Managing across the cultures report examples

Business, Company

Abstract

With virtually everything going international, globalization has become an inevitable concept. Technology has reduced, and to some extent eliminated the miles between the nations across the world – a situation that has seen business among people and organization from various countries flourish. The shortening and elimination of the distances has seen a rapid growth in the number of multinational corporations in the last three decades. Research indicates that internationalization of the firm is no longer an affair for the big organizations. On the contrary, small and medium enterprises are operating globally, with e-commerce being the main form of business. With globalization come many pros and cons to the process of doing business. Such pros and cons can be attributed to the fact that the international arena is characterized by various inconsistencies, culture being the most notable one. As matter of fact, people from different places usually have different tastes and preferences regarding everything that they do or partake of. The main factor behind this phenomenon is the actuality that human choices are shaped and determined by the cultural beliefs and practices associated with their community. This paper relies on recent research into the topic of culture and business. It attempts to explain the extent to which managing organizations is culturally bound, and how this is likely to influence the policy making process in the organization.

Managing across the cultures

Introduction

While there are many definitions for the term culture, all scholars agree in near unanimity that the concept of culture entails beliefs, practices, behaviors and mannerisms adopted by a human being as a member of a society. While this is true, it is a matter of common knowledge that culture varies from place to place since there are many societies in the world. Marshall McLuhan talks about a global village in referring to the world in its present state. This statement is true, especially looking at it from the business concept. Internationalization of the firm is a prominent concept in the world of business today. There is a close link between internationalization of the firm, and the management of diversity. Cultural diversity is reflected in the workforce of a modern organization. While some scholars and management gurus believe that management is management, others argue that there is no such a thing as internationally accepted management principles (Beaverstock 2004). Through explaining the concepts surrounding cultural diversity, this paper will give an explication on the effects of culture on management of international organizations. Audretsch and Grimm (2005) explain that management is based on universally accepted principles. Such principles are scientifically generated, and hence can be applied in all organizations, irrespective of the cultural background of the people. Conversely, Jackson and Aycan (2006) believe that management varies in accordance to culture, since the mannerisms and expectations of the people vary according to their ways. In explaining this, the two scholars say that changing the culture and anticipations of the people is impracticable, but changing management style to suit the culture of the people is quite simple. Adler and Gunderson (2008) explain that the manner, in which an individualistic community will be managed, is quite different from the unique style in which a collectivist society will view management. Basing their explanation on Hofstede's cultural dimensions, Adler and Gunderson (2008) explain that people from different cultures have different expectations and evaluate management by different metrics. Before explaining the connection between culture and administration and the decision making process, it is of the essence to have a clear comprehension of what the concept of culture is in relation to management.

The Case of Wal-Mart

Background information

Arguably the world's largest private employer, Wal-Mart Stores Inc has two million employees across the world from various cultures. The organization, which is a retail business with well over 8500 stores under fifty names, operates in fifteen countries. This means that its management has to deal with and accommodate cultural diversity. According to Fortune 500, Wal-Mart Stores Inc was the third largest corporation in the world in the year 2012. The multinational retailer is headquartered in Benton Ville, Arkansas. The organization is best known for the way in which it treats its employees, in terms of diversity and equality. The members of staff at Wal-Mart Stores Inc are referred to as associates. This is a unique strategy aimed at making the employees feel equal and motivated by being collectively referred to as owners of the organization. Making employees feel affiliated to the organization has for a very long time made the organization progress from one phase to another as the feeling of affiliation makes the employees receive change positively. Wal-Mart Stores Inc was founded by Sam Walton in the year 1962 and incorporated on the 31st day of October 1969. The organization's stocks were first traded on the New York Stock Exchange in 1972. To this day, the organization is run as a family business as the Walton Family controls 48% of the stocks.

Rationale for selection of the company

There are many reasons why I selected Wal-Mart stores Inc. among the key reasons is the actuality that the organization is the biggest global employer. It operates in many countries with different cultures. The organization, which has its roots in the United States has spread its roots into the Asian market, as well as the volatile European market. The organization has all along embraced cultural diversity. Additionally, the organization has been in operation long enough. This makes it the perfect case study since it has exposed its structures to people with extreme ideologies – the capitalists and the communists alike.

Culture in management

Speaking of culture in management, Sackman and Phillips (2004) explain that there are three subcultures, namely: corporate culture, professional culture, and industry culture. Corporate culture is the whole defined by beliefs, norms and behavior that are rooted deep in the history of a corporation. Every institution has different culture. For instance, Wal-Mart has a strictly unique corporate culture. People in an organization usually stick to the code of conduct designed by the organization. The employees in Wal-Mart Stores Inc are bound by the rules and guidelines governing the relations between the customers and employees. Industry culture on the other hand is the collection of rules and standards derived from the norms associated with the profession that makes up the industry (Levy and Newell 2005). In the case of Wal-Mart, industry culture refers to the norms and beliefs of the retail industry. Such norms include, the extent to which cultural diversity should be managed, and how such diversity should be treated in making customers loyal. Lastly, professional culture refers to all norms, practices, expectations and beliefs associated with a certain profession. As a matter of fact, doctors have a culture that is quite different from that of lawyers, for instance, honesty and ethics are key aspects of the medical profession. Wal-Mart Stores Inc requires all its employees associated with certain professions to be duly registered and licensed or certified by the relevant bodies. This applies to such professional workers as accountants. On the contrary, honesty is insignificantly considered by lawyers.

It is imperative to mention that the culture of the community in which an organization operates is superior to the cultures described above. This is mainly because; the culture of the community shapes the way in which people think. Similarly, the culture determines the expectations of the people. Wal-Mart Inc recognizes the fact that the tastes of its customers are to a great extent affected by their cultures. As much as the objectives of the organization must be given priority, it is essential to consider that such objectives will only be achieved by the people and not through the rigid systems (Matveer and Nelson 2004). Considering Wal-Mart Stores Inc is taking a people oriented approach, it is clear to see that organizational management is to a great extent culturally bound.

The example of Guanxi Culture

Assessing culture at national level, the aspect of national or political risk comes in to play. Based on culture, countries can be grouped into what is referred to as clusters. Such clusters are based on some common cultural traits, such as religion and economic culture. Moser (2013) gives the example of Guanxi culture of china. The Guanxi culture of china determines and shapes business relationships. Unlike the western world, Chinese business relations go beyond the round table discussions. In penetrating the Chinese market, Wal-Mart realized that the most effective strategy was to employ local managers. The company gave prominence to Chinese managers because marketing research had indicated that only local managers were better placed to engage in round table talks with potential business partners. Such Chinese managers helped establish local relationships with suppliers leading to the formation of reliable supplier partnerships. According to the Guanxi culture, people that intend to engage in business deals will always maintain close social relationships. Typically, people in china meet and discuss business over such occasions as dinner or family parties. Basically, this means that social relationships affect business in china and all countries associated with Confucianism. Such countries include Korea and Vietnam, and are referred to as Sinic countries. Essentially, this explains that an organization from the Orthodox and western countries will have to restructure its policies if at all it has to successfully do business in china, and other countries with the Confucianism cultures. This is why Wal-Mart stores Inc had to change its employment policy giving priority to the local managers.

Hofstede's Cultural Dimensions

Arguably, these dimensions are the best explanation to the issues surrounding culture and management. Hofstede explained that a society can be described as individualistic or collectivist. In individualistic societies, people do not mind about other people. Conversely, they mind about themselves and their immediate relations (Maruping and Agarwal 2005). This is common in western countries, especially Western Europe, the United States and Australia. On the other hand, collectivist communities are structured in such a way that people consider others in planning and making decisions. Self interest is not given prominence in these cultures. On the contrary, the state and other authorities remain in control of major decisions. Individualistic communities are associated with modern capitalism while the collectivist states are prominently associated with socialism. In individualistic communities, the organization rarely prioritizes the interests of the employees (Blomsterm et al 2006). Profit maximization is the ultimate goal of the firm in such cultures. On the other hand, collectivist cultures prioritize the interests of the community.

Uncertainty avoidance is the second dimension explained by Hofstede. In a comparative case study involving the United States and Saudi Arabia, Lule (2012) found out that the people of Saudi Arabia had the tendency of avoiding uncertainty and risks. On the contrary, the study established that the people of the United States were risk takers, hence made better entrepreneurs. From the analysis, Lule (2012) discovered that the people from the uncertainty receptive community were likely to invest in high risk high return investments. Wal-Mart stores Inc is associated with risk taking ownership. This is why they venture into markets that are seemingly risky, such as the Chinese market. In contrast, the people of Saudi Arabia preferred the low risk investments. This means that an American organization seeking to establish roots in Saudi Arabia will be ready to change its investment policy to match the conditions of Saudi Arabia. To this extent, culture influences organizational policy.

Masculinity and femininity make the third dimension in Hofstede's criteria. A feminist culture is one in which female members of society are given equal chance as their male equivalents, or even better opportunities (Griffin et al 2010). A masculine society is one in which male members of the society are given preference in many and almost all sectors of social life. For instance, employment opportunities are meant and designed for men only. This is a common situation in both western and oriental cultures (Hall 1989). Even so, the eastern cultures, especially in Islamist countries are extreme chauvinists, with masculinity being at the center of decision making process. An organization operating in such a culture may find it difficult to restructure its human resource function (Holden 2002). Take an example of an Arabian organization seeking to establish in the US. It may find it difficult to embrace the equality policies of the western world. Similarly, an American organization seeking to establish roots in Saudi Arabia will find it difficult to implement its equal employment opportunity (EEO) policies. As a way of embracing cultural diversity, Wal-Mart has at all times endeavored to act by the cultural expectations of the people. Wal-Mart has found it most difficult to espouse equality in Asian branches.

Power distance, the fourth dimension in the Hofstede criteria, affects communication processes. Unlike in vertical cultural syndrome, horizontal cultures are associated with proper communication. The horizontal cultures, such as the one embraced by Wal-Mart Stores Inc are those associated with free links between the highest and the lowest levels of the structure (Gennaro 2002). This means that at Wal-Mart, the CEO can easily communicate directly with the shop floor operatives. Speaking of communication, unconscious incompetence is among the most common barriers affecting Wal-Mart stores Inc in Asian countries. In some cases, conscious incompetence does exist but this can be handled with time to achieve conscious competence (Hofstede 2003). This is a depiction of a modern organization. Power distances are shorter in individualistic organizations than those operating in the collectivist economies. From all these dimensions, it is apparent that for an organization to operate in a foreign culture, it must significantly modify its strategies and policies to reflect the ways of the community (Leung et al 2005).

Cultural distance and syndromes

Yan and Hunt (2005) explain that language is one among the main defining factors of culture. Language being basic tool of communication is part of the company policy. For instance, organizations have a language that they refer to as the official language of communication. It is a matter of general knowledge that when an organization penetrates a new culture, such language has to change in such a manner that the locals of the country can communicate efficiently with the organization (Ting-Toomey 2012). when Wal-Mart was venturing into the Chinese market it had to redesign its advertisements to be in Chinese language. Religion is another variable that is likely to affect the policies of the organization. Management decisions will at all times consider the consumption preferences of the community. Consumption is greatly influenced by religious beliefs of the people (Terpstra 2011). What this means is that Wal-Mart desists from selling pork steaks when operating in a community whose religion is Islam.

The people's standards of living are greatly dictated by the culture of the community. For instance, the Chinese people love lavish spending on the consumption of expensive things such as cars and other luxuries (Xiaojuan 2008). Essentially, such culturally motivated consumption patterns are the forces that are considered by a company intending to launch its business in a new country. When Wal-Mart Stores Inc joined the Chinese market, it invested in luxurious stock, such as expensive watches from Gucci. Social structures and complexity contribute greatly to the shaping of an organization's decision making process. Dowling (2008) and Christensen et al (2007) explain that the social structures of a community greatly influence the complexity of an organization.

In addressing cultural syndromes, Hening-Thurau (2004) and Hourigan (2004) argue that there are universalistic and particularistic cultures. Universalistic cultures are those that embrace human beings from all walks of life. On the contrary, particularistic cultures are those people that judge a person for what he is. Simply put, a particularistic culture is one in which such vices as discrimination along lines or race, gender, age and the like exist (Shenkar 2004). This was a common scenario in orthodox countries of eastern and central Europe in the past century. Organizations from the region found it challenging to penetrate markets in universalistic cultures.

This saw them restructure their policies to embrace, equal employment opportunity (EEO) in line with international human resource management principles.

International human resources management (IHRM) is one of the concepts that are greatly affected by the culture of the people. International human resource management seeks to establish a concept that will help organizations effectively manage cultural diversity (Dohj 2005). Tayeb (2005), Schneider and Barsoux (2003) and Penayides (2004) define cultural diversity as a concept based on the fact that the world is gradually integrating, and the employees of a modern organization represent the face of the world. As such, cultural diversity needs to be handled in such a style that all people within the workforce access equal opportunity. Many scholars (Ghauri (2004), Luthans and Doh (2009), SchaFfner 2000) and Spencer-Oatey (2004)) argue that cultural diversity is the greatest challenge for the organizations stepping into the global market, because, in order to embrace cultural diversity, the policies of an organization have to be adjusted in such a way that the reflect the behavior of the people.

Culture and conflict

When people meet others from foreign cultures, there is possibility that they will differ on some issues due to conflicts associated with communication. As a matter of common knowledge, a person cannot change drastically to suit the communication requirements of a new culture (Stahl et al 2004). Drastic changes cannot occur and this is because of two main reasons. First, it is not easy to adjust to the ways of a new culture fast. Second, every individual will endeavor to defend their culture, seeing it as being the best (Wiersema and

Bowen 2008). Conflicts occur due to miscommunication or misinterpretation. Research carried out in 2004 by a group of American psychologists, revealed miscommunication usually occurs because, people focus on different things when they listen. While some will concentrate on how the speaker speaks, others will concentrate on what the speaker is saying. Such inconsistencies are likely to affect organizational communication, prompting change in communication policies.

Political or country risk

The political culture of a country is affected to a great degree by the culture of the citizens. Perhaps the most notable example is the situation in Iraq during the Saddam era. During the times, the women in Iraq had no power to make decisions because they did not engage in such important processes as democracy (Eduardsson et al 2008). Such immoral political processes were rooted in the belief that, according to Islam, the men are the only people entitled to making decisions. When the rest of the world stepped in to Iraq to make a change, there erupted a war that saw most foreign firms pull out of the country as a strategy of mitigating the risks connected to the turmoil. Hill and Jain (2007) argue that politics is a reflection of the culture of the people, and is a factor that is bound to affect business decisions and policies. Presently, developing countries are still in a never-ending process of developing, culturally, socially and economically (Trompenars and Hampden-Turner 2012). As they develop, they are gradually embracing formal education for all members of the society. While this happens, the developing nations are rich grounds for cheap labor. This has seen corporations heavy develop foreign direct investment (FDI) in the third world. The research by

Harvard Business Review carried out in 2004 across 25 countries revealed that international integration was a mere dream. This is because of inconsistent cultural beliefs and practices coupled with the disparities in economic development.

Conclusion

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