

## **CULTURAL CONFLICT MANAGEMENT PROGRAM FOR FIRMS AND ORGANIZATIONS**

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### **- Abstract –**

*Increasing nature of cultural diversity in our business environment is a challenge facing managers of today. This is the intrigue of globalization and modern day's information technology that is creating team to connect operations and to connect different people from different cultures; therefore conflict may arise from these cultures. Culture is multi-layered which means that what you see on the surface may mask differences below the surface. The study analyzed culture, and heterogeneous team behavior, cause of conflict and ways to solve it. It also analyzed heterogeneous problem solving that can derive innovation. The paper therefore present that cultural conflict is inevitable and if properly managed could lead to innovativeness and competitive advantage to an organisation.*

*The study examines different branches of cultural conflicts and identifies opinions of different cultural groups used questionnaires and interviewed people who have worked in heterogeneous team for validation. At the end, the result showed that heterogeneous cultural team is viewed advantageous more than homogenous team.*

**Key Words:** *corporate culture conflict management, innovativeness*

**JEL Classification:** L20

## 1. INTRODUCTION

In the past two-three decades the concept of cultural conflict management has gained wide attention by the theoretical researchers and also in the management practice. As culture is a very complex issue, it became very challenging to managers of today simply because of the increasing nature of cultural diversity in our business environment. This topic is very interesting and vital because it would help highlight what could constitute growth or failure, profit or loss of any organization no matter the size (big or small).

From a management perspective, there are three main elements namely, behavior of people, process of management and organizational context (Mullins, 2010). The first element which is behavior is very deep in nature. There are many behavioral influences such as the individual, the group, the organization and the environment. The second element is what Mullins also called the psychological approach which is basically the people-organization contractual terms and or relationship management. The third element is the cross cultural approach to management and managing people from different cultures. In general, the aim of the paper is to highlight what could constitute growth or failure, profit or loss of any organization no matter the size. Without a broad and proper integrated cultural conflict management, any form of organization stands the chance of failure irrespective of the size of the company and the competencies of the management. This is because organizational behavior which could be deemed good or bad, suggests that in its concern for the way people behave in an organizational context, organizational behavior to cultural conflict management can be regarded as the key to the whole survival and success (Ajen & Fishbein, 1980; Kirton & Green, 2005; Lawrence, 2002; Newstrom & Keith 1993).

The specific objectives of the paper are: to examine how different cultures could lead to conflict in an organization; to identify the opinions of different cultural group working together as a team; to show conflict solving could span innovativeness and create competitive advantage to an organization; finally, to draw conclusions on properly managed conflict solving contribution to the organizational effectiveness. The paper therefore would want to prove that cultural conflict is inevitable and if properly managed could lead to innovativeness and competitive advantage of an organisation.

In order to understand about cultural conflicts and its management leading to innovativeness of an organization, the paper therefore is structured as follows: the first part gives a literature review about culture, conflict, innovation, and relationship between cultural conflict management and innovativeness; the second

part gives a brief summary about the methodology research, the third part shows the results of the survey made in Hungary and the final part makes some conclusions.

## **2. LITERATURE REVIEW**

### **2.1. Culture**

The success and failure of atypical organization is the culture it apprehends and its conflicts management style. It is imperative that employees live and work within the four walls of culture be it individual, group or corporate cultures; we are bounded and breathe in cultures.

There are many definition of culture found in literatures, but interestingly has being very different from viewpoints of anthropologist, sociologist, psychologist, politicians and management researchers (Among others: Granrose & Oskamp 1997; Hofstede & Bond,1998; Lawrence, 2002; Storey, 2001, Wayne, 2008). For example Hoechlin (1995) defined culture as a shared system of meanings. She continued to say that culture dictates what groups of people pay attention to. It guides how the world is perceived, how the self is experienced and how the life itself is organized. Rugman & Collinson (2009) defined culture as the sum total of the beliefs, rules, techniques, institutions and artifacts that characterize human populations.

Hofstede (1980 and 1991) called it the collective programming of the mind. Schneider & Barsoux (2003) defined culture as shared patterns of behavior. According to the authors, culture serves as a lens through which we perceive the other. We tend to use our own culture as a preference point to evaluate the other.

Culture is an essential part of conflict and conflict resolution. It is like underground rivers that run through our lives and relationships, giving us messages that shape our perceptions, attributions, judgments, and ideas of self and other. Though cultures are powerful, they are often unconscious, influencing conflict and attempts to resolve conflict in imperceptible ways.

### **2.2. Conflict**

Social psychology permeates all aspects of intractable conflict. While history, perceptions and identity are inherently present in the escalation of conflict, they are also intrinsic to managing conflict and contributing to a sustainable peace.

Acknowledging history, building awareness, learning empathy, according legitimacy, and recognizing fears are among the most powerful tools for building peace. Any analysis of conflict requires learning its history, the progression of

events which led to the eruption of violence. As groups interact with each other, patterns of interaction develop over time. Repeated experience leads to the formation and solidification of beliefs and perceptions of self and others. While this can be a positively reinforcing process in which the relationship between the two parties is based on trust and cooperation, in situations of conflict such processes are largely negative.

Cultural differences can create conflict in organization due to different perception, fear, norms and beliefs. However if different cultural backgrounds are well managed and coordinated, there are no doubts cultures could offer value added and competitive advantage to an organization. One should be aware of difficulties caused by cultural differences and dimensions as a real source of most conflicts in an organization. Conflicts as defined by Taylor (1994) are an overt expression of tensions between the goals or concerns of one party and those of another

Mullins (2010) defined conflicts as behavior intended to obstruct the achievement of some other people's goals. He continued to say that conflict is based on the incompatibility of goals and arises from opposing behaviors and can be viewed at the individual, group or organization level. Atypical organization has diverse workforces characterized by age, race, religion, functional specialty, profession, sexual orientation, geographic origin, lifestyle, tenure with organization or position and any other perceived differences. These are called diversity and essentially the fountain of conflicts. These individuals characterized by these differences work as an intergroup. According to Taylor, intergroup conflict in the context of cultural diversified organization has two distinguishing features. The first is group boundaries and group differences are involved and the second is the conflict is directly or indirectly related to culture group identities. These two distinguishing features are linked to core element of conflicts which is potentially 'opposing interest based'. Taylor (1994:138) listed 'opposing interest based' as the followings: competing goals, competition of resources, cultural differences, power discrepancies and assimilation verses preservation of micro-cultural identity. Taylor's 'opposing interest based' intertwined with Mullins (2010) potential organizational conflicts such as differences in perception, limited resources, departmentalization and specialization, the nature of work activities, role conflict, inequitable treatment, variation of territory, environmental change, individual, group, organization and the age gap.

Culture affects all people, leaders and those led, and it affects the way they organize. The management of cultural diversity is becoming a significant issue for companies of all sizes, not just multinationals. Problems can arise because of

cultural ignorance or insensitivity. Among the advantages of diversity in the workplace are: increased creativity, increased productivity, *new attitudes*, new language skills, global understanding, new processes, and new solutions to difficult problems. This approach in work place leads to innovation and creativity which is the end product an organization desires.

### **2.3. Relationship Between Cultural Conflict Management and Innovativeness**

When we are talking about innovativeness, we are expressing knowledge based conversion that results to creativity. The knowledge are codified (explicit) and tacit (implicit). Codified knowledge is transformed into information which can be transmitted through information infrastructures. But tacit knowledge cannot be easily transferred because it has not been put in an explicit 'information' form. However, to convert and transmit tacit knowledge, which is always in form of "unknown" knowledge such as shared beliefs and ways of interpretation. To transfer this kind of knowledge is through social interaction as in apprenticeship or working/group solving relationships. It implies that transfer is sensitive to a social context. It means the more social interaction and relationship are maintained across different cultural group, the higher the innovativeness to solve problems and skills to achieve creativity.

Organizations that excel at leveraging their know-how (people) in a systematic way will create and sustain a competitive advantage that will exceed the current and future demands placed upon them. It is important to take a pragmatic approach to creating a Knowledge Management strategy, corresponding architecture, and deploying effective knowledge systems. Key to leveraging the knowledge of an organization is providing insight, thought leadership and context to those who have the most at stake in generating and using organizational knowledge. In order to generate this pragmatic strategy, it is important to provide a framework for the discussion. The primary goal of strategic management is the achievement of sustainable competitive advantage.

Rugman & Collinson (2009:164) wrote that certain elements from different countries and cultures can lead to comparative advantage or basically factor endowment strategies which an organization can achieve while employing diverse work force.

Other authors such as Johnson and his coauthors showed the classical management model known as 'strategy and people' (people as resource, people and behavior, and organizing people) which is centered on management to press out from people to achieve a goal (Johnson et al. 2008:476). They argue that HR

policies that target diversity are keys to competitive advantage of an organization. The outlined the following cultural policies: job analysis and description; target country, in terms of the degree of cultural similarity between the countries; personal characteristics in terms of the group member's ability to function within a foreign cultural setting.

Mullins (2010) argues that managing conflict takes time and effort but attempting to establish a climate of mutual trust, consideration and respect is worthwhile. She chooses solutions such as: clarification of goals and objectives of the organization; ethical resource distribution among employees; human resource management policies and procedures that permits diversity and encouragement of best practices; use of non-monetary rewards as encouragement tools; development of interpersonal / group process skills; encouragement and development of group activities; best class leadership and management skills that suits employees, proper functional organizational process; embracement of socio-technical approach; negotiation acceptable outcomes and abilities.

### **3. RESEARCH METHODOLOGY AND RESULTS**

Based on the literatures suggestion (Jankowicz, 2005; Saunders et al., 2003) the paper used two method of testing, basically interviews and questionnaires. First part is the interview with 10 Managers. The paper wants to keep the delivered information confidential and to reflect as anonymity. The main purpose of the interview was to get a clearer view on culture, conflict, and competitive advantage (innovativeness). The following questions were asked:

- Did you encounter conflict when working in heterogeneous environment?
- Do you think heterogeneous environment can create innovativeness for organization?
- What is the most important among the following when working in heterogeneous environment?
  - a. Own culture
  - b. Organization culture
  - c. Other culture
  - d. Mix all the cultures

To conclude, the questions brought a mixed reaction for the groups. All of them confirmed that it is very difficult to draw a line the extent of conflict in a heterogeneous working environment. They also confirmed it is difficult to anticipate the innovativeness of the heterogeneous environment, however they said what is sure is that organization culture is very strong influence rather than

own culture. One more thing to take a closer look here was that their professional background could lead to almost the same or slightly mixed approach behaviourism.

The second part is the questionnaires from different people, of different age, profession and nationality, at different location in the capital of Hungary.

Distribution was made in IBM and ESTE Bank offices, because these places contain professionals and semi-professionals who are of different class, income, status, age, gender, race, lifestyle and nationality. Another distribution was carried out inside and outside Western City Plaza. The idea behind the plaza distribution was to random select population to fill the questionnaires. Further distribution was carried out inside and outside Polus Center Plaza, the Tesco Shopping Center close to Polus Center. There was also a distribution at SUGAR ICE CREAM SPOT. The survey questionnaire included 8 questions and more than 120 were distributed. 97 was filled up and returned. The questions were composed of ‘open-ended type’, there was a “why” to justify the selection. Their views on the selection are presented on the table 1. The survey questionnaire co-relates the paper hypothesis.

**Table 1: Questions and summary of answers**

LOCATIONS	IBM	ESTE	WESTERN	POLUS	TESCO	SUGAR	OTHER
<b>Question 1: Have you ever worked with people of different cultures?</b>							
Yes	14	10	13	6	7	1	4
No	4	6	16	8	2	3	2
<b>Question 2: What was your experience?</b>							
Yes: good	9	9	4	4	4	1	2
No: bad	5	1	9	2	3	0	2
<b>Question 3: Do you think that working with people of different cultures helped the organization?</b>							
Yes	13	8	10	3	4	1	4
No	1	2	3	3	3	0	0
<b>Question 4: Was it conflict working in a cultural diverse environment?</b>							
Yes	10	7	8	2	5	0	2
No	4	3	5	4	2	1	2
<b>Question 5: Was the conflict resolved and how?</b>							
Yes	8	6	6	2	2	0	2
No	2	1	2	0	3	0	0

<b>Question 6: What is the most important among the following when working in a cultural diverse environment?</b>							
Yes	7	8	9	5	6	1	3
No	7	2	4	1	1	0	1
<b>Do you believe that working with people of different cultures can create innovativeness for the organization?</b>							
Yes	17	9	18	10	6	4	5
No	1	7	11	4	3	0	1
<b>Question 7: When working together with people of different cultures, would you do the following(s)?</b>							
Keep your culture	2	2	14	1	2	0	2
Mind the organization culture	10	5	7	4	2	1	2
Mix your culture with the other cultures	6	8	6	8	5	3	0
Follow entirely the other culture viewpoint	0	1	2	1	0	0	2

Conclusion from the questionnaires surprised the researchers. It was interesting to see how people viewed heterogeneous environment. They believed it is complex but it is more innovative than homogenous group. Checking the numbers who has worked in a heterogeneous team, encountered less conflict and the project was accomplished. The assumption of a well-integrated cultural program leads to successes and innovativeness reflected on the responses gathered.

#### 4. CONCLUSION

As the World becomes a global Market place, organizations spread around the world to explore new markets and increase profits, the working places are increasingly becoming heterogeneous and if not managed properly could led to poor performance, decrease in productivity and profits. The other side of the coin if organizations can tap the benefits of a diverse work environment it will reap better innovativeness, increase in productivity and profits.

Many conflicts have element of cultural bias or wrong interpretation of cultural artifacts. As many authors wrote that culture is multi-layered and this means that what you see on the surface may mask differences below the surface. It is like underground rivers that run through our lives and relationships, giving us

messages that shape our perceptions, attributions, judgments, and ideas of self and other. Though cultures are powerful, they are often unconscious, influencing conflict and attempts to resolve conflict in imperceptible ways.

The conclusion that conflict can result from heterogeneous working group was argued by many authors. This is why this paper was important to test and ask the people whether what could lead to conflict could be a result of heterogeneous environment or not. It is quite understandable that coordination of homogenous work force could be a lot easier as compared to heterogeneous work group. With this notion in mind, the paper tested the following hypothesis: cultural conflict is inevitable and if properly managed could lead to innovativeness and competitive advantage of an organization.

When a firm has heterogeneous team members, conflicts could play out easily. It could have a direct or indirect cost to the firm. But the benefit of many behaviors coming from heterogeneous culture has also direct and indirect benefit. These benefits are a function of creativity and innovativeness

On the process of writing this paper, interviews were carried out and questionnaires distributed to test people's mind set and opinion. Many books, magazines and articles were used to check opinion of the writers.

But the result showed that many people are on the opinion that heterogeneous team does not create conflict while some believes it create problems. Some said that the organization culture affects the behavior of the people while others believe that their culture affects them and not the organization culture.

The opinion of the tested population varies so much but what the paper observed is, people believe that different cultures could lead to innovativeness, their opinion supports the paper.

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