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The cultural awareness and technological savvy for global business ecosystems

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Abstract

Besides cultural intelligence in international business, information technology has become a key element in the implementation of the marketing mix. Both culture and information technology affect consumption and production of goods and services in the global market. The management and the business systems are equally influenced by the information technology and culture of the foreign markets. The information technology and the internet have created a platform for growth of international entrepreneurial firm such as the born-global. While culture can be expressed through artefacts, espoused beliefs and basic underlying assumptions. The cultural variation across nations can be understood through the four dimensions of Geert Hofstede cultural framework namely: individualism/collectivism, power distance, masculinity/femininity and uncertainty avoidance. The five cultural dimensions help international marketers to anticipate the reactions of the overseas markets to new products and services. While Edward T. Hall focus on high and low context cultures offers a communication-oriented perspective to cultural variations. The cultural variations across nations are because of differences in the use of context and information in creating meaning. The theory of high and low context cultures has impact on the choice of communication to be used in a foreign market. In dealing with the challenges of different cultures in international business, the marketers will either use standardization or adaptation strategies. Information technology and cultural savvy are some absolute requirements for the international business to satisfy the needs of global market at a profit.

Keywords *— Global markets;internationalization;cultural variations; born-global; standardization and adaptation.*

INTRODUCTION

This paper is about the role culture and Information Communication Technology plays in international business. Besides cultural intelligence in international business, information technology has become a key element in the implementation of global strategies. Both culture and information technology affects consumption and production of goods and services in the global market. The paper first look at the definition of culture and some suggested ways of studying culture. The main national cultural frameworks proposed by (Hofstede, 1991) and the (Hall, 2000) are presented as means of understanding cultural variation. These frameworks can be used by the international marketers avoiding falling prey to self-reference criterion, parochialism and ethnocentrism in cross-national business ventures in the process of either to standardize or adapt the services and products. The paper then highlights the growth in internationalization of entrepreneurial firms such as the born global companies as example of role of Information Communication Technology in global business. The paper ends with some implications of such a growth to the international business ecosystem.

The understanding of culture is important to an international business person and more so to a marketer. A successful marketer must have a good grounding in culture to be able to satisfy consumers' needs and wants at a profit. All the products or services, the packaging, the communication and the channels used have to be culturally acceptable if they are to be operative and meaningful in any market. The way people are cultured will determine the manner as well as the amount of goods and services they consume. People make decisions about consumption and production through application of their cultural-based knowledge. The constant change in cultural values is one of the major influences on markets. This means culture will affect both the consumption and the production of goods and services. These have consequences for doing business as well as managing across cultural boundaries. For example, what happened with General Motors introducing Chevrolet Nova automobile and selling poorly in Latin America, as "no va" means "won't go" in Spanish (Unibusiness, 2011). The same has been said of the Vauxhall Nova, which had to be sold as an Opel Corsa in Spain. In Spanish the phrase "no va" (literally "doesn't go") and one can’t imagine telling their customers to buy a vehicle that goes nowhere.

The management style and the business system are equally influenced by culture. Therefore, for a successful international business venture to work well, local culture has to be taken into consideration. Even with experienced international companies, many well intended ‘universal’ applications of management theories have turned out badly because culture has been ignored (Steenkamp, 2001). So, for international marketers it is imperative to appreciate the intricacies of cultural differences from if they are to be effective in foreign markets. To illustrate the cultural differences a quotation below tells a lot about products exported from the US to the Japanese market:

'U.S. refrigerators are so big, and their motors so loud, that they are unsuited to the small Japanese house. U.S. vacuum cleaners, made for carpeted floors, do not come with attachments for the tatami mats in Japanese houses and apartments. American dishwashers sent over here can operate only under U.S. conditions, with a supply of six or seven liters of water per minute, heated to 6&7O"C (14CtlS8"F) at a water pressure of at least 1 kg/cm* (3.3 lbs per in.').' (Ricks and Mahajan, 1984, p. 79).

THE METHODOLOGY

For this study, in analysing how importance of ICT and culture in global business and some secondary data were used. Secondary data in research are data which have not been collected with a specific research purpose (Bryman and Bell, 2011). The focus in this study is mainly to show that just like culture, Information Communication Technology has become an absolute requirement in the last decade doing in international business or so and using journals published in Entrepreneurship theory and practice. Other publications used include the Journal of International Business Studies and International business review. The phenomenon of internationalisation of firms has been studied before and given the limitations of time makes the uses of secondary data appropriate for this study.

THE DEFINITION OF CULTURE

The culture can be defined as 'a pattern of shared basic assumptions learned by a group as it solves its problems of external adaptation and internal integration, which have worked well enough to be considered valid and; therefore, to be taught to now members as the correct way to perceive, think and feel in relation to those problems' (Schein, 2010, p. 18). Thus, culture is a system of communications that makes a human society possible incorporating the biological and technical behaviours, their verbal and nonverbal systems of expressive behaviour shared by members of society in a region (Kaynak and Herbig, 2014). The common feature in the definitions of culture even from the earliest is that culture is learned and shared, then transmitted from one generation to the next in society. "Tylor provides one of the earliest definitions of culture: the complex whole which includes knowledge, belief, art, morals, custom and any other capabilities and habit acquired by man as a member of society"(McCort and Malhotra, 1993 cited in Soares et al., 2007, p.277).

According to Schein (2010) culture study involves three levels: the expressed artefacts, the espoused beliefs and values and the level of basic underlying assumptions. Though the essence of a group's culture is its pattern of shared basic taken-for-granted assumptions, culture will manifest itself at the level of observable artefacts and shared espoused values, norms and rules of behaviour. Whereas the basic underlying assumptions are reflected in human rationalizations or

aspirations. Once you understand the pattern of basic underlying assumptions, you can easily understand the other more surface levels and deal appropriately with a situation. Therefore, the use of two cultural frameworks of Hofstede and Hall can help an international marketer to clearly understand and interpret the basics assumptions of different cultures.

Geert Hofstede National Cultural Framework

Geert Hofstede isolated four dimensions which he argued characterised cultural variation namely: individualism/collectivism, power distance, masculinity/femininity, and uncertainty avoidance (Hofstede, 1991 cited in Steenkamp, 2001). These dimensions are based on four fundamental problems which society faces such as relationship between the individual and the group; social inequality; social implications of gender and handling of uncertainty inherent in economic and social processes. Indexes, determining these dimensions have been assigned to nations generally and have been linked to demographic, ethnographic, economic and political aspects of a society (Soares *et al*., 2007).

Individualism/Collectivism Index reflected in whether people's self-image is defined in terms of "I" or "we." Cultures that score high in IDV reflect an "I" mentality and tend to reward and accept individual initiative, whereas those low individualism reflect a "We" mentality and generally subjugate the individual to the group (Hodgson *et al.*, 2008). This distinction does not mean that individuals fail to identify with groups when a culture scores high on IDV rather personal initiative and independence are accepted and endorsed. Individualism pertains to societies in which the ties between individuals are loosely-knit; everyone is expected to look after him- or herself and his or her immediate family. Collectivism, as the opposite, pertains to societies in which people from birth onward are integrated in strong, cohesive groups, which throughout people's lifetimes continue to protect them in exchange from unquestioning loyalty (Steenkamp, 2001).

The Uncertainty Avoidance Index (UIA) measures tolerance of uncertainty and ambiguity in the members of society. The extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations (Brewer and Venaik, 2011). In cultures with strong UAI are intolerant of ambiguity and tend to be distrustful of new ideas. Their levels of anxiety and stress are high and often concerned with security and following of rules. While those cultures with weak UAI are tolerant of deviance and so anxiety and stress are low. Uncertainty avoidance refers to the need for having well-defined rules for prescribed behaviour.

The Power Distance Index (PDI) reflects the consequences of power inequality and authority relationships in society. It influences hierarchy and dependence relationships in the family and organizational contexts. The Power Distance Index measures the tolerance of social inequality, that is, power inequality between superiors and subordinates within a social system (Fain and Wagner, 2014). Cultures with high PDI score tend to be hierarchical, with members citing social

roles, manipulation and inheritance as sources of power and social status. In contrast, those with low scores, tend to value equality and citing knowledge and respect as sources of power. Thus, people from cultures with high PDI score are more likely to have a general distrust of others (not those in their groups) because power is seen to rest with individuals and is coercive rather than legitimate. High PDI scores tend to indicate a perception of differences between superior and subordinate and a belief that those who hold power are entitled to privileges. A low PDI score reflects more egalitarian views in favour of equality for all people.

Masculinity–Femininity Index focuses on either valuing a competitive or consensus-oriented society. This cultural dimension shows that certain dominant values in masculine countries are achievement and success; while in feminine countries value cooperation, modesty, caring for others and quality of life (Fain and Wagner, 2014).

A late addition to the initial four is the long-versus short-term orientation also called the Confucian Dynamism which stands for the fostering of virtues oriented towards future rewards, in particular perseverance and thrift (Minkov and Hofstede, 2011).

Collectivism influences innovativeness, service performance and advertising appeals. Uncertainty avoidance impacts information exchange behaviour, innovativeness and advertising appeals. Power distance affects advertising appeals, information exchange behaviour, innovativeness and service performance. Masculinity impacts sex role portrays, innovation and service performance. Finally, long-term orientation influences innovativeness.

Hofstede framework has some limitations like the country scores being based on matched samples of IBM employees, which are not necessarily representative for their countries. It is also not clear whether the items have the same meaning in different countries (Steenkamp, 2001). Hofstede's items refer to work-related values, which might not completely overlap with priorities of people in other roles (e.g. consumers) (Steenkamp, 2001).

In the Low-context cultures much of the background information must be made explicit in an interaction. These cultures tend to be logical, linear, individualistic, and action-oriented found in North America and much of Western Europe. The people from low-context cultures value logic, facts, and directness. Solving a problem means lining up the facts and evaluating one after another. Decisions are based on fact rather than intuition. In general, cultures that favor low-context communication will pay more attention to the literal meanings of words than to the context surrounding them. In such cultures, companies have to adapt their promotion.

High-context and Low-context Culture Styles

Other prominent conceptualizations of cultural variation across nations include the works of (Hall, 1976 cited in Kittler *et., al*, 2011) who offered a communication-oriented perspective on culture. Hall believed that culture is communication and that no human communication can be divorced from culture. The cultural variations across nations are because of the differences in the use of context and information in creating meaning. This concept is illustrated by classifying national cultures as high- or low-context and using examples (e.g. US Americans, Germans and Japanese). Culture uses the three interrelated dimensions: time, space and context (Kittler *et., al*, 2011). Time refers to how members of different cultures orient towards time and the way they perceive it (monochronic vs polychronic). Space pertains to differing cultural frameworks for defining and organizing space, with frameworks internalized in all individuals at an unconscious level. And context refers to the nature of how meaning is constructed differently across cultures using different ratios of context and information. The monochronic cultures are low-context and need information, whereas members of polychronic cultures tend to be high-context and pre-programmed to a larger degree.

High-context cultures are where background information is implicit; most of the information is either in the physical context or internalized in the person, very little is coded, explicit, transmitted part of the message. High-context cultures tend to be collectivist, intuitive, and contemplative and can be found in the Middle East, Asia, Africa, and South America. This means that people in these cultures emphasize interpersonal relationships. Developing trust is an important first step to any business transaction. For instance, this is what a Japanese manager explained his culture's communication style to an American: "We are a homogeneous people and don't have to speak as much as you do here. When we say one word, we understand ten, but here you have to say ten to understand one." (Wilson, 2014)

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Standardization vs. Adaptation of the marketing mix

In order to deal appropriately with the challenges of having many cultures in the global market, companies either use standardization or adaptation international strategies (Powers and Loyka, 2010). Standardization international strategy means using the same strategy and marketing mix

in all the global markets a company. Coca Cola uses a standardized global strategy for its products (Taylor, 2000). In contrast, adaptation as an international strategy means adjusting the strategy and marketing mix elements to each of the international targeted markets. Uniliver uses adaptation international strategy (Sadri, 1989). One approach to standardization is being ethnocentric using a self-reference criterion where you have a strong orientation toward the home country, while markets and consumers abroad are viewed as unfamiliar and sophistication. The opposite of ethnocentric is polycentric marketing strategy which is much broader through a strong orientation to the host country. The other approaches are to have regional orientation called regiocentric and finally global one known as geocentric. Geocentric orientation considers the whole world rather than any particular country as the target market (Strizhakova *et al.*, 2011). Companies have to decide which one is the most adapted in terms of each situation and it is a compromise between the two extremes of ethnocentric and polycentric.

INFORMATION COMMUNICATION TECHNOLOGY AND INTERNATIONAL BUSINESS

The current technological landscape is redefining how business is conducted digital economy. Advancements information communication technology and improvement in infrastructure have resulted in opportunities in global market. The international trade landscape has being permanently changed by the role Information Technology and the Internet is playing.

The availability of the interconnectivity across distance has opened markets previously deemed too remote for effective trading. Access to the web has empowered real-time access to buyers seller of products and sellers seeking buyers for products which was beyond imagination a mere generation ago. Such empowerment has resulted in the rapid development of commerce on the internet with direct marketing and sales occurring on-line. The born global firms are capitalizing on the liberating forces of technological advancements as well as in production and transportation. Electronic interconnectedness in particular is driving the emergence of a borderless global economy. In the absence of the burden administrative heritage, the born global younger, smaller firms are playing a much greater role in international trade than ever before. The time to internationalize, the uses of networks of business partners, the strategy for internationalization, and the capability for internationalization have all completely been re-defined.

The two traditional approaches to internationalization, the Uppsala model and the innovation model are also referred to as the ‘stages model’ because they propose that internationalization occurs in incremental steps (Cavusgil, 1980 cited in Chetty and Campbell-Hunt, 2004). The central argument in both models is that as the firm gains more knowledge about a market, it will commit more resources to that market. The stages model is criticized for being too deterministic for firms frequently skip the stages; oversimplifying a complex process; ignoring acquisitions and the impact of exogenous variables (Chetty and Campbell-Hunt, 2004). The stages model

associates international markets with risk and uncertainty rather than provision for global opportunities.

The other accelerated forms of firm internationalization are called the Born Global firms. The born-global firms are early adopters of internationalization – 'companies that expand into foreign markets and exhibit international business prowess and superior performance, from or near their founding' (Knight and Cavusgil, 2004, p. 124). The 'born global' firms have taken advantage of the 'time-space compression' phenomenon precipitated by the rise of the internet and advanced communication systems. These born global firms are usually SMEs in the tech sector – particularly in communication technology. The rapid models of firm internationalization highlight how technological advances in transportation, communication, and computers made it possible for entrepreneurial actors to easily form new ventures. In other words, the environmental influences, industry conditions, and the thinking of entrepreneurial actors themselves are prime factors for such revolutionized internationalization of firms (Oviatt and McDougall, 2005).

Hennart (2014) argues that the International Ventures/Born Globals (INV/BG) and other firms' growth lies in their business model explaining why they sell quickly to customers in many countries (Onetti *et al.*, 2012). The type of product, customer, and mode of delivery favour the born global firms. The analysis involved the time needed to expand abroad for Volvo, one of the firms on which the Uppsala model is based, and comparing it with Atlassian, an Australian-based INV/BG (Hennart, 2014). The comparison shows that the substantial difference in internationalization time can be explained by differences in type of product, customer, and delivery mode. Hennart (2014) argues the Uppsala model position that expanding abroad requires more time and incurs higher costs than expanding at home are generalizations only based on special cases; and that the time and cost penalty of selling abroad depends on the specific type of product, customer, and delivery system.

According to Hennart (2014) there are certain necessary conditions for the International Ventures/Born Globals business model such as: selling niche products and services sought by internationally dispersed customers; selling products and services for which they do not need to make international marketing mix adaptations and the use low-cost means of communication and delivery (Dib *et al*. 2010). The products or services involved can be easily sold over the internet. The other condition is to being based in a country with a small home market for the product or service. The niche products and services are sold to internationally dispersed customers using low-cost information and delivery methods. In contrast to the Uppsala-type firms that sell heavy, perishable, and less distinctive products to the mass market, makes it hard to immediately sell in many foreign markets. "Therefore, the main focus of born global is growth through international sales. To achieve this, the firms produce highly specialized customized goods for international

niche markets, and they have access to international networks and international financial markets." (Chetty and Campbell-Hunt, 2004, p. 61).

The other factors in further of fast internationalization of the born global firms are the establishing of networks and proper use of certain capabilities. The foreign networks help the born global firm engage less in equity investments as a less costly means of governance system (Oviatt and McDougall, 2005). Another explanation is that the born global firm focuses on the capabilities the founders possess (Chetty and Campbell-Hunt, 2004). The capabilities have been variously identified as entrepreneurial international orientation, international marketing skills, international innovativeness, international learning ability, international networking capability, and international experience (Hennart, 2014).

The implications of growth of international entrepreneurial firms

The international trade landscape has been permanently changed by the role Information Technology and the Internet is playing. The born global firms are capitalizing on the liberating forces of technological advancements as well as in production and transportation. Electronic interconnectedness in particular is driving the emergence of a borderless global economy. In the absence of the burden administrative heritage, the born global younger, smaller firms are playing a much greater role in international trade than ever before. The time to internationalize, the uses of networks of business partners, the strategy for internationalization, and the capability for internationalization have all completely been re-defined.

Most of the born global firms linked with internationalization growth are youth and lack of experience, as well as paucity of financial, human, and tangible resources. This goes to show that such resources are no longer major impediments to the large-scale internationalization and global success of the firm. The born global firms contradict the traditional models of internationalization which posit that firms begin to export has to have a strong domestic market base. Born globals acquire a substantial, fundamental base of international experience and knowledge that traditional MNEs typically have taken longer to acquire (Knight and Cavusgil, 2004). In this sense, born globals pose an important new challenge to traditional views on the internationalization of the firm. The traditional view of the large multinational corporation as the dominant international form might well be evolving.

The growth among entrepreneurial firms also means a paradigm shift to the discipline of international management and business. The adoption of a positive attitude toward internationalization and exploiting the global opportunities as opposed to seeing the world as psychic distant market full of uncertainty. The upcoming entrepreneurships are no longer restricted to domestic markets but can even start operations globally and end locally. Born

global are emerging in substantial numbers worldwide, and likely reflect an emergent paradigm, with the potential to become a leading species in the ecosystem of international trade (Knight and Cavusgil, 2004).

CONCLUSION

Thus, it can be seen that both culture and Information Communication Technology play a very important role in contemporary international and digital market. Culture is the bridge between standardization/adaptation and the marketing mix and whole global business strategy. The understanding of some theories of Greet Hofstede and Edward T. Hall demonstrate the link and the choice for either adaptation or standardization international business. The theory of High and Low context cultures has impact on the choice to standardize or adapt communication and promotion of a company. While the Hofstede's five culture dimensions helps businesses to anticipate the reactions of customers to a new product and service, and take necessary steps to standardize or adapt the marketing mix.

The growth of international entrepreneurial firms especially through activities of the born global re-enforced the view that the world can be one single market. The born global firms have been revolutionary in the process of internationalization. Now we know that a firm can internationalize even at inception, thanks to Information Communication Technology. International entrepreneur don't have to wait till they have established local base before internationalizing. The growth international entrepreneurial firm has been aided by founders of the Born-global who have prior international experience and extensive international personal and business networks as well as leveraging on the platforms and opportunities offered through Information Communication Technology.

Cultural intelligence and information communication technology savvy in international business are key elements in the implementation of global strategies. Both culture and information technology can impact consumption and production of goods and services on the global market.

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