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School of Management Studies

MS - 29

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Behavioural Dynamics of IHRM

3

"शिक्षा मानव को बन्धनों से मुक्त करती है और आज के युग में तो यह लोकतंत्र की भावना का आधार भी है। जन्म तथा अन्य कारणों से उत्पन्न जाति एवं वर्गगत विषमताओं को दूर करते हुए मनुष्य को इन सबसे ऊपर उठाती है।"

– इन्दिरा गांधी

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"Education is a liberating force, and in our age it is also a democratising force, cutting across the barriers of caste and class, smoothing out inequalities imposed by birth and other circumstances."

– Indira Gandhi

Indira Gandhi
National Open University
School of Management Studies

MS-29
International Human Resource Managment

Block

3

BEHAVIOURAL DYNAMICS OF IHRM

Unit 9
Cross-cultural Communication and Negotiation 5

Unit 10
Leadership and Motivation in a Global Context 15

Unit 11
Global Ethical Environment 28

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BLOCK 3 BEHAVIOURAL DYNAMICS OF IHRM

- Unit 9 discusses the importance of communication from international context. The unit explains about the barriers to cross-cultural communication in detail and gives an overview of negotiation process.
- Unit 10 explains how International Managers have to motivate and lead the people from diverse backgrounds. The unit discusses how leaders have to be situational in the international context. It also raises certain issues of motivation in international context.
- Unit 11 discusses the role of ethics and unethical activities involved in International Human Resource Management.

UNIT 9 CROSS-CULTURAL COMMUNICATION AND NEGOTIATION

Objectives

After going through this unit, you should be able to:

- Understand five dimensions of human communication in any cultural context.
- Identify different barriers to cross-cultural communication.
- Explain the concept of cross-cultural negotiation and various stages of the negotiating process.

Structure

9.1 Introduction

9.2 Verbal and Non-Verbal Messages

9.3 Dimensions of Human Communication

9.4 Barriers to Cross-Cultural Communication

9.5 Cross-Cultural Negotiation

9.6 Conflict Resolution

9.7 Summary

9.8 Key Terms

9.9 Self-Assessment Questions

9.10 Further Readings

9.1 INTRODUCTION

The process by which verbal and non-verbal language is shared is communication. There are five fundamental dimensions of human communication described in this unit. We explore the difficulties of communicating across cultures and the barriers to effective cross-cultural communication. Negotiations are a major aspect of international management and are fundamentally influenced by communication as well. We will consider various aspects of negotiations and how these can differ from location to location.

There are many models that seek to explain cultural difference between people. Hofstede (1980) is one of the most frequently quoted. He concluded that there were four main factors, namely, individualism, power distance, uncertainty avoidance, and masculinity that explained the differences found in national culture.

Cross-cultural communication and negotiation are of particular importance in international HRM as they are both significant areas of organisational functioning but are particularly susceptible to cultural influence and, hence, misunderstanding.

Here are some examples of cross-cultural communication failures:

- An American expatriate in Seoul beckons to a Korean store clerk with the typical U.S. "come here" wave of the hand. The Korean store clerk is amazed and appalled and avoids the American. The American waits, sees he is being avoided, and angrily walks out of the store. The Korean store clerk was

offended that the American would use a gesture to call him in such a way that is used in Korea to call only dogs. The American was incensed that the clerk would ignore and refuse to assist him.

- A Korean company contracted with an American toy company to manufacture model trains. After sending the first shipment to the American company, the Korean owner was surprised to receive a letter from the American company with a detailed list of manufacturing flaws, modelling errors, and other problems with the product. Feeling that the American company was trying to justify a reduction in price for the shipment, the owner formulated a price-cutting plan for the American company. He was surprised when, not long thereafter, the American company cancelled the order, returned the shipment, and withdrew the letter of credit that had been established.

9.2 VERBAL AND NON-VERBAL MESSAGES

Verbal: Learning a foreign language improperly, even if just a few words are involved, can create immediate difficulties. For example, a Japanese businessman who was transferred to the United States explained his frustration in trying to find affordable housing; he kept asking about renting a "mansion", the word he had been taught instead of "apartment". Language differences can go much deeper than simple translation ambiguities. Even when we can manage to translate from one language to another with literal accuracy; the failure to understand idioms or slang creates many misunderstandings. Similarly, the deeper meanings of individual words – with their web of rich associations – are often lost because they are rooted in the culture of the language.

Literal translations from one language to another can also create misunderstandings because they do not account for culture-based linguistic styles.

***Non-Verbal*:** Non-verbal communication systems vary from culture to culture just as verbal systems do, but often we overlook the symbolic nature of non-verbal communication. Many American travellers abroad have been embarrassed when they discovered that the two-fingered gesture they used to mean "give me two" is assigned a different, obscene meaning in many countries. They have also been mistaken when they assumed that a nod always means "yes". In some countries, a nod means "no". Confusion in non-verbal indicators may be much more complex.

9.3 DIMENSIONS OF HUMAN COMMUNICATION

There are five dimensions of human communication:

1. To assume that our communication relationships with the same people will always remain the same, misunderstandings are bound to happen because people change, the circumstances around the relationship change, and topics of communication change.
2. Communication involves purposive and expressive messages. When people communicate they exchange verbal and non-verbal messages with each other. One kind of message is a purposive message, that is, a message that communicates the direct intention of the sender of the message. In contrast, expressive messages are those unintentionally sent along with a spoken message: for example, anger in one's voice along with the spoken words, "That's okay. Just don't let it happen again." The speaker, in this case, is saying that he/she forgives the other person explicitly. But because of the tone of the speaker's voice, the receiver of the message is unsure whether to believe the

intended message. For clear communication to occur and for the receiver to interpret the message correctly, purposive and expressive messages must be in harmony with each other.

3. Communication is made up of multi-unit signals. Human communication travels through a variety of signals, not just words. Kinesic, proxemic, olfactory, and other signals picked up by the five senses are methods or "units" of human communication. These do not occur one at a time in human communication, but simultaneously. If the combined package of the units is comfortable, understandable, and known to the receiver, clear communication takes place. However, if the units present confusing stimuli to the receiver, misunderstanding will occur.

4. Communication depends on the context for its meaning. "Context" means the degree to which the communicator and the listener share a common background of knowledge and experience. This occurs when both individuals have a common history or, at least a shared understanding, of each others' lives, intentions, and experiences. When a context is understood to a great degree between two communicators, much can be said even though little is actually spoken; they can "read between the lines" of each other's statements. In high context cultures, their members share many cultural norms, and do not really need to talk that much to communicate.

   High and low-context cultures have several important differences. Members of high-context cultures and more skilled in reading non-verbal behaviour, and they assume that other people will also be able to do so. Thus, they speak less than members of low-context cultures and they listen more; in general, their communication tends to be indirect and less explicit. Members of low-context cultures, on the other hand, stress direct and explicit communication. They emphasise verbal messages and the shared information they encode.

   In high-context cultures, because everyone understands the nature of and requirements for communication, a simple nod, grunt, sigh, or wave of the hand may communicate a lot of information. Japan is an example of high-context culture. Canada and the U.S. are considered to be low-context cultures, because there are many sub-cultures in these countries; and people do not widely share the exact same norms regarding communication. Many researchers link high-context communication style with collectivist cultures and low-context communication style with individualist cultures.

5. Communication is dependant on the competence of the communicators. If a person is able to send and express messages clearly and receive and interpret messages correctly, communication is enhanced. The degree to which a message is poorly expressed and incorrectly interpreted is the degree to which misunderstandings occur. These can happen at different levels of communication. For example, if an expatriate cannot speak the local language very well, misunderstanding may occur due to the expatriate's inability to express clearly basic sentences. If the expatriate is fluent in the language, misunderstandings may still occur because the host nationals may interpret the purposive message correctly but also pick up an unintended expressive message negative in nature. The two examples cited earlier involve instances where both parties lacked the competence necessary to communicate cross-culturally.

   Each of these five dimensions of human communication apply to any culture. However, how each dimension is manifest and carried out in each culture is unique to each culture. That is why living and working with people with diverse cultures can be both irritating and interesting. To communicate with someone from a different culture, one must first learn not only the language, but also the rules as to how the language is used in different contexts and situations.

9.4 BARRIERS TO CROSS-CULTURAL COMMUNICATION

To communicate effectively with someone from a different culture, there are certain barriers that must be understood and surmounted. These are ignorance of cultural rules of communication, perpetual biases, faulty attributions, and stereotypes:

Ignorance of cultural rules of communication: It has been estimated that approximately 65 per cent of our communication is non-verbal in nature. Each culture has different rules regarding non-verbal communication. There are five types of non-verbal communication: kinesics, proxemics, fixed features of space, semi-fixed features of space, and personal space.

Kinesics: Kinesics refers to gestures, facial expressions, body positions, body movements, and their relation to communication. Consider the following cross-cultural differences in kinesics (taken from Dodd 1977, pp. 53-4).

- It is common in Indonesia to converse with someone, while in their home, by sitting on the floor and talking. As one sits down on the floor, great care must be taken not to point the soles of one's shoes or feet toward the host. Doing this is a great offence, for the gesture indicates that the person is seen as being inferior.
- During the Cold War, Soviet Premier Nikita Kruschev visited the United States. As he emerged from the aeroplane, officials, news reporters, and other visitors greeted him cordially. In response, Kruschev clasped his hands together and raised them about his shoulders. To television viewers and observers in the U.S., the gesture appeared like a boxer signalling victory. However, Kruschev intended the gesture to represent a clasping of hands in friendship.

Without knowledge of basic kinesics for the culture in which one is operating, misunderstandings and bad feelings can be caused rather easily. Edward T. Hall, a noted anthropologist, believes by holding that kinesics is one of the most basic of all modes of communication and is only partially readable across cultural boundaries. The only way this barrier can be overcome is to study the kinesics of the culture in which one will be living and to memorise the behavioural patterns.

Proxemics: Proxemics is the study of the spatial relationships in human communication. The field includes the study of fixed features of space (such as, architecture and buildings) and how they influence human relationships; semi-fixed features of space (such as, seating arrangements, office layouts) and how they influence communication; and dynamic space, or human's use of personal space when communicating (Dodd 1977, p. 55).

Fixed features of space: One example of a fixed feature of space that influences Organisational behaviour is room size. Different cultures design offices and workroom layouts differently to reflect cultural preferences. For instance, "a large office in the United States communicates status and perhaps power. The smaller the office, lesser the status appears to be connected with the occupant of the office. In contrast, in India, high government officials may share a room with six other lesser employees in a room, perhaps "15 feet by 20 feet" (Dodd 1977, p. 56).

Also, buildings themselves can embody a value, emotion, or belief system. For Americans, visiting the Lincoln Memorial and the Vietnam War Memorial arouses emotions related to the values of justice, freedom, sacrifice, and gratitude. Similarly, a visit to the Sengakunji Shrine in Tokyo, the burial place of the ashes of the Samurai, arouses emotions in the Japanese that relate to the values of duty, sacrifice, obligation, and honour.

The following case exemplifies how the use of buildings can affect business and political relationships. As a background to this case, it is important to understand that traditionally in many Latin American countries, universities were not supposed to be used by politicians to support their own political agendas, if they were invited to speak. When Richard Nixon was Vice President of the United States, he visited Latin America. At one stage of his visit, he desired to give a speech at a University. Unfortunately, he spoke on politically related topics and employed an interpreter from the local military who was in full-dress uniform. While hoping to improve the relationship between his country and the host country, the setting, the kinesics of the military uniform of the interpreter, and the subject matter of the speech all combined to have the opposite effect from the one Nixon intended (Smith 1966, p. 13).

***Semi-fixed features of space*:** How companies layout office furniture and work space, directly influences how people communicate with each other. High-context cultures tend to have more open and less private work spaces. Japanese norms reinforce working groups and being part of a group. There are no partitions separating desks, so everyone can overhear what everyone else is saying on the telephone or in work-related conversations. Compare this with the strong perceived need for privacy in North American companies. Large work spaces are partitioned and subdivided with movable "walls" in such a way that cubicles are formed. In each cubicle a person has his/her own desk, often surrounded with personal items marking that territory as the worker's private working space. North American cultural values of independence, individualism, and privacy dictate to a large degree how work space is arranged, and the resulting structures reinforce the norms associated with those values.

***Personal space*:** Researchers have found that human beings unconsciously structure and measure the space around their bodies. The normal conversational distance between strangers illustrates the importance of dynamics of space interaction. Different cultures have different measurements of personal space. For North Americans, there is a radius of 18 inches around them that they view as "intimate space". People who are physically allowed to enter that space are people whom the North American knows and trusts and is comfortable with. Conversely, Latin Americans and people from the cultures of the Middle East have relatively small intimate space. In some of these countries, "being close enough to breathe on another person during a conversation is deemed appropriate. In fact, the breath is like one's spirit and life itself, so sharing your breath in close conversation is like sharing your spirit" (Dodd 1977, p. 58).

Perceptual biases: Researchers studying cognition have found that in order to store information, make sense out of what we perceive in the world around us, and simplify the world around us. There are four important reasons why humans have developed this capacity for information categorisation:

1. To reduce the complexity of the environment. There is no way humans could remember 7,500,000 different words for different colours – we would undergo information overload.
2. To identify objects and behaviours in the environment. English speakers have chosen over time to rely on the primary colours or variants of them (for example, "light" and "dark" green) to identify the colour of objects.
3. To reduce the necessity of constant learning and reclassifying. Simplifying colours to the primary colours and their general variants enables English speakers to classify the colour of something quickly without having to undergo long mental-processing episodes.
4. To construct a ready knowledge of appropriate and inappropriate action to take in any situations. For example, a yellow light on a traffic signal means "slow

down to stop"; the driver doesn't have to think about the shade of the colour before taking the appropriate action.

The mental categories by which a person sorts out and responds to the world reflect the culture into which that individual was born (Bruner 1957, p. 10). Thus, people from different cultures attach meaning and expect certain responses in various situations according to learned experience and socialization. In other words, our categories are to a large degree taught to us by others (parents, teachers, peers). The research seems clear that people from different cultures process and categorise information differently.

It seems that categorizing what we see in the world around us into more simple, workable frameworks allows us to live more efficiently and effectively. However, the danger is that since we oversimplify the reality of the world, we might tend to misperceive it and make mistakes in our mental processing. Regarding the possible effect that culture-based categories may have on one's ability to effectively interact with people from other cultures, Szalay said: "The more we consider our views and experiences (our categories of the world) to be absolute and universal, the less prepared we are to deal with people who have different backgrounds, experiences, culture, and therefore different views (categories) of the universe." (1981, p. 138).

Triandis (1964) notes that as we utilize the categories in our minds to make sense out of the world around us, we have positive and negative experiences associated with those categories. Thus, emotions attach to them. For example, even if an Indonesian knew that Westerners might not be expected to know that they should not show the soles of their feet to him, if the Westerner did do so, he would still feel revulsion, shame, or other negative emotions associated with his/her mental category of appropriate nonverbal behaviours.

Faulty attributions: When we judge the motives behind why people do what they do, we attribute reasons to their behaviour. For example, if while you are driving down the freeway, a car races up to you from behind, passes you, and then continues to weave in and out of traffic while exceeding the speed limit, you may attribute the driving behaviour of that person to a number of reasons: the driver has no regard for the rights of others, is drunk, is late for an important appointment, or has a sick wife in the backseat and is speeding to the hospital. The possible attributions you could make are numerous.

The following are the steps involved in attributions:

1. ***Perception*:** The first step in attributing motive or reason behind a behaviour is to observe that behaviour.
2. ***Category retrieval*:** Once behaviour is observed, in milliseconds our brain goes through a kind of "library index card" retrieval until it finds the category in our mind that makes sense out of the behaviour we observe.
3. ***Estimation of motives*:** Once evaluations about, and emotions toward the observed behaviour have been triggered, the next phase is to estimate why that behaviour occurred. Human beings seem to have a strong need to understand why things happen. Evaluations and emotions kindled will likely influence the correctness of the attribution. Researchers have found that human beings make two general kinds of attributions about behaviours they observe: internal and external. Internal attributions are made when the behaviour is viewed as being caused by the other individual's internal characteristics, personality, or psyche. External attributions are made when the behaviour is viewed as being caused by external factors or conditions that impinge on the other individual.
4. ***Behavioural response*:** Based upon the attribution made, the observer selects a behavioural response. Based upon one's personality traits, one chooses a

response. If that response is inappropriate in a cross-cultural business setting, such as during a negotiation, devastating results can occur.

5. ***Final analysis*:** Once attributions have been made, that information is fed back to the category, and the category is updated. If the category is fed with faulty information, the category will not be accurate. Then, when a similar incident occurs, the category will cause inaccurate evaluations and trigger inappropriate emotions in the individual. Conversely, the more accurate the information fed back into the category, the more effectively the individual will be able to deal with his/her environment. To make correct attributions cross-culturally, it is important to put one's attributions on hold and not automatically assume that one's evaluation of the situation has been correct. Research shows that successful expatriates compare their evaluations with host nationals to make sure they are accurate before they permanently store them in their memory categories: that is, they consult an expert on the culture.

Stereotypes: Another barrier to cross-cultural communication is stereotyping – categorizing a group of people based upon some feature they hold in common, such as nationality, race, or religion. Studies show that once the categorization takes place, "an individual tends to favour his/her own group in nearly every respect and disfavours the other group attributing more positive attributes to one's own group and more negative ones to the other. Furthermore, such research has firmly established that the favouring of one's group can be attributed to the existence of a perceived out-group, regardless of any actual differences among people that would merit division (Oddou and Menden Hall 1984, p. 86).

Once one feels part of an in-group, individuals not part of that group are categorized on a variety of issues (intelligence, industriousness, education, and accent) and are seen as similar to one another. Stereotyping is a powerful barrier to cross-cultural communication because interactions with people from out-groups are processed through the categories that make up the stereotype. If a group is classified as being dishonest, for example, whenever one interacts with a member of that group, it will be difficult for the holder of the stereotype to trust anything the outsider does or says. Prejudice and racism are difficult to eradicate because the categories that make up discrimination interpret the world in such a way that the categories are reinforced, even if reality is different.

9.5 CROSS-CULTURAL NEGOTIATION

Negotiation is the process of bargaining with one or more parties to arrive at a solution that is acceptable to all. Business negotiations often involve one party attempting to influence another to make a particular decision or sign a contract. A negotiation becomes cross-cultural when the parties involved belong to different cultures and, therefore, do not share the same ways of thinking, feeling, and behaving. All global negotiations are cross-cultural.

Negotiating cross-culturally is one of the single most important global business skills. Global negotiations contain all of the complexity of domestic negotiations, with the added dimension of cultural diversity.

Negotiation is not always the best approach to doing business. Many times such strategies as 'take-it-or-leave-it' or bargaining become more effective. Negotiating, compared to bargaining or the take-it-or-leave-it approach, is time-consuming and patience-testing. As a rule, managers should negotiate when any one of the following conditions exists.

- Their power position is low relative to their counterpart.

- The trust level is high.
- Sufficient time is available to explore each party's multiple needs, resources, and options.
- Commitment, not mere compliance, is important to ensure that all parties carry out the agreement.

One of the most important arenas of cross-cultural communication for international business people is negotiation. Business will not occur unless negotiations are successful.

People from different cultures use different negotiating styles and approaches. They have different communication styles, different strategies for persuasion and a different set of protocols. Differences occur in the way a conflict is viewed, managed and resolved.

Negotiating is all about attitude. There are two basic approaches to how a final outcome is viewed. Some cultures view the negotiating process as a 'win-win' situation – a process through which both sides gain. Other cultures adopt a zero sum mentality where someone's gain must always equal someone's loss.

Yet, if both parties come to the negotiating table without having done some serious thinking about the barriers to and complexities of cross-cultural communication, there is a low probability that the negotiations will be successful.

One important finding about cross-cultural negotiation is that within any culture, people go through four stages in the negotiation process. These stages are relationship building, exchanging task-related information, persuasion, and making concessions and agreements. However, cultures differ in the degree to which value is placed on each stage of the negotiation relationship.

***Relationship building*:** The first stage of negotiations involves building interpersonal relationships between the negotiating parties. For Japanese this is a very important part of the negotiation process, and they spend considerable time in building relationships with the other party. Conversely, Americans rate building relationships as less important and spend much less time on this phase than do the Japanese. For the Japanese, it is important to spend a lot of time after the official meetings out on the town, eating and drinking with the members of the other party. In this way, formal barriers are broken down between the parties, and a sense of trust slowly develops. During the first meetings when Americans may want to get down to business, the Japanese will likely talk in generalities, for in their minds the preliminary sessions are simply to assist in building relationships.

***Exchanging task-related information*:** The second phase of cross-cultural negotiations involves information exchange and understanding each others situation and needs. It is difficult enough to understand other party's situation, interests, and needs in a negotiation situation in one's own culture. As is well known, people from differing cultures commonly view problems, reality, and business operations in different ways. It takes a sustained, sincere effort both to clearly articulate one's own situation and to understand that of the other party in a cross-cultural negotiation.

***Persuasion*:** Persuasion involves influencing the other party to adopt one's view point, position, or beliefs. For example, Americans quickly persuade the other party to agree with their offer bid, contract, and so forth. Americans view this phase as the most important part of the negotiation process and spend quite a bit of time in the use of persuasive tactics. The Japanese also rate this phase as important and spend a fair amount of time on it as well. However, for the Japanese, persuasion should only take place after mutual trust has been established; for Americans, persuasion can take place quickly with appeals to logic and rationality overriding the need for warm interpersonal relationships.

***Concession and agreement*:** The Japanese value this phase less than Americans do, though they spend about the same amount of time in this phase as Americans. Adler notes that, "Americans negotiate sequentially; they discuss and attempt to agree on one issue at a time. Throughout the bargaining process, Americans make many small concessions, which they expect their opponents to reciprocate; then they finalise the list of concessions into an overall agreement." (1991, pp. 199-200)

The Japanese do not tend to spend a lot of time and energy on making small concessions that reciprocate their opponent's concessions. Instead, they like to view the process holistically, trying to understand each side's views and needs, build trust, and then make concessions, if any, at the end as a form of wrapping up the negotiations.

9.6 CONFLICT RESOLUTION

Collectivist cultures tend to avoid open conflict while individualist cultures meet confrontation head-on, often believing that confrontation is the quickest route to problem solving. In cross-cultural negotiations, conflict may be evident even before the two parties sit down to talk.

When locked in negotiations, it is important to take into consideration the differences in the decision-making process between cultures. In some cultures where power is decentralised (United States, Australia), decisions can be made quickly – and often by a single individual. However, in cultures with collectivist values (Japan, China), decisions are made by consensus and can take longer. However, implementation of decisions is quicker in collectivist cultures as opposed to individualistic cultures that often demand the right to question the decision handed down.

9.7 SUMMARY

- Cross-cultural communication is the communication between people not only based on different national cultures but also on the basis of race, religion, educational and economic backgrounds.
- Three stages of communication are perception, interpretation, and evaluation of events. Various factors that influence cross-cultural communication are roles and status, decision-making style, symbols, chromatics, and proxemics.
- Various methods for effective cross-cultural communication are: (a) communication through multiple channels; (b) paraphrasing to ensure correct understanding of meanings; and (c) double checking to verify that the receiver has understood correctly.
- Different stages in the negotiation process are: (a) relationship building, (b) exchanging task-related information, (c) persuasion, and (d) making concessions and agreements.
- Different barriers to cross-cultural communication are: (a) ignorance; (b) biases; (c) faulty attributions; and (d) stereotypes.
- Negotiating across cultures is the single most business skill.
- Successful international negotiation requires effective cross-cultural communication.

9.8 KEY TERMS

- **Culture**: It is a way of life developed and shared by a group of people and passed down from generation to generation.
- **Attribution**: It is the way you perceive yourself and the way you perceive others.
- **Perception**: Perception is the process by which individuals select and organise stimuli in the environment to provide meaningful experiences to them.
- **Categorization**: We are bombarded with more perceptions than we can keep distinct or interpret and therefore, we categorise perceived images into familiar groups to simplify our understanding. This allows us to function in a complex world.
- **Stereotype**: A generalisation, based on limited experiences, about a class of people, objects, or events that are widely held by members of a given culture.
- **Evaluation**: It means judging whether someone or something is good or bad. In this, we use our own culture as a standard of measurement, judging what is like us as normal and good and that which is unlike us as abnormal and bad.

9.9 SELF-ASSESSMENT QUESTIONS

1. What is cross-cultural communication? Why is competence in this area essential for success in global business?
2. What are the major problems in cross-cultural communication? Explain.
3. What is perception? Why does misperception occur so often in cross-cultural communication?
4. Identify specific nonverbal aspects that are important in communicating? Discuss how these nonverbal activities influence communication effectiveness.

9.10 FURTHER READINGS

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Mendenhall, M., Punnett, B.J., and Ricks, D., *Handbook of Global Management*, Beacon Books, New Delhi, 1999.

UNIT 10 LEADERSHIP AND MOTIVATION IN A GLOBAL CONTEXT

Objectives

After going through this unit, you should be able to:

- Describe the origin of leadership and motivation.
- Study the cross-cultural issues that pertain to leadership and motivation.
- Understand different leadership styles across a variety of cultures.

Structure

10.1 Introduction

10.2 Study of Leadership

10.3 Cross-Cultural Differences in Leadership

10.4 Leadership Styles

10.5 Cross-Cultural Issues in Motivation

10.6 Maslow's Hierarchy of Needs

10.7 Herzberg's Two-Factor Theory

10.8 McClelland's Needs Theory

10.9 Expectancy Theory

10.10 Equity Theory

10.11 Motivational Issues Summarised

10.12 Summary

10.13 Key Terms

10.14 Self-Assessment Questions

10.15 Further Readings

10.1 INTRODUCTION

One of the most difficult tasks for international managers is to motivate and lead people from cultural backgrounds different from their own. In this unit, we begin by examining the study of leadership in general, and then we consider the impact of culture on effective leadership. Different approaches to leadership in different countries are illustrated. How various theories of motivation apply cross-culturally will also form a part of the discussion. These are essentially Western theories of motivation, and where cross-cultural research is available we draw on this to evaluate the theories.

10.2 STUDY OF LEADERSHIP

The study of leadership is an ancient practice. Dorfman and Ronen observed:

Great leaders have existed throughout history and can be found in all cultures. Skilful leadership predates the construction of pyramids in Egypt, notably in the construction

of the massive temples at Thebes (3500 BC), and pre-Columbians civilisations of the Americas….. The practice and philosophy of leadership can be gleaned from writings as diverse in content, philosophy, and time as those from Moses to Confucius, to Machiavelli (1468-1527) and John Stewart Mill (1806-1873). Thus, the process of leadership has existed before formal history, and words and symbols for readers have existed for thousands of years.

Since World War II, leadership has been a hot topic within the social sciences. Numerous books and articles have been written on the subject. Many social scientific theories of leadership have been constructed, but few studies have been done to test their effectiveness in cross-cultural settings. The "universal theories" of McGregor, Likert, Blake and Mouton, Misumi, and others have not been adequately substantiated by the research literature. After reviewing these theories, Yukl (1989, p. 90) noted that "the empirical research provides only limited support for the universal theories. The Vroom and Yetton model, though promising, deals only with a small part of leadership (decision-making), and more research is needed to test each of the model's elements. Despite the lack of testing of Western leadership models, much writing and research has been done on differences of leadership in different cultures.

Leadership Across Cultures

A multinational leader needs to possess certain unique qualities (apart from those listed in the trait theory) to become successful in global settings. What an international manager needs is **emotional intelligence**. Emotional intelligence refers to a set of five individual and social competencies, including self-awareness, self-regulation, motivation, empathy, and social skills.

Self-awareness is the ability to recognise and understand one's moods, emotions, and drives, as well as their effects on other people. Leaders with a high level of self-awareness exhibit self-confidence, a realistic self-assessment, and a self-deprecating humour.

Self-regulation, the second quality, is the ability to control or redirect disruptive impulses and moods-the ability to think before doing. Leaders with a high level of self-regulation exhibit trustworthiness, integrity, comfort with ambiguity, and openness to change.

Motivation, the third component in emotional intelligence, is reflected in a passion to work for reasons that go beyond money or status. Leaders high on motivation exhibit remarkable organisational commitment, drive to achieve, and optimism (even in the circumstances of failure).

The fourth emotional intelligence quality is ***empathy***. Empathy refers to understanding the emotional make up of other people and skill in treating people according to their emotional reactions. Leaders with a high level of empathy demonstrate an ability to build and retain talent in their organisation, show cross-cultural sensitivity, and become known for offering great service to clients and customers.

Social skill is the fifth competency in emotional intelligence. Social skill refers to the proficiency in managing relationships and building networks, along with an ability to find common ground and to build rapport. Leaders with a high level of social skill are effective at leading change, show a superior ability to build and lead teams, and become known for their persuasiveness.

Leadership in the International Context

In international settings, leadership needs to be situational, that is, successful leadership in multinational companies requires that managers adjust their leadership styles to fit the different situations. This adjustment must occur not only in response to tradi-

tional contingency factors such as sub-ordinates characteristics but also in response to the cultural and institutional context of the multinational's country locations.

Universalism in Leadership

In recent years, a new issue has cropped up in the literature on leadership. The issue relates to the universalism of leadership. That is, whether or not effective leaders act similarly regardless of their respective cultures. Transformational leadership is projected as an approach which can cut across all cultural barriers and be effective in any organisation anywhere in the world and represents a higher level of leadership. Transformational leaders are visionary agents with a sense of mission who are capable of motivating their followers to accept new goals and new ways of doing things. Specifically, the transformational leader:

- ***Articulates a vision***. Presents in vivid and emotional terms an idealised vision colour of future for the organisation – what it can and should become – and makes this vision clear to followers.
- ***Breaks from the status quo***. Has a strong desire to break from tradition and do things differently; is an expert in finding ways to do things differently; challenges subordinates to find new solutions to old problems.
- ***Provides goals and a plan***. Has a vision that is future oriented, and provides clear steps for followers to transform the company.
- ***Gives meaning or a purpose to goals***. Places the goals in emotion-laden stories or a cultural context so that subordinates see the need to follow the leader's ideals and to share a commitment to radical change; helps subordinates envision a future state of a better organisation.
- ***Takes risks***. Is willing to take more risks with the organisation than the average leader.
- ***Is motivated to lead***. Seeks leadership positions and displays strong enthusiasm for the leadership role; acts as a role model.
- ***Builds a power base***. Uses personal power based on expertise, respect, and the admiration of followers.
- ***Demonstrates high ethical and moral standards***. Behaves consistently and fairly with a known ethical standard.

Contrary to popular belief, transformation leaders are not new to the present century. The German sociologist Max Weber recognised the existence of transformational leadership throughout history. This type of transformational leadership he called 'charisma' and he noted that it had existed in all cultures. According to Weber, Jesus Christ and Muhammad were among the first transformational leaders. Most people also consider Mahatma Gandhi and Martin Luther King as representatives of transformational leadership.

Transformational leaders succeed because subordinates respond to them with high levels of performance, personal devotion, reverence, excitement regarding the leader's ideas, and a willingness to sacrifice for the good of the company. However, true transformational leaders are rare. They seem to arise when an organisation needs a change or faces a crisis.

Does transformational leadership really work equally effectively in all cultures? The answer does not seem to be a definite 'yes'. Leader behaviours need to vary from country to country. For example, transformational leaders need to be more directive in less developed countries than in developed ones. Moreover, cultures can create some problems in using universal leadership concepts in countries such as Japan, where the use of contingent reward systems is not as widely used as in the West. These reward

systems can also become meaningless in Arab and Turkish cultures where there is a great belief that things will happen 'if God wills' and not because a leader has decided to carry them out. Obviously, though transformational leadership has universal appreciation, it needs to be fine-tuned when applying in any particular country.

10.3 CROSS-CULTURAL DIFFERENCES IN LEADERSHIP

Historically, writings on leadership have always had a cross-cultural flavour. Consider the books about and the writings of great leaders such as Winston Churchill, Niccolo Machiavelli Joan of Arc, and Mohandas Karamchand Gandhi in the political arena; Jesus Christ, the prophet Mohammad, Confucius, and Moses in the religious world; and Sun Tzu, Alexander the Great, and Miyamoto Mushashi in the military affairs.

While the leadership is exhibited in all societies, cultural norms influence what kinds of leadership behaviours are appropriate in a particular culture. By definition, leaders stand out from their peers, yet they stand out without pushing the constraints of cultural norms too far. If leaders attempt to behave too differently from cultural norms, they will be rejected; however, if they adhere to all cultural norms in letter, they will not be leaders. For leaders must break some norms to be seen as different by their fellow men and women.

Leaders tend to differ from the masses in these ways:

1. They have a vision, and obsession of what needs to be achieved in the organisation, their group, or society. They envision where the group should go.
2. They inspire others to follow their vision, and make their work a reality. Generally, the vision energizes the leader to work hard and have high levels of physical energy in seeking to make it a reality. This energy and excitement are picked up by the followers. Also, the leader is able to persuade the majority in his/her group to work to achieve the vision.
3. They are able to organise their followers into cohesive, loyal groups, and they reward their followers in many ways to keep them focused on the goal of the vision.

While these general observations about leaders hold true across cultures, the manner in which the leaders inspire others to follow their vision, motivate them to work to accomplish the vision, communicate the vision to elicit followers, organise their followers, and reward their followers differs among cultures.

10.4 LEADERSHIP STYLES

In discussing the differences in leadership across cultures, we note that the research has largely been driven by the economic success (or potential for economic success) of various nations. For example, we know more about the leadership styles of Japanese executives than the leadership styles of executives in Bhutan. A few countries, namely, Japan, the Arab world, and France have been selected as useful contrasts in the way leadership is manifest in different cultures.

Japan: Dorfman and Ronen (1991) observed that influence to achieve high performance levels in Japanese work groups, "flows from the norms themselves, [and] not from an active or hands-on directive leadership style….. Detailed Organisational charts and job descriptions are not the norm in Japan, but procedures for formalizing the structure of an Organisation are ubiquitous in U.S. companies. In Japan, Organisations do have rules, but they are not as important as the underlying norms of

Organisational behaviour in the workplace. Rules are seen as flexible in nature, easily bent to meet different situations, and not ironclad and dangerous if broken."

One of the basic values that influence Japanese leadership behaviours is that of ***amae***. ***Amae*** is a noun form of intransitive verb ***amaeru*** which refers to the desire to depend upon the love and patience of others, or to presume upon another's benevolence, or to bask in another's indulgence, or depend on another's kindness. A prominent Japanese psychologist, Takeo Doi observed that all humans exhibit ***amae*** behaviour in the mother-infant relationship. The infant is totally dependant on the mother, desires to be completely and passively loved by the mother, and does not desire to be separated from the mother. In Japan, ***amae*** is not socialised out of infants, children, teenagers, or others; rather it is reinforced. .

Another Japanese researcher, Kumagai (1981), notes that in Japan *amae* is regarded as a positive thing; other researchers have observed that *amae* is prolonged and diffused throughout Japanese society. Relationship in Japan (manager-subordinate, husband-wife, teacher-pupil, leader-follower) to one degree or another, are affected by *amae* (Mendenhall and Oddou 1986).

Two other important cultural norms that influence leadership behaviour in Japan are ***on*** and ***giri***. Befu (1983) defines *on* as "the debt or obligation one incurs upon receiving their favour or gift from another." Thus, human relationships in Japan are bound by a network of reciprocal obligations. *Giri* is a word that reflects the norm of duty to pay back debts – whether one wants to or not. Befu defines *giri* as..... the norm that obliges the observance of reciprocal relationships..... *Giri* is a moral force that compels members of society to engaging socially expected reciprocal activities even when their natural inclination (*ninjo*) may be to do otherwise. To neglect the obligation to reciprocate is to loose the trust of others expecting reciprocation, and eventually loose their support.

The traditional Japanese ***oyabun – kobun*** relationship took the form of master and discipline. Their expressions are still used today, although more informally. At work, this relationship is sometimes referred to as ***sempaikohai***, which can be roughly translated as "senior-junior". When an employee in Japan goes to his/her manager and seeks the manager's advice about a personal problem, the manager will take the time to listen, advise, and help the subordinate. The employee presumes upon the manager's benevolence out of ***amae*** emotions, and the manager gives time, attention, and concern out of ***amae*** emotions. Since the manager was willing to help, the employee is in debt to the manager. The manager is also somewhat in debt to the employee, but not as much because the employee allowed the manager to express ***amae*** in their relationship. In the ***giri*** phase, the employee will seek ways to repay the debt later, usually through obeying and being loyal to all requests the manager expects from the employee. The manager will repay the debt owed to the employee in more subtle ways, such as bending a rule for him/her. The result of this process is that the ***amae*** relationship between the two is reinforced; thus the cultural values associated with the process remain intact. Research findings show more tendencies to listen to others. They also express willingness to discuss feelings with others, cooperate with peers rather than compete against them, and seeing the need for top management to be tolerant. Bolon and Crain (1985) found that Japanese managers take more steps when dealing with a problem subordinate, and spend more time in trying to understand the situation compared to American managers.

Though Japanese society is undergoing shifts in its values, business, and economic systems, traditional leadership norms are holding firm. Nakane (1970) summarises the issues of Japanese leadership by stating the following general principles:

1. In comparison to leaders in other societies, Japanese leaders have less authority and control, as they are expected to maintain warm relations with their follow-

ers. The followers are allowed to influence the decisions of the leader to a great degree.

2. The loyalty of a subordinate to a superior is a virtue in Japanese ethics, thus leaders must allow subordinates to show this loyalty. The leader, to a large degree, is expected to be dependant on the followers – it is seen as positive if the leader has some weaknesses that the followers can compensate and make up for.
3. Leaders must keep conflict, contention, anxiety, and tension to a minimum among the workers they lead. An important value in Japanese intra-group relations is conflict avoidance.

The Arab World: Leadership behaviours in Arab societies are closely linked to tribal traditions as well as Western influences. Ali (1990 p. 14) notes that the tribal kinship influence is felt heavily among Arab managers today, and many Arab managers tend to:

…behave as fathers, i.e., as protectors, care givers, and those who should shoulder all the responsibilities of business. While the above characteristics are not necessarily negative….they do suggest an authoritarian management style. The authoritarian structure is particularly apparent in large organisations. Most Arab organisations, whether public or private, are highly centralised and adopt an authoritarian structure (functional-type), regardless of corporate strategy or technology.

Ali (1988) observes that the tribal-kinship influence on managers does not facilitate a willingness to work with groups outside the family, engage in creative problem solving, seek alliances with outsiders, or break or test established organisational norms. It is not unusual for organisational problems to be solved according to cultural values of the tribal-kinship group.

The legacy of being ruled by the Ottoman and Europeans has left a strong tradition of ruling by administration in the Arab countries. This legacy left administrative orientations towards centralisation, rigid rules, and clear divisions of labour. These systems combined with tribal-kinship values have developed into the leadership style of "sheikocracy" (Ali, 1990). The characteristics of sheikocracy are:

- Hierarchical authority.
- Rules and regulations contingent on the personality and power of individuals who make the rules.
- Subordination of efficiency goals to human relations and personal friendships.
- Indecisiveness in decision making.
- A patriarchal approach to leadership.
- Nepotism at upper levels of organisations.
- Open-door policies.

Western influences in management methods have also influenced Arab managers, but the use of participative and other more democratic approaches to leading workers is difficult because of resistance on the part of political rulers, conservative segments in society, and other managers who are not as Westernised in their approach to management. These influences have produced a "duality" in Arab managers' approaches to leadership.

Bashir Khadra (1990) has developed an Arabian leadership model called the "prophetic-caliphal" model. It is based on the assumptions that there is a continuity of traditional forms of behaviour in Arab society in organisations and that leadership in Arab society is interrelated with the political, social, economic, and other ideological systems of Arab cultures.

The effects of the cultural values of personalism and individualism in Arab society create organisations where systems of rules, procedures, regulations, and protocol do not solve problems regularly. In other words, organisational problems are viewed subjectively by managers, and when managers feel they have a solution, they tend to be rigid in their decision-making processes.

When control devices such as committees, rules, and handbooks are ignored in Arab organisations, a kind of leadership vacuum exists. Someone or something must enter the vacuum and restore order and guidance. According to Khadra, in the Arab cultural context, seeking out new management ideas, new training programmes, and so on are not thought of to solve organisational stagnation. Neither are groups of workers looked to as the solution. In Arab cultures, the most important element in filling the vacuum is a person, "a great man", who will make things right. Thus, a great man is expected to emerge and is waited for by all the organisation's members, and there will be a free disposition to accept him in his role once he emerges.

Khadra emphasises that stability, progress, and growth of the system depend on whether the leader is an ordinary man or a great man. If the leader happens to be an ordinary man, the model of leadership is the "caliphal model"; if the leader happens to be a great man, the model becomes a "prophetic model". The factor that distinguishes the leader who emerges between becoming a great man or an ordinary man is the ability to accomplish a superior feat. In order for the ordinary man to lead the group, he must use coercion and authoritarian measures, as well as ingrate himself, to maintain his status as leader. For the great man, however, a different situation exists. His power and influence depend on showing love, a minimum use of coercion, and submission to his instructions by his followers. Followers feel free to express their opinions and emotions to a great man because such a leader by nature and custom must show his interest and concern in diverse ideas.

France: Leadership in business and government organisations in France is heavily based on belonging to the cadre. Obtaining cadre status is important, for it changes social and legal status relating to pension entitlement, self-perception, and the way others perceive a person.

One attains cadre status in three ways, the most common being to excel in high school and be admitted to one of the ***grandes ecoles*** – professional schools that admit only the best and the brightest of France's high school graduates. Upon graduation from such a school individuals are automatically positioned for success in a company or in the government (Barsoux and Lawrence, 1991). The second way to obtain cadre status is to get a job after or before graduation from a University other than one of the ***grandes ecoles*** and wait five to ten years to gain cadre status. Thus, cadre status must be earned "on the job". The third way is to enter a firm without any higher education and, over a period of several years, prove oneself to be outstanding.

This system of producing leaders from the cream of the crop has predictable effects on leadership style. Barsoux and Lawrence observe that: "French managers see their work as an intellectual challenge, requiring the remorseless application of individual brainpower. They do not share the Anglo-Saxon view of management as an interpersonally demanding exercise, where plans have to be constantly 'sold' upward and downward using personal skills. The bias is for intellect rather than for action." (1991, p. 60).

The design of French organisations reinforces the isolationist, intellectual, and analytical orientation of the cadre. French organisations are highly centralised, have rigid hierarchies, and positions of authority are respected. At the top of the firm in France is the PDG (president-director-general). In U.S. terms, this position is akin to the chairman of the board and the CEO together. The person who occupies this position in a French organisation has complete decision-making power and control of the

company. Senior executives in France believe they owe their high position to their intelligence and should make all the critical decisions. Because of this rigidity, French managers resist adopting a more flexible organisational system.

French leaders are expected to make decisions based on careful quantitative analysis and prefer to communicate by memo and letter. All of this reinforces norms of formality and authoritarianism. French executives command respect and obedience from their subordinates and in turn give their own superiors the same. Such norms reflect a larger national organisational culture where leaders are expected to display behaviours that relate to intellect, analysis, and independence in thinking.

In 1988, General Electric (GE) got the French medical-equipment maker ***Cie Generale de Radiologie***. Because the French company had been struggling, GE attempted to boost the morale of their newly acquired co-workers. The result of this approach was a conflict in leadership styles between the Americans and the French. Morale after takeover was low, the best French managers and engineers left for other firms, and it was difficult to recruit qualified replacements. GE leaders did not communicate their vision, inspire others to work for achieving the vision, and did not organise their French workforce to work effectively because they engaged in leadership behaviours that did not fit with French expectations of organisational leadership.

10.5 LEADERSHIP TIPS

The role of leadership in business is critical. An increased emphasis on global-team building has created demand for business leadership. So far, companies have failed to develop enough global leaders to meet their needs, resulting in what many call a global business leadership crisis.

A leader is supposed to inspire great performance. There are ten basic leadership behaviours that differentiate between excellent and mediocre business leaders. A successful global leader should:

1. Provide clear objectives
2. Build teams
3. Achieve unit goals
4. Enhance individual and team performance
5. Make the difficult decisions
6. Gain employee/team ownership of projects
7. Generate enthusiasm and pride
8. Make the team feel important
9. Teach and learn from honest mistakes
10. Manage creative talent effectively

Source: International Business Culture, p. 165.

10.5 CROSS-CULTURAL ISSUES IN MOTIVATION

Motivation is probably one of the most researched areas of management. If a manager can grasp what will motivate his/her employees, then that manager will have a more productive workforce. Being able to understand what motivates employees is thus a key diagnostic skill for a manger to possess. The actions a manager takes to motivate his/her subordinates depend on that manager's assumptions about what motivates people. Most of the research undertaken in this area has been carried out

in the U.S., Canada, and Great Britain. The most common approach, historically, to answer the question of what motivates workers has been to focus on satisfaction of needs. One of the earliest researchers that took this approach was Frederick Taylor. He believed that workers were motivated to work by the need for money. His model is based on the idea that people work hard when they are given more money. He held that a company should break work down into its most efficient components to use workers' time on the job more productively. By doing this, profits would increase, and the company would have more money to increase workers' pay, which in turn, would keep them motivated to work hard.

Taylor's ideas seem to work best when the nature of the job is routine and predictable (such as basic assembly – line work), when little judgement is required from managers, and when workers are willing to comply with Organisational rules. Motivation is not really that simple. People seem to be motivated by more than just money; and individual differences exist in workers – some may be more interested in receiving more leisure time instead of money, for example.

In reaction to Talyor's ideas, a new approach to worker motivation developed, namely, the human relations school. This assumes that individuals are motivated by more than just money and that more people would have higher levels of motivation at work if they could get more of their needs met there.

10.6 MASLOW'S HIERARCHY OF NEEDS

The famous psychologists Abraham Maslow contributed to the human relations school. Despite the fact that he did not develop a theory of management, his work in psychology was applied by others to the organisational context. He believed that people can understand others' behaviour if they know what needs others are trying to satisfy. Lowest on the hierarchy is the ***physiological*** – needs that have to do with satisfying hunger, thirst, shelter, and sex. Next on the hierarchy is ***safety*** – needs that involve ensuring personal safety and income. Following this need is the category of ***belongings*** needs; these have to do with the needs for social acceptance as shown by rewarding interpersonal relationships. ***Esteem*** is the next category on the hierarchy, and this involves the desire for prestige, to feel valuable in the eyes of only self and others. Finally, the highest needs of all are those of ***self-actualization***; these needs involve the desire to feel competent, authentic, self-expressive, creative, and unique.

Maslow assumed that an individual will not be concerned with higher needs in the hierarchy until lower needs in the hierarchy are met. Maslow's ideas were applied to Organisational setting by variety of academics, writers, and consultants, and the need for self-actualization was elevated as the ideal state for people to see. Much attention was paid to how Organisations could facilitate conditions that allow people to pursue self-actualization at work. One problem with this theory is that individuals often pursue self-actualization outside of work. Many people may not want to be self-actualized at work, and programmes that promote such an environment may, therefore fail. Nevertheless, Maslow's model of needs has had a powerful effect on how training programmes and management education programmes are conducted. The content of such programmes often have, assumed, that if a manager meets workers' needs, they will be motivated.

Maslow's hierarchy was the first motivation model to be tested internationally. Compared to the number of studies that tested Maslow's model in the U.S. and in Canada, the number that tested his model internationally is relatively small. Some studies found that Maslow's hierarchy was the same or very similar across cultures, while other studies found some similarities along with significant differences in needs

hierarchies across cultures. While complete support was not found for Maslow's hierarchy, there is clear evidence that the need types in his model manifests itself across cultures. Though Maslow's hierarchy itself may not be universal, the needs within that hierarchy do seem to reflect universal needs. For example, Badawy (1979–80) found that among Arab managers in Saudi Arabia, Kuwait, Abu Dhabi, Bahrain, Oman, and the United Arab Emirates, the highest needs was autonomy. Closely tied to autonomy were interpersonal relationships - these Arab managers preferred to do business with people whom they knew and trusted. The Saudis were much more concerned about issues in the social needs category and less concerned about self-actualization needs than the Americans.

10.7 HERZBERG'S TWO-FACTOR THEORY

Fredrick Herzberg developed a different needs-oriented theory. He believed that when an Organisation satisfies a worker's lower-order needs, the worker will reach a "zero-level" of motivation. In other words, if a company pays a fair wage and has a safe work place and decent interpersonal relationships between supervisors and employees, then the worker will show up to work on time. Doing all that is not enough to motivate the worker. Rather, it is a prerequisite for motivation to occur. Herzberg labeled these lower order needs "hygiene factors". When they are not present, or are inadequate, they create dissatisfaction. When these needs are met, they create "motivational neutrality".

Herzberg believed that higher-order needs must be met for motivation to occur in the workplace. He argued that jobs must allow for a sense of individual achievement, challenge, and recognition for a person to feel motivated at work. He advised companies to take care of the lower-order needs first and then enrich the nature of jobs, so that they will allow workers to meet their higher-order needs.

Herzberg's model has been tested outside the U.S. and support for it cross-culturally is mixed. Though some studies found support for the model, others did not. In general, not enough of studies found that people across cultures view the same kinds of work-related issues as motivators and as hygiene factors. In some cases, people viewed hygiene factors as being highly motivating to them at work. Herzberg's model has not found clear support in North America. However, the theory may be useful as a diagnostic tool for tailoring specific motivation programmes in the workplace.

10.8 MCCLELLAND'S NEEDS THEORY

David McClelland's research findings support the facts that humans tend to have dominant need clusters and that those needs may not exist in any kind of hierarchical ordering. McClelland's work would suggest that individuals acquire dominant need groupings as they grow up, and these are influenced both by nature and nurture. People are not necessarily born with these needs, but can acquire them over time and through experience. The three needs he studied were the need for power, the need for achievement, and the need for affiliation.

People who have a strong need for achievement desire to accomplish challenging tasks, seek success, and always try to excel. They are often entrepreneurs. People who have a high need for affiliation seek to have rewarding interpersonal relationships, develop friendships, and avoid conflict. These individuals often work as "integrators" whose role is to facilitate the work of several departments or work groups. This role requires communication skills and the ability to develop good working relationships with a diverse group of people. Finally, people who have a high need for power desire to influence others, to be in authority over others, and influence

Organisations. These individuals often become managers, executives, teachers, and ministers. Numerous studies have been conducted worldwide to test the general validity of McClelland's work. These studies provide for the cross-cultural general validity of his model and indicate that the need for achievement exists in varying degrees across cultures.

Many of these studies also found a relationship between the degree to which achievement orientation was socialized into people and the economic growth of the nation or subculture. For example, McClelland and his fellow researchers were able to teach Indians and Mexicans to increase their achievement orientation and found promising results from such training in subsequent entrepreneurial activities on the part of the participants (McClelland 1965, McClelland and Winter).

Hofstede found in his study that nationalities in his study that were high in assertive, aggressive, and action orientation and also high in risk taking, tended to correlate with nations that were high in economic growth. But even in Hofstede's work, this pattern did not hold for the Japanese; the Japanese in his study scored very low in risk taking.

Thus, the manner in which the need for achievement is manifested is probably due to cultural norms and predispositions. Further, the degree to which individuals in a society are achievement oriented should not be viewed as the main cause of the economic success of that society – too many variables in addition to achievement orientation come into play in the economic success of a nation. McClelland's work has proven to be strong in predicting entrepreneurial activities and difference in individual need orientations across cultures.

10.9 EXPECTANCY THEORY

The expectancy theory assumes that individual motivation level is a function of perceived probability that one's work will, in fact, result in the desired performance. Expectancy theory does not try to define specific needs of people; rather, it acknowledges that employees value different kinds of outcomes and that one's Organisations understand the expectancy mindset of each employee, the correct outcomes can be held up as goals. The employee must not only desire the outcome, but believe that he/she can do the job and that once the job is accomplished, the outcome will in fact be given to him/her.

10.10 EQUITY THEORY

Another model that has received a lot of attention by management researchers is equity theory by J. Stacy Adams. The principle behind it is: "if people perceive their compensation as equal to what others receive for similar contributions, they will believe that their treatment is fair and equitable" (Daft 1991, p. 410). Whenever perceived inequity exists, dissatisfaction, anger, frustration, and other conditions that do not contribute to motivation occur; when perceived equity does exist, people are motivated to work hard. When workers compare themselves to one another, they take into consideration differences in terms of experience, age, education, performance, and a host of other variables. Equity theory holds that as employees we calculate our level of performance in relationship to our "inputs" (experience, education, effort, ability, potential) against the level of our "outputs" (actual performance, status, pay). Whenever our ratio of inputs to outputs equals are nearly approximates the ratio of others we feel that injustice has been done and we continue to work hard. If our ratio is higher than others – and those others receive Organisational rewards we do not receive – then a state of inequity exists, and our motivation decreases.

Equity theory has many implications for managers. Some are:

- Employees evaluate the perceived equity of their rewards compared to those of others. An increase in salary will have no effect on motivation if it is perceived to be inequitable relative to other employees.
- Employees may try to change their outcomes in order to create equity; for example, employees may demand salary increases, better perquisites, and better working conditions.
- Unions may get involved and the whole process can change. Everyone's focus will be from "getting my job done" to "getting my fair share".
- Employees who are doing good job and feel that their input-output ratio is not being rewarded enough compared to others may leave the firm.
- Sometimes people who perceive they are being overpaid may leave - or be low in motivation – because of the persecution they suffer at the hands of those who feel underpaid.

Very few studies have been done on expectancy and equity theory internationally, so it is difficult to comment on their cross-cultural general validity. The studies that have been done have supported both equity and expectancy theory (Eden 19750).

10.11 MOTIVATIONAL ISSUES SUMMARIZED

Some scholars have criticised the validity of all research done on motivational issues. They claim that superimposing a model that has inherent Western assumptions about the nature of human needs may not apply to non-Western cultures. For example, a Cambodian manager may understand concepts such as self-actualisation differently from a North American or a European manager.

One problem for researchers is that it is often difficult to translate survey questionnaires so that the meaning of critical words like "achievement" is understood properly by the reader of the questionnaire. Hofstede has argued that in some languages Western concepts like achievement cannot even be translated, and that there is no word in those languages that captures the meaning of the concept. While there are no magical or universal equations that would motivate anyone, anywhere, at any time, the findings from the research support the proposition that people seek to have their needs met, and when they have these needs met, they are motivated.

McClelland found that no matter where one travels, there are people to a larger or smaller degree who will be motivated by the need to achieve. In cultures where achievement is not a primary value, the likelihood of having a workforce with an innate orientation to work hard and achieve goals will be low. Thus, in such cultures, expatriate managers will need to focus on ways to meet their workers' needs and link those needs to motivation. Expatriate managers must learn the strengths of their host-national employees, and adjust their motivational strategy accordingly. The key for expatriates is to learn under what circumstances their employees perform well, and under what circumstances they perform poorly, and to learn what kind of tasks they like and dislike. Though it is difficult, expatriate managers must learn to understand the real nature of their workers and then manage accordingly. Expectancy theory seems to hold a strong potential for application in the cross-cultural work setting once a manager understands the needs of his/her subordinates. In cross-cultural settings, it requires significant study, observation, and insight to be able to clearly understand the needs of one's workforce.

10.12 SUMMARY

- Great leaders have existed throughout history and can be found in all cultures.
- While leadership is exhibited in all societies, cultural norms influence what kind of leaderships are appropriate in a particular culture.
- There are certain important norms that influence leadership behaviour in different countries.
- Cross-cultural issues do motivate managers.
- Different theories of motivation have had an impact on managerial motivation of people in an organisation.
- Motivation principles and practices vary across cultures.

10.13 KEY TERMS

- **Norms**: Are established rules of what is accepted and appropriate behaviour.
- **Roles**: Are sets of norms that apply to specific groups of people in a society.
- **Power distance**: Refers to the degree to which people accept authority and hierarchical organisation as a natural part of their culture.

10.14 SELF-ASSESSMENT QUESTIONS

1. Compare and contrast leadership in France with leadership in the Arab World.
2. In a country that is high on power distance, people generally expect and accept differences in power as appropriate. Discuss equity theory in the context of a high power difference society.
3. Discuss the relationship differences in leadership and motivation across cultures to the need for careful selection of expatriate managers.

10.15 FURTHER READINGS

Hofstede, G., *Culture's Consequences: International Differences in Work-Related Values*, Sage, 1980.

Mendenhall, M., Punnett, B.J., and Ricks, D., *Handbook of Global Management*, Beacon Books, New Delhi, 1999.

Torrington, D., *International Human Resource Management – Think Globally, Act Locally*, Prentice-Hall, 1994.

UNIT 11 GLOBAL ETHICAL ENVIRONMENT

Objectives

After going through this unit, you should be able to:

- Understand the role of ethical issues in international business.
- Explain the ethical philosophies that impinge on management practices.
- Discuss the nature of unethical activities in international human resource management.

Structure

11.1 Introduction

11.2 Importance of Business Ethics

11.3 Ethics in the International Business Arena

11.4 Bribery

11.5 Social Responsibility

11.6 Ethical Dilemmas MNCs Face

11.7 Intra-Company Ethical Issues in International Business

11.8 Training Requirements

11.9 Ethical Issues in the Use of Guest Workers and Immigrants

11.10 Summary

11.11 Key Terms

11.12 Self-Assessment Questions

11.13 Further Readings

11.1 INTRODUCTION

International business ethics are as old as international business itself. Every executive, regardless of where they sit, has at some point faced a decision that challenges their ethical standards.

Anyone who has done much travelling around the world knows that countries differ in their approach to punishing certain kinds of behaviours. Many countries have laws "on the books" regarding the criminal nature of certain behaviours, yet the daily practice is to disregard the law. Everyone – the police, the government, and the population, quietly accepts the daily reality over the law on the books. When an expatriate enters a new country and begins doing business there, he/she may be confronted with business practices that are not just different, but unethical from his/her perspective. The expatriate might also act in a manner that is deemed illegal locally, though considered legal at home. This unit will discuss some of the troubling issues that can arise when doing business internationally, and possible courses one can take to behave ethically overseas.

11.2 IMPORTANCE OF BUSINESS ETHICS

Virtually, all societies have developed rules and regulations about how business should be transacted and how business Organisations should be managed. In other words, based on experience and the philosophical and/or religious values of a society, rules of acceptable and non-acceptable behaviours evolve and are encoded into society. For example, in every society, it is illegal, wrong, and unethical to murder one's subordinates, if they make a mistake at work. This may sound like a ridiculous example, but the restraining rule forbidding this managerial conduct – including the penalty associated with it – is based on basic beliefs about human beings, their proper relationships, and the value of human life. Thus, business ethics can be defined as "the moral principles and standards that guide behaviour in the world of business." (Ferrell & Fraedrich 1991, p. 5). Creating a company culture that regards ethical behaviour is essential.

Managerial decisions are woven through with ethical issues. Brady lists several reasons why managers – both international and domestic – should be concerned with ethics. In this context, the following four points are listed by Brady (1990, pp. 2-5):

1. Managerial decisions affect people's lives and well-being. Brady notes that in each case a poor or unwise decision on the part of the manager can adversely affect the lives of many people. Often the answers to such questions are not clear, yet they always involve issues of what is right or wrong, and what should be good or bad for employees.
2. Managers must distribute Organisational resources fairly. This managerial responsibility is clearly influenced by ethical concerns. Brady notes that "such decisions are ethical because of the need to be fair, and fairness is a strong component of the daily managerial routine. But this is not as simple as it sounds. A fair distribution is not always an equal one… where special ethical needs exist, there may be ethical justification for skewing an otherwise equal distribution in favour of those needs."
3. Managers create rules and policies. Managers create, implement, and enforce rules and policies in companies – as one of their major roles. Brady notes that "the relationship of a manager to the rules is not merely mechanical. If it were, there would be no discretionary power, and there would be less reason for supposing the situation to be ethical. Most managers do have discretion to waive rules or to change them, or at least decide in any particular case whether a rule applies. Therefore, we hold managers responsible for the proper development and application of Organisational rules."
4. Managerial decision making tests one's personal values. Managers sometimes are faced with decisions that test their own personal values; that is, the decision that seems best for the Organisation or the situation conflicts with their own sense of right and wrong. Brady further notes that "it is in the managerial arena that Organisational dominance over personal judgement may be most intense." This incongruence between the Organisational, situational needs, and personal values can be especially marked in cross-cultural situations, when managers and employees have differing value systems. Thus, the issue of business ethics permeates Organisational life – especially the Organisational life of the manager.

11.3 ETHICS IN THE INTERNATIONAL BUSINESS ARENA

To explore the issues associated with international business ethics, it is helpful to distinguish between three concepts: individual relativism, cultural relativism, and universalism.

1. ***Individual relativism*:** The idea of individual relativism, in its extreme position, is that there is no absolute principle of right and wrong, good or bad, in any social situation. What is right and what is wrong should be left to the individual or individuals involved in the situation at hand. A pure individual relativist might claim that practices that are universally banned by most societies are neither right nor wrong – they simply depend on the beliefs of each individual and each individual alone.
2. ***Cultural relativism*:** According to Norman Bowie (1990), cultural relativism is, "the doctrine that what is right or wrong, good or bad, depends on one's culture." Societies, through experience, have developed rules that benefit most of the people, most of the time. And because each society has faced different situations over time, each society has evolved different rules to create order, justice, and predictability, and ensure their smooth functioning. Thus, applied to business, cultural relativism holds that business people operating in foreign countries should follow the practices in that country; that is, "when in Rome, do as the Romans do." One should respect the values and standards of other cultures and conform to them when on their soil.
3. ***Universalism*:** Universalism holds that there are "universal and objective ethical rules… and that, without such an ethical framework, which is already supplied by a number of established treaties and conventions… multinational business dealings could not be possible at all" (Bowie 199). The assumptions within universalism are that there are core universal ethical principles that guide societies' social behaviours and that, often, apparent differences in rules between societies really come from the same core ethical principle.

   Those who take the universalist position observe that there is a wide acceptance of many core business principles around the world. For example, take bribery. Michael Bogdan (1979) has shown that bribery is prohibited officially in laws in virtually every nation of the world. Some governments may not enforce those laws as rightly as others – but universalists believe that there is wide spread conceptual agreement among all people regarding the ethicality of this.

   Another contention of the universalists is that, if the world is to have any hope of enduring social stability, values will have to be negotiated and adopted globally. Thus, for the universalist, international social stability, especially in the business world depends on a universal view as the best approach.

11.4 BRIBERY

Bribery is a practice that can be found in almost all cultures around the world. In everywhere, everyone has a word for it. In the Middle East, the word used for bribery is *baksheesh*, which is technically defined as the tip given by a boss to his/her subordinate. It's origin may be referred to the money that a new sultan would give to his troops upon acquiring his position.

The Russians call it ***na leva***, and the Chinese ***hongbao***. It is ***kitu kidogo*** in Kenya. In most Spanish speaking countries bribery is referred to as *el* ***soborno***, meaning "payoff". In Mexico, bribery is often called ***la mordida***, which means "the bite". In Germany, bribery is called ***schmiergeld*** which means "grease money". In France, bribery is referred to as ***pot-de-vin*** which means "jug of wine". The Americans sometimes call it grease, the British just call it plain bribery or perhaps more politely "a transaction expense". No matter what you call it, the plague of bribery and corruption perpetuated by the givers and takers in the business world has a much greater impact on the lives of hundreds of millions of people than you would think.

Bribery can take other forms than money. In Mexico, bribery can include lavish entertainment in exclusive restaurants and weekend trips to resorts. In Malaysia, bribery can be conducted by wisely loosing games of chance. In Argentina, bribery can take the form of expensive gifts, such as post-impressionistic paintings or jewellery. Whatever form it takes, it can add significantly to the cost of doing business.

Barry Richman (1979) offers some measures for preventing questionable payments via agents. Companies should:

- Conduct thorough checks on the backgrounds, qualifications, and past behaviour of foreign agents the company is considering using in selling their product or for representing the company.
- Include government and/or public disclosure clauses in contracts or agreements involving potentially sensitive terms and conditions.
- Require agreement by foreign agents to abide by the applicable corporate ethical and legal policies of the company, and to provide periodic compliance letters to company officials.
- Require that foreign agents agree to allow company auditors access to their books and records if questions of impropriety arise.

Many firms have policies regarding "questionable payments" in foreign countries. These provide guidance for managers faced with situations where they are unsure how to respond to a request for payment. These guidelines can themselves pose ethical dilemmas, as this case illustrates:

A Canadian firm had a very strict set of regulations that required managers to report any payments, no matter how small, made to host-government representatives. Apparently this resulted in no such payments which were the firm's goal. Unfortunately, this record was broken when the president of the Mexican subsidiary, a Canadian, was arrested by the Mexican police, following a party. Headquarters in Canada was faced with the choice between allowing its representative in Mexico to remain in a Mexican jail or making what was considered a questionable payment to the police. They chose the second option.

11.5 SOCIAL RESPONSIBILITY

There are many definitions of social responsibility, but in general it means that a private corporation has responsibilities to society that go beyond the production of goods and services at a profit – that a corporation has a broader constituency to sell that stockholders alone.... Corporations are more than economic institutions and have a responsibility to devote some of their resources to helping solve some of the most pressing social problems, many of which corporations helped to cause.

Many people do not subscribe to this view; nevertheless, significant pressure is put on corporations to consider the social impact of their products, services, and practices. In case of a multinational company, corporate responsibility sometimes becomes a major issue. A striking example of this is Union Carbide. Conforming to local laws is exactly what Union Carbide did when it constructed a plant in Bhopal, India. The Indian government's desire to produce pesticides and fertilizers to increase the agricultural productivity of their country led to Union Carbide's venture in India. This plant brought many jobs to the area, and until the accident, the relationship between the local government and community and Union Carbide was a positive one.

However, on December 3, 1984 a methyl-isocyanide gas leak at the plant killed more than 1,600 people instantly and roughly 700 people subsequently from the effects of

the accidents. Survivors suffered from lung problems, shortness of breath, depression, eye irritation, and stomach pains. Eventually, over 2,700 lawsuits were filed in India against Union Carbide. Union Carbide was sued for not adhering to U.S. safety standards in the construction of the plant, and received censure in the foreign and U.S. press for having lowered what it knew to be necessary safety standards, simply to save money by adhering to less stringent local standards. Union Carbide contended that the gas leakage was due to sabotage. On February 14, 1989 the Indian government reached settlement with Union Carbide. The Supreme Court of India ordered Union Carbide to pay $470 million in damages to the Indian government on behalf of the victims of Bhopal. All criminal charges and civil suits in India were dropped in return.

The Bhopal incident is considered a watershed for awakening multinational corporations to the demand for greater accountability outside of their home country. This incident is cited as a factor in the development of industry standards and the development and implementation of U.S. environmental legislation and regulations.

The Chernobyl nuclear accident in April 1986 was kept secret by Moscow for almost a month and caused an international furore. It underscored the potential international implications governments face if, they choose to act in an unethical manner. Moscow's initial silence on the affair was an amazingly unethical act despite the tendency of communist governments to control information flow.

11.6 ETHICAL DILEMMAS MNCs FACE

The objective of the MNC is to optimize its operations globally; conversely, the policy of the host country's government is to optimize its operations locally. In essence, the implication of this dilemma is often a MNC cannot simply come into a country, set up a shop, and organize itself to make the company as efficient as possible. Host governments may fear by MNCs inherent economic power. Thus, the host government may try to gain control over MNCs – and make use of MNCs – to meet their own goals, which may include creating a more equitable distribution of wealth or increasing their country's economic self-determination (Garland, Farmer, and Taylor 1990). Sometimes, to facilitate the latter goal, the host government may require that MNCs hire a high percentage of host country managers to staff the MNC's subsidiary rather than allowing expatriate managers to do so.

The following examples from Garland, Farmer, and Taylor illustrate other issues involving ethical dilemmas.

- If a MNC installs state-of-the art labour saving technology in a foreign subsidiary, the host government may not be very pleased. If there is a high incidence of unemployment or underemployment in the country, the government may prefer the MNC to use older, more labour-intensive technology to create more jobs for its people. Such provisions may even be part of the agreement in the initial negotiations with the government. Once the MNC decides to use labour-intensive technology, overtime, the government may begin to criticize the MNC for not gradually introducing more labour-reducing technology. The MNC may, over time, begin to be accused of not assisting the country in developing its technological base.
- If the MNC repatriates most of its profits, it is accused of depriving the host country of money that was generated within the host country. However, if a decision to reinvest profits in the host country is made, the MNC might be perceived to be adding to its economic control of the local economy or in a sector of the local economy.

- If the MNC pays local wages to its workers, it might be seen as an exploiter of low-cost labour; however, if it pays above average wages to local workers it might be accused of emasculating the competitiveness of local firms and hoarding the brightest talents from the labour pool.
- If the MNC does not promote local managerial talent, it might be seen as being discriminatory. If it does, however, it might be seen as creating a "brain drain", that is, taking out of the country some of the country's brightest people.

Positive relationships between the MNC and local government, business and labour leaders are key to the success of an overseas subsidiary. Usually, MNCs want to keep a low profile overseas. However, the more successful an MNC is in overseas, the less likely it will be able to keep a low profile.

There are no easy solutions to these dilemmas. For example, consider an MNC which decides to pay local workers in excess of the average salary of that company. Such a step may be lauded by the press and other watchdog groups in the home country, yet such a step may lead to other problems.

When the tension between the MNCs' interests and those of the local community become strained and out of balance, it can result in a public relations nightmare, which in turn can influence profits negatively. Garland, Farmer, and Taylor suggest the following four reasons for this tension:

1. Multinationals serve as convenient targets when governments are unable to satisfy the needs and aspirations of their people.
2. The multinational is foreign, and is seen as an alien influence subverting the indigenous culture and acting as a tool of its home state.
3. The multinational is typically private, and is viewed as a rapacious pursuer of its own gain at the expense of the public welfare.
4. The multinational is the most visible symbol of a world order that discriminates against the developed countries and in that sense the legitimacy of the multinational corporation is inherently subject to dispute.

Because of these perceptions, multinationals should pay constant attention to the quality of their relationships with the local communities around the world in which they have set-up operation. They have to maintain good relation with the key players in the community in which they work, such as government officials, union leaders, activist groups, the media, charitable Organisations, and religious Organisations. The role of "bridge builder" is a significant one in the job description of an expatriate manager.

11.7 INTRA-COMPANY ETHICAL ISSUES IN INTERNATIONAL BUSINESS

Business ethics are based on broad principles of integrity and fairness that tend to focus on shareholder and stakeholder issues such as product quality, customer satisfaction, employee wages and benefits as well as local community and environmental responsibilities issues that a company can actually influence.

Business ethics defines how a company integrates its core values – such as honesty, trust, respect and fairness – into its policies, practices, and decision-making. Business ethics, of course, also involves a company's compliance with legal standards and adherence to internal rules and regulations.

There are laws in many countries (for example Australia, Canada, and Europe) that equally try to reinforce and ensure fairness in terms of job selection, and promotion in

the workplace. Firms based in these countries face issues similar to those faced by U.S. firms. In addition, international firms often face the challenge of complying with two sets of regulations – home and host – which are sometimes incongruent.

A problem arises where "fairness" means different things in different locations. A major concern when regulations are applied extraterritorially is that they may be applied in countries where values are vastly different. Iran's death penalty for the author Salman Rushdie, no matter where he is located, apparently confirms to Iran's Islamic Law and, presumably, is seen as "fair". Clearly, it is not seen in the same way in the United Kingdom where Rushdie resides (or in the western world).

11.8 TRAINING REQUIREMENTS

Expatriate managers and their families often do not receive adequate cross-cultural training before going abroad. The challenges an overseas assignment brings can cause high levels of stress, which in turn can adversely affect family relationships and consequently the manager's performance at work. All jobs have a stressful component in them, but it is common sense to train someone before he or she undertakes a new task. The military would never send untrained soldiers into combat. It would be foolhardy as well as unethical from a "productivity" standpoint.

Many companies send people to operate in a new business culture, with different business norms and customs, with little or no preparation, and expect them to perform well immediately upon arrival. Without training, it is unethical and irrational to expect high levels of performance. Further, it is unethical to expose employees to the negative emotional and psychological side effects that result from lack of training. It is important to understand that internal company policies can affect people adversely as much as the external environment of the international business world.

11.9 ETHICAL ISSUES IN THE USE OF GUEST WORKERS AND IMMIGRANTS

Throughout the world, there are many "guest workers" (including migrant workers, immigrants, and illegal aliens) who have left their country of work to work in a country which offers higher pay and a better standard of living. These guest workers are brought in to work in jobs that the local populace choose not to hold: for example, garbage collection, maid service, repetitive factory work, and manual labour.

Guest workers increasingly make up large portions of the labour force around the world, yet they are almost always denied citizenship in the country in which they work. They can be deported in an economic downturn; their career mobility is often limited; and their quality of life is usually much lower than that of most of the citizens of the country in which they work, even though their contribution is significant to the GNP. Whether they are illegal aliens or legal short-term residents, the life of a foreign guest worker tends to be one of uncertainty, unequal treatment compared to the country's citizens, and poor upward mobility. They hold different religious beliefs, eat different foods, wear different clothes, and hold cultural preferences that differ from the local citizens. These often lead to conflicts between the communities.

The treatment of guest workers is clearly inequitable because they are not considered equal to the citizens of the country. To many people, this treatment is therefore unethical, but, at the same time the guest workers themselves choose to work inspite of the treatment. Managers in these countries are faced with the issue of whether they should provide work for these guest workers when the differential treatment is seen as unethical.

During the 1950s and 1960s, countries such as France, Germany, Austria, and Italy relied heavily upon guest workers from Algeria and Turkey, who created social problems because they often did not return home. More recently, migrant workers from Eastern Europe are arriving in large numbers in Western Europe, as their own countries undergo tumultuous political, economic, and social upheavals.

Some governments are rethinking their policies toward the use of guest workers because of concerns about social issues surrounding their working conditions and about indigenous unemployment. To stem the tide of migrant workers, political pressure is mounting on the European Union (EU) to adopt a migrant labour policy. Standards of fairness, equality, and human dignity come into play when governments and managers try to wrestle with the guest worker issue. Should guest workers' conditions be judged against the standards and values of their home cultures or the culture in which they are presently living and working? If they contribute to the economy, should they be given the same rights and privileges of the local citizenry who also contribute to the economy? And what about guest workers who are willing to work in very low-paying jobs as compared to citizens who accept public welfare rather than work in such jobs? Many governments are wrestling with these issues, all of which concern the question: what is the right thing to do?

Manuel Velasquez, an expert in the field of business ethics (1990) suggests the following ethical approach when faced with an ethical dilemma:

- What are the facts; what are my alternatives?
- What parties will be affected?
- What do I owe to each of these parties?
- What would produce the greatest benefits for all parties?
- What rights does each party have, and how can these rights be respected?
- Are all parties treated fairly and justly?
- On balance, what is the most ethical alternative?
- How do I best implement this alternative?

ETHICS PROGRAMME

A code of ethics fulfills many purposes within an organisation. It increases the ethical sensitivity and judgement of employees, strengthens support for individuals' moral courage, and helps to hone an organisation's sense of identity. The following are the six steps for an effective ethics programme:

1. Tailor standards to the company's business needs.
2. Designate high-level managers to oversee compliance.
3. Educate employees in the company's standards and procedures through publications and training.
4. Design a compliance system that includes auditing and monitoring procedures and mechanism that encourages employees to report potential violations.
5. Enforce standards through consistent discipline.
6. Report all violations and take appropriate action to improve the programme.

Source: International Business Ethics, p. 101.

11.10 SUMMARY

- Managerial decisions at the domestic and international level are woven with inter-organisational and intra-organisational issues.
- Three concepts, namely, individual relativism, cultural relativism, and universalism are associated with international business ethics.
- Every decision that an international manager makes involves issues of justice, legality, fairness, equity, right v. wrong, and human decency.
- Bribery exists, more or less in all countries of the world, as a cross-cultural manipulation of ethical behaviour.
- Ethical tensions are associated with social responsibility issues in MNCs operating overseas.
- Managing tension is one of the most important aspects of an international manager's job.

11.11 KEY TERMS

- **Ethics**: Is a study of the general nature of morals and of the specific moral choices to be made by a person.
- **Bribery**: A bribe in one culture is a gift in another. In many cultures, it is normal to pay a commission to people involved in a transaction.
- **Gifts**: Every culture expects its members to give presents in certain circumstances such as weddings or birthdays. Some cultures extend gift-giving to everyday business meetings. For example, the Japanese spend a great deal of money on standard presents from special gift shops.

11.12 SELF-ASSESSMENT QUESTIONS

1. Discuss the two main contrasting approaches of ethics presented in this unit.
2. Explain the ethical concerns of company managers posted in a multi-national company.

11.13 FURTHER READINGS

Mitchell, C., *International Business Ethics*, Atlantic, New Delhi, 2009.

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