

Chapter 5 The cultural environment: diversity and globalization

Case study 5.1 Globalization and localization of McDonald's

How has McDonald's changed its global strategy in response to the changing environment?

- With near saturation in the American market, the company has concentrated on expanding in overseas markets
- Diversification of product lines, rather than relying solely on the Big Mac
- Acquisitions of other players in the fast-food industry, such as Pret A Manger
- Responsiveness to local, cultural, religious, and environmental sensitivities; the company has suffered a good deal of adverse publicity, and is a favoured target of anti-globalization activists. Localization has been a counterbalance to its image as a global brand.

Case study 5.2 Spanish firms' success in Latin America

From the perspectives of host societies, what are the pros and cons of Spanish expansionism in Latin America?

The pros:

- Investment has led to economic growth
- Spanish investors have a cultural affinity with host societies
- Few language difficulties in dealing with Spanish companies.

The cons:

- Legacy of Spanish colonialism in host societies
- Extensive foreign ownership in industries such as banking and telecommunications can make it difficult for local companies to compete
- In addition to Spanish heritage, Latin American societies have local cultures, which could become swamped by too strong a Spanish presence in the new, more liberal economic environment of Latin America.

Case study 5.3 Italian business in China

How would you describe Iveco's strategy in Nanjing and explain its advantages and drawbacks?

Iveco's strategy is based on cultural exchange and training. Advantages are:

- Understanding the other partner's culture leads to smoother working relationships
- Extensive training programmes mean that local managers can be used, rather than costly expatriates (in contrast to other companies in Sino-foreign joint ventures).

Drawbacks are:

- The long time scale – the Iveco project in Nanjing was 4 years in the planning
- In the case of Iveco, \$7 million was provided by the Italian government, but without this, the expenses could be too great in relation to the long-term nature of the benefits.

Case study 5.4 A clash of corporate cultures at DaimlerChrysler

Begin with discussion of the meaning of organizational or corporate culture.

How would you describe the culture clash at DaimlerChrysler? To what extent has it been resolved successfully?

Daimler and Chrysler may be contrasted as in the table below:

Daimler	Chrysler
Bureaucratic	Network organization
Formal structures and procedures	Loose structure and open communication
Formal manner of addressing colleagues	Casual manner; use of first names

The aim at the time of the merger was to create a ‘super culture’ in place of the very different existing cultures. Playing the dominant role in the merger, Daimler became the dominant culture. Chrysler has become, in effect, a division, but there is doubt about its competitiveness under German management (an issue for discussion).

Assignment 1

Definition of cultural globalization. Evidence supporting it:

- Global brands
- Global media and the rise of the internet, which is predominantly English-language oriented
- Western fashions in, for example, clothes and music, have become universal, as have Western films
- ‘Youth’ culture is often cited as a good example of globalization.

Evidence against the globalization argument:

- Global brands sometimes meet resistance, and high-profile global companies, such as McDonald’s and Coca-Cola, are now retreating from global branding strategies
- Western media are perceived by many as symbols of American cultural imperialism (for example, in Asia, the Middle East and Latin America)
- The internet is becoming increasingly attuned to national cultural differences and local languages, especially in relation to e-commerce.

Assignment 2

The business environment differs from country to country within Asia. Vietnam would be an example. General points:

- Linguistic problems (French investors have flocked to Vietnam for the obvious reason that French is spoken)
- Cultural background of possible local partners. Some discussion of Asian values, such as loyalty, family values and the importance of long-term relations
- Differing management styles – Asian employees would be accustomed to more formal, bureaucratic systems, while Western companies have become less formalized and more flexible.

Recommendations:

- Gain as much knowledge of the country as possible, preferably from those with first-hand experience
- Think of the long-term potential, not instant results
- The ethnocentric approach is probably inappropriate in Western–Asian joint ventures, and adaptation to Asian cultural environment is a better policy
- Ensure that expatriate employees who are involved in the joint venture understand well the cultural sensitivities of local hosts.

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