The Impact of Multi-Culture on International Business

Iriowen Christopher

Master, Vilnius University, Kaunas Faculty, Muitinės St. 8, Kaunas, Lithuania, iriowenc@gmail.com

Abstract. Migration of populations from various backgrounds and cultures is an important feature of globalisation and the development of global society. Migration, free labour movement, and the cultural diversity they generate have all become significant components of current global economic theory and demographic growth. They stress the importance of coexistence and collaboration among different ethnicities, countries, and cultures. As many Western cultures experience declining working-age populations, the solution appears to be in the hiring of immigrants and foreigners. However, this results in a clash of cultures, beliefs, and fundamental societal ideals. It is consequently critical to recognise and grasp the nuances that exist in multicultural corporate environments, as well as to benefit from the managerial techniques that emerge in those environments. Multicultural and diversity management can thus become a useful instrument for boosting the efficacy of international business practices and, as a result, become more widely adopted.

Keywords: *culture, impact, multiculturalism, international market, international business practice.*

Terms:
Culture: *refers to the shared beliefs, values, customs, behaviours, and artefacts that characterise a group or society. Culture can include things like language, religion, food, music, art, and social norms. Culture shapes how people view the world and interact with others, and it can vary widely across different regions and groups.*
Impact: *refers to the effects or consequences of something on a particular person, group, or system.*
International Business Practice: *refers to the activities and strategies that businesses use to operate in multiple countries and navigate the challenges of global markets. It involves understanding cultural differences, legal and regulatory requirements, and market conditions in different regions, as well as developing cross-cultural communication and negotiation skills.*
International market: *refers to the exchange of goods, services, and capital across national borders. It involves businesses operating in multiple countries and competing with each other for customers and market share.*
Multiculturalism: *the coexistence of different cultural and ethnic groups within a society. It involves recognising and valuing the diverse backgrounds and experiences of individuals and promoting respect and equality among all members of the community.*

Introduction

Relevance of the article

As the global business landscape becomes more accessible to expansion by small and large companies alike, academic discourse on the interrelationship between diverse multicultural teams and international business management is similarly becoming more prevalent. According to Hofstede (2001), many multinational corporations fail to get off to a good start, owing to the multicultural issues they face in the countries where they operate. With advances in technology and transportation, businesses are increasingly operating across borders and dealing with customers and partners from diverse cultural backgrounds. Understanding the impact of multiculturalism on international business is crucial for companies to successfully navigate the complexities of global markets and build successful relationships with customers and partners from different cultures. The article highlights some of the key ways that multiculturalism can impact international business, such as cross-cultural communication, diversity in the workplace, cultural sensitivity, legal and regulatory requirements. By understanding these impacts and developing strategies to navigate them, companies can better position themselves for success in today's global marketplace.

Level of problem investigation

The multiculture in international business research gained prominence with Hofstede's (1980) ground-breaking study of the four main cultural dimensions. Further additions have been made to the theoretical construct of diversity in business by Trompenaars & Hampden-Turner (1993); Hofstede & Bond (1988); Schwartz & Sagiv (1995); House et al. (2003); Minkov (2007), etc. The extant literature in the research area has explored several theoretical frameworks to understand the impact of cultural differences on the process of internationalisation (Srivastava et al., 2020). These studies have chronicled factors that are impacted by multiculturalism in business. These factors

have the potential to hinder the smooth management of multicultural teams. Qu (2015) explores the impact of cultural differences on international business negotiations. According to the author, cultural differences manifest in what she terms "values differences," which can be quite challenging to navigate in international business negotiations. For example, the American culture pays attention to the substance of issues and places emphasis on separating people from things when conducting international business negotiations. In China, on the other hand, Guanxi (personalised networks of influence) is the foundational ideology that guides Chinese business negotiations. Separating people from issues is considered almost impossible, as it would be dishonourable (Gerhart, 2009; Froese et al., 2019).

In Achinivu (2017), a study based on questionnaire data from 138 staff members of MAERSK Line Nig. Ltd. focused on the impact of culture on the management of a multinational company. This work lends credence to the notion of localising management strategies on a country-by-country basis as an improvement on implementing a central model that trickles down from the global headquarters and guides the management practices in subsidiaries. In another study (Adamczyk, 2017), based on the analysis of literature in the field of cross-cultural determinants of business, the researcher posits that ensuring effective communication within multicultural workforces is an area that should be prioritised in international business management.

Scientific problem

The scientific problem regarding the impact of multiculturalism on international business involves understanding the ways cultural diversity affects international business practices and outcomes. Some of the key questions that this article will investigate include:

- How does cultural diversity impact cross-cultural communication in international business, and what strategies can companies use to effectively communicate across cultures?
- How do cultural sensitivity impact customer behaviour and loyalty in international markets, and what are the best practices for developing culturally sensitive marketing strategies?
- How do legal and regulatory differences across cultures impact international business practices, and what are the best strategies for managing legal and financial risks in cross-cultural business contexts?

Object of the article

This article is aimed at helping businesses operating in international markets better understand and navigate the challenges and opportunities presented by multiculturalism. By highlighting best practices and strategies for managing cultural differences. It provides an overview of the key ways that multiculturalism impacts international business, including cross-cultural communication, workforce diversity, cultural sensitivity, legal and regulatory differences, and broader social and economic implications.

Aim of the article

The aim of the article is to provide a comprehensive overview of the ways in which cultural diversity affects business practices and outcomes in global markets. It seeks to achieve these specific aims:

- To highlight the importance of understanding and managing cultural differences in international business.
- To identify the key ways that multiculturalism impacts international business, including cross-cultural communication, workforce diversity, cultural sensitivity, legal and regulatory differences, and broader social and economic implications.
- To provide practical guidance and best practices for managing cultural differences in international business, including strategies for effective cross-cultural communication, building diverse and inclusive workforces, developing culturally sensitive marketing strategies, and managing legal and financial risks.

Objectives of the article

1. To investigate the impact of cultural diversity on international business.
2. To identify the key challenges and opportunities presented by multiculturalism in international business, and to offer practical guidance for navigating these complexities.

3. To offer insights to better understand and navigate the impact of multiculturalism on international business.

Methods of the article

This research article applies a general review of relevant secondary literature in the fields of multiculturalism and international business management, case studies and, based on a systematic classification of the findings, searches for valuable insights by drawing deductive conclusions.

1. Theoretical aspects

Multiculturalism

Dúbravová (2011) defines multiculturalism as the representation of a group of relatively proximate people with uniquely differing cultural affiliations and identities, based on race, ethnicity, or nationality. According to Mistrk (2006), multiculturalism does not simply refer to the coexistence of different cultures, but also to the efforts made to understand, tolerate, and accommodate people from other cultures. It is accepting cultural diversity, eliminating biases, stereotypes, and discrimination, and creating an environment where there is mutual respect, and everyone has an equal chance at self-fulfilment.

The pursuit of cross-cultural interaction has become a way to mitigate the tensions between majority and minority demographics. The growing occurrence of multicultural minority representation in the upper echelons of international business management confirms this reality. In 2020, people from minority races held about 15% of senior executive positions in the USA (Coury et al., 2020). Multiculturalism's fundamental principle involves considering the culture of any group as equal, i.e. all cultures are equal and equivalent, regardless of their economic or social context. Multiculturalism also advocates intercultural understanding, as two people from different cultures may develop intercultural sensitivity if they believe their cultures are being sacrificed for the sake of the other. When cultures interact, they must be confident that there is mutual respect and that they do not endanger each other.

The impact of multiculturalism on international business

The impact of multiculturalism on international business is complex and multifaceted, requiring businesses to be aware of and adapt to cultural differences in order to succeed in a global marketplace. It refers to the effects of cultural diversity and differences on business practices, strategies, and outcomes in a global context. As businesses expand their operations to different countries and regions, they encounter new challenges and opportunities related to cultural differences, such as language, values, customs, and behaviours. These cultural differences can have a significant impact on various aspects of international business, including communication, negotiation, decision-making, leadership, and employee management.

Effective communication across cultures requires an understanding of cultural differences in communication styles, nonverbal cues, and language. Failure to effectively communicate across cultures can result in misunderstandings, conflicts, and missed opportunities. Another impact of multiculturalism on international business is the need for diversity management. Managing a diverse workforce requires a deep understanding of cultural differences and the ability to create an inclusive workplace culture that values and leverages diversity. Failure to effectively manage diversity can lead to issues such as discrimination, low morale, and high turnover rates.

Multiculturalism can also impact international business in terms of marketing and consumer behaviour. Companies need to understand cultural differences in consumer preferences, values, and beliefs to successfully market their products and services in different countries and regions. Failure to effectively adapt to local cultural norms and preferences can result in failed marketing campaigns and low sales.

Key Challenges and Opportunities Presented by Multiculturalism In International Business

Multiculturalism in international business presents both challenges and opportunities. Some of the key challenges include:

- Communication barriers: different cultures have different communication styles, which can lead to misunderstandings and misinterpretations. This can be a significant barrier to effective communication in a multicultural workplace.
- Stereotypes and biases: cultural stereotypes and biases can lead to misunderstandings and prejudice, making it difficult to build trust and work collaboratively across cultures.
- Conflicting values and beliefs: different cultures have different values and beliefs, which can create conflicts and misunderstandings in the workplace.
- Legal and regulatory compliance: multiculturalism can create challenges in complying with legal and regulatory requirements in different countries, particularly in areas such as employment law, data protection, and intellectual property.

However, multiculturalism also presents several opportunities for international business, including:

- Greater creativity and innovation: multiculturalism brings a diversity of perspectives and experiences to the workplace, which can lead to greater creativity and innovation.
- Increased competitiveness: businesses that embrace multiculturalism can better understand and serve diverse markets, giving them a competitive advantage in the global marketplace.
- Improved problem-solving and decision-making: multicultural teams can bring a variety of approaches to problem-solving and decision-making, leading to better outcomes.
- Increased employee engagement and retention: businesses that embrace multiculturalism can create an inclusive workplace culture that values diversity, leading to increased employee engagement and retention.

In conclusion, multiculturalism in international business presents both challenges and opportunities. Businesses that embrace multiculturalism can reap the benefits of greater creativity, competitiveness, and employee engagement, but must also navigate the complexities of communication barriers, stereotypes, and conflicting values and beliefs.

2. Thematic Analysis

Objective 1: to investigate the role of cultural diversity in international business and its impact on management practice.

Table 1

Data and themes used in investigations

Author	Kind of data used	Elicited themes
Qu (2015)	Secondary data: literary sources on subject matter.	International business negotiation, negotiation and bargaining style.
Achinivu (2017)	Questionnaire data from 138 participants.	Leadership style, management practices, managerial decisions.
Zhao, et al. (2012)	Secondary data: literary sources on subject matter.	Communication process, management style, decision-making.

Source: created by the author.

Cultural diversity, being a current fact of life, is highly relevant in an increasingly globalised world. A moderate level of cultural diversity has no effect on team performance in terms of business outcomes, i.e. sales, profit, and market share. However, if at least the majority of team members are ethnically diverse, then more ethnic diversity has a positive impact on performance. (Sander Hoogendoorn, & Mirjam van Praag, 2012). Companies must display sensitivity towards different cultures when dealing with foreign clients or planning a marketing campaign for their foreign subsidiaries. Business executives should start by studying the local market's beliefs, values, and customs.

Objective 2: to find links between diversity management and organisational performance.

Table 2

Data and confirming statements used in investigations

Author	Kind of data used	Relevant excerpt
Richard et al. (2004)	Questionnaire data from 535 respondents.	*"More nationally diverse Top Management Teams (TMTs) initiate such change often, which subsequently increases firm performance".*
Adjabeng et al. (2022)	Survey data from 200 participants (SME owner-manager).	*"Our findings show that management-level heterogeneity can be an asset in certain strategic circumstances".*
Teixeira et al. (2018)	Qualitative interview data from 30 respondents.	*"When local cultural traits are taken in consideration and integrate its cultural identity, organisational communication dysfunctions are minimised, fostering chances of attaining organisational goals".*
Inegbedion, et al. (2020)	Survey data from 178 respondents from nine multinational companies in south-south Nigeria.	*The results show that the management of cultural diversity, employees' perception of marginalisation, and conflict significantly influence diversity management. Furthermore, diversity management and teamwork significantly influence organisational efficiency.*

Source: created by the author.

A study conducted by Gholami, Tajeddini, & Moradi (2020) investigated the impact of multiculturalism on international business intention among Iranian university students. The study found that exposure to different cultures positively influenced students' intention to become entrepreneurs, as they gained greater insight into the diverse business practices and opportunities available in other cultures.

Fornoni, & Picozzi (2019) explored the impact of multiculturalism on the success of immigrant entrepreneurs in Italy. The study found that immigrant entrepreneurs who were able to navigate and leverage multiculturalism in their business operations were more successful than those who were not.

In summary, empirical investigations have demonstrated the positive impact of multiculturalism on international business. The ability to understand and adapt to different cultural practices and expectations helped these entrepreneurs build relationships with diverse customers and suppliers, leading to greater business success. Finally, exposure to different cultures and the development of intercultural competence can help entrepreneurs navigate diverse business practices and gain access to new opportunities.

Conclusion

1. The cultural environment has a big effect on how a business runs (its economic practices). This means that a business should be open to changing its activities and mode of operations to meet the social and cultural needs of a certain area. They are very important for doing international business (also called international business or international entrepreneurship), especially with the globalisation and integration of Europe. The effect of diversity on international business is a key part of how to manage an international business. In a global economy, companies work in an environment with many different languages, customs, beliefs, and values. Organisations must be aware of and respect cultural differences to manage their employees, clients, and business partners in different places and countries.

2. A workforce made up of people from different backgrounds offers a wide range of ideas and points of view, which can help people think of new ways to solve problems and be more creative. Also, teams made up of people from different backgrounds may find out more about the needs and wants of different markets. This lets businesses make goods and services that are better suited to customers in their own area.

3. In multinational business, cultural variety also helps decision-making. When a team is comprised of individuals from various cultural backgrounds, the problem or opportunity at hand may be analysed more thoroughly. This is because people from various cultures approach problems differently, which can lead to a more thorough grasp of the issue and better decision-making. Thus, it is essential for multinational firms to give cross-cultural

training to their staff, provide a secure and respected workplace, and encourage open communication to foster a collaborative and diverse work environment that can lead to more innovative solutions and better business outcomes. Additionally, understanding and respecting cultural differences can help companies avoid potential misunderstandings or conflicts that may arise, thus fostering unification and teamwork.

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