

## **Building Effective Communications in Multinational Corporations (On the Example of International Companies)**

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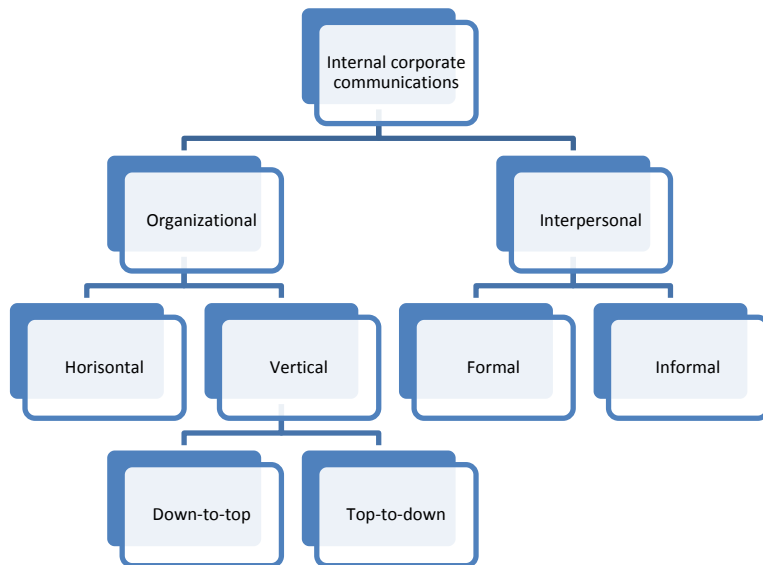
In the globalized economy and under the increased presence of multinational corporations (MNC) in the world and in Russia, in particular, human resource management becomes increasingly important. Multinational environment of transnational corporations requires new tools and practices of HR policy. The success of international corporations proves that good management in international environment of a company may have relatively more advantages than in a mononational company. Different cultures and business traditions open new opportunities for company. Multinational staff can combine a variety of professional experience and education, historical and cultural traditions, mentality and attitude to work. All of these internal factors affect the company's operations in general and on internal communication in particular.

Building an effective and mutually beneficial communications with the involvement of the representatives of different cultures require managers and staff to apply knowledge from the field of cross-cultural management, cultural tolerance, interest in cultural interaction for the overall result. Here it would be useful to figure out how the nature of internal corporate communications changes under the influence of the factor of multinational environment. Practical experience of implementing communications, which MNC accumulated in the last decades, can be useful for the formation of the theoretical foundations of cross-cultural management.

Sociocultural differences have a direct impact on internal communication. We believe that this effect deserves a separate study. Consideration of the cultural and national aspects, which are obstacles to internal communications, will allow us to formulate general guidelines for companies for minimizing barriers and effective use of intercultural differences in the interaction of staff. So, internal communication represents the information flows exchanged through the staff of company. These are (Figure 1):

- 1) Horizontal ones are when the information shared between colleagues in a company;
- 2) Vertical communication is between superiors and subordinates. They have two directions of information flow:
  - Top-to-down – information, going from management to subordinates,
  - Down-to-top – information from subordinates to high management.

Figure 1: The structure of internal corporate communications



The role of communication is impossible to overestimate. In addition to the main goal of information flow that is informing, communication also serves to obtain feedback, improve the internal linkages within the team and form a unified view of the company, its mission, strategies etc., to increase loyalty of staff.

Continuing the topic of internal communications we review the quality of information flow:

- The uniqueness of the data;
- Specificity, completeness richness of information;
- Timeliness of information delivery;
- Information should include feedback from the recipient.

Surely, in internal corporate communications there are frequent failures due to the fact that information is presented to the recipient in a distorted form, or perceived and interpreted in a wrong way. Such problems in a multinational environment are particularly noticeable. In practice, many of the difficulties in international business are resulted from cross-cultural differences. The success and effectiveness of internal communication depend on the cultural adaptation of the staff.

Let us consider the barriers (Adler, 2008) that have the greatest impact on the construction of internal corporate communication:

- Physical distance;
- The difference in time zones;
- Cultural factor;
- Ethnocentrism;
- Language competence.

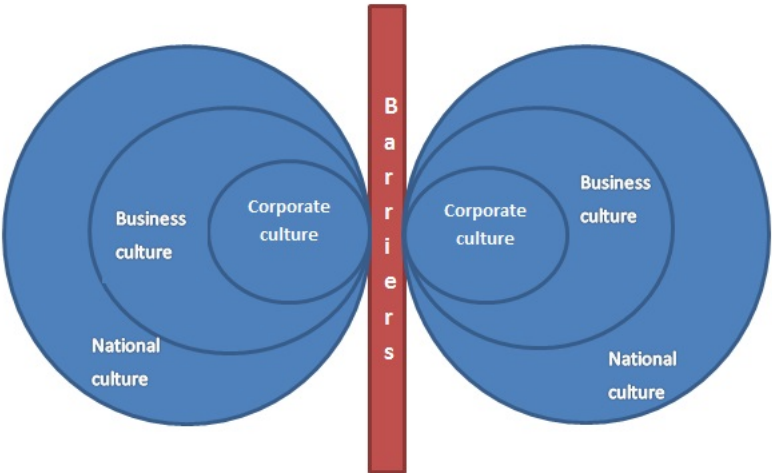
In transnational corporations well-built system of internal communications becomes more important than for companies operating within one country. This is because communication affects the branches and subunits outside national boundaries. The geographical factor itself affects the communication and can lead to inconsistent actions. Taking into account the factor of physical distance between the headquarters and branches conflict resolution becomes more serious challenge and requires more effort and time from management. Actually, the physical distance between various units of corporation is the problem for such role of internal communication, as creating a unified view of the company, ownership and involvement of all staff in the company's success.

The geographical factor is, in its turn, manifested not only in physical distance between the units of the MNCs, but also in the difference in time zones, which also creates difficultness in time management. Communications become irregular and time-conditioned that could create a feeling of isolation among branch staff. The quality of the information flow is reduced because the instant feedback between the recipient and the sender is impossible. Using only indirect channels to transfer information (email, Fax) also complicates communication, because in this case the counterparts do not have the ability to read facial expressions of each other, read body language that hinders the interpretation of information. Indirect communication spends more time than direct dialogue face to face that slows down the decision-making process.

The physical distance between subsidiaries and headquarters makes impossible non-formal interpersonal communication, which are one of the most important and informational channels within corporation. Also, upward communication from the staff of the branch to the top management of corporation is hampered by distance and lack of direct interpersonal contact.

The most important factor, which is sometimes the most insurmountable barrier to internal communication, is the cultural factor. Undoubtedly, the process of globalization is erasing some differences, making a kind of mono-environment for economic activity (Figure 2). But some characteristics of the mentality of certain nations, cultural behavior continue to influence on the character of cross-cultural communications. The strict hierarchy of the Eastern business groups may come into conflict with democratic structures, typical for Western society. The ability to take risks, to take full responsibility for yourself as the qualities of western manager are not globally accepted and should be balanced with such qualities as a desire for stability, some conservatism and collectivism of other cultures. Also transparency and secrecy of staff, attitude to time, to guide and to work itself which, of course, vary in different countries, are very important.

Figure 2: The model of cross-cultural corporate communications



Inattention to cultural differences, the desire to impose one style of behavior are typical for ethnocentric position in building internal corporate communications. The root of the problem here is that location of corporation as a specific culture is implied as the most effective for it had already made the company a huge corporation expanded its sphere of influence beyond its borders. Top management often does not admit that this culture and business style may be inappropriate and ineffective in foreign units. Thus, one reality is forcibly carried to another cultural and economic reality

that creates problems. Ethnocentrism is also evident in the fact that often 100 % of top management of MNCs consists of representatives of the headquarters' nation, which would undoubtedly be perceived by the management of foreign branches as a violation of their rights, closeness of company and impossibility to influence on the process of making the most important decisions.

Language difficulties also pose problems for internal corporate communications. The global spread of English as a communication tool in corporations still does not eliminate misunderstanding, incorrect interpretation of information. Transnational corporations, which started its history in English-speaking countries, still publish important documents on its titular language. Translating or forwarding of information to employees with language skills again takes time and slows the decision-making process. Not only vertical communication experiences problems. Horizontal informal communication between colleagues-speakers of different languages is also difficult.

Thus, internal communication in a multinational environment is influenced by a variety of barriers due to sociocultural differences and physical factors of time and distance. Experts from the Economist Intelligence Unit ([www.eiu.com](http://www.eiu.com)) has published in 2012 a report according to which 61% of multinational companies have problems in entering new markets due to cultural and language barriers. About 50% of respondents noted that mutual misunderstanding was the barrier to the conclusion of international transactions and eventually led to significant losses. Factors of influence on cross-cultural communication in this survey were as follows (Table 1).

*Table 1: Factors of influence on building internal communications in multicultural environment (%)*

The staff with necessary linguistic, communicative and business skills	43
The creation of adequate organizational structure	34
Top management support	27
Team leaders who are aware of the importance of cultural peculiarities	22
Reliable corporate technologies	20
One language for international corporate communication	19
Effective training for working in multicultural teams	13
Adequate and fair financial incentives	9
An established process of conflict resolution	3
Others	1
No answer	1

As we see from the results of the Economist Intelligence Unit ([www.eiu.com](http://www.eiu.com)) research sociocultural factors are of primary importance in the organization of intercultural dialogue in a multicultural environment of MNCs.

To build efficient information flow all these factors and their effect must be taken into account and skillfully used. Thus we shall consider the possible strategy of building internal communications according to specific influence of above mentioned differences.

An internal communication strategy in MNCs should be constructed in accordance with the objectives and participants of such communications. The main objective should be the creation of a unified information space, forming common values and understanding the mission of the company for employees. Considering the distance and difference in time zones between subsidiaries and the mother company, it is necessary to use appropriate channels of communication that will help mitigate the impact of these factors, for example, videoconferences in real time. This channel of communication will allow managers of the various units to participate directly in the decision-making process at the highest level and offer their own solutions to problems. It also saves the company's budget, because it will reduce costs of foreign business trips.

Another effective channel of internal communications is Intranet using a single language (mostly English). Single server, where staff from different countries and different departments can quickly add information and set tasks, makes communication simpler and more transparent for all parties.

As for the difference in time zones, this barrier can't be eliminated, but its influence can be levelled. For example, creating an operational group within the mother company who work during the time of foreign units. Also pre-scheduled on convenient for all the participants time video conferences can help to solve the most important issues.

Sociocultural barriers for communications are more amenable to overcome than physical ones because they involve personal characteristics. To overcome cultural differences and ethnocentric trends is possible by deepening and expanding interpersonal contacts, cross-cultural training, and multinational team-building practices.

Language barriers are significantly mitigated by the transition and translation of the corporate documents into English. In the case where English is not the native language of the parent company, it can also serve as a sort of equalizing factor, for in this case, branches and the headquarters are in equal conditions of usage of foreign language. Here we should consider the attitude of culture to non-verbal communication signals (low- and high-context cultures by E. Hall, 1959), because in some cultures the facial expressions and body language carry more information than the verbal form.

The analysis of barriers for cross-cultural communications may allow theorists of human resources management to prepare the knowledge base needed to create practical tools of implementation in a modern business environment. Becoming a proper management instrument, internal communications are keystone of competitiveness of the company and its prospects.

In international corporations, internal communications are becoming more complex features due to the multicultural environment of firm. The combination of different cultures within the staff serves both an obstacle and a potential for further development.

For overcoming and eliminating the influence of physical and cultural barriers management of corporation needs to build a system of internal communications taking into account all the differences between branches and mother organization. Such a system should not introduce uniform culture of business process organization inherent to the country of mother company culture. Strategy and internal communications system should be synthesized on the basis of harmony of interests, cultural characteristics, tolerance, and equality of mentalities. Only in this case, cultural differences will enrich the internal interaction and not complicate it. In its turn successful internal communication would lead to successful business operations in general.

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