Acknowledgment is made for the helpful comments of two anonymous reviewers and my supervisor, Dr Scott Phillips, in finalising this paper.
FROM CROSS-CULTURAL MANAGEMENT TO DIVERSITY MANAGEMENT – BEYOND EEO IMPLEMENTATION

ABSTRACT: This paper reviews the extant literature on cross-cultural management as a subset of diversity management overseas and how it impacts and parallels developments in Australia. The paper also identifies the deficiencies of extant empirical research in addressing implementation issues in cross-cultural/diversity management such as critical complementarities between management, leadership and system attributes and presents a multi-disciplinary system model as suggested in Reyes’ (2004) study.

Keywords: cross-cultural management, multiculturalism, diversity management, general system theory
INTRODUCTION

There are three major factors that contributed to cross-cultural management’s prominence: the growing cultural diversity of the population, globalisation (Adler, 2002; Morrison, 1996) and fairness legislation (Gross-Schaefer, Florsheim & Pannetier, 2003; Reyes, 2004). From the Australian perspective, the multicultural experiences of the U.S. and Canada are relevant. The U.S. was the seedbed in which cultural pluralism was first sown and cross-cultural management pioneered and Canada provided Australia with the policy model of multiculturalism (Salins, 1997; Addison, 1991).

The American and Canadian multicultural experiences also provided Australia with some key policy lessons. Adopting multiculturalism was not enough, nor was legislating fairness sufficient in addressing the continually growing population diversity and globalisation. Cross-cultural management (CCM) emerged as another key strategy. However, while the literature shows that CCM needs to be integral to diversity management (DM), Australian workplace diversity management hardly goes beyond fairness (EEO) legislation compliance and this paper reveals why.

THE HISTORICAL CONTEXT

The continual growth of population diversity and globalisation drive workplace diversity (Adler, 2002; Morrison, 1996). In the U.S., the estimated number of foreign-born people in 2000 was 28.4 million or 10.4 percent of the total population of 273 million (U.S. Census Bureau, 2000). In Canada, the number of people with ethnic origins, or those other than British Isles, French or Canadian, represents 28 percent of the total population of 29.7 million (Statistics Canada, 2000). In Australia, the preliminary population estimates for 1999 identified more than fifty percent of the population was either born outside the country or had at least one overseas-born parent (Australian Bureau of Statistics, 2000). This population diversity is projected to continually grow since the trends show that the birth rates in all three countries are declining.

Besides population diversity, the surge in globalisation underscored the need for cross-cultural management (Adler, 2002; Morrison, 1996). World trade grew from US$51 billion in 1948 to US$415 billion in 1972, US$1 trillion in 1980 and then US$6.2 trillion in 2000. The growth in globalisation means not only an increase in world trade and capital movement but also services leading to expatriate assignments, which provide another compelling reason for organisations especially in the U.S. to look closer at cross-cultural management. The expatriate failures directly cost American companies US$2 billion annually as estimated by Copeland and Griggs (1985).

Black and Mendenhall (1990) proffer failures of American expatriates may be attributed to lack or absence of cross-cultural training. Cope and Kalantzis (1997:160) echo that productive diversity or bringing “differences productively and harmoniously together” is the key to organisational cohesion in a culturally diverse workplace. American expatriate failure rates reached 10-30 percent in developed countries (Tung, 1984) and 70 percent in developing countries, which is three to four times higher than that experienced by their European and Japanese counterparts (Shneider & Asakawa, 1995).

More commonly known as multiculturalism in public policy parlance, cross-cultural management actually evolved from assimilation or the ‘melting pot’, a term that originated from Zangwill’s 1908 play, which was later called ‘Americanization’. Horace Kallen opposed
assimilation and introduced cultural pluralism, the antecedent to multiculturalism (Salins, 1997). However, Canada first used ‘multiculturalism’ as a nomenclature and strategic policy to cultural diversity in 1971, legislated through the Canadian Multiculturalism Act 1988 (Global Diversity @ Work, 2003).

Multiculturalism in Australia saw its fullest development starting 1972 when Al Grassby, then Minister for Immigration in the Whitlam Government adopted the Canadian model (Addison, 1991). Unlike Canada however, Australia went through the integration phase characterised by cultural tolerance to a certain extent and a de facto recognition that non-English speaking migrants were disadvantaged. However, this did not in reality encourage cultural diversity since “everyone was expected to adopt the integrated culture” (National Multicultural Advisory Council, 1999:9). It differs from multiculturalism in that the latter recognises the migrants’ and their children’s right to retain their language and culture.

The adoption of multiculturalism as a policy framework did not prove enough to address the mounting pressures and prevalent discrimination that people experience in the workplace. As an added measure, the U.S. and Canada legislated affirmative action that would ensure that applicants would be employed and employees treated fairly during employment without regard to their race, creed, colour or national origin, sex or gender. Australia followed suit with the Racial Discrimination Act of 1975. This was later amended as the Racial and Discrimination Act of 1984 precluding discrimination on the broader grounds of political affiliation, race, colour, ethnic origin, social origin, religion, sex, sexual preference, marital status, pregnancy, age or physical or mental disability (Scaleplus Law Resource, 2003). Table 1 shows the comparison of initial CCM/DM developments in Australia and the U.S.

PLEASE INSERT TABLE 1 HERE

Expanding fairness legislation along these lines however, has not necessarily prevented discrimination, although it has provided legal remedies for people who experience discrimination in their workplaces. In the U.S., there has been a growing number of discrimination cases based on EEO legislation. These have produced in some cases enormous financial settlement outcomes. It is difficult to determine whether the increasing discrimination cases indicate that the EEO law implementation is effective or whether it shows that despite the expansion, the EEO legislation fails in deterring discrimination. In Australia, at least two studies suggest that EEO legislation fails. Bennington (2002) and Bennington and Wein (2000) found that discrimination’s extent might be worse than perceived.

Broadening and Thinning: How DM diluted CCM

Culture, the core concept in cross-cultural management, refers to “the collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede, 2001:5). Hofstede (2001) explains the ‘mind’ stands for the head, heart and hands for thinking, feeling and acting with consequences for beliefs, attitudes and skills. Drawing from this definition, Adler (2002) contends that cross-cultural management helps to explain, understand and improve people’s behaviour in organisations where employees, suppliers and clients are from several cultures.

The high rate of American expatriate failures, the “fever-pitched” debates on hiring quotas under affirmative action in the U.S. and Canada (Global Diversity @ Work 2003:1), the
enormous settlement cost of discrimination lawsuits as detailed below and Johnston and Packer’s (1987) publication of the projected 2000 workforce composition in the U.S. caused the avalanche of interest in the broader area of diversity management. Johnston and Packer’s (1987) report cited statistics that immigrants or minorities would be the largest share of the increase in population and the workplace.

Perhaps as a result of these factors, various diversity dimensions have emerged beyond the usual criteria of race, gender and ethnicity. Concepts range from differences not only across physical ability, sexual orientation, religion, skills and tenure in the organisation but also to personality, career background, grade (Watson, 1997; Joplin & Daus, 1997), function, education, lifestyles and geographic origins (Thomas, 1991). Simultaneously, the terms ‘cross-cultural management’ and ‘cross-cultural training’ were supplemented with ‘diversity management’ and ‘diversity training’ in the literature, which became increasingly predominant. However, Morrison (1996) cautions that too much expansion of the diversity management concept can result in a thinning of focus and resources.

The focus on cross-cultural management has indeed thinned. Ivancevich and Gilbert (2000:82) argue that “the literature fails to reveal a single diversity management training program that is preceded by a thorough analysis of the tasks, the organisation, and the individuals.” Morrison (1996:8) observes that despite the soundness of multicultural approach theory as a solution to cultural diversity in the workplace, “little guidance is available to carry it out”. This focus thinning could have been triggered by the enormous discrimination settlement costs and increasing number of discrimination cases. The largest settlement involves US$531 million for 1,100 women-employees of Voice of America and its parent, the U.S. Information Agency covering the period 1974 to 1984 (Glasser, 2000). This amount was surpassed by the aggregate value of the settlements made by publicly listed companies, which totals more than US$1 billion from November 1991 to August 2001 (Selmi, 2003). Selmi (2003:4) also estimates that “approximately seventy-five employment discrimination lawsuits that include class action allegations . . .and twenty thousand individual cases in any given year between 1991 and 2001” were filed. Additionally, the U.S. Equal Employment Opportunity Commission (EEOC) settled 68,366 to 106,312 discrimination cases each year from 1992 to 2000 (U.S. EEOC, 2003).

AUSTRALIA’S EXPERIENCE OF MULTICULTURAL MANAGEMENT: DILEMMAS AND CHALLENGES

While successive Australian Governments have encouraged workplaces to integrate multiculturalism perspectives into their practices, there is considerable evidence that this has not adequately happened. Masanauskas (1992) reported that Australia’s misuse of migrant skills is costing the country $1 billion annually. Seven years later, Cobb-Clark’s (1999) further analysis revealed that the unemployment rate of individuals speaking English ‘very well’ is two- and- a half times more than native English speakers even after 18 months from arrival. Bertone, Esposto and Turner (1998) found that although there is an almost unanimous support for providing opportunity despite demographic diversity, only two-fifths of managers surveyed in their study have a policy on cultural diversity. The managers cited employment of few non-English speaking (NES) employees as the reason for absence of cultural policy by the majority, which appeared to be a perception that cultural diversity means presence of NES
employees and that only NES employees have a different culture. Further, two-thirds of the respondents, including those without a policy, perceived difficulties in managing a diverse workforce.

More recently, Nicholas (2000) confirmed the low adoption of cultural diversity in the workplace in his study of 227 firms represented mostly (80 percent) by CEOs. Only 29 percent of the organisations surveyed were diverse in terms of ethnicity. The value or the lack of it given to cultural diversity was further confirmed when only 18 percent of CEOs ranked successful diversity management as highly important for Australia’s growth. Surprisingly, the CEOs’ opinion on the significance of diversity to the country’s growth was in sharp contrast with the managers’ perception as revealed by Bertone, Esposto and Turner’s (1998) findings.

The incoherence in the perception of Australia’s multiculturalism is consistently described in government reports and academic research (NMAC 1999; Bertone, Esposto & Turner 1998). Collins (1984) notes that most of the Australian literature on the general socio-economic indicators clearly shows that non-Anglophone migrants are disadvantaged compared to their Anglophone and Australian-born counterparts. Zelinka (1996) traces the roots of this predicament to NES immigrants being used as strike breakers while workers’ unions were resisting non-Australian labour after World War I.

**Improving Multicultural Management: What Needs to be Done?**

Misconceptions about cultural diversity, slow improvement progress and failure to address culture as the core of diversity management could be attributed to the low level of education compared with world standards among Australian managers. Also, the Australian cross-cultural management literature has concentrated on building the business case to encourage adoption of cultural diversity in the workplace and implementation beyond EEO compliance to capture its potential benefits, leaving the behavioural aspect and its treatment as a process and system aside.

The inadequacy of Australian management is a common finding of several studies. Karpin (1995) alarmingly reports that while the best Australian managers can parallel the world’s best, the majority do not have the education and skill levels to be competitive with managers of major trading nations. Several writers on management assert that the inadequacy of Australian managers’ skills led to the failure in optimising the nation’s economic growth potential (Khosa, 1994). This failure’s impact on the economy has been supported by other studies (NMAC, 1999; Karpin, 1995; Masanauskas, 1992).

The inadequacy of Australian management could partially explain why CEOs of Australian organisations do not appreciate the basic reality that the changing demographics of the population dictate the workforce and customer profiles. Reyes (2004) confirms that lack of knowledge appears to have caused the failure of attitude change needed to facilitate adoption of cross-cultural management in her study of five Australian organisations. Attitude change ranges from treating cross-cultural/diversity management as high a priority as other areas in the organisation like budgeting to extending the focus to organisation employees in the case of public sector participants and inclusion of the behavioural aspect on the part of private sector participants.
Reyes’ (2004) findings also suggest that positive attitude toward cross-cultural/diversity management may be possible. To achieve this, managers need to possess complementary attributes that support such change further complemented by supportive system attributes. These leadership and management attributes consist of knowledge, passion and commitment, decisiveness, role-modelling, trust and credibility, communicating interactively, consensus and team building, and resource provision while the system attributes include creation of CCM/DM as a responsibility area, organisational structure, integration of cross-cultural management to all business plans, policies and procedures’ completeness and clarity, language barrier elimination, continual consultation with and participation from employees and clients, responsiveness, inclusiveness, productive diversity, cross-cultural training, accountability, evaluation and improvement, reward for performance/’punishment’ for non-performance, integrity and credibility. Developing these attributes is no easy task and requires a mechanism for integrating them into the overall systemic management strategies. This paper argues that von Bertalanffy’s (1968) general system theory provides a basis for such an approach.

Further, Reyes (2004) found that in the same manner that management, leadership and system attributes are interdependent, the inclusion of all interfaces among system and management attributes and other organisational subsystems appeared important in facilitating adoption of cross-cultural/diversity management. To illustrate, most respondents described their CEOs to be highly supportive of CCM/DM efforts, yet some managers had either lukewarm or no support at all, which led to the inadequacy of the participant organisations’ communication management subsystem. This inadequacy was caused by lack of interactive communication between managers, a management and leadership attribute, and supportive system attributes of accountability, continual participation of and consultation with employees, accountability and evaluation and improvement.

Along the same line, implementation of CCM/DM among participant organisations from the public sector mainly concentrated on client services and limited its application in their workplaces to one-off cross-cultural training of their employees. The investigation also revealed that this was due to lack of knowledge of human resource managers and a supportive knowledge management subsystem.

**DISCUSSION**

The comprehensive multi-disciplinary concept of looking at organisational systems as cohesive whole stemmed from Ludwig von Bertalanffy’s (1968) general system theory. He advocates that the phenomenon needs to be explained by collectively investigating parts and processes to reveal interrelationships between them rather than treating them singly. The need for systems or holistic thinking, von Bertalanffy (1968:29) adds, all the more becomes necessary in view of the ever-increasing specialisation of modern sciences driven by the “enormous amount of data, complexity of techniques and of theoretical structures within every field.” According to Gharajedaghi (1999:15), systems theory “puts the system in the context of the larger environment of which it is part and studies the role it plays in the larger whole.”
Cross-cultural/diversity management subsystem is analogous to the human body subsystem in respect of its organic dependence on other systems. CCM/DM can only operate or be implemented smoothly and its goals achieved when all the other subsystems in the organisation are functioning well. Relating this to the findings of Reyes’ study, knowledge management plays a pivotal role in cross-cultural management and the interplay between its system and that of CCM is a requirement for comprehensive adoption of the latter and vice-versa. Similarly, the study’s findings also suggest that this interdependency exists between cross-cultural management subsystem and change management subsystem, human resource management subsystem, etc. These interdependencies are shown in Figure 1.

PLEASE INSERT FIGURE 1 HERE

CONCLUSION

Cross-cultural management and a multi-disciplinary system approach could be the keys to mirror Australia’s population diversity in the workplace and knowledge is central to its success because as one of the respondents observed in Reyes’ (2004) study, it was important to continually reinvent the system to maintain interest. Besides being an enabler for managers to implement and continually improve a cross-cultural management subsystem and its interdependencies with other organisational subsystems, knowledge is also fundamental in ensuring that all supportive attributes of managers and leaders are integrated into the cross-cultural management subsystem.

That diversity management evolved from cross-cultural management is clearly supported by literature. Thus, diversity management is definitely more than fairness legislation compliance. Since cross-cultural management centres on improving relationships between people from diverse cultures and cultures being “the collective programming of the mind which distinguishes members of one group or category of people from another” (Hofstede, 1997:5), culture therefore is also fundamental to diversity management. Making culture integral to diversity management necessitates certain leadership, management and system attributes, which complement each other.

REFERENCES


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**Table 1.1 – Comparison of CCM and Fairness Legislation Developments, U.S. and Australia**

<table>
<thead>
<tr>
<th>Area</th>
<th>U.S.</th>
<th>Australia</th>
<th>Time lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiculturalism</td>
<td>1955</td>
<td>1972</td>
<td>17 years</td>
</tr>
<tr>
<td>Civil Rights Act</td>
<td>1957</td>
<td>-</td>
<td>47 years</td>
</tr>
<tr>
<td>EEO – affirmative action for public offices</td>
<td>1961</td>
<td>1984</td>
<td>17 years</td>
</tr>
<tr>
<td>EEO legislation – basic discrimination grounds</td>
<td>1964</td>
<td>1975</td>
<td>11 years</td>
</tr>
</tbody>
</table>

Sources: Kallen (1956); Niland & Champion (1990); Global Diversity @ Work (2003); Scaleplus Law Resource (2003).
Figure 1 – Interdependencies between organisational system and subsystems

Legend:
- OS – Organisational system
- MarMS – Marketing management subsystem
- ManMS – Manufacturing management subsystem
- R&D – Research & development subsystem
- HRMS – Human resource management subsystem
- AFMS – Accounting & finance management subsystem
- CCMS – Cross-cultural management subsystems
- CCTS – Cross-cultural training subsystem
- ComMS – Communication management subsystem
- ChaMS – Change management subsystem
- ETDMS – Employee training and development management subsystem
- WBAS – Wage & benefits administration subsystem
- EEOIS – EEO Implementation subsystem
- KMS – Knowledge management subsystem
- PMS – Performance Management subsystem
