Impact of culture on international business

Business

IMPACT OF CULTURE ON INTERNATIONAL BUSINESS Impact of Culture on International Business Common Cultural Mistakes The Pitfalls of Cross-Cultural Business, written by Jared Wade identifies some common cultural mistakes which executives may commit while interacting with people from different cultures. As narrated by Jared, President Nixon made an honest mistake of making the “ A-Okay” sign which was offensive for the Brazilians. Similarly, he tells us that “ holding up two fingers like a peace sign with your palm facing inward”, is also an offensive one to most English countries. Likewise, sitting with one leg resting across at the knee of another, exposing the sole, is considered disrespectful in many Muslim countries. Another common mistake which people make is fail to understand while interacting with the Bulgarians that shaking head means that the person is listening rather than disagree to what is being said (Lewis , 2000; Ward, 2004). In Thailand, China and Philippines, when a person eats everything off the plate; it is perceived that the person hasn’t been served enough. Besides table manners, even punctuality has different implications in different parts of the world. Germans and Swedish people are generally on time whereas, people in Spain, Costa Rica and Italy, are often late. It is considered disrespectful in Japan to present a gift with one hand and it should not be opened in front of the presenter (Harris et al, (1996); Ward, (2004). As quoted by Jared, Americans generally try to be informal in business meetings with the intention of building good rapport with their business associate. However, in Asia, Latin America and the Middle East, being formal is the first priority in business correspondence. It is also generally believed that if someone from the same ethnicity is sent for business deals, it will be most effective. This often works for many but in China, if the representative belongs to the same ethnicity; he/she will be viewed as a mere glorified translator and not someone with authority (Ward, 2004). Special care needs to be taken when interacting with individuals across borders. Cultural mistakes not only put profitable business deals in jeopardy, but also make people uncomfortable, distant and distrustful. It also implies that no genuine effort has been made to communicate with them (Niemeier et al, (1998); Trompenaars et al, (2003); Marx, (1999). Cultural Approach Adopted by Subway in India In his article " Small Business (A Special Report); Foreign Flavors: When going abroad, you should think of franchising as a cookie-cutter business; unless, of course, you want to succeed", Gibson illustrates how multinational firms have expanded into foreign markets by way of Franchising. Operating in a total separate part of the world where the cultures, norms and values differ significantly is the biggest challenge which multinational firms face. Gibson demonstrates examples of a few global giants and explains how they dealt with matters related to operating internationally (Gibson, 2006). Subway, a brand which is owned by Doctor's Associates Inc., as explained by Gibson in his article, preferred to have more control over their investment in India by finding " well heeled partners who would sub-franchise the entire country, and act much as the parent franchiser does in the U. S". Subway's source of master franchise was two brothers from India who had received their education in the United States. Besides being responsible for franchising in India, they also see to it that Subway's global Brand values are consistent as much as possible across India. Being a country with second largest population, India appears to be a very lucrative market for brands of almost all categories. This however, does not come easy. Subway had to confront many cultural barriers in order to begin its expansion in India. Despite being located in India, it took them two years to avail approvals from the concerned authorities to bring Subway as franchises. Likewise, countries like China, which tend to support local industry and trade, Foreign Direct Investment might be very hard as opposed to Joint Ventures and Franchising (Gibson, 2006). Besides that, the Indian brothers knew the fact that India was not amongst the “ Bread-eating community” therefore, they had to qualify the product first in the eyes of the vegetarian customers. In line of this, they launched five meatless sandwiches (Gibson, 2006). Cultural Challenges faced by Multinational Firms Lewis and Gibson state that many brands may be exposed to the threat of losing their identity and standards by too much delegation and autonomy. Gibson says about delegating a franchise to people in China: “ If they didn’t want to stick to the agreement, it may not be upheld in the Chinese Courts”. This means that the brand might be left vulnerable to the local franchisee (Gibson, 2006; Lewis, 2000). Apart from the threat of loss of control, some brand values might not be acceptable in some cultures. For example, beer bars and pubs will plainly not be acceptable in Islamic countries as use of alcohol for leisure and as a beverage is prohibited according to Islamic laws. Similarly, KFC, McDonalds and Pizza Hut and other international franchises have to obtain a certificate of Halal (allowed according to Islamic principles) before operating in the open market. Likewise, there are other regulatory and social obligations driven by culture which need to be fulfilled by multinational firms like language, legalities, operational standards and complexity of cross-border transactions (Deresky, 1994; Marx, 1999). References Wade, J. (January 01, 2004). The Pitfalls of Cross-Cultural Business. Risk Management, 51, 38-42. Gibson, R. (2006), Small Business (A Special Report); Foreign Flavors: When going abroad, you should think of franchising as a cookie-cutter business; Unless, of course, you want to succeed. Wall Street Journal September 25, 2006, Page R. 8 Marx, E. (1999). Breaking through culture shock: What you need to succeed in international business. London: Nicholas Brealey. Top of Form Deresky, H. (1994). International management: Managing across borders and cultures. New York, N. Y: HarperCollins College Publishers. Bottom of Form Trompenaars, A., & Woolliams, P. (2003). Business across cultures. Chichester: Capstone. Lewis, R. D. (2000). 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