

# Identification of Cultural Determinants for International Business

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## ABSTRACT

The paper covers findings about the role of culture, the definition and the determinants of culture. The different models of culture were compared. This gives an idea of the important aspects of culture and how it affects SMEs (Small and medium enterprises) in internationalization. The role of consumer behavior and consumer culture plays an important role in expansion of the SMEs internationally as they are formed based on culture. The empirical part of the paper reveals the analysis of Expert interview results that comprises the determinants of culture and the various degrees to which it affects internationalization of SMEs, the cultural barriers that SMEs face in internationalization, how to overcome the cultural barriers by adaptation and steps that help analyze consumer culture before expansion.

**Keywords:** international business, customer behavior, cultural determinants.

## 1. INTRODUCTION

Internationalization of SMEs helps the country to remain competitive. Competitive environment aids economic growth and innovation. Therefore, the internationalization of SMEs should be increased. The priority of the different countries should not only focus on business-friendly countries but also promote growth. Therefore, it is important to understand all the critical factors in internationalization out of which cultural difference is a high priority. Mistakes in culture can cause genuine long-haul hindrances to a firm regardless of whether it is an oblivious or inadvertent occurrence. The explanation behind numerous real worldwide business failures are generally because the members of those businesses didn't comprehend the reasons why individuals think or worth the manner in which they do [1]. Cultural context can become a weakness if not analyzed as an important contributing factor for the success of SMEs to expand internationally. The cultural factor affects the price,

manufacturing regulations and sales interactions. Globalization is inevitable for ultimate business success. Therefore, SMEs can have MNCs as their potential competitors in international business operations. SMEs can also benefit in international expansion if they understand the composition of the ethnic diverse population in the region. The Economic and Business Effects of Ethnic Diversity in Western European Cities (2017) have distinguished key significant examples how movement is affecting cities in Western Europe. The *aim* of the paper is to identify the cultural determinants affecting the expansion of SMEs internationally.

## 2. THE ROLE, DEFINITION, AND DETERMINANTS OF CULTURE

Culture concept associates with different denotes, reaching from fine arts, architecture, through customs and traditions transmitted from one generation to the next, up to the perspective of behavioral norms and communication patterns considered right within a community. Culture is a complex system of concrete and abstract elements. From the scientific point of view, it is an interdisciplinary phenomenon, interfering with ethnology, linguistics, international relations, marketing, etc. The intercultural dimension, because of globalization tendencies, is highlighted more and more frequently [2]. "Culture is the collective programming of the mind which distinguishes the members of one category of people from another" [3] states "the GLOBE project characterizes culture as shared intentions, values, convictions, identities, and the understanding or importance of events that outcome from basic encounters of collective members that are communicated across generations". As per researchers [4], "Culture clarifies how individuals figure out their world". Culture can be depicted as the way of life of a gathering of individuals shared by all or most of the individuals from a social gathering [5]. These days the term "culture" is regularly used loosely in everyday language [6]. There are several definitions where the term culture has been defined by several philosophers where [7] defines that culture are "the

learned ways in which a society understands, decides and communicates". As per UNESCO 2017, the meaning of culture has been a dubious issue for quite a while. Nonetheless, they express, that one of the ordinarily utilized definitions is the accompanying one: "[Culture] is that unpredictable entire which incorporates information, convictions, expressions, ethics, laws, customs, and some other abilities and propensities procured by [a human] as a citizen [8]."

Based on literature review the authors of the paper created the visualization (Fig. 1) the determinants of a culture are as follows: a) social structure b) political philosophy c) language d) religious and ethical systems e) education and f) economic philosophy.

The authors of this paper have taken the determinants of culture and related to the field of business studies as the focus of the research work is on expansion of SMEs internationally.

- Power distance. The degree and acknowledgment of inconsistent conveyance of power.
- Institutional/societal collectivism. The degree of aggregate dispersion of resources are compensated.
- In-group collectivism. Refers to the degree to which people express pride, dependability, and cohesiveness in the public eye.

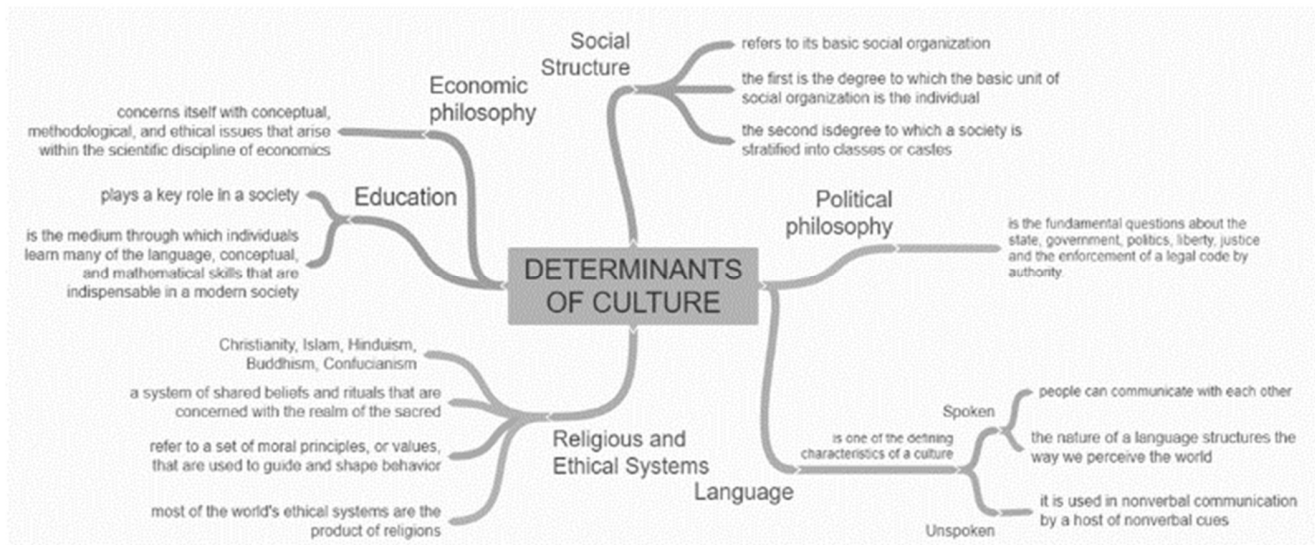


Figure 1. Determinants of culture. Source: authors of the paper.

There are also global aspects of culture, which related to culture of a nation based on cultural Models. National culture is the standards (norms), practices, customs, qualities and beliefs that are shared by the number of inhabitants in a sovereign country. It alludes to explicit attributes like language, religion, racial character and ethnic identity, cultural traditions and custom [9] the collection of norms, qualities, convictions, customs, and behaviors are shared by the number of inhabitants in a sovereign country. Additionally, those allude to explicit qualities, which are, traditions, religion, ethnicity, language, cultural history, and customs [10]. The authors of the paper have focused attention on two models for understanding cultural dimensions: Hofstede Model of understanding culture [11] (Fig.1.) which helps the company to analyze the different changes in the culture, when a business is moving internationally or changing its place of operation. The GLOBE model [3] is a model of understanding the culture of a particular country similar to the Hofstede Model. But this model has some similarities and some differences as compared to the Hofstede Model. The GLOBE (Global Leadership and Organizational Behavior Effectiveness) model stands for: Model for understanding culture developed by Robert House [3] who mentions the model intends towards understanding the leadership by organizing a three-phase project.

GLOBE model naturally intends to duplicate Hofstede data and work towards extending it to "relationships among societal-level variables, organizational practices, and leader attributes and behavior" [3]. The GLOBE model has extended the study of

Hofstede's model (Fig.2) by adding new dimensions. The total dimensions of GLOBE model are as follows [12]:

- Uncertainty avoidance. Determines the extent to which uncertainty is avoided by relying on established social norms and democratic practices.
- Gender egalitarianism. The degree towards which the general public limits sexual orientation on role contrasts.
- Assertiveness. The degree people are self-assured, confrontational and forceful in social connection.
- Future orientation. The degree to which the society participates in future planning, arrangements, contributing, and deferring satisfaction.
- Performance orientation. The degree individuals are rewarded for performance improvements.
- Humane orientation. The degree people are compensated for being reasonable, benevolent, well disposed, and kind.



Figure 2. Hofstede's Cultural Dimensions [11].

There are many identical and non-identical cultural models, for example Trompenaars Model, Kluckhohn Strodtbeck Model, Hall Model, Schwartz Model [13] which are available for researching, but Hofstede's and GLOBE models are widely used to understand the cultural differences in the national level of the country.

### 3. CONSUMER CULTURE

Culture influences on the conduct of the consumers and consumption can be summed up towards the inclination to change towards the purchase and post purchase behavior, reason why consumer buys the product with respect to the meaning, shape and function, explicit products towards the will of certain individuals, the structure or hierarchy of consumption, Individual's decision, selection/dissemination of innovation, acquisition of products and the consumption behavior, complimenting and commending behavior, reactions to distributional viewpoints, reaction for valuing products and service angles with consumption characteristics, Product versus service consumptions in particular cultures, social directions, social/cultural reference group impacts, rustic versus urban area utilization patterns and removal [14]. Hence, the cultural factors (belief and value framework, Language and correspondence framework, customs, images, colors etc.) does impact the people's decision in that particular culture. Hence there are a handful of ways of examples that influence the consumer decision, for instance as [15] mentions that Americans prefers luxurious and spacious cars, while Japanese prefer small and fuel-efficient cars. And in France, India, China and much more countries McDonalds adjusted their renowned menu to the local's craving by presenting more modest burgers according to the taste and preference in that particular country and culture. Hence, it is commonly understood that the consumers don't pay for any product or service. The consumer demands his/her personal needs and desires which reflects in his/her decision of buying. Thus, Essential attributes of consumer culture can be summed up in the change of requirements to wants, utilitarian necessities esteems, prominent recreation and utilization, social values, aestheticization, distance, differentiation, quality and speed.

Hence, the growth of the global monoculture doesn't always imply that the consumers share the same qualities and tastes. Instead, individuals in various countries, frequently clashing

their perspectives, engage in a mutual discussion, drawing upon shared symbols [16].

Culture development is ceaselessly advancing and finding the center of a particular culture is progressively difficult. Besides, the limits between societies are obscuring and individuals are like always presented to an assortment of conspicuous cultural components through human portability and towards media. As a result [17] mentions that, there is an appearance of new hybrid societies incorporating components of various roots. (Appadurai, 1990) mentions that there are essentially five elements that determines the cultural comprehension of global flows namely

- Mediascapes: Determines towards the flow of images and communication
- Ethnoscapes: Flow of the migrants, tourists, students, workers, refugees etc. who change and shape the beliefs and result in direct exposure of members of one culture to another.
- Ideoscapes: The flow of the political ideas and philosophies, apply more unpretentious influences that set aside to take more effort and time to have any effect.
- Finanscapes: flows of capital and money (less evident for individual consumer).
- Technoscapes: Flows of the technology (know-how to use technology with respect to awareness in consumers).

Traditionally, culture has been portrayed by its geographic properties. Hence, as previously mentioned that the limits between societies are obscuring and individuals are like always presented to an assortment of conspicuous cultural components which fail to limit the culture's territorial boundaries. However, the cultural behavioral patterns are not only limited to certain territorial boundaries, they are interconnected with various inter-regional boundaries or vast geographical areas. With respect to this ascertainment [17] has determined the results of these changes towards the global flows mentioned by Appadurai, which are: "cultural interpenetration, deterritorialization, cultural contamination, cultural pluralism and cultural hybridization". For example, a large number of the immigrants of Indians and Turkish who have moved to different geographical regions namely, UK, Latvia, Germany, France etc., have produced a strong identity of their ethnic behavior and demands for their ethnic food led towards opening several mainstream ethnic restaurants representing their country, which exposed towards the mainstream population to their ethnic restaurants like Turkabab, Kebab king etc. Which has changed the food preference and habits of the locales and been incorporated in the common food habits and preference of the locales. Bidit Lal Dey et al. [18] reforms that there are actually several types of consumer group prevailing in any market which are of rebellion consumer group, resistance and resonance consumer group. Where, the rebellion consumer group consists of people who are subject for normalization of products and services and the resistant and resonance group are more concentrated on prioritization of their cultural aspects and are not subjected to change in the event of carrying the customs, tastes and traditions along with them for a future cause. Hence a business should always be aware of the different types of consumer groups and tend towards creating products and services that can appeal for various consumer groups. It is being noted that consumers are very dynamic in recent years and the effect of consumers in various countries being rebellious for their ethnicity is being reduced by a significant manner. As in the work of [18] it is being

noted that MNCs like KFC, IKEA, United Colors of Benetton are being lucrative towards rebellious behavior of their consumers in the countries that they are operating. They are very fond of introducing fusion products for the consumers in order to experience the various traditional products with a small tweak to the taste of the local consumers.

Hence from the findings of the authors from the above resources, it can be understood that culture, especially consumer culture, can be dynamic in general with specific coherence of the traditional and norms aspect. Where it can be understood that if a business needs to survive in the international market, it should have to adapt with the important cultural aspects like values, norms, tradition, color etc. which are being very perpetual. Where, altering those variables can cause disruption for the business. But those factors like tastes, technological influence and development, variation in physical appearance (without altering the basic norms) can be very dynamic and specifically not to generalize the various groups of customers for the product being appealing.

#### 4. CULTURAL DETERMINANTS

To identify and develop a deeper understanding of the topic authors has been designed the research which is based on secondary data that are relevant to the topic as well on primary data – nine experts’ (Entrepreneurs and International relation managers of SMEs and agencies from Latvia, the UK, India and North America) interviews. Sampling method used: convenient sampling method was used [19]. Research period October - November 2020.

The cultural value system (Fig. 3) affects the market of its interlinkages and not in isolation of one particular value. The interlinking cultural values factors are namely Religion, Education, Language, Political philosophy and Economic philosophy. The elaboration on the interlinkage factors is detailed below:

- The first factor is religion. Religion is associated with education on the basis of psychological adjustment. As it helps people to form a belief system which leads their daily life to reality. And in turn education is linked to religion on the basis of historical knowledge. As history provides context to the origin of religion and development. Religion is associated with political philosophy on the basis of belief system. Religion is associated with economic philosophy on the basis of macroeconomics which decides the kind of jobs people are involved in. And economic philosophy in turn decides the economic way of life of the people. Religion is interlinked with language on the basis of regional identity. And language in turn is linked with religion to provide embeddedness which defines the core of existence.
- The second factor is Education. It is interlinked with economic philosophies on the basis of research ideas. It provides the basis of improvement of existing economic philosophies. In turn, economic philosophy is lined to education on the basis of policy. Policies help frame the education system. Education is linked with language on the basis of building up knowledge.

And *Language* (4<sup>th</sup>) in turn is linked to education by providing the codes for interpretation. Education is linked with political philosophy in terms of enhancing the practicality of the political system. In turn, the political system enhances the ideology for education.

- The third factor is political philosophy. It is interlinked with economic philosophy on the basis of theories and ideologies. They influence each other mutually. Political philosophy and language are interlinked on the basis of cultural integration. It refers to people of a region being influenced by the same culture. But language is interlinked with political philosophy on the basis of social integration. It means people who speak the same language get along well socially.
- The fourth factor is economic philosophy. It is interlinked with language on the basis of materialization of the economic building activities. And language in turn helps survival in the economic activities of the region.

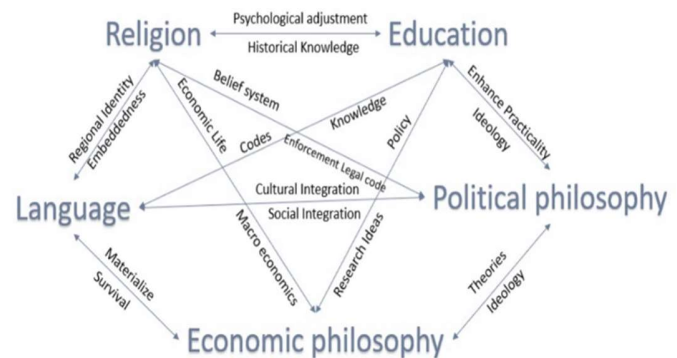


Figure 3. Interlinking cultural determinants that affects the market. Source: authors of the paper.

The final research results (Fig. 3) is compared to the secondary data (Fig. 1). The interlinking below shows the idea that cultural determinants are interlinked thereby creating the value of market presence.

#### 5. CULTURE UNDERSTANDING FOR BUSINESS

Conceptual model (Fig.4) was formed for how a business should understand a particular culture in a particular country, since the proceeding of the thesis doesn't focus on a particular country, it is said to have in more derivative format. The only part of the fixed variable in this model is the culturally far country or the international country in which the business operates or pertains to operate in, where the country is being understood within the dotted lines pertaining the boundaries. The country of origin for the SME business differs from place to place also with respect to the time element. The first box in the culturally far country defines towards the national culture which would define towards the overall culture of the country by the works of Hofstede and in-depth relation with the national culture with supplementing the regional culture with Globe's model of understanding culture, where these variables alludes towards integrating and analyzing that national cultural environment with that of the business environment of the international culturally far market. These models likewise find if the social and cultural dimensions are present as a barrier for business to the unfamiliar SME participants. Where, eventually, these first boxes identify

towards answering the research question of “How different are the experiences of the culturally unfamiliar SMEs towards the hypothesis of theories of cultural dimensions and how are these dimensions influencing the culturally unfamiliar SMEs towards entering in international markets?” (what are the cultural determinants for expanding business in international market) and the following variables of the potential solutions and non-barrier elements serves alluding to those potential experiences of those entrepreneurs and SMEs who have surpassed those barriers effectively to conduct business and form harmony with the

consumer culture with the culturally different international markets, eventually this format more addresses towards the second research question of “how does the foreign SMEs overcome those barriers if any?”. The authors of this paper present the real time understanding of culture in the model (Fig.4) presented below:

not evidently noticed but can be evidently felt if paid attention to. Therefore, the entrepreneurs of SMEs should focus on the

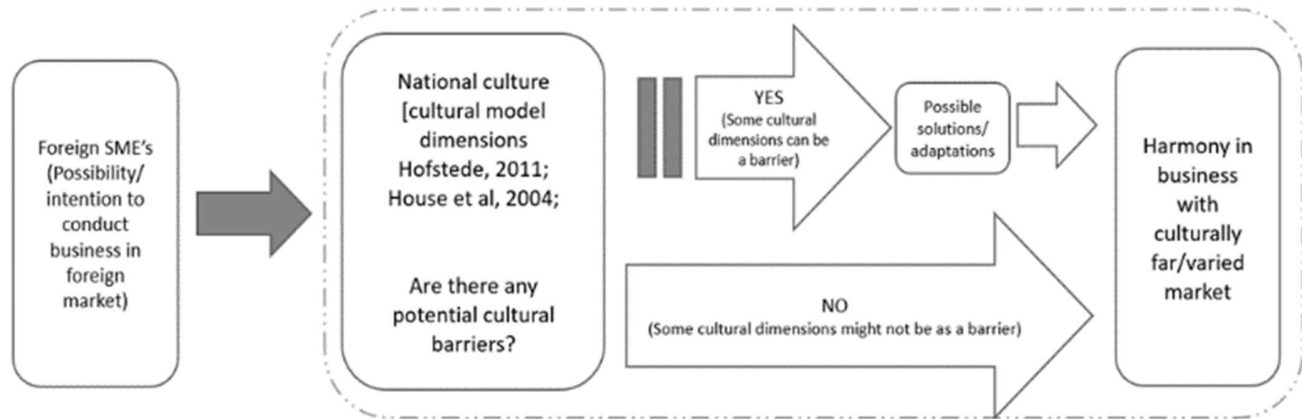


Figure 4. Comparison and Evaluation of best-fit model to understand culture. Source: authors of the paper.

This model (Fig.4) presented above is being formed in order to aim to utilize from the perspective of the foreign SMEs and entrepreneurs and morally alluding for the most reason why the flow of information and collection is directed from the business to the country’s side. Hence, the culture in the modern era is not derived and it is more communicated from one person to another and from business to business towards more sophisticated inter cultural understanding and communication. Hence these communications happen on socially far and distinctive markets and those culturally distinctive environments are heavily influenced by the distinctive layers and levels of culture and thus the cultural barriers arise when the viewpoints and proceeding of the two indistinctive cultures collide. Pieces of the values and acts can be shared with those of different cultures where, the delegates / representatives of a foreign SMEs are being culturally affected (in both positive and negative way) in one way or another with that of the practices and values that a culturally different country practices which creates a dimension and these dimensions may or may not serve as a boundary in particular elements in understanding the consumer and countries culture. And these notable barriers will thrive as a necessity for some potential solutions to reduce those barriers.

## 6. CONCLUSIONS

The analysis of the literature review revealed that culture has variables and determinants, that play a vital role in determining the activities of a region or a country. The role of culture invariably affects the business in a country. This effect is directly felt by the SMEs. When SME tries to expand internationally, the cultural barriers play a vital role determining the success and failure of SMEs. There are various models to understand culture. The Hofstede Model and GLOBE model are very basic and

informative at the same time. Globe model covers range of information in a comprehensive manner.

Consumer behavior is a highly individualized action and reaction. On the other hand, consumer culture can be dynamic all in all with explicit clarity of the customary and standards viewpoint. The role of culture is also underlying the consumer behavior and consumer culture. This role of culture even if it is consumer behavior and consumer culture in the international market before expansion. The utilitarian approach helps understand the practical needs of the customers. Thereby, focusing on the need of customers reflect the necessity of the product. This could lead to potential success and sustenance in the international market.

The cultural factors are equally attractive and repulsive forces that affect the business interaction in international markets. The cultural factors identified act not only as influencers but also potential barriers. The cultural basket has many individual factors which equally influence the other factor. The factors can range from habit, perception, religious values, technical information related to regulations and international laws, the financial approach of handling transactions, the way of negotiation, the maintenance of business relationships are the critical yet evident factors.

Linking the cultural factors is important as they provide value when combined rather than viewed in isolation. The importance of culture is reflected in the form of language political stability, market composition, geographical influence. The entrepreneurs of SMEs need to identify the interlinkages in cultural factors and what affects the interlinkages for the success of the business. One of the major factors that affect the interlinkage of cultural determinants is the staff members. The people working for the SMEs should relate to the mission, goals and objectives of the

company. Only then they will help develop the company with their contribution. The survival of the company is possible only with the staff members who are actively engaged and contribute equally with passion for the maintenance and sustenance of the company.

Clarity on understanding the difference between the determinants of culture is essential for the entrepreneur especially before internationalization of SMEs.

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