

Study of culture and globalisation management essay



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Why does culture Matter? Globalisation creates one of the most important achievements in today's world; the ability to trade internationally.

Understanding cultural differences will only increase the success of companies going abroad. Each country has different currencies and behaviour norms. When global companies are born the workforce becomes diverse. Cultural understanding is a key part to a successful business.

Globalization provides better opportunities to companies investing in a new market. The internationalisation of business has exposed firms to a large range of norms for doing business. This essay will show how Wal-Mart, one of the biggest retail chains, deals with cultural difference when opening its doors to Japan's Market. " Wal-Mart cannot directly transfer its' corporate culture of low-cost, high -bulk model, hugely successful in US, to Japan." Wal-Mart is moving into a completely new market, and as such they must enter the market as a blank canvas. Roger Mark clearly states that in order to have global success, " it's no longer enough to have a hot new product that will save time, or a novel idea that could revolutionize an industry. You also need to understand the cultural values, behaviour styles, negotiating techniques and business practices of the country where you are doing business." Wal-Mart and Japan have different habits. Wal-Mart is moving more to cutting the middleman and forcing stores to remain open for 24 hours. The Japanese culture is based more on fresh produce and has high demands for perishable goods rather than processed food. The Japanese are known for their high demand of quality goods and high income. Wal-Mart is trying to force their low cost high bulk and low quality products on the Japanese market. The company must wonder if their own corporate culture is enough to solve the problems with diverse cultures. If the company itself does not understand <https://assignbuster.com/study-of-culture-and-globalisation-management-essay/>

the cultural differences it faces can it reap the benefits? Culture is comprised of both value and norms.

Culture is a social interest which clearly identifies people interest, thoughts and behaviours. In order for Wal-Mart to survive they must manage cultural diversity because “ this is in many stages of the internationalization of the business and in all form of the market entry.” When entering a new market the business needs to adapt to the specific taste of local people. Wal-Mart cannot deliver the same layout of stores throughout the world, they must adapt to Japanese culture. According to Kurt Barnard “ It was a dumb thing for Wal-Mart to do”. By not understanding cross-cultural influences and not changing the format of their stores to fit cultural differences, Wal-Mart will be unable to compete in foreign markets. Wal-Mart needs to move away from Ethnocentrism and adopt a Polycentrism approach when entering a new market. Fast franchise like McDonald learned their lesson in India. Today McDonald’s has localized its products to suit its consumers’ taste and to recognise the local culture, therefore creating regional flavours for particular markets. Culture plays an important part on how global companies operate. Wal-Mart needs to adapt the taste of its host country. If we consider the Japanese culture we can clearly see that their living space is much smaller than the average American house, therefore the high-bulk model will not relate to them. Wal-Mart must understand their behaviour first in order to respect the local culture of Japan. What do Japanese people consider as good quality in service and product? Once Wal-Mart determines this it can use the information to better sales campaigns and business interactions instead of using one approach that they believe works everywhere. The firm must

determine the countries norms and values, and therefore have a cross-cultural awareness between the Japanese and American cultures.

Japanese culture is based on community, family and being part of large group. This is not the same as the American way of life. Global companies need to know that half of business acquisitions fail because they do not input measures that deal with cultural differences. Wal-Mart acquired a Japanese business. Taking over a Japanese firm is the best way of understanding the culture of the Japanese. Why did this not work to Wal-Mart's advantage?" Companies must require the knowledge of the local culture and the way of doing things." People respond differently to gestures and signs. One of the issues Wal-Mart faced was language barriers in Japan. " Wal-Mart is using English-speaking executives to run a retail operation that heavily depends on a detailed understanding of domestic culture." In Japan Harmony is the key value in Japanese society, so when they communicate with each other they use non-verbal expression. Global companies must understand that languages can influence the business in so many ways. Language is the most important aspect to the business success because this should unlock local societies. Wal-Mart knew full well that entering markets like Japan through acquisition brings together employees from Seiyu with employees from Wal-Mart who speak different languages. They should have adopted a language that can be related to local people. Ideally the international managers in Wal-Mart should be Bi-multilingual. Most American firms tend to slow down their English rather than study the language of Japan " The American companies that have succeeded in Japan have done so by using Japanese executives and allowing a significant amount of autonomy. Wal-Mart

however seems to be making the same mistake it did in Germany, relying too much on American executives, and not enough on local control.” We can clearly see that all Global Companies are faced with many problems which range from language, pricing and culture collisions because cultural differences shape the use and interpretation of words. Edward hall drew a useful distinction between low and high context cultures. Many Asian countries are seen as high cost cultures. Japanese culture finds it difficult to say no compared to the Americans who are straight forward. Business needs to be aware that problems will naturally arise when high and low cost culture businesses get together. The model is useful in understanding why different cultures might communicate differently because High context south Asian culture companies differ so widely from their low -context western cultures. When companies go global their main objective should be to handle any difficulties to do with culture because once mistakes are made they are hard to fix. This will only destroy the global company operation in the host country. All corporations must have multicultural awareness because it is a vital aspect to a successful business, and you must know the particular industry you are entering. If you do not do this the success of the business is slim. Wal-Mart must [HYPERLINK “ http://www. filiation. com/blog/2009/03/14/china-business-strategy-walmart-chinese-culture/”](http://www.filiation.com/blog/2009/03/14/china-business-strategy-walmart-chinese-culture/) localize and do things the Japanese way by encouraging local branch decision making, building local supplier contracts and using local promotion schemes on the other hand Wal-Mart was more focus on doing things the American Way.” Wal-Mart did not consider the taste of Japanese people. [HYPERLINK “ http://www. filiation. com/blog/2009/03/14/china-business-strategy-walmart-chinese-culture/”](http://www.filiation.com/blog/2009/03/14/china-business-strategy-walmart-chinese-culture/) National culture has a powerful <https://assignbuster.com/study-of-culture-and-globalisation-management-essay/>

influence on people's interpretations, understandings, and assessments of those with whom they work-Cultural values can affect decision making, managerial style, interpersonal trust, teamwork, and the role of women in the workplace, among other issues." In order to have successful entry Wal-Mart needed to collect correct and accurate information. Managers in Wal-Mart should undertake " An intercultural training course such as Managing International Teams or Managing International Mergers and Acquisitions will give international managers involved in a merger or acquisition the insights they need to develop an effective working culture that plays to the strengths of their multicultural teams and maximises the cultural benefits of their company's acquisition."

Japanese Culture is completely different to the Wal-Mart American culture. Cultural dimensions can provide details allowing global companies to deliver the best cultural system with a great outcome. Identifying the main cultural dimensions groups through attitude, values and norms can influence companies' success. Geert Hofstede (1984) clearly stated that " culture is the collective programming of the mind which distinguishes the members of one human group from another." Wal-Mart adopted a management style that did not sit well with the Japanese people. " Wal-Mart persuaded Seiyu's management in 2004 to dismiss 25% of headquarters staff, including 1, 500 employees and managers. That kind of mass firing happens rarely in Japan, which places a premium on social harmony. And when the firing is done at the behest of foreigners, it takes on added negative connotations." Wal-Mart should determine the cultural attitudes of the employees. Research shows how national culture can also affect the workforce in an organisation. Wal-

Mart did not use the Greenfield Investment, which involved entering a country without a partner from the host country. Wal-Mart did the opposite so it should be fully aware of the effect of the Japanese culture. It is up to the managers in a corporation to understand culture. Hofstede's research looks for sub cultural and regional differences, industry differences and differences arising from the organisational culture. Power distances generally mean people will accept unequal distribution of powers. In the Case of Wal-Mart you can see that it is more homogeneous compared to Japan, therefore they need to " give more power to local managers and their supplier-network." Japanese power distances are lower so Management should decentralise. Americans do not accept power distances so the American workers in Wal-Mart at the Japanese branch should input empowering systems. " Japanese hold harmony as a social ideal, patience as a personal virtue, and hierarchy as an essential organizing principle. Americans, in contrast, hold freedom as a social ideal, action-orientation as a personal virtue, and equality as a fundamental organizing principle." We have seen that the Hostede model such as individualism versus collectivism and feminine versus masculinity help categorize as well as identify cultural differences. If we take individualism versus collectivism you will know that Americans are more independent and have self -determination compared to Japan where the workforce work in groups. In order to solve this issue Wal-Mart should develop group goals and policies that relieve stress. The Japanese people also believe power should be controlled by society, even though this model does not present detailed analyses of individual cultures. This useful research shows the role of cultural differences which is useful for international management. These are challenges many managers will face in <https://assignbuster.com/study-of-culture-and-globalisation-management-essay/>

today's global markets because not managing culture effectively can stop growth as well as production. The use of the concepts of cultural dimensions such as those of Hostede and Trompanear provide the means to construct cultural clusters of countries or subcultures within and across countries. These clusters can be used to identify areas which need development in order to reduce problems caused by cultural differences. For example advertising can use this model to make adverts relative to certain cultural dimensions. Wal-Mart needs this because once Seiyu was taken over it became a whole new store. Yes Wal-Mart provided low cost products but the high quality products that the Japanese are used to disappeared. Wal-Mart should clearly see how different their culture is compared to Japanese. The bad thing about these models is that they assume that culture does not change and they develop serotypes. The cultural theorists base their research on the management of the company rather than the national culture.

Wal-Mart must show consideration and care in dealing with cultural differences both inside and outside the organisation. Japanese people are willing to pay top prices for goods of high quality. Wal-Mart should ensure that their global company service as well as product meets the standards of the people living there. Care must take place amongst managers regarding the relationship between the home and host country in terms of working practices. Firms need to be sensitive to culture because if they don't it can cause failed joint ventures as well as misunderstandings. Their cultural differences need to be respected across borders. Employees in the organisation must be aware of norms and the general customs when

entering the host country. “ Businesses need to understand the impact that cultural differences have on the career progression of their employees and on communication and decision-making,” Firms can solve the problems of cultural difference by engaging in cross- cultural training. Some researchers have stated that Wal-Mart is way behind the knowledge of the locals taste. “ One of the reasons that failed Wal-Mart internationally is when it attempt to transport the company’s unique culture and retailing concept to each new country. Gilman (2004) asserts that in Wal-Mart overseas expansion, it has been trying hard to launch the supercenter concept,” therefore the corporate culture does not match the national culture. Understanding cultural difference allows managers to develop policies to manage cross cultural activities.

In this essay we have seen that internationalisation of a business has exposed the business to different norms when crossing cultural borders because more firms move away and enter new markets. A comparison between National cultures is important. We have seen the clash in the national cultures between countries as well as the corporate culture. We can clearly see that how culture plays an important role in the success of a global company. The theory clearly compares how companies like Wal-Mart try to impose the same norms on all its foreign markets. The approaches to solving cultural differences clearly assume that firms will be given advantages. Culture should be the heart of the organisation because we can clearly see that it determines the success or failure of the firm. It is up to the employees in the organisation who exist within the corporate culture to understand the outside environment culture because we must see culture as

ever changing. In order to solve the problem with culture we must learn to adapt. The company needs strategy development in order to overcome the hurdles caused by cultural differences. We can clearly see that every country and region has their own culture; therefore global companies must have a good understanding. Culture is clearly the way of life for people so it is only natural that companies leave their ethnocentric culture where they basically see only their own culture rather than the Polycentric culture. This creates conflict as we have seen in both corporate cultures as well as national culture. In order to overcome such problems global companies need to acknowledge the diverse culture around them. No more assumption and judgment because people learn culture through what they are taught. It is only natural for global companies to put in effect strategies allowing them to adapt to the cultural changes. If we take the company Coca Cola strategy which changed the sweetness of their soda to meet the consumers taste buds in different countries. They did not neglect the needs of the local people; they therefore have the full respect of their culture and history. We have seen how cultural theories like Hofstede can allow global companies to take into consideration the cultural cluster that effects society but the problem with this theory is more based on how the organisation can improve culture difference inside the global company rather than the environment outside the organisation.