

The cultural challenges of doing business overseas

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The world of business today is dynamic and people have continued to venture into various types of businesses within and outside their countries. Doing business overseas has in many ways proved quite challenging for many since this involves change in terms of culture and the business environment. Different countries have different cultures and ethnic groups. In this paper, I will analyze the major differences and incompatibilities between the U. S.

and Czech Republic cultures, addressing the major business risks involved, comparative advantages that exist in Czech Republic, addressing the major business risk's involved, and Czech's business environment including the barriers to trade. Steve Kafka an American of Czech origin will face quite a number of business risks when establishing his Pizza business in Czech Republic because of the differences in culture between these two countries. Czech Republic has a unique culture compared with United States.

Greert Hofstede notes that culture mostly causes conflicts rather than synergy and even goes further to state that the differences in culture if at best could cause a nuisance but mostly, it causes disasters (Hofstede, 2001). Czech Republic has a rich heritage in culture with majority of its population being ethnically and linguistically Czech. The Czechs are known to be reserved and private and rarely acknowledge those they know. United States on the other hand have a Western culture hence a multi-cultural and diverse nation consisting of a society with various groups, lifestyles, classes and races.

They are open people and aggressive too. Cultural-diversity could pose major business risks for Steve. The risks involve; low sales, slow growth that

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is business progress, competition, employee turnover, low profitability and so forth. In order to mitigate these risks, Steve needs to establish strong relationships with Czechs by trying to understand their cultures more keenly hence reducing diversity. He should be able to understand the way they communicate, how they deal with time and respect their beliefs base in Czech Republic.

However, Czech Republic does have a number of comparative advantages in relation to business environment and this could prove helpful to his business. The political and business climate is stable in Czech. The country also has diligent and skilled labor force, investment opportunities, latest advances in technology and high intellectual capital. Other comparative advantages that Czech Republic poses include: geographic advantages, cultural proximity, good language skills and the existence of modern telecommunications in their infrastructure.

Steve could make use of these advantages in order to expand the enhance productivity and profitability in his Pizza business. Greert Hofstede's dimensions could also be helpful in evaluating Czech's business environment. Hofstede notes that before or when working with individuals from other countries, it is essential to find out more on their national cultures with the use of the proposed dimension. Hofstede's dimension models include: Power Distance Index (PDZ).

Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance Index (UAI) and the Long- Term Orientation (LTO). The Power Distance Index refers to the extent of the acceptance by the less powerful people in Institutions and organizations regarding the inequality in the distribution of power. This calls <https://assignbuster.com/the-cultural-challenges-of-doing-business-overseas/>

for any one with an international experience to accept that all societies are not equal. Individualism dimension could be compared to collectivism which is the extent to which individuals can be integrated into groups.

There are societies that practice individualism whereby everybody is for him/herself and the families whereas collectivism applies to those individuals who are closely integrated into cohesive and strong groups who provide continual protection in exchange for loyalty. This is a fundamental issue that needs to be looked at in order to understand the cultural diversity of the Republic of Czech (Hofstede, 2001). Hofstede's dimension of gender while looking at masculinity versus femininity looks at the way roles are distributed among men and women. This is also a fundamental aspect in understanding differences in culture among people and nations.

Uncertainty Avoidance is also an important aspect as this helps in the identification of how a society tolerates ambiguity and uncertainty. This is important as it helps in the identification of the truth regarding societies their cultures and how they are programmed. It is also important to note that the people from uncertainty avoiding cultures are often less emotional and the only way of their motivation is the nervous energy within themselves. However, those from uncertainty accepting cultures are able to tolerate different opinions, establish a few rules and are not expected to reveal their emotions by their environments.

Steve needs to know and assess this in order to establish the type of culture that Czech has. Lastly, long-term Orientation versus short-term orientation addresses the issue of virtue and looks at values such as perseverance and thrift and this is also essential in understanding the culture of Czech Republic
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(Hofstede, 2001). During his evaluation while using the Hofstede's four primary dimensions, Steve is likely to find out that Czech Republic has got a cultural diversity that consists of different styles of power, gender, and communication among other things.

There will also be differences in the business environment, political and social (Harris & Robert 2000). While conducting his business, Steve needs to be aware of the trade barriers that exist in Czech Republic. Although the country is committed establishing a free market with an open economy, Czech Republic poses a number of trade barriers. They include: customs Regulations, Tariff notes, excise and value-added taxes, Import/Export requirements, Labeling and Making, Licensing Requirements as well as the Free Trade Zones.

It is therefore important that Steve gets to know these trade barriers in order to succeed in his business. Steve needs to gather information regarding the market structures in Czech Republic and the consumer behavior. By establishing the tastes and preferences among the consumers, he will be able to assess the demand for Pizza at different prices, the cost structure and the income elasticities of Pizza. He also needs to identify the budget constraints that these people face as regards their current income (Harris & Robert, 2000).

To conclude, today's businesses have become more international as companies have been trying to establish overseas business. This therefore calls for understanding of the business cultures found in these countries since this is essential for setting up a successful business. References Harris, P. , & Robert, T. (2000). *Managing Cultural Differences*. Houston, TX: Gulf
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