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The Role of Cultural Differences in Forming a Business Strategy

1. Introduction

International business covers all transactions undertaken between enterprises from two or more countries. In order to finalise a transaction companies have to form international operational structures distinct from those applied in their domestic market. Besides knowledge of international strategies managers need to comprehend the interdependence between the strategies and their financial results. Differences between an international and a domestic business concern commercial practices, the scope of managerial decisions, disparities in legal systems, as well as restraints put in place by governments, limitations connected with different currencies, not to mention cultural differences. Different business cultures in different countries lead to distinct commercial practices. Therefore, executives operating internationally encounter difficulties that people managing enterprises on a local scale do not have to face. Cultural differences are of fundamental importance for running an international business .

The aim of this essay is to indicate the impact of cultural differences on the business strategy formulated for various countries and to show the significance of knowledge about the culture, behaviours, customs and traditions of the partner country in international business.

This article is composed of three parts. The two first parts comprise a theoretic essay, in which native cultures are described in the context of international management, and a description of cultural factors that influence the formation of a business strategy. The third part describes the experiences of Young Digital Planet in negotiations and relations with countries of different cultures.

2. Native cultures and their significance in international management

On the one hand, globalization and business activity of large companies all over the world increasingly links various nations and cultures, however, on the other hand, it reveals profound differences between people and nationalities on the level of communities, individuals and organizations [Murdoch 1999, p. 20].

Discussing cultural diversity and coexistence of different cultures in international business environment requires defining and comprehending the concept of culture itself, as well as classifying cultures according to specific features, useful for business environment.

The culture concept has many meanings, however all of them originate from Latin, where culture stands for cultivation. In a majority of western languages culture is identified with civilization or intellectual refinement manifested in education, art and literature [Hofstede 2000, pp. 3940]. In addition, it is a social phenomenon as it is common for people existing in a given social environment. Culture is acquired and learned in the environment.

Culture contains the entirety of attainments of a given society handed down from generation to generation that concern e.g. beliefs, models of conduct and rules of coexistence. It forms sets of rules, conceptions, categories, concepts accepted in the society and determining obligatory behaviours [Nogalski, Jarocki 1998, p. 70].

Nevertheless, while contemplating culture we think about its region, ethnic and religion diversity, and also organizational culture, alias corporation culture. Ethnic and religious groups usually exist not only in a given country but frequently cross its borders. However, religion itself does not affect culture very profoundly.

Culture consists of behaviours studied in various situations. The sooner we learn them the harder they are to change. A number of factors concerning culture influence the marketing environment e.g. taste that depends on cultural conditioning. Culture determines the attitude of different countries towards colours, as well. For Muslims, for example, green colour has a sacred signification whereas in South Eastern Asia it is associated with illness. While white colour is identified with purity in the West, for Asians it is a colour of death [Still, John 1985].

In international corporations, besides specific organisational cultures, national culture differences are a matter of concern. Poles, Germans, Americans or the French have a different perception of such values as teamwork, a different attitude to regulations and procedures and they perceive dimension of time differently. Considering these differences allows us to elucidate the grounds of communication, management or collaboration problems, as well as to decide on the course of action. The fundamental dimensions of national cultures that differentiate us are:

- attitude towards regulations and principles,
- individualism versus collectivism,
- fragmentary versus holistic perception of the world,
- ascribed status versus achieved status,
- attitude towards time,
- attitude towards environment.

Cultural differences can be frustrating for businessmen or companies. Ignorance and non-observance of the rules and national customs valid in a given country may entail breaking promising negotiations, cause unintentional offence to a foreign customer or other instances of social blunders. Therefore, profound knowledge of customs and practices applied in international business is of great significance.

Richard R. Gesteland [2000, p. 125] itemises two iron rules:

- in international business the seller is expected to adapt to the buyer,
- in international business the visitor is expected to observe local customs.

The abovementioned expectations ought to determine the actions of companies operating in different cultural conditions and to constitute the basis on which to build a strategy of cooperation.

3. Building a business strategy in international management

Business strategy is one of the fundamental instruments of management. In market economy, creation of effective business strategy conditions succeeding. Furthermore, many management failures can be tracked to strategic mistakes.

The concept of 'strategy' is characterised by a diversity of approaches. Adducing one of well-known definitions, strategy consists in formulating main missions, intentions, and organisational goals, as well as employing specific policies and indispensable actions to achieve the organisational goals [Steiner, Miner, Gray 1986, p. 5]. Taking the most significant aspects of various definitions, strategy can be characterised as a concept of coherent activity, established by company management. Strategy implementation is to guarantee the accomplishment of long-term objectives in a chosen domain.

The strategy of an organisation consists of four fundamental elements: domain of activity, strategic supremacy, goals to achieve, and functional programs [Obłój 1993, p. 52].

For the purpose of this essay, from the abovementioned elements, it is essential to focus on the domain of activity. This identifies the market and customers, which determine the company's identity. In international management market features determine the fundaments of international collaboration and the essential task for the company is to adjust different, sometimes contradictory, cultural elements into the corporation's global strategy. The specific culture elements indicate the fundamental problem of international management, i.e.

adapting philosophy of action and concrete practices to particular countries. The efficacy of management largely depends on concentrating on the elaboration of appropriate formulas regarding matching products to local market needs.

The marketing success of an undertaken project is determined by knowledge of its marketing environment and socio-cultural conditioning. A company entering a different culture market with its product needs to take various factors into consideration. Suffice to mention such factors as consumer affluence, market absorptiveness or price level to realize the complexity of the problem. In addition, legal and political conditions, such as tariff walls or nontariff barriers, as well as legal regulations concerning products, valid in the country are also of great significance.

Cultural differences are reflected in the awareness regarding e.g. desired product appearance and its features. Knowledge of this subject and its consideration is essential to manage an international business. In various countries the same colour has completely different meanings, it can have a religious or native symbolism that we are unfamiliar with. A similar problem can occur with the usage of companies' brand names and articles ignorance of national culture might lead to ambiguities, different perception or association of a product.

Negotiations and international relations are the components of international management [Kostera 1997, p. 526]. Negotiating is a difficult art. However, it becomes even more difficult when negotiations are carried on between representatives of two different cultures, legal, political or currency systems, which has a critical impact on the whole process of negotiations and on used techniques. Therefore, the manner of conducting talks as regards the language, cultural context and gestures and body language is of a great significance. Despite the integration of cultures and languages, gestures are not always unambiguous for people from different parts of the world.

While forming a strategy of international business it is also crucial to take the gender barriers into consideration. In countries with a hierarchical order women get high positions in companies, however infrequently. In others they are undesirable in the world of business. Especially in the Republic of Korea, Japan, and Saudi Arabia, men are the ones to climb the ladder of success, whereas women seldom succeed and are not respected equally with men in the commercial sphere.

4. Cultural differences in light of the experiences of the Young Digital Planet company in running international business[1]

Young Digital Planet is a company that has been on the computer programming market since 1990. The company develops training systems and educational

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[1]   Materials provided by YDP.

content based on information technology, intended for individual customers, businesses and educational institutions. The company's objective is to furnish the educational systems of the highest quality and proven effectiveness. Additionally, Young Digital Planet is a global leader in the production of interactive foreign language learning software. The company's leading position on the market is a result of a combination of supreme technologies and the highest quality materials produced in cooperation with traditional publishing houses from Great Britain, Germany, France and Spain.

In 2001 Young Digital Planet brought a series of world's first multimedia handbooks eduROM onto the market. It is an unprecedented on a European scale series of educational products for students in Poland and also in a number of other European countries. One of the key assumptions of the described product is the forming of a tele-computer platform for cooperation between groups and institutions participating in an educational process viz. teachers, students and parents. The assumption is being accomplished through application of new capabilities in education process arising from the usage of Internet.

Currently, Young Digital Planet is introducing successive projects and maintains its leading position in Poland and abroad. In addition, the company is a worldwide distributor of EuroPlus+ English for Children, EuroPlus+ Reward, EuroPlus+ Business English, LEO platform, eduROM multimedia handbooks and similar application programs compiled to order. YDP has partners in Germany, Great Britain, France, Norway as well as Holland and Malaysia. As YDP is constantly widening its portfolio of customers, it encounters many cultural differences. Understanding them is frequently the decisive factor for the success of a new business or contract in a particular area.

A short description of several countries cooperating with Young Digital Planet is presented below. The overview refers to business relations in the context of cultural differences.[2]

Asian countries: Malaysia and Korea

The Asian management style is firmly grounded in culture. Asians are very punctual. A contractor in commercial negotiations is a partner rather than an adversary, even if treated with distrust. To gain Asians' trust, the managers of companies cooperating with them need to visit and host them in order to build a profound relationship of trust and understanding. Malaysians and Koreans tend to sign long-term contracts only if they have confidence in their partners.

Negotiations with Asians can be difficult for Europeans because of e.g. returning to already concluded points of negotiations, sudden changing of the direction of a discussion, or excessively emotional reactions in the least expected moments. Asians avoid using the word 'no', however if they are not positive about

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[2]   The information concerning the selected countries and the description of the experiences in cooperating with them is based on the interview conducted with the negotiators from YDP.

a particular issue, they express that through body language, gestures, behaviour and mimicry.

Malaysia

The inhabitants of Malaysia belong to various ethnic groups. Malaysian partners take a long time to become acquainted with their potential partners and to build positive relations and mutual trust before they enter a business. YDP also spent a lot of time on business trips to Malaysia to give Malaysians an opportunity to enter into relations before signing a long-term contract.

While producing computer programs for Malaysia it is indispensable to know the regulations, norms and beliefs of its culture. For example, it is forbidden to show short sleeves or bare soles, which is considered unclean, in pictures.

Some of the mistakes concerning cultural differences between Malaysia and Poland that were discovered in computer programs for children made by Young Digital Planet, are presented below.

In a program that teaches the alphabet by associating the letter with a specific object (A for Apple, C for Cinema, D for Dog...), the word 'dog' had to be replaced by another world due to the fact that dogs in Malaysia are considered unclean.

Another example of a cultural *faux pas* was using the picture of a hedgehog in a Malaysian math teaching program for children, because hedgehogs do not live in Malaysia.

The last instance concerns figures of boys with ruffled hair used in multimedia products. In Malaysia that is unacceptable, therefore the boys had to be combed.

Figure 1. Primary Education Mathematics Malaysia

Source: Materials from Young Digital Planet.

Korea

While negotiating with Korans it is crucial to remember that it is a country of strong Confucian traditions, [3] appreciating hierarchism, ceremonials, respect for old age and work etiquette. The social status of a Korean is determined by: ancestry, social standing of his family, biological age, professional status, gender, education and material status. Age in Korean culture is an important issue. A youthful appearance in business can be a great obstruction. Therefore, people whose age does not imply experience and competence should not conduct negotiations with Koreans. Women are not acceptable in business, either. Polish women coming to Korea for business purposes frequently find themselves in uncomfortable situations. Two female managers from YDP experienced it while negotiating in Korea, e.g. Koreans entering a building do not allow women to pass first. On the other hand, the native hospitality of Koreans makes them take a good care of guests, and for that reason the two ladies were assigned bodyguards who followed them form dawn to dusk.

A clear and strong bond between Korean men and a respect for older and superior in rank males is plainly noticeable. Women in principle do not participate in public life. Therefore, managers from YDP were highly confused when Koreans, during a business visit in Poland, taken to a restaurant for a dinner to get acquainted, were demonstrating their approval in a very intimate way and even they preferred to dance with male rather than female colleagues.

Language related misunderstandings are another issue while negotiating with Korean representatives. The specific character of English pronunciation and phonetics causes Koreans a lot of trouble.

Nigeria

For many decades Africa has been a symbol of chronic poverty and incompetent governing. It is the continent where many conflict situations are concentrated, which alongside with natural disasters cause very strong migration pressure, mainly in the direction of Europe. African countries that are former European colonies belong to another group of Third World countries. In the Third World education is underdeveloped and consequently illiterates comprise over 20% of the population.

Education is also expensive and the people's poverty is an indirect, yet the most important reason of their illiteracy. Another problem is that only boys are to be educated and, in consequence, they are the only group to have an opportunity for better jobs in the future.

In Nigeria, people and good relations are more important than established schedules or punctuality, a fact which the negotiators from Young Digital

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[3] Confucius(551479 B.C.) – Chinese philosopher and thinker, which works strongly influenced history and culture of the majority of SouthEastern Asian countries.

Planet had many opportunities to experience. The company made thorough preparations for the Nigerian partners' visit. The agenda was carefully prepared, the meetings were prearranged. Nevertheless, the elaborate plans fell into ruin when Nigerians appeared at a meeting over two hours late.   The delays were recurring every day of the visit. YDP's negotiators could only conform and accept those significant cultural differences.

Young Digital Planet also had to restrict the usage of the colour red as it is disliked in Africa.

Arab countries. Saudi Arabia

Religion has a huge impact on the way of taking decisions by Arabians. Therefore, it is better to avoid entering into and carrying negotiations during the month of Ramadan. In most Arab countries consumption of alcohol and pork is unacceptable. If invited to a common table, one may not refuse. The Arabian negotiation technique is based on an 'open door' policy, which means that the door to the negotiation room is open to anybody, even people who have nothing to do with the business, which considerably extends the talks.

Arabs dislike haste, therefore they need time to make a decision. They are geared for consultation rather than confrontation. One should not mention the purpose of the visit or the intention of making a contract leaving the initiative to the hosts. When negotiating the prices Arabs are very hard-line negotiators, so one should be prepared for the necessity of reducing the entering price. The nuances of nonverbal communication are very important, too. It is essential to adjust to Arabian customs, therefore, e.g. if conducting standing talks one should keep a short distance, never expose shoe soles, always use the right hand, if someone is left-handed, it is acceptable to apologise to their hosts, or leave a little food on a plate. Negotiations with businessmen from Saudi Arabia are usually hard and long, but insisting on one's position too soon is considered hostile.

While preparing a product for the Arabian market, it is necessary to carefully select the information and pictures to be included, taking into consideration all the factors mentioned above. Additionally, it is advisable to pay attention to colours, e.g. green which has a sacred meaning for Muslims.

The British

British businessmen, brought up in a monochromatic culture, are mainly focused on the transaction. The British think autonomously and they are open minded and punctual, however reserved. Additionally, they pay a lot of attention to national equality, the multiculturalism of their country. For example, when Young Digital Planet prepared a multimedia product with pictures showing a group of children they were chided by British customers to include children of both genders and different races.

Another aspect of cooperating with Britain is finance. Being one of the most expensive countries in Europe makes it financially inaccessible for e.g. Polish companies.

The experiences gained from Young Digital Planet's cooperation with countries of diverse cultures, as well as the conclusions drawn from those experiences show the significance of considering cultural factors while building a business strategy.

5. Conclusion

Cultural and social factors are of great importance in international business. A variety of cultures coexist in the global market and many of them might be entirely new and strange to us. Every company planning to enter a specific market ought to become acquainted with the culture of the country where they are going to operate, otherwise the probability of blundering increases. Considering cultural differences in business and adapting to partner's actions are some of the sources of success in confrontation with foreign businesspeople. Nevertheless, the choice of behaviour cannot be inapplicable to the company's action strategy .

A lack of professional training, insufficient knowledge of history and customs of the other party's country, and relying on improvisation in action are the basic faults of Polish managers.

Except an understanding of the cultural differences, the other factor of success in a specific region is local market customization. It requires an appropriate organization structure, as well as thorough knowledge of the market, its customs and cultures.

Abstract

The subject of this article is to present the impact of cultural differences on building business strategy, as well as the meaning of knowledge about the culture, customs and tradition of the countries in which we do business. The author analyses the experiences of a large multimedia corporation Young Digital Planet S.A. gathered in the course of collaboration with culturally different countries, and uses the company as an example showing how important a consideration for cultural factors is for managing an international business.

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