

# The influence of cultural differences on marketing strategies of MNEs

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**Abstract.** In the marketing of multinational enterprises, cultural differences have a complex impact on international marketing strategies. On one hand, taking advantage of cultural differences can diversify the corporate culture. On the other hand, cultural differences make management difficult, and there will be conflicts in mutual exchanges. This paper mainly summarizes the past literature, and connects the problems raised in some earlier studies and the situations solved in subsequent studies in series to make the logic chain more complete. At the same time, new problems are raised on this basis. After reviewing the literature, this work concludes that the multicultural environment is becoming more complex, and managers need to have a deeper understanding of different cultures while calculating the gains and losses, so as to integrate culture. Therefore, the research significance of this paper is to make a complete summary of the existing research results, sort out the unresolved problems, and provide ideas for subsequent related research.

## 1 Introduction

To conduct international marketing, firms must first decide which country or region to enter, how to enter and what products or services to provide to the market. The impact of cultural differences should be taken into account in decisions on these issues, without exception. It is found that cultural differences have both positive and negative effects on the internationalization of enterprises. Among them, cultural distance is an obstacle to international marketing strategy, which needs to be constantly improved and optimized for managers of MNEs. The international management studies explore this problem from several perspectives such as value dimensions, comparative management and management determinants. In order to achieve the ideal international marketing goals, we should deeply analyze the cultural differences. In general, cultural differences are a double-edged sword for MNEs, and it is necessary to give full play to its advantages.

Previous research has been limited to acquire the ability to reduce costs through promotional activities, due to cultural differences lead to increased conflict. This paper starts with a dialectical attitude to look at cultural differences and clarify the positive and negative effects on which factors respectively. Next, the challenges faced by MNEs on cultural differences are raised. The paper then outlines how managers can reduce the negative impacts of cultural differences from the root, and compares Chinese and American managerial performance. The affects of cultural distance on managers' understanding of culture and the enhancement of environmental complexity are also discussed.

## 2 Literature Review

The impact of cultural differences, related with global marketing activities, has something to do with the influence on the strategies of target market selection, channel, product and other marketing decisions of firms all over the world. To successfully launch an international marketing campaign, enterprises tend to integrate and innovate to a certain extent in multicultural management. Inheriting local culture and adapting to local culture is a relative term, and it is also a kind of different strategic decision making for enterprises at different periods. Businesses engaging in foreign marketing efforts might choose wisely based on the degree of cultural divergence with the host nation and the unique circumstances of the firm.

To start with, benefits and costs both exist due to cultural differences playing intricate roles. According to previous research [1], a country's national cultural traits and the cultural distance between the headquarters of the multinational enterprises (MNE) and the target market are two conceivable ways that culture may have an impact on marketing techniques. Researchers in global enterprises have long been curious about whether an MNE's nationality influences its marketing techniques, and a large portion of their study has concentrated on national variances in subsidiary ownership choices. It has been suggested that MNEs established in nations where high power distance is the predominant cultural attribute may have an innate desire for ownership of their international affiliates. The subject of whether the national origin of an MNE affects its strategies is still up

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for debate because national origin is frequently connected with other elements of impacts that affect ownership policies.

It is recognized that a company's corporate strategy encourages increased internal cultural diversity through globalization [2]. Cultural differences and internationalization are related but distinct concepts. Hence, internationalization can be described as the level of an MNE's activity across several nations, and cultural diversity imply the cultural distance. The benefits highlight potential sources of competitive advantages that MNEs may be able to obtain through internationalization. Internationalization may also result in a decrease in risk. It's argued that cultural differences are inherent to internationalization, however, whether cultural diversity determines internationalization-performance is not explicit. Although initiatives that take into account cultural diversity might result in better insights and learning opportunities, the expenses are greater than the advantages.

The association between cultural distance and international diversification was found to be detrimental to high-tech sectors and to have a significant favorable impact on MNE performance for investments in established countries [3]. For businesses (MNEs) operating in many nations, adapting to local cultural values may add to their burden. There are many different organizational traits and techniques that have been explained by cultural distance, including MNE performance. The challenge is that determinations on MNE strategies and organizational decisions may become more difficult and unpredictable as a result of cultural distance.

Despite advantages like increasing globalization, multinational strategies demand significantly more cooperation across global activities for the purpose of integration [4]. To be specific, as American MNE globalize, they need to develop coordination skills for their efforts in a workplace and setting that are becoming more culturally diverse. There is no doubt that a wide range of cultural diversity has an impact on management and business performance. Nevertheless, there's an important concern that the strategic importance of cultural diversity received scant attention for global corporations. There are critical direct benefits due to gains from cultural relatedness, market-related, production-related, and technology-related efficiencies should all be taken advantage of when developing strategies for multinational corporations.

As mentioned above, whether cultural distance is negative remains to be a question. In addition, it appears to be much simpler when MNEs integrate greenfield investments which are made in culturally distant countries because these kinds of targets allow MNEs to bring their organizational managerial practices outside their borders, without having to deal with existing ones, and to pick or choose and hire staff members that fit their traditional identity. Thus, here's a hypothesis that the greater the cultural gap between an MNE's home nation and the growth target country, the more likely it is

that this expansion will involve a greenfield investment rather than an acquisition [5]. The dependent variable here is the setting up strategy picked by an MNE for a certain foreign expansion, whether it was a purchase or a new investment. Firms in culturally distant countries have radically different corporation and business models as well as behavioral patterns, making it difficult for them to integrate into an MNE's management styles. For this reason, the cultural distance to the specific market should influence an MNE's decision between greenfield and ownership.

As MNEs embark on a route of swift international expansion, they rely on unique collections of resources that make this path more appealing than others, like product diversity. Furthermore, entering 'high distance' markets causes dynamic adjustment costs. The gap between new contextual factors and the environments where the MNE has already been engaged is one of the major challenges associated with international expansion, as was previously mentioned[6]. Also, cultural distance creates challenges on the firm level. MNEs must access and make use of information about local traditions and other environmental forces determined by indigenous context in addition to the direct modifications required by cultural distance. It's insisted that due to the complexity of maintaining the MNE internal network and the resulting rise in dynamic adjustment costs, the higher extant cultural variety is expected to have a negative impact on the pace of further globalization.

It is possible to characterize international diversification as "the number of markets the company operates in and their respective importance". It's argued that MNEs can access fresh, unique ideas that emerge from many markets and cultural viewpoints by operating in culturally diverse circumstances [7]. Firms are allowed to acquire valuable knowledge form different cultures due to this diversification. Plus, it is crucial to remember that executives of companies with a lot of ethnic diversity need to pay close attention to social concerns and incorporate them into their business strategies. Managerial conduct is strongly influenced by corporate cultures [8]. As figure 1 shows, without these four organizational characteristics being logically coherent consistent and aligned with the strategy, no organization will succeed in a competitive climate. Nonetheless, managers who have sought to define corporate environment are typically at a loss for words. Success in any industry or business that is adopting significant strategic changes depends on the ability to properly integrate a change in culture with other organizational structure, management system, and personnel changes to achieve the required behavior. Organizational strategies that are essential to the proposed strategy's success but incompatible with the current culture entail significant risks. The greatest way to change the internal environment is to gradually lessen the perceived gaps between the new behavior and the established standards, thus elevating the importance of adaptability in the culture.

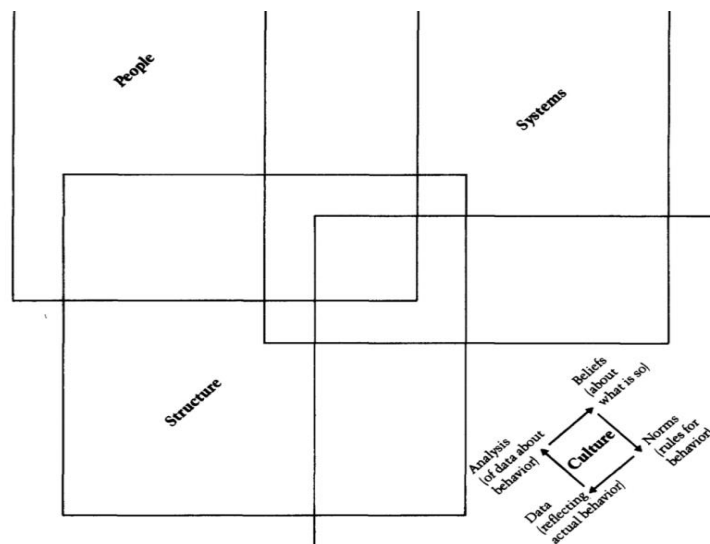


Fig. 1. Cultural development in an organization [8]

Unprecedented demands on an organization's capacity to handle its numerous cross-border activities have been generated by the swift expansion of worldwide business [9]. Effective multicultural management is greatly impacted by understanding disparities in values and value dimensions. The belief that organizations operate within cultural environments was held by many researchers. Many people think of China as having a collectivistic culture. As a result, the Chinese society has historically placed more emphasis on social concerns and group acts while underplaying individual objectives. Harmony and uniformity, which tend to rule all interpersonal interactions in Chinese society, are also favored on a social and cultural level. The United States, on the other hand, is purportedly a nation noted for its "rugged individualism." Such variations in ethnic diversity are certain to affect managerial approaches in each nation and reveal a key aspect of organizational culture. It's found that the pair that is most different is the United States and China. With the exception of planning and decision-making, there were differences between these two nations in every aspect of managerial performance. Given the generally documented cultural distinctions between the two nations, these variances are not surprising. Global company depends heavily on culture, and managers must be self-aware and sensitive to the needs of others if they are to succeed in multicultural management. From the viewpoints of managerial values, value dimensions, comparative management, and managerial determinants, studies of international management have addressed the problems.

The impact of the nation of origin of MNE is still a subject of debate [10]. Performances are also affected by the ambiguity surrounding how ethnic differences will manifest. Increased conflict is brought on by cultural differences, and promotional efforts have a limited ability to cut costs. Although there has been a lot of focus on the importance of cultural differences in global commerce over the past few decades, there's uncertainty in the field on both a theoretical and an empirical level. The stark differences in strategy among MNE regions

also pose the question of whether cultural norms of one's own country or those of the destination nation should be given more weight when making a strategic decision.

Many people have suggested that the type of product promoted in the host nation ought to decide whether or not advertising should be uniform. The global operation's managerial, interpersonal interaction, and control issues may have some bearing. Companies that use localized advertising recognize the need to adapt advertising components, like language and scenic backgrounds, to account for cultural variations. Despite the fact that the majority of managers believe promotions should be adjusted to meet nationalism and national characteristics, headquarters typically imposes conventional advertisements. When deciding how to market internationally, there are two options: either ignore cultural and nationalistic distinctions and create one overarching campaign, or create numbers of national ads that highlight the identity of the host nation. Decisions made in the context of international business should heavily consider cultural differences, but many companies fail to do so [11].

The subsidiary in place of the corporate parent has been highlighted in research on MNE strategic management [12]. But still, cultural disparities between the merging enterprises pose a threat to the development of subsidiaries. A better awareness of the environmental circumstances and developed resources peculiar to the region may be expected as two benefits of the purchasing MNE for subsidiary development.

A favorable correlation between cultural differences and assessments of post-integration performance has occasionally been noted, and the effects of cultural variations on acquisition integration consequences are varied. It has frequently been stated that cultural remoteness is a significant barrier to attaining post-acquisition integration benefits in the context of acquisitions. The extent to which projected synergies are realized, according to a 'process perspective' on acquisition integration, depends largely on the acquirer's capacity to manage the integration process in an efficient manner, even though pre-acquisition cultural differences are likely to be significant antecedents of the social

integration [13]. The idea of ‘cultural distance’ has been used frequently to characterize cultural differences in the literature on international and cross-cultural management. In its broadest sense, the cross-cultural hypothesis postulates that as cultural distance between two people, groups, or organizations grows, so do the challenges, expenses, and hazards of cross-cultural interaction.

In international business, culture has a significant role [14]. Also, when cultural gap widens, managers face more difficult tasks because they must accurately comprehend customer psychology and behavior, rival reaction patterns, and networking norms. Additionally, because of the intricacy of the environment and the significant cultural gap, managers find it extremely challenging to fully comprehend the foreign market.

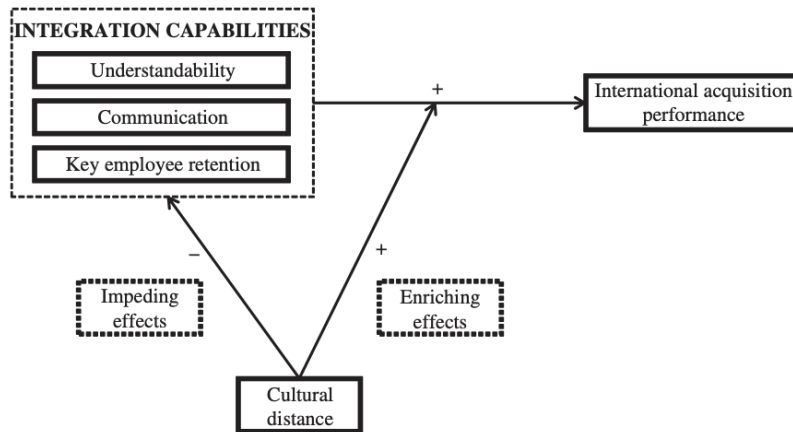


Fig. 2. The double-edged sword of cultural distance in international acquisitions [15]

As figure 2 shows, through its impacts on integration abilities, cultural distance has a negative impact on acquisition success. Even so, due to the increased possible diversity between the partners, cultural distance can also improve acquisition performance [15]. In addition, it's noteworthy that communication matters because of enabling the growth of confidence as well as dedication in the freshly established company. Building on psychology research, it has been shown that communication has the ability to diminish negative attitudes of promoting firm-level success at the employee level, both in the long run and in the short term.

### 3 Conclusion

Regarding cultural distance as a double-edged sword, management is more complicated than usual. The difference between international marketing and domestic marketing is that the former needs to face a more complex marketing environment. Present studies take concrete actions to fully grasp the impact that cultural differences play in MNEs' marketing strategies. This paper states that cultural differences play an essential role with costs and benefits in a global business environment.

In order for MNEs to expand and grow, they must perform well in multinational marketing. Nevertheless, because marketing is not only an economic behavior but influenced by a variety of sophisticated cultural and psychological factors, such as emotion, aesthetics, and satisfaction, multinational companies must pay attention to the distinctions between the cultural traits of various overseas markets when implementing their abroad sub-marketing strategies in order to prevent

misunderstandings and conflicts. Marketers of multinational companies come from different countries and regions. What's more, their different cultural backgrounds help to form various business habits. Their behavior will inevitably be affected by political, economic, cultural and customary. Among them, cultural differences have become a main problem to be faced in the marketing process of transnational corporations. The development of marketing strategies has increasingly come to determine whether many multinational firms succeed or fail, and cultural aspects constitute the foundation of marketing strategies. For consequence, mastering certain cross-cultural knowledge will help managers overcome cultural barriers when making and implementing marketing strategies. Finally, more future studies, such as examining the comparative effects of multiple means of cultural differences on other marketing strategies made by MNEs, are suggested to be carried on. For MNE managers, taking the added cultural distance and increasing cultural diversity into account is indispensable.

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