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Intercultural Awareness; the New Value Chain Principle

1. Introduction

I would argue that Intercultural Awareness within a global enterprise is a critical principle to the components of the value chain and overall business success. For purposes of this study, a global enterprise is defined as one that employs individuals from multiple cultures in one location or multiple locations and interfaces with other global businesses, or, an enterprise with employees of one culture in one or more locations conducting business globally.

An enterprise cannot succeed without a highly functioning value chain and its' respective components. Industries place emphasis on varying areas of the value chain respective to need. This paper will, as an example, reference value chain components for a generic high-technology enterprise. In this high-technology enterprise, the primary activities of the value chain will consist of Research and Development (R&D), Engineering, Manufacturing, Finance, Marketing and Sales, and Distribution. These components will be discussed from the perspective of both a centralized and distributed enterprise environment and will include strategy, process, communication and messaging, employee and customer loyalty. In addition, I will introduce the i^4 Principles: Innovation, Intelligence, Integrity, and Intercultural Awareness, Reidy [2009] providing emphasis on intercultural awareness.

Furthermore, it will be discussed that without the presence of intercultural awareness, businesses may experience what I term *Enterprise Ethnocentrism*, Reidy [2009] an isolation of internal organization structures, both central and distributed, leading to a deterioration of communication, trust, alignment and focus, as well as increases in conflict levels across the enterprise.

I will demonstrate support of my main argument by:

– Providing results of a Global Research Survey.
– Analyzing how this research supports my thesis.
– Describing the implications to current business models.
– Suggesting best practices for future business models.

1.1. Research Procedure and Survey Questions

To capture research data, a random blind survey utilizing Secure Socket Layer (SSL) technology to collect the data was created and made available to university alumni at two institutions and business colleagues currently employed in business or, with recent business experience, i.e., professional white-collar employees. Alumni were notified via social networking sites. Business colleagues were contacted via social networking sites or direct email. The majority of respondents (94.4%) were physically located in North America at the time of the survey though their culture may not be rooted in North America. Individuals were asked to state their organizational role as Individual Contributor, Manager, or Director/Executive. This was done to establish a baseline for subsequent survey questions. The purpose of the survey was to discover and confirm the percentage of business conducted between respondents and those of other cultures whether local or global. Additional information such as the global locales, frequency and efficiency of respondent communication, the dependencies on other global groups and the coordination needed to execute and deliver on projects, alignment to business strategies, and frequency of need for management to engage in cultural conflict resolution was collected. Finally, questions were asked regarding whether or not respondents believed their company provided them adequate training in the area of cultural awareness so that they might successfully work with individuals from other cultures.

The survey was released and remained available for 25 calendar days. During that time, 253 respondents started the survey and 226 completed the survey resulting in a respondent completion rate of (89.3%). The survey contained 21 questions consisting of multiple choice and yes/no, none of which was mandatory so as not to elicit a false response.

1.2. Global Research Survey Results

Respondents (87.7%) stated that in their physical work location there were co-workers that came from different cultures. These same respondents revealed that 79.1% worked for companies that have multiple global locations. Organizational roles of the respondents were split as follows: Individual Contributor (56.9%), Manager (26.8%), and Director/Executive (16.3%). When the respondents were asked which roles they typically engage in order to conduct business, the breakout was: Individual Contributor (53.1%), Manager (27.8%), and Director/Executive (19.2%). The majority of respondents work in the high-technology sector and

communicate most frequently with colleagues in North America (92.6%), Europe (45)%, South Asia (32%), North Asia (21%), Australia (16%), Middle-East (13.1%), Africa (7.4%), New Zealand (4.1%), and Other (6.1%). Nine respondents preferred to not answer the question.

When asked if respondents found working with colleagues in global locations to be productive, a significant number (44.3%) stated "Never" or "Sometimes." It must be noted that 141 respondents (41%) chose to not answer this question. 46.8% of respondents stated that they communicated with global colleagues daily or weekly. Another group (35.1%) cited that they "Sometimes" participate in communications with global colleagues. The survey directly asked respondents their perceptions as to the levels of communication efficiency between colleagues at global locations. 31.2% identified communication efficiency as "Poor" or "Fair." Only 7.6% stated that communication efficiency between themselves and colleagues at global locations was "Excellent."

Regarding work group dependence, 46.2% stated that they were "Very Dependent" or "Dependent" on other global workgroups to successfully complete strategic projects and programs. Furthermore, 49.3% confirmed that workflows are "Very Frequently" or "Frequently" coordinated across global locations at their company. When asked if global co-workers were aligned to the same business strategy as themselves 36.9% noted "Sometimes" or "Never." Additional data acknowledged that 31.8% of the respondents felt their global colleagues would "Sometimes" or "Never" deliver on commitments that would allow the respondent to be successful in their assigned deliverable. The majority of data collected reflecting "Sometimes" for a project or program not being delivered pointed to "Unclear Goals" (60.3%), "Lack of leadership" (57.7%), "Poor project planning" (56.1%), "Poor communication amongst internal teams" (52.7%), and "Cultural misunderstandings" or "Differences" (51.4%).

In the same work location, cultural differences "Sometimes" manifested to a level where manager involvement was requested (61%). "Frequent" or "Very Frequent" management involvement was requested a lower percentage (11.7%) of the time. In global work locations, "Sometimes" or "Frequently" (76.8%) cultural differences arose. In dealing with global clients and customers respondents cited that cultural differences manifested themselves outside of the global organization (76.9%) "Sometimes" or "Frequently." I would contend that cultural differences arise due to the lack of cultural awareness.

When asked to categorize the level of cultural awareness training provided by their company, 62% of the respondents noted "Poor" or "Fair" while 38% stated "Good" or "Excellent."

1.3. Research Analysis

The success of a business is reliant on the strength of its value chain and the ability to deliver customer value. The level of value provides a competitive

advantage and an opportunity for increased margin. "A business is profitable if the value it creates exceeds the cost of performing the value activities," Porter and Millar [1985]. In this study Porter and Millar further state, "a company's value chain is a system of interdependent activities which are connected by linkages…these linkages require activities to be coordinated." In his value chain model, Porter describes "Primary activities" and "Support activities." "Primary activities are denoted as: Inbound logistics, Operations, Outbound logistics, Marketing and sales, and Service. Support activities include: Firm infrastructure, Human resource management, Technology development, and Procurement. The value chain for a company in a particular industry is imbedded in a larger

Stream of activities that includes suppliers and buyers known as the *value system*," Porter and Millar [1985].

It is within this framework of primary and support activities where organizational and global interactions take place at both the organization and individual levels and that intercultural awareness plays a critical role as a key principle. As evidenced by my research study, 87.7% of respondents work in a facility where there are individuals from different cultures. 79.1% of the respondents stated that their employer company had multiple global locations. The cultural aspects are compounded by organizational challenges in that those strategic business units e.g., R&D, Engineering, Sales and Marketing, Finance, and Distribution have specialized networks and exhibit behavior unique to their individual characters and charters. The result is a lack of *Intercultural Socialization,* Knotts [1989] where one does not become aware of other culture's habits, actions, and reasons behind behaviors. My study further substantiates that communication patterns are hierarchical e.g., Individual Contributors communicated with Individual Contributors (53.1%), Managers with Managers (27.8%), and Executives with Executives (19.2%). These map virtually 1:1 to the actual roles in which respondents categorized themselves. In an interview with T.E. Stuart [2008], Gilbert states "the *boundaryless* organization – like the paperless office – hasn't materialized."

When global teams consist of more than one culture, the individuals within the team bring with them preconceived beliefs about team members from the other cultures and it is these beliefs that could lead to unintentional conflict due to misunderstandings, Rothbard [2009]. Breakdowns in collaboration are more frequent outside of structured group scenarios. These breakdowns tend to appear more often in less structured scenarios between different organizational groups, Weiss and Hughes [2005]. These behaviors tend to create silos between organizations, business groups, and individuals partially due to a lack of allegiance to any other organizations but their own. This practice leads to *Enterprise Ethnocentrism*, Reidy [2009], an isolation of internal organization structures, both central and distributed, leading to a deterioration of communication, trust, alignment and focus, and increases in conflict levels across the enterprise.

According to Brett, Behfar & Kern, [2006] there are four available strategies that successful teams use in managing multicultural teams; "Adaptation, Structural Intervention, Managerial Intervention, and Exit." Adaptation is used to combat situations where conflict arises due to differences in decision-making or misunderstandings are experienced when communication differences from one or more individuals avoids or ignores another individual or individuals due to challenges in the communication process. The adaptation solution requires cultural awareness amongst members and time to analyze the challenge and direct the individuals towards a common understanding. "Structural Intervention assists by temporarily subdividing teams to mix cultures or expertise." When a problem/challenge appears irresolvable, Managerial Intervention may be used. The "Exit" strategy is one of last resort and usually applied to longer-term problem situations. My survey respondents indicated that global conflict manifests itself a high percentage (76.9%) of time when dealing with global clients and customers. Management intervention was required "Sometimes" (60.6%) per respondents.

To bring closure to the survey, respondents were asked to provide their opinion on the level of cultural awareness training provided to them by their employer. The majority (62%) declared the training provided was "Poor" or "Fair." The remainder (38%) stated "Good" or "Excellent."

1.4. Implications to Current Business Models

Businesses must develop cultural sensitivity to communications between people from different centralized and distributed subsystems and cultures. This cultural sensitivity or awareness is critical to consistency of strategy, process, communication and improved employee and customer loyalty throughout the value chain and in the reduction of barriers and the potential prevention of organizational silos. Ongoing development of cultural awareness assists in bringing together previously disparate individuals and groups, a socialization process, fostering common understanding and improved communication. This concept is important in the creation of a learning organization where individuals develop a level of trust emphasizing common values, Kahane [2006]. Without cultural awareness and trust the enterprise is subject to conflict. The environment of an organization must be such that members are comfortable developing levels of trust within and outside of their immediate reporting structures. The ability to do so is a source of competitive advantage [Barney and Hansen 1994, Lane 1998, Sako 1998] as cited by Huff and Kelley [2003]. Galford and Drapeau [2003] state that there are three different kinds of trust: strategic, personal, and organizational. Strategic refers to senior management's ability from the employee's perspective; personal trust references the faith in ones' immediate manager; organizational referring to the trust one has in the organization/enterprise itself.

My survey exploits several areas of concern. First, it revealed that a majority of respondents (79.1%) are employed by companies that have multiple global locations. Further, a significant number (46.8%) of respondents communicate with global colleagues on a daily or weekly basis. Of those who answered the question as to whether or not working with global colleagues was productive, the response was strongly (44.3%) negative. These same respondents indicated that company workflows are often (49.3%) coordinated across global workgroups. They also indicated that cultural differences amongst colleagues arise "Sometimes" or "Frequently" a significant percentage (76.8%) of time. All of this data is exacerbated when one examines the responses to the level of cultural training received. A majority (62%) noted the cultural awareness training provided them was "Poor" or "Fair." When consolidated this data suggests that intercultural awareness is severely lacking amongst the global companies represented by survey respondents.

The Developmental Model of Intercultural Sensitivity (DMIS) [Landis, Bennett, Bennett 2004] focuses on a continuum consisting of 3 Ethnocentric and 3 Ethnorelative Stages. Based on the survey results received from respondents regarding their companies I would suggest that the majority of respondent companies fit into the Ethnocentric Stages of the DMIS model where focus is on the immediate group and not extended to others.

In the earlier example of a value chain i.e., R&D, Engineering, Manufacturing, Finance, Marketing and Sales, and, Distribution, each contains its' own attributes and expertise – their own core competencies. There are several principles that I believe are represented within and between each unique group. I term these the i^4 Principles: Innovation, Intelligence, Integrity, and Intercultural Awareness.

R&D in and of itself relies on innovation to create ideas and envisage them as functional to enhance the overall value system. Engineering creates the means to allow consistency while Manufacturing applies innovation to skillfully reproduce and build the product(s). Innovation continues to permeate the model through the stages of Finance, Marketing and Sales, and finally, Distribution. Each provides innovative methods to support a uniform go-to-market (GTM) model. Intelligence may be seen throughout the value chain in the form of design, intellectual properties, replication, and human capital. Integrity represents quality across the value chain culminating, and in association with the product(s) and company brand. More importantly, for purposes of this paper, Integrity is required in the ability of enterprise representatives to commit to the successful ongoing integration of Intercultural Awareness throughout the value chain. Each organizational component of the value chain is chartered to execute on the corporate strategy segment they are chartered to fulfill.

Intercultural Awareness is the fourth of the i^4 Principles and in my opinion considered a core competency for today's global enterprise. It is paramount in

order to facilitate enterprise success and deter *enterprise ethnocentrism* whether value chain components are centralized or distributed. Core competence consists of several factors, i.e., the ability to communicate, engaging in organization activities that drive goals, and being passionate in extending communication within immediate organizations as well as across other organizations. These activities are not only for executives, but also for managers and individual contributors across the enterprise regardless of their experience, skill sets, or knowledge levels. When these core competencies develop there is an expansion of learning and appreciation of other organizations and the skills that these previously ignored organizational teams can deliver on. Prahalad and Hamel [1990].

The Developmental Model of Intercultural Sensitivity (DMIS) was created to explain observations and experiences of people in intercultural situations. The first three stages are known as the "*Ethnocentric Stages* where one moves through Denial, Defense, and Minimization" as part of the "experience of difference." In the first three stages culture is experienced through the lens of ones own culture. The second three stages are known as the "*Ethnorelative Stages* of Acceptance, Adaptation, and Integration." The Ethnorelative Stages reflect a "World view" position for individuals and it is where cultural awareness and sensitivity begin. In the Adaptation stage one begins to recognize cultural contexts and is able to begin to apply them. It is in the Adaptation stage that intercultural awareness and competence develops.

I believe that Intercultural Awareness addresses culture at many levels, i.e., the enterprise, the organization, and, the individual. Utilizing the theory of "Objective Culture" and "Subjective Culture," Brislin, R.W. (n.d.) as cited by Bennett, M.J. (n.d.), where Objective Culture, or "Big C" refers to areas such as music, dance, literature and Subjective Culture, or "Little "c" represents values, behavior, and verbal and non-verbal communication styles; I believe that companies must develop and focus on their cultural awareness training strategy in the area of "Subjective Culture" and would suggest that areas of objective culture also be included.

One approach would be to develop a cultural training strategy via a "Shared Vision" [Senge, Kleiner, Roberts, Ross, & Smith 1994]. In their work the authors describe the fundamentals of the learning organization as one with a "deep learning cycle." Senge et al refer to this as the "Domain of Enduring Change." One begins in this "Domain of Enduring Change" with certain "skills and capabilities." It is here we are told that the "Evidence of new skills and capabilities deepens our confidence, as real learning occurs." Based on development of these new skills there is a "new awareness" in "System Thinking" and we begin to "see" what "drives behavior." This "new awareness slowly shifts attitudes and beliefs representing change at the deepest level in an organization's culture." In my opinion, business enterprises interested in meeting the demands of today's

global business environment must develop and expand Intercultural Awareness and knowledge via the creation of "deep learning."

Based on the learning organization concept of a "Shared Vision" as it relates to the strategy of a business I would like to suggest that the previously noted Value Chain with *i⁴* Principles is deficient in that there remains an opportunity for isolation between organizations to exist. I believe this would be remedied if each organization in the enterprise shared one common vision (figure 1).

Figure 1. Value Chain with *i⁴* Principles and Global Strategy Layer [Reidy 2009]
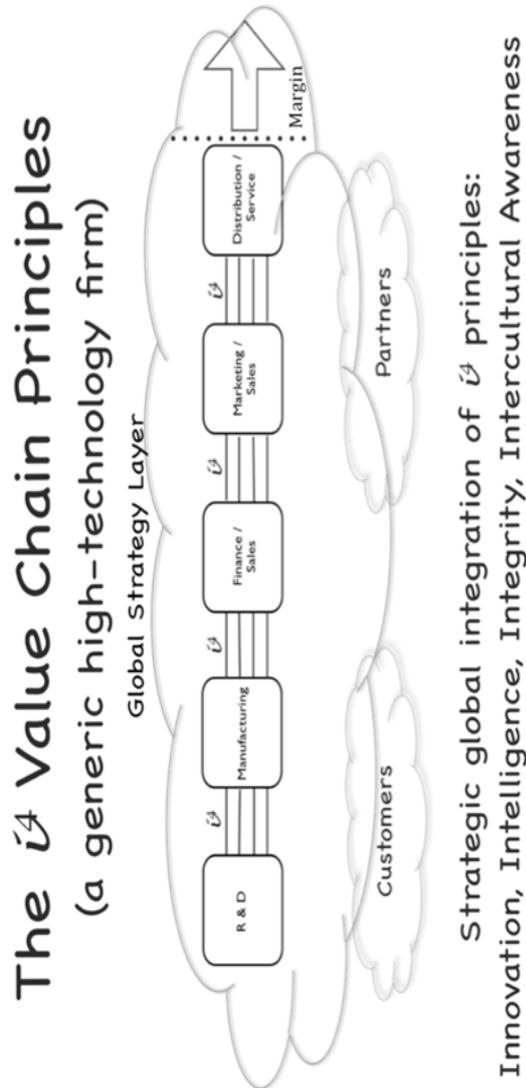
The addition of a "Global Strategy Layer" promotes enterprise strategy e.g., intercultural awareness, and provides the opportunity for goals and objectives across the enterprise as well as within each organization to be assigned, executed, and inspected in a uniform and efficient manner. I would also suggest that companies engage and encourage their customers, sales partners, vendor partners, and distribution partners to share in their strategy and appreciation of intercultural awareness and cultural sensitivity through best practices. It is through this shared vision and best practices model that enterprise ethnocentrism can be reduced and/or eliminated resulting in improvements in organizational/enterprise communication, processes, trust, loyalty, and intercultural sensitivity.

1.6. Best Practice Suggestions for Future Business Models

Today global enterprises are compelled to educate and train employees to develop a worldview of culture and to build their levels of cultural competence. The following are suggested "best practices" for the global enterprise.

1. Develop and implement a well-defined business strategy that encourages and supports intercultural awareness across workgroups, organizations, and the enterprise.
2. Implement mandatory intercultural awareness education/training across all enterprise roles and geographic regions.
3. Design and utilize communication mediums that are multifaceted i.e., not only email, in order to establish business relationships and build trust.
4. Designate executive and manager role models to continually demonstrate intercultural awareness and competency in practice.
5. Create global corporate communication plans that include intercultural awareness and competency best practices.
6. Ensure bi-modal communication model for employees.
7. Insist on continuous inspection and reflection. Operate via Deming's circle of quality, e.g., "Act, Plan, Implement, Check," Hampden-Turner and Trompenaars [1997].
8. Create an atmosphere conducive to cultural adaptation and confidence.
9. Establish intercultural awareness best practices with business partners and customers.
10. Encourage all employees to develop an appreciation for diversity via company-sponsored programs.

2. Conclusion

The survey results and research analysis prove that Intercultural Awareness within a global enterprise is a critical principle to the components of the value chain and overall business success. Without the presence of intercultural awareness in the *Global Strategy Layer* companies may experience organizational

isolation of central and distributed organizational structures leading to *Enterprise Ethnocentrism,* a deterioration of communication, trust, loyalty, alignment, and focus that may lead to communication breakdown and increases in conflict levels across the enterprise. Intercultural Awareness along with Innovation, Integrity, and Intelligence (The *i⁴* Principles) are the "glue" connecting "Primary activities" and "Secondary activities" throughout the value chain. When combined with a *Global Strategy Layer* that permeates throughout the enterprise to engage employees, customers and partners, organizational silos are less likely to form. The result is improved communication efficiency and strategy execution.

Appendix A

Survey Questions

1. In the building I work in I have co-workers that were born and/or raised in a different country than I was?

2. My company has multiple business locations around the world?

3. My geographic location is best described as:

4. My organizational role may best be described as:

5. I primarily work with the following types of organizational roles within my company:

6. The colleagues I frequently work with are located in: (Check all that may apply)

7. I find working with colleagues in global locations to be productive.

8. I communicate with global colleagues:

9. My company has business clients/customers in locations around the world.

10. Which Industry segment best describes your company?

11. In general, how would you describe the level of communication efficiency between colleagues at global locations?

12. How dependent is your local work group on other global workgroups to successfully complete strategic projects and programs?

13. How frequently are workflows coordinated across global locations at your company?

14. Do you believe that you and your global coworkers are aligned to the same business strategy, goals, and objectives?

15. How often are managers at your company required to become involved in work issues caused by cultural differences?

16. How often do colleagues in global work group locations deliver on their commitments so that your work group can be successful?

17. In business activities with colleagues at your work location how often do

cultural differences manifest themselves?

18. In your business activities with work colleagues in global locations how often do cultural differences manifest themselves?

19. When a project or program at my company is not delivered on schedule it is usually because of:

20. In your business activities with global clients/customers do cultural differences manifest themselves?

21. How would you categorize the level of cultural awareness training provided by your company to allow you to successfully conduct business with individuals from other cultures?

Abstract

The business environment continues to evolve and companies are dynamically working to adjust strategies to meet the global challenges of market share, customer retention, competition, and continued growth. Many believe they have successfully met these challenges. Inability to develop a robust business strategy creates poor communication and lack of business alignment that causes constantly shifting strategic priorities and supporting tactical initiatives holding little value. This lack of focus and alignment causes confusion amongst investors, employees, and management.

To avoid this dilemma, a balance is required between outside forces and the need to nurture and communicate internal strategy, processes, and customer orientation to support the value chain. In the quest to conquer "outside forces" managers must not lose sight of key values and principles from which business is created, developed, and trust is formulated.

Successful enterprises weave principles such as innovation, intelligence, and integrity into their value chain and business infrastructure. Today, companies that wish to succeed must also adopt intercultural awareness as a key principle.

This paper will discuss the importance of intercultural awareness to support building consistency in strategy, process, communication and improved employee and customer loyalty throughout the value chain.

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