The Influence of External Factors on Global Organisations

Introduction

The purpose of this review is to demonstrate how the article assigned, Meyer's (2014) paper on how managers may better work with people from other countries, relates to the other two articles previously assigned (the first being Day and Moorman's (2013) work on 'the outside in turnaround' and the other being Kanungo's (2006) analysis of existing literature on cross-cultural business practices). In making the comparison, it is clear that the articles, especially Meyer (2014) and Kanungo (2006) are fundamentally concerned with the role of culture and the influence on the behaviour of organisational members. Thus, the articles emphasise the role of external factors, namely, culture in Meyer (2014) and Kanungo (2006) while Day and Moorman (2013) emphasize the importance of consumer preferences. These external factors can indeed influence the actors in the company or its strategy, which also relates to the module content in week 3.

External Factors and the Influence on the Organisational Members

There has been a great deal of discussion and frameworks offered by scholars (Hofstede, 2001; House, 2004) over the last few decades who demonstrate how the national cultural contexts may influence the behaviour of managers and workers within the firm. Kanungo (2006) conducts an extensive analysis of these papers, suggesting that the models essentially convey the idea that people from different cultures responded differently, have different values and that in turn shapes unique business practices, organisational cultures as well as styles of leadership and management (House, 2004). Meyer's (2014) proposed a model called cultural web, which is based on the way that people may behave differently regarding communicating, leading, deciding, and scheduling. Meyer's (2014) model is in large part derived from the existing models reviewed by Kanungo (2006) and, when applied, is meant to help managers understand how their behaviour, because of the influence of culture, may or may not be acceptable in the national cultural context where they are operating (Hodgetts et al., 2006). Kanungo (2006), like Meyer (2014), thus believe that it becomes of primary importance to understand cultural values since both scholars recognize the influence that culture may have on forming attitudes and behaviour.

The commonality that these two articles share, then, is that even in spite of globalisation, where tastes and practices are thought to be converging because of the reduction of barriers to trade (Robbins & Coulter, 2014), the growth of technology and communications and other factors, culture still matters. The fact that culture matters is an idea also expressed in the module content, where Ghemawat (2001) paid attention to various 'distance' factors (culture, economic, administrative and geographic). The one factor that has received the greatest attention in scholarly literature is 'cultural distance,' what some also call 'physic distance,' because of the assumed power in that it wields on the way that people tend to think and act.

However, there is a critical issue that Kanungo (2006) and Meyer (2014) would disagree on, and that is concerning the value of the cultural models. Kanungo (2006) reiterates merely, in a rather uncritical fashion, the way that people from different cultures would act based on the cultural models, i.e., French business people think in a "complicated way," and American demonstrate "spirited individualism" (p. 27), without questioning these assumptions. Meyer (2014) however believes that these statements are blanket generalizations that risk stereotyping people unfairly. There are many cases in which show people do not actually conform to the ways that the projected cultural models like Hofstede predict.

When trying to figure out why, this is because most of the scholars like Hofstede's have used a scientific approach and so they try to generalize people's behaviour into universal laws (McSweeney, 2013). However, people are complex beings who are not easily subjected to generalisation and, besides, their behaviour and actions or influenced by other sources than just culture alone (Touburg, 2016). The cultural web Meyer (2014) created is supposed to help overcome the stereotypes, though it is difficult to see how this can work in practice since some of the scales, as Meyer (2014) admits, do derive from the scientific models.

It seems more likely Meyer's (2014) recommendations such as demonstrating a willingness to apply multiple perspectives, and seeing what is positive in the way that others do things differently, represents a significant deviation from Hofstede because it recongises the importance of leadership competencies (Caligiuri & Ibraiz, 2012). Leadership competencies are crucial for developing cross-cultural competencies, especially as it pertains to global leadership (Stewart & Schulz, 2006). The implication seems to be that managers need to be very diligent

and sensitive when operating in a cross-cultural context rather than applying an ethnocentric worldview and thinking that other people should follow it.

External Factors and Strategy

Meyer (2014) and Day and Moorman's (2013) work does not have much in common, because whereas the former article is paying attention to culture and leadership behaviour, the latter is giving attention to the importance of changing customer preferences. However, the commonality shared between the two is that they are both concerned with the external factors. Culture indeed is not the only one external factor of the environment managers need to be aware of as indeed other factors may have to do with when operating internationally. Some of the factors can be found in models like PESTEL, including social attitudes and changes, or Porter's five forces (Daft, 2010). It is in fact why many scholars (Katsikeas & Samiee, 2006) have argued for adaptation strategies rather than applying standardization. Indeed, even the most global of global companies like McDonald's and Starbucks adapt the products to local preferences so that they can appeal to the unique needs and wants. As an example, McDonald's offering vegetarian items in India (Kannan, 2014) or Starbucks offering tea instead of coffee in China (Wang, 2012) because of changing consumer preferences.

Day and Moorman (2013) do however provide a cautionary tale, by referring to these specific companies (McDonald's, Starbucks), to show how firms can sometimes become ignorant of the changes of the external environment, either because they are too inward focused or perhaps did not have a market orientation. Whatever the reason, it is essential for organizations to avoid this because it can harm the organization's financial performance *Day & Moorman, 2013). Thus, global companies have to be aware of the importance of other external factors beyond just culture, and this is where models like PESTEL may be helpful for global managers in informing their strategy.

Conclusion

To summarize the significant findings, the articles by Meyer (2014) and Kanungo (2006) points to the role of the national culture and the way that influences the actions and behaviours of people within the firm, focusing mainly on managers. Alternatively, Day and Moorman (2013) direct attention to other external factors that are equally important, like

customer preferences, to show that it can influence strategy. Thus, the environment in which global corporations operate as very complex and managers certainly need to develop many competencies to help them successfully navigate through the environment.

References

Caligiuri, P., & Tarique, I. (2012). Dynamic cross-cultural competencies and global leadership effectiveness. *Journal of World Business*, 47(4), 612+.

Daft, R.L. (2010). *Management*. Cengage Learning.

Day, G, & Moorman, C. (2013). Regaining customer relevance: The outside in turnaround. *Strategy and Leadership*, 41(4), 17-23.

Ghemawat, P. (2001). Distance still matters: The hard reality of global expansion. Harvard Business Review, 137-147.

Hodgetts, R.M. et al. (2006). *International management: Culture, strategy, and behavior*. McGraw Hill.

Hofstede, G.H. (2001). *Culture's consequences: comparing values, behaviors, institutions, and organizations across nations*.

House R.J. et al. (2004). *Leadership, culture, and organizations: The GLOBE study of 62 societies.* Sage Publications; 2004.

Kannan, S. (2014). How McDonald's conquered India. BBC. [online] Available at: http://www.bbc.com/news/business-30115555

Kanungo, R.P. (2006). Cross culture and business practice: are they coterminous or crossverging?. *Cross Cultural Management: An International Jour*nal, 13(1), 23-31.

Katsikeas, C.S., et al. (2006). Strategy fit and performance consequences of international marketing standardization. *Strategic Management Journal*, 27(9), 867-890.

McSweeney, B. (2013). Fashion founded on a flaw : The ecological mono-deterministic fallacy of Hofstede, GLOBE, and followers. *International Marketing Review*, 30(5), 483-504.

Meyer, E. (2014). Navigating the cultural minefield. Harvard Business Review, 119-122.

Robbins, S.P. & Coulter, M. (2014*). Management*. Pearson

Stewart, L., & Schulz, E. (2006). Exploring a taxonomy of global leadership competencies and meta-competencies. *Journal of American Academy of Business*, 8(2), 118-132.

Touburg, G. (2016). National habitus: an antidote to the resilience of Hofstede's "national culture. *Organizational Change Management*, 29(1), 81-92.

Wang, H.H. (2012). Five things Starbucks did to get China right. Forbes. [online] Available at: http://www.forbes.com/sites/helenwang/2012/08/10/five-things-starbucks-did-to-get-china-right/#4b0d31aa48e3