Cultural Differences and Internationalization Success Critical Analysis

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Since the middle of the twentieth century, the world's economy has been transformed, forcing enterprises to expand their management and business activities across national borders, adding an international dimension. This change and development became the major reason for the openness of national economies and the liberalization of trade. Not only that, such expansion of activities across precincts assisted foreign and international companies in their emergence in a number of international markets. Today, the majority of organizations operate as multi-national corporations where the understanding of cultural factors is much more significant. (OECD, 2023; World Bank, n.d.). Encouraged understanding of cultural differences, followed by the right choice of actions, exerts a major influence on the success of businesses and the maintenance of worthy relations between partner organizations or employees of different cultural backgrounds.

In today's world, understanding and identifying cultural differences is considered to be one of the most noteworthy and demanded skills in the world's economy in order to gain a competitive advantage in the global market. (GLOBE Project, n.d.; The Culture Factor Group, n.d.). This is because of the reason that culture impacts various aspects of international business, such as communication, negotiations, business relations, and management, and not only these, but it does take into account the psychological differences of understanding, consumer behaviours and marketing communication strategies. The need for time is to characterize and classify cultures, allowing the representatives to be assigned to particular and relevant types of cultures and to present features. Despite many trade benefits, cultural differences can emerge as barriers in business communications as well, which makes it crucial for stakeholders to become familiar with traditional variances and be sufficiently prepared to work on culturally diverse markets in order to eliminate the obstruction.

Cultural Differences: An Entire Component Of The Internationalization Process

With increasing market expansion, globalization and technological advancements, companies are encouraged to internationalize. However, while interviewing the CEOs of a few Swedish firms with value exports and imports of 1138 billion and 1069 billion SEK, respectively, it appeared that none of them made culture a deciding factor for the expansion of their businesses but had to develop certain skills to adapt to different cultures, values, and norms. Further analysis proved that it still affects the process of internationalization for firms, as the companies must fit in, and for that, adaptation and understanding of other cultures become key determinants for successful internationalization. Moreover, the development can be facilitated by knowing more about the cultural differences.

Nowadays, companies consider understanding differences to be a significant constituent of the process as it assists them in making better choices regarding location, mode of entry, standardization of practices, transfer of knowledge, performance, and others. Ref –When establishing business activities, firms have to ensure that their marketing plan and management techniques are applicable to the targeted foreign country. However, above all, the need for products in foreign markets must also be considered, and it can overpower the need to make cultural differences as a deciding factor as well. Therefore, understanding the needs, different cultural values, and norms is an integral component of the internationalization process.

Misunderstanding Of Cultural Differences, A Barrier Towards Progress

The need for cross-cultural competence increases as the firms adapt to international markets. With the growing challenges the new market brings along, businesses are often supposed to change the approach and structure they are following in their home country. Inter-cultural skills with a global mindset and a new approach can assist companies in having a successful international market presence. It is said that "Culture explains how people make sense of their world," and it is a man-made world where he willingly can spend his whole life (Varner & Beamer, 2011 p.4). Besides, the perception of the world varies from culture to culture. Therefore, to win the global market, understanding and acceptance of different cultures, values, and norms can serve as the main ingredients in the process of intensified internationalization.

It has been observed that misunderstanding cultural values and differences can cause long-term damage to an organization, even if that has occurred unintentionally. The fast food giant McDonald's spent thousands on a new TV ad to target the Chinese consumer. The ad showed a Chinese man kneeling before a McDonald's vendor and begging him to accept his expired discount coupon. The ad was pulled due to a lack of cultural sensitivity on McDonald's behalf. The ad caused uproar over the fact that begging is considered a shameful act in Chinese culture. Likewise, misunderstanding and misinterpretation of cultural values have become the reasons for the failures of many international businesses.

To minimize the mistakes based on misinterpretation of cultural norms, Varner & Beamer have suggested three basic steps that must be fulfilled. First is the knowledge and correct understanding of another culture, the second is the drive to utilize what is learnt, and then the implementation of the knowledge is the third step. Firms should behave in a way that makes sense in the culture they are trying to operate business with. Interpretation of unique terminologies and modes of behaviour is an essential contributor towards the success of the business and long-lasting networks in various cultures.

References

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