**Cross Cultural Management**

**Unit-5**

**(Culture and Ethics)**

**Understanding Significance of Cultural Values & Ethics in Cross Boarder Businesses**

Every transaction is influenced, if not determined, by culture values: it takes place within culture.  Culture is the water in which we fish swim.  But when we find ourselves in a process with persons who are not “us”, not Americans, not New Yorkers, not Parisians or Milanese, just “not us”, the issue of culture looms larger,  presents more interesting challenges and has the potential to play a much greater role in the process and results. From the first phone call between two people to how smoothly the process will go to whether the “deal” will ultimately hold together—culture values is a key determinant.

Beyond the culture values which every individual brings with him or her, there is another “culture values”: the culture of nations and institutions, which certainly can effect the deal process—from the view of some nations that certain industries or certain companies are part of the nation’s patrimony and therefore subject to different and often unwritten rules, to the role of labor unions in corporate governance, and even in the United States, the inter-agency committee CFIUS which makes determinations about “national security” and its role in prospective deals, which one might argue are more cultural than legal.  These issues will not be the focus of this paper, but the shadow of this broader culture does extend to much of the discussion.

Some cultural norms influence business strategies, such as:

* Relationship expectations
* Preferences for products and services
* Perception of external businesses and local ethics

To avoid confusion about ethics in global businesses, it is suggested that businesses take three steps to help guarantee their companies’ employees behave appropriately and ethically:

1. Develop a clearly articulated set of core values as the basis for global policies and decision-making. Companies must align its decisions with its values. The most shared values are honesty, dignity, responsibility, and respect for others. And when working with other cultures, it is important to recognize differences in values.
2. Train international employees to ask questions that will help them make business decisions that are both culturally sensitive and flexible within the context of those core values. Companies often have training and policies that teach employees its ethics code. And while formal legal protection may be a necessity for businesses, it’s important to consider how these policies are supported by leadership within the organization.
3. Balance the need for policy with the need for flexibility or imagination. Companies should establish an approach that is flexible but robust with guiding the employees to exercise responsibility and make a good professional judgment.

Clients and coworkers may have a different perspective on ethics and proper behavior than those to which you are accustomed. When I went to school in Russia, for example, I was told to not voice my opinion. But when I moved to U.S., I learned I was able (and encouraged) to share my own views. These cultural differences may seem trivial to some, but helping your team understand and value how clients and peers in other countries approach work can help bridge these cultural gaps, and ultimately, improve your chances of succeeding in the global marketplace.

**Corporate Culture and Cross Border HRM**

Corporate culture refers to the beliefs and behaviors that determine how a company’s employees and management interact and handle outside business transactions. Often, corporate culture is implied, not expressly defined, and develops organically over time from the cumulative traits of the people the company hires. A company’s culture will be reflected in its dress code, business hours, office setup, employee benefits, turnover, hiring decisions, treatment of clients, client satisfaction, and every other aspect of operations.

**History of Corporate Culture**

Awareness of corporate or organizational culture in businesses and other organizations such as universities emerged in the 1960s. The term corporate culture developed in the early 1980s and became widely known by the 1990s. Corporate culture was used during those periods by managers, sociologists, and other academics to describe the character of a company. This included generalized beliefs and behaviors, company-wide value systems, management strategies, employee communication, and relations, work environment, and attitude. Corporate culture would go on to include company origin myths via charismatic chief executive officers (CEOs), as well as visual symbols such as logos and trademarks.

By 2015, corporate culture was not only created by the founders, management, and employees of a company, but was also influenced by national cultures and traditions, economic trends, international trade, company size, and products.

To create positive cross-culture experiences and facilitate a more cohesive and productive corporate culture, companies often devote in-depth resources, including specialized training, that improves cross-culture business interactions.

**Examples of Contemporary Corporate Cultures**

Just as national cultures can influence and shape a corporate culture, so can a company’s management strategy. In top companies of the 21st century, such as Google, Apple Inc. (AAPL) and Netflix Inc. (NFLX), less traditional management strategies such as fostering creativity, collective problem solving, and greater employee freedom have been the norm and thought to contribute to their business success.

Progressive policies such as comprehensive employee benefits and alternatives to hierarchical leadership—even doing away with closed offices and cubicles—are a trend that reflects a more tech-conscious, modern generation. This trend marks a change from aggressive, individualistic, and high-risk corporate cultures such as that of former energy company Enron.

High-profile examples of alternative management strategies that significantly affect corporate culture include holacracy, which has been put to use at shoe company Zappos (AMZN), and agile management techniques applied at music streaming company Spotify.

Holacracy is an open management philosophy that, among other traits, eliminates job titles and other such traditional hierarchies. Employees have flexible roles and self-organization, and collaboration is highly valued. Zappos instituted this new program in 2014 and has met the challenge of the transition with varying success and criticism.



**Employment Practices in India with Respect to Japan, European Countries, US, China**

As India integrates into the global market, foreign firms entering the country have to strike a balance between following their own best practices while adapting to local norms and having a firm understanding of legal requirements in the country.

Good human resource (HR) practices streamline organizational functions and ensure low attrition rates while growing workforce capabilities and driving value within an organization. In-company policies play as important a role as other legal factors.

Here we briefly discuss 10 key areas that foreign employers should pay attention to when handling.

**1. Employment Contracts**

India does not mandate a written employment contract. However, it is advisable for companies to establish at least basic contracts to ensure easy establishment of terms and conditions of employment.

Indian employment laws are diverse and form a complex framework that employers must navigate carefully. Apart from labor laws, there are industrial laws, The Companies Act, and the Contract Act, 1872 that govern employment conditions in India.

Both the state and federal governments create and enforce laws pertaining to employment in India, which can complicate compliance. HR managers should keep themselves updated and develop employment contracts in accordance with these to prevent future legal complications.

**2. Wages**

Under the Minimum Wages Act, 1948, all employers in the organized sector must provide ‘the basic cost of living’ to employee categories specified within the act.

Companies should ensure that employment contracts consider this while deciding remuneration for employees.

The Equal Remuneration Act, 1976, mandates non-discrimination for payment of wages to men and women while The Payment of Wages Act, 1936 orders the timely disbursement of wages to employees.

Payment of wages below the minimum wage limits amounts to forced labor. This is prohibited under the Bonded Labor System (Abolition) Act, 1976.

**3. Termination of employment**

Employees in India may only be terminated as per the terms and conditions within their employment contract.

However, companies should note that all employers must adhere to the federal and state labor laws when laying off or terminating workers – the conditions drafted in company contracts cannot supersede these legal statues.

Finally, termination without notice is prohibited in India. Termination periods vary by function and length of employment.

**4. Maternity and paternity leave**

The Maternity Benefits (Amendment) Act, 2017, applies to all shops and any establishments that employ over 10 workers.

Under the Act, 26 weeks of paid leave is available for women for the first two children, and 12 weeks subsequently.

Companies employing more than 50 people must also provide crèche services.

The Paternity Benefits Bill, 2017 is set to be up for discussion in the next parliamentary session. However, a significant number of organizations, especially foreign companies like Microsoft and IKEA, already include a mutually decided paternity leave clause within their company policy.

This practice has been well received by the Indian workforce and lauded as a good HR move.

**5. Prevention of sexual harassment in the workplace**

The Indian government has brought the safety of women in the workplace at the forefront of law making.

An Internal Complaints Committee must be set up by all organizations with more than 10 employees in accordance with the norms laid out in the Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013.

All complaints should be actively pursued, evidenced, and redressed immediately.

To guarantee employee safety, companies must draft appropriate HR policies within the firm, and ensure they are clearly communicated to all personnel.

HR personnel should organize workshops or sensitization programs and encourage communication to promote an organizational culture that provides for a fair and safe working environment for all its employees.

**6. Public holidays and work weeks**

India observes three national holidays – Republic Day (January 26), Independence Day (August 15), and Gandhi Jayanti (October 2).

On these days, all institutions, whether public or private, must remain closed.

Government approval is necessary for any organization to function on these days. Only certain establishments such as factories and industries where the work process is considered to be continuous, hospitals, and travel agencies are allowed to operate 365 days/24 hours – subject to additional wages and staff deployed for work on those days.

Additionally, firms must inform the annual list of holidays and weekly offs available to employees each year. The number of leaves and categories of leave must ideally be explained in the employee contract.

Many laws in India, such as the Factories Act, 1948, also provide for the maximum number of work hours and the amount of overtime wages to be paid to labor employed.

**7. Restrictive clauses in employment contracts**

Employers should note that including restrictive clauses into a contract might not be enforceable through the Indian courts. The Contract Act, 1872, necessitates the fundamental right of all citizens to carry on any profession, trade, or business.

Non-compete, non-disclosure, non-solicitation, and ‘garden leave’ clauses are examples of restrictive clauses that can only be imposed by the courts if plausible grounds – with respect to time-period and nature of activities involved – are provided.

The best way to ensure enforceability is to restrict the scope of the clauses as much as possible within these dimensions. However, this does not guarantee legal protection to employers.

**8. Gratuity and Provident Fund**

The Payment of Gratuity Act, 1972 provides the guidelines for gratuity owed to an employee.

The number of years of service of the employee is the criteria for deciding the amount of gratuity owed, and this payment by the company is obligatory by law.

The minimum amount (more may be approved) must be given to an employee in case of the following circumstances:

* Retirement;
* Resignation;
* Disablement due to accident or illness; or,
* Death of the employee (gratuity paid to employee’s nominees).

However, if an employee is dismissed for proven criminal or moral reasons, no gratuity is owed to him.

Similarly, the Employees Provident Fund Organization of India (EPFO) oversees and regulates the Employee’s Provident Fund (EPF).

Under this scheme, the employer and employee contribute an equal amount to the fund every month, which is accessible to the employee at certain points in their career.

The EPF scheme is mandatory for a salary below Rs 15,000 (US$220) and voluntary thereafter.

**9. Impact of digitalization**

Workplaces are becoming increasingly virtual. Firms and employees both require real time employee analytics to improve critical efficiencies within the organization.

The scope of work for HR departments has expanded to include the use of digital technology to provide this information, through apps and in-house databases, especially in the service and consultancy sectors.

This includes the use of online applications for processes such as recruitment, learning and development, and even day-to-day administration.

HR departments should maintain and regularly interact with these digital platforms to ensure efficiency in talent acquisition and management as well as communication with all company stakeholders.

**10. Adaptive work culture**

Job seekers in India are moving away from traditional work modes, such as a ‘9 to 5’ time pattern – to a holistic view of building careers.

Organizations are also gradually incorporating the idea of work-life balance into their corporate culture.

Adaptive and sensitized HR departments are key to improving these organizational values, and fostering a balance between employee satisfaction and productivity.

Working conditions in Indian multinational companies are also changing to incorporate flexi-time or work from home options into employment contracts to boost employee retention and loyalty.

**Corporate Social Responsibility in MNC’s**

**Corporate responsibility** describes positive ways through which multinational companies may affect the society in which they operate. The World Bank and the World Business Council on Sustainable Development (WBCSD) define CSR as “the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for development” (SIDA, 2005).

The significance of corporate responsibility has become increasingly important because of (UNIDO, 2002, p.1):

* Globalization and the growth in competition
* Increased size and influence of companies
* Retrenchment or repositioning of government and its roles
* War for talent; companies competing for expertise
* Growth of global civil society activism
* Increased importance of intangible assets

Over the past decades, a fundamental change occurred in the relationship between business and society, and corporate responsibility activities have become an important part of the business environment. So far, CSR has mainly been a response to pressure from consumers, civil society, large enterprises and governments which have forced companies to become more environmentally and socially responsible due to environmental pollution, human rights abuses and exploitation of labor in supply chains. In the meantime, multinational companies have realized strategic importance of being further responsible. A major problem is that the corporate responsibility debates have been mainly focused on the large MNCs behavior and their impact on developing countries and emerging markets. It should be highlighted that attempts are increasingly being made to widen the scope and to include SMEs, as well as to motivate domestic companies in developing countries to include CSR in their strategies. This point is crucial since many SMEs do not have the adequate technology, environmentally friendly inputs, credit, information and training, and this often prevents social and environmental progresses.