

The impact of culture on international business

[Business](#), [Management](#)



THE IMPACT OF CULTURE ON INTERNATIONAL BUSINESS The Impact of Culture on International Business Doing business on the international plane presents many challenges because of a variety of factors which differ from one market to the other. These differences are basically informed by the environment of the host country, which is often times different from that at home. One of the environmental factors that present such a challenge is culture. Culture can be defined as complex construct that embodies a people's knowledge, morals, art, beliefs, customs, laws and other capabilities gathered by a community over time (Clifton, 2004). The culture of the host country strongly impacts on the performance of a firm that engages in international business. Notable aspects of culture central to the conduct of international business include the social structure, religion, language and education. G4S, a company that has established itself in international business has had its fair share of challenges in this area. Social structure has to do with how society is socially organized. It could be looked at from the individual-group dimension, or from the social stratification dimension. Some societies consider an individual the pillar of social organization (Emerson, 2007). This is the scenario G4S encountered when it entered the American and most Western markets. The challenge here was how to instill a sense of teamwork among employees. It was an uphill task for managers who had been socialized to believe in the superiority of teamwork, as individuals compete against each other for results. On the Japanese market however, the firm found that emphasis was on group, rather than individual performance. Though this is said to be the driving force behind the company's success in Japan, it is vilified for imbedding creativity, and is

touted as a stumbling block to dynamism. This, indeed, is a challenge the firm has had to deal with. Social stratification has to do with placing members of society in certain classes. There are those in the lower, middle and upper classes. Many times, this is borne out of one's family background, income or occupation. Those from the lower class only hope to move from that class to the upper one through a process called social mobility, which is in most cases done through education and job opportunities. When opportunities for mobility are suffocated, there is likely to be conflict between the classes; and in the job situation, between management and employees. Some societies have room for social mobility, while others do not. A country like Britain has less social mobility (Hill & Jain, 2008, p. 66, 67). As a result, there is always simmering tension between management and workers, which the firm has had to deal with from time to time. When industrial disputes become frequent, the firm finds doing business in the country quite expensive. Such a problem is not common in America, where social mobility is easy. G4S operates in countries with various religious persuasions, which have an effect on its operations. In predominantly Christian (protestant) countries such as Britain, America and most of Africa, the spirit of entrepreneurship has helped expand the company's operations and profitability. Protestantism advocates for hard work and creation of wealth for God's glory, but abstinence from worldly pleasures. Since the resources earned from working cannot be spend on leisurely pursuits, the only other option is to reinvest it in expanding the business (Hill & Jain, 2008, p. 70). The Christian ethic, which is a cultural issue, is supportive of the entrepreneurial (capitalist) mindset. Doing business in Islamic countries such

as Saudi Arabia is rather tricky. In the first place, the Islamic culture frowns upon charging interest on loan. Doing business in such an environment has been very expensive. The fact that adherents of Islam do not work on Fridays goes against the practice in other countries, and managers found it difficult making adjustments. The Islamic culture also favors market based systems and when they suspect one is making exorbitant profits, however justified, the establishment begins putting sanctions in the company's ways. This has hindered the company from making maximum profits from its investment, which is the hallmark of the capitalist culture from where the company originates. There have also been problems of negative perception of the company because of the historical West-Islamic conflict, making the firm's operations difficult. When tensions between the two sides run high, sometimes the company's property is destroyed, or its products and services shunned by customers. This reduces the company's profitability. Operations in China where Confucianism advocates for individual connections rather than the rule of law have also been problematic. Business ethics have not been adhered to, making the firm lose out on opportunities for lack of connections, referred to as Guanxi (Goodrich, 2005). G4S once lost case where a company that had breached a contract was left unpunished because one the company's top executives was a son to a leading politician. Though this would appear to be unethical in most Western countries, it is perfectly normal in China, as the company later came to learn. For the sake of survival, G4S has now been forced to recruit well-connected local executives, and to enter partnerships with local company's belonging to senior government officials. This is normal in order in China. Most of the countries

in which G4S operates have diverse linguistic backgrounds. This has posed major problems, especially in Saudi Arabia, where most people speak Arabic. Expatriate managers without the knowledge of Arabic have found it very hard to communicate when marketing the company's products and services. This has forced them to attend Arabic classes so as to make them perform better. Most African countries with a multiplicity of languages also pose problems of multiple cultures, which call for extensive training on the part of managers for these regions. Formal education determines the quality of skill, values, norms and the general socialization of individuals. G4S has had problems operating in countries such as Somalia and Rwanda in Africa, which have no proper system of formal education. In most cases, the firm has had to rely on expatriates to fill top management positions.