The Influence of Culture in International Business

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Abstract

The goal of this paper is to analyze the influence of culture in international business. The globalization of the world economy has intensified international relationships, increasing the importance of cultural dimension. Literature has emphasized various variables that have influence over the culture of a population or a region. Many times these elements are invisible to the eyes of foreigners that travel around the world searching for new business opportunities, resulting in conflicts, problems and failures. Usually managers who take over the prevailing norms in their country, assuming they are equally valid in other contexts, may find difficulties in the performance of their companies. In order to be successful it is necessary to read the cultural context and seek the required adjustments to avoid problems may arise and affect the performance of our business.

Introduction

The world is being affected by the globalization of the economy. This phenomenon is bringing intense movement of companies, assets, services, capital and people. Analyzing globalization, Amboni and Meyer (1999) emphasize that this process is taking the world to major changes in the economic, technologic and social areas, which are having consequences in all organizations and societies that participate in this globalized market. It is a process that does not bring equal benefits to all participants. The globalization concentrates more of its actions in some sectors of economic activity and some regions and countries, rather than acting everywhere.

The world is getting flatter—doing business anywhere in the world is easier today because of major changes in technology, global politics and expanded educational opportunities. But it is not only businesses that are affected. Governments, NGOs and society itself is changing at a pace unseen before the internet, fiber optic cabling around the world, the fall of the Berlin Wall, the embrace of free trade by China and the investment in university-level education by India. Friedman (2005) notes that when Bill Clinton was elected President of the US in 1992, no one outside academia and government had e-mail or the Internet. Since then millions of workers have entered the global market from China, India and Russia. Just these two of several factors Friedman (2005) cites have changed the way the world conducts its business forever. There is no going back. Going forward can only happen if business leaders understand these factors and, perhaps more importantly, the cultural factors that make business work. In the end, it is one person making a business with another person— a deeply personal exchange based on at least two cultures.

We see, therefore globalization, the communication facilities based on technology, the reduction on transportation costs and, consequently, the increase in the interaction between countries is boosting the number of organizations entering the world of international business. As a consequence, the organizations as they act commercially in several countries, they see themselves obligated to adjust to the laws, the policies, the habits, the tastes and the preferences of these countries, as a path to become more effective in a different context. All these elements are direct expressions of a country's culture and this is something that is not always visible to the eyes of foreigners interested in doing business in a new country.

One of the biggest challenges faced by organizations that operate in the international market is the cultural differences. The purpose of this paper is to analyze the importance of the cultural dimension to organizations that work in the world of international business.

What is Culture?

There is no unanimous definition of culture. Several authors present different concepts of culture. Hofstede (1984) defines culture as a collective programming of minds that differentiates the members of a human group from another. Griffin and Pustay (1999) present culture as a collection of values, beliefs, behaviors, habits and attitudes that differentiate societies.

In the same line, Kuazaqui (1999) argues that culture is a sum of behaviors, beliefs, habits and symbols that are passed from generation to generation. Culture for Schein (1992) can be analyzed as a phenomenon that surrounds everyone all the time. For the same author, culture is constantly represented and created by our interaction with others.

As we examine these concepts, one perceives that culture is something impregnated in social groups with a very important role in the definition of the identity of a group of people or country. For this reason, it is important to understand it, so that it does not become a barrier to business in other countries.

All countries in the world have a culture that differentiates them from others. Consequently, there is a specific culture in each region or country that makes each one of them different as one examines looking at some factors. In this sense, Huntington (2003) emphasizes that people identify themselves in cultural groups, such as tribes, ethnic groups, religious communities, nations and, in a higher level, civilizations.

The large number of different cultures and the way they change as time passes, make their understanding more complicated. This way, as they refer to culture and its complexities, Montana and Charnov (1987) state that culture is something so difficult and complex that it does not only expand in the geographical horizon, but also in the time horizon, becoming for a foreigner, something virtually impossible to understand its richness and its deepness.

The complexity requires an analysis of its elements to facilitate its understanding. It is disseminated through manifestations, such as language, habits and customs, music, arts, literature, principles and values materialized in the behavior of social groups. It is necessary to examine these elements that are part of a country's culture to understand how this culture influences the behavior of people and groups, as well as its impact on the international business activities of an organization.

If national cultures provide serious challenges for globalized business efforts, organizational culture complicates the effort even more. Distinctive organizational cultures such as Microsoft and Apple Computer in the United States or Companhia Vale do Rio Doce and Petrobrás in Brazil are easily noticed and somewhat understood in their respective countries. It is a leap of faith to believe that the nuances of cultural differences in the organization would be picked up by management in different national and business cultures worldwide. Organizational culture will be adressed later on.

Elements of culture: Griffin and Pustay's Approach

A variety of elements create the culture of a population or a country through time. These elements affect, isolated or in group, business between parties located in different parts of the planet. Griffin and Pustay (1999) cite six elements form the culture of a country: social structure, language, communication, religion, values and attitudes. The interaction of these six elements form the culture of a location, to which foreign business will have to adapt.

In all groups of people there is a social structure, which defines the role of individuals, its stratification and the mobility in society. One of the first aspects of social structure is the role of family in society. As in some countries, such as the United States, the family focus is largely in the nuclear family (father, mother, sons and daughters) in other cultures, such as the Arab, the family is seen in a larger sense, including aunts, cousins and brothers-in-law as part of the family unit. In other countries, the extension of family ties is larger, in Somalia, for example, the local society is divided in clans. Each clan is formed by people who have common ancestors.

Cultures also change in relation to the importance of the individual versus the group. Some societies are centered in individualism, such as the United States, while other societies are based in collective and group work, such as Israel and Japan.

According to Rosenzweig (1994), in countries with individualist culture, people do not feel major responsibilities over the work of a colleague or over the performance of the group. The same author emphasizes that in collectivist cultures, people tend to work harder when they feel as part of a group trying to satisfy collective expectations.

Societies differ in relation to their social stratification. The caste system, in India, for example, affects the way people relate to each other and the level of mobility inside the society, while in countries where social stratification is less important, as the United States of America, communication is free and open and the level of mobility inside the society is very high.

Language is another important element of culture. Language organizes the way members of a society see the world. In addition, language gives important clues about the cultural values. The presence of more than one language in a country is an indicator of diversity in the country's population. Although countries with the same language should not be seen as countries with the same culture. Griffin and Pustay (1999) state that linguistic ties create important competitive advantages—because the ability to communicate is very important in conducting business transactions.

Another element present in this context is communication. The importance of communication comes from the necessity of this factor for the understanding between people. The chances of people having difficulties in understanding each other are quite big when we deal with people from different cultures. In some cultures, great emphasis is given, in business, to interpersonal relations, as in Saudi Arabia, in China and in Japan. In other countries, legal terms are considered most important, while interpersonal relations have a minor importance, like in the United States, Great Britain and Canada. Great care should be taken, regarding communication, especially with the first block of countries, since a misunderstanding can end a negotiation, because in those countries the importance given to personal relationship is very high. Griffin and Pustay (1999) state that in countries like Japan, Saudi Arabia or Egypt the presence of a lawyer, especially during a first business meeting, it is interpreted as a lack of confidence by the other part.

Regarding contracts, Rosenzweig (1994) points out that Americans tend to be more accurate and pay more attention to details regarding the legal part of the business, requiring longer contracts, with many terms. Other cultures which function on mutual trust are satisfied with shorter contracts where are established, in a succinct form, the responsibilities and mutual obligations of the parties.

Religion is another important element in most societies. The impact of religion in the business world varies from country to country, according to the legal system of each, the homogeneity of the religious creeds and their tolerance with other religions. Religion also affects the type of products that consumers buy and the seasonality of some purchases. Religious restrictions are also imposed to individuals affecting their capacity for work as well as their availability for the work journey.

Culture also affects and is reflected in values and attitudes by the members of a society. For Griffin and Pustay (1999) values are the principles and patterns accepted by the members of a society, while attitudes are the actions, feelings and thoughts that are the outcome of those values.

Countries have different perceptions of time. While in some countries, meetings and appointments are carried out at the established time, in others the concept of time is more flexible and appointments always begin late—after the established time.

The time that negotiations require also varies from culture to culture. While in the West, business people tend to be more direct and faster in negotiations, in the East they tend to be more cautious, demanding more time to conclude an agreement or a negotiation.

In reference to the different perceptions of time, Morgan (1989) cites as an example Ethiopia where the time to make a decision is directly proportional to its importance. This is reflected in the work of bureaucrats of lower rank in Ethiopian organizations, who usually take more time in decision making, as a way of increasing the prestige of their work. Other people can, innocently, offend the natives by suggesting that the process of decision making should be accelerated, since this would represent disregard to the importance of their work.

Countries also have different values and attitudes regarding age. In certain countries, like Asian and Arab societies, respect for age is stronger than in a country as the United States. In the Japanese corporative culture, as an example, age and the hierarchical position of the person in the company are directly proportional. Because of this, many times, when American companies send young executives to negotiate with senior executives in countries like China or Japan, the results have been frustrating.

Businesses, in general, are established and materialized based on trust and mutual respect. This process of knowing our business partners and trusting them requires some time, effort, patience and a good reading of the cultural context where we want to act.

Culture and Its Dimensions: Hall's Approach

Culture exerts influence in businesses and in the administration of organizations, under different forms. When frontiers are crossed, it is common to meet a different, distinct reality with its own characteristics, up to then unknown by the visitor. The organizations, when intensifying relationships with partners in other countries and when establishing themselves in other parts of the world, are subject to an increased influence of the cultural component in their businesses.

When examining the cultural elements, Hall (In: Rosenzweig, 1994) establishes the cultural dimensions. For the author, culture materializes itself through five silent languages: time, space, property, friendship and agreements.

Culture varies according to these five dimensions, which require its own language in order to be able to understand and act in them. Hall (1969) emphasizes the necessity of paying attention to culture's silent languages in order to better comprehend a culture and be able to act in it.

Therefore the time dimension, the form to agree or disagree and body language become critical elements for the success of negotiations. The time language, for example, is used in some countries as a linear thing, logical and reasonable. In other countries, the use of time is observed in a more flexible, fluid, non-linear and permissive form. There are countries where being late and delayed for meetings, for example, is not accepted, while in others they are perfectly understandable—even expected. Another aspect related to time is the distinct schedule, from the rest of the world, observed in countries like Spain and Mexico for the operation of commercial activities.

The tradition of the "*siesta*", or rather, a prolonged time for lunch and rest, largely practiced in Spain, in Mexico and in various other countries colonized by the Spanish is well known. It is also internationally known, the delays for the beginning of meetings in Latin American countries, which is a cause of irritation for many businessmen who visit this region.

Morgan (1989) describes that, in Arab countries, the concept of time is different in relation to the interlocutor. According to the author, relatives usually get faster services than people who are not relatives, as do important people who also tend to be treated more promptly.

The space language is another important dimension which varies according to each culture. In regard to this, Hall (In: Rosenzweig, 1994) emphasizes the norms for social distance. The distance people keep between them when facing each other, reveals the degree of formality, intimacy or friendship. This distance varies from one culture to another and can be easily observed. In Latin countries, as in Brazil, the distance between people, in a formal or informal context, is closer than in Anglo-Saxon countries, like England, for example.

The use of material goods is another important form of cultural communication as per Hall (In: Rosenzweig, 1994). The North American culture, for example, strongly values the acquisition and possession of material goods. The status of a person is measured by the clothes worn, the car driven, or the house owned. Still according to Hall (In: Rosenzweig, 1994), in American companies the ownership or the use of spacious offices with a beautiful view, the use of the company car, the size of the desk, salary, constitute the elements of comparison between people. In Japanese companies, on the contrary, executives share their offices with other employees and the difference in salaries is smaller. Distinct from American companies, the reality of the European companies reveals the existence of a more even salary scale between the highest and lowest; it is possible to grant less importance to material aspects and status in the organization.

The way friendship and the inter-relation between people develop is another important dimension of the countries' culture. In many cultures, a person is better known by a network of relatives and friends than by the property owned. There are cultures which emphasize friendship as an important factor of relationship among people. In them we observe more lasting relationships, which require time to build and solidify. For Hall (In: Rosenzweig, 1994), one factor that calls the attention of foreigners who visit the United States is the facility in which friendships are made, as with their surprising transitory nature.

The last element of culture emphasized by Hall (In: Rosenzweig, 1994), is the form how people express their approval or disapproval. While in some cultures the agreements have to be written and formalized, in others it is based in trust and confirmed with a handshake. As the author points out, in certain cultures disagreements are shown in an explicit and open form in the sense of modifying some item or detail of some agreement or contract, or even, its rejection. In other cultures, however, the disagreement is shown in a more subtle way, not being acceptable a simple rejection of the proposed terms.

Cultural dimensions are important factors to analyze when joining the international market. The lack of comprehension of these variables can defeat the development of businesses in other countries as well as the capacity of competing outside of national frontiers.

Cultural Challenges in a Globalized World

More and more people are facing many challenges in the globalized world. Cultural factors are one of the most frequent and difficult barriers to be overcome by anyone doing business in an international arena.

One viewpoint raised by critics of globalization is the fact that this process would be establishing world patterns and therefore breaking up a little of the local culture. It is

important to point out what Bhagwati (2004), a United Nations specialist and an advisor in the subject, shows. According to him, globalization has various dimensions, especially the economical dimension the one that has been the aim of major debates and critics all over the world. For him, globalization, in its economical dimension "...constitutes the integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology...." (BHAGWATI, 2004, p. 3-4).

While examining the process of globalization which today is observed in the world, Bhagwati (2004) emphasizes that this process is sustained by four basic factors: 1) higher degree of interference of governments to reduce obstacles in trade and investments flows all over the world; 2) new information technologies, facilitating the displacement of services and the transference of capital in a very fast way; 3) bigger economical vulnerability due to the increasing integration of the nations all over the world to an international economy, intensifying competitive pressures among real and potential competitors; 4) bigger interdependency among the nations-state and limitation of the paternalistic state to promote the well-being of the citizens.

Friedman (2005) provides a good example of how companies are taking advantage of globalization by stating that in 2004 statuettes of Mexico's patron saint, the Virgin of Guadalupe, were being imported from China. Mexico, a low-wage manufacturing country, discovered that China was able to make the statuettes and ship them half way around the world more cheaply than Mexicans. Even Mexico, like the US and other developed countries, is getting flattened by China.

Regarding the cultural impact of globalization, Bhagwati (2004) reminds us of the event of August 12, 1999, when an unknown French farmer named José Bové, with a group of other farmers, destroyed the McDonald's building which was not yet finished, in the French city of Millau. According to the author, the event had worldwide repercussions, since it represented, at the same time, an anti-American and anti-globalization symbolic challenge. Bové was seen as Asterix, the Gallic hero who fought the Roman Empire power, "the small against the big" (BHAGWATI, 2004, p. 106-107). The episode was seen, as the author shows, as an action which combined culture and agriculture and had as focus two French obsessions: its cuisine and its agriculture which felt threatened by the dissemination of the world's biggest fast-food network and by a commerce liberalization politics, with Anglo-Saxon support.

The underlying idea, in this act of Bové and his followers, was to call attention to the economical globalization as a threat to the domineering cultures. For Bhagwati (2004), this understanding is too simple and pessimistic—pointing out that many times, economic globalization is formed by a process of cultural enrichment. In the case of the McDonald's network, what was observed in France was the reverse process: the French influence in the restaurant's menu, showing an adaptation of the franchise to the French culture. Side by side with the traditional hamburger, one can find brioches and *expresso* coffee.

Today McDonald's and Conservation International collaborate on providing McDonald's with beef, chicken, pork, wheat and so on with as little damage to the environment as possible. Governments and NGOs are engaging in global business and bring with them their own cultures and problems. (Friedman, 2005).

The importance of the culture is so big in the international scene that more and more it is affecting the relationships among international actors. For Huntington (2003) since the end of the cold war, international politics has been reshaped by cultural forces.

Globalization has, on one hand, brought people closer to each other, even when there are great distances among them. On the other hand, globalization has forced many people and companies to relate in a closer and more intense form with their peers in other countries, some with completely different cultural values. In particular new technologies, especially the

internet, have exercised an important role, facilitating communication among people all over the world.

For Griffin and Pustay (1999), the companies, while expanding their sales in the external market, install production units in other countries and seek all over the world even more productive and talented collaborators. On the other hand, companies see themselves more and more challenged by the cultural differences among countries and the people with whom they have business relations. Hill (2001) emphasizes that international business is different from domestic business, precisely because countries and societies are different.

These trends make companies work harder to understand other countries' cultures. With this, they try to prevent cultural differences from becoming barriers that hinder negotiations with their partners in other countries. Knowing and understanding the cultural differences are indispensable conditions for the success in international business. Many organizations learned this lesson by losing resources because they invested in enterprises without taking into consideration the local culture. Bateman and Snell (1998) state that the majority of people do not pay attention to the way culture influences their daily behavior and, for this reason, they tend to adapt themselves precariously to unique and strange situations. This is why people who travel abroad experience culture shock—disorientation and stress associated to being in strange surroundings.

International business has taken on an entirely new meaning with the expansion of fiber optic cables around the world during the 1990s. Businesses in developed countries can outsource anything that can be digitized, such as accounting records and tax returns, to developing countries immediately. US accountants send accounting work to highly-qualified accountants in India one day and receive the completed work the next morning when they arrive at work—right there on their computer terminal. The Indian accountants—many educated in the US and all fully trained in US accounting procedures—work for about one-fifth the cost of US accountants. This is a whole new dimension to business exchange culture—the speed at which businesses are communicating (Friedman, 2005).

Outsourcing to companies offshore is becoming more frequent and is making people with different cultures to interact more closely. In this scenario, understanding each other's culture becomes a requirement. Hill (2001) argues that one of the important factors of success in international businesses is the cross-culture literacy. Cross-culture literacy is understood as the capacity of understanding how the existing cultural differences among nations can affect the way businesses are handled.

Any individual with *cross culture literacy* will have a greater capacity in relating with people and organizations from other places, by knowing how to understand cultural differences. This is exactly the first step in building successful businesses in the external market.

Griffin and Pustay (1999) consider *cross culture literacy* the first step in the acculturation process. This is a process by which people not only understand the foreign culture but also change and adapt their behavior in a way to adequate themselves to a specific foreign culture.

The acculturation process goes a little further, including elements which make people change their behavior aiming to get closer to the other culture. Acculturation involves an internal behavioral change of the person aiming to eliminate or minimize the culture shock.

The fear of culture shock is so big that the organizations that venture into international business tend to start their activities in countries which present cultural similarities to their own country. This is one of the main reasons why North-American organizations begin their international expansion in Canada or Great Britain or Argentinean companies go through Chilean, Paraguayan or Uruguayan markets.

However, the biggest problem of companies that go into the world of international business is misinformation. For Hill (2001), in dealing with international businesses, to be misinformed about the other culture increases the probability of failure.

The organizations need to be well prepared to act in a market which is becoming more and more global. For this it is necessary to be prepared to operate in other cultures and avoid getting into conflict with them. Hill (2001) states that it is necessary to review the manner how negotiations are transacted, the company's structure, the name of the product, the tone of the relationships between administration and employees, the strategy for promoting the products and to find an adequate way to pay and stimulate the sales teams in the various cultures.

To better understand the culture of a place, there is nothing better than having local people collaborating, by bringing information about the specifics and characteristics of the country or region. According to Hill (2001), it is very important to employ local citizens to help the company to do business in a certain culture, but, above all, it should make sure that the executives at company headquarters are cosmopolitan enough to understand how cultural differences affect business.

For Montana and Charnov (1987), anyone who wishes to do business with a foreign country can make the mistake of thinking that everything that works in one's own country will work in other countries. Learning about a culture means getting familiarized with the history, costumes and beliefs, including local concepts of time, space, friendship and duties. The mentioned authors believe that a company can improve its chances of success in a foreign place by developing the following activities:

a. Prepare the administrators in a formal and careful way to manage activities abroad, through lectures and presentations and by explaining the culture—before sending the administrator. Being able to speak the country's language is not required, but it should be considered as something desired;
b. Select executives who are open to other cultures;
c. Hire local administrators as consultants or employees to direct the foreign executives to improve the way of conducting business in that country;

The companies need to be constantly self-monitored in order to avoid an ethnocentric imposition of their way of being to the foreign markets where they start to operate. In particular, emphasizes Hill (2001), ethnocentrism presents itself as a belief in the superiority of one's own race or culture. For Hill, ethnocentrism goes beyond, and it can even lead to a complete disrespect for the culture of the other countries.

The cultural aspect needs to be analyzed with care as it can become one of the most treacherous aspects when the operation field is the external market. Bateman and Snell (1998) emphasize that cultural aspects represent the most misleading aspect of international businesses. In an age when modern technologies of transportation and communication build a global village, it is easy to forget how profound and lasting can be the differences between countries. The fact that people everywhere drink Coca-Cola, wear the same type clothes and drive the same cars does not mean that they are becoming the same. For the same authors, each country is unique in their history, culture, language, geography, social conditions, race and religion.

Although the world, due to globalization, seems to be becoming more similar, local cultures still have a very important role in the shaping of people's identities. The cultural difference which exists among the different countries is one of the biggest problems that companies face when they become international.

Culture and Management

Companies from different countries are managed based on distinct values, beliefs and priorities. Culture directly influences management producing specific characteristics and forms affecting actions.

One of the problems that makes the understanding of the relation between culture and administration more difficult, according to Rosenzweig (1994), is the comprehension of what is understood as "culture." A second reason, according to the same author, is the conjecture that all members of a certain culture behave identically, that is, follow the same cultural stereotypes. A third and last reason is the lack of a systematic reflection regarding the forms by which culture manifests itself in the business surroundings.

There is no single objective or clear definition of culture. A common point in literature is that culture is known as a system of shared ideas, thoughts and meanings. Like countries, the organizations have a culture, an organizational culture which influences the perception and the understanding of the organization, its reality and its performance by the people who are a part of it.

Organizational culture is formed by "A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems." (Schein, 1992, pg. 12). For Schein, it is something dynamic that is learned, transmitted and changed. The author emphasizes that the culture of an organization is constantly represented and created by interactions between people.

Morgan (1989) compares the corporative culture to an iceberg. The author affirms that what we see on the surface is based on a deeper reality. The visible elements of culture are sustained by all types of values, creeds, ideologies and suppositions present in a determined society.

Japan and China present very distinct management characteristics. In Chinese companies for example, there is always a familial presence inside the company. The Chinese companies many times are confused with the founder's family. Already in Japan, companies prefer creating a surrounding that is similar to a family home, even if their collaborators are not related between themselves. Both in Japan and in China it is believed that family relationships are more trustworthy and, for this reason, they are stimulated inside the organizational surrounding. Drucker (1997) points out that, while the secret of the Japanese administration is to transform a modern corporation into a family, in the Chinese administration the secret is to transform the family into a modern corporation.

The inability to coexist with distinct cultures in the same company is a challenge for the administration. Schein (1992) describes the example of the European subsidiary of a North American company, which was not able to find local administrators to name to the board of trustees, because everyone was considered "too emotional." For Schein, they did not realize that the stereotype of a cold and emotionless administrator was based on the North American pattern.

Many companies fail in their international experiences exactly for not adjusting themselves to the local culture and for not promoting the integration of their local employees to the organization's culture. Mthembu (1996) stresses that many companies in South Africa brought to the business world a foreign culture which was unknown to the employees, which did not allow them to better explore the potential of their employees.

Cultural differences can also explain the differences on the enterprising level between two populations. Stoner and Freeman (1995) argue that the entrepreneurism level in Japan and in the United States is different due to the cultural differences that exist. While the American culture emphasizes individualism, the Japanese culture emphasizes group action and cooperation in addition to the cooperation between the government and companies. In the

opinion of Stoner and Freeman, this cultural difference suggests the North Americans have a higher level of entrepreneurism than the Japanese.

The level of entrepreneurism is also affected by the existing social mobility in a society. In societies where culture makes the society less stratified, the level of entrepreneurism tends to be higher than in societies where there is much social stratification. Stoner and Freeman (1995) offer the example of India, where people are born into castes—social divisions which execute distinct economical functions. Even though caste structure is less strict than before India's independence, it still is very strong especially in rural areas. Stoner and Freeman suggest it is much simpler for a carpenter's son in the United States to become an entrepreneur, than the son of an Indian carpenter.

Multiculturalism is another reality that affects companies, especially those in developed countries. According to Robbins (2002), an important factor related to the cultural diversity is the multiculturalism. Globalization has reduced barriers for immigration, making countries like England, Germany, the United States and Canada go through profound changes in their population profile. When relating to migratory movements, Bhagwati (2004) points out that nowadays 175 million people, or 3 percent of the world population, cross frontiers to live for over a year in other countries. Canada is a typical case due to the big contingent of people who immigrated recently from Hong Kong, Vietnam, Pakistan and countries from the Near East. These immigrants are making Canada's population more diversified and its manpower more heterogeneous. As a result, it is increasing the number of people from different cultural origins, working in the same organization.

The difficulty in accepting and dealing with different cultures is also reflected in international political decisions. The decision to accept the entrance of Turkey in the European Union faces opposition of some European countries for being a country with a Muslim majority and of having a different culture from the countries in Western Europe. France's ex-president, Valery Giscard d'Estaing even stated that he was against the entrance of Turkey in the European Union because it is "a different culture, a different approach and a different life style" (THE ECONOMIST, 2005, p. 3).

We notice that management of companies in a globalized world is becoming more complex due to the high number of different cultures involved. The capacity of managing multicultural surroundings is becoming a requirement in a globalized world. By the same talk, understanding and integrating cultural differences to contribute to the success of businesses is one of the largest challenges of management in a globalized economy.

The Importance of Culture for Organization Management

In practical terms, the success of organization is closely related to its capacity of reading, analyzing and giving answers to the region's cultural particularities where it acts. The globalized world intensified the presence of foreign organizations in all continents giving more attention to the cultural differences. Culture presents an impact in many dimensions of the management activity, such as marketing, production, people, and financial-accountancy.

In the marketing area, culture has a strong impact in the moment that influences tastes, preferences and customs of the consumers. This makes the company adjust its advertising policies, promotions, product development, location and pricing to the cultural specifications of the local community.

In the production area, however, cultural influences the manner, the schedules and the individual and group activities. The ones responsible for the management of the production units abroad need to know the local culture in order to avoid their values clashing with local values. Lamb (1987) describes the lack of motivation that the population in Angola shows for

increasing production, due to years of Marxist oriented governments and of a paternalistic tribal culture.

The area of personnel management is strongly influenced by the cultural differences. Besides differences mentioned above, people are motivated by different reasons which change from one culture to another. The rewards and incentives differ among the cultures, obliging managers to adapt their personal management strategies to the local values. For example, the personnel department policies of a company in Japan, which has a paternalistic culture, needs to be different from a personnel department policies of a company in the United States, where the culture is competitive and individualistic.

Lastly, the financial-accountancy dimension deserves special attention from managers when acting in other cultures. The local culture has an influence over the fiscal and tributary legislation and comes under the form of how the same is observed and followed by organizations and society. While in some countries the fiscal and tributary legislation is strictly enforced, in others it is observed in a more lax way, allowing escape from current legislation. Culture also affects other financial aspects. In Muslim countries, for example, charging interest is not allowed.

These elements reflect the complexity, importance and intensity that cultural factors are spread throughout organizations in the globalized world, affecting their management. As the international businesses are intensified on the planet, more emphasized is the influence of organizational culture.

Conclusion

. Today's world is represented by a large interaction among companies localized in all parts of the planet and by an intense movement of people, merchandise and services. In this context, the cultural dimension is constituted, in a crescent form, in a strategic component in the international businesses.

These businesses require from the companies, contacts, trips and meetings among potential buyers, sellers and partners interested in developing commercial relations, negotiations and alliances for business success. In these activities, problems of a cultural nature emerge influencing, many times, the development of the negotiations. It is important that people who represent companies abroad become aware of the cultural differences and of the possible influences of these differences in the success of their jobs.

Culture is, many times, something invisible abroad or to the ill-informed visitor, being spread in thin in individual and group behavior. Managers, when crossing countries' frontiers with the frequency which is observed today, need to pay attention to the countries' and organizations' cultural dimension with which they relate under the penalty of having their work compromised.

Managers by taking over the prevailing norms in their country, assumes they are equally valid in other contexts, may find difficulties in the performance of their company. It is not sufficient for the businessman to be aware of the cultural differences. To understand the cultural differences and adjust to them, is a requirement for the success of any manager who acts in a globalized economy.

Since 2000 because of the collapse of communism in the Soviet empire, the shift to market capitalism in China and the development of India, approximately 1.5 billion new workers have entered the global economy (Friedman, 2005, 182). There is no turning back. Moving forward must be built on cultural understanding, one person and one business at a time.

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