

Internationalization and Cross-Cultural Management: An Overview

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Abstract

In this paper, we present some considerations about the internationalization of enterprises and the cultural diversity that companies have to face in order to develop their business. This is because the culture of single countries could influence the culture of the company and, more generally, the management; at the same time, the business culture may be somehow influenced by it. In fact, businessmen, in order to create value, must be able to work with actors belonging to different cultures: cross cultural-management could be a great useful help for this purpose. Moreover, businessmen should possess and be able to use good negotiation.

Keywords: cross-cultural management, internationalization, culture

1. Introduction

With globalization, internationalization strategy is not reserved only to companies that, with specific potential, want to grow up outside the national borders. However, it becomes a necessary option for the companies' survival when they have to operate in saturated markets or when they need to cut costs.

Companies that decide to internationalize act in contexts culturally different; not considering this factor would mean creating the conditions for the failure of the strategy.

The analysis of the country's culture is extremely vital because it acts on the corporate culture influencing the management style, the organizational setup, the organizational environment, the approach to the stakeholders, and the predisposition to change and innovation.

Therefore, cross-cultural management can help companies understand and manage different approaches and behaviors to create a qualifying environment where they operate.

Knowing host culture can definitely reduce the business risk and the uncertainty of approaches to unknown markets, but it can also help to overcome internal and inter-organizational conflict. Moreover, the knowledge of the host culture is also essential for the negotiation.

2. International business approach: a possible reading

Internationalization is seen in management studies as a strategy of development of the companies. Researchers have focused on the analysis of the fundamental motivation for the internationalization processes, on the possible course to be followed and on the approach that companies can take toward this strategy.

The purpose of this paragraph is to present the internationalization of companies and the barriers that cultural diversity – characterizing different countries – can create. Internationalization is the strategy that allows the company to sell its products outside the national scope. Therefore, this process increases the relations between companies and actors from other countries (customers, competitors, other enterprises, institutions, public actors).

Companies may decide to look towards internationalization for various reasons: entering new markets, cutting costs, exploiting their skills and distinctive capacities abroad or diversifying risk.

Companies that decide to internationalize can choose among different *modes of entry*:

- a) exporting goods domestically produced in foreign markets;
- b) licensing foreign operators to adopt the technologies of the enterprise;
- c) using strategic alliances or joint ventures with foreign operators;
- d) acquisition of a company located abroad;
- e) creation of a new company;
- f) creating a franchised network.

If the company makes the internationalization process on the basis of an analysis based on costs, benefits and risks, the most critical strategic decision will be about “how” to deal with differences between countries. In this context, the literature of management has identified three options (Thompson, 2009):

- 1) *Think locally, act locally*: the company adopts a common strategy for every national market. It trims its competitive approach and its product supply to market conditions and consumer preferences of individual countries. The strategic process is assigned to local managers who have directly know market conditions;
- 2) *Think globally, act globally*: the company adopts the same strategy throughout the world. It offers the same product worldwide, with marginal adjustments to individual countries. It uses the same competencies, the same channels of distribution and the same worldwide marketing approaches. All strategic initiatives are delegated to the company Head Office;
- 3) *Think globally, act locally*: the company adopts a strategic mixture of global and local elements. It adopts essentially the same competitive strategy in all countries, adjusting the product supply every time to sell different types of the same product in different national markets. The company gives local managers a leeway to adapt the global approach required to meet local consumer preferences and adapt to the market conditions of every country.

When companies start to look at internationalization, the theme of cultural differences appears strongly: the product to offer on single markets shall considerer characteristics, tastes and preferences of local consumers, or it could be a standardized product for everyone? Strategies adopted in foreign markets shall consider the cultural, demographic and market characteristics? In its relations, the company may adopt a single approach, bringing its values and its rules to the world, or should create a favorable climate by flattening the divergences in values, managerial practices, and politically correct behaviors?

On all sides, the end of the hypothesis “*one size fits all*” is now affirmed, typical of the American multinationals of the Sixties, which imposed their lifestyles, rules and corporate governance of local actors (Calvelli and Cannavale, 2013). With the internationalization, cultural differences of countries and companies require a diversity of offers and different managerial styles and mechanisms of companies’ government. Therefore, if cultural diversity is closely linked to marketing – due to the difference in consumers’ tastes rather than the spending power–in other cases, cultural differences can constitute a natural barrier for inter-organizational relationships or intra-organizational. Whatever the strategic option to enter into international markets, the company will have to deal with customers, suppliers, other companies, distributors, partners, institutions, and organizations of a different kind.

In the management of companies in countries with very different cultures from the country of origin, the construction of a climate of consensus and harmony with the different stakeholders is fundamental to the business project’s success. This problem is much sharper in the alliances and joint ventures, where the creation of trust and coordination between partners can avoid those cultural contradictions nipping the synergies sought. Here will be proposed a brief consideration in a **situationist**¹ interpretation about how the culture of single countries, which differ for values, practices, preferences and different approaches, could influence the company, its management and how the company contributes to the preservation. However, this could lead to the disruption and the reconstruction of the host country’s culture. The theoretical *frame* here used refers to political (Crozier and Friedberg, 1978; Pfeffer, 1981; Friedberg, 1994; Crespi, 1999) and neo-institutional (Meyer and Rowan, 2000; Zucker, 2000; Powell and DiMaggio, 2000) theory and saw the *pro-tempore* dominant coalition, of a business that decides to internationalize, to actuate, in the field of action in which it participates, behavioral strategies linked to the achieving of its own interests (the ones that led the company to chase the road of internationalization).

¹ The situationist epistemological matrix emphasizes the concrete contexts of interaction and the role of the actors in the continuous creation of the observed social reality (Garfinkel, 1967; Berger and Luckmann, 1969; Sparti, 2002).

The context of the action of companies in foreign countries is made by values, social norms, and different habits. It is possible to say that chasing the road of internationalization; the company will find a different “institutional framework” in each country, i.e., a specific frame of material and symbolic influences (uses, rules and procedures). This frame is not unalterable and defines the margins for the company’s action; it, in particular, outlines the area of confrontation, conflict, and negotiation of actors and organizations to give “sense” to their actions.

With the internationalization, the company is made subject to the inducements of complying with the country’s culture in which it operates. This refers to the phenomenon of “isomorphism” – the progressive homogenization of the various social components, the tendency that has the units that form a given population (be they individuals or organizations) to look like each other increasingly (Meyer and Rowan, 2000) –, with which the actors (individual and collective) seeking legitimacy, tend to look alike, to adhere to institutionalized rules, often regardless of their immediate effect. The “institutionalized rules” are classifications built inside society as typing or shared interpretations (Berger and Luckmann, 1969) – norms, moral principles, codes of conduct, procedures and conventions of a country.

Between “action and institutionalization” (Barley and Tolbert, 1997; Mastroberardino, 2010; Mastroberardino *et al.*, 2013; Nigro *et al.*, 2016a; Nigro *et al.*, 2016b; Mastroberardino and Cortese, 2017) emerges the vision of an actor who, in his action, is bound institutionally, but does not leave its nature of strategic actor. The *pro-tempore* dominant coalition operates strategically in the constraints of an institutional framework *pro-tempore* defined to recuperate spaces of autonomy and margins for actions aimed at creation and ownership of value (Greenwood *et al.*, 2008).

Institutionalization is, therefore, an ever-evolving process, a process of building, breaking and rebuilding the *set* of constraints to human action. In the situationist perspective, the organization does not necessarily have to conform to external pressures: isomorphism is just one of the options available for actors to respond to external pressures. On the basis of interests to be met, the *pro-tempore* dominant coalition will decide to follow the road of isomorphism when it is interested in the preservation of the institutional framework of reference; otherwise, it will put some resistance until it works strategically to break and reconstruct the institutional framework when there are the terms to recover margins of actions to improve its position.

In summary, when the company decides to internationalize, it changes the culture of reference and the manager's training; the institutional pressures on the company change, and the company's management and its activities change. An analysis of the cultural distance between countries – the degree of difference and similarity between the cultural values of two or more countries – becomes essential to operate at its best: the businessmen are called to read the context in which the company is operating, to assess the margins for action, to learn and to understand problematical areas in which the relations will take place.

3. Cross-cultural management

Nowadays, enterprises face new challenges: local markets are becoming increasingly saturated and globalization processes are so quick and unstable that business becomes more and more multicultural.

In such a multicultural environment, communication has become more complex, and enterprises have to act more complicatedly than in national markets. This is because the international business environment is different from the national one since countries, societies, and cultures are different.

That is why the concept of culture has been turned into a ‘cross-cultural’ one, meaning the different forms of interaction among members of various cultural groups. Consequently, the role of culture in international business management has been accentuated and the study of the subject of cross-cultural management has become and has constantly been expanded as a result of globalization.

Cross-cultural management (Hofstede, 1980a; Hofstede, 1980b; Trompenaars and Hampden-Turner, 1997; Hofstede, 2001; Sagiv and Schwartz, 2007; House *et al.*, 2004) is, thus, utilized in enterprises for solving problems arising between members of the organization in the internal and external environment and to improve business communication and its international exchanges. One of the main functions of cross-cultural management is, in fact, the precautionary effort in multicultural enterprises in order to prevent the development

of barriers (Greblikaite and Daugeliene, 2010).

According to Adler and Gundersen (2008), cross-cultural management illustrates the conduct of people in enterprises placed in cultures and countries worldwide and explains to people how to work in organizations with workers and consumers with different cultures. Thus, cross-cultural management describes and compares organizational behavior within countries and cultures.

On the one hand, cross cultural management observes and analyses the behavior of people with different cultural origins in organizations while, from the other, it compares and studies cultural differences that exist between enterprises belonging to different cultural backgrounds (Codignola, 2017).

Cross-cultural management researchers have mainly tried to analyze the relationship between culture, organizational behavior and outcomes (Adler, 1983). For this reason, in order to deepen the effects of culture on commercial interaction in global markets, it is crucial to understand what culture is and means.

It is fundamental to specify that this paragraph aims not to reconstruct the literature on culture extensively but to present the main theoretical currents that have contributed to enriching and increasing the interest in this issue.

Culture could be represented as a process that is invisible from the outside of an organization and, for this reason, it could be challenging to define. However, culture has been the purpose of the study of many scholars; this resulted in the proliferation of different descriptions and definitions of the construct.

In fact, from the 1960s, management researchers have paid attention to the concept of culture to prove that it affects managerial behavior and business performance (Sekaran, 1983). At the same time, several problems make it challenging to reach a clear understanding of the relationship between culture and management.

During the 1970s, two critical theoretical studies about cultural research were developed: Geertz (1973) and Keesing (1974). According to Geertz (1973), culture should be anchored to the specific background of social life, while Keesing (1974) distinguished between the ecological theory of culture, according to which cultures are understood as adaptable systems, and the theory of ideational culture, according to which cultures are assumed as cognitive, structural, and symbolic systems.

When dealing with the issue of culture, especially the cross-cultural one, the mention of Hofstede's work, the well-known specialist in the field of national cultural dimensions, is due. In the 1980s, he made an innovative study on culture that gave great impetus to the empirical analysis of the notion of culture and its variables.

Hofstede (1980b) has argued that individuals share a collective national element representing their cultural, mental programming, which shapes people's assumptions, values, attitudes, beliefs, behaviors, and expectations. He has identified five dimensions along which national cultures vary:

1. Power distance;
2. Uncertainty avoidance;
3. Individualism versus collectivism;
4. Femininity versus Masculinity;
5. Long-term versus Short-term orientation.

According to the author, 'Power distance' is the extent to which the less powerful members of institutions and organizations of a nation foresee and agree that power is allocated unequally. The main issue here is how society manages differences among individuals.

'Uncertainty avoidance' is the extent to which the members of a culture feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known.

'Individualism versus collectivism' is the extent to which individuals are integrated into groups. The fundamental issue here is the degree of interdependence a society maintains among individuals.

'Femininity versus masculinity' represents the degree to which members of society seek achievement, heroism, assertiveness, and material rewards for success (Masculinity) or prefer cooperation, modesty, social care and quality of life (Femininity). The fundamental issue here is how society allocates social (as opposed to biological) roles to the sexes.

Lastly, 'Long-term versus short-term orientation' refers to the degree of an organization's preference for both short-term achievement of social obligations or long-term orientation to the future, saving and persistence.

Moreover, Hofstede, in 1991 has defined culture as the collective psychological programming of individuals in

a particular environment. For the author, culture is not an individual characteristic but involves a certain number of people whom the same education and life experiences have influenced.

5. Conclusions

From a strategic, productive and commercial point of view, the strategy of internationalization and international configuration of the company is now increasingly essential for the companies. Whatever the reason for internationalization (best supply conditions, research of new markets, developing skills), the company will operate within a different cultural context, with rules, behaviors and different social norms, which could make it challenging to ensure coordination between actors and which may also have a negative impact on the company, on its ability to create value and on its image.

In this context, human resources must have a predisposition for understanding diversity and a knowledge of the *host culture*, values, behaviors and social rules. In this way, the company can take advantage of the opportunities that entry into new markets represents.

In light of what emerged from this brief discourse on the theme, it is possible to assert that culture could have two principal effects on commercial interaction in global markets.

First, the cultural differences among countries and individuals make it difficult to foresee customers' reactions and comprehend their behavior. Consumers have varying needs, use conflicting criteria of choice, and are influenced by the current social norms in their country. Second, the culture can influence the global markets: the individual culture can affect the business one because, as already said before, it has implications on business and organizational cultures (Arrigo and Codignola, 2006).

In particular, these implications could concern managerial aptitude. They can occur when the manager relates with employees, i.e., during the contracts' negotiation, when a product is launched in a foreign market, when agreeing on credits to joint venture partners or when managing the distribution channels.

In this way, culture and its differences can influence the relations in the global market and, for this reason, it is crucial to manage the multicultural environment in which businesses nowadays compete correctly.

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