Implications of Cultural Environment for International Business

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ABSTRACT

To understand culture and the cultural environment is crucial for an international business company as cultural environment is an important component of business environment for multinational companies to succeed in product development, promotion, business negotiations, human resource management and management of social and political environment, it essential to understand the cultural dimension at the international level. Doing business in an unfamiliar cultural environment may cause several problems. Several multinational companies over the years have encountered serious operational problems due to failure to comprehend fully the cultural disparities. In this paper an attempt has been made to discuss the concept of culture, nature and levels of culture, need for cultural awareness, causes of cultural differences, rigidities and changes, elements of culture, behavioural factors affecting conduct of business international and finally the paper will explore why business and individuals adjust/ do not adjust to another culture.

Introduction

Culture is not just an abstract concept. It does not mean only selling music, movies, flowers or books to overseas markets. It means several things to an international manager. Every action taken by him/her needs to be in tune with the culture of the land.

In true sense, culture is understood as that complex whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by an individual as a member of society.

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The impact of culture seems to be more significant than vice versa. The vocabularies of all languages reflect cultural nuances of the societies. If a society is endowed with highly advanced technology (as it happens in rich countries), the language of that society contains such technical jargon as computers, laptops, BPO, call centers, e-mails, internet, iPods, software, websites, and the like. Similarly, professional occupations such as software engineer, accountant, professor, philosopher and scientist find their place in the language of a society that is rich in specialized occupations. Thus, any standard language enables its users to adapt most effectively to their environment by providing a conceptual lexicon most suited to its culture.

In some societies of the world, the influence of culture on language is a deliberate and political process. In France, the Academic Franchise has been serving as a forum of language police, protecting the French from having to accept foreign words into their language. High-tech words,

which sprung up after the Internet -evolution (such as www, spam, virus), have entered many other languages, but the 'language police' has succeeded in preventing such intentions. The French, for more than 350 years, have supported Academic Franchise whose mission is to keep non-French words out of their language.

The world's languages can be classified, based on whether the message conveyed is explicit or implicit, into two groups. Languages in which people state things directly and explicitly are called low context. The words provide the meaning. There is no need to interpret the situation to understand the import of the words. Languages in which people state things indirectly and implicitly are called high context. In the high context language, communications have multiple meanings that can be interpreted only by reading the situation in which they occur. So important are the ideas of high and low context that many people refer to the whole culture as being high and low context.

Most northern European languages, including German, English and the Scandinavian languages, are low context. People use explicit words to communicate direct meaning. In contrast, Asian and Arabic language are high context. In Asian languages, often what is left unsaid is just as important as what is said. Silent periods and the use of incomplete sentences require a person to interpret what the communicator does not say, by reading the situation. Arabic introduces interpretation into the language with an opposite tack. Extensive imprecise verbal and non-verbal communication produces an interaction where reading the situation essential for comprehending intent.

THE NEW WARS OF RELIGION

A religious fanatic feels persecuted, goes overseas to fight for his God and then returns home to attempt a bloody act of terrorism. Next week, as Britons celebrate the capture of Guy Fawkes, a Catholic jihadist under the Houses of Parliament in 1605, they might reflect how dismally modern the Gunpowder plot and Europe's wars of religion now seem.

Back in the 20th century, most Western politicians and intellectuals (and even some clerics) assumed religion was becoming marginal to public life; faith was largely treated as an irrelevance in foreign policy. Symptomatically, State Department diaries ignored Muslim holidays until the 1990s. In the 21st century, by contrast, religion is playing a central role. From Nigeria to Sri Lanka, from Chechnya to Baghdad, people have been slain in God's name, and money and volunteers have poured into these regions. Once again, one of the world's great religions has a bloody divide (this time it is Sunnis and Shias, not Catholics and Protestants). And once again, zealotry seems all too relevant to foreign policy, America would surely not have invaded Iraq and Afghanistan (and be thinking so actively of striking Iran) had 19 young Muslims not attacked New York and Washington.
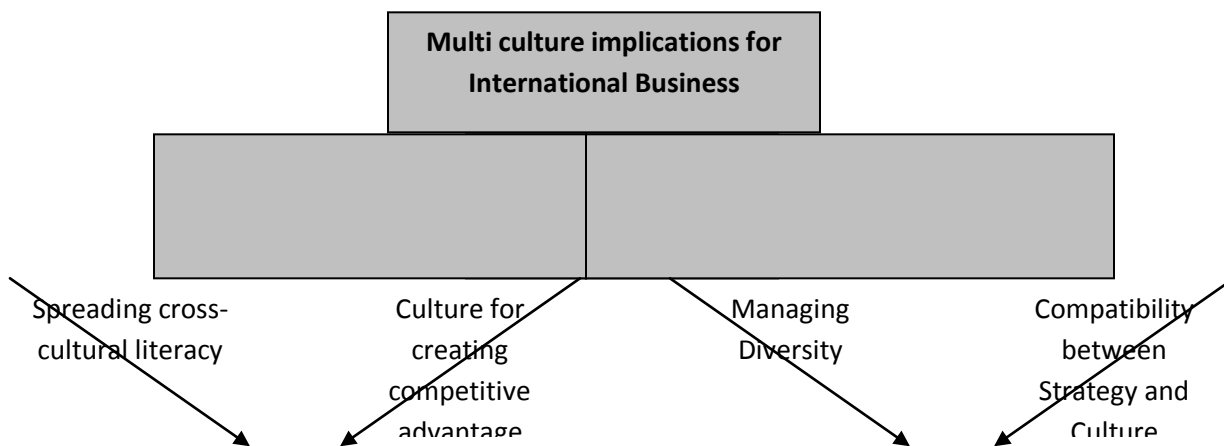
It does not stop there. Outside Western Europe, religion has forced itself dramatically into the public square. In 1960, John Kennedy pleaded with Americans to treat his Catholicism as irrelevant; now a born-again Christian sits in the White House and his most likely Democrat replacement wants voters to know she prays. An Islamist party rules once secular Turkey; Hindu nationalists may return to power in India's next election; ever more children in Israel and Palestine are attending religious schools that tell them that God granted them the whole Holy Land. On present trends, China will become the world's biggest Christian country and perhaps its biggest Muslim one too. President Mahmoud Ahmadinejad of Iran, not usually a reliable authority on current affairs, got it right in an open letter to George Bush, "Whether we like it or not," he wrote, "the world is gravitating towards faith in the Almighty."

Source: The Economist, November 03, 2007

Implications of Cultural Environment for International Business

The cultural differences in different countries of the world create highly complex environment for the multinational business companies. These companies have to operate, exist and adjust with people of several national cultures and sub cultures. Following are the important implications of cultural environment for conducting international business and these are also shown in figure

1. Spreading cross-cultural literacy
2. Culture for creating competitive advantage
3. Managing Diversity
4. Compatibility between Strategy and Culture

Multi culture implications for International Business

Spreading cross-cultural literacy　　Culture for creating competitive advantage　　Managing Diversity　　Compatibility between Strategy and Culture

Implications of Multi culture for International Business

1. Spreading cross-cultural literacy

The international business fails if the host country's cultures are not properly understood.

- International manager must note that for success there should be minimum deviation from local manners and customs.
- In order to spread cross cultural literacy, local citizen may be appointed to do business in a particular culture.

- Advisors may be appointed from the host country to understand the cultural values of that country. Infosys is now adopting this approach to increase in hold in other countries. Box. reveals this tendency

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INFOSYS TO HIRE 1,000 FOREIGNERS TO GO GLOBAL.

INFOSYS Technologies plans to give the pride of place to foreign faces in its sales and consultation teams in a radical hiring shift that the company believes will help land lucrative deals and boost its image as a global IT powerhouse. In a recent interview, V Balakrishnan, Chief Financial Officer told ET that Infosys will hire nearly 1000 foreigners this year to push its sales and consultation practice as the company turns its gaze on high-margin consulting and transformation deals.

Overseas markets contribute nearly 98% of the country's second-largest software services exporter's business, but the so-called front-end workforce has just 5-6% foreign members. "We have to improve that", said Mr. Balakrishnan. Infosys has about 550 people in its consulting business and 700 in the sales team. In contrast, bigger rival TaTa Consultancy Services has nearly 700 consultants while around 6.7% of its workforce comprises foreigners.

For IT companies, consulting services is a money-spinner, customarily holding out margins that are up to five times more than the average deal. They also provide ample scope for secondary sales for other divisions. Software services companies such as Infosys and TCS struggle during the depths of the recession as customers took to sharp budget cuts. But recent earnings of tech majors such as IBM, Microsoft and IBM show that sales are again humming, a telltale sign that global markets are emerging from the shadow of recession.

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2. Culture for creating Competitive Advantage

Culture of a country affects the cost of doing business in that country by a foreign company through its influence on competitive advantage. For creating competitive advantage in the global market place there is need to promote group affiliation, loyalty, reciprocal obligations, honesty and education. Japanese companies adopted this approach.

Britain's class-based conflict between workers and management has led to higher cost of doing business Indian culture too not has been supportive for global business growth. The relationship between culture and competitive advantage has two main implications:

a. It reveals the choice of countries for locating production facilities and to do business. More inflow of FDI is possible where there is supportive culture.
b. It reveals the choice of countries which can be viable competitors. For example Japan, South Korea, China, Taiwan, are cost effective competitors.

3. Managing Diversity

Managing diversity means establishing a heterogeneous workforce to perform to its potential Managing diversity is a challenge for an international manager. The challenge is to create a work environment in which each person can perform to his or her full potential and therefore compete for promotions and other rewards on merit alone. Success in the international arena is greatly determined by an MNC's ability to manage diversity.

Both domestically and internationally, organizations find themselves leading workforces that have variety of cultures (and sub-cultures) and consist of a largely diverse population of women, men, young old people, blacks, whites, Indians, Latins, Asians, Arabs, lesbians, physically challenged.

Most companies encourage interaction therefore go in for exchange programs. Wipro introduced exchange programs so that American Management System (AMS) employees could come to Bangalore and vice versa. HCL in its first three months sent employees each on both sides for an exchange program so that the two sides could work together as a team.

- For a Japanese project, the development is co-located in Shanghai and Mumbai, involving travel coordination and knowledge sharing across both locations. WIPRO has come out with an interesting concept of 'buddies'. This means that for every five employees of AMS, there is one WIPRO employee as their buddy who would guide them on WIPRO rules and regulations.

- Most Indian managers perceive diversity in its restricted meaning. For them, diversity means having women as employees. HUL's management team comprises, 11 per cent women, up from six per cent four years earlier. At Kodak India, 70 per cent of the company's marketing staff and 85 per cent of the workforce at its Bangalore factory are women.

- Infosys has gone beyond appointing women. 40 per cent of Infoscions are non-Indians. At HSBC, half the employees worldwide are women. In terms of race, 30 per cent are Asian and nearly 70 per cent are Latin American.

What the International Business Managers should do to Manage Diversity?

i. Focus on bringing in the best talent, not on meeting numerical goals. Geocentric policy towards staffing should be the guiding principle

ii. Hold managers accountable for meeting goals of diversity

iii. Establish monitoring programmes among employees of same and different races

iv. Develop career plans for employees as part of performance reviews

v. Develop an age, gender, and race/ethnic profile of the present workforce

vi. Promote minorities and other disadvantaged sections to decision-making positions, not just to staff jobs

vii. Diversify the company's board of directors

viii. Provide extended leaves, flexible scheduling, flexi time, job sharing, and opportunities to telecommunicate, particularly for disadvantaged workers.

BOX-. GUIDELINES ADOPTED BY THE JAPANESE MNC- MATSUSHITA.

At the macro level, Matsushita employs six overall guidelines that are followed in all locales. They include: (1) be a good corporate citizen in every country, among other things, by respecting culture, custom and languages; (2) give overseas operations the best manufacturing technology the company has; (3) keep the expatriate head count low and groom local management to take over; (4)let operating plants set their own rules, fine-tuning manufacturing processes to match the skills of the workers; (5) create local research and development to tailor products for markets; and (6)encourage competition between overseas outposts and plants back home.

Working within these macro guidelines, Matsushita then allows each local unit to create its own culture. The Malaysian operations are a good example. Since 1987, Matsushita has set up 13 new subsidiaries in Malaysia, and employment there has more than quadrupleq, to approximately 25,000 people. Only 230 of these employees, however, are Japanese. From these Malaysian operations, Matsushita currently produces 1.3 million televisions and 1.8 million air-conditioners annually and 90% of these units are shipped overseas. To produce this output, local plants reflect Malaysia's cultural mosaic of Muslim Malays, ethnic Chinese and Indians. To accommodate this diversity, Matsushita cafeterias offer Malaysian, Chinese and Indian food and to accommodate Muslim religious customs, Matsushita provides special prayer rooms at each plant and allows two prayer sessions per shift.

How well does this Malaysian workforce perform in the Japanese MNC? In the past, Malaysian plants' slogan was "Let's, catch up with Japan". Today, however, these plants frequently outperform their Japanese counterparts in both quality and efficiency. 'The comparison with Japan no longer is used. Additionally, Matsushita has found that the Malaysian culture is very flexible, and the locals are able to work well with almost any employer. Commenting on Malaysia's multiculturalism, Matsushita's managing director notes, "They are used to accommodating other

4. Compatibility between Strategy and Culture

A culture and strategy compatibility is essential for the success of an international business. But achieving the balance between strategy and culture is extremely difficult because an MNC operates in different parts of the globe, each country being culturally different from the other. Cultural differences challenges to international managers in marketing products, managing workforces, and dealing with host-country governments. But fortunately, similarities do exist among many cultures, thereby reducing some of the needs to customize business practices to

meet the demands of local cultures. Countries that share cultural similarities form a cultural cluster or simply called the convergence. Several developments account for convergence.

CASE

If there is one thing William H Pickney, Managing Director and CEO, Amway India has mastered during his seven year stay in India, it's the art of breaking the coconut in one go. He has had enough practice at the opening of every new branch office, and during the annual Diwali puja in office, which is an Indian tradition followed religiously at Amway.

From wearing a kurta pyjama to eating local food, Pickney has taken to India and things Indian. Even his office has shades of Indian influence, including a bronze Ganesh statue. "My wife and I had always talked about an adventure, and to us, India was the ultimate adventure," says Pickney.

The Pickney affair with 1ndia started in late 1997, when Amway sent them for a typical look-see, to decide whether they could contemplate living here for some two-odd years. They spent a week in Delhi just 'getting a feel for living in the capital city'. "Before I came here, I had heard a lot of stories, and none of them were good." What didn't help matters was the number of vaccinations he had to take before coming to India; "I had never had as many shots in my life before," says the only expat on the rolls of the Rs. 600-crore Indian operations of Amway.

Cleanliness and health were two issues the Pickneys were concerned about. But, to their immense relief, it turned out to be far better. "We have not taken any malaria pills in the last five years." People were the first thing Pickney noticed on his arrival in India. "In Sydney, you don't find people on the roads just outside the city. Here, they are everywhere." What's impressed him most about Indians is the level of education, dedication and commitment, which he says is 'the best and the highest in the world'.

Professionally, the HR aspect of working in India has been most interesting, 'a learning curve' for him. "Coming out of the West, one was used to giving direct feedback. But in India, you have to be very careful about that. Constructive criticism has to be applied very carefully."

Another interesting observation he made was regarding performance appraisal. "People here equate hard work with high performance. Just because you spent as many hours, it does not make you a high achiever." Pickney himself works almost every Saturday, if he is in town, and dislikes taking work home to his lovely house in the plush Sainik Farms locality in the outskirts of Delhi. While both husband and wife tend to stay in more, dining out with friends is one of the few entertainment options available in India. He has got more Indian friends than expats, mostly people he met through business, like Kanwar Bhutani of Tupperware.

Both, however, try to find time to play golf at the ITC Golf Course in Gurgaon. It's a game Mrs. Pickney took up in India, since she found free time on her hands for the first time in her life. A certified chartered accountant, Mrs. Pickney used to run her own business in Australia. Some of that time has been used to learn to cook typical Indian fare, butter chicken, aloo palak, rogan josh and dal makhani. It's no wonder then that half their meals are Indian. They've adjusted to the spice factor in Indian food. What was hot when they first came is nothing compared to hot today. 'When we travel abroad, we really miss the spice."

After all this time in India, they still find it striking that irrespective of which part of the country they are in 'there's a positive spirit about people of India". People have hope, optimism, and are generally happy. The respect Indians have for their culture and beliefs is another factor that the Pickneys appreciate.

"Family ties are much stronger here, as is respect for elders and their wisdom, For instance, girls in our office who talk and dress in a Western way have no problems accepting arranged marriages", says Pickney, whose daughter is getting married in Australia in November this year.

Papa Pickney is planning to throw an Indian reception after the Australian wedding, including traditional attire for the bride and the groom. "Yet another occasion to break a coconut, Mr. Pickney?" we wonder.

Conclusion

A culture and strategy compatibility is essential for the success of an international business. But achieving the balance between strategy and culture is extremely difficult because an MNC operates in different parts of the globe, each country being culturally different from the other. Cultural differences challenges to international managers in marketing products, managing workforces, and dealing with host-country governments. But fortunately, similarities do exist among many cultures, thereby reducing some of the needs to customize business practices to meet the demands of local cultures. Countries that share cultural similarities form a cultural cluster or simply called the convergence. Several developments account for convergence.

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