

Part2

To what extent do you think that it is possible to attribute national competitive advantage to features of national cultures?

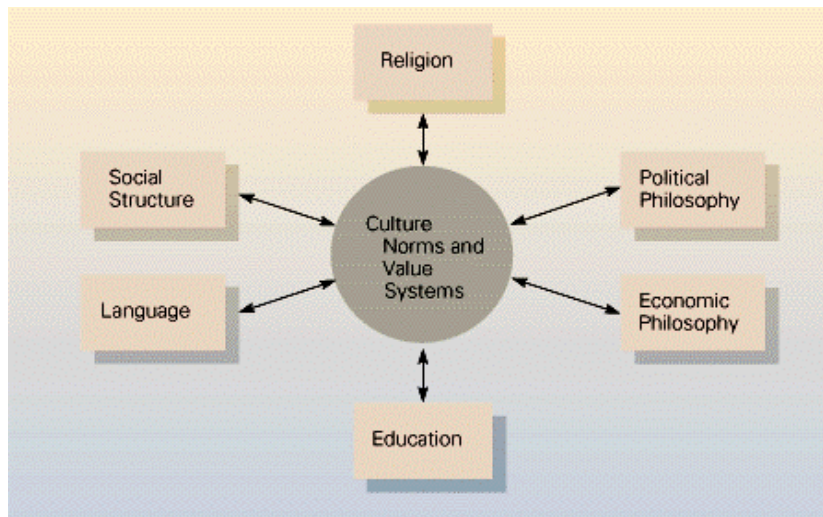
How might this sort of analysis be useful in taking international strategic management decisions?

Source: [Aurel Voiculescu, MBA – Master In Business Administration](#)

What is *culture*?

Geert Hofstede¹⁰ defines culture as *the collective programming of the mind, which distinguishes the members of one human group from other...Culture, in this sense, includes systems of values; and values are among the building blocks of culture.*

Determinants of Culture



Hofstede isolated four dimensions that he claimed summarised different cultures:

- Power distance dimension – focused on how a society deals with the fact that people are unequal in physical and intellectual capabilities
- Individualism versus collectivism – focuses on the relationship between the individuals and is or her fellows
- Uncertainty avoidance – measures the extend to which different cultures socialised their members into accepting ambiguous situations and tolerating uncertainty
- Masculinity versus femininity – looks at the relationship between gender and work roles

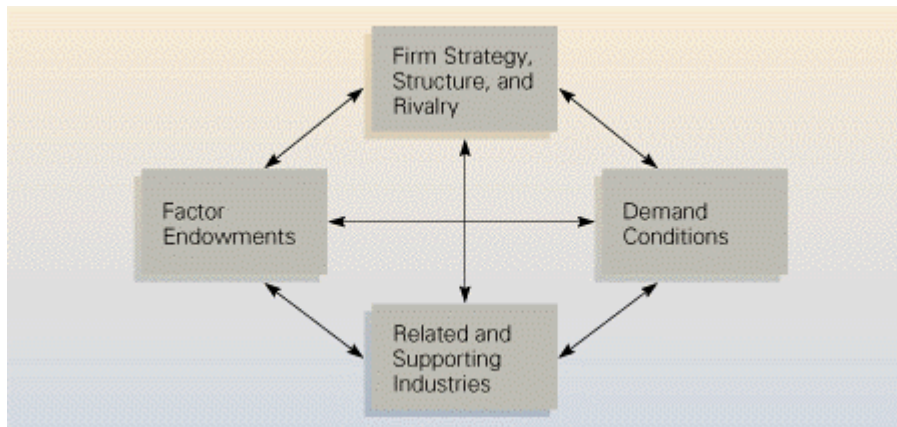
Hofstede theory demonstrates how distinct cultural differences across countries result in wide variations in social norms and individual behaviour and is reflected in the effectiveness of different organisational forms and management systems¹¹.

10. Hofstede, G., 1984, Culture's Consequences: International Differences in Work Related Values cited in **Hill, C. W. L., 1999**, International Business, *Competing in the Global Marketplace*, 3rd edition, Irwin McGraw – Hill, p. 79 – 81

11. Bartlett, C. A. and Ghoshal, S., 1992, Transnational Management: text, cases and readings in cross-border management, International student edition, p. 110

National Competitive Advantage

Michael Porter theory of competitive advantage argues that the degree to which a nation is likely to achieve international success in a certain industry is a function of the combined impact of factor endowments, domestic demand conditions, related and supporting industries, and domestic rivalry¹².



Determinants of
National
Competitive
Advantage:
Porter's Diamond

Porter argues that the presence of all four components is usually required for this diamond to positively impact competitive performance

Source: [Aurel Voiculescu, MBA – Master In Business Administration](#)

12. Porter, M. E., 1990, The Competitive Advantage of Nations, cited in **Hill, C. W. L., 1999**, International Business, *Competing in the Global Marketplace*, 3rd edition, Irwin McGraw – Hill, p. 139-42

Competitive advantage and culture

For the international business, the connection between culture and competitive advantage is important for two reasons¹³:

- The connection suggests which countries are to produce the most viable competitors
- The connection between culture and competitive advantage has important implications for the choice of countries in which to locate production facilities and to do business.

Cultural grounding is a very important factor to be taken into consideration¹⁴:

- Consumer products used in the home are often more culture-bound than products used outside the home, and industrial products are inherently less culture bound than consumer products
- Products will be less culture bound if they are used by young people whose cultural norms are not ingrained

If in a long run the cultural factors of one country suggest that the nation is likely to achieve a greater level of economic growth the Executive of a Multinational Company should decide to push its products towards that country instead of another country whose culture may produce economic stagnation.

Source: [Aurel Voiculescu, MBA – Master In Business Administration](#)

13. Hill, C. W. L., 1999, *International Business, Competing in the Global Marketplace*, 3rd edition, Irwin McGraw – Hill, pp. 103-5

14. Bartlett, C. A. and Ghoshal, S., 1992, *Transnational Management: text, cases and readings in cross-border management*, International student edition, p. 751

International strategic management decisions: *matching central expectations to local realities*

Responding to pressures to be locally responsible requires that a firm differentiate its product offering and marketing strategy from country to country in an attempt to accommodate the diverse demands that arise from national differences in consumer tastes and preferences, business practices, competitive conditions and government policies.

The reality is that the home country culture and the business culture of the Multinational companies are often in serious conflict with the expectations and values of the host country's culture and, most probably, the vast majority of subsidiary's employees.

Cultural Distance, Conflict, and Universal Management Techniques

This potential conflict stems from the very nature of the Multinational Companies, its decentralised operations in different countries. Hofstede¹⁵, Laurent¹⁶, and Newman¹⁷ have argued that Western Management theories and techniques are inherently culture-bound and thus may not be fully transferable to other cultures.

Overcoming cultural effect

Herbert¹⁸ (1999) discussed what could Multinational Companies Directors do to lessen the negative effects of cultural contaminants in their strategic planning processes?

- The answer to the questions begins with *anticipations* with cultural contaminants
- Beginning with the assumption that cultural effects exist, the question becomes *where?* – potential for problem
- The third questions begins with *patterns* and identifying trends and drawing comparisons across time
- The fourth question begins with *who?* Is a proper resource with whom to discuss the implications or reality of the suspicious patterns found?
- "How?" is it possible ⇒ identify and treat contaminating factors
- "How may we as an organisation learn from this?"
- "How effectively have we accommodated local and home office culture, assumptions and practices?" It is answered by
 - ✓ Continuing discussions with subsidiary heads
 - ✓ Continuing the reviews of comparable subsidiaries' results and processes
 - ✓ Analysing the new results from all subsidiaries, and particularly the suspected subsidiaries, against their previous patterns derived over time in order to see if the process has been improved.

15,16.17 Hofstede, G., 1980, *Culture's consequences*: international differences in work related values; Laurent, A., 1983, *The cultural diversity of western conceptions of management*; Newman, W. H., 1972, *Cultural Assumptions underlying U.S. Management Concepts* in Hill, C. W. L., 1999, *International Business, Competing in the Global Marketplace*, 3rd edition, Irwin McGraw – Hill, pp. 99-102

18. Herbert, T. T., Multinational Strategic Planning: Matching Central expectations to Local Realities, *Long Range Planning*, vol 32, No.1, pp.81-87, (1999)

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http://www.microsoft.com/uk/business_technology/dns/ecommerce/opportunities.htm

Source: [Aurel Voiculescu, MBA – Master In Business Administration](#)