# Building effective communications in multinational corporations

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In the globalized economy under the increased presence of multinational corporations (MNC) in the world and in Russia, in particular, human resource management becomes increasingly important. The Multinational environment of transnational corporations requires new tools and practices of HR policy.

The success of international corporations proves that good management in the international environment of a company may have relatively more advantages than in a mono-national company. Different cultures and business traditions open new opportunities for a company. Multinational staff can comprise people with various 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 internal communication, in particular.

Building effective and mutually beneficial communications amongst representatives of different cultures requires managers and staff to apply knowledge from the field of cross-cultural management and demonstrate both cultural tolerance and interest in cultural interaction for the overall result.

On that note, it would be useful to figure out how the nature of internal corporate communications changes under the influence of the multinational environment. Practical experience of implementing communications, which MNCs 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 how to minimize barriers and use intercultural differences in the interaction of staff effectively.

So, internal communications represent information flows exchanged by the staff of a company. Two groups of internal communications can be distinguished (**Figure 1**).

**Figure 1. The structure of internal corporate communications**

## ПОСТРОЕНИЕ ЭФФЕКТИВНЫХ КОММУНИКАЦИЙ В МНОГОНАЦИОНАЛЬНЫХ КОРПОРАЦИЯХ

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**Аннотация:** В статье подчеркивается необходимость создания новых инструментов в кадровой политике из-за нового характера внутренних коммуникаций в рамках многонациональных корпораций. Авторы дают определение термину «информационный поток» и описывают его двумя категориями. Кроме того, в статье рассматриваются барьеры, которые влияют на корпоративную связь, а также пути их преодоления.

**Ключевые слова:** внутренние коммуникации, транснациональные корпорации, барьеры, мультикультурная среда, культура.

1) Horizontal communication, which is the information shared between colleagues in a company.

2) Vertical communication, which is the information shared between superiors and subordinates. There are two directions of the information flow in this category:

● top-to-down – information, going from the management to subordinates;

● down-to-top – information from subordinates to the high management.

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

When considering the subject of internal communications, one has to bear in mind the following properties of the information flow:

● uniqueness of data;

● specificity and completeness of information;

● timeliness of information delivery;

● 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 by the recipient. Such problems in the multinational environment are particularly noticeable. In practice, it is cross-cultural differences that become the cause of many of the difficulties in international business. The success and effectiveness of internal communications depend on the cultural adaptation of staff.

Let us consider the barriers [Adler, 2008. P. 198] that have the greatest impact on the construction of internal corporate communication. They are as follows:
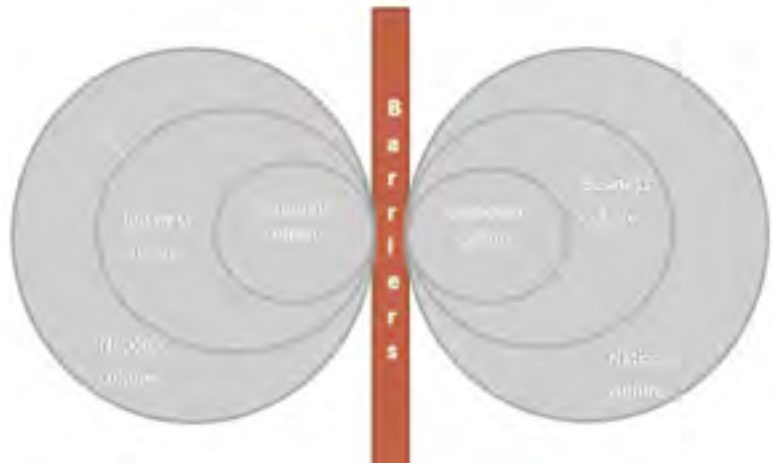
• physical distance;

• the difference in time zones;

• the cultural factor;

• ethnocentrism;

• language competence.

In transnational corporations, a well-built system of internal communications becomes more important than in companies operating within one country. This is because communication affects the branches and subunits outside the national boundaries. The geographical factor itself affects the communication and can lead to inconsistent actions. Conflict resolution becomes a more serious challenge and requires more effort and time from management when the factor of physical distance between the headquarters and branches is considered. Actually, the physical distance between various units of a corporation poses a problem for such a role of internal communications

as creating a unified view of the company, providing a sense of ownership and involvement of all staff in the company's success.

The geographical factor, in its turn, is manifested not

**Figure 2. The model of cross-cultural corporate communications**

only in physical distance between the units of MNCs, but also in the difference in time zones, which also creates difficulties 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 as well as body language, which consequently hinders the interpretation of information. Indirect communication takes more time than a direct face-to-face dialogue thereby slowing down the decision-making process.

The physical distance between subsidiaries and headquarters makes it impossible to maintain non-formal interpersonal communication, which is one of the most important and informational channels within a corporation. Furthermore, upward communications connecting the staff of a branch with the top management of a corporation are hampered by distance and a 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, creating a kind of mono-environment for economic activity (**Figure 2**). However, some characteristics of the mindset of certain nations and cultural behavior continue to influence the character of cross-cultural communications. The strict hierarchy of Eastern business groups may come into conflict with democratic structures, typical for Western society. The ability to take risks

and to take full responsibility upon yourself, which is characteristic of a western manager, is not globally accepted and should be balanced with such qualities as a desire for stability, some conservatism and collectivism of other cultures. Other very important aspects to keep in mind are transparency and secrecy of staff; attitude to time, to guidance and to work itself, which, of course, vary in different countries.

The neglect of cultural differences and the desire to impose one style of behavior are typical for the ethnocentric position in building internal corporate communications. The root of the problem here is that the specific culture of a corporation is regarded as the most effective because it has already helped turn the company into a huge corporation, which expanded its sphere of influence beyond its borders. The top management does not often admit that this culture and business style may be inappropriate and ineffective in foreign units. Consequently, one reality is forced onto another cultural and economic reality, which invariably creates problems. Ethnocentrism is also evident in the fact that 100 % of the top management of MNCs often consists of representatives of the headquarters' nation, which would, undoubtedly, be perceived by the management of foreign branches as a violation of their rights, impossibility to influence the process of making the most important decisions, and the company being closed-off.

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 and incorrect interpretation of information. Transnational corporations, which did not start off in English-speaking countries, still publish important documents in their own language. Translating or forwarding information to employees who speak the language takes time and slows the decision-making process. Moreover, it is not only vertical communication that experiences problems. Horizontal informal communication between colleagues speaking different languages is troublesome as well.

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[1] have published a report in 2012, according to which 61% of multinational companies have problems in entering new markets because of cultural and language barriers. About 50% of respondents noted that mutual misunderstanding was the barrier to the conclusion of international transactions, and it eventually led to significant losses. The factors of influence on cross-cultural communication from this survey are given in **Table 1**.

**Table 1. Factors of influence on building internal communications in the multicultural environment (percentage, %)**

| | |
|---|---|
| The staff with necessary linguistic, communicative and business skills | 43 |
| The creation of an 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[2] research, sociocultural factors are of primary importance in the organization of intercultural dialogue in the multicultural environment of MNCs.

To build an efficient information flow, all these factors and their effect must be taken into account and skillfully used. Further in the article, let us consider a possible strategy of building internal communications according to the specific influence of the 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 factor and differences 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 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.

As for differences in time zones, this barrier cannot be eliminated, but its influence can be offset. For example, one way to do that would be to create an operational group within the mother company which will work during the time of foreign units. Video conferences scheduled for a time convenient for all the participants

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1   The Economist Intelligence Unit // http://www.eiu.com/

2   The Economist Intelligence Unit // http://www.eiu.com/

can help to solve the most important issues too.

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

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

Language barriers are significantly mitigated if a company switches to English and translates the corporate documents into English. In the case when English is not the native language of the parent company, it can also serve as a sort of an equalizing factor, since, in this case, branches and the headquarters are in equal conditions with regard to using a foreign language. Moreover, we should bear in mind the attitude of a culture to non-verbal communication signals (there are low- and high-context cultures, according to E. Hall [Hall, 1959. P. 73]) because in some cultures 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 a company and its prospects.

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

In order to overcome and eliminate the influence of physical and cultural barriers, the management of a corporation needs to build a system of internal communications taking into account all the differences between branches and the mother organization. Such a system should not introduce the culture of business process organization inherent to the country of the mother company. The strategy and the 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 rather than complicate it. Successful internal communication, in its turn, will lead to successful business operations in general.

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**Summary:** The article emphasizes the need for new tools in HR policy because of the new character of internal communications within multinational corporations. The authors give a definition of the term "the information flow" and describe its two categories. The article goes on to discuss barriers that influence the corporate communication and how these barriers can be overcome.

**Keywords:** internal communication, multinational corporations, barriers, the multicultural environment, a culture, overcome.