

Wal-mart's expansion into asia



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Globalisation creates one of the most important achievement in today's world. Understanding cultural difference will only increase the success of companies going aboard. Globalisation increases diversity. The global market provide tremendous opportunity for businesses moving all around the world but we are still faced with many challenges when setting up business in a new country. This essay will show how Wal -mart the largest retail chain detail with cultural difference when opening it doors to Asian markets.[1]" Wal-Mart cannot directly transfer its' corporate culture of low-cost , high -bulk model , hugely successful in US, to Japan." We will clearly see how cultural difference play and important part in the development activities as well as the managing of such activities. The main problem companies fail when opening door to different cultural markets is how these countries are run and their general ways of life. Roger Mark clear state in order to have global success,[2]" it's no longer enough to have a hot new product that will save time, or a novel idea that could revolutionize an industry. You also need to understand the cultural values, behaviour styles, negotiating techniques and business practices of the country where you are doing business." Why do company like Wal-mart set up business in other countries like China and Japan? Even though they are going to be faced with many problems with culture. Companies growing international is increasing , therefore the foreign market is opening up companies like Wal-Mart are taking the opportunity to increase sales and promote their brand. Culture add a dimension to the company because companies like Wal-mart have their own culture within the organisation making it difficult to adapt to when they are presence on other countries. The company must wonder if there own corporate culture is enough to solve the problems with diverse cultures.

If the company itself does not understand the cultural differences it face can it reap the benefits. Culture are comprised of both value and norms.

Culture is a social interest which clearly identifies people interest , thoughts and behaviours. In order for a corporation like Wal-Mart to succeeded in the Asian market they must ask themselves the simple question why should they consider culture? In order for them to survive they must manage cultural diversity because[3]" this is in many stages of the internationalization of the business and in all form of the market entry." A organization like Wal-Mart is more Ethnocentric rather than Polycentric. When entering a new market the business need to adapt to the specific taste of consumer. Even retail brands like Wal-mart who attempt to deliver the same layout of stores throughout the world must adapt to culture in some countries. According to Kurt Barnard[4]" It was a dumb thing for Wal-Mart to do," By not understanding cross-cultural influences and not changing the format of their stores to fit cultural differences, Wal-Mart will be unable to compete in foreign markets. Even fast franchise McDonald learn there lesson in Indian . Now a day McDonald's has localize in products to for reason of taste and to reference of the local culture therefore creating regional flavours for particular markets. If the statement by Kurt Barnard is true Wal-mart did not have a chance in Japan. If we consider the Japanese culture we can clearly see that there living space is much smaller than average American house, therefore high-bulk model will not relate to them. In order to solve this problem the business must develop cross -cultural awareness ,[5]" We can begin to understand different perspectives, to adapt our own behaviour so that we respect local cultures, to suspend judgment of what is normal or better and,

using this knowledge, adapt our sales campaigns and business interactions to specific localities and situations instead of assuming that one approach will work everywhere." the firm must determine the countries norms.

Organisation need to decide what determines culture. One of the main reason why culture is important to understand when entering a new market is based on the entry mode used to enter the market. Global companies need to know that half of business perform acquisition fail because they do not input measures that deal with cultural differences.[6]" Companies must require the knowledge of the local culture and the way of doing things" languages is a barrier for many companies overseas especially communication. The problem with Acquisition and joint venture is bring together employees from different companies as well as culture. Once companies join the together most of the times they have different corporate culture therefore become problem to the success of the company's future just like Wal-Mart facing in many market across Europe and Asia. Compare to it success in the United States.[7]" Culture can influence the business in different ways. Language problems, pricing difficulties and culture collisions are not uncommon, especially in the beginning. The company must be able to handle these difficulties in a way that is satisfying also for the other part. Mistakes can be difficult to correct and disrespect for the foreign culture can destroy the entire operation." All corporation must have multicultural awareness is a vital to a successful business. Before Acquisition or joint venture the business must know the particular industry they are entering. If you do not do this the success of the business is slim. The Fili world article on China Business Strategy : Wal-Mart and Chinese culture suggest one of the

main reason why Wal-Mart is not successful in China is because the business strategy does not adjust to local culture compare to it competitor Carrefour. The main reason for their competitor success was due to the strategy they adopted. they simply must[8]“ localize and do things the Chinese way by encouraging local branch decision making , building local supplier contracts and using local promotion schemes on the other hand Wal-Mart was more focus on doing things the American Way”, so We can see that culture difference does play some significance to the success of business. this should be one of the factors to consider when opening or entering a new market. Will this cost a business like Wal-Mart the Chinese market because it pervious time we have seen this in Korea and German when Wal-Mart has enter these markets. Let consider the Daimler Chrysler Merger both companies had different corporate cultures , therefore the company had a rocky start causing Daimler to sell Chrysler arm of the Company. Since culture getting the blame for many companies acquisition , it is up to the companies to assess and communicate cultures of both companies. Here is a study Base on US- Mexico business alliances which clearly shows that[9]“ national culture has a powerful influence on people’s interpretations, understandings, and assessments of those with whom they work-Cultural values can affect decision making, managerial style, interpersonal trust, teamwork, and the role of women in the workplace, among other issues.” In order to have successful entry the company needs to collect correct and accurate information because entry mode is based on the economic criteria. For example[10]“ Managers working for Deutsche Bahn or Arriva undertake an intercultural training course such as Managing International Teams or Managing International Mergers and Acquisitions will give international

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managers involved in a merger or acquisition the insights they need to develop an effective working culture that plays to the strengths of their multicultural teams and maximises the cultural benefits of their company's acquisition."

The HRM managers in the companies must consider the culture affecting behaviour as well as the cultural dimension introduced by Hofstede which assess culture. Geert Hofstede (1984) clearly stated that "culture is the collective programming of the mind which distinguishes the members of one human group from another." Many companies are global, therefore cultural understanding is a key part to a successful business globalization provides better opportunities to company investing in a new market. Management in the company should be heavily moved by culture. The global environment require the global businesses understand the culture forces the shape the relationship between the company and its consumers. The internationalisation of business has exposed firms to large range of norms for doing business, therefore they need to determine value assumption. The first question most corporation like Wal-mart ask why are they face which such challenges. In order to understand this we must consider the cross-cultural theories. Edward hall drew a useful distinction between low and high context cultures. Many Asian countries are seen as high cost cultures. Business need to be aware that problems will natural arise when high and low cost culture businesses get together . The model is useful in understanding why different cultures might communicate differently because High context south Asian culture companies differ so widely from their low - culture western cultures. This model show the comparison between national

cultures. Hofstede research show how national culture can also affect the workforce in a organisation. We can clearly see that how culture play as important role in internationalisation of a company. The theory clearly compare how companies like Wal-Mart tries to impose the same norms on all it foreign markets. The model determined the work related value for different cultures. Which become the five dimensions. Corporation should use this because it has enormous influence on cross cultural issues. Even though this model does not present detail analyses of individual cultures. It does show you where each country fits. It is up to the managers in corporation to understand culture. Hofstede finding looks for sub cultural and regional differences , industry differences and differences arising from the organisational culture. Geert Hostefede describes power distances with means people will accept unequal distribution of powers. If Wal-Mart takes this model and determine the cultural difference then they gain success , because[11]“ the strong centralization that has helped the American Wal-Mart seems to hold back Wal-Mart in China. China is less homogeneous than America and that calls for decentralization, giving more power to local managers and their supplier-network or perhaps even moving to franchising in some of the more remote locations .” Americans do not accept power distances. These are challenges many managers will face in today global markets because not managing culture effectively can stop growth as well as production. We have seen that the Hostede model such as individualism versus collectivism and feminity versus masculinity help categorize as well as identify cultural differences. If we take individualism versus collectivism you will know that Americans or more independent and have self - determination compare to Japan where the workforce work in groups. The <https://assignbuster.com/wal-marts-expansion-into-asia/>

use of the concepts of cultural dimensions such as those of Hostede and Trompanear provides the means to construct cultural clusters of countries or subcultures within and across countries. These cluster can be used to identify areas which need development in order to reduce problems caused by cultural differences . For example advertise can use this model make ads relative for certain cultural dimensions. The bad thing about these models is the assume that culture does not change and the develop serotypes. Hofstede model is more managerial.

Companies must show consideration and care in dealing with cultural differences both inside and outside the organisation. Before making changes to enter another country the company must ensure that their service or product meet the local wants and needs of their customers. Care must also take place managers relationship between the home and host country in terms of working practices. Firms need to be sensitive to culture because if they don't it can cause failed joint ventures as well as misunderstandings, there cultural difference need to respected across borders. Employees in the organisation must be aware norms in the host country is a must.[12]"

Businesses need to understand the impact that cultural differences have on the career progression of their employees and on communication and decision-making," Firms can solve the problems of cultural difference by engaging in cross- cultural training. Some research have stated that Wal-Mart is way behind the knowledge of the locals taste .[13]" One of the reasons that failed Wal-Mart internationally is when it attempt to transport the company's unique culture and retailing concept to each new country. Gilman (2004) asserts that in Wal-Mart overseas expansion, it has been

trying hard to launch the supercenter concept," therefore the corporate culture does not match the national culture. Wal-Mart still not considering the different cultures.

In this essay we have seen that internationalisation of a business have expose the business to different norms when crossing cultural borders because the more firms move away and enter new market. We have seen the clash in the national cultures between countries as well as the corporate culture. The approaches to solving cultural differences clearly assume that firms will be given advantage. Cultural should be the heart of the organisation because we can clearly see that it determine the success or failure of the firm. For example look what happen at Euro-Disney when it enter the European Market the Managers just assumed that French works had the same employment structure as American works, therefore selling the American Culture rather than implement the French culture. It is up to the employees in the organisation who exist within the corporate culture to understand the outside environment culture because we must see culture as ever changing. In order to solve the problem with culture we must learn to adapt. The company need strategy development to in order to overcome the hurdles caused by cultural differences. We can clearly see that every country and region have their own culture, therefore global companies must have a good understanding. Culture is clearly the way of live for people it is only natural that companies leave their ethnocentric culture which the basically see own their culture rather than the Polycentric culture. This creates conflict as we seen in both corporate cultures as well as national culture. In order to over such problem global companies need to acknowledge the diverse

culture around them. No more assumption and judgement because people learn culture through what they are taught. It is only natural for global companies to put in effect strategies allowing them to adapt to the cultural changes. If we take the company Coca Cola strategy which change the sweetest of their soda to meet the consumers taste buds in different countries. They did not neglected the needs of the local people , therefore have full respect of their culture and history.