

How does culture affect international business marketing essay



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1. Introduction

With the recent increase in the pace of globalization, culture has gained further introspection than before, especially the role player by culture in the performance of a new business unit in a foreign region or mergers and acquisitions in businesses. Some of the key factors giving rise to an increased networking amongst various cultures would be due to advancement in telecommunications and IT industry. Due to this high formation of global alliances there is more cross cultural activity which makes it important to understand the critical nature of culture in international business. Culture has been cited as one of the main reasons which could either help the new company settle well in the region or result in losses like internal conflicts etc.

In this essay we would be demonstrating the effect of culture through a case study of international business and analyse existing literature which focuses on culture and international businesses. According to Geert Hofstede, Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another, hence it can be termed as a result of set of values within a community. Edgar Schein defines it as a deep level of basic assumptions and beliefs that are shared by members of an organisation that operate unconsciously and define in a basic 'taken for granted' fashion an organization's view of its self and its environment.

Culture is a collective behaviour which is accepted as a common standard within groups and its basic need to communicate within themselves at various levels (Brown, 1995). This would mean the various modes of

communication not limited to language but actions and social communication techniques through specific set of actions which may be identified by that group itself. Some example of it would be:

A community based local language, for example specific description of foreigners.

Religious or Community Rituals like joining of hands in Asia tofor greetings.

Paintings depicting historical information of the region.

Dynamics of power and authority within organisation like the parental management seen in Japan compared to US culture which is more focused on performance than age of employees.

According to research done by Ember and Ember, 1973 on culture, they state that it is a part of various social structures and it helps in providing a common direction to a group of people thereby leading to formation of social dynamics, power structures and overall roles in the community. Therefore it implies that if the nature of culture has a major impact on social dynamics of that region, leading us to conclude that even though there may be similar businesses running in two different parts of the globe, due to a different culture there may be a different operational structure of the same company in form of flat or bureaucratic management or power control of an organisation. This also means a separate set of expectations from the employee perspective in different regions.

Given such an important role of culture, it becomes important for business operating or planning to operate in a different culture to utilize the impact of <https://assignbuster.com/how-does-culture-affect-international-business-marketing-essay/>

culture at macro and micro level to their advantage through an understanding of various places where culture plays a role in the new business.

Understanding the micro level culture of all regions globally may seem a hard task due to the amount of data involved and hence culture cannot be measured region specific but there can be certain assumptions taken at a broader level to group certain regions or cultures in a similar set of characteristics (Ember & Ember, 1973). Such a type of comparison would be feasible for understanding the link between workplace culture along with social culture and the overall perception of employees at a generic level (Pearlin & Kohn, 1966).

For a business operating globally, culture may have impact at various levels and departments. Some of the direct impacts which culture may have on an international business would be understanding the consumer behaviour of the new region which in turn may lead to higher sales. Since there may be a different management style in the new country of operation for the company, adhering to local culture within reasonable limits to set up employee management strategy would play a key role in the overall performance of the business.

Further, companies need to understand that the overall process of culture is continuous and may vary according to different regions according to their development. While some regions would have a stable culture due to either lack of development or self development without foreign intervention, there may be other regions with a gradual shift in culture or fast paced change in

culture due to a new group formation or high influence of foreign culture due to modernization and development experienced in the new region.

Some of the key elements of culture could be classified as

1. Social structure – The historical influence or existing social structure forms a key aspect of whether a culture is masculine or feminine etc. For example,. In the case of capitalistic countries the social structure is based more on self achievement while it may be contrary for socialist countries like the UK and hence a difference in culture.

2. Religion – Regions which have specific policies on following religion may have a deep impact on culture. Countries in Middle East which strictly follow Islam as a religion would have a cultural which follows the religious teaching of it. This may mean a culture with less influence of alcohol etc.

3. Language – Common language like in UK would mean the culture has some level of standardization compared to a country like India where culture varies due to different language in every region.

4. Education – Countries or regions which invest heavily into education have a culture where decisions are more based on research and information rather than countries which have low education and thus more belief in the traditional stories.

5. Economic Philosophy – As discussed before, the countries philosophy towards its public services would also impact culture. In a country where there is high tax structure to be used in public services, there is less

capitalism found and thus a standardized way of life for most of its citizens.
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6. Political Philosophy - A region under a dictatorship rule may have a culture which is more subdued and unable to express political opinions openly. While countries like USA which have an open political philosophy and rights of expression have a more open culture towards social discussions.

The above understanding of culture helps us understand and validate the assumption of how it affects business performance in a new region.

2. Literature review

Maslow proposes that in any region irrespective of culture, the company employee relations characterized mainly by their autonomy (Maslow, 1970). Employees would prefer options like independence with privacy without a need to be controlled. While this view may be in contrast to the culture of the region, they would still hold respect and follow traditions at a superficial level.

In his research whilst working for IBM, Hofstede developed four dimensions of culture which were analyzed from over 116, 000 responses to a survey instrument from 66 countries. This was one of the major research done on cross cultural influences and is also used as a benchmark research for further studies.

These four dimensions were

Uncertainty avoidance - This finds out the extent till which a person would feel threatened by or avoid unwanted situations through setting up of formal rules. Employees who have a higher score in these criteria will mean they would prefer to avoid uncertain situations completely. People who scored

high in the research were found to be from various culture in the research, some of these countries or regions were; Greece, Portugal, Guatemala, Uruguay, and Belgium while those who scored low were from countries like Singapore, Jamaica, Denmark, Sweden, and Hong Kong (Hofstede, 1980).

Power distance - This dimension measures power dynamics within various groups of different cultures. It would be the extent to which an individual would accept and serve a senior in workplace which would have authority over the employee. Cultures which scored high in this part were from countries like Malaysia, Guatemala, Philippines, and Mexico etc while those which scored low were from Austria, Israel, Denmark and Ireland etc (Hofstede, 1980).

Masculinity / Femininity - This dimension classifies the culture as a masculine or feminine based on certain factors identified by Hofstede. Cultures which focus on assertiveness and capitalism were termed as masculine, regions identified in this were Japan, Austria, Venezuela, Italy, and Switzerland while those which focused more on socialism or community nurturing were from countries like Sweden, Norway, the Netherlands, Denmark etc. A common theme seen in feminine countries would be a higher overall tax structure and an attempt to create a median of the average income by higher taxes on high income and lower taxes on low income thereby to create vast public wealth to sustain public service in form of benefits and medical care.

Individualism/Collectivism - Here the criteria is how individual goals and group goals are compared with each other and which is given a higher priority. Regions which were more focused on collectivism were Guatemala,

Ecuador, Panama, Venezuela, and Colombia while countries like United States, Australia, the United Kingdom, Canada, and the Netherlands were having a more individualistic culture as the norm. Overall employees in this culture were found to be more entrepreneurial due to their liberty of independent decision making process.

Bottom line: Thus from the Literature review of Maslow's theories and Hofstede's four dimensions, it helps to validate that performance and communication skills of residence of a particular country depends on the culture i. e. norms, values or philosophies embedded in the society (depending upon individualism/collectivism, power distance, uncertainty or masculine/feminine). Hofstede has further quantified the scores for each country on the basis of the four dimensions which can provide some stereotyping of individual residing in a particular company. Example countries high on power distance scale can have aggressive communication style due to power play in personal or professional life. For our research, it is useful to understand the nature of various regions and how they could be resolved by utilizing the right strategy. For example an international business based in the US operating in a culture like that of Norway would mean that employees would need a higher form of support from the company compared to those offered in the home country however they would be open to higher taxes as well.

3. Case study of IKEA Shanghai

In order to further understand the impact of culture on real life basis, we will consider studying the case study of IKEA in China which would provide the cultural view from a marketing perspective.

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Marketing which forms a key aspect of the company's strategy to enter a new region needs to be customized according to the culture of the region. IKEA Shanghai focused on the local culture and behaviour whilst creating its marketing strategy for the local customers.

IKEA Shanghai's marketing mix of 4 P's will further elaborate on this customization to meet local culture.

Product

Ian Duffy, IKEA's CEO of Asia-Pacific region, said " IKEA's localization in China is to appeal to Chinese customers' taste. For example, the range of products offered in the Chinese market should match the customers' preference. The showrooms should be designed and arranged in accordance with a Chinese style".

The company adapted such a product strategy that was insync with the oriental design which achieved success (Armstrong and Kotler 2006). The company took into consideration of the Chinese eating habits and produces its range of cooking style cutlery which were 3 kinds of meat cleavers and 3 kinds of chopsticks together with Western style of knives and forks. Anders Dahlvig, IKEA's CEO, states that " that 5% of the products IKEA sells in China is for China only, in contrast to 1% in IKEA's European market" (China-CBN 2005).

While the company is known for creating furniture and fixings which have a simple design, they introduced specific designs for the Chinese new year which were dark in color as preferred by the Chinese customers while

designs which have an oriental touch to it. Thus company further imbibed <https://assignbuster.com/how-does-culture-affect-international-business-marketing-essay/>

the local culture in its products by placing logo of a red rooster indicating the new year, which is considered as auspicious by the Chinese customers and hence it was a move which was well appreciated by the local buyers.

One of the areas which the company has not looked into it is its form of simple packaging while the Chinese customers prefer a brighter and fancy packaging which also matches the goods inside. However the company communicates and focuses to say to its customers that it uses simple and recyclable wrappings. Another point which the company makes and is in line with the customer preference is that they do not use such expensive packaging and hence are able to keep the end costs low, which remains the critical selling point of the company.

Price

Understanding the Chinese customer preference for items tagged as low priced, the company focuses on reducing prices, which has effectively attracted more customers. Initially when the company entered the Chinese market, it focused on customers in the tier 1 segment of income as their buyers, however when the company realized the preference of cheaper priced goods by tier 1 segment of customers as well it further reduced its prices substantially thus attracting more customers from all classes of income. From 2000 to 2005, IKEA managed to reduce the general price of its products by 46% to 70%.

Initially, when the company started operations in China, a large number of products were being imported thus inviting more duty and import taxes on it making the final price go higher. This was perceived by the Chinese

customers as a brand with expensive products, later on the company decided to source locally and thus cutting down the prices which were easily affordable by the customers (Song 2005). Other moves to cut cost were to expensive product brochures which were thick to a thinner brochure with cheaper quality of paper (AFX News Limited 2006).

Thus it can be seen that the company understands price as a critical part of their selling process and customizing it according to the local culture preference which is for lower priced goods.

Place

Usunier (2000) proposes that according to the view from culture, any option of place or distribution is one of the two elements of the marketing mix, which are important in reaching out towards the customer. Since distribution also interacts with the consumers in an indirect manner, it can be termed as a key point in the cultural consideration as an efficient distribution can result in better priced products. For this reason, the company established efficient and low cost network of distribution channel and thus managed to reduce price or keep them in control. The company built its own logistics centre rather than depending on other providers which was seen as a key move to cost cutting since they could contain more than 300, 000 cubic metres of products (Chen 2006). These actions by the company solidify the fact that the company has always looked out to keep operation costs in check and thereby offer the best prices possible to the Chinese customers, which is one of their key preference.

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Promotion

The company's strategy of promotion mainly includes its mixture of advertising, sales promotion, public relations and other marketing tools.

While the company uses these set of tools to

effectively communicate customer value it also needs to be careful while delivering such messages so as to be in the boundary of the local culture (Armstrong and Kotler 2006).

The company does not market its products specifically to each type of customer but rather

Let the customers to make their own choices through its catalogues. As seen from the literature review that independence and liberty in decision making is well appreciated by employees of a firm, it may well apply to the Chinese customers as well who would like to make their own decision rather than be told what to buy.

Using local faces for better assimilation in an advertisement is useful to get customers' attention

(Mummert 2007). Hence, characters in IKEA's commercials are mostly Chinese

trying to show that IKEA is suitable for a Chinese home.

The company also blends well with the Chinese cultural value developing relations rather than just a business deal by selling things at the right price

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when they are needed and not bring guided by profits by selling umbrellas when it is raining at the standard price (Fan 2000)

4. Conclusion

Based on the case study of Ikea along with Hofstede's cultural dimensions framework we can propose that culture has a critical influence on any international business performance as it involves not only the consumers or the end users of services or products of the company but also employee's performance and communication skills. While the Hofstede model provides a useful tool to quantify the new regions location on four important dimensions, the case study provides a product and service based view for the new company to focus on with regards to culture of that place. In the current scenario where there is an increase of travel of company executives, culture is much more exposed than it was before thus an employee transferred from a high power distance country like USA to low power distance country like Malaysia may have aggressive communication style which could be perceived in a negative manner, thereby causing turbulence in the management of the company in that region. While at the same time the importance a company gives to its marketing mix which is customized according to local requirements as seen in the case IKEA also remains critical.

Some of the limitations of this approach would be the critique of Hofstede model by other researchers wherein they state that the quantifying of cultural issues may possibly hamper validity of research. This also remains the same case for various companies entering different regions with an entirely different culture thus creating culture clash possibilities. The employees of <https://assignbuster.com/how-does-culture-affect-international-business-marketing-essay/>

the parent firm may be working with newly hired employees in a foreign region either in person or remotely however culture would play a key role if the new development has to take place smoothly.