Cultural Environment And International Business

Pankaj Shah, Parul Yadav
Assistant Professor in SRCC, Delhi University, India
Delhi University, India

Abstract
The paper provides a state-of-the-art review of several innovative advances in Culture and international business (IB) to stimulate new avenues for future Research. We first review the issues surrounding cultural convergence and Divergence and the processes underlying cultural changes. We then examine Novel constructs for characterizing cultures, and how to enhance the precision of cultural models by pinpointing when cultural effects are important. Implications of these path-breaking approaches for future Research on culture and IB are discussed.

Keywords
Culture and international business; convergence and divergence of cultures; Cultural change; cultural dimensions; culture competence

I. Introduction
International business is different from domestic business because countries are different. Starting a business outside the geographical boundaries of a country requires assessing a number of factors. Drawing upon a business plan, assessing demand and supply, applying for loans and grants, getting permits and licences and deciding on the location of the business are important issues that preoccupy the entrepreneur. Very often, one focuses on the technical aspects and ignores the cultural aspects of a business. A good business plan is useless, unless people believe in the success of the plan and are willing to do business. This is when cultural differences gain prominence. Businesses which are unaware of the differences in intercultural communication will find it exceedingly difficult to communicate with the potential suppliers and buyers and foster relations that are necessary for any business.

Differences in culture across and within countries affect international business. Many themes are identified in relation to international business and culture. First theme is that business success in a variety of countries requires cross-cultural literacy. Another theme is that relationship may exist between culture and the cost of doing business in a country or region. Different cultures are more or less supportive of the capitalist mode of production and may increase or lower the costs of doing business. Lastly, there is a connection between culture and ethics in decision making.

Culture encompasses knowledge, belief, art, morals, law, custom and other capabilities acquired by man as a member of society. All these factors are thus to be considered while going out in the global world.

II. Objectives
a) To have more conceptual clarity about cultural differences in the global market and its effect on business performance.
b) To broaden our understanding about culture and other related aspect.
c) To understand the various factors that a company analyses while venturing into international markets.
d) To determine the role of cultural distance in international acquisitions.

III. Literature Review
Johnson, Lenartowicz and Apud (2006); examined the concept of Cultural competence (cc) and how it has been addressed in international business literature. They found that CC in an IB context is ill defined, especially when compared with other areas of the social sciences and offered a definition of CC as it applies to the field of international business that focuses on performance (doing) rather than on a set of knowledge, abilities and skills (knowing). They developed and discussed a model of CC that incorporates the concept of cultural intelligence without compromising the behavioural nature of CC and posited that institutional ethnocentrism and cultural distance are moderating variables that have a negative impact on CC.

Sirmon D. and Lane P (2004); proposed that the performance of international alliances is influenced by the effectiveness with which an alliance achieves its primary value-creating activities. Often a necessary condition for such effectiveness is the presence of complementary resources that are related to those activities. Additionally, the partners’ employees must be able to interact effectively in order to share, combine and leverage those resources. They argued that the more salient the cultural differences are to the value-creating activities of an alliance, the more disruptive those differences will be on the alliance’s value-creating activities. Thus differences in organizational culture and professional culture - not just differences in national culture need to be assessed. They suggested that managers need to carefully evaluate both the complementarity of potential partners’ resources and the fit of the professional cultures of the employees who are likely to work together in the alliance.

Reus T and Lamont B. (2009); views cultural distance as a mixed blessing, because while it may increase the potential for learning when integration capabilities are in place, it also impedes the development of these integration capabilities. Their findings indicate that the “process view” of acquisitions, which emphasizes the role of integration capabilities, is relevant in understanding international acquisition performance. The findings indicate that international acquisition performance is in large part a function of the development and application of understandability, communication, and key employee retention during acquisition integration.

Hutzschenreuter T. and Voll J. (2008); analysed that the added level of cultural distance taken on by expansion moves per unit of time had a negative effect on MNE performance. Results showed that it is not international expansion per se that negatively affects profitability, but rather the complexity arising from added cultural distance. They found out that the irregularity in the level of cultural distance taken on by expansion moves within a given period of time has a negative influence on performance. Firms that take on the same amount of additional complexity each period perform...
better than those with an unbalanced expansion rhythm. Tihanyi L., Griffith D., and Russell C. (2005) concluded that cultural distance is not directly related to the three key constructs of entry mode choice, international diversification, and MNE performance. There is a strong negative association between cultural distance and entry mode choice for US-based MNEs. The cultural distance-international diversification relationship was negative for high-technology industries, while it was positive for other industries. Cultural distance also had a strong positive effect on MNE performance for developed country investments. A similar strong positive relationship was found between cultural distance and international diversification in studies with more recent samples. Björkman, Günter and Eero(2007); focussed on capability transfer, an important motive and objective in cross-border acquisitions. They proposed that cultural differences can be both an asset and a liability. Cultural differences can be beneficial because they may enhance the combination potential but can also create obstacles to reaping integration benefits by exacerbating social integration problems and diminishing the acquired and acquiring firm’s capacity to absorb capabilities from the other party. Thus the execution of a well designed integration process that enhances the organizations capacity to acquire and assimilate new capabilities, while minimizing interpersonal and intercultural friction is critical to capturing synergies. Leung K., Bhagat R., Buchan N., Erez M. and Gibson C.(2005); provided the conceptual and empirical basis for moving into more complex conceptualizations of culture. They reviewed multi-layer, multi-facet, contextual, and systems views of culture. They proposed that some cultural elements are stable, whereas others are dynamic and changing. Culture can be an antecedent, a moderator or a mediator, and a consequence, and its effects may be domain-specific and are subjected to boundary conditions. Cultural change is intertwined with socio-economic-political variables, and that these contextual variables may also add to, moderate, and/or mediate the effects of culture.

Shin S., Morgeson F., and Campion M.(2007); analysed that in order to adapt to culturally dissimilar environments, expatriate work requires higher levels of social and perceptual skills, reasoning ability, and achievement and adjustment orientation than domestic work. They investigated the role that language plays in increasing worker requirements and demonstrated that expatriate workers are required to behaviorally adapt to some aspects of the local culture in order to achieve results.

IV. Conclusion
Cultural differences exist in the international business environment and cannot be ignored while exploring business opportunities. But as important as culture is, it is probably less important than economic, political and legal systems in explaining differential economic growth between nations. We should not overemphasize their importance in the economic spheres. Culture is not constant, it evolves. Economic progress and globalisation seem to be two important engines of cultural changes. One danger confronting a company that goes abroad for the first time is being ill-informed. The companies must therefore build a cadre of cosmopolitan executives, and guard against the dangers of ethnocentric behaviour.

V. Scope For Further Research
There can be some points that can be undertaken for future research.

Firstly, investigation and identification of those personality traits that facilitate or constrain the learning of cross-cultural knowledge and skills. Secondly, to closely examine the role of cultural distance in international acquisitions from the perspective of the acquiring and acquired firms’ employees and its role in international acquisitions for sustained competitiveness of MNEs. Thirdly, to study other forms of distance such as geographical, economic or institutional distance which might create same problems as cultural distance when involved in international expansion process.

References
[9]. Wikipedia and Ratan Tata Library (Delhi University)