How national culture influences organizational strategy

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An organization's mission strategy is a précis of the way in which the firm perceives its role and the beliefs the company employs in attaining its objectives. According to Hofstede (2014), culture is the collective programming of the mind that distinguishes the people in a particular category or group from members of other categories or groups. This paper delves into the topic of culture and strategy. In this investigation of the topic, the subject of culture and strategy is analyzed exhaustively and critically. In particular, this paper provides an in-depth analysis of the effect of national culture on organizational strategy.

Culture is understood as a system of collective meaning that governs shared actions, thoughts and perceptions. In essence, this worldview governs the associations amongst people and correlation with the environment allowing the group to carry out its essential tasks of internal integration and environmental adaptation (Schwartz & Davis, 2011). The notions of strategy and culture might actually be entwined. Culture could be viewed as a strategy that is used to solve problems that have developed with time (Tsang, 2014). Hofstede (2014) described 6 dimensions of national culture which a multinational company needs to take into account when formulating their strategic plans. These 6 include the following: *Power Distance Index:* this aspect of national culture expresses the extent to which the less powerful citizens in the country recognize and anticipate that power is unequally distributed. In essence, the main issue here is the way in which a society handles inequalities amongst citizens. In societies in which Power Distance is low, citizens attempt to equalize the power distribution and demand explanation for disparities in power. Citizens in societies that exhibit a significant level of Power Distance accept a hierarchical order where everyone has a place and which does not need any more justification (Hofstede, 2014).

Femininity versus Masculinity: femininity stands for a society that prefers quality of life, modesty, cooperation and caring for weak members of the society. In general, the society is more consensus-oriented. Quite the opposite, in masculinity societies, people prefer material rewards for success, assertiveness, heroism, and accomplishment (Hofstede, 2014). *Collectivism versus Individualism:* in societies that are characterized by individualism such as United States and Britain, people prefer a loosely-knit social framework and citizens are expected to take care of themselves as well as their close family members only. The self-image of individuals in a collectivist society is ‘I’ (Cristian-Liviu, 2013). On the contrary, in societies typified by collectivism such as Japan and Vietnam, people prefer a tightly-knit framework whereby in exchange for absolute loyalty, individuals expect their relatives or the members of a certain in-group to look after them. The self-image of individuals in a collectivist society is ‘we’ (Hofstede, 2014).

Uncertainty Avoidance Index: this dimension expresses the level to which people in the society feel uncomfortable with ambiguity and uncertainty. It is notable that the major issue here is the way in which a society handles the fact that a person can never be able to know the future: should people just let the future happen or should they try to control it? Nations which exhibit strong uncertainty avoidance index have strict codes of behavior and belief and they do not tolerate unconventional ideas or behaviors. Conversely, countries with weak uncertainty avoidance index have a more relaxed attitude where practice in fact counts more than principles (Hofstede, 2014). *Short-term normative orientation versus long-term orientation:* each society needs to sustain some connections with its own history whilst handling the challenges of today and the future. Different countries prioritize these 2 existential goals in different ways. Countries with a low score aspect are inclined to uphold established norms and traditions whilst viewing suspiciously societal change. Quite the opposite, societies that have a culture with a high score tend to adopt an approach that is more pragmatic: they encourage frugality as well as efforts in modern education to help prepare for the future (Hofstede, 2014). This dimension relates to the pragmatic versus normative dimension. *Restraint versus Indulgence:* a society that is characterized by indulgence allows comparatively free indulgence of natural and essential human drives relating to having fun and enjoying life. A society characterized by restraint essentially represses gratification of needs and controls it through firm social norms (Hofstede, 2014).

In creating any type of partnership across borders between companies from different countries, it is vital to the survival and success of the partnership that the two companies understand the culture of each other so as to reduce and perhaps avoid any clashes in the processes of decision-making and the daily operations of the partnership (Mintzberg, 2011). Assuming that a company based in Miami, Florida wants to expand into Ireland, a cultural dimension analysis shows that Ireland has more masculine than feminine attributes hence the Irish culture is more competitive and aggressive; Ireland's culture is very individualistic and gives more emphasis on self and immediate family. Furthermore, in Ireland, people are more accepting of the unknown and the new; and power is looked at as being distributed equally (Simoneaux & Stroud, 2014). This raises a likely red flag for possible clashes between an American and an Irish business partnership. Compared to the Irish, the Americans have less flexibility in following regulations and rules. Business operations for instance implementing contracts and meeting deadlines could be a major issue between Ireland and the United States (Hanson & Melnyk, 2014).

It is worth mentioning that the cultural aspects which are pertinent to the formulation of strategy include first, the nature of the correlation between the environment and man which influences the activities of gathering information essential for external adaptation, and secondly the nature of the correlations amongst individuals which influences organizational processes and structure, that is, internal integration (Schneider, 2011). Cultural attitudes toward the relationship of the environment and man influence how companies actually respond to and make sense of their environments hence affecting the nature of external adaptation.

The process of strategic management entails evaluating both organizational as well as environmental conditions. Some of the main environmental variables that are taken into account include government, economic systems, industry characteristics and competition, and market structure. The main organizational variables that are taken into account include climate and personality of the chief executive officer (CEO), structure, CEO demographics, CEO values, corporate culture, as well as managerial attributes such as tolerance of ambiguity, interpersonal orientation, and locus of control (Akbar et al., 2012). These variables have an effect on how the organization aligns with its environment – strategy formulation – and the arrangement needed in the company to implementation of the strategy. The national culture of a country could be the critical variable that mediates this process since it might influence how the company relates with the environment in addition to the relationships amongst individuals in the company (Schein, 2012).

A country's national culture greatly influences the strategy adopted by a company. The elements which contribute to the creation of a country's national culture include the history of the country, and the country's physical environment. There are several institutions which contribute to the formation of the national culture including mass communication media, education/religion/family, and the multinational firm (Browaeys & Price, 2009).

In multinational firms, other than the specific corporate cultures, differences in national culture are a matter of great concern. The Japanese, French, Chinese, Americans, Brazilians, Nigerians, Germans and Swedes have a different perception of various values for instance teamwork. They also have a different attitude to procedures and regulation and perceive the aspect of time in a different way (Tsang, 2014). Taking these differences into consideration allows one to explicate the grounds of collaboration, management or communication problems, and to choose the appropriate course of action. According to Kania (2010), the main aspects of national cultures which distinguish people from different countries include the following: collectivism versus individualism; attitudes toward time; attitude toward principles and regulations; achieved status versus ascribed status; attitude toward the environment; and holistic versus fragmentary perception of the world.

Cultural differences could be annoying for organizations and business people. Non-observance and ignorance of the national customs and regulations valid in a particular nation might end in causing inadvertent offence to a foreign client, breaking promising negotiations, or other instances of social blunders. As such, it is very important for businesspeople and organizations to have profound knowledge of practices and customs applied in global business (Fombrun, 2012). Two crucial rules that must be noted are: (i) visitors in international business are expected to observe and comply with local customs; and (ii) sellers in international business are expected to adapt to the buyers. These expectations should determine the actions of business organizations that operate in various cultural conditions and make up the foundation on which to develop a strategy of collaboration. Cultural differences are reflected in the awareness about such things as desired product features and appearance.

Being aware of this subject as well as its consideration is of great importance to managing a global business (Su, Yang & Yang, 2012). In different nations around the globe, the same colour could have totally dissimilar meanings; it could have a native or religious representation which the businessperson or company from another country is not familiar with.

National culture has an impact on organizational strategy and implementation of the strategy, and can ultimately result in business failure or success. In essence, all national cultures have an impact on companies in both negative and positive ways, depending on the particular business, the business cycle, as well as the specific strategies being pursued (Hammerich & Lewis, 2013). Cultural dynamics could either derail or enable performance depending on these different factors. It is important that a company's senior management recognize the cultural factors which have a negative impact on performance and the ones which could be harnessed to foster superior performance (Hammerich & Lewis, 2013). To formulate strategy, a company needs to identify and interpret strategic issues. Simply put, strategy formulation entails collecting and interpreting information so as to identify strategic issues. In this process, the company scans, selects, interprets and validates information and establishes priorities amongst issues. The national culture of the country could actually influence this process given that it affects the nature of the relationship of a company with its environment and the nature of the relationships amongst employees in a company (Schneider, 2011). The strategic issues that are identified are prioritized in accordance with the criteria that are pertinent to the company. Even so, the utilization of information is entrenched in social norms hence obtains symbolic value as a function of a certain set of beliefs within a specific set of cultures (Mühlbacher, Vyslozil & Ritter, 2014).

Whether it is big company pursuing international growth strategies or a small start-up firm in its initial phases of the growth curve, culture plays a vital role in making sure that the company does not swerve off the path and that it remains on course. Usually, driving and executing effective strategic change is a medium-term to long-term priority for a company's management (Slater, Olson & Finnegan, 2011). Likewise, the corporate culture of a company also develops with time, with a combination of active support by the company's top leaders and voluntary cohesion and dissemination as the company's purposes and beliefs pervade through the hierarchy. Owing to the intrinsic patience which the company's top management requires to drive a strategic change and establish a focused culture, it is really sensible that both of them – strategic change and purposeful culture – work alongside each other and not against (Schein, 2012).

Companies which are highly successful in driving strategic change and implementing it share 3 fundamental principles by which they embrace national culture and utilize it in the process as an enabler. Firstly, such companies are aware of differences in global cultures – this factor might be more pertinent and applicable to multinational corporations although it is equally applicable to small start-up firms that have ambitious aspirations for growth. For instance, knowing the way that a worker in Malaysia would react to a new strategic initiative in comparison to how a worker in the Netherlands would react is of great importance in executing strategic change at the ground level (Hanson & Melnyk, 2014). In essence, it implies that the overarching aspects of the strategy should be modified to fit the with local market-level ways of operation. The second underlying principle is recognizing what culture means to different peoples – Cristian-Liviu (2013) reported that this second principle is more of a challenge for big companies with scale than to new, start-up firms. Within an organization, culture implies different things for different individuals. Broader changes within the company would impact employee groups in different ways and the cultural aspect of the change should be carefully measured (Schwartz & Davis, 2011).

The third underlying principle entails aligning strategic change initiatives with culture – the Time Warner-AOL and DaimlerChrysler mergers were both in the same industry but still they did not succeed, they both failed. This evidently illustrates the dangers of overlooking culture as a factor when planning and executing a company's strategic initiatives (Mühlbacher, Vyslozil & Ritter, 2014). Although both Chrysler and Daimler produced vehicles, the styles of management and the collaboration processes in each firm were driven very much by their nation of origin; that is, the German and American cultural ethos. These 2 cultural ethoses were never reconciled and adapted in the merged organization and they clashed all the time. In essence, every form of strategic planning should take in culture as a factor that impacts success, as well as manpower, finance and capabilities (Weick, 2014).

Bushardt et al. (2011) noted that in spite of the economic pressures to maximize growth or profitability in consideration of the growing competitive environment, in spite of the technological advancements of sophisticated strategy and models of forecasting, and in spite of the growing level of managerial competence through training and education, companies in different countries would approach the task of formulating their strategy differently reflecting the fundamental cultural attitudes and values. In other words, given the same type of business, within similar environments, in dissimilar nations, information would be sought, selected, validated and interpreted and issues would be issues would be prioritized in different ways. Even though the strategic decision – which is essentially the end result – might be the same, the process through which it is reached would not be the same (Yarbrough, Morgan & Vorhies, 2011). This might be especially helpful in situations in which joint ventures cross national boundaries.

Conclusion

To sum up, national culture strongly influences a company's strategy. Strategy is considered as a product of culture while culture, on the other hand, is considered as a product of strategy. National culture has a significant impact on organizational strategy and implementation of that strategy, and could eventually result in business failure or success. Cultural differences can be infuriating for multinational firms. Non-observance and ignorance of a country's national customs and set of laws might end in causing unintended offence to a foreign client or even breaking promising negotiations. Thus, it is very imperative for multinational corporations to have deep knowledge of practices and customs applied in global business.

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