

# The Effect of the National Culture on the International Business

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**Abstract**—The aim for this research is to deliberately discuss how and why the contexts of culture are the main significant factors which need to be considered when conducting the international business oversea. As a consequence of understanding these various factors, the researcher would be able to infer some suggestions to the international organizations. With this in mind, the results of the understanding in a national culture environment can support the organizations to settle its international strategies which may be useful to develop the national export and import effectiveness. This data collecting methods will be concentrated upon 5-10 interviews from the senior members and business officers in the international company in Thailand by e-mail interview and analyses the individual manager's viewpoint. As well as, focus on the questionnaires which the respondents were selected randomly around 100 samples from UK and Thailand, together with providing a functional sample size and comparable to data. The results of the study question the role of national culture, which contributed to in international business effectiveness and emphasize the positive and negative aspects, as well as suggestions to business investors are informed.

**Keywords**—Contexts of culture, International business effectiveness, International strategies, National Culture.

## I. INTRODUCTION

**I**NTERNATIONAL trade is exchange of capital, goods and services between countries across international borders. This type of trade plays incline to a world economy, in which prices, or supply and demand, affect and are affected by global occurrences.

Trading globally provides consumers and countries the opportunity to be exposed in goods and services not available in their own countries. Almost every kind of product can be located on the international market, such as, food, clothes, jewelry, oil, water, wine, stocks, currencies, and so on. Moreover, services are also traded like transportation, tourism, consulting, and banking. On the other hand, a product which is sold to the global market is an export, and a product which is bought from the global market is an import. Imports and exports are accounted in a country's current account in term of the balance of payments. In most countries, it reproduces a significant share of gross domestic product (GDP) [1]. Meanwhile international trade has been displayed throughout much of history, economic, social, and political importance has been on the advancement in recent centuries. Industrialization, advanced transportation, globalization,

multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. International trade is a main source of economic revenue for any nation that is considered a world power. Without international trade, nations would be limited to the goods and services produced within their own borders.

International trade is in principle and not different from domestic trade as the motivation and the behavior of parties involved in a trade does not change fundamentally depending on whether trade is across a border or not. The major difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences, such as language, the legal system or a culture differences.

International trade relates to a variety of currencies, the most significant of which are held as foreign reserves by governments and central banks. Another difference between domestic and international trade is that production factors. For example, capital and labor are commonly more mobile within a country than across countries. Therefore international trade is mostly limited to trade in goods and services, and be only a lesser enlarged to trade in capital, labor or other factors of production. Accordingly, trade in goods and services can arrange as a trade substitute in production factors. Instead of importing the factor of production, a country can import goods that create concentrated use of the production factor and are including the respective factor. For instance, The United States represent the labor-intensive product which import from China. It can be seen that they are importing products that were produced from China rather than importing Chinese labor. Besides, International trade is also a part of economics, which including to international finance.

International trade is a driving force governing the world economic growth. It has become a crucial component to a national economy. Since World War II, the growth in international trade has exceeded world economic growth [7]. From the mid-1950s, the growth in world trade significantly surpassed the growth in world GNP [13]. Every nation economic is interdependence with the economies of foreign nation by complex flows of goods, capitals, technologies, and enterprises [4]. Before 1981, world trade expansions enabled individual trading countries to economic prosperity, growth and stability. After the decline in international trade in 1981, the world economy went into recession [14]. All trading countries suffered the result. After the recession, years of

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above average expansion international trade among East Asian countries brought forward to economic prosperity and well being. By early 1990s, Hong Kong, the Republic of Korea, Singapore, and Taiwan moved from developing countries to newly industrialized economies (NIEs). The second-tier, Thailand, Malaysia and Indonesia were following the newly industrialized economies (NIEs) in the transformation.

The South East Asian countries competitiveness is in resource intensive and labor intensive industries, Together with the arrival of the globalization which contribute to the competence of the nation to operate their resource allocation much more easy. It provides the ability to the South East Asian countries to perform the international trade with other countries worldwide. Nevertheless, since a decrease in the growth rate of the international trade in 1996, there are many significant effects on the economic growth and stability of Asian countries. In that result, it was being a negative growth in Thailand export tended to deficit of confidence by investors and creditors. The pattern, structure, and competition of international trade have become more complex and more volatile [15]. The world is now encountering to the full scope of trade integration and economic interdependence. As referred to external factors, they have extremely effect on individual countries. Furthermore, it is very imperative for individual countries to extend the benefit and diminish the cost of trade interdependence through rational policies. It would be essential to understand and helpfully response to the transformation in the world trade surroundings. One of the main decisive factors which influences to the international trade, is the context of culture, which may contribute to a national economic performance, and the capacity of the international companies and organizations [2]. In contrast, international commitment to free market is a benefit to the system of the world economic. Each country have to intentionally consider about the international trade policies and regulations, and particularly in term of culture differences, so as to keep up its economic stability, prosperity and being the successful organizations [5].

Apart from all above, the following issues as culture have emerged to be the key factors in emphasizing the succession of the international business.

## II. THEORETICAL BACKGROUND

### A. Nature of International Business

In recent times, the international trader is in a position to analyze and demonstrate the global social, technical, economic, political and natural environmental factors more clearly. Conducting and managing international business operations is a crucial venture in view of variations in political, social, cultural and economic factors, from one country to another country. For example, most of the African consumers prefer less costly products as a result of their poor economic conditions. As opposed to the German consumers, they prefer high quality and high priced products due to their

higher ability to buy. So that the international businessman should manufacture and export less costly products to most of the African countries and vice versa to most of the European and North American countries. Another example is high priced and high quality Palmolive soaps which are marketed in European countries and the economy priced Palmolive soaps are exported and marketed in developing Countries like Ethiopia, Pakistan, Kenya, India, Cambodia, and so on. Furthermore, international business houses need accurate information to make an appropriate decision. Europe was the most opportunistic market for leather goods and particularly for shoes. Bata based on the accurate data could make appropriate decision to enter various European countries. International business houses need not only accurate data but also timely information. For instance, Coca Cola could enter the European market based on the timely information, whereas Pepsi entered later. Another example is the timely entrance of Indian software companies into the US market compared to those of other countries. Indian software companies also made timely decision in the case of Europe. Laws, business laws and policies and regulations formulated by the Indian Government [11]. For example, international business should enter into joint venture with the domestic company to enter Malaysia. Important among them include host country's monetary system which is the countries adjust the price level, the money flow, and production levels through their monetary systems. In addition, they also regulate foreign exchange rates through the monetary system. However, the tools of monetary system are included the bank rate, cash reserve ratio, statutory liquidity ratio and so on. As well as, the Governments also control remittance of the profit of international business houses to other countries. International companies should follow these regulations.

Language is a significant factor in international business. Although English language is a major language in the world business operations, there are still a large amount of non-English speaking countries. As a consequence, international business houses should train their employees in the local language of the host country. Added to this, there would be many languages in use in many countries. For this reason, the business houses should also train their employees in the local languages [8], [9].

In addition to Nationalism and Business Policy, Nationalism is the most influential factor of the social life of the people in the host countries. As a matter of fact, nationalism also impacts on the business operations of the multinational corporations dramatically and drastically. To illustrate this, the US people used the slogan "Be American and Buy American Made", when the US automobile industry is not success in meeting the competition of Japanese automobile companies which are operated in USA. At the same time, there are some similar incidents which are perceived in developing countries. As a consequence, international business houses should be cautious of nationalism and its effects [6], [12].

### B. Culture: The Central Core of International Business Policy

According to accomplish International business, every investor should consider about the culture environment of the particular country where they are going to conduct business, as many expert marketers said that "cultural is core of international marketing". There were many mistakes from traditional marketing examined in the past that demographic, geographic characteristic, economical and political factors might have impact the marketing mix [3].

Reference [10] emphasized that actually, there are not all the factors which influence the marketing mix since recently has superior attention to the culture environment as it results in deep understanding market and consumers satisfying. It can be said that the more you know about other culture in general and your own culture in particular, the better able you will be adapt to an intercultural perspective. For instance, it would be in the case of American and Mexico, which both countries are very closed to each other and almost the same geographic, so that marketer can assume that they might have the same test of consuming but in fact they are absolutely different with having more power factors that impact on these, specifically about the cultural environment which is the most significant factor to reflect. Another example which is about an advertisement, some advertising can be very useful in some country but cannot apply the same advertising to promote their products in other countries. For example, China banned Nike television advertising showing the US basketball star in a battle with animated cartoon Kungfu masters and two dragons. It was said that the advertising was an insult to Chinese dignity. As the result, it is very important to consider and understand the concept of culture, the role of culture, cultural dimensions, and the elements of culture which are contributed to global conducting businesses in the international business.

### III. METHODOLOGY

#### A. Sampling Considerations

The senior members and business officers in the international company in Thailand 5-10 interviews by e-mail interview and analyses the individual manager's viewpoint. As well as, focus on the questionnaires which the respondents were selected randomly around 100 samples from UK and Thailand, together with providing a functional sample size and comparable to data.

#### B. Research Design

A research design is a framework in conducting the project of marketing research. It details the necessary procedures to the purpose of obtaining the information need to construct and tackle marketing research issues.

The main use of the descriptive method will be driven along the role of culture in international trade as a result of the accurateness of its concept as an example of the description of the attribute of related group, such as consumers, salesperson,

organization, market areas, and trader as well as assisting in the determinations of cultural comprehension. Furthermore, it decides the level of association between importer and export trait, and their attitude in the context of cultural differences.

TABLE I  
COMPARISON OF BASIC RESEARCH DESIGNS

	Exploratory	Descriptive	Casual
Objective	Discover ideas and insights.	Describe market characteristics or function.	Determine cause and effect relationships.
Characteristics	-Flexible, Versatile -Often the front end of total research design	-Marked by prior formulation of specific hypothesis -Pre-planned and structured design	-Contra of other mediating variables -Manipulation of one or more independent variables
Uses	-Formulate a problem or define a problem more precisely -Identify alternative course of action -Develop hypotheses -Isolate key variable and relationships for further examination -Gain insights for developing an approach to the problem -Establish priorities for further research	-To describe the characteristics of relevant groups, such as consumers, trader, organization, or market areas -To estimate the percentage of units in a specified population exhibiting a certain behavior -To determine the perception of product characteristics -To determine the degree to which marketing variables are associated -To make specific prediction	-To understand which variables are the cause and which variables are the effect -To determine the nature of the relationship between the causal variables and the effect to be predicted
Methods	Expert surveys Pilot surveys Secondary data Qualitative research	Secondary data Surveys Panels Observation and other data	Experiments

Source: people.Sunyit.edu

#### Concept framework of the study

In this research study, there are two kinds of variable setting, which are independent variables and dependent variables followed by;

1. Independent Variables: Personal Information, which consists of nationality, gender, age, and position.
2. Dependent Variables, which are the awareness of culture differences and working behaviors.

#### C. Data Collection Method

This data collecting methods will be concentrated upon 5-10 interviews from the senior members and business officers in the international company in Thailand by e-mail interview and analyses the individual manager's viewpoint. As well as, focus on the questionnaires which the respondents were selected randomly around 100 samples from UK and Thailand, together with providing a functional sample size and comparable to data.

## IV. FINDINGS

*A. Quantitative Finding*

The research reveals the relationship between the awareness of culture differences and working behaviors. It can be evaluated as follows;

Culture can influence to international business effectiveness related to Culture can influence to decision making, Culture misunderstanding can lead to market target failures, and National export and import effectiveness in other region can be improved by learning and understanding their national culture (Sig.<0.01). In contrast, Culture can influence to international business effectiveness is not related to Run business before expanding a good personal relationship, Socializing and hospitality are important, and Punctuality is important (Sig.>0.01).

Culture can influence to decision making related to Culture can influence to international business effectiveness, Culture misunderstanding can lead to market target failures, and National export and import effectiveness in other region can be improved by learning and understanding their national culture (Sig.<0.01). While, Culture can influence to decision making is not related to Run business before expanding a good personal relationship, Socializing and hospitality are important, and Punctuality is important (Sig.>0.01).

Culture misunderstanding can lead to market target failures related to Culture can influence to international business effectiveness, Culture can influence to decision making, National export and import effectiveness in other region can be improved by learning and understanding their national culture, and related to Run business before expanding a good personal relationship in the opposite way (Pearson Correlation= -0.260), (Sig.<0.01). Meanwhile, Culture misunderstanding can lead to market target failures is not related to Socializing and hospitality are important, and Punctuality is important (Sig.>0.01).

National export and import effectiveness in other region can be improved by learning and understanding their national culture related to Culture can influence to international business effectiveness, Culture can influence to decision making, Culture misunderstanding can lead to market target failures, Socializing and hospitality are important, and Punctuality is important (Sig.<0.01). While, National export and import effectiveness in other region can be improved by learning and understanding their national culture is not related to Run business before expanding a good personal relationship (Sig.>0.01)

Run business before expanding a good personal relationship related to misunderstanding can lead to market target failures in the opposite way (Pearson Correlation= -0.260), (Sig.<0.01). Meanwhile, Run business before expanding a good personal relationship is not related to the rests (Sig.>0.01).

Socializing and hospitality are important related to National export and import effectiveness in other region can be improved by learning and understanding their national culture

and Punctuality is important (Sig.<0.01). In contrast, Socializing and hospitality are important is not related to the rests (Sig.>0.01).

Punctuality is important related to National export and import effectiveness in other region can be improved by learning and understanding their national culture and Socializing and hospitality are important (Sig.<0.01). While, Punctuality is important related to the rests (Sig.>0.01).

As a matter of fact, there are many people who still pay more attention in personal relationship, and Socializing and hospitality. In addition, it can be seen obviously from the questionnaire responses that the culture is the identity and the representation of the people from different countries. It would be the significant advantage as if international investors understand the culture differences between countries, and understand in the way they live, value and think. For this reason, it can be receptive to international traders or investors with full knowledge, awareness and consideration in their culture contexts. With this positive experience, it can be an advice to keep purchasing and trading with the same trader in the future, this will lead to improving the international business effectiveness.

*B. Qualitative Finding*

Another data collection is email interview by sending the interview questions to the senior members and business officer to the purpose of obtaining the appropriate answers as well as acquiring the suitable suggestions. With this in mind, it is the researcher's intention trying to understand a motivation of the culture to international business perspective and in this report, some of the interviewee details will be kept unknown due to confidentiality reason.

First of all, most of the interviewees are from Thailand, in order to Thailand has many differences in culture, which is the study purpose in this dissertation. Moreover, Thailand does not have their main religion as Thai people are independent to choose. In every regions of Thailand, they also have their ways of life, so that in the central part of Thailand is the mixing port for both Thai and foreigners that could be seen the mixing in national culture everywhere.

In an effort to understand in culture perceptions of what is deemed to have value combined with the reason all above, this research study has decided to interview 5-10 business officers from international company in Thailand, who have experiences and knowledge in international trade activities as a result of their work duty.

The topic of the interview was based on an article, knowledge and understanding on the study that the researcher have learned through the MBA course and many documents from books, journals and internet sources about different dimensions of culture in the international business. As a consequence, the researcher has got a surprising opinion from many viewpoints.

On the first place, all of interviewees agreed with the theory that cultural is the core of international trading and the misunderstanding of the culture can lead to many complexities

in the international trade. As some expert mentions that culture is about the religion, values and attitudes, education, social organizations, language, law and politics, and so on. In order that culture can be different not only between continents or nations, but it can also be different within the company, organization or even family due to the identity of their belonging to a group or culture. In some books can be defined as the culture identity. Additionally, the interviewees believe that culture can drive the ways that people belief and value or the customer needs and its affect their job, especially in term of international marketing.

Nevertheless, many interviewees admit that in the real situation, the role of culture may not influence to the international business that much in sometimes due to the globalization and the intrusion of western culture in Asian region. For instance, Thai people hesitate in the way that Western people dress, eat, live or even speak and as a result, this can lead to the standardization of the life style in global way. In today, Thai people are more open to Western culture and try to adapt themselves to it.

In term of business management, the interviewees comment that from time to time when they have to run the business or the negotiation with foreigner, the contexts of culture have been avoided; some interviewees said that there are the money talk that can help traders to tackle over the culture complexities in all aspects. To illustrate this, one of the interviewee who is the project coordinator, has to deal with many people from different countries and also have differences in culture, and of course different cultures can accept that the service mind is a significant tool, which assist him to adapt himself and understand his customer. Another example is the interviewee who is a general manager comments that there is a culture difficulty in organization, such as culture in working and the way of thinking are somewhat different. Moreover, some interviewees note that there are some complexities in working process, culture differences, language, custom clearances, and so on.

For this reason, the interviewees suggest the ordinary course and the way to tackle this problems by trying to open your mind to other people from different cultures keep improving and learning about other people from different foundations, always be on time, try to coordinate and understand in different culture and process, highly spirit to the term and cooperation and solve the problems without blame or complaining and the hospitality and socializing are very important so that it is necessary to take in to consideration.

In addition, some interviewees also recommend that in order to manage the conflict which may be occurred in working with the team, every members have to use the customer requirement as the company goal which everyone have to focus on and also have to manage their own job to support this common goal. Another point is to minimize the conflicts within the team by trying to make clear that everyone understand their role correctly and respect to each other.

## V. DISCUSSION

As a result of collecting data from the questionnaires and the interviews, there are many comments about the contexts and the role of culture, awareness of culture differences, and also the suggestion to manage the organization and tackle with some culture complexities as some mentions above.

Considering the questionnaire responses, some responders comment that the culture can influence to international business effectiveness as they said that different cultures make people have different opinions, because of globalization business has no boundaries, understanding in different cultures lead to enhance business vision, every culture influences people behavior so that at the end will influence to every business and its effectiveness, and culture is the way to communicate with people right and communication is the key factor of business. Moreover, each country has different perception over the same product or service, and as the nationalism some culture do not consent with things that come from outside. However, some people would like to learn other culture, such as Korean culture has influences to Thai teenager, so that Korean culture can sell to international.

Concerning to interview feedbacks, interviewees suggest some advices to manage the organization and tackle with some issues that come from differences in culture, which are trying to understand and coordinate in differences of culture and process, open your mind with full spirit to tackle with culture difficulties which could be happened in organization, and also take the importance of hospitality and socializing in to consideration

## VI. CONCLUSION

To conclude, this research study considered a topic of how national culture contributed to the international business effectiveness, in the case of exporter to Thailand. The study clearly exemplifies the awareness of culture differences and the elements of culture which impacted on international business effectiveness by using the questionnaires and interview as data collecting methods. The result findings appear to confirm that the national culture differences can influence to international business effectiveness. Moreover, the literature clearly indicates the scope of international business, towards the arrival of Globalization, and the concept and the role of culture, which should be take into consideration when doing international trade, together with a favored method of collecting both primary and secondary data. Therefore, understanding in culture differences is useful and need to be intentionally considered when doing business oversea.

As referred to the result findings of the study, it can be seen that the national culture can influence to international business effectiveness as different cultures and nations can make people have different opinions. In addition, understanding in culture differences can lead to enhance the business vision due to every culture has result to people behaviors, thus at the end will influence to every business and its effectiveness.

Furthermore, culture is the way to communicate with people right and communication is the key factor of business, as well as any level of communication is such an important characteristic, which organization has to communicate with both internal and external client and any mistake or misunderstanding can lead to an error.

On the other hand, the alternative methods that could be helpful to solve the culture complexities and manage the organization are trying to understand and coordinate in differences of culture and process, open your mind with full spirit to tackle with culture difficulties, which could be happened in organization, and also take the importance of hospitality and socializing in to consideration.

In return for the research case study that concentrated on exporter or investor to Thailand, it is very crucial for investor to deliberately consider on the factors that may impact on Thailand economic, which are economic situation, exchange rate, real income and other financial factors, and also considering in the suitable distribution where should be invested. In addition, it is necessary to concern with the possible improvement, which could be introduced to the exporters or investors, such as developing fundamental structures, subsidizing in financial funds and so on.

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