ADAPTING INTERNATIONAL MANAGEMENT STRATEGIES TO LOCAL CULTURES: CHALLENGES AND OPPORTUNITIES

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Abstract

The article explores the process of adapting international management strategies to local cultural contexts, with a focus on analyzing two contrasting cultural models – Geert Hofstede's model and Edward Hall's model. Hofstede's model helps to quantitatively assess cultural differences across dimensions such as power distance, individualism, and uncertainty avoidance, while Hall's model examines the qualitative aspects of communication through high-context and low-context cultures. The study emphasizes the challenges faced when implementing global strategies in different cultural environments and the opportunities for successful adaptation by taking cultural differences into account. Comparative analysis methods were used to identify key factors influencing the success of adaptation. The practical significance of this work lies in providing recommendations for international companies seeking to effectively adapt their management strategies to local cultural conditions, thereby improving their competitiveness in global markets.

Keywords

international management, cultural adaptation, Hofstede's model, Hall's model, challenges, global strategies.

Problem statement

At the current stage of globalization, companies are increasingly entering new markets with significantly different cultural traditions and values. This requires the adaptation of international management strategies to local conditions to ensure the effective functioning of the business. There is a problem of interaction between global management approaches and cultural peculiarities of countries, which can become both a barrier and an opportunity for the development of companies. Inadequate adaptation can lead to conflicts, misunderstandings in communication, and market failures.

Relevance of the chosen topic

In today's world, companies seek to expand their operations to international markets, which requires them to be able to adapt their management strategies to local cultural characteristics. A misunderstanding of cultural differences can negatively affect a company's operations, while successful adaptation can improve management

efficiency and increase competitiveness in new markets. The topic is relevant not only for large multinationals, but also for small and medium-sized enterprises seeking internationalization. As local markets become more and more integrated into the global economy, the issue of adapting international strategies is becoming a strategic challenge for companies in any sector.

Analysis of recent research and publications

Many prominent scholars have studied the adaptation of international management strategies to local cultures. According to Gert Hofstede's "Culture's Consequences: International Differences in Work-Related Values (Hofstede, 1980), international businesses face numerous challenges when interacting with different cultures. His model of six cultural dimensions (power distance, individualism/collectivism, uncertainty avoidance, etc.) has become the basis for researching cultural differences and their impact on management strategies. The updated version of the study in 2010 adds a new perspective on cultural changes and their impact on modern international corporations (Hofstede, G. Hofstede, Minkov, 2010).

Erin Meyer in her work "The Culture Map: Breaking Through the Invisible Boundaries of Global Business" (Meyer, 2014) draws attention to the practical aspects of communication in international companies. Her work emphasizes the importance of taking into account cultural peculiarities in decision-making, negotiation, and team management. Meyer's model shows that communication is a key aspect for successful adaptation of strategies to local conditions.

An important contribution to the study was made by David Livermore, who in his work "Cultural Intelligence: Surviving and Thriving in the Global Village" (Livermore, 2011) developed the concept of 'cultural intelligence'. Livermore shows that the success of an international company largely depends on the ability of its managers to develop intercultural communication and management skills that allow them to quickly adapt to different cultural environments.

Purpose of the article

The purpose of this study is to examine the key aspects of adapting international management strategies to local cultural contexts. To achieve this goal, the following tasks need to be solved:

- to study the essence of the cultural models of Gert Hofstede and Edward Hall, and their impact on management strategies in international companies;
- to consider the basic principles of adaptation of global strategies to local conditions;
- analysis of the advantages and disadvantages of different approaches to cultural adaptation;
- development of practical recommendations for the effective adaptation of management strategies to local cultural characteristics.

Presentation of the main research material and results obtained

Entering markets is often accompanied by the need to adapt management strategies to local cultural characteristics. Cultural differences can be a serious barrier to the successful implementation of global strategies, as each country has its own unique approaches to leadership, communication and resource management. This requires companies not only to understand general management principles, but also to have a deep knowledge of the cultural contexts in which they operate. The main challenges faced by international companies when entering a new market are shown in Fig 1.

Failure to take into account local needs leads to underestimation of expectations of local employees and customers. The Gert Hofstede model is one of the most widely used models for studying cultural differences, based on empirical data collected among employees of the large international corporation IBM in the 1960s and 1970s. The model uses six main dimensions of culture to quantify the differences between national cultures and understand their impact on the management strategies of international companies (Hofstede and Minkow, 2010):

1. Power Distance Index (PDI) - shows the degree of power inequality that is accepted in society. For example, in China with a high power distance, management is more hierarchical, while in Sweden with a low power distance, employees have more freedom to discuss decisions.
2. Individualism vs. Collectivism (IDV) - in individualistic countries, such as the United States, personal achievement is valued, while in collectivistic cultures, such as Japan, group work and interaction are prioritized.
3. Masculinity vs. Femininity (MAS) - defines the dominance of the values of success and competition (masculinity) or social equality and cooperation (femininity). Masculine countries, such as Japan, focus

on competition, while feminine countries, such as Sweden, favor social equality and cooperation.

4.   Uncertainty Avoidance Index (UAI) - measures a society's tendency to avoid uncertainty through clear rules and structures.Great examples are Greece, whose society is inclined to stability and clear rules because of crises, while in Singapore, where the level of uncertainty avoidance is low, people are willing to take risks.

5.   Long-term vs. Short-term Orientation (LTO) - assesses the future or immediate results orientation of a society, such as Japan, where children are the center of public policy, or the United States, where the population is extremely mobile and ready to take risks for the sake of profit and competition.

6.   Indulgence vs. Restraint (IVR) - determines how ready a society is to meet needs and express itself or how inclined it is to self-control. Latin American countries are more indulgent, allowing for the expression of emotions and satisfaction of needs, while restraint and behavioral control dominate in Germany.

The data for analyzing cultural differences using the Hofstede model are published in the public domain on the official Hofstede Insights website. This platform provides information on cultural indicators for more than 100 countries, which allows comparing different national cultures along six dimensions. Users can view data and use analytical tools to assess the impact of cultural differences on business processes.
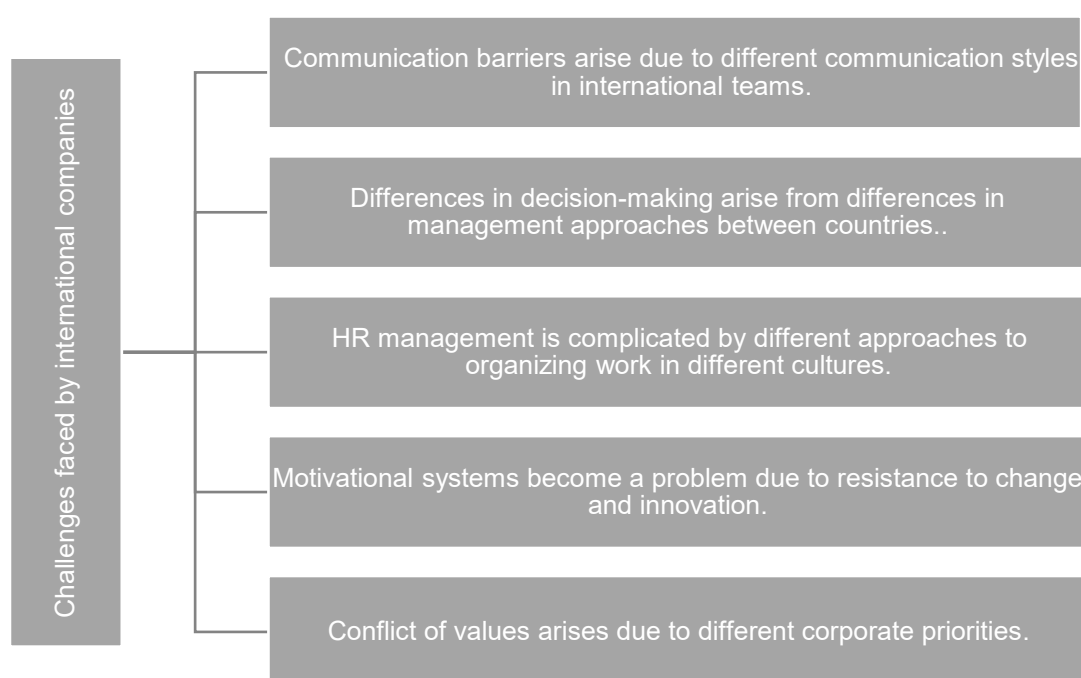

Fig. 1. The main problems associated with the adaptation of international companies in new markets.
Source: "Effective Cross-Cultural Communication for International Business", 2021

Although the Hofstede model is widely used in international management, it has a number of limitations. Since the original data was collected several decades ago, the model may not fully reflect current changes in cultures. Some countries are developing and changing rapidly, which requires constant updating of the data. For example, China has significantly changed its socioeconomic structure in recent decades, which could affect cultural indicators. The model also analyzes national cultures as homogeneous, not taking into account regional and internal cultural differences, which can be significant, especially in large countries. In the United States and Italy, different regions have significant differences in communication and management styles. Not all aspects of culture affect different business sectors in the same way. The model does not take into account industry specifics, where some dimensions of culture may have a greater or lesser impact on management decisions.

Despite its challenges, the Hofstede model remains extremely useful for international companies seeking to understand the cultural characteristics of markets and adapt their strategies. With this model, international corporations can better predict how local employees will react to management decisions, organizational changes, or marketing strategies. Knowledge of cultural dimensions helps to reduce the risk of conflicts and improve interaction in different markets.

IKEA in China has implemented a more hierarchical management structure, taking into account the high power distance, which differs from the egalitarian Swedish model. Airbnb also applies Hofstede's cultural

dimensions to improve the interaction between landlords and tenants in different markets. For example, in countries with a high power distance, Airbnb implements more formal processes and acts as a full-fledged landlord in the region, while in countries with a low power distance, the platform offers a more informal approach to communication and quick resolution of consumer problems ("IKEA in China," n.d.).

On the other hand, Walmart tried to implement its typical US management model, which led to negative reactions from employees and consumers. As a result, Walmart eventually left the German market. This case is an example of how ignoring the cultural dimensions of Hofstede can lead to business failures ("Walmart in Germany," 2016).

Edward Hall's model divides cultures into high-context and low-context cultures depending on how much information is transmitted non-verbally or through the context of the situation (Hall, 1976):

1. High-context cultures (Japan, China) rely on nonverbal cues, traditions, and relationships. Communication is indirect and context is more important than words. High-context communication in Japan (and in Asia in general) leads to indirect negotiations, where it is important to read between the lines and take into account non-verbal cues. This helps to avoid conflicts and maintain harmony, but greatly increases the emotional threshold for a person who grew up in a different cultural region.

2. Low-context cultures (USA, Germany) are characterized by direct, clear communication, where words carry the main load. Low-context communication in the United States emphasizes directness and efficiency. During business negotiations, it is important to speak directly and avoid ambiguity, which speeds up decision-making.

Despite the widespread use of the Hall model, it has its limitations. First of all, the difficulty of quantitative measurement is a significant problem. Since the model is based on qualitative characteristics of communication, it is difficult to define precise boundaries between high-context and low-context cultures. Furthermore, the model has a limited ability to capture the complex social and cultural changes taking place in the modern world, in particular due to globalization and digitalization. It does not take into account the impact of technology, which is changing the way we communicate, or social changes that may affect communication styles within a culture. The model also sometimes simplifies reality by not taking into account the multifaceted nature and complexity of communication processes, which can lead to overgeneralizations.

Nevertheless, there are companies that officially implement this method in their activities. Coca-Cola uses high-context communication in Japan, creating advertising campaigns that reflect local traditions and values, while Google uses a low-context approach in the US and Europe, where the emphasis is on clear and direct communication that meets Western standards of transparency ("Coca-Cola in Japan," n.d.).

Since humanity is diverse, there is never a single approach for entire regions, and even within one country there may be different problems. Therefore, the first task when assessing the market is to combine the two models and ask ourselves what are the main problems for us and what can be solved through internationalization. Therefore, combining these models is a great option to solve the problem of their inferiority, as shown in Fig 2.

To solve the problem of differences in decision-making, it is worth referring to the Hofstede model, which assesses the level of power distance in cultures. In countries with a high power distance, decisions are made at the level of top management, which requires a clear hierarchy and centralized management. In low power distance countries, employees are accustomed to more democratic decision-making, so to effectively manage international teams, management structures should be adapted to allow for greater autonomy in such cultures.

Communication barriers can be overcome by using Edward Hall's model, which defines cultures as either high-context or low-context. In high-context cultures, communication is often indirect, based on non-verbal cues and context. In such cases, managers need to be trained to pay attention to subtext and nonverbal cues. In low-context cultures, communication is direct, so clear, understandable instructions must be provided to avoid misunderstandings.

The Hofstede model, in particular the individualism and collectivism dimensions, is useful for HR management and motivation. In individualistic cultures, personal achievement is a priority, so programs that emphasize individual success are needed to motivate employees. In collectivist cultures, the focus should be on teamwork and social rewards, which increases overall performance.

Model Girt Hofstede
- Has clear 6 dimensions for specific analysis
- Simplifies the complexity of cultures, which strongly typologizes them

Model by Edward Hall
- The main focus is on communication styles
- Does not provide clear indicators, the result is more based on feelings

Despite the similarity of the purpose of using these models, they perfectly complement each other, the result of which better reveals the picture
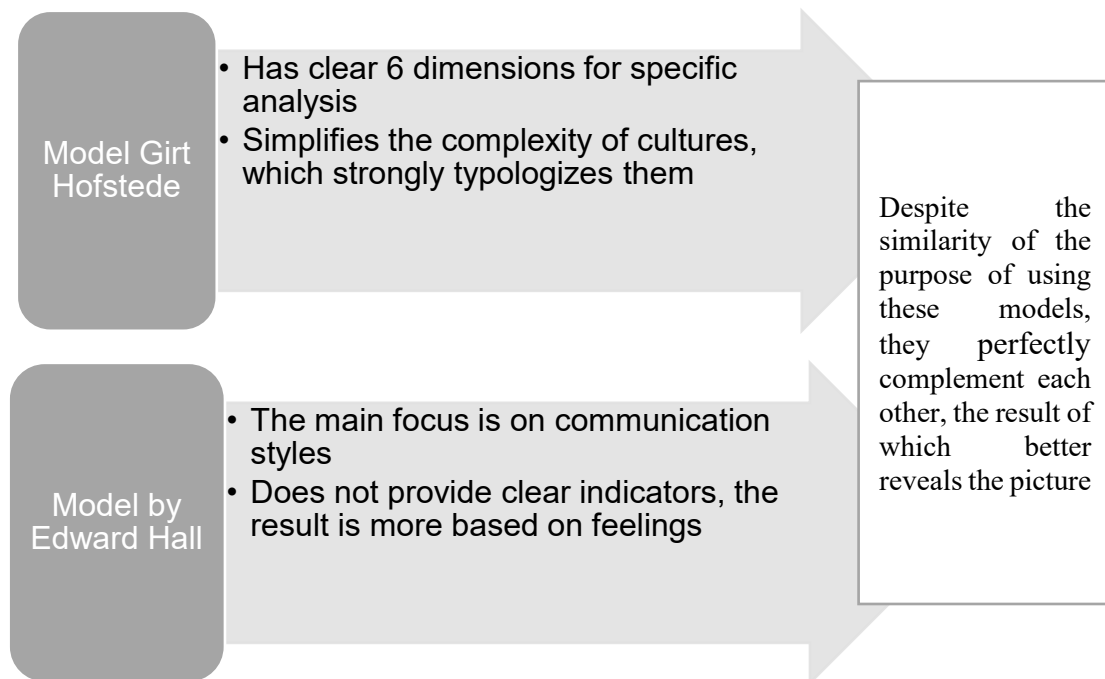
Fig. 2. Combining the Girth and Edward models to complement each other.
Source: compiled by the author

The problem of motivational systems in cultures with high uncertainty avoidance can be solved through gradual implementation of changes. The Hofstede model, which measures uncertainty avoidance, can help determine how stable and predictable work processes should be in a particular culture. In such cultures, it is important to provide clear instructions and create a stable environment to minimize stress due to change.

The conflict of values between masculine and feminine cultures can be assessed through the masculinity dimension of Hofstede's model. In masculine cultures focused on competition and achievement, corporate strategies should be focused on competition and recognition of achievement. In feminine cultures, the emphasis should be on cooperation and social equality to avoid conflicts in the team.

Hofstede's model, particularly the dimensions of individualism and collectivism, is useful for personnel management and motivation. In individualistic cultures, personal achievements are a priority, so motivational programs that emphasize individual success are needed. In collectivist cultures, the focus should be on teamwork and social rewards, which increase overall productivity.

The issue of motivational systems in cultures with a high level of uncertainty avoidance can be addressed through the gradual introduction of changes. Hofstede's model, which measures uncertainty avoidance, can help determine how stable and predictable work processes need to be in a specific culture. In such cultures, it is important to provide clear instructions and create a stable environment to minimize stress from changes.

The conflict of values between masculine and feminine cultures can be assessed through the masculinity dimension of Hofstede's model. In masculine cultures, which are oriented towards competition and achievement, corporate strategies should focus on competition and the recognition of accomplishments. In feminine cultures, the emphasis should be on cooperation and social equality to avoid conflicts within the team.

Furthermore, it is important to develop flexible motivational systems that take into account both individual achievements and team results, depending on the culture of a specific region. Companies need to implement adaptive management approaches, ensuring a balance between global strategies and local needs in order to operate effectively in international markets.

Conclusions

The study analyzed the main challenges faced by international companies when adapting their management strategies to different cultural contexts. It was found that cultural differences in aspects such as decision-making, communication, employee motivation, and corporate values can become both barriers and opportunities for success in international markets. The models of Geert Hofstede and Edward Hall provide effective tools for analyzing and adapting management strategies to cultural characteristics.

Practical recommendations for companies include the development of cultural intelligence, the use of modern communication technologies, and the creation of flexible motivational systems. These approaches allow for consideration of local specifics and ensure harmonious functioning of international teams.

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