

ANALYZING CROSS-CULTURAL ISSUES AFFECTING HRM PRACTICES

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Abstract

Globalization has brought several changes within the organization as it allows individuals of different mindsets and cultures to work under one roof. The research paper explores cross-cultural issues affecting the HRM practices which involve investigation of organizations in Australia. A total of 200 employees of HR departments of several organizations were part of the study. The research approach followed is deductive because a larger sample size has been considered, however; analysis is performed with the help of SPSS. The results have shown discrimination, cultural diversity and communication are few factors that affect HRM practices of the organizations. Such factors affect the HR policies and also make it important for organizations to devise their strategies accordingly.

Keywords - HRM, Culture, Communication, Organization

I. INTRODUCTION

It is essential for the HR organizations to consider cross-cultural challenges when going global to attain its organizational goals and objectives. It has been witnessed in the study published by Eroglu (2014), that there is a significant difference between domestic and international human resource management as there are different macro-environmental factors such as political, socioeconomic and cultural that are significant to be addressed in different nationalities.

The significance of the topic revolves around the differences in cultural expectations and perceptions of the individuals that are extremely vulnerable in shaping up the organizational behavioral factors which include management style, work orientation, and motivation, performance appraisal, communication and conflicts (Milikić, 2014). Further, the significance of analyzing the impact of cross-cultural issues on HRM practices is twofold. This is because, on one hand, the internationalization of organizations can be achieved by forming integrated HRM policies and practices for implementing unique solutions that adapt to the cultural diversity in different countries. On the other hand, the solution is to follow a decentralized approach in which cultural differences permit the local HR department to make the procedures specific to the country in which the organization operates (Tabrizi, et al., 2013). For example, in the Middle East, Asia, Japan, and Korea, inequality has been observed between men and women for doing the same work in terms of pay and reward. Whereas, in more developed countries like UK and US, men and women are treated equitably as they receive the same level of pay for doing the same work

(Eroglu, 2014).

The main reason for conducting the analysis of cross-cultural issues affecting HR policies is because cultural differences become extremely important when HR concepts and theories are to be applied in a global business since the national culture is extensively rooted in the everyday life of employees working in the organization (Milikić, 2014). Ignorance of those cultural values and enforcement of HR procedures that are not in line with the cultural context may lead to dissatisfaction among employees and nonachievement of organizational goals and objectives. Further, in the current dynamically changing international environment, issues with the diversity of the workforce in terms of cultural and social challenges are of great concern in the workplace. The competitive advantage adopted by the global companies is majorly developed from the alignment between cross-cultural environment and internal HR policies and procedures.

The objectives of this research are to find the cross-cultural issues and challenges experienced in the organization in this complex, dynamic and competitive environment. It also aims to discuss the impact of cultural factors on the manpower and labor working in the international organizations by using Hofstede's framework of national culture in Australia. The research paper also highlights the cultural attitudes and behavioral patterns in Australian organizations and how these can lead to conflicts. It also aims to increase the cross-cultural knowledge among HR professionals to understand the influences on managerial aspects.

II. REVIEW OF LITERATURE

International HR practices prove to be a valuable asset for any organization as these practices are the powerful strategic tools for gaining a competitive advantage when aligned with the cultural values and attitudes. According to Ruzagiriza (2017), very few organizations understand the importance of cross-cultural human resource management (CCHRM), but they sometimes lag the application of solutions to cross-cultural issues (Ruzagiriza, 2017). There is a strong relationship between organizational culture and HRM as when the HR professionals understand the key aspects of the culture and socio-economic attitude of the employees, it becomes easier to adopt the right strategy suiting their personality and behavioral characteristics to manage the day to day organizational activities. Every culture is unique and has its own history and importance, forcing similar HRM practices in a global environment may lead to the occurrence of some cross-cultural issues which are discussed in the next section.

2.1 Cross-Cultural Issues

Many cultural differences can arise in a global environment where there is diverse workforce and employees follow different communication styles that are influenced by their respective cultures. The first main issue is related to different communication styles due to the language barrier, hostile stereotypes, and behavioral differences. If people knowing different languages engage themselves in a conversation, it may result in emotional imbalances. The hostile stereotypes, i.e., the assumptions developed in the minds of people create a communication gap and leads to prejudgments without even doing a healthy interaction (Penn, 2016). Behavioral differences may lead to disrespectful attitude, for instance, in some countries, making an eye contact while communicating is considered to be rude, while in some countries it reflects the confidence level. Another issue is a contextual based issue in which high context communication in which direct

instructions are communicated to the employees, while in low context communication, absorption of ideas and rules is done through training and written documentation. (Clark, 2016).

2.2 HRM Practices

HRM practices depend entirely upon the cultural dimensions applicable to a specific country in an organizational context. It is essential to formulate the HR practices to be more culture-bound, and these practices can be segregated into two types - soft and hard. There are contradictory results as per the researchers published by different authors in which there is an argument whether the hard or soft HR practices are culture-bound. For instance, according to Cuhlova (2015), it's the soft HR practices such as reward systems, selection criteria, industrial relations and performance appraisal, which are more bound towards the cultural behaviors. On the contrary, according to Tan and Nasuridin (2014), it's the hard HR practices such as staffing, planning, and training that have to be more culturally bound than reward systems and performance appraisal schemes. Strong and accommodating HR practices help in the evolvement of good leadership styles, better communication, and motivational aspects to improve the performance level.

2.3 Cross-Cultural Intelligence

Cultural Intelligence (CQ) has become very important for global and competitive organizations. Employees possessing CQ at a higher level can help in bridging the gaps arising due to cultural differences. They can share knowledge with their peers about cultural differences, can develop strong interpersonal connections through a high level of communication and can drive multicultural workforces in a smooth manner. CQ basically comprises of cross-cultural skills, cultural knowledge and cultural metacognition (Forbes, 2015). Cross-cultural skills are achieved by gaining knowledge about different foreign cultures and focusing on experiential learning by working towards empathy and adaptability. Cultural knowledge can be achieved through different modes such as books, movies, newspapers, travel and working with colleagues of a different culture. Cultural metacognition/ mindfulness is defined as the knowledge and control of learning activities when working in a different culture (Presbitero, 2015). One has to be efficient enough to identify the uniqueness of another culture to gain cross-cultural intelligence.

2.4 Hofstede Model

According to Hofstede (1983), national culture is deep-rooted in the values. Based on Hofstede model of work values, the culture of Australia is analyzed on the basis of dimensions which are allocated a score between 0 and 100. Following graph shows the score of each dimension in case of Australia:

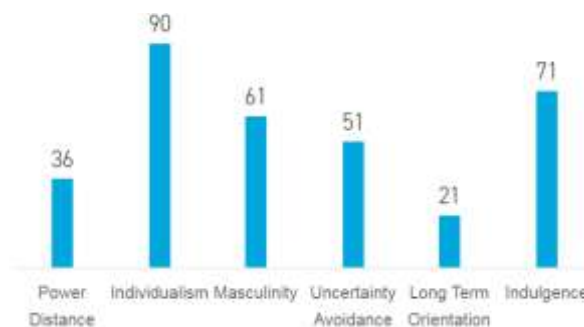


Figure 1: Hofstede Model for Australia (Source: (Hofstede, 2017))

Individualism: This dimension signifies whether the people of a country are individualistic or collectivist in nature. In case of Australia, the score is 90, which means that people act as highly individualistic. This shows that Australians are self-reliant and are expected to take care of themselves and their direct families only, instead of other individuals of society (Hofstede, 2017).

Masculinity: It signifies whether the people are characterized by competitiveness and achievement or harmony and quality of life. Since the score is high (61), which shows that Australians are more concerned about minting money and they are ready to survive in the competitive, successful and tough environment.

Power Distance: It explains that there are power differences in a workplace which creates inequality between the individuals and the leaders. Since the score in case of Australia is only 36, which means that there is a sense of reliance and convenience within the hierarchy where the managers and supervisors are dependent upon the employees and participative communication takes place among them.

Uncertainty Avoidance: Uncertainty is impactful in every scenario, and different cultures have a different way of dealing with different levels of threat. Like in case of Australia, the score is neither high nor low, it is intermediate (51). A high score means that the people are highly anxious about the unknown situations and low score means that they are more tolerant towards uncertainties.

Long-term Orientation: It signifies the extent to which societies develop a link with their own past experiences to face the present and future challenges. The score is low (36) in case of Australia which means they follow a more normative approach (instead of pragmatic approach) such that they are highly concerned about the traditions and customs of the society and are relatively less inclined towards saving for the future (Hofstede, 2017).

Indulgence: Cultures in different countries can be described as indulgent or restrained depending upon their extent to control their impulses and desires. A high score of 71 shows, Australians are indulgent in nature and are willing to fulfill their desires by spending money to enjoy life and to fulfill their desires.

2.5 Influence of Cross-Cultural Issues on Human Resource Management Practices

From the past researchers conducted by Farndale & Sanders (2017) and Diponegoro (2016), it has been proved that global HR professionals should have a self-sufficient knowledge about the cross-cultural effects on HR practices to avoid conflicts and misunderstandings. The avoidance of cultural issues in HRM practices can make the job profitable for both employee and organization. The influence of cultural differences affecting HR procedures is mainly resulted due to the difference in beliefs, social behaviors, languages, religions, and legends. The different lifestyle of employees with different nationalities causes conflicts in the working environment. This is because quality management, time management, and cost management are impacted as a result of cultural differences (Abdullah, et al., 2015).

In Australia, egalitarian culture is followed, as per which there is no differentiation among the individuals and there is openness to ideas by following bilateral and to the point communication. Australians are receptive to new ideas and are participative in nature. The concept of “Tall Poppy Syndrome” is followed in Australian society where the individuals stand out like a “tall poppy”

from the crowd and avoid interference (Communicaid, 2017). Also, quick decision making is a key aspect in all Australian companies which may sometimes lead to the disparity. Since Australians are individualistic in nature and are only concerned about self and immediate families, they like to finish their work by afternoon or evening and overtime does not exist in their dictionary which may sometimes lead to conflict with the co-worker who is from a different nationality (Chang, 2016). Further, the hierarchy in Australian organizations is very interactive unlike in Asia where the culture is authoritative and communication is not open. Though open communication is very important in an organization, it may lead to conflict as there may be disagreements and lack of transparency.

2.6 Research Gap

The researchers published in the past highlight many important cross-cultural issues that affect the HRM practices in an international organization. For instance, according to Penn (2016), hostile stereotypes are of bigger concern in global business as people develop notions about other individuals and lesser interaction leads to conflicts. Further, according to Clark (2016), language barrier creates communication issue on a contextual basis. Emotional imbalances are caused due to the differences in socio-economic behavior and different cultural attitudes. Presbitero (2015) highlights that it is significant to be culturally intelligent and mindful to lead a team of diverse cultures and religions. However, all the researchers focussed on a general aspect of cross-cultural issues and their impact on HRM practices. In this research, cultural context has been highlighted with respect to Australia, and with the help of Hofstede Model, different dimensions are covered to address the cultural issues in the Australian companies.

III. RESEARCH METHODOLOGY

The deductive approach would be used in this research to define the impact of cross-cultural issues on HRM procedures. This is accomplished by forming a hypothesis on the basis of theories discussed in the research and the approach would be applied to check whether to reject or accept the hypothesis. Positivism research philosophy would be used to check hypothesis developed and observations would be drawn on the basis of primary data collection technique. Another research methodology used would be exploratory research methodology which helps in determining a better understanding of the problem by critically exploring the sample data and drawing conclusive results. The data collection technique used in the research paper is quantitative research in which a survey questionnaire would be designed. The sample size for the research would be 250 employees and the questionnaire would be filled online. The results would be collated in SPSS software where the exploratory research philosophy would be used to conduct the analysis.

IV. RESEARCH FRAMEWORK



Figure 2: Conceptual Framework

V. RESULTS

The following section of the research paper presents data analysis that is gathered by the researcher's effort. The sample size for the study is 200 employees of the HR department and the results obtained are discussed under:

Cronbach's Alpha	N of Items
.659	15

Table 1: Reliability Test

The reliability statistics above is used to explain the authenticity of the data being gathered. The use of Likert scale questionnaire has been made which consists of three variables including five questions per variables thus making a total of 15 items. The reliability statistics are run on the questionnaire data and it ought to be as 0.659. The rule to check the reliability of the data is that Cronbach's alpha should be more than 0.50 in order to perform further statistical tests. However, for the data under consideration, the test gives satisfactory results as value is higher than the required interval.

5.1 Cultural Diversity

There are various cross-cultural issues that affect the HRM practices. Some of such factors include communication, cultural diversity and discrimination. Employees during the survey were agreed that their organization hires employees belonging to different cultures because 35% were agreed in total, 12% were neutral and rest disagreed. 31% employees were strongly agreed that their organization does not celebrate cultural events, 22% were neutral and 20% disagreed. Similarly, when questioned about the food availability in the cafeteria does not meet the taste requirements

due to cultural differences, 15% strongly agreed, 18% were just agreed, however, and 52% remained neutral. Expatriates are the ones who are being sent on the international assignments on behalf of the company. Employees, when inquired about expatriates, are not compensated appropriately when they are asked to work on an international assignment, a large number of respondents were agreeing with the statement. A total of 27% strongly agreed, 34% were just agreed, 29% were holding moderate views and remaining 10% were disagreeing. As in the view of Ruzagiriza (2017), HR policies are devised by considering the cultural differences that exist among employees. In agreement Clark (2016) stated hostile stereotypes in the minds of people create a cultural gap which thus, affects organizations policies and procedures.

5.2 Communication

As mentioned by Cuhlova (2015), language is the most important barrier to the cross-cultural communication which creates a communication gap and influences effective communication within the workplace. The language barrier is most critical issues that encountered at Australian organizations, to this questions 28% employees were strongly agreed, 13% were just agreed, 41% remained neutral and remaining 18% were disagreed. In addition, different dialects within languages also result in bridging the gap between effective communication and results in lack of interaction among employees. To this, 36% were agreed, 14% employees negated with the statement and just 24% were neutral. Differences in dialects and also in accents create disruption during communication. To this, 26% employees were strongly agreeing with the statement, 54% remained neutral and 20% disagreed. In addition to it, employees also highlighted that they are being offered proper training in order to minimize cross communication barriers. To this statement, 22% were strongly agreed, 29% were just agreed, 29% hold moderate views and remaining 20% were negating with the statement.

5.3 Discrimination

40% employees in total were agreed that their organization hires diverse workforce however, 60% disagreed which indicates lack of diverse workforce within the organization. According to Farndale & Sanders (2017), the organizations that are successful in the prevailing competitive environment are the ones that create a balance between the cultural values, consider no discrimination and also implement policies that positively impact firm performance. Employees are being treated equally; no gender biases are reflected this statement was supported by a total of 40% employees, 25% were neutral and remaining employees negated. On the other hand, 30% employees strongly agreed that their organization hires employees on the basis of merit. 10% were neutral and remaining 30% employees disagreed. The culture is not the issue considered when hiring employees because 70% employees agreed to the following statement however just 20% were negating. As stated by Chang (2016), HR professionals take into consideration all possible factors that are likely to affect their decisions when it comes to hiring employees belonging to diverse cultures.

VI. DISCUSSION

From the results obtained, the three main cultural factors affecting HRM practice are identified that includes cultural diversity, communication, and discrimination. The study has proven the impact of communication differences among the employees belonging to a different culture; they categorized language as the utmost barrier which affects the two-way communication. Moreover, different dialects of the languages are also issues that were supported by the employees. This often also becomes the reason for disruption while working in teams. Furthermore, the organizations in Australia are not inclined towards celebrating cultural events of the employees belonging to different cultural backgrounds. Employees also face difficulties in terms of tastes and preferences as the food available in cafeteria also doesn't match their taste preferences which are also an issue pertaining to diversity among employees. The findings also relate to the point that all employees are treated equally and no discrimination is observed as HRM practices are same for the employees meaning, employees are treated equally despite differences in race, caste, and creed.

VII. CONCLUSION

- The research paper explored the cross-cultural issues affecting HRM practices for which 200 employees were surveyed by the help of Likert scale questionnaire.
- The findings of the study were quite positive as employees were more inclined towards cultural diversity and it relates issues.
- Employees of the HR department stated expatriates are not compensated in monetary terms which thus affect the HRM practices.
- Similar to this, this is also observed that training is being offered to the employees to overcome language barrier as one language and its consideration within the working environment makes it easy for the employees to communicate more effectively with each other.
- Employees also reflected that their teams consist of a diverse workforce and thus, there is no discrimination on the basis of gender, culture etc within their organization.
- As a result, objectives of the research paper are accomplished as cross-cultural issues affect the HR practices implemented at the organization.

VIII. RECOMMENDATIONS

The managers of MNC in Australia are recommended to devise strategies which are free from biases and thus support the cross-cultural cohesion. They are advised to structure strategies which benefits diverse workforce. Such initiatives can be in the form of offering training to them because coping with language as a barrier is very important. In addition, the managers should also offer training to employees in order to work efficiently with a diverse workforce and work with the team members belonging to other cultures. Managers are also recommended to let employees celebrate their cultural events in order to depict that their organization does not discriminate them on the basis of cross-cultural differences.

IX. LIMITATIONS

The limitations of the current research paper are the factors that were the cause of hindrances for the researcher to complete the study in an effective manner. The foremost limitation was of sample size. A limited sample of 200 employees is not sufficient to generalize the results, so future analysts are recommended to opt for large sample size and also consider collecting qualitative data from the managers. On the other hand, the research paper due to time constraint also lacks in-depth analysis. Similarly, the researcher has lack of resources available as well, the study would have been more comprehensive if larger sample, qualitative data and more variables were investigated.

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