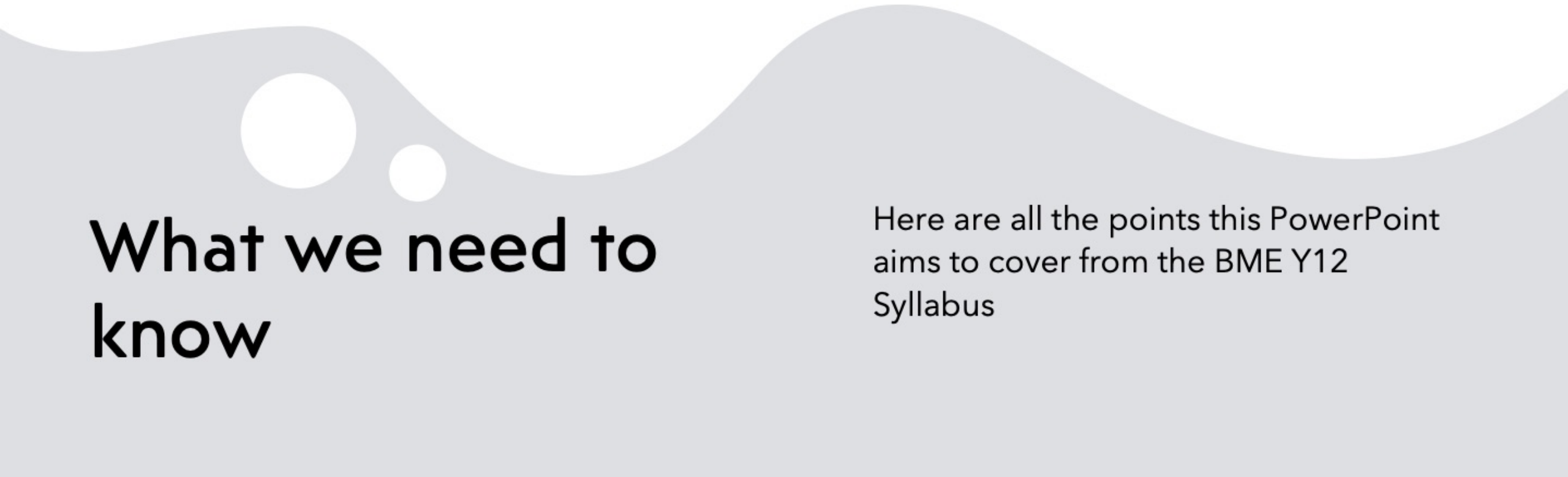


The Impact of Cultural Considerations on Global Business Practices

Jerek Joseph



- the impact of cultural considerations on global business practice, including:
 - levels of education
 - customs
 - holidays and celebrations
 - religious beliefs
 - business etiquette
 - communication protocols



What we need to know

Here are all the points this PowerPoint aims to cover from the BME Y12 Syllabus


Defining Culture

Culture is defined as a set of characteristics, beliefs and values that bind people together to form communities.

By embracing different cultures of different ethnic groups and countries, a firm is better positioned to understand the management and communication styles for different firms, markets and countries.

This overall helps and reinforces the success of a brand that is looking to expand globally.





The Role of Culture in Business

Acknowledgement of culture and embracing culture in business decision making are very different things. A cross-cultural setting is a shared environment with differences in culture, (i.e., two foreign firms in meeting room). Misunderstandings can arise in these environments that negatively impact a firm's reputation or decision making when the following occur:

- Self-reference - when an entity (firm, employee, director etc) unconsciously refers to their own cultural values
- Ethnocentrism - the tendency to view or perceive one's own values as superior to others

Pros and Cons of Considering Different Cultures

Pros	Cons
<ul style="list-style-type: none">- Cost advantage - it is cheaper to embrace that employees are culturally diverse than filter certain cultures- Facilitates globalisation - as culturally competency drives global businesses both in presence and profitability- Quality staffing - a firm with a good reputation for handling cultural diversity is able to attract high-equality staff- Marketing advantage - culturally diverse firms can adapt products and marketing strategies that are more sensitive to cultural differences of foreign markets. (An advantage of adaptation marketing!)	<ul style="list-style-type: none">- Resistance to change - embracing culture in the workforce requires structural changes in a firm. This can be met with resistance from employees who are comfortable without change- Cultural misalignment with stakeholders - embracing certain cultures may not align with expectations of external stakeholders (i.e., customers, investors, and suppliers) which can create conflicts in business relationships- Possibility to promote cultural complacency - if cultures are not regularly evaluated, it can lead to complacency which results in resistance to necessary change as outlined earlier

Cultural Consideration: Level of Education



The Organisation for Economic Cooperation and Development (OECD) studied the link between the level of education and economic growth. In studying 76 countries, the OECD was able to predict the growth in gross domestic product (GDP) of lower ranked nations based on if all 15-year-olds received a basic level of education.



Furthermore, data shows that at each level of education an individual gains, their employability chances, ability to learn new skills, and income over their relative working life all **increase**. As such, the OECD regularly recommend countries to reform their education and training systems.



Economists say this improves 'human capital' which is the concept where when people invest and accumulate knowledge, skills and health they are enabled to realise their potential as productive members of society.

Cultural Consideration: Level of Education (Continued)

Considerations firms need to make

- **Availability of skilled labour** - depending on levels of education in a firm's domestic country, they may need to hire employees overseas if there isn't enough skilled labour due to poor education. This can work in favour of a manufacturing business however who needs unskilled labour. As such, foreign firms may exploit developing countries for unskilled labour
- **Pay expectations** - an uneducated workforce is less likely to have ambitious pay expectations or understand how to obtain a pay rise over an educated workforce
- **Higher wages and remuneration** (salary, bonuses etc) for skilled workers that understand their worth in the workforce. A firm also acknowledges that these skills aren't a given especially in developed countries
- **Need to account for different levels** of education so firms can allocate employees to jobs that best suit their ability
- **Need to restructure tasks** and possibly a firm's operating structure/hierarchy to account for educational deficiencies and differences. This is a form of reducing risks and harm to a firm's operations.

Cultural Consideration: Customs

Customs are defined **as traditional and widely accepted ways of behaving or doing something**, that is specific to a **particular society** (i.e. firm). These behaviours and gestures should guide interactions with potential clients and other foreign firms.

Considerations to be made:

- **Food and beverages practises and expectations** - depending on what geographical region a business is conducting activities in culturally appropriate meals may differ. Long business negotiations and deals typically feature meals as a friendly gesture. A firm should take care in showing it is culturally sensitive, as a well-planned meal can bolster reputation.
- **Organisational customs** - this refers to a firm's behavioural norms, symbols and general way of doing things. A successful business will constantly seek to refine and promote a wide and diverse set of customs to appeal to wider audiences and target new markets.
- **Operations of a culturally diverse workforce** - Not only is it important for firms to embrace diversity but incorporate customs of a diverse workforce in carrying out work. Firms should take care when conducting business activities in minimising assignment of tasks that may be considered culturally offensive. i.e. Muslims preparing pork in an internationally exporting butcher firm.
- **Work expectations** - employees should strive towards great results and goals within an organisation that don't alienate or contradict individual customs. Expectations should be set by business owners regarding how work is conducted in the firm in terms of behaviour, workplace traditions, etc.

Cultural Consideration: Customs (Continued)

Impacts on Global Business Practises

Offensive or culturally **insensitive** practices lead to:

- Demotivated staff - as the firm does not reflect the customs held by employees
- Less productivity - demotivated employees are less likely to feel an urgency to work to the best of their abilities
- Increased risk of losing out on business relationships with other firms
- Hostility and animosity in a firm's workplace
- Discriminatory allegations
- Possible litigation (lawsuits etc)
- Public Relations (PR) consequences (this means poor public image)



Cultural Consideration: Holidays and Celebrations

A **holiday** is typically defined by businesses as a 24-hour period designated in recognition of an event or festivities where a business may not operate **or** operate at modified hours. Should a firm choose to operate, depending on firm bylaws (a set of firm-established rules) employees may be paid at a greater rate. If it is a public holiday however, most countries mandate overtime pay (150% of an employee's ordinary hourly rate in Australia).

A **celebration** is usually vaguer within a firm and is the promotion or festivities focused on a specific event or circumstance. These can be to recognise internal factors (i.e. sales goals, expansion plans etc.) or external factors (i.e. religious happenings).

Public holidays vary between countries and their affiliated religions, therefore managers need to be **adaptable** for different holidays and the **leave entitlements** that may apply for **different workers**. **How these celebrations are practised** must also be considered in ensuring that cultural groups or individuals are not offended.

Cultural Consideration: Holidays and Celebrations (Continued)

Impacts on Global Business Operations

Influences how businesses schedule staff as business operations may close on specific holidays and celebrations. This is typically due to employees being unavailable for work purposes

Penalty rates can be imposed on wages which can increase a firm's operating costs beyond normal levels

Resources may be re allocated to accommodate for increases in demand and/or changes in consumption patterns - this is especially true for consumers who may engage in certain holidays and celebrations

Temporary decreases in productivity may arise from celebratory activities, on the contrary the opposite can occur if an increase in business activity means employees are required to work at a more efficient pace.



Cultural Consideration: Religious Beliefs

- Religious beliefs refer to the values and attitudes of an individual or group that pertain to certain faith systems
- While the Australian Human Rights Commission reports that ~5% of complaints by consumers are based on religious discrimination, religious discrimination complaints have increased by more than 50% in the past 15 years in the United States. (US Equal Employment Opportunity Commission)
- Therefore, it is essential that a business not only recognises religious differences, especially between management, employees, and consumers, but also the means to promote and include different religions
- Offensive practises regarding religion have the same outcome as Customs (see Slide 9)



Cultural Consideration: Religious Beliefs (Continued)

Considerations:

- **Work practices** - care must be taken in ensuring a firm remains a neutral ground for all religions to coexist where possible. A firm should not risk alienating employees by endorsing or only adjusting business activities for dominant religions in the workplace
- **Holiday entitlements** - wherever practical, a firm should prioritise providing holiday accommodations (typically paid leave) when religious events of significant importance require time away from work
- **Clothing and uniform** - adjustments and exemptions for religious clothing should be made in a firm's dress code
- Firms need to accept practices in terms of the religious requirements of staff and what is acceptable in terms of faith systems in the workplace

Cultural Consideration: Business Etiquette

A set of manners that is accepted or required in a profession or industry is called **business etiquette**. The main four aspects of business etiquette are as follows:

1. **Communication styles** – this includes behavioural expectations for different types of communications such as face-to-face interactions (i.e., eye contact, posture etc), video conferences (i.e., being visible on camera, mute microphone etc), and email (i.e., proper grammar).
2. **Dress and Appearance** – how employees and key stakeholders present themselves in certain environments and events. Different dress codes apply to different settings (i.e. formal wear in a corporate dinner)
3. **Technology** – expectations for the use of technology in a professional environment. This includes limits on mobile phone usage, and utilising firm provided computers for firm-related activities
4. **Social situations** – similar to communication styles, this refers to how a firm positions its brand and promotes its image to other firms and consumers whenever it faces

Cultural Consideration: Business Etiquette (Continued)

A firm should consider how it acts within different social and cultural expectations with regards to activities such as:

- **Staff, partners, guest behaviours and relationship**
- **Gift giving** – mostly in Asian countries, people expect to be granted with gifts when meeting someone
- **Dress code and gender expectations** – some Islamic countries require women to cover all body parts
- **Business Hierarchy** – the larger a firm is and the more global its presence is, the more likely it is to have a departmental structure. This promotes proper business etiquette as each department is likely to be contained to a specific foreign market and adhere to specific etiquette of that country

Cultural Consideration: Communication Protocols

Communication protocols are defined as the formulated modes of communication between stakeholders, which can be impacted by status, hierarchy and accepted greetings within a firm.

Considerations

- Could include oral and written communication in a firm's day to day business activities – this way anything communicated verbally can be recorded for future reference
- Understanding correct communication protocols for different cultures shows competency and professionalism
- A need to develop internal and external communication protocols and implement procedures for communication between firm stakeholders

Impact on Global Business Practice

- Failure to understand communication protocols can jeopardise business deals and partnerships
- Coherent understanding of communication protocols reduces the risk of offensive and hostile behaviour from other firms/consumers

