

## Business Strategic Leadership, Marketing, and Cultural Competence in International Business

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### Abstract

*The strategy of successful relationship marketing and customer focus are instrumental to domestic and global business growth. Many domestic companies face the dilemma of launching global-based operations while competing with the growth of indigenous competitors. The strong influence of native competitors in foreign markets necessitates a multinational company to develop a marketing strategy that would offer the firm a culturally diversified global market advantage. Many companies do not succeed in international markets, but most can succeed with the awareness of effective strategic leadership, marketing and cultural competence needed to be successful in international business environment.*

**Key Words:** Business, Strategic, Leadership, Marketing, Culture.

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### Introduction

In our current globalized business world, our marketing managers targeting foreign markets need to be skilled at communicating with their current and potential customers. Cultural competency, good leadership, and effective marketing policies are crucial essential ingredients in running a successful domestic or global business. Globalization is an accepted reality of expanding a business in the global business environment. And, globalization spawns cultural change. In this emerging economy, the success of multinational corporations (MNC) depends on how well its leadership recognizes how its culture is different from others in the globalized environment. There is a greater need for in-depth understanding a diverse environment when doing business in international market. Marketing managers who invest more time exploring other cultures will have more success understanding and mapping out their target market in order to better serve them and build a good reputation for their organizations.

## Literature Review

### Strategic Leadership

Lamson (2015) stated global leadership programs do not seem to be keeping up with the needs of organizations conducting business on a global basis. All too often, according to Lamson, global leadership skills are developed by, “trial and error, expatriate assignments, or business travel abroad” (p. 25). According to Bains (2015), organizations tend to export their best people into new global opportunities, thinking things will be conducted in the same manner around the globe. This is rarely the case. Instead, strategic leadership on a global basis must have skills to lead international teams and conduct business across multiple time zone and country boundaries. Strategic, global leaders must have vision, communication skills across international borders, and embrace technology (Lamson). In a study conducted by Dragoni, Tesluk, VanKatwyk, Oh, Moors and Hazucha (2014), the authors analyzed 231 upper level leaders in an effort to determine whether or not exposure to cultures vastly different their own had any influence on their strategic thinking. The study showed the more distant the culture, the more positive the influence on the leaders’ strategic thinking.

While the study demonstrates the ability of working within a culture distant from one’s own and improving strategic thinking, there still exists a need for extensive cross-culture training before doing business in a country other than one’s own. In almost every country around the globe, numbers of large, medium and even small business, organizations are going international and even global; the increasing percentage of these corporate revenues are from the global market. The growing and expanding regional integration, the explosion of electronic communications, multi-cultural differences and the radical advances in information technology have generated more competition in the global business community. These new emerging situations influence and create some challenges, opportunities and problems global business leaders are facing and will face in the future. There is a growing pressure in the corporate world for companies to implement globalization strategies. Yet very few multinationals are well prepared for the growing global business leadership demand needed to successfully and effectively manage the business goals and objectives. Although global business leadership involves understanding of many aspects of the business environment such as legal, political and social dimensions, there are other main strategies that need to be the focus of attention for global business leaders including marketing managers.

### Global Marketing

As stated by Moon (2005):

The more critical issue for the survival of any global retailer is whether it has its own strategic advantages over its competitors to meet the dynamics of domestic and global markets. Globalization has created economic opportunity, elevated human rights and has improved access to information, goods, and technology to people all over the world (p. 222).

Globalization causes cultural change. It has affected cultures by simply splitting up any and every culture throughout the world, making the planet more diverse and forgoing deeper connections of understanding different groups of people. Having an open attitude is very important in this process. “The first building block objective is to develop the openness of a global mindset to ensure receptivity to cross-cultural learning and to maintain a productive attitude toward differences” (Walker, Walker, & Schmitz, 2003, p. 34). This requires being open minded and not accepting long-held assumptions at face value, taking time to make judgments, being able to tolerate uncertainty, being patient, and pursuing learning.

Some of the advantages of globalization are having a wider selection of goods and services, the ability for companies to lower their costs to consumers, speedier development of technology, and global employment opportunities. On the other hand, the disadvantages of globalization are the poor economic conditions of a

few countries could spread to other countries; economic depression could potentially trigger a negative impact around the globe. Globalization could also spread diseases from people, plants, or animals around the world in record time.

It may be disingenuous to discuss any international operations including international marketing without a brief discussion of the understanding of globalization. Technology and human ingenuity have generated economic progress through the concept of globalization (IMF, 2008). Globalization is the increasingly emerging of global economies, particularly through the movement of goods and services, and capital across territorial boundaries. The advent of globalization in recent decades has caused the world to become more accessible and more integrated. Globalization offers opportunities for countries to have access to a more diversified market throughout the world. Countries worldwide are also developing ties such as cultural, political, and education with each other.

As marketing managers establish contacts outside their geographical areas, they also create and expand international markets for their various goods and services. The CEO of multinationals such as the Yum Brand International, a parent company to KFC, was able to establish contacts with the Asian countries to develop one of the most successful fast food chains in the Chinese market (Hill, 2010, p. 6). The global expansion offers some advantages to an organization. International moves create diversification and a potential for revenue growth, increased market share and increased profitability. Global activity can also provide benefits in the home country through cultural awareness, competitive knowledge, operating efficiencies, and improved management practices. Globalization has paved ways for almost every marketing manager to consider far and distant foreign countries as great sources of supplies and markets for their products.

In today's competitive business world, global marketing is not only involving large businesses, small and medium size businesses also play a major part. Almost all companies are competing against each other in marketing their goods and services from outside their home countries. Many companies are exploring foreign target markets and are expanding outside their countries. McDonalds, Burger King, Kentucky Fried Chicken (KFC), General Electric (GE), Pfizer, Procter and Gamble, Wal-Mart and many others fight not only for an increased profit margin, but also to capture a greater market share in their respective industries. Marketing managers in these industries need the necessary knowledge to effectively communicate with these countries in terms of their culture, ethics, laws, and even religion. Most importantly, the marketers would need to understand that the way of doing business in their countries may not be the best way of doing business in other countries. The strong influence of native competitors in foreign markets necessitates multinational companies to develop marketing strategies that would offer the firm a culturally diversified global market advantage. Many companies do not succeed in international markets, but most can succeed with the awareness of strategic effective leadership, marketing and cultural competence needed to be successful in international business environment.

Pararaman, Zeithaml and Berry (1988) describe how an organization such as Home Depot can improve its overall quality and performance by integrating customer feedback into customer service strategies (p. 444). These strategies would focus on the augmentation of Home Depot's domestic service standards, into compatible methods that correspond with international, cultural and social norms of the target country. This could result in a new service marketing strategy designed to improve Home Depot's overall performance (Berry & Zeithaml, 1996). Home Depot failed to discover that Chilean families found its stores unappealing, cold, and lacked desired products (Bianchi & Arnold, 2004, p.14). This failure created a constant loss of profits for three years and the eventual withdrawal from the Chilean market in 2001 ("Datamonitor," 2005, p. 7).

Moreover, Atac (1986) stresses that the decision to expand into a foreign country will require a *complete understanding of the local business culture and procedures*. Home Depot's failure to provide the indigenous customers of Chile a shopping environment and products akin to their culture in 1998 resulted

in the corporation exiting in 2001 (Bianchi & Arnold, 2004). Bianchi and Arnold attribute Home Depot's unsatisfactory attempt to establish successful home improvement business in Chile and Argentina to Home Depot's inability to achieve the necessary legitimacy from the influential host social actors and failure to realize the relevant institutional local norms (p.150). Partnership and alliance marketing theories are approaches that underline the ongoing relationships that the internal and external stakeholders of an organization mutually desire to achieve (Young, 1988). These theories should guide Home Depot in its future business dealings abroad.

### **Cultural Competence**

As stated by Mizrah (2001):

Cultural competence refers to the process by which individuals and systems respond respectfully and effectively to people of all cultures, languages, classes, races, ethnic backgrounds, religions, and other diversity factors in a manner that recognizes, affirms, and values the worth of individuals, families, and communities and protects and preserves the dignity of each. (Mizrahi, 2001, p. 11)

Culture can no longer be taken lightly in business. Recognizing the cultural differences between nations enhances successful global market operations (Ihator, 2000). Market adaptability has become part of the model for success in an organization. In today's global marketplace, cultural misunderstanding can lead to the risk of lost revenue and business. It is essential for companies to incorporate the concept of cultural competence in their business model. For example, Home Depot failed to understand the societal cultural effect of the Chilean market. The success of retail internationalization can only be achieved if international retailers recognize the influence of social and economic elements that represent family, community, market suppliers, consumers and competitors (Bianchi and Arnold, 2004). Home Depot should have considered the specific characteristics that Chilean consumers exhibit when shopping. The Home Depot executives should have laid much emphasis on the Spaniard's characteristic of collectivism, which denotes group's influence over individual's goals (Ihator, 2000). Chileans shop mostly on weekends, and the activity involves all family members.

Home Depot's inconsistencies were reflected in the corporation's inability to gain an understanding of the Chilean culture. Bianchi and Arnold (2004) found that Home Depot failed to hire the right staff and managers who can build trust and enhance commitment with the local customers in Chile. Hence, Home Depot's manager pre-assignment cultural training, according to Newstrom and Davis (2003), will enhance cultural awareness of the different ways the culture of the target market differ. Appreciation of one's own culture and accepting the values and norms of other cultures will prevent parochialism and ethnocentrism (Newstrom and Davis, 2003)

A common leadership challenge managers can face in a global market is to be able to provide and maintain a diversified team. Teams consist of members with different backgrounds, values, experiences, and ethnicity. It can be a great challenge for leaders to find unity among each individual. One approach managers can utilize to maintain a diverse team is to encourage members to have an open line of communication amongst each other to share their views and ideas. Spreading knowledge is one of the best ways to create and maintain an efficient team that will ensure high productivity.

Organizations are expanding the scope of their operations across global boundaries and into cultures other than the company's country of origin. There has been extensive scholarly discussion regarding whether or not cross-culture training is beneficial when moving operations into a new host country. While some scholars argue "global business success depends on effective cross-cultural etiquette and global workforce diversity" (Okoro, 2012, p. 130), other scholars and global managers argue global business success depends upon the "interpersonal relationships and communication competence" (p. 130). No matter which set of skills, scholars and global business managers agree there are several skills required from global managers

in order to successfully operate in countries other than the company's country of origin. A country's culture and its traditions influence its citizens. Is it enough to attend a two-hour training before relocating to a new country? Points to consider are how meetings are conducted, communications styles, and negotiation protocols. There is so much more to learn besides a new language, as subtle characteristics within a country must also be identified and respected (Subramanian, 2015).

Organizations offering intensive cross-cultural training may establish a competitive advantage. Take the time and identify factors such as the demographics of a country; program development; business values, work ethic, recruiting and other factors. Train the global managers in writing and communication styles, customer service, and human resource management. Take the time identify and resolve potential issues that can either interrupt a business or aid in helping the business thrive within its new country (Subramanian, 2015).

Culture is described as situations of learned responses to any reappearing behavior or norms in any society. The learned responses may include drinks, fashion, and foods, which are very different from culture to culture. As stated by Hawkins, Best & Coney (2004), external factors such as culture, reference groups and family influencing an individual's self-concept and lifestyle which, in turn, drives their behavior as consumers. An external factor often has a profound effect on consumer behavior in the market.

As communications continue to shrink the world, more and more products are marketed globally (Keegan, 2002). It is incumbent upon the marketing managers to learn, recognize and cope with the differences in the environments regarding social and culture in the global market. Developing and increasing global marketing leaders and a teams' intercultural competence is an important variable in determining their successes. Intercultural competence is the complete knowledge and skills to interact successfully with the people from other, national, geographic, cultural, ethnic, and religious groups. Gandolf, (2012) and Xiaochi (2013), show that leaders with a high degree of intercultural competence can have successful interactions with people from different groups. It is very important that global leaders be curious and sensitive about other cultures, to cultural differences. Also, they should be ready and willing to adjust their behavior as a sign of respect for other cultures, norms and beliefs (Hammer, Bennett, & Wiseman, 2003). There is a great benefit and need to be intercultural competence especially in the global business world. It enhances effective communication, when potential customers from different cultures actively inquire about goods and services. The scenario gives business leaders such as marketing managers, an added confidence to share the necessary information to their clients. They, in turn learn a new behavior, which may help them to serve better their clientele in the global market arena.

## Conclusion

Many organizations are catching up with the great concept of globalization. However, global business leaders, especially marketing teams, will be more successful if they are properly used and demonstrate effectiveness. As our world becomes more globally connected, it is important to consider the cultural dynamics by being culturally competence. To truly gain the advantages of both global network and diversity, we need a thoughtful, collaborative, and interactive approach in the global market. A Great knowledge and understanding of the different culture are necessary to the successful marketing of goods and services in the global market. There are that relationships and trust built between the marketing team and their customers through increased intercultural competence.

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