Free essay about challenges of cultural diversity

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Discussion on Ethical and Cultural Aspects of Global Companies

Introduction

As the world is getting globalized, businesses face more challenges in handling cultural variations. Handling customers, employees, and partners from different backgrounds needs a balancing and an essential understanding of various cultures and beliefs. Additionally, ethical dilemmas are also on the increase for organizations as the focus is more on working conditions, customers' satisfaction, business social responsibility, environmental regard, and the like.

This essay discusses challenges of cultural and ethical issues that global organizations face in their regular commercial activities. The author has referred to examples of global companies including Wal-Mart, and Mc

Donald's to present the real cases of ethical and cultural problems faced by the corporations. The paper also talks about marketing strategies to tackle cultural and moral issues. Companies must take care of language, beliefs, norms, and attitudes while entering a new market. The author has presented relevant examples that signify the failures of organizations because of cultural misunderstandings.

Diversity is the buzzword of present-day business scenario with global companies aiming to adopt and understand cultural aspects of nations in which they operate. However, managing cultural differences is a tedious task, and companies around the world consider it one of the biggest challenges for international business operations.

Cultural differences bring a plethora of issues like communication problems, hierarchy issues, change resistance, policy implementation, and overall management. These differences also affect sales and marketing notably as consumer's beliefs, attitudes, perception, and buying behavior is significantly decided by the societal and cultural elements.

Two years back, British giant Tesco closed its American stores primarily because of cultural problems. Having opened a chain of supermarkets(Fresh & Easy), the retail player decided to sell their products in Arizona, Nevada, and California. Fresh & Easy offered small-sized packets that did not suit to US shoppers who would prefer bulk purchasing. British biggest retailer, though, offered a wide range of products to cater to culturally different customers, cultural challenges frequently cropped up obfuscating internal and external business operations. Tesco's low performance in Japan was also attributed to cultural complexities. US and Japan are considered as majority

cultures that resist new ideas and change. As such, global organizations find it hard to pilot new products and systems.

Wal-Mart's Germany exit in 2006 was also a cultural business failure, it's stores were designed with the orientation that customers would like spending time on shopping. That could not work in Germany where shopping hours were short, and shops would close by 5 pm even on weekdays. Additionally, Wal-Mart's concept of store assistants could not lure German customers who would not like to be assisted. Its US style merchandise display offended German shoppers. There are many other examples that highlight the significance of understanding cultural differences while formulating strategies for expansion.

According to Czinkota (2007), culture involves different layers that are manifested through:

- Religion

- Language: verbal and non-verbal

- Education

- Social Institutions

- Customs and Manners

- Aesthetics

- Attitudes and Values

It's crucial for a firm to conduct a thorough cultural analysis before taking strategic decisions. A diverse pool of employees and customers make it difficult to implement policies and standards uniformly.

Scholars have opined that language and expression are amongst major problems while operating in a culturally diverse nation. Research studies

have identified a positive linkage between organizational performance and conducting business operations in the language of the customer. At times, organizations need to change their expressions and messages to synthesize with local expressions. For example, Gerber, a baby food manufacturer, experienced issues in France as the term Gerber connotes " to vomit" in French.

Likewise, the organization must take care of the local religion, education, customs, aesthetics, and other aspects to avoid conflicts and embarrassment. Managing cultural diversity encompasses managing employees, customers, trade partners and other business associates. Organizations must adopt a polycentric and pragmatic approach to mitigating the differences.

Challenges of Ethical Issues

Globalization is often excoriated for exploitation of foreign workers, destruction of the environment and local resources, disregard for safety concerns, devastation of local cultures and other such reasons. There are many examples that highlight the challenges of ethical issues for MNCs. For instance, Wal-Mart has frequently been criticized for hiring child labor in third world countries. Critics remark that the employer pays less than minimum wages to cut down the cost and reduce prices.

Theoretically speaking, business motives are not naturally in sync with ethical responsibilities. While business may seek to cut down the cost and increase profits, ethical schools of environmentalists emphasize on sustainable development and protection of natural resources. In this sense, business expansion itself stands opposite to ethical principles.

Global firms also face the challenge of balancing host country interests with home country concerns. In most of the cases, they are criticized of polluting the host country environment, exploiting their resources and obfuscating business opportunities for local people. Critics have also argued global organizations like McDonald usually tend to ignore local cultures and indigenous cuisines. Though the criticisms seem dubious considering that McDonald has altered its food products according to local eating habits, it is true to an extent that local cultures are, forcefully, giving way to global habits and manners.

Dealing with diverse cultures, diverse group of people, different customers are a significant challenge before global companies. Strict adherence to the local economy, local cultures, and regulations may pose a hindrance to their business goals. Sticking to business objectives may come in the way of ethical norms and practices. In business school, it is an ongoing debate that whether an enterprise should adapt to the local environment or create standard practices. These extremes of localization and standardization, the author says, is the foundation of many ethical challenges for global businesses.

It is not that the global business always destruct local environment and resources. The case may be the other way around, when US companies expand to developing countries; they may found comparative leniency in health and safety standards, environmental protection and human rights. If managers try to set up recognized standards in developing nations with weak regulatory framework, it offshoots local antagonism that may also lead to reputational loss.

The concept of social responsibility and social equity is also not on the agenda of an MNC that seeks to maximize profits or revenues in developing nations. Though it is, to an extent, mandatory to follow CSR for the sake of building trust of stakeholders, social equality issues are not easy to handle. Whether a company should risk profits for reputation is unclear. However, CSR imparts a benchmark that companies can follow to gain reputational benefits. Succinctly, the biggest challenge of business ethics is to find a middle way between unblinking and unthinking acceptance of local norms on the one hand and home country standards, on the other.

Marketing Strategies to Tackle Cultural Issues

Respecting cultural differences is the pre-requisite to succeed in the international market. Globalization has unified the economies, but local cultures, attitudes and beliefs do have their importance when it comes to marketing. As such, researchers have argued that global marketing is an effective way of handling cultural differences. Theoretically, it refers to conveying an idea or product to the international market. On papers, it is an excellent approach that saves time and resources. However, global marketing must complement market-specific local plans. Without it, the orientation of global marketing would turn towards ignoring local variations rather than respecting them. It is the reason that business pundits have recommended having a balanced marketing approach. Global organizations must have a two- pronged marketing approach, i. e. global strategy to reach the maximum numbers of customers, and multi-domestic approach to penetrating and attract people with indigenous tastes and preferences. For instance, global companies must advertize in local languages in India else

they may lose a big chunk of customers. Nestle's global marketing failed in South Africa for breast milk substitute as it failed to understand local beliefs and cultural norms. The product was criticized in the country as a cause of malnutrition.

Marketing mixes like product, price, place, and promotion must be planned keeping cultural factors in mind. It is imperative to make some variations in the product as per the demands of specific nation or culture. For instance, Nissin's food products have set up manufacturing units in different countries so that products are made keeping local traditions in consideration. Likewise, pricing, promotion and distribution systems should be decided based on income levels, local communication and logistics respectively. This, however, may be a tedious task for companies as product variations take more time, resources, and an overall effort. Researchers as Hofstede have presented detailed cultural dimensions that may help the organization to know how customers will react by launching a new product in any market. Companies should take care about cultural variations, but it is not feasible and practical to assume that products of the organization will compatible to all cultures in which it operates.

Still, global companies must try to stick to the strategy of " think global, act local" ; the success of big companies like Coca-Cola and Unilever finds its reason in the right balance of marketing strategy. " We are still evolving in finding the best local and global combination that works for us. When it comes to franchise relations with the bottlers, that is local. We have to make decisions in the local context with the right speed.. (Holstein, 2011)", said Bozer, who is leading the organization(Coca-Cola) in Turkey.

Marketing Strategies to Tackle Ethical Issues

Marketing may face ethical issues in different ways. For instance, exaggerating the benefits of the products on packaging, overstating claims, scam advertising and the like. The questions of morality are usually involved when it comes to making a balance between providing information to the customer and making profits for the organization. More often than not, firms resort to pressurized selling tactics and focus on vulnerable groups to sell their products. Likewise, big corporations negotiate hard with suppliers with an aim to cut down the cost of production. Some firm ignore the impact of business on the environment. All these activities cast a moral doubt on business activities.

Researchers have, thus, recommended ethical strategies with respect to the marketing plans. First of all, firms must clearly put the pricing of products without hidden charges. At times, it happens that firms reflect the lower price to attract customers who have to pay hidden charges after making a purchase. It erodes the company's reputation and raise an ethical concern. Customer's right to know is also associated with morality and ethics. Customers must know what are they eating and what are they purchasing. The concept of the right information has come to forth especially about labeling of GM food products. However, labeling and ethical marketing holds good for all products. Organizations must market the product for intended use only and advice the customers about side effects and harms(if any). It increases customer satisfaction and in turns, mitigates ethical concerns that crop up because of scam advertising.

Some other ethical concerns in business may include:

- Transfer of charges between clients and using their personal information for business benefits

- Imitating other person's ideas and displaying the same product in lesser prices

- Misinterpreting skills of competitors

- Accepting the deadlines that cannot be met

- Outsourcing the tasks without informing customers

Honest and transparent marketing guided by morality concepts help to take right decisions in those conditions where legal loopholes exist. For instance, if a manufacturer make fancy labeling like " contains real fruit juice", it is very difficult to put him in legal obligations as no laws specifies the percentage of real fruit that must be included in the food product. If the manufacturer highlights the wrong percentage to lure customers, it is more of a moral concern than legal formalities.

As discussed, there is a great apprehension towards environment these days and organizations often face a dilemma if business expansion leads to environmental degradation. Appropriate and honest marketing strategy can tackle the underlying ethical concern. Companies tend to make false claims to paint a greener picture of the product that obfuscates the clear information and misleads customers.

In short, honest marketing strategies take care of the needs of suppliers, customers, employees, and other stakeholders. However, researchers have opined businesses may find it difficult to stick to ethical concerns and remain competitive at the same time. For instance, The concept of fair trade

requires products to be sold at minimum prices. By contrast, it is very natural for organizations to pass on the cost increase to customers in the form of high pricing. There are many other examples where business ethics may hamper profits and revenues, primary motives for organizations. Still, the author recommends that firms must try to find a way between these two conflicting threads and adopt ethical marketing strategies as far as possible.

Conclusion

The paper has presented detailed analysis of cultural and ethical aspects for business. Cases of Wal-Mart and Tesco testify that companies must conduct a cultural examination before launching a product in new markets. Language is one of the biggest aspect of cultural variations; this is the reason companies prefer to sell their products in local dialects also to attract indigenous people. Other important manifestations of culture include beliefs, customs, norms, values, buying behavior and overall thinking pattern. To an extent, global products may bring a change in customer's habits, but the change is not a mandatory outcome. If it is not the case, companies must consider cultural norms.

Ethical conflicts in the business include profitability vs., environment, employees vs. customers, revenues vs. social equity and the like. There is a plethora of areas that are not guided by any precise legal definition, but by moral and ethical standards. Research has indicated that ethical practices by the firms increase customers' trust and satisfaction- one of the major benchmarks of success these days. Organizations, thus, must resort to moral decisions to maintain public image and reputation of the business. Marketing strategies must be candid, clear and honest without undue

tampering with the product's specifications. It is the duty of companies to impart the right information to customers about product and pricing. At the same time, product promotion must not be overstated and base on authentic merits of the products. Adhering to cultural and ethical norms may be difficult and expensive for the organization; companies, however, should take care of these aspects to succeed and have long term business standing.

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