

## **Culture Matters: How to develop intercultural competency in New Zealand organisations**

### **Abstract**

Globalisation has led to our workplaces, universities, neighbourhoods to become increasingly ethnically and racially diverse in Aoteroa, New Zealand. This diversity will bring increased challenges in understanding one another, building trust and working together. However, it will also bring many opportunities. Harnessing diversity increases creativity and innovation.

Intercultural competency is becoming an essential skill and competency not only for students and graduates but also in all facets of interaction and relationship building. Work teams are now becoming diverse. In order to work well together, managers and team members need to understand each other, and thrive. For those seeking to market their product, service and organisation internationally, understanding how their potential customer will interpret their information and communication will be critical to any potential deal. Those being seconded for expatriate assignment also require training to negotiate cultures. Cultural Intelligence is intercultural competency applied to a wider context, encompassing all aspects of culture that includes organisational culture.

This presentation will report on the research findings of a business research project undertaken as part of the author's MBA study in 2015. Through a comprehensive literature review and a small number of semi-structured interviews of several managers of New Zealand organisations, this report identifies the themes from the

interview and the current research evidence to answer the research question of how New Zealand organisations can develop intercultural competency within their organisations. The findings of this research has a wide range of applications both for New Zealand organisations addressing the diversity within their organisations, but also in all aspects of the business of running the organisation, from marketing, business development to HR. The findings of this will be particularly relevant in New Zealand's billion dollar International Education market, where this competency will be critical in the marketing of New Zealand's Education Sector, the orientation and pastoral care needs of international students, as well as organisations that have any interaction whether it is teaching, hosting students or handling the administrative aspects in this sector.

### **Key Words**

Cross Cultural Competency, Intercultural Competency Training, Cultural Intelligence, Diversity Training, Globalisation, Organisational Cultural Intelligence

## **Introduction**

For thousands of years, two major themes weave throughout the history of the world; human's interaction with nature and their interaction with each other. The culture-centered story of how humans have interacted with each other through the course of world history continues today (Fernandez-Armesto, 2010).

In the 21<sup>st</sup> century, globalisation is changing the demographic of the world's population, including New Zealand. Due to the growth of ICT technologies over the past 20 years, leading to the rise of the web based practices and the advent of the "electronic message"; the world is becoming a much smaller and interconnected place. The increased availability of "cheap" commercial air travel has been a catalyst to the rising of the mobility of the skilled global workforce, immigrants and international students worldwide. This has resulted in a new wave of cultural diversity in New Zealand communities, organisations and workplaces.

The Royal Society of New Zealand released a report entitled "Our Futures: Te Pai Tawhiti" that analysed trends of the 2013 New Zealand Census (Hawke et al., 2014). The findings showed that New Zealand's population is currently undergoing a period of rapid change. In the last 20 years, the cultural and ethnic diversity in New Zealand has increased so much so that in some regions like Auckland, one in four people are born overseas. Projections from Statistics New Zealand indicate that by 2021, 25% of the workforce will be born overseas, making the NZ workforce one of the more ethnically diverse workforce in the OECD (Hawke et al., 2014). Cultural diversity is becoming a significant factor within our organisations that can potentially affect the daily interactions and understanding between customers, clients, managers, and

employees, students, and lecturers and between peers. As cultural diversity increases, the challenge of navigating a maze of complex multi-cultural situations increases with potential consequences to the business or organisations.

There is little published evidence on how to develop intercultural competency in organisations, and particularly New Zealand organisations. With the timely release of the demographic data for New Zealand, this exploratory research seeks to answer this question with a literature review and surveying a small sample of New Zealand managers in order to provide information that will benefit organisations.

### **Primary research question**

Research into culture covers many research disciplines and subject areas and it is becoming a multidisciplinary and multifaceted research area. In New Zealand's current climate of growing cultural diversity, it will be important to understand how this competency can enable individuals and organisations navigate the changing demographic of the workforce, communities and markets. Therefore, the primary research question that this research project seeks to answer is:

#### **How should New Zealand organisations build intercultural competency?**

The primary research question assumes that intercultural competency is no longer optional, but in many contexts, it is becoming an essential and necessary competency everyone will need to acquire to navigate the increasingly culturally diverse environment.

In order to answer to the primary research question, several supplementary questions will be explored through the literature review. Additional questions seek to address

what is Intercultural Competency, and look at the difference terminology used across disciplines, and also review the literature between individual competencies and any other factors that can develop intercultural competencies in New Zealand organisations.

This research will attempt to answer the research question by reviewing the relevant literature, identifying key themes and possible frameworks that may equip and enable New Zealand organisations to develop initiatives within their organisations that will enhance intercultural understanding and effectiveness of its members.

A comprehensive literature review will be correlated to the themes from the findings of semi-structured interviews of six New Zealand managers about this subject. This will be a pilot study, with an expectation that further work will be undertaken in future.

### **Purpose and significance of the study**

The purpose of this study is to seek answers to the primary research question of how should New Zealand organisations develop intercultural competence. This research will have two main goals. Firstly, it seeks to contribute to the academic body of knowledge. Secondly, the application of the findings serves to benefit New Zealand organisations to engage with and address the growing ethnic diversity within their organisations and beyond. The significance of this pilot study lies in its unique overview of this emerging subject area in the New Zealand context.

This piece of descriptive research will map the landscape of this area by surveying the research evidence on intercultural competency. The focus of this study is intercultural

competency in New Zealand organisations, of which businesses are a subset of the sample. This is to ensure that the application of the research will be relevant to all forms of organisations. In the New Zealand context, it is important to acknowledge New Zealand's bicultural identity before addressing how multiculturalism is now reshaping New Zealand.

The limitations of this study are in its scope, and small sample size. This convenient sample will be drawn from the SCU MBA cohort in New Zealand and from the author's networks, of which many are managers in small to medium sized companies and organisations. Ethics from the HREC of Southern Cross University has been granted to undertake this research project and publish key findings where possible. (Ethics Number: ECN 14-233)

### **Literature Review on Intercultural Competency**

The literature review will look at the impact of globalisation in this area before looking at the different terms. Understanding the process of acculturation provides some understanding about the effect of how interaction between people from different cultures happens.

#### *Globalisation*

The literature in cultural competency has often attributed globalisation as a key factor leading to the increasingly diverse workforce and communities. The most recent

wave of globalisation has had a profound impact on today's world<sup>1</sup>. The eighties has seen the rise of migration and people movement, transfer of cross border knowledge, new communication technologies and the rise of multinational companies.

Globalisation has intensified the diversity of peoples, communities and individuals (UNESCO, 2013).

The impact of globalisation is visible in the many facets of organisational life today.

Business in one part of the world can be affected by something in another. The skilled workforce in New Zealand organisations has become increasingly ethnically diverse, and where many organisations are becoming multicultural. Students and migrants are moving all over the world in search for better jobs and a different life.

The rise of Internet and communication technology has opened opportunities to compete in the global marketplace. From dealing with potential business partners overseas, to managing a culturally diverse workforce, additional knowledge and skills are required to interact and understand each other. As the world becomes smaller and interconnected, opportunities to interact with people from different ethnic and cultural backgrounds become greater.

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<sup>1</sup> "Globalisation can be regarded as an intricate dynamic mechanism and relationship between structures and processes of a political, social, technological, environmental, economic and legal nature which are so integrated on the global stage so as to be virtually inseparable. Any action or event occurring in this system will have an effect on the greater whole, the nature of the event determining the intensity of its influence on the entire system." (Theunissen, 2006).

## **Culture defined**

Culture means many things in different contexts. Hofstede (2010) defines culture as

“A complex, multidimensional, shared reality that is transmitted over generations. These dynamic, collectively held attributes, behavioural patterns, values, traditions, communication rules, thinking and learning styles, and relationship types reveal how and why individuals think, act, and feel.”

(Hofstede et al., 2010).

This system of values and beliefs described above extends beyond national culture, and can be used to describe a unique set of attributes found in a variety of contexts.

Culture varies from countries, regions, and organisations to workplaces, communities and families. It transcends the geographic and physical boundaries by identifying a group's shared reality. The many variations of culture that highlight the complexity of researching and understanding culture<sup>2</sup>. The common denominator is that culture

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<sup>2</sup> Other definitions of culture are listed below:

“the set of distinctive spiritual, material, intellectual and emotional features of society or a social group, that encompasses, not only art and literature, but lifestyles, ways of living together, value systems, traditions and beliefs” UNESCO 1996. *Our Creative Diversity: Report of the World Commission of Culture and Development : Summary Version*. France: Culture and Development Co-ordination Office.

“Culture is defined as the integrated pattern of human behaviour that includes thoughts, communication, action, customs, beliefs, values, and instructions of a racial, ethnic, religious, or social group.” (Cross et.al 1989)

relates to patterns of shared knowledge and behaviour in a group of human beings. For this project, the focus of research is predominantly on national culture, where the common learned and shared behaviour of the group of people stems from their ethnic identity. Isolating the source of the learned knowledge and behaviours of a group of people is difficult. Even the learned and shared behaviour changes from generation to generation. However, there are some relational patterns and worldviews that can be attributed to national culture, such as Power Distance or Uncertainty Avoidance<sup>3</sup> (Fischer et al., 2013).

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"Culture is the shared knowledge and schemes created by a set of people for perceiving, interpreting, expressing, and responding to the social realities around them" (p. 9) LEDERACH, J. P. 1995. *Preparing for peace: Conflict transformation across cultures*, Syracuse, NY, Syracuse University Press.

"A culture is a configuration of learned behaviours and results of behaviour whose component elements are shared and transmitted by the members of a particular society" (p. 32) LINTON, R. 1945. *The Cultural Background of Personality*, New York.

"Culture has been defined in a number of ways, but most simply, as the learned and shared behaviour of a community of interacting human beings" (p. 169) USEEM, J. & USEEM, R. 1963. *Human Organizations*. 22.

<sup>3</sup> This dimension expresses the degree to which the less powerful members of a society accept and expect that power be distributed unequally. The fundamental issue here is how a society handles inequalities among people. People in societies exhibiting a large degree of power distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low power distance, people strive to equalise the distribution of power and demand justification for inequalities of power. HOFSTEDE, G., HOFSTEDE, G. J. & MINKOV, M. 2010. *Cultures and Organizations: Software of the Mind, Third Edition*, New York, McGraw-Hill.

## **Acculturation**

When people from different cultures meet for the first time, it triggers a process known as acculturation. Acculturation describes the potential this first encounter has to result in subsequent changes in the original patterns of interaction for either or both groups <sup>4</sup> (Berry, 2008, Berry, 2005). Intercultural competency describes the on-going process of acculturation that enables the process to have a positive orientation and outcome. The goal is to ensure the acculturation that takes place results in integration, where individuals can adopt the cultural norms of the host culture whilst being able to maintain their own culture (Arends-Tóth and van de Vijver, 2004).

## **Understanding Competency: Four Stages of Competency**

Competence refers to having sufficient skill, ability, knowledge, and training to present appropriate behaviour in a particular context (UNESCO, 2013). The conscious competence learning model is a theory that is used by psychologists that provides a model for learning a new skill (Adams). There are four stages of competency. These are *Unconscious Incompetence*, *Conscious Incompetence*, *Conscious Competence*, *Unconscious Competence*<sup>5</sup>. This model is often used to

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<sup>4</sup> John Berry is best known for developing a two dimensional theoretical model that describes this process. The two dimensions are cultural adaptation and cultural maintenance.

<sup>5</sup> The conscious competence learning model is a theory that is used by psychologists that provides a model for learning a new skill. ADAMS, L. *Learning a New Skill is Easier said than done* [Online]. Available: <http://www.gordontraining.com/free-workplace-articles/learning-a-new-skill-is-easier-said-than-done/> 2014]. The four stages of competence are

describe intercultural competency development in individuals, and in the arena of intercultural communication competence research and practice (Adams).

### **Definitions in Cultural Diversity Research**

Cultural diversity, or ethnic diversity is a subset of diversity research that includes gender, age, sexuality and disability. Several different terms are used in the literature in this subject area. Some terms are used interchangeably to mean the same thing in different contexts and disciplines.

### **Cultural Competence**

Cultural competency implies having the capacity to function effectively as an individual or an organization within the context of the cultural beliefs, behaviours, and needs presented by consumers and their communities (Betancourt et al., 2003). The most frequently cited definition of cultural competence is by Cross (1989) that defines cultural competence as

“A set of congruent behaviours, attitudes, and policies that come together in a system, agency, or among professionals and enables that system, agency, or those professionals to work effectively in cross-cultural situations” (Cross et al., 1989).

As culture is a dynamic and constantly evolving construct, it is best viewed as an “on-going engagement in a process of respectful engagement with clients and their communities” (Tritschler, 2008). Evidence from the literature refers both to situations

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that focus on ethnic cultural diversity and also to all aspects of all people and all the aspects of self identification that includes a person's sex, age, lifestyle, language, religion, social class, health status (Stein, 2009).

### ***Cross Cultural Competence***

Cross Cultural Competence (3C) has predominantly been used in the area of international business, international human resource management and by the US Army (Friedman, 2007). The US Army defined 3C as “a set of cognitive, behavioural, and affective/motivational components that enable individuals to adapt effectively in intercultural environments” (Abbe et al., 2007). In international business, 3C is defined as an “individual's effectiveness in drawing upon a set of knowledge, skills and personal attributes in order to work successfully with people from different national cultural backgrounds at home or abroad” (Johnson et al., 2006). Cross-cultural competency research has predominantly focused on skills required for those crossing a border (Chiu et al., 2013).

### ***Global Competence***

Global competence has been used to identify leadership skills required for the 21st century, and is widely used in the domain of developing global leaders in MBA programmes or in developing university students to function in an interconnected world (Friedman, 2007, Kedia and Englis, 2011, Ramburuth and Welch, 2005, Ahn and Ettner, 2013). A globally competent person has enough substantive knowledge, perceptual understanding, and intercultural communication skills to effectively interact in our globally interdependent world (Lee Olson and Kroeger, 2001).

### ***Cultural Intelligence***

Cultural intelligence is defined as “the capability to manage and function in culturally diverse settings” (Earley and Ang, 2003). CQ is a multidimensional construct targeted at situations involving cross-cultural interactions arising from differences in culture in the broadest definition (Earley and Ang, 2003). It is the only evidence-based model. More recently, the term intercultural intelligence has also been used in the business context to mean a similar thing (Aleya and Shammass, 2013).

### ***Intercultural Competency***

Intercultural diversity has also been used to describe situations where at least two different cultures interact, communicate and influence each other (Schuette and Siebold, 2013). Intercultural competency is the necessary skills, attitudes and behaviour to interact meaningfully between different ethnic cultures (UNESCO, 2013). Another definition is “the ability to communicate effectively and appropriately in intercultural situations based on one’s intercultural knowledge, skills and attitudes” (Deardorff, 2011).

### **Understanding Intercultural Competency**

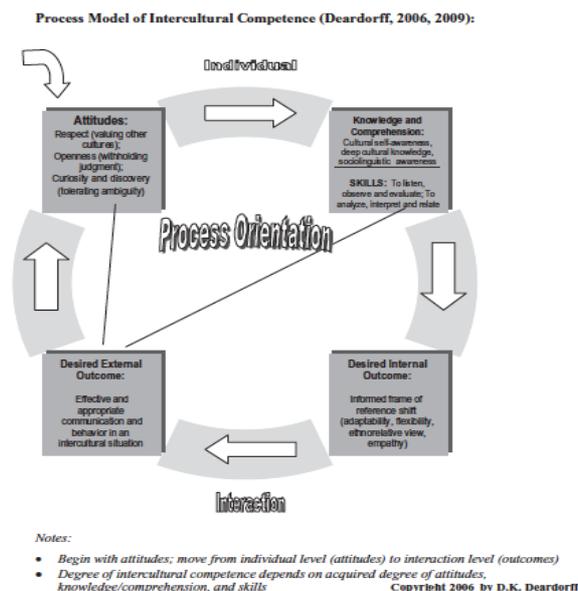
Intercultural competence focuses on negotiating cultural differences through effective awareness, communication, and interaction by defining an individual’s or a group’s ability to negotiate cultural meanings, beliefs, and values while executing appropriately effective communication behaviours (Lustig and Koester, 2009, Redmond and Bunyi, 1993). An interculturally competent person has an understanding of others’ worldviews, cultural self-awareness and capacity for self-assessment, adaptability and adjustment to new cultural environments, listening and

observation, a general openness toward inter-cultural learning and to people from other cultures, and adaptation to varying intercultural communication and learning styles (Deardorff, 2006).

The term Intercultural Competency is used interchangeably with the cultural competency to describe the interaction between different cultures. Developing intercultural competency lies in the process of gaining proficiency and growing in effectiveness in interacting between different cultures.

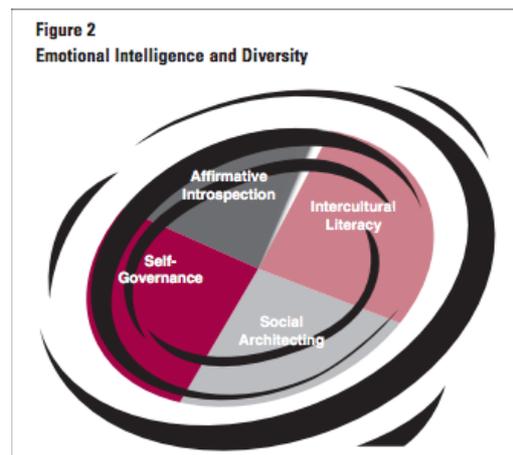
### Models of Intercultural Competence

This review highlights only the published models and frameworks of IC specifically relate to intercultural competency in individuals. The most recognised model of intercultural competence in individuals is Deardorff's process model (Deardorff, 2006). Using the Delphi method, this model brought together all the different elements of intercultural competency. The diagram below is a summary that demonstrate developing intercultural competency is an on-going cyclical process.



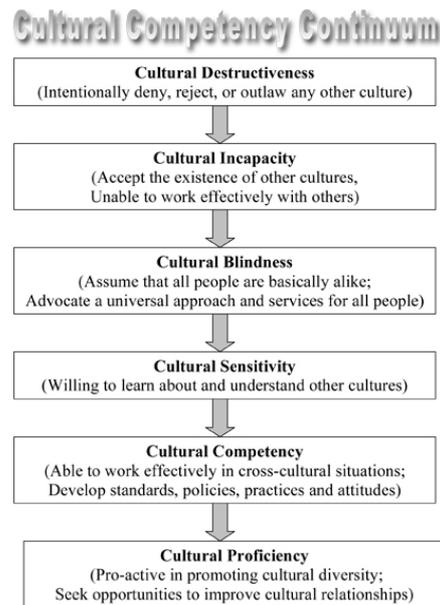
**Figure 1: Process Model of Intercultural Competence (Deardorff, 2006)**

The “Emotional Intelligence in Diversity” model is an adaptation on emotional intelligence (Gardenswartz et al., 2010). The principles of emotional intelligence (EI) manifests itself in three competencies – accurate empathic perception of others’ feelings, appropriate response to those emotions with empathy and managing others in managing their emotional response. Emotional Intelligence in Diversity (EID) has been expanded to reflect growing diversity in the workplace and encompasses the ability to feel, understand, articulate, manage and apply the power of emotions to interactions across differences that diversity brings. The table below shows the four components of EID (Gardenswartz et al., 2010).



**Figure 2: Emotional Intelligence Diversity (Gardenswartz et al., 2010).**

Another model looks at developing intercultural competency as a continuum. The cultural continuum describes the progression of the five stages of growing cultural competency. This continuum was first proposed by (Cross et al. 1989) and is widely used in the health, not for profit and education sector in the US. Figure 3 illustrates the continuum visually, taken from the National Centre for Cultural Competence.



**Figure 3: Cultural Competency Continuum (Cross et al. 1989)**

The limited selection of these models is based on models that can also translate to the organisational level.

### **The Foundations of Cultural Competency in New Zealand**

New Zealand hasn't been immune to the effects of globalisation. The recent New Zealand 2013 census confirms this (Hawke et al., 2014). Cultural competency in the New Zealand context has originally referred to the ability to understand, consider and embrace the Māori perspective and worldview. Any discussion about cultural diversity and competency in New Zealand needs to begin with the acknowledgement of New Zealand's bicultural roots and the place of Māori, as Tāngātā Whenuā.

With the changing demographic in Aotearoa New Zealand, cultural competency needs to include the other cultures that are present in Aotearoa today<sup>6</sup>. As Aotearoa New Zealand moves towards being a multicultural society, it is important to continue to acknowledge the place of Maori as Tāngātā Whenuā (the people of the land), and apply the principles that have shaped the bicultural policies in New Zealand to a multicultural New Zealand (Narayannan, Ward and Liu, 2012). With the arrival of students, immigrants and refugees to New Zealand, the importance of building intercultural competency in multicultural New Zealand will be key to the success of this nation (Malik et al., 2014, Jones et al., 2000).

### **Intercultural Competency in Organisations**

Researching intercultural competency in organisations looks at the additional levels of complexity when the organisation is the research unit. This section considers what an organisation is and the factors that contribute to building intercultural competency of individuals within those organisations. Understanding the forces that shape and affect organisations will enable the challenges and opportunities of developing intercultural competency at the organisational level to be applied. As ethnic diversity increases within an organisation, the necessity for the organisation to develop intercultural competency of its members increases.

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<sup>6</sup> Aotearoa" is the Maori name for New Zealand: the combination of names is used to signify the bicultural qualities of national identities

### *Organisations*

At its most basic level, organisations are groups of people that are working interdependently towards a purpose or goal (McShane et al., 1966). Examples of organisations include the businesses, workgroups and community groups. When these interactions between individuals in organisations involve a cultural dimension, additional complexities emerge.

Organisations are structured in different ways in order to achieve their purpose. Just as in architecture, “form follows function” also applies in organisations (Gellerman, 1990). An organisation’s structure should reflect the reason why the organisation exists. Gellerman (1990) concludes that organisations not only facilitate organisational performance but also caters to the needs of individuals and groups that serve within the organisations (Gellerman, 1990).

### *Organisational Culture*

Organisational culture exists within every organisation. Organisational culture is also a key driver of decisions and actions that ultimately contributes to the overall performance of the organisation (Martins and Terblanche, 2003). The strength of the organisational culture is determined by two main factors. Firstly, the homogeneity and stability of group membership and secondly, the length and intensity of shared experiences in the group. A group that has constantly shifting membership or have been together for a shorter period of time will have a weaker organisational culture (Schien, 2006). Subcultures may also weaken the organisational culture if its values are divergent. However, if the strong organisational culture integrates the value of

embracing cultural diversity within the organisation, cultural diversity can contribute to the organisation's culture.

### **Cultures within a Culture**

An organisation's growing cultural diversity is a progressive process that is shaped both by its internal and external environments. Three stages of continuum of multicultural development were identified. (Adler, 1986, Sue, 1991). These are:

- a. **The monocultural organisation** – that is primarily ethnocentric. A monocultural organisation is structured to benefit the majority group giving advantage to the majority with either implicit or explicit exclusion to the minorities. Monocultural organisations also assume that culture has a minimal impact on management, personality or education, and encourage assimilation.
- b. **The nondiscriminatory organisation** – in this stage, organisations begin to become more culturally relevant and receptive, with inconsistent policies and practices in regard to multicultural issues, with some leaders, workgroups and workers growing in their intercultural competencies, although it isn't organisational wide. There lacks a systemic programme, policy or practice that addresses the cultural bias and prejudice, with changes made often reactive and superficial.
- c. The **multicultural organisation** is an organisation that values diversity and attempts to integrate the continuing cultural change into their vision, systems, policies and practices proactively. The leaders value the contribution of the diverse cultural groups in their mission, operations, products and services.

They value multiculturalism and work proactively on diversifying the environment and engage in planning and problem-solving activities that provide equal access and opportunities.

Adler defined each of these stages as the cultural dominant, cultural compromise and the cultural synergy stages (Adler, 1980). This continuum requires organisations to alter the power relations in order to minimize structural discrimination in its move towards cultural competency (Lewis, Lewis, Daniels, & D'Andrea, 1998). Whilst this is a good theory of an organisation's journey in embracing cultural diversity, in reality, this progression may be more cyclical depending on changes in leadership or focus.

### **Impact of Cultural Diversity in Organisations**

The overall impact of diversity is best seen at the organisational level. Two types of diversity effects on organisational effectiveness have been documented; firstly, the impact of group identity on the work outcomes of individuals, and secondly the direct impact of diversity in certain areas such as creativity, communication and management (Cox, 1994, Nishii and Özbilgin, 2007). Good management of a diverse workforce has been integral in the improving organisational performance (Aghazadeh, 2004). Greater cultural diversity leads to different perspectives, experiences, increased creativity and different ways of approaching problems or situations (Cox, 1994). In the area of global diversity management, organisations that manage global diversity effectively see better unit performance, and overall company performance in a wide range of performance metrics, including increases in employee engagement (Nishii and Özbilgin, 2007, Matveev and Milter, 2004).

However, there are also challenges. There is the potential for segregation of the workforce, inequality and cultural misunderstandings to occur (Johns et al., 2007). Each of this has the potential to be costly to the organisation. Increased staff conflict and misunderstanding could lead to potential loss of key staff, business and markets. Joshi and Rohr (2007) found equal studies reporting positive and negative effects of cultural diversity in organisations across three outcomes – performance, process and attitude. The review showed that research demonstrating the positive effects of cultural diversity on workgroup performance is inconclusive, with the studies demonstrating a negative or null result were being more widely reported (Roh and Joshi, 2007).

### **Research into Culture and Organisations**

There have been three significantly cited large-scale studies into culture and organisations. Pioneering work by Gerhard Hofstede in the 1960s identified the impact of national cultures by sampling over 100,000 employees in a large multinational company (Hofstede et al., 2010, Hofstede et al., 2002). This seminal work identified several dimensions of national cultures and its impact on the organisation. Trompenaars and Hampden-Tuner looked at 30,000 participants from 31 different countries views on concepts like leadership qualities, time and rules specifically with a focus on management and business in a culturally diverse organisational environment (Trompenaars and Hampden-Turner, 1997). More recently research into cultures and organisations was undertaken in a large-scale study of over 17,300 managers in 62 different countries, known as Project GLOBE. This is the most comprehensive study by far, with 27 hypotheses.

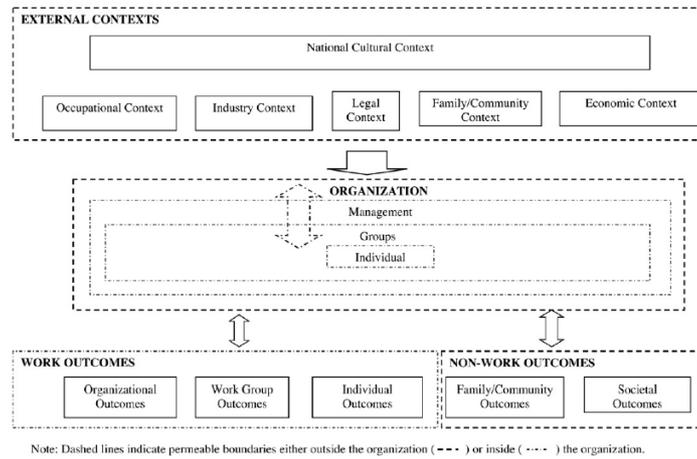
## **Intercultural Competency Models in Organisations**

Research into the cultural and intercultural competency space has grown over the past decade. Diversity has to be present in organisations before intercultural competency within organisations can be developed. Whilst the evidence in intercultural competency has primarily focused on its development on the individual interactions, these interactions take place in environments where there is opportunity for individuals of different cultures to interact. With increasing cultural diversity in organisations and businesses today, organisations can be an environment where such interactions and diversity can flourish.

Developing organisational intercultural competency looks at the systemic level or the whole ecosystem of the organisation, thus increasing the complexity. There is an emerging body of research in this area of developing cultural and intercultural competency at an organisational level in different contexts (Adamson et al., 2011, Balcazar et al., 2009, Silberstang and London, 2009). The following theoretical frameworks or models that identify the organisation as the unit of research are discussed briefly in this section.

### *Organisational Cross-Cultural competency*

An organisation's internal and external environment influences and shapes the organizational practices of an organisation (Verbeke, 2000). Shore et.al proposes an integrative model of diversity in organisations identifies the environmental influences proactively. This clarifies the contextual elements within the organisation and outside the organisation and ties it to the outcomes in order to determine the impact and prevalence of diversity in general (Shore et al., 2009).



**Figure 4: Integrative model of Diversity in Organisations Shore et.al (2009)**

*Emotional Intelligence in Diversity in Organisations*

The Emotional Intelligence in Diversity (EID) model described previously has also been applied to teams and organisations. The main focus on EID is the skills that focus on behaviour and attitudes that can shape the individual or organisation’s response in a diverse setting (Gardenswartz et al., 2010). The table in the following page identifies the key aspect of EID at the various levels.

**Key Aspects of EID Model for Individuals, Team, and Organizations**

Individual level	Developing the emotional intelligence competencies and skills individuals need to function effectively in a diverse world
Team level	Developing the norms and skills needed to create emotionally intelligent teams that are inclusive and embrace diversity
Organizational level	Enabling teams to use diversity to create synergistic solutions within an engaging and respectful environment Identifying the principles, norms, and values that need to be developed, implemented, and communicated in order to become a truly inclusive organization with a culture of respect that succeeds in a diverse world

**Figure 5: EID Model (Gardenswartz et al., 2010).**

*Organisational Cultural Intelligence*

Organisational intelligence was defined by Huber (1990) as an organisation’s capability to acquire, process and interpret information external to the organisation

and provides input to the organisation's decision makers (Ang and Inkpen, 2008, Triandis, 2006). Cultural intelligence research has also begun to address the need to develop competencies at an organisational level (Ang and Inkpen, 2008, Crowne, 2008). Ang & Inkpen (2008) propose that cultural intelligence at an organisational level refers to the firm's capability to learn and generate new knowledge to operate effectively in a culturally diverse environment. Based on the framework that Ang and Inkpen (2008) developed, three types of capability in organisations were identified. These are managerial, structural and competitive capabilities.

The managerial cultural intelligence required to lead a diverse organisation (Livermore, 2009) highlights the significance of individual intercultural competency at the leadership level. Processes and routines that enable a firm or organisation to manage the competitive factors of the firm's focus is known as competitive cultural intelligence (Ang and Inkpen, 2008). Organisational structures enable the resources to be harnessed and combined to form capabilities, which reflect how organisations implement the strategies and actions planned. An organisation that has "culturally intelligent" organisational practices will create an environment that includes and integrates each of these three areas of CQ.

### **Cultural Competency in Organisations**

There is limited published evidence about building intercultural competency at an organisational level. One possibility for the lack in this area could be that this term is synonymous with the evidence about the more recognised area of cultural competency in organisations. Historically, the development of cultural competency and its models originated from US organisations in the health sector wanting to address the health

inequalities of the minority races in the community. The Purnell model and Cross's model were developed in a that context.

Purnell's model of organisational cultural competency was developed in a clinical setting (Purnell, 2002, Purnell et al., 2011). Also widely recognised framework by Cross, T., Bazron, B., Dennis, K., and Isaacs, M. (1989), where five essential elements at a management or organisational level to build cultural competency of organisations were developed.

These are:

1. valuing diversity;
2. having the capacity for cultural self-assessment;
3. being conscious of the dynamics inherent when cultures interact;
4. having institutionalized cultural knowledge; and
5. having developed adaptations of service delivery reflecting an understanding of cultural diversity.

This widely adopted framework was initially developed to improve service delivery of coloured children in the United States. Many organisations have subsequently adopted its generic principles as they sought to build culturally competent organisations (Adamson et al., 2011, Taggart, 2007).

The findings of the Economy by Diversity project was published to raise organisational awareness for intercultural diversity in small to medium enterprise (Schuette and Siebold, 2013). Five suggestions were proposed:

1. Starting with an initial economic motive or incentive
2. Intercultural diversity has to be associated and embedded into the daily operations and problems of the organisation.
3. Starting with one diversity dimension at a time.
4. Organisations need an external translator to help organisation see own blind spots.
5. There is a need for exchange with experts on ethos to ensure awareness of diversity is effective and sustainable in the company.

### **Organisational Cultural Competency in New Zealand**

Through the foundations of the Treaty of Waitangi, cultural competency has historically been implemented in New Zealand and was how cultural competency in this country was birthed. Irihapeti Ramsden pioneered the development in cultural safety in the early 1990s (Ellison-Loschmann, 2003), whilst Mason Durie has written extensively about a Maori model of health widely adopted by the Ministry of Health (Durie, 2001). The main driver of the development of cultural competency in New Zealand was due to the need to improve the declining health indicators of the Maori people and to develop culturally safe practices (Doutrich et al., 2012).

In 1998, the New Zealand Medical Council reviewed their policies in light of the Treaty of Waitangi, and sets a standard for the practice of cultural competency from an organisational perspective. The New Zealand Medical Council has defined cultural competence with the following statement: *“Cultural competence requires an awareness of cultural diversity and the ability to function effectively, and respectfully,*

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*when working with and treating people of different cultural backgrounds. Cultural competence means a doctor has the attitudes, skills and knowledge needed to achieve this.*” (Adams, 2011)

The first organisational cultural competency guidelines for working with Pasifika were released in 2014 as part of the Ministry of Health’s Faiva Ora programme (Ministry of Health, 2014). The Ministry of Health has also published a document on Pacific Cultural Competencies (Ministry of Health, 2008). The Ministry of Education has published a document “Tātaiako: Cultural Competencies For Teachers of Māori Learners as a resource (Ministry of Education). Beyond the health and education sector, there is limited evidence that intercultural competence is incorporated into organisational systems and practice. In the commercial world, little value is placed on undertaking research to publish in the same manner as that in the health and education field. Whether interculturally competent practices in such organisations are present or not, there is limited published evidence to document it.

### **Design and Methodology**

As a descriptive research project with an exploratory component, this research method chose the method of using a semi-structured interview to collect data. There is a growing body of evidence about this area of research globally, but limited research about it in the New Zealand context. The research unit focus is New Zealand organisations. This research has adopted a qualitative method to describe and identify variables to study in the area of cultural diversity and intercultural competency in order to learn how organisations can create an environment to develop and grow

diversity. The use of a semi-structured interview is an appropriate research method to answer the primary research question for this research project.

### *Methodology*

Each face-to-face interview was undertaken at a time and location that was convenient to the participant. The questions from the semi-structured interview had three parts. The first section covered demographic questions of the organisation, the participant's role or job title, the breakdown of ethnicity that was present in the organisation or work group. In the second section, questions on the participant's understanding of intercultural competency were asked and the final section focused on how organisations could create an environment that could encourage cultural diversity. From the interviews, a mini-thematic analysis was undertaken to identify the key themes of the participant responses. There is potential for interviewer bias from this sample as the author interviewed the participants.

### *Study Sample*

The study sample was obtained through a convenience sampling of the author's networks and students from the NZ cohort of the MBA programme. Six managers of New Zealand organisations based in Auckland volunteered to participate in this research project. The sample included participants from different ethnicities and different organisational environments. The ethnicities that were represented were Singaporean, Samoan, Maori, and European New Zealanders and there were an equal number of males and females in the sample. Organisations that were represented included a tertiary education provider, a health clinic, a government department, a department in the hospital, and three multinational companies - a fast moving

consumer goods company, a construction company and importer of household goods. Whilst not reflective of the demographic of small New Zealand enterprises, almost all the participants worked in medium to large enterprise organisations. Large enterprises are more likely to provide opportunities of professional development for their managers and where there is potential for the organisation to be culturally diverse.

## **Findings**

The findings described below identify the main themes from the interviews.

### *Understanding of Intercultural Competency*

The responses from participants about their understanding of intercultural competency indicate that most of the participants understood intercultural competency. One participant described it as “*the awareness of cultural differences and to develop consciousness skills to work with diversity*”. Another participant described it as “*a skill that is developed where there is awareness of the intercultural dynamics in the office*”. Another participant described intercultural competency as “*respecting people for who they are and treating them as you would have them treat you*”. Two key themes were recurring in the responses; “respect” and the importance of good communication skills in the work place when the participants talked about managing a multicultural workforce. In general, most of the participants were interculturally proficient and understood the “cultural factor”.

### *Cultural Diversity within organisations*

All participants reported noticing the increased diversity in their organisations, within their workforce, and also in their business clientele and external networks. Most organisations were Auckland based, but some had branches outside of Auckland. Due to the small sample size and variation in different organisations interviewed, it is hard to quantify the levels of cultural diversity. However, it is consistent with the trends of the Royal Society report (Hawke et al., 2014).

Several participants identified commercial implications to the growing cultural diversity in Auckland. In the case of the medical practice, Indian staff are recruited to cater to the increasing Indian client base. Another organisation was actively recruiting offshore to fill the shortage of labour workers the organisation required.

The majority of the participants described their organisations as ones being proactive in addressing the cultural diversity in their organisations. Examples of initiatives include the celebration of different cultural holidays with shared lunches, celebration of diversity week, the provision of training on cultural competency for all staff, development of a diversity action and strategic plan to be implemented organisation-wide, incorporating an organisation value of valuing diversity and regularly conducting engagement surveys organisation wide that included values of cultural diversity.

However, participants also acknowledged that much more could be and needs to be done. Comments included the need for on-going integration at all levels in all functional areas of the organisation to ensure that initiatives proposed by senior management were consistently implemented. In another organisation, the participant

identified a key performance indicator for a specific role was a challenge to workers of one cultural background, thus discriminating them from advancement.

Most of the participants agreed that there was a level of rhetoric that didn't match up with the reality of the situation. There was a degree of "superficial intentionality" that was present.

### *The Significance of Leadership*

The most consistent theme across all the interviews was the importance and significance of the role that leadership in the organisation has in shaping culture. One participant commented that he had to "*lead from the front by personal example*" as the CEO of the organisation. "*Leadership – from the Board of Governance level and the Executive Management need to see the significance of diversity in the organisation and be willing to be trained. What is modelled has credibility to be disseminated. The key is ownership.*" One organisation's leadership sought to develop a diversity action and strategic plan to be implemented organisation wide in their strategic planning.

At the organisational level, the shaping of the organisational culture is a function of leadership. Several participants described leadership style of "*modelling of values and setting an example*". Leaders are the "culture makers and shapers" of the organisation.

### *Factors that help organisations build intercultural competency*

Participants were asked what factors could help organisations build intercultural competency in their organisations. The main themes identified were:

- Leadership and management that championed cultural diversity, seeking to actively develop it across the organisation.
- Ensuring that the organisation's systems and policies were integrated to reflect the significance of diversity,
- On-going regular reviews and willingness to change to ensure practices across the organisation cater for the diversity, particularly in recruitment and HR.
- Aligning cultural diversity to the organisation's performance measurements.

There were a number of practical suggestions on how organisations should build intercultural competency. The most common ones related to ensuring regular cultural diversity training was available for every member of the organisation to attend and participate. Other suggestions include incorporating intercultural competency into professional development plans and conducting regular engagement surveys of cultural diversity across the organisation. Another key area highlighted by several participants was in recruitment and HR practices. Suggestions also included reviewing job descriptions, employment practices, reviewing workforce diversity statistics and intentional recruiting. One participant commented that it was important *“for the leadership structure to mirror the constituents of the organisation and this would take time”*.

The interviews provided further depth to the literature of developing “culturally intelligent practices in organisations” to equip members of the organisations. The length and questions were sufficient to identify key themes and provide an overview of this subject area, but not sufficient to provide in depth analysis of the key themes.

## **Synthesis of Research Findings with Literature**

The themes identified from the interviews are consistent with the literature. It has provided evidence from a New Zealand perspective. The literature review identified several organisational frameworks that provided different perspectives on how organisations could develop intercultural competency. Cross et.al (1989)'s model is the most widely recognised and identified five essential elements that facilitate the development of intercultural competency in organisations. Some references from the interviews could potentially be associated with the elements that Cross et.al (1989) identified. For example, comments about integrating the organisation's systems and policies that several participants described could refer to the fourth element of the framework "*having institutionalized cultural knowledge*". Another example that Cross et.al (1989) identified was valuing diversity. Some of the participant's examples could be classified as valuing diversity – such as respecting every member of staff. Two organisations conducted regular engagement surveys that included questions on cultural diversity in the organisations. This aligns well with the second element of Cross's framework of "*conducting regular self-assessments*". Not all the participants' responses covered each one of the elements and the extrapolation of the examples to the elements require further research and interpreting.

Ang and Inkpen's framework for firm-level intercultural capability development identified similar factors for success. These were in leadership, organisational structures and competitive advantage (Ang and Inkpen, 2008). Each of these three themes could be identified in most of the participant responses.

The strongest theme to consistently appear in all the interviews was the significance of the role of leadership within the organisation. It was identified repeatedly that it takes culturally competent leadership to ensure that diversity is valued, systems and policies aligned and regularly assessed (in keeping with the organisation's vision and mission) to instill a culture that embraces and encourages cultural diversity.

“From an organizational perspective, meeting the health care needs of a culturally diverse society requires forward thinking and visionary leadership to undertake an examination of the assumptions that shape and define organizational behaviour. Organizational values, behaviours, styles of working, and traditions are outward manifestations of organizational culture” (Thomas, 1991)

Leadership that is culture-savvy will ensure that cultural diversity flourishes in any organisation. The literature talks of transformational leadership, defined as influencing followers in a way that builds trust and a greater sense of ownership by changing their followers' values, beliefs, attitudes, and perception for a greater collective aim (García-Morales et al., 2012, Tavanti, 2005, Tavanti, 2006). It is the leaders of the organisation that will incorporate values that will value diversity, create capacity for cultural-self assessment, build systems, policies and procedures to embed cultural knowledge in the organisation and develop adaptations of service delivery or core business that reflects an understanding of cultural diversity (Cross et.al 1989). They are the “culture makers and shapers”. The unwavering support and commitment of the executive leadership, with visionary board members and leaders that championed change will enable the organisation to become a culturally competent organisation (Taggart, 2007).

As developing cultural competency is on-going, another key factor in building intercultural competency in organisations is managing the constant change process with a view of integrating the “lens” of cultural diversity at the core of any change process at the organisational level (Day, 2007). Change-savvy organisations that are proactive in balancing the effects and impact of change at a systemic level will ensure that the organisation’s systems, policies and procedures are constantly being assessed.

### **Summary**

The themes that were identified from the interviews covered are fairly consistent with the findings from the extensive literature review. Responses from all the participants indicated that there is a trend of growing cultural diversity in their organisations. All the participants indicated that their organisations were proactive in fostering cultural diversity, although there were areas to improve in – specifically in the HR and recruitment, and for career pathways into leadership in the organisation. All the participants provided several examples of what their organisation is currently doing in this area, and also identified other areas in which their organisation could improve.

The key themes that were identified from the analysis are consistent with the literature, particularly in the three key areas of developing organisational cultural intelligence. The strongest theme was the role of leadership in modelling; initiating and creating an organisation that embraced cultural diversity, where it is incorporated into the organisational culture.

## **Conclusions and Recommendations**

Developing intercultural competency is a multidimensional and multifaceted process that is complex and challenging. The challenge and complexity of defining culture, a dynamic construct ensures that total mastery of intercultural competency, at an individual or organisational level is almost unattainable. It is a journey of discovery and on-going development. As elusive as the “pot of gold” at the end of the rainbow, the development of intercultural competency requires the goal and focus to be in the process rather than the outcome. This report attempts to provide a general overview of cultural diversity in organisations, with an emphasis on New Zealand organisations.

The current context in New Zealand is one of a rapidly changing population that is increasing the cultural diversity of our workforce and our communities. As the cultural diversity grows, the opportunity to develop positive interactions of people from different cultural backgrounds can only benefit our communities, organisations and New Zealand. Intercultural competency is no longer optional, but an essential skill for everyone to function effectively in an increasingly culturally diverse environment. Organisations faced with external factors such as globalisation bringing workers students and immigrants from all over the world and opening of markets beyond the traditional reach of the organisation or business will need to cultivate intercultural competency. As any organisation transitions to becoming a multicultural organisation, the development of intercultural competency at all levels of the organisation will be crucial.

Intercultural competency, also widely known as cultural competency is the ability to interact with people from different ethnic cultures meaningfully, where there is a specific set of skills, attitudes, knowledge and behaviour required to have positive interactions.

A culturally competent individual is one is able to interact comfortably and meaningfully with others from different cultural backgrounds. This involves developing a set of skills, attitudes, knowledge and behaviour that will enable this interaction to be positive.

Meaningful cultural interactions occur most often in the daily settings of work or in regular contact in a group of people gathered for a purpose. Organisations where there is cultural diversity can be a place where intercultural competency can be developed. Therefore, organisations have a unique role in creating an environment that facilitates and fosters positive interactions of its members in order to achieve its main purpose.

The leadership of any organisation plays a significant role in how the organisation can encourage and embrace diversity. The organisation's leaders are the culture makers and shapers of organisational culture. Therefore, the leaders of the organisation have to see the importance of developing their own intercultural competency proficiency. Some of the components of intercultural competence such as development of self-awareness, knowledge and intercultural communication skills are also core competencies for leadership development (Alon and Higgins, 2005, Caligiuri and Tarique, 2009, Caligiuri and Tarique, 2012). Ensuring that the entire organisation's

systems and policies and leadership structures are integrated to foster cultural diversity requires transformational leadership (García-Morales et al., 2012).

The on-going process of building and developing intercultural competency at an organisational level is also requires leadership to integrate all the organisation's systems, structures and policies to value cultural diversity.

A culturally competent organisation is one where diversity flourishes, and where knowledge and understanding of people from different cultures is integrated into the organisation's values, systems, policies and procedures in order to fulfill it's main purpose. A tree's root system isn't visible to the eye, but it is the source of nutrients and the environment in which the tree needs to grow and flourish. This analogy also applies to developing organisational intercultural competency.

In creating an environment where cultural diversity is valued, all forms of diversity will also be valued. A potential positive outcome is a more engaged membership or workforce that can only benefit the organisation. The goal of becoming interculturally competent organisation is for a group of people to work well and effectively together, regardless of what ethnicity or background each individual has. The synergy and cohesion of such a team can facilitate the organisation in achieving its main vision and purpose. It is important that the development of organisational intercultural competency doesn't become the main goal of the organisation. Ensuring the organisation achieves its main purpose is the main goal and number one priority. Creating an organisation where its members are valued can only foster ownership, engagement and motivation that will collectively contribute towards achieving the organisation's main purpose.

The ever-changing nature of culture, combined with the ever-changing macro environment will challenge how organisations continue this process. Organisational development takes an on-going systemic view of every aspect of the organisation to ensure that the all areas of the organisation are aligned to fulfill the organisation's purpose. This subject area provides a good framework in which to further study organisational cultural intelligence further as it factors in organisational change into the equation. "Cultural organisational development" could adopt a systemic view of specifically addressing how cultural diversity can be integrated in all areas of the organisation during change.

## **Conclusions**

This report identified leadership, systems and structure and integration as factors that help New Zealand organisations develop intercultural competency. The goal of developing intercultural competency in New Zealand is not an end in itself, but rather a means to a greater end. The development of intercultural competency within the organisation must become insignificantly significant within the organisation, where it is the new normal without detracting from the organisation's vision and mission.

Like some living organisms where breathing is essential to life, but remains disguised as the organism's core activity, the development of intercultural competency within an organisation needs to facilitate and enhance the organisation's core activities without dominating. Every organisation will have a unique DNA, vision, mission and values. Key to any implementation will be integrating any elements of intercultural competency within the organisation's DNA. In this ever-changing world, the

challenge lies not only in the implementation but the on-going review and maintenance of what is envisioned as time goes by.

There is an opportunity for the leaders of New Zealand organisations to intentionally develop intercultural competency in their organisations. As the population of New Zealand changes rapidly, the skills, attitudes and behaviour that can facilitate a positive and meaningful interaction between people of different national cultures will be essential. An organisation whose leadership has embraced cultural diversity, implemented systems and policies that encourage it and regularly assess and review this will be ready to face the multicultural challenge of the 21<sup>st</sup> Century, organisation that is committed to developing intercultural competency. Culture matters.

### **Recommendations**

One purpose for undertaking this project was to provide an evidence base to apply the findings of this research in the New Zealand context. Whilst this research project barely skims the surface of this subject, it has provided some useful insights and recommendations.

Leaders of organisations need to be equipped to understand and address the impact of cultural diversity in their organisations. A culturally savvy leader will lead and manage with greater understanding of the diversity present in order to bring out the best in their team.

When the organisation encourages and celebrates cultural diversity, on-going evaluations are signposts along the journey. This will determine if valuing cultural diversity is embedded organisation-wide in such a way members see, know,

understand, adopt and embrace the organisational value. On-going intercultural awareness training within the organisation can ensure that every member of the organisation will be given the opportunity to learn, develop and contribute to the shaping of the organisation's culture.

The scope of intercultural competency development goes beyond leaders, to everyone in the organisation. Application of intercultural competency can be seen across the organisations. In the context of international students, from marketing, equipping every member of the tertiary institute to be able to teach, care and equip students from the recruitment and enrolment process, training to graduation, intercultural competency can ensure that there is less attrition, increased references and ultimately positive interactions that can only benefit everyone involved.

### **Future research directions**

The scope for future research into this area is great. Organisational intercultural competency requires a multi-disciplinary systems approach to develop further understanding and evidence that will benefit organisations. Quantifying and qualifying competency in culture is complex due to the challenge of trying to define the ever-changing nature of culture. Any future research into intercultural competency at an organisational level needs to be applicable to leaders and change agents of organisations to apply at the "coal face" for any potential benefit. There are several areas of research that remain undeveloped.

Firstly, identifying, exploring and quantifying how widely understood and accepted is the development of organisational intercultural competency amongst the leadership of organisations, in New Zealand and globally. This will inform recommendations,

policies and practices to be developed. Developing this pilot study further will help in this.

Further research evaluating organisational intercultural competency from a multi-dimensional and multidisciplinary approach incorporating systems thinking will provide answers on how to integrate the development of intercultural competency into any organisation in a dynamic environment.

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