Impact of culture in International Business –An empirical study of Multi-national Businesses in India

Cynthia Menezes
Associate Professor
MBA Department, Bangalore University

Doing business on the international plane presents many challenges because of a variety of factors which differ from one market to the other. These differences are basically informed by the environment of the host country, which is often different from that at home. One of the environmental factors that present such a challenge is culture. Culture can be defined as a complex construct that embodies a people's knowledge, morals, art, beliefs, customs, laws and other capabilities gathered by a community over time (Clifton, 2004).

Understanding the culture of the people wherein business is conducted is imperative to successful business interactions and to achieving business objectives. The pace of business, the business protocol, decision making and negotiating, management of employees, project management, the propensity for risk taking, marketing, sales and distribution are all structureddifferently in different cultures.

This paper, using a sample of 58 firms, explores the impact of national culture on the performance of foreign businesses in India. It examines the various factors of business influenced by national culture and thebearing of culture on the performance of foreign businesses in India.

1.1 **Introduction:**In the late twentieth century national markets are losing meaning as discrete units of the world economy: the scale of technology is fusing them into a larger whole. Thus Dickens (1994: 106 nl) contrasts the international or cross-boundary economy with globalization which implies 'a degree of purposive functional integration among geographically dispersed activities'. Hirst and Thompson (1992) depict national economies being subsumed and rearticulated into the global system. (Dunning,1997)

With the growing volume of international business, there is a prerequisite to recognize the manner that other nations function in their businesses. Often, there is also a necessity to understand further about other countries themselves. When there is an accepting of the manner in which business works in other nations, the paybacks and complications of functioning with them can be understood. As a consequence choices can be completed concerning whether to work with other nations and whether any distinctive situations or methodologies are essential**.**

In everyday usage, the term culture refers to the finer things in life, such as the fine arts, literature, philosophy, and classical music. Under this very narrow definition of the term, the "cultured person" is one who prefers Handel to hard rock, can distinguish between the artistic styles of Monet and Manet, prefers pheasant under glass to grits and red-eye gravy and twelve-year-old scotch to beer, and spends his or her leisure time reading Kierkegaard rather than watching wrestling on television. For the anthropologist, however, the term culture has a much broader meaning that goes far beyond mere personal refinements. The only requirement for being cultured is to be human. Thus, all people have culture. (Pearson)

The term culture has been defined in a variety of ways. Even anthropologists, who claim culture as their guiding conceptual principle, have not agreed always on a single definition of the term. In fact, as early as 1952, A. L. Kroeber and Clyde Kluckhohn identified more than one hundred and sixty different definitions of culture. One of the earliest widely cited definitions, offered by Edward Tylor in the nineteenth century, defined culture as "that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society" (1871, 1).

Edward Taylor has given one of the oldest and a classical definition of culture as, "Culture is that complex whole which includes knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man as a member of society." It suggests that culture includes tools, weapons, fire, agriculture, animal domestication, metallurgy, the steam engine, glasses, airplanes, computers, penicillin, nuclear power, rock-and-roll, video games, designer jeans, religion, political systems, subsistence patterns, science, sports and social organizations. For Taylor, culture includes all aspects of human activity from the fine arts to popular entertainment, from everyday behaviour to the development of sophisticated technology. It includes plans, rules, techniques, designs and policies for living. (Rai, et al., 2010)

1.2 **Culture and its imperatives:**Geert Hofstede, the author of research in intercultural communication and organisational practices, refers to culture as 'the software of mind'. Beamer L. & I. Varner take that computer analogy further and say that culture is the operating environment that enables software programs to run.Culture comes from the German word - 'Kultur' meaning 'growing'. 'Culture' in social anthropology means "knowledge",it is knowledge about humanity which is learned or acquired but not natural.

There are so many cultural variations that businesspeople cannot expect to memorize all of them for every country. Wide variations exist even in addressing people. Making a mistake may be construed by foreign businesspeople as ignorance or rudeness, which may jeopardize a business arrangement. Fortunately, there are guidebooks for particular geographical areas, based on the experiences of many successful international managers. A manager also may consult with knowledgeable people at home and abroad, from governmental offices or in the private sector. When a company engages in few foreign functions – for example, just exporting its home country production – it must be aware of only those cultural factors that may influence its marketing program. Consider advertising, which may be affected by the target market's perception of different words and images.

A company undertaking a purely resourceseeking foreign activity by manufacturing abroad can ignore the effects of cultural variables on advertising but must consider factors that may influence management of a foreign workforce, such as management styles and operational practices most likely to motivate its workforce. For multifunctional activities, such as producing and selling a product in a foreign country, a company must be concerned with a wide array of cultural relationships. The more countries in which a company does business, the more cultural nuances it must consider. (Venkateswaran,2012)

Clyde Kluckhohn and W. H. Kelly have referred toculture as "all the historically created designs for living, explicit and implicit, rational,irrational, and nonrational, which exist at any given time as potential guides for thebehavior of men" (1945, 97). Culture has been described by M. J. Herskovits (1955, 305)as "the man made part of the environment," by James Downs (1971, 35) as "a mentalmap which guides us in our relations to our surroundings and to other people," and,perhaps most succinctly, by Elvin Hatch (1985, 178) as "the way of life of a people."Running the risk of adding to the confusion, here is still another definition: Cultureis everything that people have, think, and do as members of their society. The three verbsin this definition (have, think, and do) can help us identify the three major structuralcomponents of the concept of culture; that is, for a person to have something, some material object must be present. When people think, ideas, values, attitudes, and beliefs arepresent. When people do, they behave in certain socially prescribed ways. Thus, cultureis made up of (1) material objects; (2) ideas, values, and attitudes; and (3) normative, orexpected, patterns of behavior.

1.3 **Culture impacts business and creates value**: According to Czinkota (2007), cultural factors have an important impact on the flow of business. Each society has its own elements of culture**.** Styles of communication, both verbal and nonverbal, are different in many cultures. Words and phrases can be interpreted differently, as can gestures. Something as simple as a nod can be interpreted in two completely different ways in two countries. Seating arrangements and the distance between

two people are also something that varies form culture to culture. It is important to be sensitive to the place business is being conducted. Also important for the traveling business person, is to observe things like speaking volume, posture, touching, typical conversation, and how something is written. (Bowie,)

….. the successful execution of that strategy still dangles in the wind of the organizational culture. This point is axiomatic: the more aligned the culture is with the intended strategy, the more likely the strategy is to manifest according to plan; in other words, the greater chance it has of actually creating value versus being "just another set of plans." By the same token, the less aligned the strategy is with the organizational culture, the more difficulty it will encounter, up to and including outright failure. Like human beings, many organizations stumble along in spite of themselves— being lifted by favorable economic conditions or industry sectors— and never grapple with their own culture as a source of potential value. Any strategic initiative will be either accelerated or delayed by the existing culture. Precisely for this reason, leaders must understand their culture, and be skillful in ways to shape or change it. (Dawson, 2010)

1.4 **Culture as a competitive advantage**: According to Dunning (1993) go international refers to various locations that contribute to value added activities. A distinctive, well-aligned culture creates a powerful competitive advantage, one that is difficult to duplicate. It is the medium through which any leadership initiative will be executed. Indeed, leadership priorities will only be realized to the extent that the culture allows and facilitates those priorities to come about. Culture is a first cause in creating value outcomes, and can be shaped by leaders who channel this powerful force.(Dawson, 2010)

The important thing to always have in mind is that the foreign culture is not as we are used to at home and to be prepared before starting the new foreign operation. Respecting and understanding the new culture without forcing our own beliefs on people, are things that can be extremely helpful to consider. By learning the host country's language, can respect and trust more easily be won, and competitive advantages can arise. (Deari,2008)

The international businessmen should eliminate the social, religion and cultural effect in order to understand the foreign cultures as they have to carryon business under the existing cultures. Most of the businessmen of the USA react to the methods in ethnocentric terms and prefer to conduct business on Western lines though they know the cultures of Asia and Africa. The businessman should eliminate the influence of social, religion and cultural as it helps to prevent a transfer of personal culture to the overseas market. This awareness helps the manager to formulate customer-oriented strategies and avoid the possible failures. (Rao,2010).

A useful and comprehensive framework for cultural analysis is Hofstede s model (1980), which describes national culture using four, and later five or six dimensions: power distance, uncertainty avoidance, masculinity vs. femininity, individualism vs. collectivism, long term vs. short term orientation, and indulgence versus restraint. The empirical validity of Hofstede s framework has been extensively critiqued in the cross-cultural literature (McSweeney, 2002; Shackleton& Ali, 1990; Dorfman& Howell, 1988; McCoy, Galletta& King (2005). Objections to Hofstede s work have included the nature of the sample in the original study, that assumptions are made about the static nature of culture and that there are more cultural influences at work than just national culture. The generalisations of Hofstede s research findings have been questioned because the study's sample was drawn exclusively from one large multinational company (McCoy, 2005; McSweeney, 2002; Triandis, 1982) and it has been argued that differences between countries may be confounded by the homogenising influence of a dominant corporate culture (Shackleton& Ali, 1990; McCoy, et al., 2005). McSweeny (2002) has also criticisedHofstede s findings as he argues that believing that all the differences between respondents are only the result of national culture differences is questionable. He further argues that the differences also could be as a result of differences in sub-culture among the sample.

Another criticism of Hofstede s work is that it assumes that culture is stable and static. However, according to Myers and Tan (2002), culture is something that can be interpreted and re-interpreted over time and constantly produced and reproduced in social relations. Therefore, culture is, in its nature, dynamic. Assuming that Hosftede s cultural scores still hold true after 30 years could be incorrect (McCoy, 2005).

Yet another criticism of Hofstede work is based on his focus on the nation as the sole level of cultural analysis. Critics have pointed out that national culture is not the only type of culture that could influence managerial and work behaviour but that organizational culture and professional culture also have an effect (Hoftsede, 1991; Karahnana, et al., 2005). In view of these criticisms, Dorfman and Howell (1988) have proposed another framework for cultural analysis based on Hofstede s work which focuses on national culture at the level of individual behaviour. Their instrument analyses the national culture dimensions of power distance, uncertainty avoidance, individualism, and masculinity at this level. They argue that individual subjectivity may influence an individual sbehaviour even more than societal culture, and possibly in the opposite direction. Thus, Hofstede s work reflects the ecological level of analysis whereas Dorfman and Howell s work reflects the individual level and they argue that the results of analysis at these two levels may differ. (Atkinson, 2012)

1.5 Research Methodology: A questionnaire was administered to 58 respondents of various Multi-National Corporations (MNCs) with a base in Bangalore City. The questionnaire was a by- product of a larger questionnaire regarding cross cultural management in MNCs. The extracted factors from the questionnaire were, Individual Performance, Participation, Leadership, Innovation, Decision Making, Professionalism, Communication and Organisational Goal Integration, which are all individual specific factors that are affected by the national culture of the country they originate from. These factors were correlated with the sixcomponents of national culture, as proposed by GertHofstede, which are: power distance, uncertainty avoidance, masculinity vs. femininity, individualism vs. collectivism, long term vs. short term orientation, and indulgence versus restraint.

1.5 Analysis and Findings: The tables below display the profile of the respondents.

Table One: Displaying the gender of the respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	34	58.6	58.6	58.6
Valid	Female	24	41.4	41.4	100.0
	Total	58	100.0	100.0	

Thirty four of the respondents were male and 24 were female.

Table Two: Displaying the age of the respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
	< 30 Years	10	17.2	17.2	17.2
	30 -39 years	20	34.5	34.5	51.7
Valid	40-49 years	25	43.1	43.1	94.8
	> 50 years	3	5.2	5.2	100.0
	Total	58	100.0	100.0	

Ten respondents are below 30 years of age, twenty respondents are between 30 and 39 years of age, 25 respondents are between 40 and 49 years of age, and three respondents are above the age of 50 years.

Table Three: Displaying the educational background of respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< Degree	15	25.9	25.9	25.9
	Degree	35	60.3	60.3	86.2
	Post Graduation	8	13.8	13.8	100.0
	Total	58	100.0	100.0	

Fifteen respondents are not Degree holders,35 areDegree holders, eight hold a post Graduate Degree among the respondents.

Table Four: Displaying the Sector wherein the respondents worked:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	30	51.7	51.7	51.7
	Services	28	48.3	48.3	100.0
	Total	58	100.0	100.0	

Thirty respondents are from the manufacturing sector and twenty eight are from the services sector.

Table Five: Displaying the work experience of the respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 10 years	6	10.3	10.3	10.3
	Between 10 and 20 Years	26	44.8	44.8	55.2
	Between 20 and 30 Years	21	36.2	36.2	91.4
	> 30 years	5	8.6	8.6	100.0
	Total	58	100.0	100.0	

Six respondents have a work experience of less than ten years, twenty six respondents have an experience between 10 and 20 years, twenty one respondents have an experience 20 and 30 years and five respondents have an experience of greater than five years.

The profile of the respondents above, signify the representativeness of the samples chosen for the study.

The analysis regarding the study:

The Cronbach's Alpha for the eight factors depicting the individual specific factors that are affected by national culture, is **0.974**. Any value of Alpha above 0.70 is considered reliable, and therefore the data collected herein, is contemplated as reliable for further analysis.

High values (close to 1.0) of the Kaiser-Meyer-Olkin Measure of Sampling Adequacyindicatethe suitability of the factor analysis, which was conducted later. The KMO Bartlett's test indicated a value of 0.878.

The factor analysis extracted one component, which is **participation** with a score of 0.960. Therefore among the individual specific components, active participation of employees may be decided as the most important factor that is affected by culture.

The Cronbach's Alpha for the six items depicting the components of national culture, as proposed by GertHofstede, was **0.975,** which indicates high reliability.

The KMO and Bartlett's Test value was 0.807, indicating the suitability of the factor analysis. The factor analysis extracted just one component, which is uncertainty avoidance, with a score of 0.961.

Findings:

1. Out of the eight individual specific factors of individual performance that are affected by the national culture of a country, among the fifty eight MNCs studied, it has been found that individual participation has been the most affected factor. This means that individual participation of an employee at the workplace is the most importantly affected factor that is ruled by the national culture of a country.
2. Among the factors of culture as proposed by GertHofstede, uncertainty avoidance is the most important behavior pattern that is reflected among employees in the MNCs studied in Bangalore City.

1.6 **Concluding remarks**: In international business negotiations, it is important to learn about the counterparts' culture and thus ameliorate the problems that can arise in the course of ..(business). ….However, it is also important not to allow cultural stereotypes to determine the relationships with the potential business partners. This is because individuals may have their own distinct culture which does not always mirror the country's perceived culture. (Shimutwikeni)
The recommendations given as conclusions in this study are that MNCs should undertake training with an emphasis on increasing the individual performance of the employees. In order to make employees more comfortable,uncertainty avoidance is mandatory.

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