HRM Practices, Organizational Cultures, Solutions and Managers to Overcome Barriers to Cross-cultural Interactions in MNCs

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Abstract—Since multinational corporations (MNCs) operate in many distant cultures, cross-cultural relationships are their day-to-day reality that affect efficiency of their multinational workforce. Therefore, MNCs are expected to learn how to manage such relationships to establish fruitful cooperation among their employees and with external stakeholders. The identification of facilitators of cross-cultural interactions in MNCs’ subsidiaries is the goal of this paper. Basing on the literature review and the author’s research the paper discusses what contributes to effective cooperation among people within MNCs. Since MNCs headquarters’ perspective is more common in international business’ literature and research, foreign subsidiaries’ viewpoint is emphasized in this paper.

Keywords—Cross-cultural relationships/interactions; cultural barriers; facilitators of cross-cultural interactions; foreign subsidiary; multinational corporation

I. INTRODUCTION

Multinational corporations (MNCs) investing and operating in many distant markets create foreign affiliates or subsidiaries, participate in international joint ventures and strategic alliances, use overseas supplies, etc. As a result, they function as a system consisting of many subunits working in a divergent environmental context, including national cultures, employing multicultural workforce, negotiating with foreign contractors and satisfying needs of other groups of stakeholders in each country of operation. Therefore, on a daily basis they establish and maintain relationships that, by their very nature, are cross-cultural. If there are barriers to cross-cultural relationships in MNCs, the effectiveness of multicultural workforce will be likely to drop due to obstacles to tasks realization. By contrast, effective cross-cultural interactions may e.g. contribute to employees’ learning and creativity, improve communication and increase the satisfaction level of personnel [1]. Therefore, understanding of facilitators of effective cross-cultural relationships in MNCs is of crucial importance. This paper is to foster such an understanding by providing the theoretical review in the first main section of the article and then presenting the research findings in the subsequent one.

The ample literature on international business (IB) made MNCs the main, vital and even fascinating object of study, among other things, due to their impact on host and home countries, and as a result, on the world economy. Various issues have been analyzed so far with regards to MNCs, e.g. their modes of entry into foreign markets, internationalization paths, knowledge transfer within subunits, organizational design, strategy, etc. [2].

The literature on MNCs’ subsidiaries is also rich and growing. However, the authors here were primarily focused on differentiated subsidiaries’ roles within the MNCs’ systems. One of the major contributions of this stream is the idea that the subsidiary can actively shape its position within a MNC system. Another IB literature stream, the headquarters-subsidiary relationship one, was mostly concerned with the control over foreign subsidiaries exercised by the centre [3]. What is missing in the IB literature is the lack of focus on internal and external cross-cultural relationships of a MNC’s subsidiaries and the headquarters’ (HQ) personnel within the MNC’s whole system.

Cross-cultural interactions are the core of studies in the intercultural management (IM) field. Although one of its perspectives, named geocentric, concentrates on multinational organizations, it rather assumes that MNCs are beyond cultures and therefore it seeks to explain what approaches to managing allow them to operate in many locations in the world. Nevertheless, the most recent perspective in IM, the synergistic approach, is concerned, among other things, with the behavior of people in MNCs [4]. It holds the assumption that cross-cultural interactions can and should be managed to help multinational organizations to earn profits from their operations in a diverse environment [5].

Since the study conducted in this paper concentrates on cross-cultural interactions, it can be numbered among the synergistic stream in IM. Hence it reflects a local perspective on cross-cultural relationships in MNCs, the study also fills the gap of the IB literature identified above. Moreover, the local...
yet, with their host country common misconceptions in multicultural teams, manage work efficiently is a serious challenge. Appropriateness of cultural relationships in order to enable a MNC’s employees to mutual cooperation MNCs and therefore efficient management methods to ensure the latter may produce barriers to cross-cultural cultural relationships in MNCs may foster both complimentary and conflicting patterns of behavior [11]. The complex way since MNC’s subcultures may foster both complimentary and conflicting patterns of behavior [11]. The latter may produce barriers to cross-cultural relationships in MNCs and therefore efficient management methods to ensure mutual cooperation between parent, subsidiary companies and the previously mentioned active role of the subsidiary in a MNC’s system.

II. Effectiveness of Cross-cultural Relationships – Literature Review

A. Cross-cultural Relationships Definition and Model

Cross-cultural relationships or cross-cultural interactions refer in this paper to all the types of internal and external, direct and indirect contacts of people in each subsystem of MNCs, e.g. interactions in multicultural teams, subordinate-superior relationships, negotiations, office contacts with other foreign affiliates of a MNC or with foreign partners, training, business trips, carrying out tasks, knowledge sharing, etc. They imply how members of various cultures affect one another, behave in particular situation and are a part of social interaction (see Fig. 1). They can be associated with a communication process since communication is perceived as a complex system of behaviors [7].

![Fig. 1. Cross-cultural relationships/interactions in MNCs.](image)

Culture provides patterns of cognition and behaviors shared by a group that are reflected in social interaction processes and which form the frames for such an interaction [8]. However, behaviors are also contingent on, so-called, genetic predispositions as well as situational necessities and the environmental context (e.g. organizational system) [9]. Moreover, individuals’ behaviors are also mentally programmed by personality (see Fig. 2) [10].

![Fig. 2. Simplified model of human behavior.](image)

In MNCs various overlapping subcultures exist that are influenced by national and organizational cultures of each MNC’s subunit. They affect interpersonal interactions in a complex way since MNC’s subcultures may foster both complimentary and conflicting patterns of behavior [11]. The latter may produce barriers to cross-cultural relationships in MNCs and therefore efficient management methods to ensure mutual cooperation between parent, subsidiary companies and external stakeholders are required. Hence, managing cross-cultural relationships in order to enable a MNC’s employees to work efficiently is a serious challenge. Appropriateness of a particular behavior in a given cross-cultural setting is of vital importance. Defined as the extent to which the observed behaviors of a given participant of a cross-cultural interaction are congruent with behavioral norms (affected by culture) of another participant of this interaction [12], it generates positive reactions and enhances the quality of relationships in an organization [13]. Such appropriateness may later increase effectiveness of cross-cultural relationships in MNCs, namely goals achievement when mutual cooperation is established. Therefore, effective cross-cultural relationships in MNCs can be understood as interactions that result in mutual cooperation aimed at goals achievement.

B. Facilitators of Cross-cultural Relationships

The researchers on intercultural management try to discover factors that facilitate cross-cultural relationships. The emphasis is put on people’s mindset which affects the effectiveness of interpersonal contacts. Therefore, Human Resource Management (HRM) practices directed at developing appropriate attitudes of personnel (i.e. recognizing, understanding, accepting cultural differences, and adapting to them) in a cross-cultural environment are underlined by the authors [11], [16].

MNCs adjust to cultural distance challenges in several ways, e.g. they determine the degree of control over foreign subsidiaries, autonomy and delegated authority, they use socialization, acculturation, and multicultural teams, manage expatriates and adapt HRM practices, etc. [14]-[18]. With regards to expatriate management, HRM practices that include appropriate selection mechanisms, pre-departure cross-cultural trainings, cross-cultural coaching on overseas assignments and repatriation management are of tremendous significance [23]-[27]. Frequent contacts of expatriates with their host country nationals (HCNs) proved to have a positive effect on their adjustment as well [22]. Moreover, recurring as well as continuous and intense interactions positively affect cross-cultural relationships since they may weaken the cultural stereotypes [13], [25]. Notwithstanding the noticeable ineptitude or reluctance among MNCs to develop HCNs, the scholars also suggest investing in the local skills in foreign subsidiaries, e.g. by implementation of international career management programs [25]-[31].

Interpersonal contacts within a MNC’s system can be improved by the development of common orientation, i.e. corporate culture that serves as a bridge between multiple and diverse subcultures of a MNC’s units. (Yet, common orientation does not mean homogenous corporate culture [33].) Concerning corporate culture, the researchers recommend, among other things, that a balance between global integration and cultural differentiation and localization needs to be found [11]. Furthermore, such a culture should be accepted, cope with changes but not necessarily does it have to be strong [10], [34]. From the organizational angle, MNCs should create a so-called multicultural organization to deal with diversity and cultural complexity and consequently to
enhance the quality of cross-cultural interactions [5], [14].

Numerous authors claim that effective cross-cultural relationships can be established if an individual possesses a specific ability that is termed cultural intelligence, cultural competence (CC), intercultural communication competence, intercultural effectiveness, etc. [17], [22], [25], [35]-[36]. Therefore, HRM practices in MNCs should support selection of workforce with the appropriate level of CC, which need to be further developed through a cross-cultural training [17] or during the learning process in multicultural teams [35]. Referring to MNCs, CC is perceived as a strategic competence affecting their operations [35]. Additionally, with regards to individuals their appropriateness of behaviors in cross-cultural relationships is likely to increase if they were previously exposed to a foreign environment and therefore gained experience in this type of interactions [14], [20]-[21], [35].

III. EMPIRICAL FINDINGS

A. A Brief Description of the Research Project [37]

This section reports the empirical findings from the research project, whose major research problem was "Cultural barriers in functioning of MNCs foreign subsidiaries located in Poland". The research was conducted in winter of the year 2009 and 2010. Its goals included the following:

1) the identification of sources and areas of occurrence of the barriers to cross-cultural interactions in MNCs’ foreign subsidiaries,
2) the evaluation of significance of the barriers,
3) the analysis of the methods used by the participants of the cross-cultural relationships aimed at identifying and overcoming cultural barriers.

The last goal refers directly to the aim of this paper since it focuses on facilitators of cross-cultural interactions.

Fig. 3 describes the research questions of the project.

10 types of cross-cultural interactions were analyzed, including both direct and indirect contacts (the order below reflects the interviewees’ most frequent types of cross-cultural contacts):

1) multicultural face-to-face and virtual meetings (e.g. video- or teleconferences),
2) business trips abroad,
3) interactions in multicultural teams along with virtual ones,
4) office contacts within the MNCs (e.g. via e-mail, fax, intranet, etc.),
5) official duties carried out under the MNC’s procedures,
6) subordinate-superior relationships, where one side is from a different national culture,
7) multicultural trainings,
8) office contacts with the MNCs’ external stakeholders,
9) participation in international career management programs,
10) cross-cultural negotiations.

The non-probabilistic sample comprised 48 foreign subsidiaries that have run their operation in Poland for many years, 50% of which were established as a greenfield investment and the remaining ones as mergers and acquisitions. Approximately 48% of the subsidiaries in the sample have had their HQ in Europe (including 43.8% in European Union), 18.8% have had the North-American capital origin, 12.5% of the sample stated for Asian MNCs’ subsidiaries and the remaining part for the entities with mixed capital. The sample was mostly made up of large incorporated enterprises which represented various sectors, including both manufacturing and services ones.

The method applied to collect the data was semi-structured interviews (about 1.5 hours per each interview). The interviewees were top and middle-level managers and specialists working for the MNCs’ subsidiaries, mainly Poles (in the majority of cases one person per each subsidiary). They represented various functional departments. More than 40% of the respondents had more than 4.5 years of experience in service in the MNCs. Furthermore, the majority of the interviewees had had international experience before in the form of overseas business trips, life abroad or work for MNCs or work abroad. Such a foreign exposure of the respondents could have affected their perception of the cultural barriers and later their CC.

B. Facilitators of Cross-cultural Relationships according to the Research Findings

The research allowed for the indication of some facilitators of cross-cultural interactions in MNCs from the angle of their subsidiaries. The reported empirical finding address questions 2, 3, and 6 (see Fig. 3).

Several methods of adaptations of MNCs to cultural distance have been depicted in the literature review section. The effectiveness of the adaptation method is likely to depend
on many situational factors (i.e. industry requirements, a role assigned to a subsidiary, a MNC’s organizational model, competences of the HQ in the use of a given mechanism, etc.). Situational factors were significant in the case of the analyzed subsidiaries as well. The interviewees once assessed an adaptation method as effective and another time as ineffective depending on a specific situation of a subsidiary and their personal experience. For example, multicultural teams (MTs) were highly valued by most of the respondents. Nevertheless, a number of them observed minuses of their functioning that lowered the effectiveness of MTs such as indolence in the decision making process, problems with recognizing the internal structure when adaptation to a new situation was required, the necessity of indirect and therefore frequently less effective communication due to a geographical dispersal of some MTs [37]. Regardless of the situational factors, most of the interviewees acknowledged the following as an effective mechanism of adaptation to a cultural distance concerning management of foreign subsidiaries: operational control combined with delegated authority in operational performance, financial control, coordination of allocated resources and assigned tasks, a frequent communication with the HQ and other affiliates, and knowledge transfer to a subsidiary [37].

As depicted in the theoretical section of this paper, scholars emphasize HRM practices’ role in improving cross-cultural relationships. Table 1 [37] lists propositions concerning an increase of effectiveness of HRM practices in managing subsidiaries’ employees, including expatriates. Moreover, Table 1 provides recommendations referring to the development of accepted corporate culture in a MNC’s system as well.

Regarding expatriate management, the following can be added, basing on the empirical findings [37]:

- the HQ should clearly communicate an expatriate’s tasks to its subsidiaries’ employees and why they are important to avoid confusions/suspicions about his/her role,
- a localization of management is recommended, thus an expatriate should prepare his/her successor from among the local personnel; some of the interviewees have stressed that there is no more shortage of local qualified personnel for managerial positions (a similar objection to hiring expatriates along with recommendation to prepare a local successor were raised in the case of MNCs investing in China [38]),
- an expatriates’ compensation package may be a huge burden to the subsidiary budget, this can affect perception of an expatriate by the subsidiary’s staff, therefore the HQ should increase the budget.

Organizational solutions can facilitate cross-cultural interactions in MNCs’ subsidiaries. The research showed that organizational solutions enhanced such an interaction if they had been [13]:

- tested out in many local environments before implementation in a given unit,
- flexibly applied and adjusted in accordance with the circumstances, which needed a continuous verification and modification to cope with changes,
- accompanied by successful HRM practices, including expatriate management (see Table 1),
- supported by an accepted MNC’s culture (see Table 1),
- supported by the HQ’s appropriate attitude, i.e. openness to the local solutions.

Moreover, the internal cooperation in the MNCs could have been improved if the subsidiaries’ managers were fully aware of their role as a bridge/liaison between the HQ and their unit. Additionally, they should have pursued the grow strategy of the position of their subsidiary enacted in a MNC’s system.

With regards to individuals the interviewees suggested the following [37]:

- concerning communication: being prepared for a discussion, i.e. knowing the subject and the agenda, reading minutes; self-improvement of communication skills; usage of plain language (i.e. simple words set with accent and cadence that are listener-friendly, in a proper context and without

### Table 1. Propositions of Improvements of HRM Practices in Managing MNCs’ Foreign Subsidiaries

<table>
<thead>
<tr>
<th>Propositions of improvements of expatriate management in foreign subsidiaries – the role of HRM practices</th>
<th>Enablers in the development and implementation of accepted corporate culture – the role of HRM practices</th>
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<tr>
<td>• HRM practices should be aimed at selecting an expatriate who has higher skills than the host country managers; he/she should support knowledge transfer to a foreign subsidiary and actively invest in the development of the local skills.</td>
<td>• An appropriate selection of employees contributes to the development of accepted corporate culture.</td>
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<tr>
<td>• HRM practices should help in selecting an expatriate who understands the specific environment of a host country (at least the basic knowledge of the subsidiary’s legal, economic and cultural environment) and who is open to cooperation with the local cadre.</td>
<td>• HRM practices should foster transfer of cross-cultural knowledge within a MNC’s system by encouraging its employees to share their experience.</td>
</tr>
<tr>
<td>• HRM practices should enable an expatriate’s motivation for working on overseas assignments; a lack of motivation makes him/her inefficient and discourages the local cadre.</td>
<td>• HRM practices should be directed at improving its employees’ communication skills, including speaking the functional language.</td>
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<td>• HRM practices should support awareness among the HQ’s managers of the complex role of expatriates; they must be aware that sound communication between the parent and its subsidiary via an expatriate is a matter of importance.</td>
<td>• HRM practices should encourage a MNC’s subsidiaries’ personnel to participate in the international careers management programs.</td>
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<tr>
<td>• Cultural knowledge should be developed within a MNC’s each subsystem.</td>
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<td>• A MNC’s culture must be authentic. Therefore, the actual actions of managers must be consistent with the values and norms declared in the culture.</td>
<td>• The implementation of a MNC’s culture requires an active involvement of the local employees in the process.</td>
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The propositions above address the research questions 6 (see Fig. 3)
idioms, phrases, metaphors and colloquialisms that may be difficult to understand, e.g. if English is the functional language, individuals should use so-called International English):

- concerning attitudes: being empathic and cooperative, open to learning, changes and multiculturalism.

IV. CONCLUSION

A. Implications of the Research Findings

This paper provides several practical implications concerning management of MNCs’ foreign subsidiaries, especially human interactions in a cross-cultural setting. This may contribute to a better understanding of what determines the effectiveness of cross-cultural relationships within MNCs, including foreign subsidiaries’ viewpoint and their active role in the whole process. The author’s research indicates facilitators of cross-cultural relationships such as a MNC’s culture, its HRM practices and organizational solutions and an enabling and linking role of managers both in subsidiaries and HQ (see Fig. 4).

![Fig. 4. Facilitators of cross-cultural relationships/interactions in MNCs.](image)

B. Limitations and Future Research

Several limitations of the conducted study can be listed. First of all, while concentrating on barriers to cross-cultural interactions, the research project was relatively broad in scope and hence some issues were only sketched. Each facilitator of cross-cultural relationships could have been analyzed separately and explored in more detail. Secondly, this study used a qualitative type of research where, in most cases, a single person in each company was interviewed. The responses might therefore reflect individual opinions which were not shared in a whole MNC. Future research could be extended by an in-depth case-study in selected subsidiaries. While the size of the sample was also limited, future research may be enlarged by an increased number of units in the sample. Moreover, the research might be triangulated by surveying the HQ’s managers. Thirdly, the empirical findings cannot be generalized because of the method applied to select the sample. Additionally, generalization is limited since the interviewees were mainly Poles and the subsidiaries were located in Poland. Therefore, the results may reflect a perspective on the issues under discussion specific to the Polish business environment or typical of transition economies (that can also point out the importance of this study). Finally, future research may be extended to subsidiaries in countries other than Poland.

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Her field of interests includes the following: cross-cultural interactions, multinational companies and foreign subsidiaries, foreign direct investment.