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CULTURAL DIVERSITY AND GROWTH OF INTERNATIONAL FIRMS

Introduction

The business environment has evolved in response to the continued globalization of world markets as there appears to be an increasing speed, frequency, and magnitude of competitors entering a broader and more diverse set of markets (Wolf, 2000). In this setting, companies have a great reliance on new products so as to gain revenues and market share as they search for a competitive advantage and a profitable return.

The success of a new product advertisement in a foreign market is based on a number of factors, some of which are totally controllable, while others are not, and must be considered when planning a marketing strategy. Hence, as an intrinsic variable specific to the market, culture remains a significant factor in international marketing research (Dunning, 1997). National cultural values are firmly rooted in history, and appear to be stable over time. When consumers tend to buy a product, they get the first impression of it by its advertisement and if it suits with their country's ethics, tradition and living conditions. Yet, it has been found that even after tremendous exposure to globalization, consumers from different cultures have different attitudes, perceptions, tastes, preferences and values (Suh and Kwon, 2002). As we understand, culture has a great impact on advertising and on its structure.

The study of national cultures and their variations across the globe

Many authors and researchers in the past years have studied and attempted to explain the relationship between national cultures and marketing and advertising practices which impacts on a variety of important organisational issues.

All these researchers have viewed and approached the concept of culture from different perspectives. According to Hall (1976 cited Weiermair 2000, p.398) culture is a pattern of assumptions about how a group of people think, act and feel in their daily affairs. Hofstede (1984 cited Di Cesare and Sadri 2003, p.30) viewed culture as "the collective programming" of the mind which separates one person of a group from another, while Solomon (1996 cited Weiermair 2000, p.398) referred to culture as the shared meanings, rituals norms, and traditions among the people of an organisation or a society.

Several researchers agreed that Hofstede's work (1984) is one of the most valuable and comprehensive

studies in the field of culture and its impacts on the marketing environment. Hofstede's study of 160.000 employees in 40 different countries identified four dimensions of culture related to the different behaviours of employees and work performance. These four dimensions were: 1) Power distance, meaning the degree to which members of a society/culture accept the inequality of power distribution within an organisation. 2) Uncertainty avoidance, referring to the extent to which the members of a society/culture which makes them feel insecure and uncomfortable with the uncertainty, thus they prefer to support the certain beliefs and values of their own culture and reject adaptation. 3) Individualism/Collectivism, meaning that members of different cultures can identify themselves as individuals or as a member of a particular group. 4) Masculinity/Femininity, which is the differences among cultures in relation to their aggressiveness, materialism and competitiveness.

Most of the researchers used Hofstede's theory (1984) as a base for further research in cultural issues. For example, Di Cesare and Sadri (2003) tried to support that different cultural backgrounds influence a variety of motivational drivers, by using Hofstede's theory as a guideline in their research. Although they developed an extensive research, their study was not convincing as they relied only on the dimensions and comparisons of two extremely different cultures (USA and Chinese) and their sampling was not random. Thus, generalisation of their results was not possible.

Consistent with the work and approach of Hofstede (1984), Pheng and Yuquan (2003 cited Lee-Ross 2005, p.254) mentioned the need to account for national cultures in order to manage culturally diverse marketplaces. They have gone beyond people's attitudes which was the main concern of Hofstede (1984), and their concerns included practical, financial and human cost issues. Lee-Ross (2005, p.254) by adapting this same belief states that internationalized organisations are global by their very nature, thus cultural awareness among managers is crucial to outcomes such as high turnover. However, Canen and Canen (2002, p.74) argued that cultural diversity should be examined beyond its financial impacts. They said that the need for the development of a cross-cultural approach may prove to be

crucial for innovation management and organisational success in a multicultural scenario.

Although most of these studies (Hofstede 1984, Pheng and Yuquan 2003, Lee-Ross 2005) have focused on the relationship between culture and performance, other researchers such as Newman and Nollen (1996 cited Testa 2004, p.404) viewed culture from a different perspective. As the manager or leader is the one who communicates management practices and organisational policies, the relationship between worker and superior is a more important component of work related outcomes. This group of researchers argued that most of the studies focused on how national culture affects behaviour and perception, and ignored the importance of the leader.

Offerman and Hellman (1997 cited Testa 2004, p.404) referred to the impact of the leadership style and supported that managers from culturally diverse backgrounds are also linked to various perceptions of behaviour and this should be examined. In their study, leaders who were closer to the national culture of the target group were rated higher on their performance on issues such as communication, brand awareness and financial results. Conversely, leaders with completely different cultural background were rated lower on the same issues. National culture can influence both, how leaders interact with the target group of their brands and how the target group respond to their brands.

Mendenhall et al. (1995 cited D'Annunzio-Green 2002, p.266) has gone beyond and said that one of the most difficult tasks of any manager in an international company is to get people from cultural backgrounds different from their own understand the brand he/ she is promoting. However, the approach of Mendenhall et al. (1995) it is still consistent with Offerman and Hellman (1997 cited Testa 2004, p.404) as they also emphasized that while leadership is exhibited in all societies, cultural norms influence what kind of leadership behaviours are appropriate in a particular culture.

On the other hand, other researchers suggested that Hofstede's work has been both used and replicated in many services and consumer goods issues (Mitchell and Vassos 1997 cited Weiermair 2000, p.399), but much of this study indicated limitations in the hospitality and tourism industry and it is not always applicable. Additionally, they supported that due to the continuous growth of globalisation and the tremendous social changes, old theories such as Hofstede's (1984) study could not be fully applicable in today's societies. Thus, these studies should be continuously updated and the need for further research is mandatory.

The management of cultural diversity in the context of globalization and the growth of international firms

Cultural diversity is one of the most pressing issues and continuing challenges for today's' leaders. As glo-

balisation increases, it is crucial for managers to understand and effectively manage a target group who have different values, beliefs and ideas according to different country settings. If managers fail to deal effectively with the phenomenon of cultural diversity, this can possibly impact several organisational outcomes such as innovation (Shane et al. 1995 cited Testa 2004 p.402), service quality (Maxwell et al. 2000, p.367), financial issues (Lee-Ross 2005, p.254) and improved decision making (Cox 1991 cited Friday and Friday 2003, p.864).

According to Lee-Ross (2005, p.264), cultural diversity is extremely important in any industry as it has to deal with several negative organisational impacts including high labour turnover rates, absenteeism, uncommitted employees and "burnout". However, Cox (1991 cited Friday and Friday 2003, p.864) argued that the most important negative impacts are the breakdowns in communication and conflict with target groups in various national settings.

According to Thomas (1996 cited Leme Fleury 1999, p.110) the management of cultural diversity focuses on the creation of organisational environment that encourages brands to reach their full potential in order to achieve the companies' goal. However, Cox (1991) conceptualized the management of cultural diversity as the effective planning and implementation of organisational systems and managerial practices in order to maximize the advantages of diversity and minimize its disadvantages. Other researchers such as Leme Fleury (1999, p.110) had a more simplistic approach that says that diversity means to add value to the company. While more simplistic, it is still consistent with both Thomas (1996 cited Leme Fleury 1999, p.110) and Cox (1991) in emphasising diversity's advantages.

Leme-Fleury (1999) conducted a study about managing cultural diversity among leading Brazilian firms. She concluded that the only way to approach the subject of cultural diversity is by developing a policy of managing culturally diverse target groups in order to create new competences and add value to the business. Although this approach is generally accepted, it ignores the importance of the leader/manager and his/her role in communicating and managing cultural diversity in an international setting.

Conversely, the research of Kock (2003) suggested that leaders should be aware and consistently trained on how to manage their brands in a culturally diverse setting. His research focused on the impact of cultural diversity on brand performance in South Africa. The initial aim of this study was to emphasise the cultural problems between culturally diverse individuals within a team. Interestingly, this research showed that the major issue was not its primary aim, but rather indicated the important role of the brand itself and how it adopts to a national setting. The study highlighted the need of proper management and direction of diverse issues.

Other researchers such as Swanson (2002, p.264) have gone beyond this approach. He concentrated on the role of culture, but through his research results highlights the lack of awareness and education related to diversity in the middle class level. He suggested that the intercultural sensitivity skill combined with the appropriate adaptation is what all international brands should develop and be expected to do.

Another group of researchers (Gately and Lessem 1995 cited Fish 1999, p.204) approached cultural diversity from a different point of view and emphasised more on how cultural diversity affects the decision making process. According to Adler (1991 cited Moore 1999, p.211) decision making groups that characterised by higher levels of diversity are more effective in creating a higher number of possible solutions and generate higher quality decisions. Fish (1999, p.204) went beyond this approach and suggested that it is of considerable importance to understand the interplay between the different cultural values, attitudes and "mind-sets" which influence a brand's performance. It is crucial to understand how these underlying cultural mind-sets impact the organisational issues. Although this approach is generally valid, it may be too theoretical for today's reality and very difficult to be measured and evaluated.

On the other hand, other researchers such as Saji (2004, p.41), suggested that the relationship between cultural diversity and brand management is influenced by the different cultural time perceptions. Different cultural time horizons and perceptions can influence and delay an important decision which could be crucial to the organisation. Thus, time perceptions differ from culture to culture.

While Fish (1999, p.204) attempted to argue that cultural differences influence the decision making process, Vallaster (2001, p.21) argued that the issue of cultural diversity and its effect on the decision making process is ignored. He suggested that the inconsistent assumptions, incoherent thoughts, conflicts due to communicative misunderstandings, and inter-ethnic tensions often inhibit concerted decision making.

Furthermore, Vallaster (2001, p.21) stated that several variables such as the ability to process information and interpretation of stimuli, satisfaction, group member relationship, communication and interaction are more important issues that need to be further studied. The existing literature fails to make the appropriate links in order to understand the impact of these variables in the relationship between cultural diversity and decision making-process.

Over the past several years, the main argument of many theorists and practitioners has been whether or not there is one best way to manage cultural diversity in a brand management setting. There are many different approaches and views of this issue, thus there is no agreement or a single answer to this question. Whereas researchers such as Tompernaars and Turner (1997 cited

Kippenberger 2000, p.32), not surprisingly, concluded that there is no one best way of managing diversity, other researchers such as Groschl and Doherty (1999, p.267) recommended specific ways and techniques in order to effectively take advantage of cultural diversity.

According to Hill (1992 cited Elmuti 2001, p.4) there are several strategies recommended in order to deal with cultural diversity such as: develop advertising campaigns that promote awareness of the brand in a national setting, promote positive attitudes towards differences among ethnic groups, become a flexible communicator and recognise common links among different ethnic groups. However, Tipper (2004, p.158) argued that diversity can be managed effectively only through the proper promotional practices. His research highlighted several promotional practices such as: market research, influencing key personalities in a national setting and stakeholders as to the need to search for diversity, using multiple communication channels to reach your potential target group.

Groschl and Doherty (1999) argued with both Hill (1992) and Tipper (2004) and suggested that cultural management on its own cannot deliver the appropriate results. The combination of diversity management concepts with other techniques such as traditional branding practices might be the best way of creating and sustaining a culturally diverse successful promotional campaign.

Culture and Advertisement

Cultural differences remain an important aspect of international advertising because cultural norms and beliefs are powerful forces that shape people's perceptions, dispositions and behaviours (Markus and Kitayama, 1991). In order to understand the influence that these variables have on product choice decisions, we have to examine how multinational companies try to attract customers from countries which have specific cultural characteristics.

We will examine theories for advertisement that may be used from companies which want to promote their products in markets which do not have the same culture. The first approach that we will analyse is the consumer-oriented approach and it is closely related with international marketing and advertising strategies. Then we will analyse the strong theory of advertising and the weak theory of advertising (Jones, 1991).

The Consumer-Oriented Approach

This approach is considered to be very important for understanding the strategy. When following this approach, organizations focus on two centre marketing strategies:

- an undifferentiated marketing strategy (full product)
- a differentiated marketing strategy (product / market specialization)

The first one gathers marketing efforts on common preferences of the target segments' needs and behaviour rather than variances. The second one, aims to identify the characteristics of diverse consumer groups through the use of marketing instruments directed at specific targets in order to create and implement a marketing approach and program that suits particular segments' needs and expectations (Kotler et al., 1994 cited in Riege and Perry, 2002, p1290-1305).

The Advertising Theories

There has been a considerable debate about how advertising works. The important is to accept that there is not only one theory which explains how all advertising works because it has varied tasks. So, first we will see the strong theory of advertising (Jones, 1991). The strong theory has its base in the USA. A person passes through the stages of awareness, interest, desire and action (AIDA). According to this theory, advertising can increase people's knowledge and change their attitudes, therefore it is capable of convincing people who had not previously bought a brand to buy it. It is an alteration theory of advertising: non-buyers are changing to forthcoming buyers.

On the other hand, we have the weak theory of advertising (Jones, 1991). The steps in this theory are awareness, trial and reinforcement (ATR). This model claims that advertising is not so much powerful influence on buying process. As Ehrenberg explains, "advertising can first arouse awareness and interest, nudge some customers towards a doubting first trial purchase and then provide some reinforcement and reassurance after the first purchase. I see need for any strong AIDA-like Desire or Conviction before the first purchase is made" (Ehrenberg, 1992).

When advertising meets culture many things should be taken into consideration. Culture is the combination of traditions, values, taboos and basic attitudes of the whole society in which an individual lives. Cultural differences have implications for the way in which business is conducted. Consequently, it is necessary to analyse the factors influencing consumer involvement in the purchase decision making process, and to demonstrate an operational involvement model for advertising abroad (Fox, 1974). Global advertising has four objectives that must fulfil when we have worldwide advertising: creating a brand while speaking with one voice, developing economies of scale, increasing local effectiveness of advertisements, and raising the company's capability of implementation.

In brief, all the above, they should not be considered as alternatives, because they can shape an overall strategy for advertising.

The Success of an Advertising Strategy

While a company tries to campaign its products, it has to face many difficulties. These may be: the analysis of the competitors and the creation of the competitive

advantage, the understanding of the market place and its segments; the advertising campaign should meet specific needs. Global advertising has four objectives that must fulfil when we have worldwide advertising: creating a brand while speaking with one voice, developing economies of scale, increasing local effectiveness of advertisements, and raising the company's capability of implementation. The above ensure company's survival and profitability.

The market entry choices have been well discussed by various researchers and there have been developed many paradigms (Anderson and Gatignon, 1986; Chen and Hu, 2002). Nevertheless, our analysis is based more or less to the basic strategic choices that are apparent.

Brand attribute strategies

There is a framework telling the evolutionary progression in brand power strategies ranging from brand homogeneity to brand globalization (Agarwal, 1994). As indicated, brand individuality refers to standards that are invented from dissimilar sources, together with industries, governments, and shopper markets. However, to the extent that a financial system is market-driven, brand attributes should reflect the needs, wants, and interests of consumers. Following we will discuss the various choices of market entry that the company has.

Brand standardization strategy

Global tendency towards industrial transformation and upgrading have induced a more tolerant approach for thoughts and practices created elsewhere in the world. This is more apparently true for trend-setting segments from modern cultures. The major challenge that a brand standardization strategy has to come up with is to create a single brand the core and general characteristics of which are modified domestically, yet have global appeal (Osland et al, 2001).

Brand adaptation strategy

For many brands and companies the broader the global reach the larger the number of local and nationwide differences they will encounter. As long as home environments remain dissimilar from foreign cultures, there will always be likelihood for the want to house foreign country requirements to product design (Hennart and Larimo, 1988). As segments of the target market - distinct in local market terms - "appear" in overseas countries in escalating numbers, the home company might be compelled to alter some brand design characteristics. These adaptations may result from exclusive ecological, legal, and/or infrastructural assets that order compulsory changes for organizations that need to do business in these countries. These adaptations translate into the adoption of new brand principles, which will become constructive to the firm to the point it can apply them to related environments somewhere else (Hunger et al, 2003).

Brand globalization strategy

Some markets and organizations have reached almost every angle of the globe as part of their brand-line

growth procedure. For some of these companies, the course has been opportunistic and chaotic (Evans, 2002). For most, the development involves the beginning of a “compromise product” which unites, in its basics, attribute-standards that are satisfactory to clientele around the world. These companies focus on satisfying the “global consumer” rather than the entity (e.g., local country-market customers (Chung and Enderwick, 2001). Unlike brand customization, companies using this strategy would hardly contemplate “building from scratch” anymore. Like brand standardization, they are attracted in setting standards, excluding that their goal is to relate a world average, not apply a local one. Once it is determined what regular benefits (i.e., core attributes) are communal by most people around the world in the manufactured goods category, specific brands (with differentiated enlarged components) will be urbanized to cater to country-market habits (Brooke, 1986).

Conclusion

In conclusion, cultural differences remain an important aspect of international advertising because cultural norms and beliefs are powerful forces that shape people’s perceptions, dispositions and behaviours (Markus and Kitayama, 1991).

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Франциско Ф. Р. Рамос, Коваленко О., Коваленко С. Культурна різноманітність та розвиток міжнародних фірм

У статті розглядається вплив національних культур на розвиток міжнародних фірм. Було здійснено критичний огляд внеску наукової літератури у цю сферу. Беручи до уваги основоположну роботу Хофстеде, можна зробити висновок, що через неперервну/неперервну глобалізацію та надзвичайні соціальні зміни, старі теорії, такі як праця Хофстеде (1984), не змогли би знайти свого застосування у сучасному суспільстві. Таким чином, ці наукові праці слід постійно оновлювати та необхідним є подальше дослідження у цій сфері.

Ключові слова: рекламна стратегія, культурна різноманітність, типологія культурних змін Хофстеде, міжнародні фірми, національні культури.

Франциско Ф. Р. Рамос, Коваленко Е., Коваленко С. Культурное различие и развитие международных фирм

В статье рассматривается влияние национальных культур на развитие международных фирм. Был проведен критический анализ вклада научной литературы в эту сферу. Принимая во внимание основополагающую работу Хофстеде, можно сделать вывод, что из-за непрерывной глобализации и огромных социальных изменений, старые теории, такие как работа Хофстеде (1984), не смогли найти своего применения в современном обществе. Таким образом, эти научные работы следует постоянно обновлять и последующее исследование в этой сфере является необходимым.

Ключевые слова: рекламная стратегия, культурное различие, типология культурных изменений Хофстеде, международные фирмы, национальные культуры.

Francisco F. R. Ramos, Kovalenko O., Kovalenko S. Cultural diversity and growth of international firms

This article deals with the impact of national cultures on growth of international firms. It critically reviews the major contributions of the literature on this field. Starting from the seminal work of Hofstede we conclude that due to the continuous growth of globalization and the tremendous social changes, old theories such as Hofstede's (1984) study could not be fully applicable in today's societies. Thus, these studies should be continuously updated and the need for further research is mandatory in this field.

Keywords: advertising strategy, cultural diversity, Hofstede's framework, international firms, national cultures.

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