

Managing across borders and cultures

Government



Critically evaluate the relevance of cross cultural management issues within international business and discuss why companies fail to underline the need for cross cultural understanding.

Introduction

In today's world, culture is hard to ignore. It affects the way people dress, what they eat, what religion they follow and also the places they go. Culture is essentially a set of shared beliefs, social norms, organizational roles and inherited values (Lee, 2005) that affects everyday life in informal and formal settings. When two different cultures mix, the understanding of the other's culture can arguably be seen as respectful and advantageous in a business sense whereas its negligence can be viewed as discourteous, rude and thus lead to a culture shock. With thanks to technological advancements, the world is becoming a 'global village' (Kawar, 2012) where people from different cultural backgrounds are socialising and communicating with one another. Therefore dealing with people from different cultures would necessitate the awareness of cultural diversities which is where cross cultural management plays a part.

Cross cultural management aims to assist in the dealing with differences that stem from difference backgrounds of each culture (Jackson, 2002). According to Nancy Adler (Kawar, 2012) Cross-cultural management explains the behaviour of people in organizations around the world and shows people how to work in organizations with employees and client populations from many different cultures. Globalisation has been the catalyst which created the need for greater awareness in managers to be sensitive to the cultural aspects of decision making" (Mattock, 2003). Cross cultural management

places great importance of four aspects; the need for open and constant communication (verbal and non-verbal), the need for sensitivity to be respectful of another culture, the importance of flexibility in being patient with understanding another cultures and the reduction of conflicts through education and abandonment of generalisations and stereotypes.

Against this backdrop, the following essay aims to explore whether the application of cross-cultural management in international business is a necessary tool in today's global village. Through the study and scrutiny of varying business ventures, this essay will reach a conclusion as to whether there is a need for cross cultural management and why companies fail to acknowledge its importance. In doing so, the essay will employ the work of theorists such as Hofstede and Trompenaar to further evaluate the importance, or even lack of, of cross cultural management.

Literature Review & Critical Analysis

The work of Rodrigues Fontaine in his journal of "Cross-cultural management: six perspectives" (2007) is particularly interesting as he highlights key points for consideration in managing across cultures. In the first perspective, the classical approach places importance in the work of Hofstede and his dimensions of culture. Even though Fontaine speaks specifically of the importance of the application of Hofstede's work to be a cross cultural manager in Malaysia, where various ethnic groups live amongst the indigenous, he goes on to generalise clarify that a cross cultural manager is fluent in the works of Hofstede in order to better survive. Ray French (2007) wrote of how with caution, Hofstede's model can give managers qualified and better assumptions about a cultures value.

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This leads me to the socially and environmentally responsible cosmetic company, The Body Shop, which opened up stores in United Kingdom high streets from the 1970s. As the business became popular, expansion was the next logical step in its progression and so they set up shops in the United States. In comparison to its home stores, their success in America was extremely poor to begin with. The problem therein was their lack of due diligence to American culture. The Body Shop was set up in American high streets, similar to its set up in the UK where shoppers flock to the high street. However, the culture of the United States tends to favour large shopping malls than small high street shops as that is their preferred way of shopping. Although it may seem like a minute oversight, it made an extreme difference to the success of The Body Shop at the time. If research was carried out to consumer trends in the USA the success rate could have drastically changed for the better, thus leading me to believe in the importance of researching the host country and not taking for granted even the smallest of details. The Body Shop has since learned from their premature American launch with thanks to its partnership with L'Oreal.

Another company that took for granted business operations in a host country is when Groupon decided to venture into China as GoAPeng. Groupon assumed that due to the popularity and large volume of ecommerce sales, their venture would be as or even more successful than existing Chinese competitors with help from their alliance with Chinese tech firm, Tencent Holdings Ltd. The American company failed to understand the cultural dimensions of China as their management style varies to that of the Western. Groupon supposedly entered China very aggressively and

arrogantly (Zhu, 2011) adopting the strategy of offering high salaries to poach the competitors' top employees- a tactic that worked to their favour in America. Additionally their lack of local understanding and aggressive nature hindered their ability to attain relationships with vendors as they assumed international markets were not dissimilar to their own.

Their mass email marketing strategy (Zhu, 2011) proved futile as Chinese culture rarely rely on emails or leaving messages, viewing it as “ socially awkward” (Deresky, 2008), preferring more live and personal exchanges. Furthermore, Groupon neglected implementing local experts in its management structure (only two members were Chinese (Zhu, 2011)) who could aid in the education of local nuances, thus boosting its ability to succeed in the Chinese market.

According to “ The Resolution of Cross-Cultural Issues” by H. W Lee (2005) a Chinese management approach favours who you know and whatfamilyyou are from, the ascription dimension of culture as written by Trompenaar (French, 2007). In comparison to America which bestows rewards and recognition based on performance no matter who the person is, it is no wonder that in their expansion plans to China approximately 400 qualified Chinese employees were fired on the basis of performance. In relation to Hofstede, the American company demonstrates individualism in contrast to China's affinity for collectivism. In the end, Groupon's ethnocentric style of managing, whereby home country customs are prevalent with no adaptation to the host country's local culture led to Groupon's plight to fit into a contrasting culture to their own.

A company that managed to infiltrate, although not without difficulty, China's traditional culture was Google. Similarly, Yahoo attempted to penetrate the communist country but failed to do so the impersonality of emails (as mentioned above). Google took a different approach than Yahoo by creating a version of their search engine that could read character based languages such as Chinese (Deresky, 2008). In 2001, navigating to the Google website while in China would automatically direct the user to the Chinese language interface. Adapting to something as minute as a host country's language increased Google's popularity and success in China by 2002, surpassing Yahoo. However, on September 3rd 2002, the Chinese government began blocking Google due to its accessibility of information and sites it wanted banned and censored from the country, and thus Google vanished from China along with its aim of improving information in an authoritarian country. Nonetheless, as the co-founder of Google Sergey Brin explained, "going into China was not a business decision as a decision about getting people information" (Deresky, 2008), so Google's mission continued but with a difference; they obeyed the governments' censorship regulations. Google.cn was developed where uncensored material would arrive quickly and uninterrupted. However, Google was resolute that if they were to censor material such as "Tiananmen Square" then a disclaimer (Deresky, 2008) would be put at the top of search results informing the user that the information they sought had been eradicated in order to comply with Chinese Law.

There was no way Google was going to evade the 'Great Firewall of China'. But Google did not want to give up with its mission of bring information to

the masses. While it couldn't bring censored material, they believed they could improve citizens' knowledge on fundamental issues such as AIDS and avian flu, to name a few. In this respect, Google took a geocentric approach of operating in a foreign country whereby one considers the organisations goals from a much broader perspective. The acknowledgement and understanding of cross cultural management led Google to better acquiesce Chinese law whilst keeping with its own mission, thus incorporating sensitivity and flexibility in its cross cultural approach.

Thus far we have seen how being oblivious to cultural management in international business can lead to a disastrous and sometimes embarrassing conclusion. However, there are some alliances that come from contrasting cultures that prove to be beneficial to both sides and long term due to cross cultural understanding. An example of this would be the Renault-Nissan alliance in 1999. Such a partnership was mocked by the vice chairman of General Motor, Bob Lutz. Clashes were believed to arise as they are very dominant, nationalistic and patriotic countries (Deresky, 2008). According to The Geert Hofstede Centre, France and Japan have a high uncertainty avoidance score, Japan scoring 92% and France with 86%. Life in Japan is quite ritualised and in an organisation, all risk factors must be observed before proceeding with a project. In France, there is a preference for rules and guidelines, without which can lead to stress. They believe that the only way to certainty is through academic work, favouring planning and degrees of expertise. Both countries seemingly similar in their aversion of risks, thus solidifying the view of critics believing it to be a fruitless partnership.

The Renault-Nissan alliance success came from the six-month living experiment carried out in 1998 whereby they worked together with the aim of establishing a formal alliance. Nissan's president, Yoshikazu Hanawa was interviewed saying that the alliance was all about telling the truth and having open communication (Deresky, 2008). This emphasises the beginning sentiment of the essay highlighting the importance of communication in cross cultural management. Moreover, both presidents chose 100 engineers and managers from their companies to work together as well as encouraging them to abandon stereotypes held of the other culture and focus on the matter at hand being the business. It is clear that the presidents of the companies were aware of the importance of eradicating stereotypes, a factor than can hinder progress in cross cultural management. The fourth perspective by Rodrique Fontaine (2007) is the psychological approach with a particular focus on stereotyping, whereby he believes cross cultural differences arise not only from varying cultural values, but partially from ignorance and stereotyping. He had a firm belief that by developing friendships with individuals from different cultures, could lead to the " re-evaluation of negative stereotypes" (Fontaine, 2007). It was reported that the Franco-Japanese working together with neither side holding prejudices resulted in finding common ground and paved the way for a great synergies between two companies (Deresky, 2008). Transparent communication and open minded coaches, not just workers, was the leadership trademark left by both presidents. This alliance turned out to be one of the largest corporate marriages between an Eastern and Western partner up to 2005.

Conclusion

From the evidence above, it can be concluded that cross cultural management is indeed important in international business as it provides building blocks for cohesion between differing cultures and subsequently success. The reasons why businesses do not educate their staff or employ cross cultural management techniques is due to the time, effort and money it would take to teach (Lee, 2005) fundamental factors, such as how a cross cultural managers act more like psychological counsellors (Fontaine, 2007).

By modifying contextual factors, not cultural values, cultural conflicts can be avoided and behaviours changed through negative or positive reinforcement. Furthermore, the need to know where one is operating (culturally) and the practises of the people with whom they will work with will prove advantageous in avoiding cultural shock and organisational failures. Even if a company does not have the resources to train staff on cross cultural management, I believe it important for an individual to be curious about where they will be placed and amongst what kind of people for a more harmonious habitation.

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