

The importance or otherwise understanding cultural



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This report investigates importance of understanding cultural differences between countries for business firms operating internationally. There will be examples of firms that understand different cultures and are able to use this knowledge for successful business. International trade includes all the various kind of exchanges as importation and exportation, as well as goods and services, etc. across nations. It grew over the last half of the twentieth century due to many reasons, as the liberalization of both trade and investment or as the opening of the borders.

But, why firms want to do business internationally? What is the goal of this international trade? Indeed, there are various advantages to develop exchanges abroad. 1. First, go to others countries permits to open new market and become larger. The aim is typically company expansion. Operations in two or more nations always results in huge benefits. Thus, firms have new opportunities in terms of technologies, consumer behaviours, knowledge's, etc. Moreover, aboard, companies can find solutions about the problems that they met before as alternative sources labour, new creativity, diversification of the products, etc.

They become more and more competitive. 2. Furthermore, more international a company is, more recognized it is. A new market does not only mean new opportunities but also new influence and a firm can develop its reputation. When it is higher, it becomes easier to do business worldwide and vice versa. 3. One of the main reasons why companies go to do exchanges in others countries is the condition of the home market.

Sometimes, the economic situation stops the development of the market and it becomes saturated. Thus, it is impossible to do business, or survive, a

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company needs to have customers, so it will go to find them outside and it commits resources there. 4.

Then, there also exists another important advantage. It is the division of the risks. That is to say, when companies work internationally, they do not have the eggs in the same shopping basket; they have the opportunities to lean on the new environment to extend them if the domestic market goes through. It permits to reduce the loss because the problems that are present on one market can be compensated for a new. 5. Sometimes, go to buy some products worldwide is a real necessity because our own country cannot reply to our demand due to a lack of competencies or the specializations of some countries, for instance.

So, we can observe that countries are dependents on each other. And we cannot compete with the old expertise of some countries in some industries. It is better to use their know-how than to try to do it by ourselves. To conclude, international business is important for all the countries in the world and all the firms. The opening of the barriers changes the conception of the exchanges. Nowadays, the companies cannot miss it. Do aboard to do business is as well as an obligation as a necessity and a desire. 1. Main problems of doing business internationally

When companies are doing business internationally, they are looking for the information they would use domestically (size of the market, competitive structure and needs of the customers) but they are also looking for other specific data depending on the country. (Kahane, 2004) Thus, they will have to cope with different issues and challenges such as:

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Local market practices, Culture and customs, Legal requirements on business, Political trends and power structures, Currency regulations and/or restrictions, Language and communication norms, Bureaucracy challenges with local government, and Local competition (e. g: if you try to implant in China). But, if we look at those different challenges, we can see they are all connected to the culture. For example, the political trends and power structure is linked to the country's culture as politics will take decisions thanks to their history, their habits, their norms, and their customs. Also, the same government will decide of the currency regulations, the legal requirement or the local competition. In this way, we can consider that all the issues and challenges are directly or indirectly linked to the culture. It means that the most important issue companies have to deal with is the appreciation and respect for the cultural diversity if they want to be successful in international business operations.

1. 1. What is culture?

There are a lot of definitions about what culture is. As a most cited is Hofstede's (1984: 21) definition of culture as software of the mind: ". the collective programming of the mind which distinguishes the members of one human group from another." It is not something what person gain from birth, but is learns from his family and surroundings, it is always collective phenomenon. Some people feel need to follow the beliefs and traditions, and culture gives them an identity which makes them unique and different from people of other cultures. Every person has their own way of thinking, feeling, and potential acting that were learned throughout their lifetime. As soon as it has established themselves within a person's mind, he or she must unlearn these before being able to learn something different.

Unlearning is more difficult than learning for the first time (Hofstede, 1991). However, culture is not necessarily fixed and unchanging. International business is so challenging because basic management tasks as a planning, organizing, directing, and controlling are more difficult when a firm operates in a different market with different culture. Understanding the differences is a condition for successful business. One of the reasons why so many companies fail is because differences in thinking among the partners have been ignored (Hofstede, 2005). 1. 2. Which factor had company look at when it arrives to another county? The main factor the company has to look at, when it does business internationally is the culture of the new country. But the definition of the culture is very large and the company will have to look at different points.

Also, there is an important differentiation between the adaptation of the employees to the new culture, particularly the sales manager who will have to negotiate in the other country, and the adaptation of the company's product or service, its distribution and communication. In the first situation, the employees will have to consider those cultural differences if they do not want to failed the negotiation. In the second situation, the company will have to consider those differences if it wants a product to success in the new country. (Marx, 1999)

To make the explanation more understandable, we can divide those challenges into criterions which could be applied to every country to understand their own culture (Appendix A). As the report will be investigating the case of Carrefour in China, we will analyse those criterions specifically for China and compare them with the French culture (Appendix A). This is <https://assignbuster.com/the-importance-or-otherwise-understanding-cultural/>

helpful to understand how the Carrefour employees and managers will have to deal with the Chinese culture to success in their setting up. 1. 2. 2.

The company is developing its product or service internationally When the employees have knowledge of the country's culture, the company has to work on its marketing strategy to adapt its product, communication and distribution to the new culture. " Marketing adaptation is the opposite of standardization and conveys the idea that marketers may tailor their marketing program to the specific conditions of the different countries in which they operate. " (The Blackwell Encyclopaedia of Management, 2010) To summarize, international marketing involves recognizing that people all over the world have different needs.

Companies like Gillette, Coca-Cola, BIC, and Cadbury Schweppes have brands that are recognized across the globe. But if their products are targeted at a global audience, they also have to understand some regional differences and develop a marketing adaptation strategy. Adaptation can logically concern all the characteristics of the product and make the product more marketable in a culture with different views and values. We will see in the second part how Carrefour understood the Chinese culture and adapt a marketing adaptation's strategy to develop the brand in this country. 2.

Do we need to adapt the product to each culture or we can do global product? 2. 1. Theory: globalisation, global product As explains Yves Michaud, the connectivity of the world's market and businesses continuously increases. Nowadays, this interdependence becomes progressively important and in general, as economies are more connected to other economies, it

offers huge potential profits to companies and nations. However, they have increased opportunity but also increased competition. That is why; globalization is the system of interaction among the nations worldwide in order to develop the global economy.

In others words, it refers to the extension and harmonization of the links between economics, societies, politics all over the world. Moreover, it involves as well as economics points of view as politics ones. This process existed for a long time; nevertheless, it has speeded up in the last years due to the technological advances. For instance, people more travel or do business aboard because it becomes easier thanks to the developing telecommunications, infrastructures and the rise of internet.

Experts consider that the globalization keeps its development and this concept keeps expanded itself around the world. However, we can observe that some people intend to stop it. They denounce the negative aspects of the globalization. Some pro-globalization and anti-globalization lobbies have arisen. Furthermore, we can add that globalization is the process by which the experience of everyday life, marked by the diffusion of commodities and ideas, is becoming standardized around the world. As we explain it involves a certain kind of standardization.

Indeed, styles of life, customs, cultures and tastes become the same in every country. That is why, some companies start from this observation to expand them internationally. Thus, they try to use the same concept everywhere. In others words, they go to do business in other countries without changing something. The example of Carrefour makes clear the situation. In theory,

firms do not have to adapt to a new market due to the globalization. This tendency permits to gain time and money and it facilitates the process of the internationalization. Thus, we can talk about global product.

Hopper Paul (2007) says: “ Global products are standardized products with a common brand name, with uniform features in all countries. [...]Regional products and regional brands are unique to a particular region. They are latently global. They may become global as more customers know about it. ”

Carrefour is the world’s second large retail chain store behind the American company Wal- Mart and the European leader. It is the most international company in the sector mass market retailing with 15, 000 stores (supermarket and large supermarket) in 30 countries in four continents.

There exist various factors for which companies as Carrefour would like to do business abroad. For instance, the market saturation stops its development and distributors cannot open new restaurants. Moreover, they confront the prices war and the profits diminutions. Carrefour began to know this situation in the West Europe that is why it decided to develop itself in the Chinese market. Nevertheless, it is important to note that internationalisation is a long process. Firm must understand the market where it would like to go.

Legislation and cultural differences are some examples about the parameters it has to take care of. In 1995, Carrefour was opened the first store in Beijing then Shanghai and Tianjin. However, they did not receive the expected success. Indeed, many reasons can explain the failure. First, China is an immense country with many regions. The difficulty is that each region has different consumption habits. Thus, establish itself in China with a global

product is not the right solution because the inhabitants do not want to change.

Then, Carrefour is a foreign company and trust is very important in the Chinese culture. It is necessary to create a trust relation between the suppliers and the Chinese population. Sometimes, it can curb the development of the business because the contracts often are concluded after very long negotiations, for instance. However, firms have to respect and accept this culture if they would like to do business in China. This relation does not create for itself, it needs time. That is why Carrefour met some problems (about the prices, the deliveries) with Chinese suppliers.

Furthermore, the company had to compete with the local competitors who had the great advantage to know the market, the population and to have the trust of everybody. Last but not least, Chinese consumers did not understand the Carrefour's positioning. Indeed, they thought find French high quality product in its supermarkets whereas as Carrefour sell everyday items. That is one of the reasons why at the begging, Carrefour did not success in China.

2. 2. Glocalization Glocalization is the mixed between Globalization and localization. According to The Oxford Dictionary of New Words: "... he practice of conducting business according to both local and global considerations". That idea was created on Japanese dochakuka, originally the agricultural principle of adapting one's farming techniques to local conditions, but also adopted in Japanese business for global localization, a global outlook adapted to local conditions' (emphasis in original). The idea of glocalization in its economic sense is often related to micromarketing: the

tailoring and advertising of goods and services on a global or near-global basis to increasingly differentiated local and particular markets.

Almost needless to say, in the world of capitalistic production for increasingly global markets the adaptation to local and other particular conditions is not simply a case of business responses to existing global variety – to civilizational, regional, societal, ethnic, gender and still other types of differentiated consumers – as if such variety or heterogeneity existed simply in itself. In the glocalization there are increasingly differentiated consumers, with the consumer traditions (of which tourism, arguably the biggest ‘industry’ of the contemporary world, is undoubtedly the most clear-cut example).

Diversity sells: The firms can therefore learn to ‘think locally and act globally’ or ‘think globally and act locally’, depending on the kind of strategic models that are used by the managers who direct the activities of the firm. The homogeneous parts of the MNC develop in response to intensive corporate socialization, rapid transfer and rotation of managers across selected units of the firm strict reporting corporate-wide rituals organized to promote feelings of commonality and shared purposes. The heterogeneous parts of the MNC adopt such practices from each other and encourage local autonomy.

It is really all matter of following the formula. The need to introduce the concept of glocalization firmly into social theory arises from the following considerations. Much of the talk about globalization has tended to assume that it is a process which overrides locality, including large-scale locality such

as is exhibited in the various ethnic nationalisms which have seemingly arisen in various parts of the world in recent years. Back again at the example of Carrefour in China and how they adapt the marketing to the Chinese culture.

It is proved by Carrefour that do glocalization is a good option. Indeed, after a difficult start, Carrefour decided to modify its strategy and to adapt itself more to the Chinese culture. The brand has adapted a special strategy to success in China: “ they are selling in a Chinese way to Chinese consumers” (Paul K. Ward², CRM Consultant, 2005) First, they adapt the brand’s name to the Chinese culture. Instead of Carrefour, like in all the others countries, they chose the name Jia Le Fu, which means “ family, happy, good fortune”.

This name might not drawn many customers in France or the US but it works in China where customers are attracted to things like family, harmony and stability. (Raymond Tung, 2010) Moreover, Carrefour designed the store to the convenience of Chinese customers and the western style hypermarket was adapted to fit with the needs and preferences of Chinese customers. They bought the majority of their products locally to guarantee their freshness, an essential point for the Chinese consumers. In addition, they mix the modern format (for example western music in store) with the local tastes.

Customers can find live fish, eels, bullfrogs and turtles in fish tanks where they can help themselves. And when customers are in the fresh area, they recognize the fresh market they are accustomed to: “ it is more like a Shanghai outdoor market than a Paris indoor one”. Also, Carrefour had to

adapt some products which are not familiar to the Chinese consumers. For example, they tried to bring some wine in the shop. But because it was not part of the Chinese culture, they adapted it to the country, explaining for example which wine they could drink with fish or noodles. Chereau JL, 2006) Carrefour could not have success in China without those adaptations because the occidental store would not have fit with the Chinese way of life.

The brand is now so popular in this country that Chinese people sometimes think it is a Chinese one. It means their adaptation has been totally integrated by the customers and the company answers brilliantly to the needs of the Chinese customers. Nowadays, the firm is the leader on the Chinese market with 73 supermarkets and more than 3 millions of Euros as turnover. This success is due to the Carrefour's understanding with regard to the inhabitants habits and values. . 3. Example McDonald's : « good example » Since the start of the company in 1973, the McDonald Company has been able to adapt itself to the needs of their customers in various markets by adjusting their projects, ads and work processes. Its most recent locations have been India and China. It is difficult to adopt its products in these both markets because of the different kinds of minds and religions in several regions or states. Besides, to continue its efforts to adapt to the local environment, the company created foods that were more in line with the taste buds of the Indians.

This can also be seen in countries such as China, Israel, and Mexico, etc. Moreover, China is the country where high sales are normally generated; and in an effort to keep up these sales, the company has decided to create a new feel for the Chinese people. The Chinese society usually seeks to be more
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westernized and in an effort to enhance their image and serve the demands of their clients, the company has placed more of an emphasis on beef, which is a luxury item to some customers. There are many such ways that the company is promoting its products through its adaptation strategy of becoming local (e. g. t has been advertised that eating beef increases sex appeal). McDonald Company owns worldwide about 19, 700 stores. The company's adaptation to the local environments in which their stores and restaurants operates have allowed it to achieve success, as well as maintain it. In fact, McDonald's success has been largely due to its envelopment of globalization, specifically through its adaptation of the local tastes and preferences.

This strategy has allowed for a high growth in the company. In Europe, the multinational firm grew by 4. 9% in 2009. Its largest growths were in the Asian region, the Africa with 5. %. The company conducts heavy research in order to serve specific target markets based upon a few elements, including social, cultural, technological, political, and economic situations. McDonald's key to success is its business kind of mind of " think global, act local" (Vignali, 2001). Internationally, a firm can meet a few problems to integrate a target market. India is one of the hardest markets to enter for foreign businesses, due to the governmental hardships imposed upon by the Indian government who wants to protect its domestic businesses and employment for its citizens.

As said earlier, tastes and preferences vary across the globe; the firm has to not offend local cultures. India is a nation where beef is highly unpopular due to religion; so the company had to come up with burgers with chicken or <https://assignbuster.com/the-importance-or-otherwise-understanding-cultural/>

lamb. (Appendix B) 3. What happen if a company doesn't respect culture?

National cultural differences can present barriers at the level of simple misunderstanding and at the more fundamental level of conflicts in values. Misunderstandings arise from differences in language and the interpretation of behaviour (Child, Faulkner, & Tallman, 2005).

What is understood in ne culture can be understood in different way in another culture. For example, eye contact can signify respect in one culture but a lack of it in another. Touching in China is inappropriate, Chinese people do not use large handshaking on the other hand in France is usual to do “ faire la bise” that means cheeks kissing. (Appendix A) As an example of company that does not respect countries' culture is the US company Wal-Mart. The Wal-Mart was found in 1962 and currently it has 8, 692 stores in 15 countries. (Walmart Stores, nd) The Wal-Mart stores Announced in July 2006 that it would pull out of Germany.

This example describes. How can the lack of understanding of culture coerce to giving up the company” . The first reason why the Wal-Mart wasn't successful in Germany was that Wal-Mart never cracked the country — failing to become the all-in-one shopping destination for Germans that it is for so many millions of Americans. Wal-Mart's problems are not limited to Germany. The retail giant has struggled in countries like South Korea and Japan as it discovered that its formula for success — low prices, zealous inventory control and a large array of merchandise — did not translate to markets with their own discount chains and shoppers with different habits. Landler & Barbaro, 2006) Some of Wal-Mart's problems stem from hubris, a

uniquely powerful American enterprise trying to impose its values around the world.

For example, in Germany Wal-Mart requested the shop assistants to smile at customers — a practice that some male shoppers interpreted as flirting — and scrapped the morning Wal-Mart chant by staff members. In the German case, Wal-Mart was also never comfortable with German labour unions's relations. Wal-Mart did not understand that in Germany, companies and unions are closely connected. (Landler & Barbaro, 2006) Next mistake, which means complication in international business, is that Wal-Mart is also trying to integrate acquisitions with more sensitivity — a process that involves issues like deciding whether to consolidate multiple foreign headquarters and how aggressively to impose Wal-Mart's corporate culture on non-American employees. Far from being chastened by its setbacks, Wal-Mart is forging ahead with an aggressive program of foreign acquisitions.

In a single week last fall, Wal-Mart completed the purchase of the Sonae chain in Brazil, bought a controlling stake in Seiyu of Japan, and became a partner in the Carcho chain in Central America. The deals added 545 stores and 50, 000 employees to Wal-Mart's overseas empire. (Landler & Barbaro, 2006) It means that Wal-Mart does not have space for understanding culture and adapt to local customers. Wal-Mart's German experience also taught it to use local management. The company initially installed American executives, who had little feel for what German consumers wanted.

For Example, in Germany they tried to sell package meat even through Germans like to buy meat from the butcher. In the case of Germany Wal-

Mart decides also unsuitable location of stores. The stores were a long way from city centre and nearby were three sex shops (Landler & Barbaro, 2006). The Germans like shopping in the city centre and for people without car is the shop too far. The same problem like in Germany is common also in another country. For example, Koreans housewife's have the same problem.

In Wal-Mart sales stacks of goods in boxes and that may be good for people who drive out in their own cars, but no for Koreans which almost all travel by public transport. Some of Wal-Mart's missteps — selling golf clubs in Brazil, where the game is unfamiliar, or ice skates in Mexico — are so frequently mentioned, they have become the stuff of urban legend. But even more subtle differences in shopping habits have tripped up the company. In Korea, Wal-Mart's stores originally had taller racks than those of local rivals, forcing shoppers to use ladders or stretch for items on high shelves. Landler & Barbaro, 2006) Wal-Mart's changes came too late for Germany but they could change their style and help crack other markets like in China. The failure in German was for Wal-Mart good, important lesson and turning point.

Conclusion Understanding culture is important for companies who want to be successful abroad. Between countries are a lot of differences, some are small, some are large and international firms have to respect these differences. There were a lot of examples of firms who did not respect culture of country where it operates.

Moreover, these companies usually did not celebrate a success and they had to change their strategy or leave the market. The example of Wal-Mart shows that what is successful in one country, one culture has not to be successful in a different country, culture. Certainly, there is no continual
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proportion between understanding culture and successes but on the other hand it is an important step for firm to become a going concern. If a company does not understand culture, it means that also does not understand customers and their needs. And yet, understanding customer's needs is the most important thing in doing business.