Cultural Diversity in Business Development

A Brief Overview

Prepared by
Gustavo Hernandez
JRSB101 Communication I

for
Lynette Thoman, Instructor
School of Business
Northern Alberta Institute of Technology

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To: Lynette Thoman, JRSB101 Communication I instructor

From: Gustavo Hernandez, JRSB101 Communication Student

Subject: Cultural Diversity in Business Development

Here is the report you asked me to prepare in the context of the research assignment for JRSB101 Communication I course. The subject was chosen by the group 1 in the context of the Section 5, Activity 1 of the mentioned course. The group chose this subject, which is related with the NAIT program that we follow.

The concern on the cultural impact in business development has increased in the business environment. The increment of the world interaction in the development of businesses has increased the sensibility and the effect of the cultural diversity. Canada faces this diversity in two ways, the internal diversity and the interaction with the world itself. This double approach gives to Canadian companies a strategic advantage.

The information came basically from the research completed by the group as well as other specialized publications about the subject.
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Preface

The sources of information consulted to elaborate this report were specially selected and checked for getting a broad approach on the subject. The predominance of the information, authority of the writers, and the variety of journals consulted tries to elaborate a network of knowledge not biased. I would like to recognize the contribution of the members of the Group 1 of this course; they got valuable sources of information.

The image in the cover page was obtained from Google images.

The reference style chosen was APA, and the APA Style guidelines at APA website were consulted for those references where the book for this course (Ridge, 2008) has not a guideline.

The purpose of this report it is to provide an overview of a subject without deep details in its analysis. The references could provide a more detailed analysis.
Executive Summary

The development of business is susceptible to the diversity of the culture of the business people and/or organization. As result, the outcomes in business development are affected by the culture of people and the organization that they participate.

The relationship between people, organizations and countries evolve constantly. This evolution is strongly affected by the culture of people and the organizations that participate in the relationship. In this way, new models and approaches are developed trying to predict behaviors and allowing being more effective and efficient in the development of businesses.

The cultural incidence in the development of businesses has multi-dimensional inputs. The correct assessment of their impact and the related actions to overcome them are the principal procedure maximizing advantages and minimizing the barrier effects.

Education, leadership behaviour and management actions are the most effective way to work in a pro-active way with the culture incidence in the business development.
Introduction

Culture is the way people act and react to the experiences they have in life; cultural diversity comes when different cultures interact together. Business proceedings consist of the practices, protocols, and etiquettes in the business development. The development of business is susceptible to the diversity of the culture of the business person and/or organization. The problem is stressed because these business practices are affected by different points of view and subjective parameters of evaluation. Therefore, business outcomes will be affected by the cultural background, practices and the influence that they have in the development of the businesses (Schultz, Evans, & Good, 1999).

Cultural diversity and business

The social and economic world evolution over the last decades gave new guidance to the development of business models. In addition, the technology created of the world a simple neighborhood. Business people have a broad availability of tools for being full time "in-touch". The social and political evolutions destroyed several barriers, but modified and created others with an important speed. The economic evolution based on the previous changes has represented permanent challenges in business development. Thus, the companies and governments assigned more resources to the development of strategies addressing the cultural diversity and how they affect the business development.
Several studies related the knowledge of cultural orientation and its relationship to the social and structural bonds. This relationship between partners is a key predictor of the long-term commitment in cross business relationships (Williams, Han, & Qualls, 1998). In addition, the business evolution shows that these changes are permanent and with a remarkable dynamism, which require constant learning and adaptation (Philip & McKeown, 2004).

**Cultural diversity in business diversity**

Business relationships have a variety of approaches, ranging from long-term relationships, buyer-seller partnerships, strategic alliances, joint ventures, network organizations, cross-marketing agreements, etc (Williams et al., 1998). However, whatever is happening on the external part of the business, the impact on the culture will be through its impact on the people who work in the organization; particularly, how the leaders of the organization react to those circumstances. The values of an organization are created by the owners and the leaders of the business (Schultz et al., 1999). These leaders set the base to establish and sustain the different relationships, the ability for a continue adaptation, and the understanding and interaction within different organizational cultures.

The process of establishing a business relationship can be likened to a different foreign culture, with little knowledge of the other part behaviour, beliefs, activities, motivations, customs, or organizational nuances. For instance, the business person should follow business forms to carefully navigate toward strategic decision maker in the other organization. Lacking sufficient sensitivity to these cultural nuances could contribute to a breach of etiquette, which may seriously jeopardize the relationship. It is under this premise therefore, that in any business
relationship exist different barriers and advantages due to the cultural differences. With a design of strategies and tactics, these barriers could be minimized or disappear while the advantages could be maximized (Lohtia, Bello, & Porter, 2009).

**Characterization of cultural differences**

The concept of cultural business focus in the premise underlying the inter-entity orientation (this term involves people or companies), in business relationship and the role that culture plays in influencing these relationship. In this way, the culture is an important driver in the determination of management attitude, practice, behaviour and know-how. The cultural relationship in business is considered an essential tool for understanding process and mechanism.

The barriers of the culture in the development of business have two different sources, the barriers inherent to a person from previous generation and the cultural framework voluntarily accumulated. In this sense Guiso, Sapienza, and Zingales (2006) conclude “Individuals have less control over their culture than over other social capital. They cannot alter their ethnicity, race or family history, and only with difficulty can they change their country or religion. Because of the difficulty of changing culture and its low depreciation rate, culture is largely a ‘given’ to individuals throughout their lifetimes.”

Both inherent and accumulated background act creating a degree of culture distance. This culture distance is a major obstacle in successful performance in business relationship. Williams et al. (1998) summarize all these factors as well as the effect on business relationships (See Figure 1).
Figure 1. Effects of inherent and accumulated culture on business relationships

Source: Williams et al. (1998)

Williams et al. (1998) present the four key criteria, empirically determined, by which national cultures differed. The authors conclude that the effect of social culture background is lower than the effect of personnel culture commitment in business relationships (See Table 1), and they found an important difference in countries with more individual and collective social tissue (See Table 2).

Table 1. Regression results from measuring the impact of structural and social bonding

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>Germany</th>
<th>Jamaica</th>
<th>Costa Rica</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structural</strong></td>
<td>0.61</td>
<td>0.67</td>
<td>0.58</td>
<td>0.55</td>
<td>0.67</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>0.37</td>
<td>0.28</td>
<td>0.09</td>
<td>0.18</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Source: Williams et al. (1998)
Table 2. Regression results for individualist/collectivist countries

<table>
<thead>
<tr>
<th>Variable</th>
<th>All Countries</th>
<th>Individualist Countries (i.e., USA and Germany)</th>
<th>Collectivistic Countries (i.e., China and Jamaica)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural</td>
<td>0.63</td>
<td>0.69</td>
<td>0.55</td>
</tr>
<tr>
<td>Social</td>
<td>0.10</td>
<td>0.09</td>
<td>0.20</td>
</tr>
</tbody>
</table>

Source: Williams et al. (1998)

**Identifying differences and acting accordingly**

The impact of the cultural differences in the development of businesses could present advantages or barriers in accordance of how the business people deal with them.

**Overcoming barriers**

The cultural incidence in the business development has multi-dimensional inputs. The business people should recognize these multiple inputs to overtake the barriers that they could represent.

The concepts of ethnicity and nation-state generally are considered to be equivalent; this assumption is source of a small mistake, but it helps to simplify the analysis. Some countries show more diversity that others, and internal country clusters should be developed for a correct analysis (e.g., Canada, New Zealand and Australia). Williams et al. (1998) characterize through four different categories the countries cultural attributes (See Figure 2).
The history of the organization has an important role in the success of organizational behaviour and how this socialization interacts with the external world. A 100 years old bank, with a strong family heritage, is an entirely different world from a five years old company in the market of software development where the average age of the people is 23 years.

Difficulties in business development are originated from inadequate knowledge about time and space roles, differences in communication methods, way to process information, hierarchical or flat organizational structure, leader behaviour, and the importance in the learning process.

An organization’s strategy for dealing with cultural barriers should entail the following steps:

- Identifying precise nature, location and origin of barriers;
- Deciding the aims of intervention;
- Choosing the method of intervention;
• Ways of securing commitment to change;
• Damage control strategies; and
• Follow-up mechanisms to prevent relapses, support learning, reward achievements and monitor overall success.

Emphasizing advantages

One of the most powerful forces in an organization is its culture. Culture is like the air that the company breaths. Wines and Hamilton III in their 2008 article states “we don’t know who discovered water, but we’re certain it wasn’t a fish. Similar observations hold true for cultures. People do not usually see cultures; rather we tend to see through cultures much the same way fish see through water or people see through the lenses of glasses”.

Cultural norms have different values according to the cultural background of each business person, but it is recognized many common norms over different cultures. Trust is a type of symbolic credit which enhances the ability and relationship of people to cooperate and gain in time, confidence and respect in business transactions as well as decrease costs, avoid enforcement and save bureaucracy in extensive information network.

Shared bonds between individuals of a common culture can create economic advantage and help in the business development. A business person could gains the benefits of a diverse cultural knowledge. To obtain this cultural immersion, there are five modes of interaction that an industrial business person may adopt: education, assimilation, separation, marginalization, and integration.
Conclusions

The cultural diversity has an important effect in the development to businesses. This impact has become more important over the last years due to the current world context in business development. Capacity of analysis and decision making initiatives recognizing the barriers are key factors implementing solution to overcome these barriers. Education and leadership involving in cultural immersion initiatives are the key factors stressing the advantages that a business person may develop. Overcoming the barriers and stressing the advantages the organization could maximize the power of the cultural differences increasing businesses.

Overall, the better understanding of the mechanism that cultural diversity impacts in the business development, the higher opportunities to increase them will be presented.
Works Consulted


