

Cross cultural issues, walmart in south korea



Wal-Mart's venture into South Korea is yet another example of a company attempting to duplicate its strategies and business model unsuccessfully.

Wal-Mart didn't consider how the vast differences in culture could affect their survival and ultimately let their complacency, conservatism and conceit get in the way. Their continued losses forced them to withdraw their investment after failing to adapt to the environment, the culture and customer needs.

Wal-Mart should have adjusted their leadership style to be able to transcend context as well as engage in cultural sensitivity by localising their business to suit consumer preferences. More knowledge of the environment and competition could have provided Wal-Mart with a greater understanding of the culture and their different needs, and engaging in more thorough strategic planning could have seen this detrimental venture be a great opportunity for the company.

Wal-Mart failed to take into account the different customer preferences attributed to the vast difference in cultures and stuck to western marketing strategies that focused on dry goods, electronics and clothing, rather than food and beverages which is what draws locals to these hypermarkets (Sang Hun 2006). Wal-Mart believed that their way of doing business was the best way, even though there were major differences in the US and South Korean market, and therefore were blinded by their ethnocentrism.

In order to be successful they needed to adapt their business model to suit the South Korean market; however they were subject to tunnel vision, and didn't take into account many necessary external factors and this proved costly. Wal-Mart should have engaged in localising, which includes

modification of the subsidiary's name, management style etc. in order to suit the local tastes (Derskey & Christopher 2008). As they did not attempt this, they were unable to establish what South Korean consumers wanted.

Wal-Mart didn't understand the environment they were operating in and didn't take enough measures to assess the differences in the US and South Korean marketplace. They lacked in cultural sensitivity or empathy i.

e. the awareness of and honest caring for other cultures (Derskey & Christopher 2008). They therefore didn't understand the culture and it cost them money and opportunities which lead to a 9.9 billion net loss and withdrawing from the country (Sang Hun 2006). Not enough strategic planning was undertaken in order to assess just what these demanding consumers required and they therefore weren't a desirable shopping venue for the South Koreans.

Even after 8 years of operation, Wal-Mart were still unable to fix the major problems the company faced. They were still not able to provide consumers with what they wanted and had no choice but to sell their subsidiary to their major competitor. South Koreans cultural dimensions differ largely from the US. According to Hofstede's models South Koreans cultural dimensions are uncertainty avoidance, collectivist, and long term orientation.

The US dimensions include individualism, masculinity, and they have low rankings in uncertainty avoidance, long term orientation and power distance (Hofstede 2009). These differences mean that negotiation factors, communication, leadership techniques and issues such as time must be dealt with differently in these cultures. It shows that greater planning and

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understanding needs to take place in order to successfully penetrate different regions as they have vastly different values, needs and preferences.

Wal-Mart should have had a contingency view as there is no single best way to handle all situations as they are unique (Derskey & Christopher 2009) and simply replicating a business model does not ensure success.

As seen from these differing dimensions the South Korean collectivist culture means that they value relationships and networks and Wal-Mart “ were not aggressive enough in expanding their networks” (Sang Hun 2006).

This dimension plays a key role in the success of business, as suppliers, distributors etc. may not do business with a company that they do not have established relationships with. In comparison, the US is a very individualistic culture and Wal-Mart were not used to doing business in this manner. A simple assessment of cultural dimensions would have illustrated the importance the South Koreans place on relationships. Wal-Mart didn't plan adequately to combat the economic risk they became subject to.

They were slow in opening their stores, and were therefore unable to win more customers, and also unable to build the kind of market share needed to be able to press suppliers on pricing issues (Sang Hun 2006). A greater understanding of the environment and more sufficient strategic planning could have seen Wal-Mart become a more dominant player in the market; however their inadequate assessment as well as their complacency, conservatism, and conceit cost them money and the opportunity to penetrate and be successful in this country.

Wal-Mart should have gathered information and forecasted trends to assess the environment and its competitors. The expectations of the demanding consumers could have also been learned in doing this. Wal-Mart compared largely to its major competitors E-Mart and Lotte; its stores were of simpler appearance and they sold products by the box, whereas its competitors built eye catching displays and hired clerks who “ hawked their goods with megaphones and hand clapping” (article).

Its competitors have enjoyed much success in South Korea as they attempted to localise and adapt their business model to suit the culture, they didn't simply replicate their model and hope for the best.

If Wal-Mart assessed the competition it would have learned the differences in consumer preferences and learnt more about the environment and how to be more competitive. The South Korean and US culture vastly differ, in order to expand successfully into this market Wal-Mart needed to thoroughly understand these differences and how they affect consumer preferences.

Replication of their established business proved costly as there was no adaptation to account for the different consumer preferences, instead Wal-Mart should have localised their business to account for these differences. Not understanding the culture meant that Wal-Mart didn't focus on important factors such as establishing networks, which is necessary in South Korea.

Accurate strategic planning is vital, this includes environmental scanning, economic scanning and having knowledge of major competitors.