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A study on importance of managing the cultural differences in international business- a case study based on fast food industry

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Introduction

The change in the business context and external environment is forcing the organisations to operate globally. With the increase in the level of competition in the fast-food market, the organizations are penetrating on different countries to capture the market share and revenue. With the increase in the ease of market entry offered by several countries to the organisations, the opportunities for international business are increasing. However, the international expansion brings the attention to manage the cultural differences in the organisation to ensure that the operations are smooth and efficient (Luo and Tung, 2018).

Managing cultural differences is very crucial due to many reasons including the impact of culture upon the communication and building the trust. It is imperative for the organisations to ensure that the cultural norms and sentiments of the foreign countries are not affected through the operations of the organisation. For example, McDonald's do not offer their bestselling item Big Mac which is beef burger in India as the country is predominantly place of resident of Hindu individuals. In Hindu cultural believe worshipping cow is very common and hence McDonalds' is not offering beef burger in India (Kerzner, 2018).

Background and rationale

XYZ company, is British sandwich shop franchise chain founded in United Kingdom in the year 1983. XYZ is operating with more than 400 shops in United Kingdom and more than 100 franchisee shops in the countries like United States of America, France, Switzerland, Canada, Hong Kong, India, Ireland, United Arab Emirates, Belgium, Germany, Kuwait, Italy, Luxembourg, and Singapore. Being an international fast-food chain, it is important for Pret to manage the prevailing cultural diversity. Global operations of the company require Pret to understand and absorb various cultural nuances that impact its operations, customer interactions, and employee dynamics. Understanding and effectively managing these cultural differences will help the company in managing their international business more effectively and will also create the company ready for further international expansion. Exploring the importance of managing the cultural differences and understanding various strategies for managing cultural diversity will allow Pret to overcome the cultural challenges such as communication, building trust and gaining acceptance from the customers and employees (Crane et al., 2019).

Significance of research

The importance managing cultural diversity and difference for the global organisations is very high. Through this research, the strategies for managing the cultural differences will be explored which will allow the organisation to foster it for future expansion. Through understanding how important it is to manage the cultural diversity and use to for the advantage of the company, Pret will be able to enhance

competitiveness and mitigating the risks associated with the global expansion. Understanding the cultural nuances and tackling them will help Pret in creating and managing a customer-centric approach in different countries. Exploring the strategies for managing the cross cultures in the organisation will allow the organisation to create better organisational culture for the employees (Kostova et al., 2020).

Research aim

The aim of this research is to investigate the importance of managing cultural differences in international business specifically for XYZ company. This requires analysing how XYZ company currently addresses cultural diversity, identifying challenges related to cultural differences, and proposing strategies to enhance cultural sensitivity and adaptability within the organization.

Research objectives

1. To identify specific cultural challenges faced by XYZ company in different international markets.
2. To examine the impact of cultural differences on various aspects of XYZ company's business, including customer service, marketing, and employee relations.
3. To explore best practices and strategies employed by other multinational companies in managing cultural diversity.

Literature review

Definition of culture

As noted by Alofan et al. (2020), culture refers to be the collective process of thinking, feeling and acting in a way that differentiate an individual or a group from others. The behaviour, attitudes and practices are driven by the culture from which the individuals belong to. Alexander et al. (2020) noted that cultures are defined by symbols, heroes, rituals and values. Out of these four elements, three elements are tangible while value is intangible. Drobot (2020) mentioned that the symbols, gestures and rituals can be identified by individuals from the similar culture. He also mentioned that these symbols and jargons change over a period to incorporate the changes that are happening in the culture and community. Ikhtiyorovna (2023) added that culture influences the individual ability to differentiate good and bad.

Geert Hofstede Theory on cultural dimensions

Geert Hofstede coined the cultural dimension theory to differentiate the culture from one country to another country based on six primary dimensions including Power distance index, collectivism or individualism, uncertainty avoidance tendency, masculinity and femininity ratio, short term and long-term orientation, restraint and indulgence (Sent and Kroese, 2022). Jackson, 2020 argued that power

distance index refers to the difference in social or economic power. He argued that the higher power index means more inequality in terms of social and economic status. Pirlog (2020) noted that individualistic approach signifies the tendency to work alone for the individual progress and collectivism prefer to the tendency of working together for the progress of the company and achievement of organisational goals. Talalova and Werthschulte (2020) addressed that uncertainty avoidance tendency matrix is the capacity of taking risks. The paper noted that lower uncertainty avoidance index indicates higher risk-taking capability and higher index indicates lower risk-taking behaviour. Gerlach and Eriksson (2021) noted that masculinity and femininity refers to the patriarchy dominance. The paper also addressed that restraint and indulgence focuses upon the freedom given to individuals.

Trompenaars' Seven Dimensions of Culture

Trompenaars' Seven Dimensions of Culture helps in assessing and addressing the cultural differences across various aspects. The seven dimensions of differences address by him are Universalism vs. Particularism, Individualism vs. Communitarianism, Neutral vs. Emotional, Specific vs. Diffuse, Achievement vs. Ascription, Sequential vs. Synchronic and Internal vs. External Control (Pirlog, 2021).

Barker (2020) argued that the culture with universalistic orientation insists on application of common rules, laws, and norms and do not consider the individual context. In contrasts particularism focuses upon prioritising the influence on individual culture and decisions are based on the social connection and specific contexts. Koyuncu et al. (2020) addressed that individualism culture is more inclined towards the personal independence while the group harmony and team motive are not focused upon. Adding to that Sapuarachchi (2021) noted that communitarian cultures emphasis on achievement of collective goals which are in favour of the group or team rather than focusing upon the individual context. Hampden-Turner and Trompenaars (2021) argued that countries with neutral culture believes in regulating the social interactions and expressions of emotions and sentiments are inappropriate. The paper also addressed that in the emotional culture orientation individuals are more expressive and display of emotion is desirable as it helps in building more effective interpersonal relation. Trompenaars (2021) argued that in specific culture the clarity of boundaries in terms of work and family life is prevailing and hence the communication is more focused however in the diffuse culture the boundaries and compartmentalisation is not prevailing leading to the work dynamics influenced by interpersonal relationships and personal connections. Helfrich (2024) noted that the orientation towards the achievement lead to more inclination towards individual achievements and qualification valued more. The paper also noted that the culture with ascription orientation is more inclined towards social networking and connections rather than individual achievement such as individual

merit and performance. KIZRAK (2023) identified that in sequential cultures time is considered as valuable resource and hence the punctuality and schedules are valued highly while in synchronic cultures more flexible approach is adopted where the timelines are fluid and not static. Rodolaki et al. (2023) addressed that the culture with internal control will focus upon the individual's efforts and abilities while the external locus of control-oriented culture will be more focus upon external factors including luck and social influence governed by the individual.

Cultural differences and its impact in international business

Selmer (2020) studied the psychological barriers to adjustment of western organisational in China. The study argued that the unwillingness to adjust to the new country and culture and lack of acceptance of cultural norms of foreign country are the key barriers. Based on the findings of the research, it is implied that the adjustment in the culture is significant. The differences in the culture in term of the operations such as communication, negotiation, decision making style and leadership strategies are key sources of barriers. For the organisations trying to do the business in China, language is the most crucial barrier only less than 1% (Eild and Wild, 2019).

Communication

Ado and Wanjiru (2018) noted that differences in communication style such as direct or indirect and high context and low context is very common barrier for international business. The paper addressed that the communication difference may result into misunderstandings and misinterpretations as the influence of culture is very high on the way one perceives the message. Farndale et al. (2019) argued that to overcome the communication barriers, it is important for the global organisation to absorb the cultural differences for effective communication across multicultural teams and stakeholders.

Decision making

Iammarino (2018) noted that negotiation and decision making in the organisation is influenced by the culture which makes it crucial challenge for the global organisations. The paper addressed that conflict resolution in the organisation is driven by the cultural norms and hence organisations with different culture will be negotiating differently. Kraude et al. (2018) proposed that to mitigate the differences in negotiation and decision making, it is important for the organisation to understand the cultural norms in terms of hierarchy, power distance, and decisiveness.

Leadership style and management practices

Krude et al., (2018) identified that leadership style and management practices and employee-employer relationships are influenced by the organisational culture, team dynamics and employee

motivations. Leadership style and management approaches in the international organisations needs to adopt the cultural expectations and norms.

Best practices and strategies employed by other multinational companies in managing cultural diversity

Fitriasari (2020) argued that cultural awareness amongst the employees working in the cross border is the key to manage the cultural diversity in the global organisations. Organizing the training interventions for the managers, employees and leaders for managing cultural diversity helps in increasing the awareness about the organizational culture norms, style of correspondence and business practices prevailing in the organisation. This will automatically solve most significant cultural diversity challenges.

Welch et al. (2020) noted that global organisations operating across multiple countries and continents needs to implement the diversity and inclusion practices as core policy and practices in the organisation. The paper mentioned that taking diversity and inclusion initiatives will in creating mutual respect for different cultures and individuals from different cultures.

Adding to the above point Sarala et al. (2019) argued that cross culture team building, and collaboration is significantly used by global organisations to manage the culture differentiation and diversity. The paper assessed that cross-culture teams will helps in encouraging collaboration among employees from different cultural backgrounds. Establishing cross culture teams will benefit the organisations through leveraging diverse perspectives, skills, and experiences which will help in problem solving and decision making.

Gap in literature

With the increase in the globalization and more firms operating internationally, the significance of the cultural differences increases. This research aims to bridge the gap between what the global fast-food companies are doing and what they should be doing in terms of managing the cultural gaps. There are very few papers and journal articles addressing and identifying the strategies that are important for managing the cultural differences in the fast-food industries (Shenkar et al., 2021). Mosly the literature is focusing upon the fast-food organizations changing their menu and their offering based on the culture of the country however, more significant and crucial element is managing the cultural differences to ensure that the foreign operations are smooth. There is a gap of literature in terms of identifying the practices and strategies that the fast-food organizations can use while penetrating in the new foreign territory. While undertaking the research for literature writing, I cam across many papers that addressed the cultural differences and its impact upon the organisations' operations.

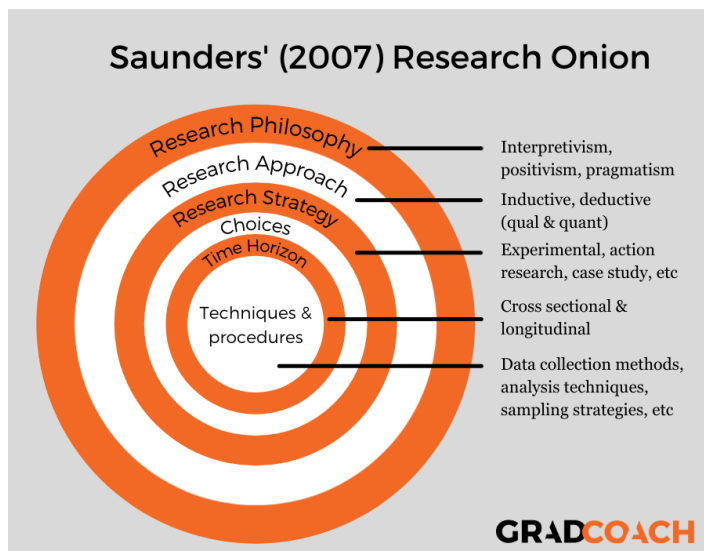
However, there is dearth of literature in terms of management of cultural differences (Shams et al., 2021).

Research methodology

Saunders' research onion framework helps addressing different important decision that researchers need to take for completing the research. This approach allows the researcher to follow the systemic approach for identifying key elements of research methodology for undertaking the research (Mohajan et al., 2018).

Research philosophy

The first layer of research onion is research philosophy which is the set of beliefs for undertaking the research. There are three main research philosophies including positivism, interpretivism and pragmatism. Positivism research is useful for undertaking the studies which does not require the opinions and personal viewpoints to be considered. Since, this research aims to explore the importance of managing cultural diversity, it will be guided and studied based on the opinions of different researchers and the individuals who will participate in the primary research hence positivism is not the research philosophy useful for this study. Interpretivism philosophy focuses upon the individual perceives that are governed and influenced by social and cultural factors. Since this study is also related to how the culture play significant role in the success of organisational success and what strategies should be used for managing culture differentiation, interpretivism philosophy is suitable for this study. Additionally, pragmatism focuses upon using the best possible tools for gaining the knowledge. Since this research will not be undertaken by experts and individuals who possess the ability to question the existing knowledge, this philosophy is not suitable for this study (Hennik et al., 2020).



Source: <https://gradcoach.com/saunders-research-onion/>

Research approach

There are two broad research approaches including inductive approach and deductive approach. Inductive research is useful for undertaking the research which is not broad in nature and the aim of the research is to gain information and generate theories through the study. Since this research aims to explore the importance of managing culture diversity, the exploration of knowledge and generation of the theory are the key aims. Hence, inductive research is suitable for this study. However, deductive research focuses on testing the theory in the given context. Since inductive approach is selected for this study, the qualitative research approach will be used for this study. The qualitative research approach will allow to explore the in-depth information rather than collecting close loop information which is limited in nature (Haven and Van Grootel, 2019).

Research Strategy

Research strategy refers to be the research in practice and how the study will be conducted in actual. Experimental research, action research, case study research and group theory. The experimental research is more suitable for undertaking the research which is assessing the impact of one variable on other variable which is not the case in this research. This research aims to collect in-depth study for the fast-food industry in United Kingdom for understanding the impact of managing cultural differences at XYZ company. The nature of the study makes case study research strategy most suitable for this study. Case study research strategy will help in gaining in-depth understanding of prevailing cultural differences practices and will also help in identifying strategic and initiatives that can be used by XYZ organisation (Byrd, 2020).

Research choices

To collect the data for this research, secondary data sources will be used. The sources such as newspaper articles, journal articles, research papers and case studies will be used for understanding the prevailing culture differences in international business especially in the fast-food industry. Data from various website and public domain portal will be gathered to assess the prevailing challenges that global organisations are facing while operating in the fast-food market. The data will be collected through EBSCO and Google scholar to make the data more relevant to the problem addressed in this study (Stenfors et al., 2020).

Data analysis

Thematic analysis is most used data analysis strategy or method for analysing the data which is qualitative in nature. The data which is in-depth and is covering the vast spectrum is analysed using the thematical analysis. In thematical analysis, the themes that are common across many data sources are identified and addressed. for analysing the secondary data collected for this research common themes which are prevalent amongst many literature will be identified and categorised (Kiger and Varpio, 2020). The themes will be categorised in terms of prevailing challenges due to cultural differences, strategies that the organisations are using for dealing with the cultural changes and preventing the issues arising through the cultural changes. The use of thematical analysis will help in analysing the common practices in order to help the fast-food organizations companies operating in global front to deal with the cultural differences (Castleberry and Nolen, 2018).

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