieve success," multicultural organizations are advised to think and act outside the traditional framework" [15]. This implies using new knowledge in the application of the best practical experience, as well as the experience of other organizations which are involved with the same or similar services [13]. Most companies and organizations define and use one preferred leadership model and set of competencies — which is, typically, strongly influenced by Western management theory and practice. However, while western leadership knowledge and practices have been effective in many parts of the world in the past, this approach

has limitations in today's global business environment. In line with this, there is a need for a new vision of leadership as one "based on eastern, western and tribal wisdom". [15]

### **Diversity Concerns**

Elements of diversity are: gender, education, age, religions, sexual orientation, physical abilities, race and so forth. Recently, we have explored several aspects of diversity as:

#### *a) Gender diversity*

One group of researchers seems to study diversity from a perspective of Investing in gender diversity at the workplace. So, they have shown the multiplier effect of investing in gender equality at the workplace is profitable for both companies and investors [17]. On the other side, a number of researchers have conducted studies in an attempt to explore diversity from an organizational and economical perspective [18]. There are also multiple theories and observations that are made on the gender gap in senior management positions. In addition, there have been also some skepticism about whether women will be able to overcome the obstacles that keep them out of top leadership positions [18]. For example, in 2015, only 23 females have the highest titles in Fortune 500. There is no consensus among researchers regarding why women remain under-represented in executive leadership jobs. Our research was conducted in 2016. to gain feedback from business leaders on:

- The career progresses
- Organizational support for women in the senior leadership positions
- Perceived barriers to the advancement of women into leadership roles.
- The research was carried out in Serbia, Italy, Iran, Malaysia, Turkey, India, Denmark, and Portugal.
- Respondents' age was ranging from 24 to 69 years old.

Research showed that the main reasons for why women are still under-represented in top management are:

- (1) existing leadership culture;
- (2) women are not being in the pipeline long enough;
- (3) lack of significant general management experience and
- (4) absence of women role models.

Also, the companies are not effective enough in recruiting and training women executives.

#### *b) Age*

We explored labor force in the age group over 55 (both sexes), which most affected by job loss and searching for new employment with focus on female. The research conducted in 2016 on a representative sample of 100 respondents in Serbia. Analysis among other things is showed that if it comes to employment after years of waiting, the job is usually paid less than the previous one and that women are waiting longer than men the same age cohort. The research has also shown that the elderly workers are primarily considered to be less productive, lacking

the appropriate knowledge, are slower in adopting change and are unwilling to improve and adjust to the modern requirements of the job. Regardless of the fact that this category includes mostly unskilled workers or workers with low qualifications, our research has shown that the workers are ready to improve and learn, but need an adequate support. It is important that this support should come from both the state and the educational institutions.

Managers and supervisors should be encouraged to identify and develop a diverse pool of candidates, and develop its people within its organization in order to remain successful and profitable in the global marketplace. However, organizational culture and workforce culture must be compatible. In this context, employees need to view them as equitable, competitive, and appropriate, even though these employees have varied beliefs, values, priorities, and perceptions.

## CONCLUSION

In order to meet the growing needs of diversity while addressing the issue of globalization, organizations can create effective diversity programs with training at all levels of the organization. By implementing certain policies and training, this keeps both the employees and employers safe from discrimination and allows them the chance to learn about other cultures and start to welcome and accept the differences around the globe.

Managers and supervisors should be encouraged to identify and develop a diverse pool of candidates, and develop its people within its organization in order to remain successful and profitable in the global marketplace. However, organizational culture and workforce culture must be compatible. In this context, employees need to view them as equitable, competitive, and appropriate, even though these employees have varied beliefs, values, priorities, and perceptions.

The global corporate culture should focus on the basics of the organization, which includes the vision, values, and behaviors, that are essential for the culture. The global vision should be put into action and carried out in an understandable way with acknowledgement of the cultural identity of the different nations. Also, cultural groups must put together forums/meetings in order to distribute awareness and the importance of cultural diversity will make a significant difference.

Global organizations should make an effort to make decisions on a decentralized rather than a centralized basis. Opportunities should be created across the globe and resources should be brought to various locations, so employees can work with different cultures. Lastly, global managers should create culturally sensitive performance reviews and reward systems.

Based on our research, the winners in changeable business environment will be the unbridled firms that are responsive to challenges and adroit in both creating opportunities and capturing them”, p-3’5 [2]. Also, it is a commitment to foreseeing change, embracing that change, and seeking it constantly.

In line with this, there is a new vision of leadership as one “based on eastern, western and tribal wisdom about leadership”. It’s our new reality.



## REFERENCES

- [1] Radovic Marković M, Vujičić, S. (2014 a). Innovative global companies — some case studies in the Proceedings, *Entrepreneurship: Factors Affecting Small-Scale Business Performance And Development*. Faculty of Business Economics and Entrepreneurship, Belgrade. [http://vspep.edu.rs/\\_img/downsekcija/2015/08/eeebookofapstracts2014belgrade.pdf](http://vspep.edu.rs/_img/downsekcija/2015/08/eeebookofapstracts2014belgrade.pdf) (Retrieved: 20 April, 2016.)
- [2] Radovic, Marković. M. (2008). Managing the Organizational Change and Culture in the Age of Globalization. *Journal of Business Economic and Management* (1): 3–11.
- [3] Mankin, D. and Cohen, S. 2004. Business Without Boundaries: An Action Framework for Collaborating Across Time, Distance, Organization, and Culture. Available from Internet: <<http://participationage.wordpress.com/what-is-globalization>>.
- [4] Schermerhorn, John R. Jr. (2003). *Organizational Behavior*, 8<sup>th</sup> Edition. Pg. 43.
- [5] Taylor, E. (2017). The Disadvantages of Change in an organization. Retrieved from chron: <http://smallbusiness.chron.com/disadvantages-change-organization-20419.html>
- [6] Basu, C. *Small Business Chronicle* (2011). “What is the meaning of Organizational Change?” <http://smallbusiness.chron.com/meaning-organizational-change-35131.html> Accessed: 24 September 2017.
- [7] Ablonczy-Mihályka, L. and Széchenyi, I. (2009). Business Communication between People with Different Cultural Backgrounds, *Conference of the International Journal of Arts and Sciences*, 1(19): 121 — 129 (2009).
- [8] Holmgren. and Jonsson, A. (2013). Cultural diversity in organizations: A study on the view and management on cultural diversity, Umeå School of Business and Economics, Sweden.
- [9] Sultana, M., Rashid, M., Mohiuddin, M., & Mohammad, N. (2013). Cross-Cultural Management and Organizational Performance: A Content Analysis Perspective. *International Journal of Business and Management*. 8(8): 133–146.
- [10] Radovic, Marković. M. et. al.,(2014). Virtual organisation and motivational business management, Maribor: Alma Mater Europea — Evropski center; Beograd: Institute of Economic Sciences.
- [11] Roodt, G. (2001). Leadership still the cornerstone of success. *Management Today*, 17 (3), 8.
- [12] Radovic Markovic, Mirjana and Salamzadeh, Aidin and Markovic, Dusan and Grozdanic, Radmila and Vucekovic, Milos (2012), E-Learning in Business and Entrepreneurship: Evidence from Serbia, Iran, and India (December 1, 2012). 1<sup>st</sup> Annual International Conference on Employment, Education and Entrepreneurship, 2012. Available at SSRN: <http://ssrn.com/abstract=2203718>. (Retrieved: 5 March, 2016.)
- [13] Morrison, A. J. (2000). Developing a global leadership model [Electronic Version]. *Human Resource Management*, 39, 117. Retrieved April 12, 2007 from LIRN ProQuest.
- [14] Ellwood, W. (2010). *The No-nonsense guide to globalization* (3<sup>rd</sup> ed.). Oxford: New internationalist Publicatins Ltd.
- [15] Radovic, Marković. M. (2017). Impact of Multicultural Business Environment on Organization Behavior And Leadership, Y: Radovic Markovic (ed.), Shoaib Farooq (ed.), Vujicic (ed.). ORGANISATIONAL BEHAVIOR AND TYPES OF LEADERSHIP STYLES AND STRATEGIES IN TERMS OF GLOBALIZATION, Newton Abbot, United Kingdom: Compass Publishing. 2017, str. 80–89
- [16] Adler, N. And Gundersen, A., (2008), *International dimensions of organizational behavior*, 5<sup>th</sup> edition, Thomson learning inc.: USA.
- [17] Morgan Stanley (2016). Why It Pays to Invest in Gender Diversity. In the Internet: <http://www.morganstanley.com/ideas/gender-diversity-investment-framework> (retrieved: 10 July, 2016).
- [18] Radovic Marković, M. (2016). Empowering employment of women and marginalized people through entrepreneurship education in Serbia, *JWE*, 1–2/2016.