Research Paper Commerce

Role of Culture and Institutional Environment on Globalised Marketing

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ABSTRACT

Global Marketing involves marketing activities by firms that allow marketing efforts to seamlessly operate across country boarders. The Global perspective is the idea that when firms operate in different nations, they commit to develop and change plans for the company on a country by country or region by region basis. Even though plans change, there are still common factors in strategy and practice that allow for some form of standardization. There are many controllable and uncontrollable factors which effect the environment of global market. Culture and institutions play important role in globalised marketing. The emphasis of this paper is to give an understanding of how culture and institutions effect Global Marketing Planning. The institutional environment provides access to the information about informal learning activity and the associated competences. International business is the study of transactions between counterparties who either reside in different nations or who reside in one nation but are compared to a pair of counterparties in nations. International business research necessarily requires attention to the costs of engaging in business activity of a given form in one nation as compared to another. The emphasis of this paper is to examine the nature of the differences in the institutional environment and their implications for the current and future state of Global Market.

KEYWORDS

There are endless reasons why Global Marketing is important today. Thinking quickly, can you imagine our world without companies marketing their products and services internationally?

Globalization is a trend toward greater economic, cultural, political and technological interdependence among national institutions and economies. The trend is a result of national boundaries becoming less relevant (denationalization) and different entities cooperating more actively across national boundaries (internationalization).

Marketing is composed of the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value to customers, clients, partners and society at large. Domestic Marketing is a strategy that is based on information exclusively from domestic industry and customer demands, as well as the domestic cultural conditions (economic, technological, political, and social environments). This is the first stage in how firm marketing strategies evolve.

Export Marketing is the second stage in which companies move toward internationalization. Companies begin by doing business and meeting needs of customers outside their usual boundaries. In this early stage they rely on other companies to assist them, while perfecting the internal conditions of their business to eventually do so independently. External factors, such as saturated domestic markets, or unsolicited inquiries from foreign customers may lead to export marketing.

International Marketing: When external marketing becomes increasingly more important and successful for the business, they will begin seeking new sources of growth and profit. New countries serve as new markets, thus international marketing begins. International Marketing is approached by concentrating product and promotional strategy to a given foreign market.

Multidomestic Marketing: A company that has independent foreign subsidiaries in every market that operate separately, without any specific headquarters controlling overall strategy. This is a more extreme form of international marketing.

Multinational Marketing: A stage in global marketing in which a company operates and markets its products in MANY countries around the world. Standardization of production, planning and overall strategy comes into play it this stage.

So then, What is Global Marketing?

Global Marketing defined (in a few ways):

1. Global Marketing involves marketing activities by firms that do each of the following:
- Standardize their marketing programs: Allow marketing efforts to seamlessly operate across country borders. Standardization ensures products, promotions, price and channel structure cooperate together to increase opportunity and effectively meet the needs of global customers.
- Coordinate across markets: Businesses eliminate cost inefficiencies and reduce duplicate business efforts of their national/regional divisions
- Practice Global Integration: This involves playing a role in many different world markets that are relevant to the business. Integrating firm operations means some markets use the resources of others to achieve success and vice-versa. It also involves balancing responses to competitive attacks in all areas.

The Global Perspective: Know that standardizing a marketing program does not necessarily mean that all marketing efforts and marketing strategy will be the same. The Global Perspective is the idea that when firms operate in different nations, they commit to develop and change plans for the company on a country-by-country or region-by-region basis. Even though plans change, their are still common factors in strategy and practice that allow for some form of standardization. So, marketing is the balance between customers and competitors. In today's age, that balance existson a MUCH bigger scale, hence the increasing popularity of global marketing.

Culture

"Culture is the integrated sum total of learned behavioural traits that are shared by members of a society". (Terpstra, 1994)

Levels of cultures

We cannot avoid seeing that the business environment is changing in many ways. As well does the cultural environment that is one of the most challenging areas for most international marketplaces. In order to understand and influence consumers' wants and needs, foreign companies must understand the different cultures.

Culture has been defined in many different ways, reflecting the variety of cultural phenomena that can be observed. According to Morrison (2002), cultural symbols include language, religious rituals and art whose shared meanings from the unique fingerprint of a particular society.

According to Czinkota (2007), cultural factors have an important impact on the flow of business. Each society has its own elements of culture. These elements of culture are manifested through:

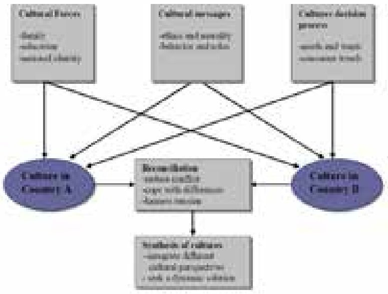
- Language
- verbal
- nonverbal
- Religion
- Values and attitudes
- Manners and customs
- Material elements
- Aesthetics
- Education
- Social institutions

Adaptation of these elements for an international company depends on its level in the market participation –for example, licensing versus direct investment and the product or service marketed (Czinkota, 2007).

The most important issue for a foreign company is cultural analysis, which includes information that helps the company´ staff to take planning decisions. This information from the cultural analysis must be more than collecting the facts; thes
e must also be interpreted in the proper way (Czinkota, 2007)

Business culture

Brazil is a country with real business opportunities for foreign companies, but doing business in this county can be seen as a significant cultural challenge. Brazil is a colourful culture that attracts many people to learn and experience the core of this vibrant environment. If we see broadly on Brazil culture we can discover that it is a combination of European, American and Asian culture (Maps of world, 2008). In the below presented model the cultural influence in each country is presented. Culture in each country is meditated through three factors: cultural forces, cultural messages and consumer decision process. Family, education and national identity manifest cultural forces. Ethics and morality, behaviour and roles and design influence cultural messages. Culture is also influenced from universal needs and wants in the society and consumer trends. These cultural differences are different in country A and country B. The foreign company must analyze and cope with these cultural differences and harness the tension to bring about reconciliation between these countries. With combining and synthesizing cultural differences the foreign company can integrate different cultural perspectives and seek a dynamic solution to problems that may arise (Bradley, 2002).



Bradley, F. 2002. A synthesis of cultural influence on buyer behaviour, International Marketing Strategy 4th edition, United Kingdom: Pearson Education.

Hofstede (2001) states that masculinity versus femininity describes the degree to which societies display the stereotype male female or related to division of emotional roles between men and women.

Confucian dynamism is the new dimension added of the cross-cultural framework. It relates to whether a culture is universalistic or particularistic. Culture that is universalistic believe what is true and good can be applied everywhere, whereas particular culture believe circumstances and relationships are more important in determining what is good and right (Hofstede, 2001).

Home culture versus foreign culture

Tayeb (1998) says that the decision to become involved in international business depends, among others, on the size of the company´ domestic market, its production capacity and capability, and the financial and other resources that the foreign market requires. In that way, firms can be placed on an internationalisation scale ranging from domestic single nation to totally globalise.

The extent to which national culture becomes relevant to a firm can be shown in the following table. The company' own home country culture is of high relevance, though the managers and other employees may not be aware of its influence. The relevance of other people's culture becomes greater for a firm as it spreads its activities and products past its national boundaries to reach foreigners with different value systems and tastes (Tayeb 1998).

Character of the firm	Relevance of national culture	
	Home culture	Foreign culture
Domestic, single-nation firm with no foreign interests	High	Nil
Single-nation firm with import/export activities	High	Low to moderate
Multi-nation firm with franchising and licensing activities	High	Moderate to high
Multi-nation firm with manufacturing and/or service units abroad	High	High
Global firm with various business activities in most pars of the world	High	High

Institutional Environment

This will be a technical work package that develops the institutional environment. This will be done to enable institutions to identify and support the informal learning activities of students/ workers and it involves the creation of an interface that will allow institutional staff (tutors and HR managers) to access the information about their informal learning that the learners have made visible, the analysis of that information, the generation of analyses to facilitate dialogue with learners and decision-making.

This work-package will consist in two main elements, an institutional environment and a competence catalogue. The environment will integrate tools for data analysis and decision-making, based on visual analytics techniques that have been developed and tested by the leader of this package. The competence catalogue will provide a set of common competences that will be used during the tagging process (WP3) and can be extended, adapted or enriched by institutions and learners. The institutional environment will provide access to the information about informal learning activity, and the associated competences, that the learners have made visible. This information will be analysed by the staff at the institution and, depending on the aim of the analysis (for example, improvements to personal learning pathways, promotion, evaluation of personal training and so on) and by using decision-making tools, different strategies will be defined. The user will be able to use the tool to add specific competences in which the institution is interested to the general competence catalogue, and also will be able to view other competences added by the learner, which will facilitate analysis of the information. The institutional environment and the competence catalogue also will use these interfaces.

The institutional environment is a deliverable that integrates analysis and decision-making tools. It will provide an interface through which the information about instances of informal learning and competences made visible by the learner can be viewed, allowing the user to take decisions. Those decisions could be used for different purposes. The tools that it includes are going to be based on the most representative techniques in decision-making such as visual analytics or data mining, techniques such as tagclouds, spiral time-lines, information sector analysis, treemaps, and so on will be used. This environment is going to be connected to the competence catalogue and the repository in order to have all necessary information in for the analysis of the information.

International business is the study of transactions between counterparties who either reside in different nations or who reside in one nation but are compared to a pair of counterparties in another nation. This simple definition focuses our attention on the key facet of research in this area that distinguishes it from other fields. International business research necessarily requires attention to the institution characteristics that alter the costs of engaging in business activity of a given from in one nation as compared to another. In this paper the nature of differences in the institutional environment and their implications for the current and future state of international business research is examined.

The Impact of Institutional Context on Entry, Entry Mode and Exit1

To successfully deploy its resources in a new country, a multinational firm must identify and contend with numerous differences between the host country market and the markets in which it has previously operated (Beamish, 1988, Hymer, 1976, Martin, Swaminathan, & Mitchell, 1998, Zaheer, 1995). A recent study that examined regulations of entry in 75 countries found that the official procedures and costs required to start a new business varied from as few as two procedures (Canada) taking two days (Canada) and 0.4 per cent of average per capita income (New Zealand) to as many as 20 procedures (Bolivia) requiring up to 174 days (Mozambique) and 263 per cent of average per capita income (Bolivia) (Djankov, Porta, Silanes, & Shleifer, 2000). Such differences may be the result of differences in the relative costs of contracting for the acquisition of needed factors of production or for downstream sales (Fisman & Khanna, 1998, Granovetter, 1995, Khanna, 2000, Khanna & Palepu, 1998, Khanna & Palepu, 1999, Khanna & Palepu, 2000a, Khanna & Palepu, 2000b, Khanna & Palepu, 2000c, Khanna & Rivkin, 2000, Nee, 1992), the protection of intellectual property (Lee & Mansfield, 1996, Oxley, 1999), the payment of taxes (Grubert & Mutti, 1991, Harris, Morck, Slemrod, & Yeung, 1993, Hines, 1998), the acquisition of government licenses and the payment of fees, the prevalence of corruption (Wei, 2000) and the means and feasibility of exit. Even where laws and regulations appear similar, differences in legal systems can have important differences in such relevant outcomes as the protection afforded to shareholders versus creditors or minority investors (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 1998, La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 1999).

Cultural differences between nations also can influence multinational entry strategies. For example, substantial evidence of cross-national differences in such factors as "administrative practices and employee expectations" (Kogut & Singh, 1988:414) or the adoption of three paradigms of organizational management: scientific management, human relations and structural analysis (Guillén, 1994), illustrate the difficulty with which models of management are transferred from one nation to another (Guillén, 2001).

Empirical evidence supporting these differences is found in the studies of Hamilton and Biggart (1988) on the industrial arrangements and organizational strategies employed in the economies of South Korea, Taiwan and Japan, and in Biggart and Guillén (1999) who looked at the evolution of the auto industry in South Korea, Taiwan, Spain and Argentina.

Institutional differences between nations magnify difficulties in collecting, interpreting and organizing the relevant information necessary to mount a successful entry. Markets that are similar in political structure, factor market structure or culture pose less uncertainty, relatively lower costs of entry and, therefore, lower hurdle rates of return. Investors are hence more likely to enter countries where the future policy regime is relatively easy to predict (Bennet & Green, 1972, Gastanaga, Nugent, & Pashamova, 1998, Green & Cunningham, 1975, Henisz & Delios, 2001, Loree & Guisinger, 1995, Root & Ahmed, 1978, Stobaugh, 1969, Vernon, 1977, Wei, 2000). Relatedly, investors are more likely to enter countries that are culturally similar, and have similar organizational structures (Hanson, 1999, Loree & Guisinger, 1995).

The impact of institutions on entry strategies can extend beyond the choice of where to invest to include the design of local operations. For example, firms that perceive hazards emanating from policy uncertainty can take hazard-mitigating actions designed to shift the decision calculus of the potential expropriating government. Such a shift should seek to either raise the political and/or economic costs (lost revenue, employment and future investment) to asset or revenue expropriation, or lower the benefits (the value of seized assets or revenue stream and the nationalist political reaction) from expropriation.

As an example of a hazard mitigating strategy, a multinational can form a partnership with a host country firm. In such a partnership, the host country firm would also suffer in the event of an expropriation of a foreign subsidiary's returns or its assets because of the subsidiary's dependence on a continuing relationship with its parent firms for its complementary assets. In exchange for ownership in the foreign subsidiary, a host country partner provides a valuable service. Host country firms tend to use, on average, a greater percentage of domestic inputs. Because of superior information regarding the availability of, terms of and procedures for acquiring goods in the domestic market, host country partners rely more heavily than the multinational on domestically-sourced labor, intermediate products and trading partners. While a multinational may pay to acquire this form of local information, pursuing such a strategy raises production costs relative to domestic firms. Supranational organizations engaged in accounting harmonization are playing important role in globalization of marketing.

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