

**MONASH UNIVERSITY
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**MANAGING ETHNIC DIFFERENCES IN THE
GLOBAL ORGANISATION**

**AN ANALYSIS OF THE CHANGES IN
RELATIONSHIP MARKETING WITH THE GROWTH
OF ETHNOCONSUMERISM**

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Abstract

The study of relationship marketing in multicultural markets has previously viewed the ethnic population as a separate culture due to the origin of the research and texts. These market segments have grown significantly in relevance due to the increase of global organisations and these include both overseas countries and diverse local communities. These multicultural sectors contain ethnic groups whose spiritual beliefs are no longer a sub cultural factor as usually described in western text. The significant growth in the overall ethnic influence changes the assumptions included in management, relationship marketing, customer satisfaction and the standard required to progress from a pluralist to a genuinely multicultural global organisation. This paper reviews the factors for consideration in the growth of this market.

MANAGING ETHNIC DIFFERENCES IN THE GLOBAL ORGANISATION

INTRODUCTION

Karpin (1995) states that the future for Australia requires: workplace reform, corporate globalisation and a new paradigm of management requiring development to achieve international competitiveness. These are the challenges of the Asia - Pacific century with changing cultures, incorporating the talents of diversity and achievements of best management development practice.

Specifically, the need to develop skills for international and multicultural diversity are included in the Karpin recommendations (1995). The new paradigm of management and management profiles includes: global focus, organisational learning, multicultural management, gender balance and empowerment, concluding that cross-cultural management competitiveness is imperative.

This paper examines the growth of this ethnic subculture to the now significant major culture for some organisations in terms of target markets (Schiffman & Watson, 1997). For example, SBS TV is now a major channel and the Greek population in Australia is larger than the Greek population in Greece. In yet another example, there are an estimated 1,000 Muslim students of both Australian and international origin studying at Monash University (Salaam Monash, 1999).

This view is further reinforced by the fact that 'Australia is one of the most culturally diverse nation in the world with approximately one quarter of the population of non-English speaking background and over 130 different languages' (McKenna, 1999, p. 123). With the growth of multicultural diversity in Australia, there is a need for the effective and efficient management of diversity in the workforce. Therefore, the question arises, what is the true definition and behavioural standards for a multicultural organisation? Is the position of not knowing what you do not know concerning people's core values an acceptable level of performance?

ETHNOCONSUMERISM

Ethnoconsumerism studies consumption within a given social group or culture and its theoretical framework. This is not a method but a study of connections between cultural categories. This requires an understanding of the underpinning of events and actions (Costa & Bamossy, 1995). This therefore reflects the concept that research is conducted on sample populations and may not be cross-culturally transferable in terms of place and time (Wrathall & Townsend, 1997). Of particular relevance is that these western sample populations include Christian principles and values, not those of today's multicultural population.

The term ethnic has previously referred to cultural groups outside their nation of origin (e.g. Mexicans in America) but these are now becoming part of our national culture and global, borderless world. Ethnic is also referred to in Webster's Dictionary (1986) as 'relating to gentiles not converted to Christianity'. This also relates to cultural manners and the fact that total assimilation has not occurred and thus there is a need for the inclusion of spiritual beliefs in the analysis of relationship marketing to ensure organisation long term success based on customer assessment of satisfaction and loyalty. In addition, there is a tendency for global organisations to assimilate rather than acculturate with an underlying ethnocentric philosophy. This is often reinforced indirectly by structural systems and communication channels. Examples are the use of English in education with western text, research and case studies and the fact that Australia is part of the Commonwealth, subject to the Queen who is 'defender of the faith', that is, Church of England. This is reflected in today's Bachelor Degrees named as a historical result of the Knight Bachelor title (Townsend, 1997).

MANAGEMENT OF CUSTOMER RELATIONSHIPS

The management of customer relationships has emerged as a major focal point for business strategy during the past decade, and this can be attributed to factors such as the blurring boundaries between markets or industries, an increasing fragmentation of markets (Shani & Chalan, 1992), shorter product life cycles, rapid changing customer buying patterns and more knowledgeable and sophisticated customers. In addition, other explanations for the shift towards a relationship orientation in marketing include the continuing growth of the service economy as well as the increasing competition in the current marketplace (Lehtinen, 1996). Due to the above reasons, the philosophy of relationship marketing is being advocated more and more strongly by managers in the service industry (Gummesson, 1994).

The management of customer relationships in the service industry is critical for many reasons. Firstly, as Lovelock (1983) points out, many services by their very nature require ongoing membership (e.g., insurance, cable television). Even when membership is not required, customers may seek on-going relationships with service providers to reduce their perceived risk in evaluating services characterised by intangibility and credence properties. In addition, due to the intangibility of services, customers are more likely to form relationships with individuals and with the organisations they represent than with goods (Bendapudi & Berry, 1997). Finally, employees play a major role in shaping the service experience as the interface between the service and its provider is inseparable, therefore, the service setting is especially conducive to customers forming relationships in services. This is also relevant to management education and the relationship between a university and its students. Consequently, there have been calls for greater attention to the role of relationships in services (Gronroos, 1990; Gummesson, 1987; Sheaves & Barnes, 1996).

Despite the growing importance and emphasis on relationship marketing, the operationalisation of this concept is still unclear: What are the components of the relationship marketing process? What are the benefits of relationship marketing? How are relationships developed and maintained over time in a multi-cultural environment? To date, there seems to be a lack of studies investigating customer relationship marketing in a multi-cultural environment, especially from a spiritual perspective. This area warrants important attention, as spirituality has been found to be a significant factor in the analysis of multi-cultural management.

RELATIONSHIP MARKETING

The concept of relationship marketing emerged within the fields of service marketing and industrial marketing (Christopher, Payne & Ballantyne, 1991; Gronroos, 1989; Gummesson, 1987; 1993; Jackson, 1985). The phenomenon described by this concept is strongly supported by ongoing trends in modern business. Gronroos defines relationship marketing in the following way: "Relationship marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises" (1990, p. 138). Such relationships are usually, but not necessarily always long-term. Establishing a relationship with a customer can be divided into two parts: to *attract* the customer, and to *build* the relationship with that customer so that the economic goals of that relationship are achieved.

Proponents of the relationship marketing school such as Gummesson (1996) see relationship marketing as relationships, networks and interactions. In the network approach, markets are described as sets of interconnected exchange relationships between actors controlling resources for production (Johanson & Mattsson, 1992). Cooperation and interdependence are central features of network organisations, and these innovative organisation forms fall clearly into the domain of relationship marketing (Cravens & Percy, 1994).

CULTIVATING LONG-TERM RELATIONSHIPS WITH CUSTOMERS

In today's changing global environment, organisations are searching for innovative ways to achieve competitive advantage, increase customer loyalty and improve efficiency. Confronted with these challenges, marketers are differentiating their product service offerings by cultivating long-term relationships with their customers, who are setting new standards for service excellence (Javalgi & Moberg, 1997).

Some business analysts have suggested that the cost of recruiting a new customer is five times more than the cost of retaining an existing customer (Barsky, 1994; Reichheld & Sasser, 1990). Doing business with continuing customers saves money on a variety of recruitment costs, such as the costs of advertising to entice new customers and the costs of setting up new accounts. In addition, continuing customers profit the organisation more than by saving on costs, as these customers progress to buy a more comprehensive product line from the supplier (Mittal & Lassar, 1998). The longer an organisation can keep a customer, the greater the life-time revenue the organisation can derive from the customer. Furthermore, as revenues increase from the same customer, the costs of serving the customer decline. Therefore, customer retention is an important source of long-term business success (Rust & Zahorik, 1993), and building a relationship with a customer is a good way to retain that customer in the long-term (Sheaves & Barnes, 1996).

RELATIONSHIP MARKETING DEFINED

Relationship marketing has been defined in several ways. Berry (1983) defined relationship marketing as attracting, maintaining and – in multiservice organisations – enhancing customer relationships. Similarly, Jackson (1985) referred to industrial relationship marketing as efforts oriented toward strong, lasting relationship with individual accounts. Predominantly among most definitions of relationship marketing is the view that buyer-seller encounters accumulate over time, and opportunities exist to transform individual and discrete transactions into relational partnerships (Czepiel, 1990). This view supports the notion that a relationship exists when an individual exchange is assessed not in isolation, but as a continuation of past exchanges likely to continue into the future. Perceived in this way, customer acquisition is only an intermediate step in the marketing process, with the ultimate goal being to strengthen already strong relationships, and to convert indifferent customers into loyal ones (Berry & Parasuraman, 1991). Today, relationship marketing may be used to describe a plethora of marketing relationships, such as those between a firm and its buyers, suppliers, employees and regulators (Morgan & Hunt, 1994).

Multidimensional in nature, relationship marketing as a theoretical construct has been studied in terms of a variety of interrelated concepts, and some of the prominent relationship building dimensions include trust, commitment, relationship age and relational bonds. In this instance, relational bonds have relevant applicability to the concept of multiculturalism, and this will be discussed below.

RELATIONAL BONDS

Relational bonds are the psychological, emotional, economic or physical attachments in a relationship that are fostered by association and interaction and serve to bind parties together under relational exchange (McCall, 1970; Turner, 1970). Researchers in the relationship marketing field have conceptualised several types of relational bonds, namely financial, social, functional and structural bonds (Berry, 1995; Thibaut & Kelly, 1959; Turner, 1970; Smith, 1998; Wilson, 1995). Social exchange theory (e.g., Homans, 1961) suggests that relational bonds are developed through a series of successive interactions. These interactions, successful or unsuccessful, are interdependent and provide a context or history that draws and keeps parties together and shapes their interaction (Smith, 1998). As such, financial, social, functional and structural bonds provide the context or bases from which relational outcomes such as trust and commitment are evaluated. These four types of relational bonds will be further elaborated below.

FINANCIAL BONDS

Financial bonds are primarily pricing incentives that are used to secure customers' loyalty (Berry, 1995). For example, financial bonds such as frequent flyer or buyer programs deter customers from breaking off their relationship with the firm because of their level of investment in the program that are translated into the several thousand points already accumulated (Dwyer, Schurr & Oh, 1987). Other forms of financial bonds include higher interest rates for longer duration bank accounts and a free haircut after seven paid hair cuts. Although financial bonds serve to bind the customer to the firm, such bonds are relatively weak, as price is the most easily imitated element of the marketing mix. Within three years of American Airlines establishing AAdvantage frequent flyer program, 23 other airlines followed suit by offering their own frequent flyer programs (Stephenson & Fox, 1987). Furthermore, customers interested in pricing incentives are particularly vulnerable to competitor promotions and these customers are likely to switch when a competitor offers similar services and benefits at more attractive pricing incentives.

SOCIAL BONDS

Social bonds are personal ties or linkages forged during interaction at work (Turner, 1970). They include the degree of personal friendship and liking shared by a buyer and seller (Wilson, 1995), as well as linking of personal selves or identities through self disclosure; closeness providing support or advice; being empathetic and responsive; feelings of affiliation, attachment, or connectedness; and shared experience (Turner, 1970). Social bonding involves personalisation and customisation of the relationship, for example, communication with customers regularly, referring to customers by name during transactions, providing continuity of service through the same service provider, and augmenting the core service with additional activities (Berry, 1995). Wilson and Mummalaneni (1986) found that buyers and sellers who have a strong personal relationship are more committed to maintaining the relationship than less socially bonded partners. In other words, a patient who likes his/her physician is more satisfied and is also more likely to be associated with the doctor-patient relationship. Finally, a social relationship may prompt customers to be more tolerant of a core service failure or to give a company an opportunity to respond to competitor entreaties. However, in the case of some universities, these bonds exist between clearly differentiated cultural groups and the essentially western central management structure. Examples are the Overseas Students Associations sub-divided into e.g. Muslim Students Association, Students Bible Association, and conducting activities and extending membership only to a selected group of students (Salaam Monash, 1999). These efforts being made are essentially those of a pluralist organisation, rather than a genuinely multicultural organisation.

FUNCTIONAL BONDS

Functional bonds are the multiplicity of economic, performance, or instrumental ties or linkages that serve to promote continuity in a relationship (Smith, 1998). Functional bonds are created by the economic, strategic, technological (knowledge or information), and instrumental (product or service related) benefits derived by the exchange parties (Turner, 1970). These benefits are evaluated in comparison with alternative relationships, either experienced or suspected (Smith, 1998). Therefore, functional bonds draw on the exchange theory concept of comparison-level given alternatives (Thibaut & Kelly, 1959).

Organisations not recognising the opportunity of Australia's multicultural society from which to learn and improve service will be second preference in the alternative choice decision process of consumer behaviour. This managing diversity to achieve competitive advantage is an opportunity to succeed or fail in the year 2000 Olympics. Qantas, for example, realises this in reference to international cuisine and service (Stone, 1998). It is particularly important that organisations should not offend specific ethnic groups and create negative, affective assessment of service quality in the minds' of consumers, as this inevitably affects relationship longevity and long-term profitability (Storbacka, Strandvik & Gronroos, 1998). For example, providing beef to Hindus, ham to Muslims, cheeseburgers to Jews, alcohol to Arabs or offending specific

groups by inappropriate clothing, body language or eye contact will create difficulties in the service delivery process.

STRUCTURAL BONDS

Structural bonds are ties relating to the structure, governance, and institutionalisation of norms in a relationship (Smith, 1998). Structural bonds develop over time as the level of investments, adaptations, and shared technology grows until a point is reached when it may be very difficult to terminate a relationship (Wilson, 1995). Firms with high levels of structural bonding were found to have a higher level of commitment to the continuance of the relationship than firms with lower levels of structural bonding (Han & Wilson, 1993). When marketers offer target customers value-adding benefits that are not readily available elsewhere, they create a strong foundation for maintaining and enhancing relationships. That is to say, the rules, policies, procedures, or agreements that provide formal structure to a relationship; the norms or routines that informally govern interaction; and the organisational systems and technologies that enable or facilitate interaction can provide psychological, legal, and physical ties that bind parties to a relationship and make it difficult for them to consider other exchange partners (Smith, 1998).

RELATIONSHIP MARKETING FROM A SPIRITUAL PERSPECTIVE

This prism of perception in the assessing of customer satisfaction applies to the one million people in New South Wales who were born overseas, 28% of whom are non-English speaking (ABS, 1990). Thus their home country culture is perhaps their national culture and this forms a basis for belief. As a result, in multicultural Australia, it is hard to find truth by any philosophical, spiritual or rational methodology.

Moreover, decisions involving religious beliefs occur at: national level (elections, wars), organisational (ethics, E.E.O.), group (management) and individual (conflict resolution) levels. As can be seen, the present political leaders in Australia are self stated Christians from traditional schools, but for how much longer, with the spiritually different ethnic groups now constituting a significant market share in Australia?

We are changing from essentially a traditional, non religious, rational western theories based on scientific research with rational business decisions (Mintzberg, 1979; Costello & Zalkind, 1963) to a eastern wisdom founded in spiritually given guidance. For many people, their religious beliefs are always with them. These non-negotiable principles directly influence the cultural ethics of their decision making, especially in instances when their actions will be judged by other people or additionally by a higher order. Examples are the Islam's view on sex, where a woman can be jailed for sex before marriage, the non acceptance of private health funds where god is the provider of good health and the Hindu's codes of 'dress' (trousers) for women and turbans for men rather than safety equipment. A further example is the provision of non-Halal BBQ meat at a university orientation week, which is a symbol of insensitivity to the needs of certain multicultural and ethnic student groups. This lack of empathy marginalises students' emotions and attitudes, and this has a detrimental effect on students' behavioural outcomes such as loyalty and word-of-mouth advertising. For many, these cultural beliefs are fundamental to decisions about behaviour, especially in the workplace context in Australia.

MULTICULTURAL CONCEPTS

The nature of cross-cultural research is that limitations such as generalisability and inaccuracies are inevitable, therefore, focus should be diverted on synergy instead. That is to say, attention should be given to valuing diversity, combined with other independent variables (e.g. structure, leadership) that create supportive behaviour.

These types of potential conflict require the redefining and reframing of management decision making models in this changing multicultural context. A recent survey (Towers, 1991) found that of the 645 companies surveyed, 75% recognised the need for this type of training, but only 29% took action, mainly due to a fear of exposing negative attitudes. In other words, the transformational leadership for cultural change was not sufficient to change the ethos.

While several authors have differentiated between national cultures (Hofstede, 1980), the dimensions used do not directly involve spirituality. However, Barnwell and Pratt (1998) are an exception. The authors state that "globalisation has created connection and conflicts in our present multicultural world. Like national culture, religion and ethnicity influence on individual and groups ideology". Ethnicity is difficult and hard to question. This therefore forms an area of management that is non-negotiable, but equally forms a unique opportunity for those who can harness these differences as building blocks for the organisation. Ethnicity groups are no longer minority groups as they participate increasingly in world trade. This can be seen in the following situations.

Islam has 1.2 billion followers; Muslims populate the world from Arab through to Malaysia and Indonesia. Not all Islam is fundamentalist that is, submitting totally to the 'Will of God'. Based on revelations to the prophet Mohammed in the Koran, Allah created Moses, Jesus and Mohammed. However, Islamic faith cannot be separated from normal life. The prophet is omnipresent owning all property and creating destiny (Ayoub & Mahmoud, 1992). This creates a management problem where the western democratic concepts of separation of politics and religion are accepted. Muslims also require time to pray five times a day, facing Mecca. They are, however, pro market forces and businesses with profit being 'God's bounty'. Strict prohibitions apply however: alcohol, drugs, gambling and the charging of interest. The Islamic world view of conventional banking with money lending is against the principle of the Koran. Interest (riba) is forbidden but a variety of methods similar to hire purchase exists (Siddiqi, 1985). Insurance (ghorar) is a form of gambling but can be used if it relates to known risks. Food also has special rights especially to the poor. Therefore, managers who make decisions contrary to these spiritual beliefs risk being termed 'Satan'.

The next major religion is that of Buddhism and the four noble truths. This is practice in Sri Lanka, Burma, Vietnam, North Asia, China and Japan and is also involved with Hindu tradition. Life is suffering, desire itself defeating, we cannot possess that which is external to us. Solutions, however, are possible by the eight fold path and Buddhist practice: right morality, discipline, livelihood, leading to Karma, escape from rebirth and eventually Nirvana (Pascale, 1978).

There are 29% of Chinese in Malaysia (61% of share capital) and 77% in Singapore (Barnwell & Pratt, 1998). As a culture they tend to run their own businesses and are family and education oriented (Stone, 1995). Confucianism, as a long term view, is part of Chinese attitudes and is also common to Zen Buddhism in Japan where there is an emphasis on the gathering of facts before making a decision (Hofstede & Bond, 1988). Meditation to establish truth is also relevant. The Chinese philosophy of Confucianism extends into Korea, Japan and Taiwan. These Asian values have six headings: antiquity, government by virtue and authoritarianism, education, diversity, family and filial piety. These values are seen as relevant to survival and certainty in changing times. Other Chinese values include: good luck, astrology and the calendar, yin and yang, feng shui and chi (breath of life) (Barnwell & Pratt, 1998).

Finally, Christianity with the Bible, Old and New Testament, involves the concept of creation (Genesis) and the Ten Commandments. From the birth of Christ (year 0), in the 2000 years there are now the branches of Catholic, Protestant, Anglican and Orthodox. The main difference is that church and state are separate unlike Pakistan, India, Japan and Korea. Christianity is linked with Capitalism and does not exclude entry to heaven on earth or above. Now each religion has a nuclear bomb to defend its spirituality (Sheridan, 1998).

NEW PARADIGM

As stated earlier, the nature and benefits of cross-cultural research are such that some inaccuracies are inevitable and the focus should be on understanding (Hofstede, 1991). More specifically, consideration should be given to how culture, combined with other independent variables (e.g. structure, leadership decision making) can be included in a more relevant conceptual model (Nakata & Sivakumar, 1996).

These ethnic 'subcultures' of multiculturalism require recognition regarding management, consumer behaviour, as well as multicultural manners such as food, drinks and religions (Dresser, 1996). For some geographic areas in Australia, these previous subcultures are now becoming the dominant culture and consist of approximately 50% of the population not relating to western philosophies. Although race and religion are not suitable market segments, they can be included in an overall model of management, conflict resolution and decision making (Trice & Beyer, 1998).

This requires a new model beyond the traditional with the core of spiritual belief as part of the management or consumer behaviour decision process, central to all other factors at all levels. It affects the rational short term physiological approach, social groups, personal esteem and is fundamental to the perception of self actualisation and ultimate enlightenment. Essentially, whilst being related to rational democratic processes, it is the essence of the non rational environment of the core decision. These multicultural and different non negotiable beliefs create a potential for conflict. The use of western hierarchical models based on a place in time and geography is no longer relevant. A new paradigm is required, recognising the difference of the inclusion of religious principles as central to decision making processes.

The development need for the learning organisation should be to identify comparative advantage from diverse spiritual beliefs. Moreover, they should also develop strategies to manage the potential conflict and dilemmas inevitably arising from the translation of religious edicts into practical work place operation. Examples include: different codes of ethics in organisational effectiveness, racial discrimination legislation, religious codes of dress and holidays, eating habits, international marketing and consumer behaviour.

CONCLUSION

Global education, as a function of management, requires enlightened vision to unify the diversity of attitudes, values and beliefs in the organisation culture relevant to achieving corporate objectives. This management of spiritual diversity requires a new paradigm. This requires the realisation that multicultural groups and their spiritual differences can be harnessed to create building blocks for organisational capability. Subsequently, there is a need to 'challenge culturally bound mindset' and 'learn from other cultures' (Ford, 1998).

This requires more than reading and for genuine mutual understanding communication of a non confrontational type, possibly with the use of third parties to take advantage of the opportunities for Australia (Ramsay, 1998). There is also a need for new paradigms and the practical adaptation of these by collaboration and sensitive respect for strength of diversity of different cultures. It is therefore essential for leadership to inspire this relevant area for learning.

The term multicultural as defined by DIMA means the cultural and ethnic diversity of Australia. Multiculturalism is responding to this diversity by the process of: cultural identity; social justice and economic efficiency. This means progressing from monolithic organisations which are usually ethnocentric towards plural organisations which are usually polycentric with tendencies towards homogeneity and assimilation to the destination of the multicultural organisation which is geocentric, values diversity and is actively involved in acculturation (Harris & Moran, 1990).

Thus the needs are for:

1. Awareness and sensitivity to difference;
2. Dynamic processes for solving problems in relationships;
3. Adapting to internal and external change; and
4. Integration and synergy.

(Trompenaars, 1995)

And the methods available are:

- Formal education (theory based methodologies);
- Training and development course (knowledge and skills); and
- Work experience and relationships (experiential / action learning).

(Karpin, 1995)

In addition, Australia has the substantial benefit of a multicultural society from which it can learn about cross-cultural issues and should provide a source of motivation for globalisation. However, the detailed, comparative, evaluation and effectiveness of these methods with their application for inter-cultural effectiveness is not clearly established (Harris & Moran, 1990). This significant opportunity of translating cultural beliefs into a reframed multicultural management education is the challenge for the new millennium.

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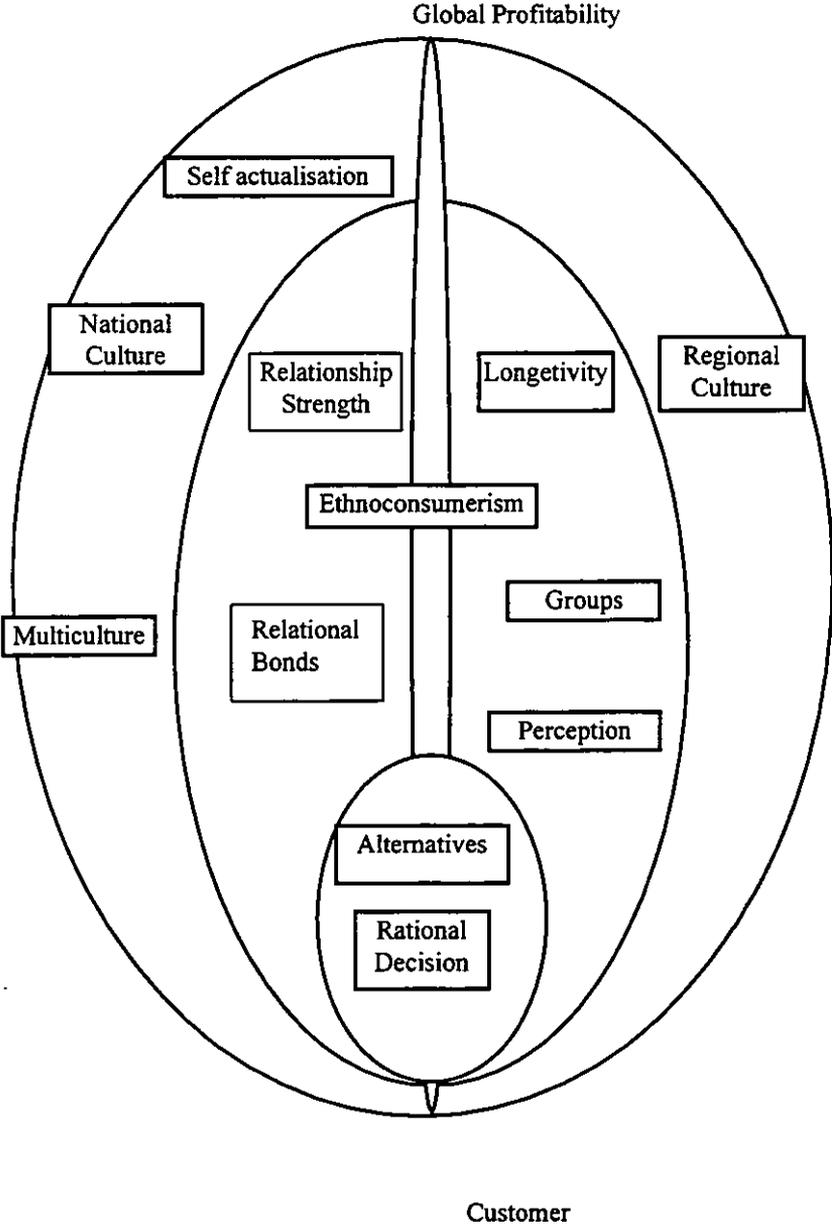
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