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Study on Importance of Cross Cultural Analysis in International Business

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Abstract
Cross cultural concept is one of the most contentious concepts in international business. It should be studied by all global managers who plan to enter in foreign markets. The significance of this research paper is to closely study about various companies that struggled to sustain their businesses in foreign countries and also analyzing the reasons for cross border failure of the company at foreign grounds. The study will be based on collection of secondary facts and to determine possible challenges for the business organizations while investing abroad.

Keywords
Cross Culture, Local Culture, Adaptation

I. Introduction

Globalisation can be understood as an integration of various economies of the world for the purpose of trade, politics and diplomatic affairs. The interconnectedness of the world because of the advancements in information and communication technology, supply chain management, transportation and streamlined payment systems has revolutionized the world and justified the statement i.e. the world is flat and its quite approachable to go from one location to another expeditiously. The era of digitalization and the genesis of internet gave a push to globalization and also increased the pace of development with 24 * 7 accesses to businesses and services on real time basis. The concept of containerization has channelized the business of logistics and found certain innovative ways to reduce cost of transportation. The communication between citizens of one country is very fast with another through innovative telecom networking and social media revolution. In click of a button, the real time video of another person in another country reflects and two way communications takes place. The rise of electronic payment systems and international financial products and derivative markets have grown exponentially in last 2 decades and even currency is recognized as the largest traded commodity of the world. Above all, one thing that companies sometimes don't take a deep dive is to understand the local culture while expansion of its business in the foreign markets either through direct / indirect exporting or while opening up its wholly owned subsidiary or through licensing and franchising. As with a new country we add a new cultural dimensions so while expanding across the cultures, one need to refine and localize the business so as it is accepted by the general public. Ignoring this fact can be demoralizing for the company and can put detrimental impact on the financing and investments plans across borders.

Cross culture is a concept of recognizing people from another culture and to understand the way they live their lives. It consist of their food habits, style of leaving, the way they communicate, the products and services which are of prime importance in their countries. For example, when Corona, the famous Mexican beer brand entered in the market of Unites States, it had to face so many challenges as the market was already penetrated by another competitor i.e. Budlite, so the Corona had to adapt mind share strategy and took an access of cultural route to establish its brand in the minds of the customers in United States. They followed youngsters and penetrated in various clubs and took advantage of party culture, which was accepted by the youth and the company entered in the market successfully. So right understanding of the culture can prove to be advantageous for the organizations.

II. Cultural Challenges for Disneyland

The famous US based amusement park Disneyland has entered many markets since its establishment and also propagated itself as one stop leisure place for families and friends to chill out and enjoy the vacations. But the company was not untouched from it's the effects of cultural challenges that it faced in France where the company reported loss of approximately $ 4 bn. The major reason was that Disneyland tried to promote itself in Paris, France as a family outing place. This was the same strategy that they followed in Tokyo, Japan that take the family for outing and have fun, which was very well accepted by Japanese families and the whole park run profitably. But in France, its not part of culture for fathers to take their family and kids to the Disneyland and the kids generally has their vacations by their own. Even they don't come to take kids during school vacations like American does. So this reduced the footfall of French visitors in Disneyland. Apart from it, the park when it established was under illusion that French people never take breakfast outside and the company never had any restaurants in its facility which was not accepted by the French public. Soon after the opening the people were looking for breakfast and the park had nothing to serve except coffee and some snacks. But people wanted bacon and eggs. So the challenge erupted and the company was unable run it profitably. It was only in 1995, when the park was struggling because of financial and cultural errors, the company had to sustain and they did it by offering 22% discount on the park entry and also reduced the hotel prices in the park by one third. So this proved to be a successful rescue operation for France and soon after it started showing profits. Now Disneyland, France is hosting people from all parts of the world and running successfully. So its important to understand the cultural expectations while establishing your companies abroad.

III. Kellogg's in Indian Market

Kellogg's is an American Multinational company in the business of food and nutrition. The company is known for its nutritious cereals and ready to eat products. It has its manufacturing plant in 18 locations across the globe and doing business in more than 180 countries. The company entered in Indian market in year 1994 and had a promised start with good one time purchase by the Indian consumers but the company analysed that very soon the customers are not coming for repeat purchase. So this was big concern for the company and it was looking India to be a lucrative market. So Kellogg's decided to take a deep dive to find out possible reasons for the down fall of sales. After conducting an in depth research, the company concluded on certain factors which are as follows:

1. First and foremost reason was the way these breakfast cereals had to be taken. Indian consumers have a strong liking of taking hot and sweet milk in the morning and by dumping the corn flakes in hot milk, the flakes become soggy and don't feel good for the consumers. On the another hand, if the consumers take it in cold milk then the flakes remain crispy but the people were not able to mix sugar properly and was not of good taste. So it was difficult for the company to sell the product to the customers.
2. Another reason is, the Indian culture always have a custom of taking heavy meal in the morning. So in most part of the country, the breakfast consists of fried pranthas, puri and vada etc. This is assimilated in the culture of our country. But Kellogg's had a tough time to convince Indian customers about its nutritious value and also Indian breakfast has plethora of varieties with spices, pickles and chutneys etc. So Indian consumers gave a side to Kellogg's and continued with their regular conventional breakfast meal.
3. Third reason was the price. Indian consumers are very rational consumers and they don't expect product to be of high price and Kellogg's was selling at approximately double the price at which its other counterparts were selling. So it was highly unacceptable by the company.

So these were some of the impediments for the regulated growth of Kellogg's in India and the company had to restrategise its efforts to establish its brand. So instead of replacing it with the breakfast meal, the company propagated it has fun time cereals or designated it for those who are health conscious. So with the change in messaging, and its efforts to reduce pricing, the company could able to sell more to its customers.

IV. Walmart's Cultural Failure in International Markets

Sam Walton established Walmart in 1962 and the company became prominent retail chain in United States and then to the rest of the world. It established itself in 15 countries and propagated on the tagline of "Everyday low price" which attracted many a customers and Walmart became household brand. But the company's journey was not always smooth but it had many ups and downs in certain countries. When Germany entered in the market of Germany in 1997, the retail market was at around USD 370 bn and Walmart considered it to be lucrative option to enter in this market. People were optimistic about the success of the company in Germany because of close cultural similarities between Europe and USA. But this was just an illusion. In year 2006, Walmart had to shut down its operations in Germany. There are various reasons that were highlighted like Pro unionism culture in Germany was not in good taste for Walmart followed by the consumer's preference to follow nearby store at the neighborhood for their daily needs because not everyone had the access of car and the Walmart established in out of city center which was American model of establishment. So the sales were poor. But above all it had more of cultural impact which caused Walmart to move out of business. The first concern was Chanting of Walmart thrice by every employee while starting in the morning as WALMART, WALMART, WALMART, which was not of good taste for the German employees and they ridiculed this practice of Walmart. Another cultural impediment was, whenever the customer comes at the bill counter, then the checkout employees has to flash smile towards the customer which is very uncommon in German culture because in Germany, people never smile at strangers. So this American ritual was also not accepted. Last but not the least was the problem of ethics. Walmart asked its employees to spy over customers and other employees. Which is considered as interference in the life of general public in Germany and was not accepted by the people. So the company found it challenging to operate in the German market and finally after facing losses, it decided to exit in year 2006.

Not only Germany, but Japan is another such market in which Walmart is struggling to establish itself. The foremost reason is the shopping culture of Japan as the Japanese tend to buy in small quantities instead of US's consumer, who buy in large quantities. The major reason is keeping the stock of goods at home as Japanese has small houses in comparison to its American counterparts. So, it's difficult to store goods in bulk in Japan. On the other hand like Germans, the concept of Super retail store is not prominent in Japan and Japanese prefer more of neighborhood stores than relying on Walmart like super chains. As Walmart stores offer pre packaged food and Japanese tend to dislike it as they tend to have fresh food. Also, Japanese consider the products at higher price to be of high quality than the products of lower price. They consider in cheap in price as cheap in quality. So it's hard to for them to accept Walmart. Last but not the least is about managing trash. So it's very costly affair to manage trash in Japan than in United States. So these are some of the reasons that Walmart is struggling to sustain its business in Japan.

V. Barbie's Struggle in China

The American multinational toy manufacturing company Mattel established itself in world markets and got famous for its American styled Barbie doll which ruled the hearts of many young girls across the globe. The company struggled in the market of Africa because the African girls couldn't adapt the Western white colored girl and the company had to change its strategy to localize its features. Another challenge for the company was in the market of Middle East where the Islamic countries propagate cultural conservatism. But above all, the company struggled to sustain its business in Chinese market because of multiple reasons. The first notion was that the Chinese girls may not accept Barbie because it may not resemble to their facial expression but that was not the logic behind its failure in China, rather Chinese girl accepted not only Barbie but also the ideology that it propagate which is supported with free and open culture and to stand alone against all odds. Which was strongly liked by Chinese girls. Few people called it "Too Sexy" for Chinese girls, but still this was not a logical outcome. The major mistake committed by Mattel in China was having a standalone store of Barbie instead of establishing itself in the core Chinese market. As in America, the brand is known as symbol of "femininity" and having multiple roles, but in China, people consider Barbie has only one role and just simply act as a doll. Barbie is not associated with any Chinese girl in China. In Chinese market, the concept of store couldn't work out because people were not ready to spend much on the Barbie and its allied products. One jeans would cost around USD 156, which is significantly high and rather people prefer to buy it from other conventional stores. Also the interpretation of "feminine" word was different for different set of customers. For Chinese people femininity means soft and sweet rather than strong and smart. It is more about gentle and loving rather than straight forward and fashion oriented. So all these things created challenges for Barbie in China and were problematic in building relations with Chinese customers.

VI. Conclusion

So at last we can put forward a conclusion that whenever companies make investment plans across the countries then they must look forward to cultural dimension of the country. Whenever the companies go abroad, they must adapt glocalisation strategy for getting success in that market. Glocalisation simply means (globalization + localization). That means all the strategies should be as per the local requirements and circumstances rather than standardizing it. Also, firstly companies should conduct pilot study while entering in the market and then after it succeed, then establish its roots in the rest of the country. This can reduce the level of financial and market risk for the company and it can fetch time to mend its strategies for further growing its business in that market.

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