

CROSS-CULTURAL CONFLICT MANAGEMENT IN THE GLOBAL BUSINESS ENVIRONMENT

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ABSTRACT

There are many different reasons why more and more firms are doing business globally. They can radically save business operating costs by manufacturing their products in foreign territories, buying cheaper raw materials locally, benefiting from the hosting government's incentives and favors, and strengthening their comparative advantage. Furthermore, they will have easy access to new consumer markets with the local factors of production and distribution.

It is undeniable that globalization has created new business opportunities and economic growth through the transnational free flow of goods, services, capital, and labor. The world has become increasingly interconnected and interdependent through globalization. We realize that countries, firms, and people today are more connected than ever. Development and widespread use of transportation tools such as airplanes, transnational railways, and ferries, sea shipping containers has facilitated interactions between economic players. The internet, coupled with diverse digital technologies and tourism, has improved communication, and understanding among people from different cultures. In the meantime, the business world has evolved with trends such as division of work, outsourcing, free trade, and international supply chains. Globalization continuously increases the volume of transactions, making the global market bigger and bigger.

Keywords: communication, cross-cultural communication, cross-cultural conflict, globalization, negotiation, communication barriers, stereotyping, misunderstandings

CROSS-CULTURAL CONFLICTS RESULTING FROM GLOBAL BUSINESS

The world has been experiencing globalization over the past several decades with different consequences. One of the most important consequences is the expansion of cross-cultural businesses involving people from different cultural backgrounds. It is true that cross-cultural businesses have allowed products and services such as digital devices, automobiles, information technology, and tourism to be spread far more widely throughout the world. Cross-cultural businesses have positive impacts on the local economy through an international division of work, the creation of jobs, diversification of business activities, and expansion of the market. They also have negative impacts resulting from various communication barriers such as ethnocentrism, stereotyping, false assumption, and language, among many others.

We now understand that people from different cultures, societies, and groups often communicate very differently from each other. This can make the task of communication across cultural boundaries a very problematic one. In our globalized world, understanding these



differences and where they come from is more important than ever. One way to reach such an understanding is through the high- and low-context culture framework developed by American anthropologist Edward T. Hall.

According to Hall, low-context cultures include the US, Canada, Germany, and Scandinavian countries. People in these cultures generally use direct, explicit verbal communication. People rely on facts and verbal explanations, not intuition, nonverbal cues, or common assumptions. Conversely, people in high-context cultures – China, Korea, Japan, and the Arab countries, for example – use indirect, circular communication. People in this category of countries share common assumptions, beliefs, and knowledge that enables them to communicate without relying only on words.

Organizing cultures strictly into high- or low-context is more complicated. Most cultures fall between the extremes on the spectrum and can share characteristics of both high- and low-context features to varying degrees. Although it can be a complex characteristic whether a culture is high- or low-context, it can determine many other aspects of a particular culture. For example, similarity is an essential characteristic in a high-context culture. This is because most of the population in high-context cultures typically have the same level of education, as well as a shared ethnicity, religion, and history. Through these shared experiences, messages can be contextualized by assuming an audience will think in the same way and follow the underlying message implicit in someone's speech or writing. In low-context cultures, the opposite is true. They are usually diverse and focus on the individual instead of the group. Since there are so many differences within a low-context culture, communication must be essential enough to allow as many people to understand it as possible.

Even though there are some weaknesses in analyzing cross-cultural business conflicts happening in different societies, Hall's high- and low-context cultures allow us to compare differences between groups of people involved in conflicts and propose a simplistic understanding of cross-cultural communication problems.

There are many useful models and theories for describing, summarizing, and analyzing national cultures. Geert Hofstede's Model of Cultural Dimensions is one of the most quoted and widely discussed. In 1980, Geert Hofstede, a social scientist from the Netherlands, studied the impact of culture on behavior by examining the values and beliefs of 116,000 IBM employees. It was one of the most comprehensive studies of culture, spinning 64 different countries. The result of Hofstede's study identified four national and cultural dimensions: power distance, individualism, masculinity, and uncertainty avoidance.

The advantage of using a model like Hofstede's is that it enables us to learn about cultures through a limited number of dimensions. Suppose we are familiar with Hofstede's dimensions and can determine which dimensions are exhibited by the people we are working with. In that case, there are guidelines we can use for communicating with them.

HOW TO MANAGE CROSS-CULTURAL CONFLICTS

As the world progresses in this era of globalization, cross-cultural businesses flourish in every corner of the world. People are more involved in cross-cultural communication, and firms are developing diverse activities beyond their domestic territories to expand their businesses in a

foreign land. The business world is also focusing on the geocentric approach to recruiting talented employees from distinct cultural backgrounds to carry out business projects and to produce the best outcomes. This new business approach has now provided job opportunities for the potential talent to experience and get exposed to promising career development in the firms involved in the cross-cultural business environment.

Diversity in the workforce brings productive outcomes for organizations. Big MNCs and many small and medium-sized companies are now characterized by diversity in their workplace. Workplace diversity has helped to channel the potential of diversity and helped these organizations grow and expand their businesses worldwide. Nevertheless, this diversity gives rise to conflicts of various natures. Cross-cultural conflicts happen in an organization composed of unfamiliar cultural backgrounds, on the one hand. On the other hand, they are also observed in business activities between partner organizations from different countries.

It becomes essential for the firms to carefully consider the conflicts originating from the existing cross-cultural diversity at the workplace and business relations with other firms. Cultural diversity embraces individual differences based on gender, age, race, ethnicity, religion, beliefs, value systems, personality, and other cultural aspects. However, it also provides a certain number of challenges. The challenges may range from cultural clashes augmented with differing value systems hampering the overall work environment and disturbing the synergy at the workplace.

A substantial number of researchers in communication show that cross-cultural dealmaking leads to worse outcomes than negotiations within the same culture. The reason is primarily that different beliefs, behaviors, habits, communication styles, and norms of the society in question characterize cultures. Consequently, when people have cross-cultural business conflicts, they bring different perspectives to the bargaining table, which may cause potential misunderstandings. Misunderstandings can lower the likelihood of exploring integrative or value-creating solutions. Negotiators with an integrative perspective believe that all negotiating parties can win through mutually beneficial solutions. So, those who misunderstand the conflict situation try to dominate the other party because they believe they are in direct conflict with the other party over limited resources. This way of thinking is called the 'distributive perspective.' There will be a clear winner and loser, but not multiple winners under this perspective.

To manage cross-cultural business conflicts effectively and productively, we need to understand the leading causes of negotiation failures, also called significant barriers to cross-cultural communication. The business world is composed of many cultures, languages, and customs. But often, people do not know how to talk, behave, or act in the presence of a person from another culture. That is why we need to learn, in a globalized business environment, how to understand people who come from cultures and countries different from our own. It is challenging for people working in a cross-cultural environment to learn distinct cultural aspects of the people with whom they communicate. If we ignore communication differences, it inevitably leads to miscommunication and misunderstanding, which results in conflicts causing people in communication to feel offended. If we accept cultural differences among people and learn how to use cross-cultural communication techniques, we can easily overcome any cultural obstacles we face.

The significant communication barriers we encounter in cross-cultural situations are



ethnocentrism, stereotyping, misunderstanding, and language. Ethnocentrism occurs when people believe in the superiority of their own culture and dislike or misunderstand all other cultures. Stereotyping happens when people have a standardized mental picture representing an oversimplified opinion, prejudiced attitude, or uncritical judgment about a group. Misunderstandings or misinterpretations appear when there is a failure to understand what is meant entirely, leading to disagreements. Language is also an important barrier to communication between people as it is a verbal expression of culture in consideration.

Successful businesspeople and negotiators know how to accumulate valuable skills and techniques of communication, and they behave accordingly in cross-cultural conflict situations. In addition, awareness and understanding of your cultural aspects can help you anticipate how your counterpart might interpret your bargaining behavior. The starting point to deal with cross-cultural conflicts is to be aware of your own culture before learning about the other cultures with which you interact. To overcome cross-cultural conflict situations, it is vital to learn as much as you can about the other party's culture. Then, you will be able to compare and acknowledge the cultural differences between your own and others, allowing you to think and behave reasonably in cross-cultural business environments.

Successful cross-cultural communication creates a dialogue, and a continuous transfer of information, minimizing the chances of conflicts in the workplace. This exchange of information addresses our assumptions and clarifies points we do not understand. It also provides the opportunity for us to ask questions and confirm the information that was received. Having a dialogue reduces conflict because cultural misunderstandings can be dealt with when they arise. The dialogue only occurs when both parties agree to share information and ensure that the transfer of information is not blocked.

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