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Introduction

Globalization is one of the major shifts in the business operations in the recent decades. Globalization has led to the melting of economic and trade barriers and companies from across the world compete in a completely alien market. Internationalization has become one of the key strategies of business growth when a company experiences a matured market in the parent nation (Wheeler et al., 2003, p38). Globalization or internationalization however, has its own challenges. Some of the challenges faced by an organization that wishes to internationalize are alien markets, limited experience of the host nation and markets, limited understanding of the consumer preferences in the host nation to name a few (Deresky, 2006, p58). The most important challenge faced by the companies that wish to internationalize are possible shift in the work culture since the company needs to adopt to the work culture of the host nation and yet retaining its unique work philosophy and culture practiced in the parent nation (Johnson et al., 2006, p532). The company needs to make adjustments to its management and human resource policies in order to 'fit' into the socio economic culture of the host nation. This essay explores the statement 'when seeking to internationalize, one of the key challenges experienced by a firm concerns understanding the impact of national culture on management practices' with the help of the scholarly articles and books on the subject. The essay uses convergence and divergence hypothesis while addressing the statement.

Globalization and Internationalization

Although globalization and internationalization appear to be the same, they are different as related to their contexts (Kumar & Kumar, 2005, p68). Globalization can be termed as economic interdependence among the nations resulting in cross-border flows of knowledge, goods, services and capital (Deresky, 2006, p42). Internationalization is about a firm expanding its business and commercial activities to another nation (Johnson et al., 2006, p531). International business can be perceived as commercial and business activities related to the transfer of goods, services, knowledge, technology, ideas, resources and people across beyond the national boundaries (Hill, 2013, p38). Before discussing on the challenges faced by a firm wanting to internationalize it would be prudent to discuss as to why companies opt to internationalize in the first place. The first and foremost reason to internationalize perhaps is to increase business revenues and hence profits. Internationalization allows companies access to newer and bigger markets, where the companies can sell their goods and services and hence have increased business revenues and profits (Kumar & Kumar, 2005, p76). The second reason would be to insure the company from the changes in the domestic market, or to have continued business operations in other nation or nations when the policies or market conditions in the domestic nation make it difficult for the company to sustain (Deresky, 2006, p112). The other advantage of internationalization would be increase customer base not just in terms of size but also in terms of variety and to have products or services that are accepted by a variety of people across the world. This would provide the company a long term security since it would have the knowledge and knowhow of the global customer's needs and as such can relatively become immune to the adverse market or policy changes in one part of the world. Internationalization would obviously increase sales and the company would be producing more and more volume of goods or services and as such can benefit from the economies of scale (Deresky, 2006, p69). The company can partly transfer the costs saving achieved by higher production to consumers and as such further increase customer base.

Convergence & Divergence Hypothesis of Globalization

The concept of globalization can be understood by the conventional modernization theory of globalization. The conventional modernization theory includes convergence hypothesis and divergence hypothesis. Convergence hypothesis suggests that nations are becoming more similar and that the nature of the people including beliefs, lifestyles and cultures are overlapping across nations (Deresky, 2006, p76). This simply means that the traditional cultural and social barriers among the nations are disappearing. For example, people from the developed nation such as the US enjoy drinking a coke beverage much the same way as the people from the developing nations of Asia or Africa. It must be noted that coke may not be the home grown in the nations where it is as popular as in nations where it is grown. The concept of convergence hypothesis can also be understood by the theory of development. The theory of development was popularly used to understand the development and growth of de-colonized nations a few decades ago (Peacock et al., 1988, p838). The theory of development states the developing nations moved from being stagnant in policies, practices and procedures to become developed nations through industrialization and through constant strife towards perfection (Deresky, 2006, p64). The efforts towards perfection in all the areas of social and economic spectrum actually brought about the nations closer to the developed world. Thus according to convergence theory nations are actually coming closer in terms of shared beliefs, aspirations, thinking processes and even cultures (Peacock et al., 1988, p843). The theory also suggests that all the societies are moving towards a common goal i.e. that of modernization, economic growth, economic independence through industrialization. However, economic independence is actually becoming economic interdependence in the recent decades of globalization. There are scholars and theorists who oppose the theory of convergence and suggest that the nations are actually diverging or becoming more dissimilar in many respects.

This is called divergence theory of modernization. The divergence theory of modernization further suggests that nations are becoming dissimilar since their method or approach towards economic growth greatly varies (Peacock et al., 1988, p834). This is evident from the fact that Japan took to growth in a completely different way than China (Hill, 2013, p96). Chinese believed in mass production and could leverage on cheap labour to bring about bulk of products at cheaper prices to the international markets. Chinese' approach has been that of high volume low cost production. However, Japan became the most economically powerful nation a few decades ago due to their innovation and quality products, and the goods produces in Japan stood out from the rest of the world in terms of quality and excellence. From the theory of divergence, one can interpret the growth path of both Japan and China as dissimilar. Some other scholars suggest that nations are converging economically but diverging politically (Deresky, 2006, p86). The current state of affairs between Japan and China corroborates this theory. The two nations have diverged too far in terms of their political interests and political ideologies.

Cultural Influences on International Business Management

Preble (2010, p335), examines the four key area of globalization viz., jobs, inequality and poverty, national sovereignty and cultural diversity and the environment. The author argues that while globalization has resulted in creation of jobs and improvement in the socio economic status, it has also caused harm in some cases to natural environment. Cultural diversity however, has posed major challenge to firms that wish to internationalize. Global markets are ruled by different government and trade policies (Taylor, 2014, p55). The management styles in various countries also differ greatly. This is because the social and economic conditions governing the business operations in a nation vary greatly from a nation to nation. People and the cultures vary greatly from nation to nation (Hill, 2013, p96). Americans may be more informal and more towards task orientation. While the Brits may be more formal and wish to communicate in a more formal manner than the Americans. Indians may prefer authority to be respected more than the Britons and the Americans (Kumar & Kumar, 2005, p86). As the nature of the people around the globe are different, the management styles and even the organization structures around the world are different too (Minkov, 2011, p96). For example, team structure dominates the American companies. In that structure, everyone including the manager is nothing but a team member with the distinct task assigned to him or her. British organization have relatively more respect for hierarchy in the organizations than the Americans (Johnson et al., 2006, p527). Indian organizations are traditionally hierarchical. Indians wish to respect authority and they expect the same from the business partners around the world (Kumar & Kumar, 2005, p92). If an American company wishes to expand its operations in India, it would need to change its management style at least to some extent from the team based working to hierarchical style of management.

People and the culture of the host nations influences the managerial processes of an organization that has international operations greatly. The socio economic and socio cultural backgrounds of the people in the host nation influence the managerial processes of the organization and would force the organization to adopt to the local socio economic culture of the host nation (Hill, 2013, p99). According to Tsui et al., (2007, p46), every nation has a distinct set of assumptions, beliefs, faiths, values and perception patterns. The varying social and cultural influences of the people across nations greatly influence work environments and how they communicate and approach to group interaction at the workplace (Minkov, 2011, p105). For example, people of nation may use more gestures when communicating and the same gestures can offend people of some other nation, who communicate more in a verbal manner and use very less gestures (Minkov, 2011, p112). Some nations such as the Middle Eastern nations may be more conservative when it comes to gender equality or about the role of women in the workplace (Tsui et al., 2007, p47) . While some other nations such as the US, UK and Australia may have more gender equality in the workplace with minimal demarcation among the genders when it comes to work responsibilities. The company that wishes to internationalize needs to consider all the factors and issues that are of importance to the people and the culture of the host nation in order not to violate the beliefs and practices of the people of the host nation (Hill, 2013, p112).

Managerial Processes in the Internationalization Context

Two of the most affected managerial processes are communication and decision making (Wheeler et al., 2003, p68). The differences in communication can be both verbal as well as non-verbal. Differences in the verbal communication can be tone, accent, language, silence, pauses and conversational overlaps (Wheeler et al., 2003, p73). The differences in the non-verbal communications can be physical disposition, hand or face gestures and physical disposition (Wheeler et al., 2003, p74). Different cultures and nations can be distinguished based on the way they communicate. One of the greatest managerial challenges of a multi-national organization or the company that wishes to internationalize is the intra-organizational communication. The differences in the way people of the host nation and the managers from the parent nation can be the source of conflict in the organization (Minkov, 2011, p127). What the managers conceive can be perceived in a negative way by the subordinates of the host nation. There can also be problems in communicating the company's vision, objectives and the policies. The people of the host nation or the employees of the host nation may not be able share the objectives of the organization due to the difference in communication. Communication also plays an important role in minimizing the differences among the workers of with different cultural backgrounds. The differences in communications of the employees of the parent nation and the host nation may result in the employees of either or both the host nation and the parent nation feel isolated from the other group (Minkov, 2011, p126). This may result in ethnic or cultural groups within the organization, which effectively may harm the synergy among the workforce. Thus communication is one of the crucial managerial processes that needs to be addresses when a company plans to internationalize. The other importance managerial process that would be affected by internationalization is decision making. Decision making while working in an alien nation can have many issues due to the differences between the beliefs, values, attitudes and practices of the two cultures i.e. that of the parent nation and the host nation (Wheeler et al., 2003, p107). The relevance and the effectiveness of the decisions too vary from nation to nation. If a particular decision, especially related to consumers, is a wise one in a particular nation, the same can bring about negative outcomes in some other nation. Decision making in some cultures can be based on traditions, previous such decisions in a similar situation or on the procedures and policies. In some other cultures decision making can be spontaneous and based on the current trends, thinking and innovations (Guess, 2004, p47). Therefore, a decision that is valid and has positive effect in one nation can bring about adverse effects in another nation or vice versa. For example, Managers in Australia normally base their decisions on the current data and information while the managers from the Middle Eastern countries may follow tradition, policies and the previous decisions in similar situations while making a decision (Guess, 2004, p72). It is therefore important to study the sensitivities of the people of the host nation before taking a decision.

Revisiting the convergence and the divergence theory one can infer that people, societies and cultures are converging in terms of their economic goals and objectives. Internationalization from the economic perspective is a win-win situation for both the host nation and the parent nation. The company that internationalizes benefits from business growth and the parent nation would benefit from the growth of the home grown company in terms of revenue inflow to the nation. The host nation benefits in terms of capital and knowledge inflow and also in term so job creation and gradual improvisation in the socio economic conditions of the people. The nations are diverging too since the political ideologies are becoming more dissimilar among the nations and as such 'blocks' of nations in the world are disappearing (Wheeler et al., 2003, p135). Different nations are colluding purely on the basis of some common economic objectives in the recent decades than due to similarity in their political ideologies. Just a few decades ago, it was unthinkable of the US as having huge foreign trade with China, which is still a communist nation. However, currently the US is the largest foreign trade partner of China though the political ideologies of both are dissimilar. Pure economic interests have also forced the companies to adopt their products and services to meet the needs of the host nations. McDonald's in China serves soy milk and fried dough strips, which is unthinkable in its parent nation i.e. the US (Yan, 2014). McDonald's also serves noodles in Hong Kong, which is again a complete deviation from its brand image in the US (Yan, 2014). Thus the managerial practices of a company are largely affected by the host nation's culture. If the management of the organization that wishes to internationalize fails to respond to the local need of the host nation, the company may not do well in the host nation and may even cease to operate in the host nation very soon.

Conclusion

Globalization has led to the convergence of nations in terms of economic interests and growth objectives. A company that wishes to internationalize is largely motivated by the economic concerns and as such strives to do commercially good business in the host nation. The management processes in the course would either get transformed to meet the host nation's needs in an emergent manner or the organization itself carefully revisits its managerial processes such as communication and decision making in order to suit the sensitivities of the people of the host nation. Therefore, the statement that key challenge of an organization that wishes to internationalize is the impact of the host nation's culture on the management practices holds true.

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