

**A MULTICULTURAL COMPETENCIES APPROACH
TO DEVELOPING HUMAN CAPITAL MANAGEMENT**

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Abstract

The globalisation phenomenon has been prevalent since the last decade of 20th century and remains a significant factor influencing both organisations and individuals today. Within a globalised business environment the effective management of multicultural aspects and differences has become imperative to ensure success. It is increasingly evident there is a need to develop a clear understanding of multicultural competencies in order to fully develop a strategic approach to human capital management (HCM). The adoption of a strategic approach is necessary to ensure a focus on the issues critical to success and competitive advantage including multicultural management, professional skills and knowledge management. This paper aims to identify the importance of intercultural management and the impact of globalisation upon international business.

Key words

Human Capital Management, Globalisation, Multiculturalism, Culture, Diversity

Introduction

The trend towards globalisation over the last decade has resulted in an increased need to focus on developing a clear understanding of organisational culture and the management of multicultural competencies. This need has been accelerated in the context of Slovak enterprises due to the country's recent accession to the EU and an influx of Foreign Direct Investment (FDI). As workplaces in Slovakia have become more diverse, multicultural management competencies have gained increased prominence. In an increasingly competitive global market there is a need to adapt the traditional function of Human Resource Management (HRM) to enable the function to take on a greater strategic role (1). By placing a

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greater emphasis upon Human Capital Management (HCM), whereby employees are regarded as the most valued asset of any organisation (2), HRM can adopt a strategic focus within the organisation. It is essential that Slovak enterprises develop a clear understanding of their internal management culture, in order to measure the value of management competencies. The term organisational culture has been a topic of significant academic debate with numerous authors providing their own definitions. Harrison (3) proposed a model of four different types of organisational culture categorised as “people”, “power”, “role” and “task” orientations. Harrison’s original model was later developed by Schein (4), Handy (5) and Williams et al (6). Schein’s categorisation will be utilised within the study methodology and will be discussed later in the paper. The focus of this paper is to present the findings of a 2011 study of 132 employees within organisations in the Slovak Republic. The paper aims to apply the traditional model of organisational culture to determine the management style preferences and the key management competencies within Slovak enterprises.

Organisational culture in the Slovak Republic

The rapid globalisation of the Slovak economic system has led to large scale FDI with numerous MNC’s (Multinational companies) including Peugeot-Citroen, Kia and Volkswagen opening subsidiaries in recent years. To harmonise management within both the Slovak subsidiary and the corporate entity it is necessary to understand and appreciate the role of culture at both a national and corporate level. As culture is applied to both nations and organisations a clear distinction between national and corporate culture is necessary. Moreover, cultural stereotypes can also refer to a nation, with each organisation also possessing its own cultural variation (7), thus underlining the necessity to clearly distinguish between national and corporate culture. As the focus of the study is primarily upon organisational culture it is valuable to assess the key author definitions of organisational culture. Schein (4) referred to organisational culture and corporate culture interchangeably and described it as being comprised of “the attitudes, experiences, beliefs and values of an organisation”. Deal and Kennedy (8) described culture as “a system of informal rules that spells out how people are to behave most of the time”. Purcell et al (1) elaborated upon the earlier definitions to refer to organisational culture as “system of shared values and beliefs about what is important and relationships internally and externally”. Organisational culture has been defined by several authors including Harrison (3) and Schein (4) as consisting of four specific types shown in Table 1:

CLASSIFICATION OF DIFFERENT TYPES OF ORGANISATIONAL CULTURE Table 1

Harrison (3)	<ul style="list-style-type: none"> • <i>power-orientated</i> – responsive to personality not expertise; • <i>people-oriented</i> – consensual, management control rejected; • <i>task-orientated</i> – focus on competency, dynamic; • <i>role-orientated</i> – focus on legality and bureaucracy.
Schein (4)	<ul style="list-style-type: none"> • <i>The power culture</i> is one in which leadership resides upon the individual • <i>The role culture</i> is one where power is balanced. • <i>The achievement culture</i> is one in which personal motivation and commitment is valued. • <i>The support culture</i> is one where people contribute out of a sense of commitment and solidarity.

Author elaboration (2011)

Human Capital Management (HCM) and the development of managerial competencies

Several academics have identified a clear relationship between the company's performance and corporate culture. Dawson (9) defines corporate culture as: *'the engine of value creation'*. Moreover, the human capital of an enterprise at the simplest level refers to the people who work for the organisation and who ensure its continued success (10- 12). Whilst the notion of human capital was originally proposed by Beer et al (13), it has become increasingly more popular in recent years, as organisations operating in globally competitive marketplaces and face increase pressure to strategise. Legge (14) supports this philosophy and suggests that the human capital of an organisation is the most valuable source of competitive advantage. Although Human Capital Management (HCM) clearly displays similarities with Human Resource Management, Armstrong (12) attempts to make a clear distinction between the two, referring to HCM as *'An approach to obtaining, analysing and reporting on data which informs the direction of value-adding people management strategic investment and operational decisions at a corporate level and at the level of front line management'*. In contrast Armstrong (12) defines HRM as *'a strategic and coherent approach to the management of an organisation's most valued assets – the people'*. As employees are regarded as the greatest and typically the most expensive asset within an organisation this is of critical importance to maintain competitive advantage, however determining which competencies are of greatest importance is a highly subjective and complex challenge. Kanter and Dretler (15) argued the role of effective communication and developing new routes of communication, whereas, McCall and Hollenbeck (16) and Kuhlmann and Stahl (17) emphasise the importance of tolerance, openness and understanding cultural ambiguity. In a recent study conducted by Cagáňová (18) 124 professionals in Slovakia surveyed and a list of 20 key competencies were developed:

MATRIX OF 20 KEY MANAGEMENT COMPETENCIES

Table 2

Communicative competency	Openness towards ways of thinking	Language competency	Social competency	Culture consciousness
Ethics	Ability to manage diversity	Cultural empathy	Tolerance towards ambiguity	Flexibility
Ability to collaborate and lead	Honour, truthfulness and integrity	Managing unpredictable situations	Professional excellence	General management skills
Life-long learning	Resourcefulness	Self-confidence	Critical thinking	Managing stereotypes

Cagáňová (18)

Research methodology

The research study was conducted by means of a structured questionnaire of 132 employees working within industrial enterprises, research institutions and universities in Slovakia. The research was carried out during the summer and autumn of 2011.

The questionnaire was designed to measure responses relating to the importance of key managerial competencies identified by Cagáňová (18). Secondly respondents were asked a series of statements and their preferred management style categorised to reflect one of the four organisational culture types identified by Schein (4). The four organisational culture types were categorised to refer to comparable management types shown below:

Schein's (4) Culture types	Comparable Management style
Power culture	Distant
Role culture	Commander
Achievement culture	Active
Support culture	Friend

Author elaboration (2012)

Within the sample a significant proportion of respondents were employed in the public sector with 38 employed (30.65 per cent) by universities. There was a large mix of respondents and there was a wide spread although the largest number of respondents reported they were at the bottom in terms of job position while 16 respondents (12.90 per cent) reported they were in top management.

The implications of developing management competencies in Slovak enterprises

Following the research it is possible to determine those management competencies which are as most important for the management in Slovak enterprises. Table 3 and Figure 1 show that communication and language are regarded as the most important traits for the effective management. Communication competency is the most important competency overall with an average score of 4.54, followed by the language competency with a score of 4.3. It can be concluded that managers in Slovak enterprises place greatest importance upon foreign language skills. This trend can be explained firstly by the necessity to speak foreign languages in order to trade outside of the Slovak Republic and secondly by the rapid growth of multinational organisations, increasing the need for foreign language. Due to the relative infancy of these enterprises and Slovakia's recent ascension to the EU and Eurozone, it is evident that organisations will continue to place emphasis upon language skills.

THE AVERAGE IMPORTANCE RATING OF MANAGEMENT COMPETENCIES WITHIN SLOVAK ENTERPRISES

Table 3

Competency area	Weighted arithmetic average	Standard Deviation
Social competency	4.25	0.736436
Communicative competency	4.540323	0.573602
Tolerance towards ambiguity	4.145161	0.820047
Critical thinking	3.637097	0.81651
Culture empathy	4.169355	0.78001
Professional excellency	3.91129	1.047363
Language competency	4.306452	0.774362
Flexibility	4.129032	0.792787
Ability to collaborate with and lead individuals	4.112903	0.785038
Ability to manage diversity	4.177419	0.730095
Self-confidence/independence	3.717742	0.903046
General managerial skills	3.862903	0.864485
Openness towards other ways of thinking	4.314516	0.765874
Resourcefulness	3.790323	0.825737
Life-long learning	3.798387	0.999837
Culture consciousness (sensitivity. adaptability)	4.233871	0.708347

Ethics	4.193548	0.789829
Honour, truthfulness and integrity	4.104839	0.850223
Managing stereotypes	3.491935	0.954581
Managing unpredictable situations	3.951613	0.914532

At the opposing end of the competency scale, if those rated as least important are analysed it is evident that managing stereotypes and critical thinking are regarded as least important. Managing stereotypes received an average rating of 3.49 and critical thinking with a rating of 3.63. The disparity of importance between communicative and diversity related competencies can be explained by the fact that language and communication difficulties represent the greatest challenges on a day-to-day basis for Slovak organisations due to the growth of international business and overseas trading partners. In contrast the development of multicultural policies and practices such as diversity awareness and the critical appraisal of employees are more recent phenomenon for Slovak enterprises and are less integrated into day-to-day roles of management.

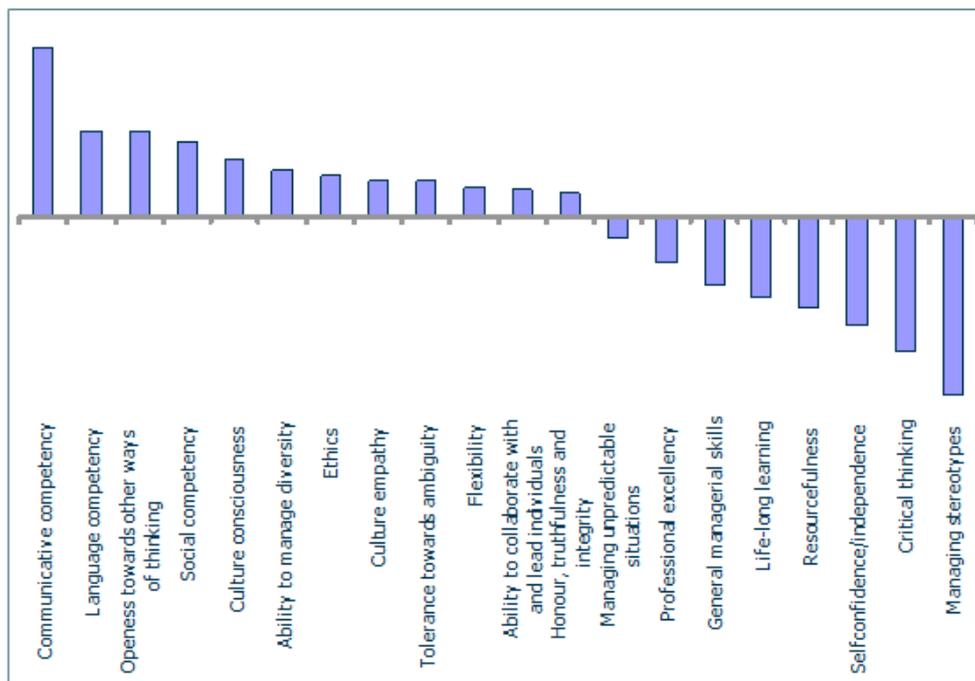


Fig. 1 Overall importance of management competencies

In addition to the analysis of the most important management competencies, the data was also plotted within a matrix to analyse the competencies based on the levels of importance and differentiation. From the findings depicted in Figure 2 it is evident that the managers who rate “professional excellency” as the most importance/positively differentiated factor, also place high importance upon similar management skills and attributes including “collaboration”, “general management skills”, “flexibility” and “life-long learning”. In contrast very little importance was placed on diversity related competencies such as “managing stereotypes”, “cultural empathy”, “tolerance towards ambiguity” and “cultural consciousness”. This indicates that the managers who regard themselves as valuing “professional excellence” prefer to focus on utilising and developing their general all-round management skills rather than cultural specific competencies.

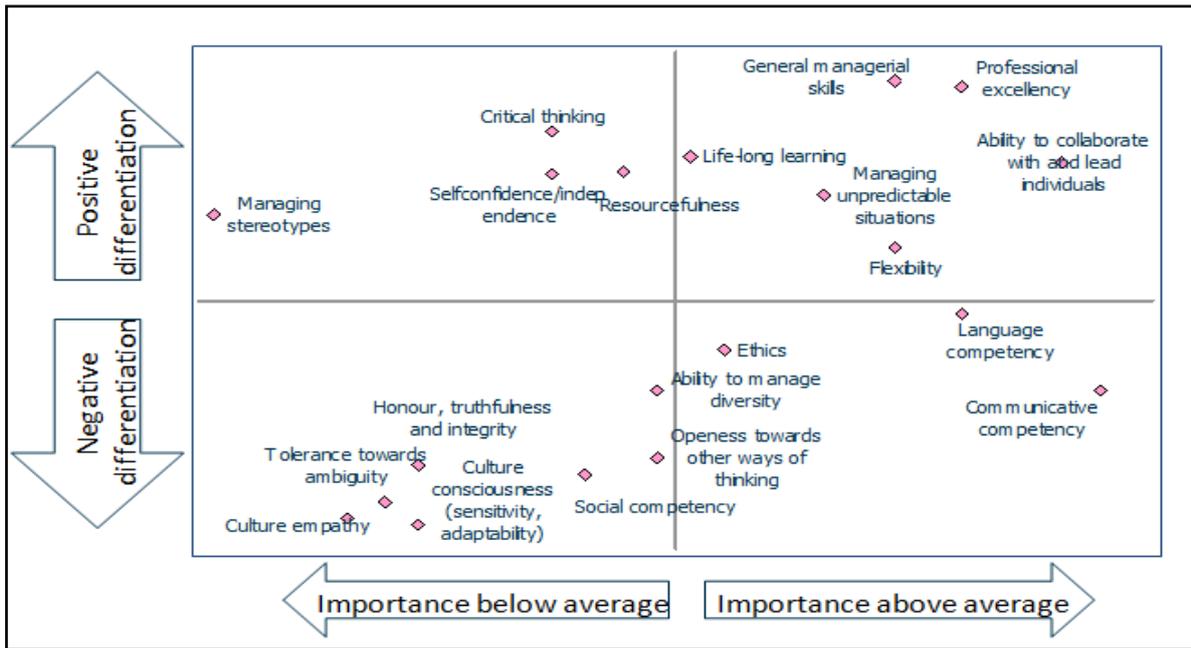


Fig. 2 Management competencies scores for managers who rate “professional excellency” as the most important competency

The research findings have a valuable practical application for the process of assessing management competencies in the context of HCM. At an individual level a management competency audit should be conducted to determine those competencies which are regarded as the most important for business success and exhibited by the highest achieving managers. The competencies can then be measured and tracked to determine the individual performance of managers and as a means of identifying areas of competency development. It will subsequently be possible to track these competencies over a period of time and measure the human capital value of employees within the enterprise. The expectations were measured based upon the style of the individual manager. Respondents were asked a series of questions which classified their manager as one of the four management styles of “active”, “distant”, “friendly” and “commander”. These management styles correspond directly with the characteristics of organisational culture types depicted by Schein (4) as “achievement”, “power”, “role” and “support” cultures. It is evident from the findings shown in Figure 3 that the expectations of managers vary widely based upon their preferred managerial style. The managers categorised as “friendly” appear to place greatest emphasis upon being a team player and exhibiting social and cultural sensitiveness. In contrast those managers classified as “distant” possess expectations such as rational communication and a slowness to share information. It is also valuable to note that the “friendly” and “active” management styles partially follow the same trends, whereas “distant” and “commander” exhibit closer characteristics, therefore indicating greater synergy between those managers who possess “active” and “friendly” management styles and “distant” and “commander” styles.

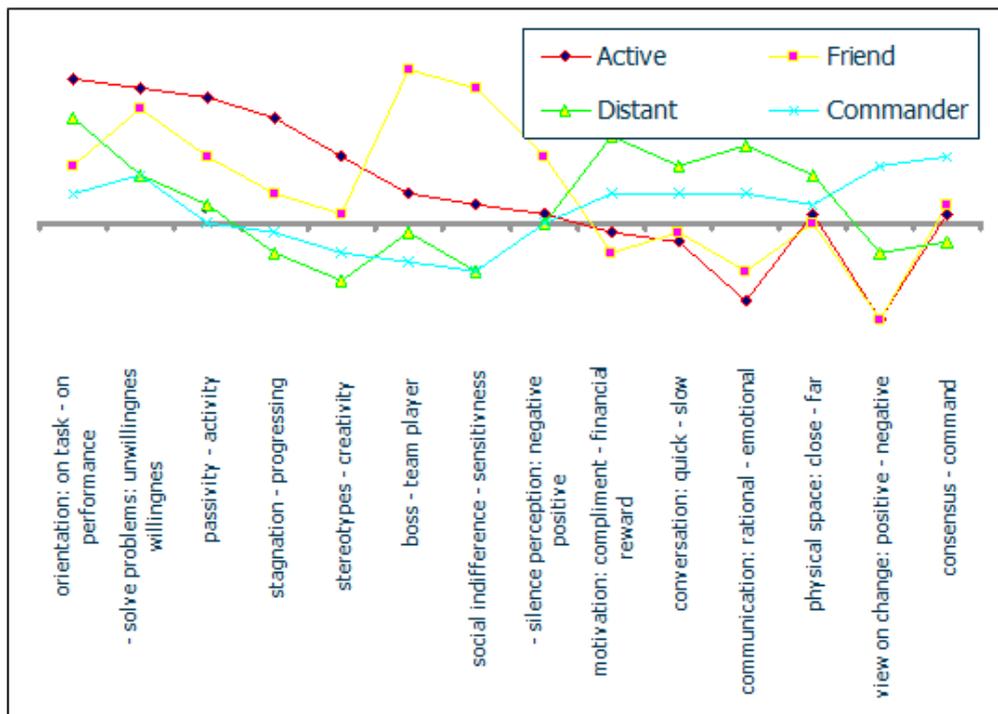


Fig. 3 Manager's expectations of their immediate subordinates by "management type"

Conclusions and implications

In conclusion, it is evident that the Slovak economic landscape is rapidly evolving and there is a need to develop a continuous feedback approach to the development of management competencies as competency will change and adapt alongside management priorities. The survey findings conclude that language and communication will remain of greatest importance to managers in the Slovak Republic, however low priority competencies such as diversity training are likely to reach equal importance as the economy develops further. It is evident that in order to succeed within a highly competitive global marketplace it is necessary for Slovak enterprises to develop a clear set of management competencies as proposed by Cagaňová (18). Moreover in order to ensure HRM adopts a strategic focus it is essential that the management competencies are measured using relevant metrics to assess the human capital value of these competencies. In particular it is interesting to observe the significant differences in approach of those managers who regard "professional excellency" as most important compared to those who consider "cultural empathy" as most important. In the context of HCM the findings indicate that a clear strategy is required to enable the identification, development and continuous measurement of management competencies.

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