



# **BUILDING CROSS-CULTURAL CAPABILITIES FOR GOING GLOBAL: A TOOLKIT FOR DIVERSITY MANAGEMENT**

Programme for the Practice of Diversity Management

Department of Immigration and Multicultural and Indigenous Affairs in  
Cooperation with the Australian Centre for International Business

**BUILDING CROSS-CULTURAL  
CAPABILITIES FOR GOING GLOBAL: A  
TOOLKIT FOR DIVERSITY MANAGEMENT**

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**Foreword**

The Programme for the Practice of Diversity Management has produced a series of business models and accompanying Toolkits. This Toolkit explains how firms can develop cross-cultural capabilities to excel in global business.

**Resources for Diversity Management:**

*The Business Case:*

HRM Case

Knowledge Firm Case

International Business Case

Marketing Case

Theory of Diversity and Group Performance

*Business Models:*

Diversity Management: The Big Picture

Capturing the Diversity Dividend

Engaging Senior Managers

From Compliance to Strategy

Managing Diverse Human Resources Effectively

Adding Value Through HRM

The Innovation and Learning Advantage from  
Diversity

Managing Diverse Teams

Going Global

Expatriate Management

*Toolkits:*

Attract, Retain and Motivate

Adding Value Through HRM

Effective Management of Diverse Teams

Innovation and Learning

Using Diversity Climate Surveys

Building Cross-Cultural Capabilities

Keys to Expatriate Success

Engaging Senior Managers

**PROGRAMME FOR THE PRACTICE OF DIVERSITY MANAGEMENT**

The Programme for the Practice of Diversity Management is a collaborative arrangement between the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) and the Australian Centre for International Business (ACIB) funded through DIMIA's Productive Diversity Partnership Programme.

The mission of the Programme for the Practice of Diversity Management is to meet the practical needs of business by developing a business case for productive diversity, providing business models for diversity management, and creating toolkits and checklists for assessing diversity. The Programme invites your firm to become a member of the electronic Diversity-Network, which brings Australian business together to promote good diversity practices.

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## What are Toolkits?

### A Brief Guide to using this Toolkit

The Programme for the Practice of Diversity Management has developed a range of Toolkits to provide guidance to and examples of the potential paths to effective diversity management.

The Business Models are targeted at HR Managers and Senior Managers to assist in developing a strong business case argument to present to their CEO, their Board and their line/business managers.

The Toolkits are designed to assist in the operationalisation of the commitment to diversity management. The target audience is those individuals with functional responsibilities in the relevant areas e.g. HR, recruitment and training officers.

Each Toolkit involves a number of action areas and/or key steps. Action areas tend to reflect a particular set of functional requirements e.g. recruitment, expatriate selection, training and awareness. The key steps represent a potential implementation strategy in that area.

Each Toolkit is related to at least one of the Business Models. Often it will be more. A number of the Business Models suggest action areas and key steps from more than one Toolkit.

As there is often crossover, rather than replicate an action area or key steps, the Toolkits will, where appropriate, refer the reader to another of the Programme's Toolkits. All Toolkits will be available from the Programme's website:

<http://www.ecom.unimelb.edu.au/acib/diverse/>

## Introduction to the Building Cross-Cultural Capabilities for Going Global Toolkit

The Programme for the Practice of Diversity Management's *Going Global: A Business Model for Diversity Management*, outlined the business imperative of diversity management for developing sound global expansion strategy. It demonstrated that nurturing employees' cross-cultural capabilities plays a crucial role in the success of international business operations in host environments that are often vastly different to those of the home country.

The *Business Model* outlined ten action areas for going global:

1. Top management
2. Auditing
3. Social integration and cohesion
4. Training, education and awareness
5. Attract, retain, motivate
6. Promoting superior performance
7. Improving individual outcomes
8. Structuring teams
9. Employer of choice strategies
10. Metrics

These action areas are the subject of other Toolkits produced by the Programme for the Practice of Diversity Management. The step by step guide for implementing strategies within these action areas can be obtained by accessing the relevant documents as indicated in figure 1. This Toolkit provides a brief summary of how each action area contributes to the establishment of cross-cultural capabilities essential for global competitiveness. This Toolkit also includes a series of briefing notes, which comprise supplementary reading material related to the key steps.

**Figure 1. Action Areas Detailed in Programme for the Practice of Diversity Management Toolkits**

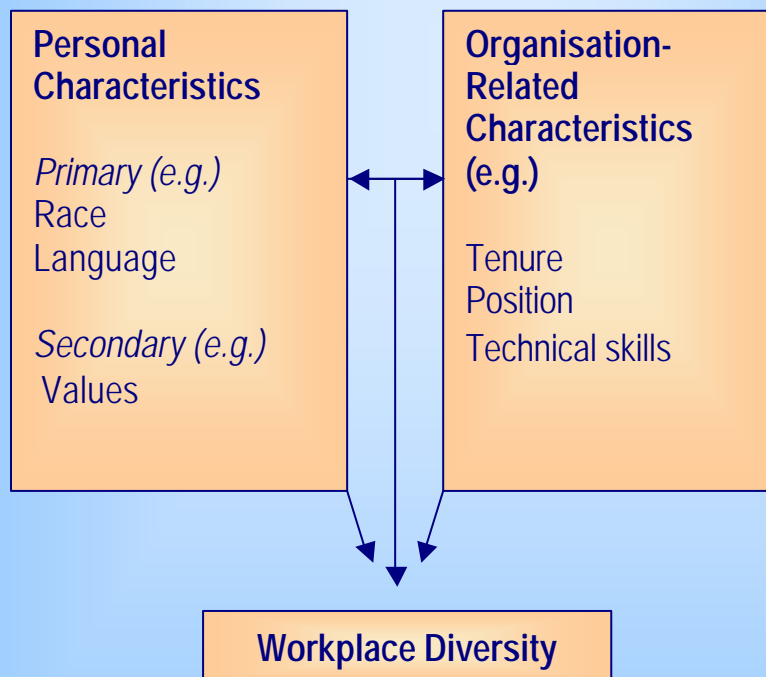
Action area	Toolkit detailing action area
1. Top management	<i>Engaging senior managers Keys to expatriate success</i>
2. Auditing	<i>Using diversity climate surveys</i>
3. Social integration and cohesion	<i>Adding value through HRM (promoting superior performance)</i>
4. Training, education and awareness	<i>Adding value through HRM (training education and awareness)</i>
5. Attract, retain and motivate	<i>Attract, retain and motivate</i>
6. Promoting superior performance	<i>Adding value through HRM (promoting superior performance)</i>
7. Improving individual outcomes	<i>Attract, retain and motivate</i>
8. Structuring teams	<i>Adding value through HRM (promoting superior performance)</i>
9. Employer of choice strategies	<i>Adding value through HRM (employer of choice strategies)</i>
10. Metrics	<i>Using diversity climate surveys</i>

## Briefing notes

### *Defining Diversity*

Diversity is all the ways in which individuals differ, both on a personal basis and in terms of organisation-related characteristics. These characteristics are broadly categorised into observable and unobservable characteristics. Observable and unobservable characteristics include race, ethnicity, gender, age, tenure, functional background, sexual orientation, socio-economic status, education, physical and mental ability, values, and attitudes (see figure below). The recognition of the complexities of 'diversity' as a multivariate concept forms part of the agenda for better understanding the complexity of productively managing diversity at work.

### Components of workplace diversity



## Briefing notes

### *Defining productive diversity*

Productive diversity refers to the business advantages that emerge from the employment of many different people. Such advantages are labelled the *diversity dividend*, which comprises:

- Expanded global opportunities;
- Improved B2B relations;
- Enhanced creativity and innovation;
- Advanced communication;
- Superior teamwork skills;
- Quality customer service;
- Reduced workplace conflict; and
- Lower absenteeism and turnover.

The ways in which diversity management promotes business returns is the subject the publication, *Diversity Management: The Big Picture*.

This Toolkit is particularly concerned with applying Australia's cultural diversity capabilities to achieve international business success.

## Briefing notes

### *A Snapshot of the Australian Population*

The Australian population is becoming increasingly diverse. This increasing diversity not only forces firms to recruit groups of people who have been traditionally underrepresented in areas of Australian working life, but it also provides distinct advantages for conducting business with diverse groups internationally.

- 25% of the population born overseas
- 27% of Australian-born citizens have at least one parent born overseas
- Over 200 languages are spoken in Australia
- 2.5 million people speak a language other than English at home
- The largest growth in religious affiliation have been in Hinduism, Buddhism, Islam and Judaism
- 15% of working age people and 19% of the population live with some form of disability
- 33% of people living with a severe or profound form of disability participate in the labour market
- Female labour market participation rates are increasing at the same time as male rates decline
- Partnering and family patterns have changed enormously over the past 30 years with increasing numbers of same sex partnerships and lone parent households
- 54% of wage and salary earners hold a post-school qualification
- The proportion of the population aged 65-plus has tripled in the last 100 years
- More than 2 million Australians provide support and assistance as carers for people living with a disability or for the aged; almost 900,000 of these carers provide support for children, partners or ageing parents
- There are now more women than men in the Australian population
- The Aboriginal and Torres Strait Islander population is approaching 400,000 and grows at a rate higher than non-indigenous population

Source: ABS, 1995-2000 (various sources)

## Action area one: top management

Senior management engagement with diversity management is crucial for building the necessary cross-cultural capabilities for global expansion success. Senior managers devise global business strategy and manage interaction with business partners, customers, distributors, suppliers and government agents from many cultural environments. They need cross-cultural skills to facilitate such interactions. Cross-cultural skills are developed through organisational cultures that value diversity and engage sound diversity management strategies.

An organisational culture that values diversity will facilitate the internal promotion and external recruitment of diverse top management teams with strong cross-cultural capabilities. Such a culture will also create amongst existing relatively homogeneous top management teams, an 'openness to difference'. Such teams are likely to understand the importance of navigating cultural complexity in global expansion and be more receptive to external advice to navigate this complexity.

The establishment of an organisational culture that values diversity and fosters the development of cross-cultural capabilities must begin with the engagement of senior managers. Engaging senior managers in diversity management initiatives is crucial for securing the necessary financial resources and organisational credibility for widespread organisational support. The business case for involving senior managers in diversity initiatives is outlined in *Engaging Senior Managers: A Business Model for Diversity Management*. The Business Model indicates four key steps to engage senior managers, which are detailed in *Engaging Senior Managers: A Toolkit for Diversity Management*.

Building cross-cultural capabilities for going global is particularly important for expatriate managers posted overseas in culturally complex environments. The business case for reaping bottom-line benefits from diversity management when posting expatriates overseas is outlined in *Expatriate Management: A Business Model For Diversity Management*. The Business Model indicates five key steps to promote

superior expatriate performance in culturally-complex environments, which are detailed in *Keys to Expatriate Success: A Toolkit for Diversity Management*.

Key steps for addressing the top management action area can be found in  
*Engaging Senior Managers: A Toolkit for Diversity Management*  
And  
*Keys to Expatriate Success: A Toolkit for Diversity Management*

## Action area two: auditing

Effective diversity management requires knowledge about organisational diversity and culture. The establishment of an organisational diversity and culture picture enables the formation of diversity management practices to harness the diverse capabilities that reside within the organisation's workforce. Organisations have little hope of mobilising existing cross-cultural capabilities and building new ones if they lack basic knowledge about the current state of their workforces.

Diversity audits allow for the construction of an organisational diversity profile that identifies the organisation's diversity capabilities for managing in culturally-complex environments. Firms can harness this knowledge for devising global expansion strategy

*Using Diversity Climate Surveys: A Toolkit for Diversity Management* details auditing procedures.

**Key steps for addressing the auditing action area can be found in**  
***Using Diversity Climate Surveys: A Toolkit for Diversity Management***

### Action area three: social integration and cohesion

A socially integrated, cohesive and diverse organisation is one in which there is a widespread 'openness to difference'. People from many different cultural and experiential backgrounds interact productively in both work and social contexts. Many people contribute a diverse array of ideas and perspectives to problems and discussions. Employees become accustomed to working with, to and for people from many cultures.

A socially integrated, cohesive and diverse organisation facilitates learning. Employees learn about the cultures of others and build an understanding of how many different people live and work. Frequent cross-cultural interaction between colleagues prepares employees for cross-cultural interaction with international business partners, customers, suppliers, distributors and government agents.

Strategies for conducting diversity and culture audits are detailed in *Using Diversity Climate Surveys: A Toolkit for Diversity Management*.

**Key steps for addressing the social integration and cohesion action area can be found in**

***Adding Value Through HRM: A Toolkit for Diversity Management (promoting superior performance)***

## Action area four: training, education and awareness

Training, education and awareness play an important role in building cross-cultural capabilities for going global. Allocating employees to diverse workgroups is not sufficient to ensure the development of capabilities for managing difference. Rather, such capabilities need to be fostered. Employees need to understand the value that can be derived from diversity and learn ways to work with people who may hold different values or think or act in different ways.

As employees learn to operate in cohesive diverse groups, cross-cultural capabilities will emerge. This precipitates a shift towards an organisational culture that is well positioned to operate in culturally – complex environments. The organisation will have a strong talent base, with well developed cross-cultural capabilities, eligible for promotion to increasingly senior management positions. This lays the ground work for the establishment of diverse top management teams.

Strategies for diversity training, education and awareness are detailed in *Adding value through HRM: A Toolkit for Diversity Management*.

**Key steps for addressing the training, education and awareness action area can be found in**

***Adding Value Through HRM: A Toolkit for Diversity Management (training, education and awareness)***

## Action area five: attract, retain and motivate

The development of cross-cultural capabilities for going global is reliant on the organisation's ability to attract, retain and motivate a high quality and diverse pool of employees. Global business is highly competitive and competitive advantage increasingly resides within human capital. As the Australian labour market experiences demographic shifts towards greater cultural diversity, organisations have little choice but to recruit a diverse workforce if they want to attract top talent.

By attracting a culturally diverse pool of applicants, organisations have the benefit of recruiting employees with many cross-cultural capabilities. Employees will have experience of different languages and cultures as well as experience working with and relating to others who come from different backgrounds. Such experience facilitates an organisational culture that values diversity and is well placed to reap the dividends from leveraging workforce diversity.

Strategies for attracting, retaining and motivating top talent to organisations are detailed in *Attract, Retain and Motivate: A Toolkit for Diversity Management*.

**Key steps for addressing the attract, retain and motivate action area can be found in**

***Attract, Retain and Motivate: A Toolkit for Diversity Management***

## Action area six: promoting superior performance

Promoting superior performances involves fostering advanced problem solving and decision making, which enhances organisational creativity and innovation. Cultural diversity plays a particularly important role in promoting superior performance in the global business arena.

International business decisions require knowledge of complex international environments and institutions. More detailed and intimate knowledge translates into superior information on which to base decisions. Such knowledge also translates into stronger capabilities for identifying business opportunities and risks in the global business environment.

Strategies for promoting superior performance in diverse organisations are detailed in *Adding Value Through HRM: A Toolkit for Diversity Management*.

**Key steps for addressing the promoting superior performance action area can be found in**

***Adding Value Through HRM: A Toolkit for Diversity Management***

## Briefing notes

### ***Creative Abrasion***

The notion of conflict is essential to the innovation process. In a 1997 Harvard Business Review article, Leonard and Straus popularised the term 'creative abrasion'. Innovation, the authors argue, breeds in a space where 'different ideas, perceptions, and ways of processing and judging information collide'. The value of this diversity is the way in which these ideas, perceptions and ways of processing and judging information grate against each other to produce new ways of thinking and doing, and therefore, innovation.

As Leonard and Strauss say, 'the manager successful at fostering innovation figures out how to get different approaches to grate against each other in a productive process we call *creative abrasion*'.

To be creative and foster an environment for innovation, managers need to ensure individuals interact with those who support their way of thinking, and also those who challenge their way of thinking, their ideas, and perceptions. Creating an environment where individuals can engage in constructive conflict propels the creative and innovative process. The value of the team as a whole is in the diversity of talent, backgrounds, perspectives, expertise and so on.

Problems can occur when people don't understand or recognise the value of thinking differently and conflict becomes personal and the creative process stalls. But providing training and information on the value of difference can spark the process, as people become aware of the power of difference working together. Teaching people that constructive conflict fuels innovation, and personal conflict destroys it helps teams to reach and exceed their goals. Reframing what members mean by 'conflict' can help teams to work more productively.

### ***See further:***

Dorothy Leonard and Susaan Straus, Putting Your Company's Whole Brain to Work, published in *Harvard Business Review* July-August 1997, pp. 111-121.

## Action area seven: improving individual outcomes

Improving individual outcomes enhances job satisfaction, organisational commitment and performance. Individuals need to perceive the organisation and a fair and equitable workplace if they are going to contribute as best they can.

Building cross-cultural capabilities for going global relies on the willingness of individuals to share their experiences of many cultural environments. Such willingness is dependent on a workplace where individuals feel that their capabilities are valued.

Strategies for improving individual outcomes are detailed in *Attract, Retain and Motivate: A Toolkit for Diversity Management*.

Key steps for addressing the promoting superior performance action area can be found in

*Adding Value Through HRM: A Toolkit for Diversity Management (promoting superior performance)*

## Action area eight: structuring teams

Team structure plays an important role in building cross-cultural capabilities. Teams require sufficient flexibility and autonomy for the exchange of ideas. Cross-cultural teams are forums for sharing many different ideas and perspectives. Members of such teams develop capabilities for working with people from many different backgrounds.

The development of cross-cultural capabilities through working with culturally diverse teams provides valuable skills for going global. Individuals within culturally diverse teams gain the opportunity to learn from colleagues from many different backgrounds. Such experience is highly valuable for developing capabilities for operating with customers and business partners in culturally-complex environments.

**Key steps for addressing the improving individual outcomes action area can be found in**

***Attract, Retain and Motivate: A Toolkit for Diversity Management***

## Briefing notes

### ***Diverse Teams Outperform Given Time***

Diverse teams have been shown to repeatedly outperform homogenous teams. And, whilst diverse teams often encounter early-stage communication and conflict barriers, given time they produce higher quality solutions, better decision, and innovative ideas.

Considerable research has examined whether diversity in team or group composition improves performance, generally finding that when groups overcome the early-stage hurdles, information, ideas, and perspectives are shared more freely generating higher quality solutions and innovation.

A study by Ancona (1990) demonstrated that diversity in team composition might slow down progress in the short-term due to conflict and communication problems, but that diversity fostered speed and innovation over the whole development cycle. Cox and Blake's 1991 study of culturally heterogeneous groups provided evidence that diversity outperforms homogeneity. Kirchmeyer and Cohen (1992) identified the importance of *constructive conflict* that is nurtured in well-managed diverse teams. Engaging in constructive conflict meant that the validity and significance of decisions was enhanced, and those from minority ethnic groups participated more freely in discussions.

The value in diversity argument rests on the idea that the bringing together of different perspectives, ideas, and knowledge bases improves performance. Hoffman (1959) and Hoffman and Maier (1961) found that diverse groups produced higher quality solutions than homogenous groups because diversity leads to greater conflict of ideas, forcing heterogeneous teams to consider more alternatives. McLeod and Lobel (1992) and Watson, Kumar *et al* (1993) showed that ethnically diverse groups do not necessarily produce more responses to problems, but they generate more creative and higher quality solutions. The Watson *et al* study also demonstrated that time is an important factor in the success of diverse teams, finding that, at first, diverse teams encountered difficulty in developing appropriate routines. Over time, however, they outperformed homogenous teams.

McGrath's 1984 study also showed that diversity (informational) led to alternative decision-making perspectives, resulting in higher performance, where early stage conflict and communication problems were resolved. This idea found support in a study by O'Reilly, William and Barsade in 1997, who found higher quality solutions took time to emerge due to early stage difficulties in communication and the development of team routines, demonstrating the importance of appropriate, early-stage, team training and coaching.

Diverse teams need time to develop interdependence and trust which provide a strong foundation for communication, constructive conflict, risk-taking and creativity. It is important that appropriate time and training is provided for diverse teams to overcome early-stage problems, thereby allowing firms to harness the diversity dividend.

## Action area nine: employer of choice strategies

Cross-cultural capabilities for going global are developed through top human capital. Employer of choice strategies are essential to ensure that organisations attract the *best* and *brightest* talent. Highly skilled and talented individuals who hold strong cross-cultural capabilities are much in demand and only the most attractive organisations will be able to attract and retain such employees.

Given the increasing cultural diversity of the Australian workforce, the top talent of the labour market is also diverse. Consequently, such individuals will seek employment in organisations that can cater to their diverse needs, provide clear career progression, offer good rewards for strong performance and provide a comfortable and challenging work environment.

Organisations that can recruit and retain the most talented employees are well placed for global expansion success.

**Key steps for addressing the employer of choice strategies action area can be found in**

***Adding Value Through HRM: A Toolkit for Diversity Management (employer of choice strategies)***

## Briefing notes

### Employer of Choice Advantages

The main aim of adopting an employer of choice strategy is to locate, attract, optimise and retain the most talented employees in order to fulfil organisational goals. Employers of choice attract and retain talented staff, because employees *choose* to maintain their connection with the organisation. Firms that become employers of choice enjoy a competitive advantage in the labour market through differentiating themselves from others, usually through innovative HRM strategies, policies and practices.

In an article published in *Employment Relations Today* in 2001, Herman and Gioia identified the twelve main advantages that employers of choice reap:

- Reduced marketing and recruitment expenses
- Performance optimisation
- Reduced turnover and enhanced loyalty
- The bar is raised for potential employees
- Improved efficiency, effectiveness and profitability
- A waiting list of willing workers
- Reduced stress and more enjoyment for employees and employers
- Easier planning through continuity of personnel
- Increased attractiveness to investors
- Increased attractiveness to customers
- More efficient customer service
- The development of a more exciting workplace

These advantages form the basis of any business case that managers develop to pitch an employer of choice approach and are easily linked to bottom line outcomes.

## Action area ten: Metrics

Diversity management strategies should not be implemented without appropriate monitoring mechanisms. They should be regularly assessed for their effectiveness. Such assessments will facilitate continuous improvement in diversity management.

Organisations can track applicant and recruitment data to measure whether they are attracting a broader range of individuals with strong cross-cultural capabilities to their organisation. Staff surveys track improvements in job satisfaction and commitment, as do feedback sessions. The success of the organisation in reaching these goals should be charted and distributed.

Having measured the results of diversity management initiatives, organisations can address their weaknesses and build on their strengths to develop strong cross-cultural capabilities for going global.

**Key steps for addressing the metrics action area can be found in**  
***Using Diversity Climate Surveys: A Toolkit for Diversity Management***

## Checklist of Action Areas

Action Area One: Top Management	?
Action Area Two: Auditing	?
Action Area Three: Social Integration and Cohesion	?
Action Area Four: Training, Education and Awareness	?
Action Area Five: Attract, Retain, and Motivate	?
Action Area Six: Promoting Superior Performance	?
Action Area Seven: Improving Individual Outcomes	?
Action Area Eight: Structuring Teams	?
Action Area Nine: Employer of Choice	?
Action Area Ten: Metrics	?