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Workforce mobility, migration and the intercultural management¹

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Abstract

International factor mobility is one of the determining factors of the world economy's development. According to Raymond Vernon companies are becoming international in order to gain transactional cost advantages in other countries and because the conditions of the domestic production might be more favourable. The same applies about the flow of the workforce, since in certain countries much higher incomes can be realized and the living conditions are more propitious too. Globalization created a new dimension in our era not only in an economic sense but it also altered territories, towns and regions to be more and more multicultural. Masses of foreign workers appeared in the more developed countries with the hope of earning a higher income. The direction of this movement points unambiguously from the less developed countries to the more developed ones, forming the mixture of the world's most diverse cultures. It's good opportunity for companies to increase their performance and profit. One of the biggest question is how to manage people from different cultures in this business environment to achieve a business success. We try to answer this question with this short study and analyse the behaviour of firms in the international business environment.

Keywords: international management, competitiveness, intercultural management

1. Overview of literature

The 21st century is the century of the completion of globalization. It is such a process, the positive and negative sides of which can be equally felt and experienced. It can be categorically stated that globalization has become the most decisive trend that can shape our economy and society. This process might have several benefits and disadvantages as well for the economic actors. To date, there has been no consensus regarding how to define the process of globalization the best, and also there are sharp debates about whether globalization is clearly beneficial or rather detrimental to the development of the economies. This brief study is not meant to serve the goal of interpreting the definition of globalization or characterizing its positive or negative effects, since often thicker books cannot fully accomplish that. This treatise is looking for the answer to the question of what potential opportunities present themselves during the globalization process in terms of the international management, and we mainly focus on the international flow of human capital. When we think of globalization, we quite often mean becoming global-size,

¹ SUPPORTED THROUGH THE NEW NATIONAL EXCELLENCE PROGRAM OF THE MINISTRY OF HUMAN CAPACITIES

economies without borders, market liberalization, free movement of capital, barrier-free international trade, completion of the financial world or free movement of human capital. These are not far from reality at all. Globalization sparked many purposes that had a generating impact on the international flow and movement of human capital. The only question is to whom it is a true advantage and why the human capital makes transboundary movements. The study endeavours for drawing the attention to the fact that the enterprises more and more have to calculate with employees with an ever-growing cultural variety. Under such conditions people cannot be managed with the same style, because socialization and being culturally programmed have a significant role in the development of the individual value system and motivation. For the enterprises operating in an international environment or having an international organizational culture it will be essential how fast they will be able to establish the appropriate intercultural management, whereas even the enterprises that previously hired only national employees can find themselves in a situation that sooner or later the application of an intercultural management would be necessary. The goal of the study is to highlight the importance of intercultural management and those crucial issues for which the effective harmonization of the activities of individuals with differing cultures could turn to be more and more critical.

2. Reasons behind the international flow of people and human capital

The past decades were expressly about establishing free and barrier-free markets. Numerous events can be named that clearly projected the direction for the economic actors that certain activities can soon be made without any kind of restrictions. Even if we only review the events of the last 60-70 years, the completion of globalization is well-reflected by the creation of several free trade agreements and preferential zones (NAFTA, EFTA, CEFTA, etc.), the formation of the EU (European Union), the elimination of customs and factors hindering the international trade (GATT, WTO), the establishment of economic and financial cooperations between countries (IMF, OECD), and in addition we mustn't forget about the founding and spreading of international companies (MNC, TNC²) around the globe either. All indicators suggested that we're interested in an unrestricted world economy, and for that purpose countless points can be found over the course of our history that can confirm this. On the other hand globalization and the associated freedom from restrictions have shown not only their positive side. In an economic sense globalization can bring lots of benefits, but unfortunately not everyone could equally participate in them. Certain countries have become even poorer as they could not substantially join the international trade and the redistribution. Differences in levels of development have significantly grown, and today it is clear that it is not just about differences between countries anymore, but also about income disparities typical of societies.

As we have mentioned at the beginning of the study, we also try to give an answer to what the most important causes and main trends of the flow of human capital are. The flow of human capital was first initiated by the elimination of the market barriers. When in 1957 the Treaty of Rome laid down the foundations of the European Union, a several decades long work was started that gradually led to the development of the so-called principle of Four Freedoms to perfection³. Two basic elements of the Four Freedoms happened to be the eradication of barriers between the countries of the European Union with regard to the free flow and free employment of the EU

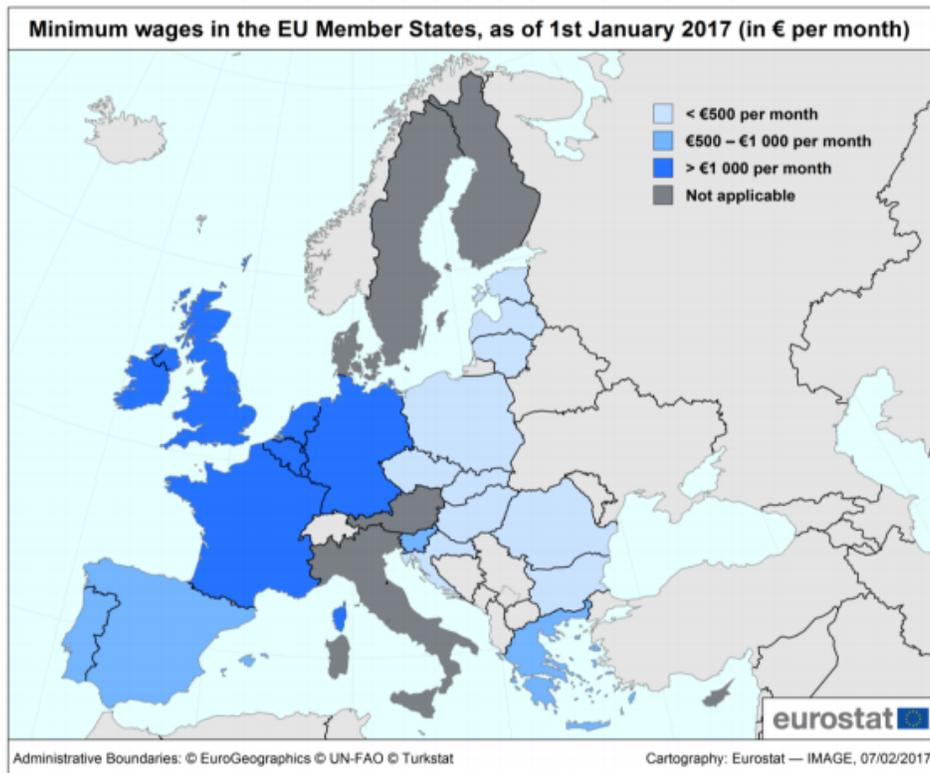
² MNC, TNC = multinational company, transnational company

³ free flow of people, capital, workforce, goods and services

citizens. The substance of these two principles was that the EU citizens could move and take up jobs freely in other member states of the European Union as well. However, at that time nobody thought that at the end of the long-term work the very problem that has not been able to be eliminated is still one of the most serious problems of the EU today. And this is no other than the enormous income disparities between the member states. It is true that the free movement of free people is a very practical opportunity, since it considerably promotes for example tourism and the accessibility of education provided by other countries. On the other hand, due to the income disparities people move under constraint too, as they move from one state to another for higher salaries, and by today this type of movement has become quite decisive and symbolic between the countries.

Along with Ketels, many others underlined as well that one of the biggest obstacles in the way of the EU's development is actually the countries with different income ranges. As long as the major disparities between the member states cannot be erased, there will be no possibility for the EU to be a truly powerful and competitive integration (Ketels et al, 2008). In terms of this study's subject it can also be stated that the economic migration within the EU cannot be decreased either, as long as one can earn four or five times more minimum wage than in other EU member states. Obviously this extremely sharp difference motivates a greater number of people to leave their home in the hope of living a better life and earning a higher salary. In the lower-developed countries where the salaries are lower too the dissatisfaction grows, the standard of living is lower, the future expectations and mood are unfavourable, and many people choose to work abroad. This has made a major contribution to the more developed European countries being able to have a strongly multicultural society.

Figure 1: Minimum wage developments in certain EU member states



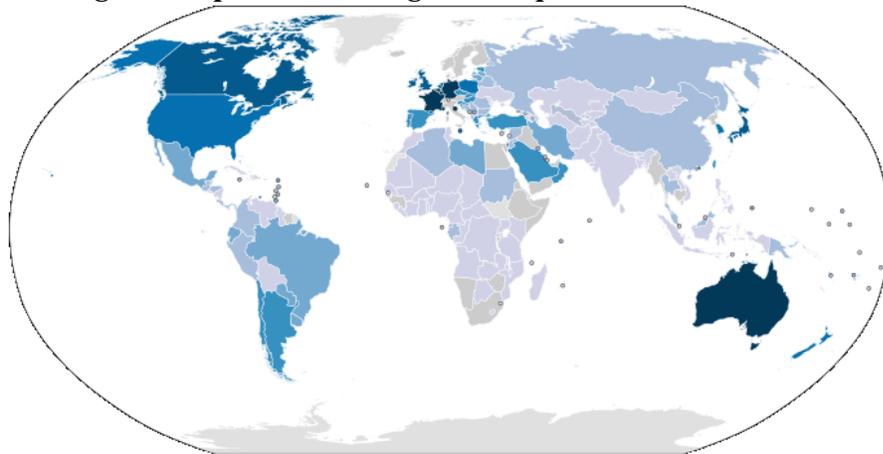
Source: EuroStat

Nevertheless, it is not only the income differences within the EU and the barrier-free economy⁴ that plays a significant role in the international movements of the workforce or in the migration. If we take a look at the economic map of the world and spot the contrast between the dark and bright colours⁵, then we won't really have to search for the answer to why the process that is simply called migrant crisis in Europe has developed.

⁴ The barrier-free economy is such a world economy, in which the mutual interaction of the economic actors is increasingly stronger, and in which we are working with every available means for the carrying out of economic activities to have as little obstacles and regulatory mechanisms as possible.

⁵ the darker colour the country is marked with, the higher their minimum wage is (the analysis disregards the purchasing power of the salaries and the local price levels)

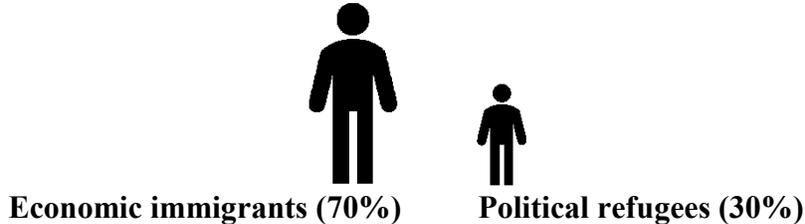
Figure 2: Minimum wage developments on the global map



Source: EuroStat

According to a recently published study of the UN, out of every 10 refugees coming to Europe 7 are economic immigrants, so it cannot be said anymore that the refugees are arriving to Europe only from civil war zones. It has become clear that the majority of them come here for the sake of a better life, the higher salaries, or merely just to get a secure job for themselves (www.un.org).

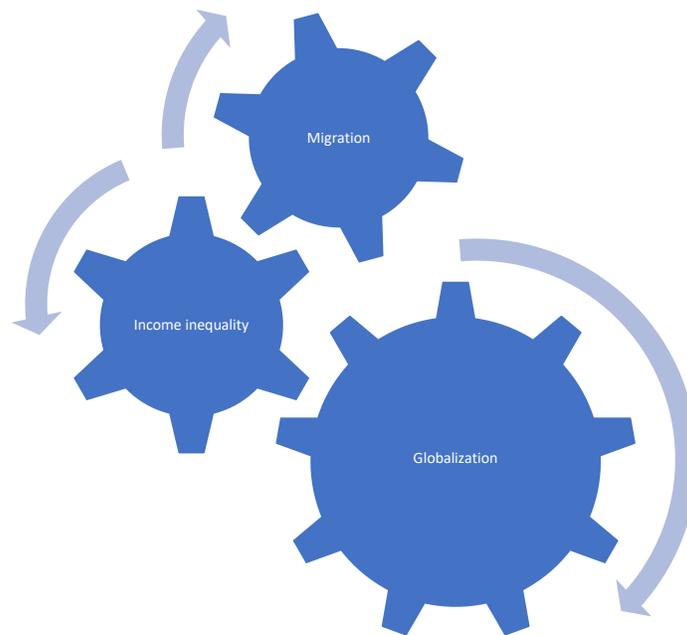
Figure 3: The rate of the economic immigrants and political refugees



Source: UN

However we examine the issue, both Europe and the European companies have to face the fact that the society and the economy is more and more turning to have a multicultural environment, in which finding the adequate management style will not be easy. The more colourful the culture is, the more we will have to live together, work together and create values together with people who have a diverse system of values. The tendency is crystal clear. Globalization has already caused an enormous cultural diversity for the certain countries or societies, and the events of the past decades or the economic and income differences further initiate the strengthening the international flow of workforce and the migration.

Figure 4: Main drivers of the human capital's international flow



Source: own compilation

Based on the interpretation of diagram 4, the present day tendencies regarding the international flow of human capital can be related to obvious reasons. Even more factors could be discovered through more thorough researches of course, but it is hardly arguable that the above factors are in close connection with the high volume movements of people in the world. Globalization allowed room for the free flow of people and workforce in the case of such integrations as for instance the European Union. It created the possibility of travelling easily in the world, by creating such infrastructure and technology that made basically any part of the globe accessible. International corporations established as a result of globalization hire foreign employees as a tested solution, and they are keen to rotate (swap) their managers all over the world. Due to globalization the barriers that made the markets, economies and countries so distant from each other are now gone, yet its effects have been absorbed differently. Even in the course of history certain countries had vital importance, for they established colonial power, they were able to conquer, they built empires, increasing their actual – and later world economic – role. By today, the differences between the countries have become clearly detectable, both from developmental and income aspects. Immanuel Wallerstein's famous Core-periphery theory confirms the above thoughts. According to the theory, during the developmental history of the world economy it has always been typical that such a centre (core) evolved⁶, which emerged as the former, shaper and determinant of its environment. Obviously other countries belonged to the environment of the centre that became fully or partially dependant on the countries of the centre for some reason. The centre country has always been a stronger power from an economic and competitiveness perspective that has been able to provide better conditions for their citizens and population too. These powerhouses still exist today, one need only to take a look at Figure 2. The disparities caused by globalization are decisive not just from a developmental point of view, but in terms of salaries as well. It is not a coincidence that this many people keep coming from lesser

⁶ this also meant the economic and developmental dominant position of certain countries

developed countries. The Lorenz curve and Globalrichlist.com also draws attention to the strengthening income disparities. The latter even creates an imaginary list of what percentage of the Earth's population earns more or less than our salary, on the basis of our annual income. Surprisingly, a lower Hungarian salary is already enough to belong to the upper third of the list.

Figure 5: Website of Globalrichlist.com



Source: *globalrichlist.com*

The last strong impetus for the international flow of workforce and for the world becoming multicultural derived from the European migrant crisis. Although the process started with the arrival of political refugees who mostly came from the Middle-East to Europe, nowadays the tendency has taken a huge twist. Today the vast majority of the immigrants arriving to the Old Continent are coming for the sake of better living, incomes and social care. Some of these people do get employed, and they get the chance to be part of certain enterprises, diversifying their organizational culture. The tendency shows that there are more and more such enterprises, while the multi and transnational companies operating in an international environment anyway already had to face the benefits and disadvantages of multiculturalism a lot earlier. This also has to appear in the management of the companies in some form. The management of the international corporations has a field that happens to deal with how individuals with various cultures and system of values could be initiated and motivated to reach the best possible performance and be convinced to cooperate. This is no other than the intercultural management, which is increasingly appreciated where multiculturalism or the diversity of values appear. Not everyone can be managed with the same leadership style – this is the main message of the intercultural management. Since it is apparent that the world is heading in a direction where the different cultures evidently meet and mix, the executives of the enterprises will have to be prepared for this trend too. The intercultural management must be able to be established and, if necessary, used.

3. International corporations and intercultural management

It is not a question anymore that Europe, along with numerous international companies, integrates a wide range of different cultures. The previously analysed reasons also highly contributed to the individuals with differing cultures sharing their life and work with each other.

In such an environment cooperation, tolerance and compliance with the rules would be difficult, if there was no guiding principle that tried to act as a beacon from the outside for the actors with disparate ways of thinking. Just think about how typical this can be in the life of an international corporation. Moreover, just think about how many people with various thinking, culture, system of values and religion can work at a company, who cannot be motivated or encouraged to perform better with the same means. From this regard the management does not only have to have a people-oriented approach, but also a sensitivity towards culture. The system of management actions that shows responsiveness towards the cultural programming of the company's stakeholders is simply called intercultural management by this profession.

Cultural programming is a term created by Geert Hofstede culture scientist and sociologist. It expresses all those forms of behaviour, beliefs, habits, traditions, etc, that determine one's basic attitude to the world or their outer environment. Cultural programming defines our opinion on things, our relationship with work and our fellow citizens, and last but not least it also determines what represents the true motivation and inspiration for us.

The international corporations are expanding because they would like to acquire advantages that would boost their competitiveness and profit-making ability, and for that reason they want to endeavour for the most favourable position and location that is achievable. However, by the acceleration of the flow of workforce this tendency can easily be reversed. While previously the international companies moved to other countries for the cheap workforce, in recent years the cheap workforce has been arriving in larger numbers, which opens a new perspective for both the international companies and the local enterprises in the field of management as well. Whether we recognise it or not, cultural diversity exists today, and it demands new tasks and a new approach from the company executives.

Ernst Welteke emphasized that the application of the intercultural management is not compulsory. Still, it can be said that the enterprises having intercultural management (or in other words cross-cultural management) can be much more successful and competitive than the corporations that do not pay enough attention to this (Welteke, 2001). The potential advantage inherent in the intercultural management might be significant, since we mustn't forget that the business success at a company depends on the effective cooperation of people and on their mutual work. If a firm possesses such an organizational culture that cannot efficiently coordinate the individuals' work, then the value creation will be carried out on a much lower level. The intercultural management is intended to reach the objective of establishing the most effective organizational culture, while the individuals working at the company have an extremely varied cultural points of view and value systems. It is not hard to see that several enterprises struggle with the problem of how to motivate their employees to achieve the highest possible performance, and in the meantime creating the right organizational culture for them. The task is even more difficult when we can find individuals with different cultures among both the employees and the leaders, as for example if promotion has a motivational power in the case of a certain employee, it does not necessarily mean that it could be the same motivational tool with another person. There are cases when not everyone can be motivated with money either, although it is usually proved to be a great motivational instrument.

According to Geert Hofstede the intercultural management is needed also because the behaviour and actions of the people are substantially defined by the so called cultural dimensions.

In his opinion every country and every society owns different kind of cultural dimensions. On his website – www.geert-hofstede.com – we can get familiarized more extensively with the dimensions that based on Hofstede determine the culture specific to a certain society. The viability of the intercultural management lies in the leadership realizing the cultural features of the certain societies, or strictly speaking the cultural programming of the individuals themselves. Hofstede mentioned dimensions such as uncertainty aversion or individualism, but in addition other dimensions can be discovered too. If uncertainty aversion is typical of a society, then they usually fear of new things, respect traditions better and the members of the society are harder to convince to innovate. When we meet an employee with a culture like that, we have to expect them to show a lower willingness of participation in radical changes or innovations. Individualism means that the individual goals and interests are above the community interest. There can be colleagues who prefer to work alone, don't desire project work, and their potential is harder to induce during group tasks. These could have developed in the individuals due to cultural programming, and therefore the management has to keep an eye on giving them tasks that they can perform in favour of the organization even on their own.

The cultural dimensions appeared not just in the works of Geert Hofstede. According to Fons Trompenaars the organizations can be divided into groups based on how much attention they pay to their workers and how people-oriented the company is. Trompenaars said that the people-oriented management can take into account the cultural differences too that actually have a serious effect on the behaviour of the individuals or on their attitude towards work (Trompenaars, 2014).

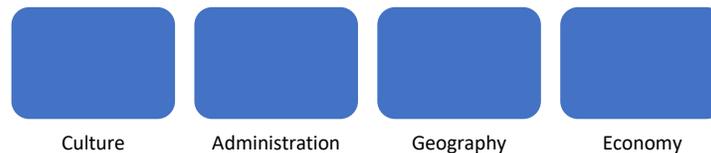
The intercultural management listens to not just the facts that people fundamentally have different cultural values, but it pays attention to the issue of gender inequalities as well. Nancy Adler claimed that women would be able to assume executive positions to the same extent, and several women with MBA degrees would love to take management positions at various companies. Nevertheless, the issue of gender inequalities can be detected in the relationship between the leaders and the employees too. The higher we go on the corporate hierarchy, the less women we can find in management positions. The same can be asserted when we examine the composition of the national governments. In the majority of the countries of the world women are given lesser roles and opportunities in the government decision making, although there has already been some sort of shift and improvement in this field (www.worldbank.org).

The intercultural management is perfectly illustrated also when an international corporation involves new employees or appoints new managers during its expansion. The HR policy of an international corporation expresses clearly how sensitive the leadership of the international firm is in that regard. Culture is always an extremely specific corporate feature that can only be interpreted in terms of one certain company. Every company has an organizational culture, but there are no two companies with the same cultural characteristics. As a consequence, culture is unique and specific in the life of every single corporation, and there are no two identical companies that have the same organizational culture. From this perspective it can also be stated that an awfully lot could be learnt from each other, and the well-established and proven things can be applied at other enterprises too. The rotation (swapping) of managers is an applied solution, so that the managers with various experiences can put their knowledge and expertise to good use in other countries as well. However, when appointing managers, the owners and the senior management also have to make sure that they are able to exercise the so called principle of

local adaptivity. Local adaptivity always means the adaptation to local things and circumstances. One of the typical examples of local adaptivity is when a subsidiary of an international company employs a large number of local workers to produce products intended for the local markets, and appoints a manager from the home country of the corporation to run the subsidiary. In cases like that the manager has to learn – with every possible means at hand – the local customs, the motivation and culture of the people living there, in order to be able to communicate with them well and successfully motivate them to reach a higher performance. Among the reasons of the lack of communication or bad communication there can be found not just personal or corporate reasons. It is probably the cultural differences and distinctness that explain the lack of adequate communication.

According to the CAGE model that is well-known in international management, the international corporations make a mistake during their strategic work if they do not exercise due diligence in four fields and do not evaluate the environment of the host country. The first pillar of the CAGE model happens to be the culture, which underlines that the international companies must get to know the host country’s culture better before they would effectively appear there with their economic and market activities. The rest of the pillars of the CAGE model are illustrated graphically on the following diagram (Csath, 2008).

Figure 6: Pillars of the CAGE model
(Where do the international companies make mistakes when choosing a new market or target country?)



Source: own compilation

The intercultural management is trying to draw attention of the management to the fact that people-orientation, and more specifically culture awareness will greatly determine the leadership style that we have to apply towards the individuals from different cultures. We cannot be naive and think that our long-established methods will be successful today. The tendency is quite clear and straightforward. The cultural diversity, the multiculturalizing companies, cities and countries all give evidence that both the management and the leadership have to be more and more sensitive and receptive about the differences. The ones who don't realize what opportunities lie in the intercultural management will lose a serious source for competitiveness. While many companies build on diversity and look for it in the world, there will always be others who cannot effectively create a competitive edge from the admixture of cultures. On the other hand, we cannot fight this trend or do anything against it, only adapt to the changes that have already been mentioned in the first part of this study too.

4. Conclusions, summary

With regard to globalization, multiculturalism or the migrant crisis a lot of people have already expressed their counter-opinions and oppositions. There is no doubt that these processes also have disadvantages and not just benefits, but at the same time it is incredibly hard to fight

and combat them, and reversing these processes is practically impossible. There is one thing that can be done for everyone. To take advantage of the benefits the situation provides while minimalizing the disadvantages that also derive from the process. That is exactly what the international companies do in all situations. If the markets are successfully made global, if it is possible to move unrestrictedly between certain countries, if there is an option to find the cheapest resource and workforce, then why shouldn't the companies grab these opportunities brought by globalization. It might also be favourable to them that they virtually do not even have to make a move to find cheap manpower, as the cheap manpower basically goes to their doorstep.

The latter can be attributed to the unfavourable and otherwise also globalization-related inequalities, poverty and falling behind, not to mention the refugees escaping from war zones or other political immigrants. It can be felt that although the whole global process has plenty of losers, there are still others who can benefit from this phenomenon. As the saying goes in terms of the economic crises, there is no such thing that everybody loses. New management practices are needed by not just the international companies but the domestic enterprises as well, provided that they would like to manage well the masses of employees coming from different cultures. In order to achieve that, people-oriented and culture-sensitive leadership will be necessary. The executives of the enterprises have to learn how to become leaders who can handle individuals of the most diverse cultures well. This will also be necessary in motivation, communication, negotiation techniques, trading and other fields too. Today the management aiming for the creation of an effective organizational culture also has to pay attention to how mixed the composition of the group is from which it has to build an efficient community. If we don't only have national employees, if we don't only have national connections, if the operation of the company is determined not only by national negotiation partners, then the intercultural management and leadership will be an extremely important condition of the company's competitive operation in the future.

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