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Culture-Sensitive Global Strategies of Multi National Companies

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Abstract:

In this era of globalization, more companies than ever engage in international transactions, cross-border trade, joint ventures, mergers and acquisitions. They seek advantage by accessing locations, facilities, and customers in different countries and by coordinating activities across national borders. If a company understands national cultures, it can increase local responsiveness to customer needs, strengthen relations in host countries, and develop the most effective leadership behaviors in those cultures. However, this practical approach in turn depends on the ways in which a firm perceives cultures. Hence international managers seek concepts and instruments that incorporate cultural environments into global strategy.

Introduction:

The cultural imperative is the important component in building global strategy. Firms and stakeholders from different cultures may exhibit asymmetries. The gaps in ethical orientations, core values, and beliefs between home and host parties might be crucial to making sound decisions about international development and resource allocation. In many cases, multinational companies are willing and able to turn asymmetries into new opportunities and capitalize on cultural differences. Cultural sensitivity is an attitude and way of behaving in which an organization aware of and acknowledge cultural differences; it's crucial for such global goals as world peace and economic growth as well as for effective interpersonal communication. The techniques of inter cultural communication work well and proved effective.

The concept of strategy interprets the direction of firms, their formation, survival, and continuing success. For business organizations compete for resources, rely on leadership, discipline, intelligence, and winning plans, design offensive and defensive moves, and consider uncertainty and danger. Business competition is primarily a creative rather than a destructive activity and conducted in a civilized manner. In management terms, strategy determined the basic long-term goals and objectives of an enterprise and the adoption of steps of action and the allocation of resources necessary for carrying out these goals.

Global strategy combines global efficiencies, multinational flexibility, and worldwide learning. These strategic pillars rest on the interplay of competitive advantage of firms with the comparative advantage of countries. Uncertainty over these advantages is the outstanding feature of these advantages in global competition. To overcome uncertainties when building advantage on a worldwide basis, a multinational company must strategically balance several imperatives: economic, political, and cultural.

The economic imperative involves key strategic choices about configurations of activities internationally and about coordination. The advantage rests on the ability to access more effective sources and effectively organize interactions among overseas operations. However, centralized coordination entails significant fixed costs and central authorities may miss important local trends and opportunities. Hence, realization of global benefits depends on integrative systems that provide decentralization of certain responsibilities to exploit these opportunities.

The political imperative involves balancing the power of a multinational company with the host political framework. Political risk in international operations has been associated with the host government's interference in business operations. A multinational firm may experience loss because of the actions of legitimate government authorities, including involuntary loss of control over specific assets without adequate compensation. However, certain events that create political risks derive from actions outside direct government control such as war, revolution, terrorism, strikes, extortion, and nationalistic buyers and suppliers.

Focus On Cross-Cultural Comparisons

Cultural differences of a nation are most critical to international business. Culture can be manifested in dress, food, manners, practices, beliefs, norms, standards, perceptions, attitudes, priorities and so on. It allows people to communicate with others through a common language, makes it possible to anticipate how others in society are likely to respond to one's actions, and provides standards for distinguishing among what is right or wrong. Multinational companies use different compensation and benefit packages in different countries.

Cultural Predisposition of a Multinational Firm

The available research shows that predictions based on cultural distance at the societal level should be made with great caution associating multinational companies' cultures with the cultures of home countries. When decisions in foreign subsidiaries are clearly tailored to suit the cultures of the countries where the company competed and managers "run a subsidiary as an independent company," such a multinational follows a polycentric orientation. In strategic decisions about manufacturing, marketing, or personnel at the country level, these managers consider local cultural configuration.

Cultural Sensitivity In Multinational Companies' Policies

A growing number of international firms go far beyond economic and financial sources to succeed in foreign markets. They seek ways to capitalize on cultural differences in other countries and find new sources for strategic success. Many are serious about adding the parameters of global versus local cultural configuration to their pattern of strategic decisions.

International Strategic Alliances

The strategic role of culture is shown in the interaction of companies from different countries in strategic alliances, mergers, and acquisitions. The ability to overcome cultural distance provide valuable advantages such as quick access to a partner's competencies, joint manufacturing, global marketing, and shared client base, accelerating innovations, and fostering industry standards. Strategic alliances are trustful, long-term, and mutually beneficial relations between the firms that permit each partner to more effectively accomplish strategic goals, coordinate shared resources, and optimize transaction costs. When companies buy companies for access to markets, products, technology, resources, and management talent they face transition from strategic fit to organizational fit.

Leadership Core Competencies

The multinational companies build competitive advantage by utilizing their tangible and intangible resources including those directly related to human behavior in the organization. Core competencies combined skills developed through organizational learning, which are valued by customers and are difficult to imitate by competitors. They viewed leader effectiveness as a function of the interacting strategic organizational contingences, leadership competencies, and leader attributes and behaviors.

The Ethical Dimension of Strategy

The multinational companies' strategies are the response to ethical challenges. Leading companies redefine their attitude to new ethical challenges rooted in national cultures. They revisit their strategic goals to incorporate an ethical dimension into their long-term milestones and performance management, assigns new ethical responsibilities, and provides resources for sustaining corporate-wide ethics. These standards consider elimination of child labor in the supply chain, rejection of production to those damaging the environment, and collective enforcement of intellectual property rights. They may actively generate new competitive advantage by responding to the customers' ethical awareness and by creating barriers to less ethical firms.

Conclusions:

Multinational firm's executives seek professional tools to make sound and effective strategic decisions about doing business internationally and consider the growing economic role of culture in the life of a business organization. This is responsibility of intellectual executives of the business community who take into consideration cultural dimensions in determining their choice of organizational practices in foreign operations and product positioning and respond to globalization by incorporating noneconomic parameters into their strategy.

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