

# Cultural challenges of doing business overseas



The decision to conduct business in another country is a huge undertaking that has cultural undertones within the need to produce a profit but more importantly to produce a product that will not only be accepted by the masses. The situation that was described in the scenario was Steve Kafka, a US born of Czech origin, and his desire to franchise his pizza business in his parent's native land. While there is an apparent advantage in Steve's ability to communicate in the country's native language there are also obstacles that could potentially deter Steve from reaching the goal of establishing a pizza franchise in the Czech Republic. Some instances of obstacles that will be encountered will be cultural, financial, substitute products, available resources, trade blocs, and geographical location to Italy. While there are negatives at risk there are also positives, for instance the taste of western culture, new product, and potentially the name recognition. The major hurdle that must be addressed is the cultural differences between the United States and the Czech Republic, there are many differences the most common are diet, dating, recreational activities, and family lifestyle. This is based on the fact that pizza is a food that is consumed during most of these activities in the American culture and as a base foundation for thinking it should translate in a similar way in the Czech culture.

The Czechs have a diet that is rooted in traditional food and is difficult to prepare and heavy once consumed. The Czech family structure is also having a close-knit family consisting of two working parents and two children, therefore pizza would be a great substitute for the working woman who has to balance a family and a work environment. The Czechs also do not dine out often and this must be addressed as a major concern based on the

fact that it is cultural. The mitigation in order to make the dining out issue less of a risk is to potentially provide the pizza as a complementary food that is associated with the daily activities that men do, such as the evening drink at the pub to be accompanied with pizza. The comparative advantage that the Czech Republic has available to Steve and his ideas of a pizza empire is that relatively a Czech society is open to western ideas, since the downfall of the Communistic Ideology and the write up of a new constitution in 1992. The Czech Republic is in the midst of reestablishing itself and seeks an identity and a taste of what is western civilization. Currently pizza is not a new food that the Czechs have never experienced but a food that has been considered a snack. If Steve was to portray the food as a potential substitute for one of three meals of the day then it would be a win-win for all who make and consume the product.

The trade barriers that would prohibit the potential establishment of a pizza franchise are as follow; the development of partnerships that the Czech government has allied itself with Austria and it is more likely to have trade between those two countries. The allied countries will also need to have a firm position in trade so as to be able to leverage potential stock of goods with other surrounding countries. The Czech Republic has a partnership with Austria and the use of that trade barrier Steve must be aware of any blocs that would control the price of essentials that are needed to make the pizzas. The trade bloc can also benefit Steve in that with the increase of resources that would be available can make the price more competitive resulting in the potential price being lowered. The other potential benefit can be associated with the competition to enter the market in which the more competition that

exists will make the market more competitive and assist in decreasing the demand and lowering the price. The need to also be aware of any trade embargoes should be addressed to Steve in that due to political turmoil and sanctions against Czech Republic so as to avoid any violations that have been imposed and could potentially interfere with the start-up of his franchise. The demand for pizza will be assessed on the need for the food and how public has perceived the food, currently it is a snack and in order to be taken more serious it must be presented as a meal.

The prices of pizza will be based on the cost of the raw materials and the availability of the ingredients. The price elasticity of demand will determine the supply and the price that will be incurred. Based on the economic structure of the Czech Republic which is considerably less than the US but which has a price index that is similar the Czech Republic if encountered with the same price as that in the US then the food snack would be within the normal budget but still purchasable. Given that the price is elastic based on the ingredients, in addition the pizza is not a staple food and is considered a snack.

The information presented to Steve could infer that the pizza is a snack and will require a cultural change and an acceptance of pizza as a meal and the price of the ingredients will determine whether to continue and open the franchise. The main obstacle for proceeding with taking the pizza business to the next level should be the following; aside from it being a business that can be effected by the surrounding business transactions and tariffs and embargoes from other countries the obvious should be addressed and that is the distance that Czech Republic is from Italy is less than 300 miles. The <https://assignbuster.com/cultural-challenges-of-doing-business-overseas/>

pizza is known be routed in Italy and it is the birth place of pizza and in no way should it be new as a product to Czechs. ReferencesCzech Republic. (2006). CultureGrams 2007 World Edition.

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