

Culture as an Issue in Knowledge Sharing: A Means of Competitive Advantage

Martin Soley and Kaushik V. Pandya*

University of Luton, UK

msoley@screamweb.co.uk

kaushik.pandya@luton.ac.uk

* Author for Correspondence

Abstract: In order for companies to remain competitive they must be able to utilise their knowledge of customers, products, services and resources. This can be instilled in the culture of the organisation, and this becomes paramount when the organisation deals in international markets. This research paper focuses on five main attributes, most pertinent to this study, of culture (identified by Terpstra and Sarathy, and by Gesteland). These attributes are technology and material culture, religion, language, education, and business ethics. The primary data comprised of interviews from six different e-Businesses.

Keywords: culture, knowledge sharing, technology, e-business,

1. Introduction

A major source of cultural globalisation today is business activities. As businesses find new markets for products, they transmit cultural messages of how people should talk, dress, think and feel (Chee & Harris 1998). Many international scholars have argued that we are living in a 'borderless world' where customer's needs are converging. Many businesses are trying to produce a standardized product or service that can serve all global needs. As images like these and business activities go global, they increasingly have an effect on traditional cultural habits and beliefs of different nations. However, businesses are realising that local adaptation is needed due to local culture. This paper identifies whether culture really does effect UK business operations in B2B and B2C markets, analysing how UK businesses have overcome cultural barriers, what methods they have used to overcome these barriers. Also, can technology overcome cultural barriers in international markets? If technology does prove to overcome cultural barriers, then theoretically UK businesses should not encounter cultural barriers.

These five main attributes/elements/traits of culture are derived partly from that proposed by Terpstra and Sarathy (1972) and Gesteland (1999). These attributes are: technology and material culture, language, education, religion and business ethics. The primary data collected in the study consists of interview with six different organisations. The study also explores whether technology can overcome cultural barriers. The new data also considers whether the systems and policies of UK businesses currently is utilised in order to overcome cultural barriers. This is not a definitive collection of solutions for UK businesses to adopt, but provides new insights

into how UK businesses can overcome some of the cultural barriers in international markets. The lack of in-depth research into international culture issues for e-Business prompted the authors to carry out this study.

2. Objectives of the research

The objectives of these research investigations were:

- To evaluate whether culture really does effect UK business operations in international markets.
- To examine and analyse the provisions businesses utilise to overcome the cultural problems of today's international marketing, if they exist.
- Identify the main cultural problems associated with UK business operations in international markets, suggesting solutions based on primary research.
- To investigate whether technology can overcome cultural problems in international markets.

The research identified and examined a number of knowledge related issues associated with culture and the UK e-Business industry. This study examines the work of academics in relation to culture and the impact it has on E-Business. Subsequently, the authors examined how these businesses have overcome problems in today's market. This assisted in highlighting potential problems and formulation of recommendations.

2.1 General hypothesis

Certain cultural attributes could impede UK organisations carrying out business in international markets. This could be due to a lack of knowledge sharing between the home and the host country partners, or a lack of preparation and expertise on the part of the UK

business. The most prominent of these was studied in relation to their effect on the UK organisations. The cultural traits were investigated; some attributes have a major influence, whilst others do not have any effect at all. This research identifies and analyses the main cultural variables that UK businesses should have knowledge (either as explicit or implicit) of and share this knowledge. A general hypothesis was offered:

“Certain cultural traits could effect UK Business operations in international markets to the extent that if not taken seriously could result in misunderstandings that may result in lost time and money, or further still result in the disbandment of the international relationship.”

2.2 Methodology

To undertake an empirical study into the effects of culture on international markets interviews were considered to be necessary to gather fresh insight as to how UK e-Businesses overcome cultural barriers.

The dynamic nature of e-Business and culture means that much of secondary data is out of date, which arguably would lead to an inaccurate analysis, in addition to not answering the issues raised in the objectives. The other important element of the primary source was to identify whether industry professionals agree or disagree with various academics from the literature review.

In order to carry out research of this nature, it was necessary to collect a sample of the UK businesses by choosing carefully a selected number of businesses that had expertise in the field of e-Business and international marketing. The reasoning behind the choice of e-Businesses as an area of focus was because they possess a wealth of experience and expertise in this field, which in-turn can provide much needed knowledge for businesses and SME attempting to enter international working relations.

All interviews were with senior managers and conducted over the telephone due to geographical distances. Anonymity was granted to participants to keep their identity unknown. The detailed questions asked in the interviews were designed to query the importance of international culture on the e-Business industry and thus exploiting knowledge sharing. Two enquires were of particular interest. Firstly, does knowledge of culture affect the way UK organisations carry out business with international partners?

Secondly, does the use of technology overcome cultural barriers? To spare the unnecessary details, the details of the questions and the response from the interviews are not shown.

The study was carried out using the results from interview with six UK e-Businesses. They were:

1. A supply chain optimisation company
2. A world's leading management consulting and technology services company working within every industry worldwide
3. A consultancy working with clients to make the most of their investments in technology
4. A global technology services company with employees in 100 countries
5. An information systems company providing a range of consultancy, systems integration and support services to many business sectors including transportation, energy, industry and finance.
6. A software developer that analyses the performance and scalability of IT systems.

3. What is culture?

The word ‘culture’ stems from the Latin “colere”, translated as to build on, to cultivate, to foster. *Leibnitz, Voltaire, Hegel, von Humboldt, Kant, Freud, Adorno, Marcuse*, all have reflected on the meaning of the word in different versions of its use. Since then various schools of thought concerning the term culture have been encountered. For instance, during the 19th century the concept of mass culture and popular culture emerged. During this time, theories emerged epitomizing culture as values shared amongst distinctive social groups and classes. Another view of culture identifies culture as a set of values and attributes of a given group, and the relation of the individual to the culture, and the individual’s acquisition of those values and attributes. Hofstede (1991) refers to this as the “*collective programming of the mind.*”

Indeed culture is not an easy phenomenon to quantify, having seen no less than one hundred definitions, with definition such as culture a “*shared system of perceptions and values, or a group who share a certain system of perceptions and values.*” The authors of this study would add to this; “sub-groups, shared beliefs and basic assumptions deriving from a group”. The authors acknowledge that this definition is not exhaustive. This is because culture as a collectively held set of attributes is constantly evolving and dynamic in nature.

Kahal (1994) stated, *“In international business dealings, ignorance of cultural differences is not just unfortunate, it is bad business.”* This lead to ask: How much knowledge has one regarding culture? However many organisations fail to acknowledge this. Culture has always provided problems for many organisations and it is generally a lack of understanding and knowledge sharing regarding the culture that has brought culture under the spotlight.

This paper aims to simplify the complexity of culture by identifying and examining a number of cultural traits/attributes that are pertinent to the UK organisations. When examining culture many researchers have initiated cultural issues, where attributes such as language, material culture and religion can be further analysed and discussed. The authors of this research paper have proposed a basis for a cultural framework and identified attributes having effect on the organisations, important mainly to the e-Business industry.

3.1 Issue of communication

Communication is an important concept in this study as it entails the sharing and transfer of knowledge among and of cultures, examining and identifying the major traits. It is considered that any organisation’s knowledge repository should include the knowledge of the culture of their trading partners or end consumer. The authors have identified and analysed various schools of thought derived from academics.

Schramm (1955) defines communication at its simplest level as *“the process of establishing a commonness or oneness of thought between a sender and receiver.”* Managers at all levels generally need to be able to communicate successfully. Increasingly they must communicate in a new world of diverse colleagues, clients and customers of international operations. Indeed the way one communicates today is in contrast to even five years ago. Communication, via Internet, can enable people, separated by thousands of miles, to know of the activities of others whom they do not personally know, and show potentially common elements in the ways different geographically separated people conduct their lives. Culture and communication are necessary simultaneously – they go hand-in-hand.

This also highlights the decisions UK businesses face, whether to standardize products or services even though products or

services may be culturally bound and lose potential clients, or adapt to local cultural conditions. The latter decision will provide additional costs. A key question therefore is whether the cost of adaptation is exceeded by higher margins.

In high-context cultures people rely heavily on the overall situation to interpret messages and so the messages, which are explicitly spoken, can be elliptical. In low-context cultures people rely more on explicit verbal content of messages. Conflicts could arise between high and low context cultures. Many examples of these two contexts have been seen. This may prove difficult for UK e-Businesses that attempt to sell a business proposition by e-mail to a high-context culture.

There are two theories the convergence and divergence of cross-cultural communication. The convergent theory argues that increased cultural uniformity occurs through increased communication between home and host country. Here cross-cultural communication is defined as a process of creating, maintaining, or bridging racial, ethnic, or national boundaries. The emphasis is on sharing knowledge, leading to mutual understanding, mutual agreement, and collective action.

The divergence school of thinking (Chee and Harris, Browning 1998) argue that as communication across cultures increases, there may be greater recognition of cultural differences. Munter (1993) argues, *“We need to remember that other cultures do not necessarily share our behaviours, verbal and non-verbal,”* claiming that cultures differ from one another because there is less contact between cultures than within them. If everybody communicated with people outside their culture as much as they with people within it, cultures would soon disappear. Chee and Harris (1998) argue that few countries are dominated by a culture that goes unchallenged. Thus, Intra-cultural differences have to be understood as well as cross cultural communication.

3.1.1 Online technology

Online communication technology allows individuals from different cultural backgrounds to communicate with each other directly and quickly. However, such technology, in its removal of more traditional communication obstacles such as time and distance, may increase other cultural differences. Computer-Mediated Communication (CMC) is the process by which people create, exchange,

and perceive information using networked telecommunication systems (or non-networked computers) that facilitate encoding, transmitting, and decoding messages (December, 2002). The way people from different nations interpret a message across CMC or the approach in which they use CMC in a business relationship can vary from country to country depending on the culture.

From analysing the literature, it is considered that communication should be an integral part of this study. UK e-Business must act with caution when communicating across national borders.

3.2 Culture's place in international markets

What is the role of culture in international markets? This role is partly because it helps to explain why different groups of people perceive things on their own way and perform things differently from other groups. Some authors argue that knowledge of a culture can help reduce complexity and uncertainty in decision-making, while others argue that the issue of culture and the need for better understanding have become major parts of organisational behaviour.

Academics have debated the importance of understanding the culture values of foreign associates. This makes it increasingly important for businesses to understand the value of other cultures, as well as their own. However, Usunier (1996) argues that not everything is culture based. Referring to the work of authors who typically stereotype individual nations by behaviours, Usunier (1996) believes that we have a rather stereotyped perception of such behaviours, which only provides a superficial incomplete picture of the cultural group. Some authors have argued that all societies are culturally unique, and pose a unique set of marketing problems that keep changing over time. Others have contradicted this by saying that as countries industrialise, basic human needs and behaviours become similar.

Hofstede (1984) and Trompenaars (1993) suggested that human behaviours could be affected by cultural variants. Hofstede argued that culture is collective programming, which affects behaviour. Hofstede's work represents an attempt to understand work related differences between countries and to account for these by reference to preferred management styles. Trompenaars also attempted to make a direct link between

cultural variance and workplace behaviour. Both Hofstede's and Trompenaars' work identifies a linkage between national culture and workplace behaviour.

Deresky (1994) provides some assistance for managing and contrasting cultural variables across national borders. Deresky terms the skill for managing people and processes in other countries as 'cultural savvy', that is, a working knowledge of the cultural variables, affecting management decisions. She also proposes that global managers should develop a cultural profile for each country/region with which one does or is considering doing business. Managers should be careful not to generalise in compiling cultural profiles.

Keegan and Schlegelmilch (1999) argue the reason why there are so many international marketing blunders is because many global managers suffer from cultural myopia. They argue that becoming a global manager means learning how to let go of cultural assumptions. Failure to do so will hinder accurate understandings of the meanings, significance of the statements and behaviours of business associates from a different culture. The ability to see the exact dimensions within a culture can eliminate ethnocentrism from the global marketer's perspective. The concept of ethnocentrism can often be interpreted as a form of nationalism. Comments such as "*they all speak English anyway,*" can be an unnecessary attitude towards the host nation.

In this study the authors adopted the definition of culture identified by Terpstra & Sarathy (1972) with key five attributes of culture: Technology and material culture, language, education and religion. Gesteland (1999) added ethics as an attribute of culture. All these attributes together were analysed in relation to their effects on businesses, and as an issue in Knowledge sharing.

3.2.1 Technology and Material Culture

Material culture is divided into two closely related subjects, technology and economics. The people of society possess technology, including the technical knowledge. Terpstra and Sarathy (1972) argue that a host country's technological infrastructure can hinder international business. Africa has 12% of the world's population, but just 2% of the world's main telephone lines (Internet World, Nov 1995). There is a lack of technical knowledge in Africa. This spread of the Internet among nations has been unequal mainly depending

on each country's economic and social development level (http://www.nua.com/surveys/how_many_online/index.htm). The main problems for developing countries is that many businesses can not afford to get wired, while country as a whole was suffering from, among other such things; HIV/AIDS, famine, governmental instability, from inefficient phone systems. Many academics label this the 'digital divide.' The two major cultural stumbling blocks are the lack of IT infrastructure and the insufficient technical knowledge in the host nation.

3.2.2 Language

The primary Internet Language is English. Terpstra and Sarathy (1972) argue that language is the most obvious difference between cultures. Inextricably linked with all other aspects of culture, language reflects the nature and value of culture. For example the English language has a rich vocabulary for commercial activity within the e-Business sector, reflecting the nature of the English and U.S. Societies. Many societies have only limited vocabularies for e-Business activities but richer vocabularies for matters important to their culture. Businesses need to recognise that language is such an obvious cultural difference that must be dealt with. Indeed in most cases, international partners can speak English, but it is wrong to assume that they are willing to speak English. The knowledge of a host partner in dealing with particular cultural problems such as language provides a solution.

3.2.3 Education

Terpstra and Sarathy (1972) define education as "the process of transmitting skills, ideas and attitudes, as well as training in particular disciplines". Literacy rates are used to describe the educational achievement in the host nation. The level of education in the host country is a concern, especially in emerging markets where technical and basic educational levels are predominately low. There are real disparities in access and use of information and communications technologies (ICT) existing between countries. UK e-Businesses may encounter low levels of technical education as a cultural barrier in these countries.

Education is a concern for many UK e-Businesses, especially when considering business opportunities in emerging markets. This partly because it is a key determinant of the kinds of business associates available.

3.2.4 Religion

Terpstra and Sarathy (1972) argue that religion is concerned with the human involvement of business, arguing that if one is to get a full understanding of culture, one must gain familiarity with the implicit or mental behaviour that gives rise to the external manifestations. Generally it is the religion of a culture that provides the best insights into this behaviour. The very nature of religion unites people over continents as well as causing hostilities and war. Although the international business is primarily interested in knowing how people behave as consumers or workers, managements will be aided by understanding why people behave the way they do.

The main three religions of the world are; Christianity, Islam and Hinduism. Religion can have a major impact on attitudes towards economic matters. For example, Religious holidays vary greatly among countries, not only from Christian to Muslim, but also from one Christian country to another (Daniels and Radebaugh, 2000).

The economic role of women also varies, and religious beliefs are an important cause. For example, in some religions women may be restricted in their capacity as workers. This will have some bearing on the way UK organisations approach business in these countries (Terpstra and Sarathy, 1972). Also, in many developing countries women are also largely excluded from formal education, reflecting in how different cultures are receptive towards business practices.

3.2.5 Business Ethics

The word ethics in the term business ethics derives from the Greek word ethos meaning "character or custom". From culture to culture, customs and behaviours differ. This has a detrimental affect on the various meaning of the term 'ethics' across cultures. For instance offering a gift to an international partner is totally acceptable in some nations, whilst in other nations this behaviour will be interpreted as a form of bribe. A motive for bribery could be to secure government contracts that otherwise might not be forthcoming at all or to obtain them at the expense of competitors. Another motive could be to facilitate governmental services that companies receive which officials otherwise might delay, such as import clearances and product or service registrations (Daniels and Radebaugh 2000). This paper discusses bribery and corruption as part of the cultural differences between nations regarding the term 'business ethics'.

The Transparency Corruption Perception Index (2002) highlights nations in the world with high levels of bribery and corruption. This index also highlights the government sector as the most corrupt business sector. Anti-bribery legislation in the UK has been enforced since 1999, based on the 1997 OECD convention on bribery. However big multi-nationals continue to ignore such laws without receiving large fines as a deterrent. UK e-Businesses should be cautious of bribery, particularly in emerging markets, where certain government officials may expect a bribe.

3.3 Summary

In summary, business should identify these cultural differences that may occur and analyse how they may interfere in international business. There are two main schools of thought dominating international marketing literature; the convergence and divergence. From the discussions above, adapting business etiquette to a particular culture would be the best course of action for UK e-Businesses.

4. Specific hypothesis

From the evidence collected in the literature review, a specific hypothesis has been offered.

“Culture does have an adverse effect on UK business operations in international markets, where certain cultural attributes if not taken seriously will result in misunderstandings across cultures. This will result in lost time, money and in some cases the disbandment of the international relationship.”

To test the hypothesis a collection of both academic research and commercial sector information was needed. The authors have used the attributes discussed above. These attributes assisted in the formulation of questions in the interview, exploring them in greater depth.

4.1 Discussion and findings

The study covers three major themes; the first investigates the impacts culture has on UK organisations operations in international markets. This theme particularly explored the cultural attributes identified in relation to E-Business. The majority of the respondents claimed that culture has a major influence on E-Business operations in International markets. Many respondents identified language as a major problem above all other attributes.

The second theme investigated the systems and policies organisations utilise to overcome cultural barriers. Many of the respondents claimed that adaptation was needed in order to overcome cultural problems. The use of a host nation partner is also useful to acquire and share knowledge of the local culture and thus localise many of the services.

The final theme investigated whether technology can overcome cultural barriers in international markets. The majority of respondents claimed technology could assist in negating some aspects of culture. However, culture is a human issue. Thus overall technology cannot overcome all cultural issues in international markets.

4.2 Testing hypothesis

From the information gathered on the cultural attributes, there has been some real evidence to justify this hypothesis. Technology and material culture was an attribute that needed consideration by UK businesses. There are significant differences between developed and emerging markets regarding the level of IT infrastructure capabilities. Language proved to be an important factor to take into consideration for UK E-Businesses. Many businesses lack the language skills. However because many foreign associates can speak English, language differences across cultures can be overcome. Some UK e-Businesses assume that foreign counterparts want to speak English in business dealings. This maybe construed as a cultural imperialism.

Many parts of the world have both low technical and formal educational levels compared to the UK. The difference across nations this can hinder UK e-Businesses operating in countries where technical competence and the overall formal education levels are also low.

Religion also affected the role of women across cultures and the working calendar week. The UK, which is predominately a Christian country, will encounter different religious beliefs in say a predominately Muslim country. This is different to the UK culture, where the workforce is an even split between male and female. Also, the working calendar week varies across cultures.

Business ethics also differ across cultures. Sources of bribery and corruption are highly concentrated in third world markets. UK e-

Businesses should be prepared to foresee any problems that may exist in the host nation.

Both the literature review and the data collected proved that culture does effect UK business operations in international markets. Thus acquiring and sharing knowledge of the culture of the business partners and end consumers is vital. The possibility of technology overcoming cultural barriers was also questioned as this would contribute to the argument that if technology can overcome cultural barriers then international cultural barriers would not exist in markets today or in the future.

5. Conclusions

The authors believe that the information collected in this study helps to explore the cultural attributes further. The five main attributes discussed do have an adverse effect on the way UK e-Businesses operate in international markets. This research does not offer definitive solutions, however it highlighted issues that UK e-Businesses could foresee and adopt if they encounter a similar cultural barrier. This enabled the authors to conclude that the specific hypothesis was in a way proven.

The majority of the interviewees agreed that technology cannot overcome all cultural barriers, but can reduce some cultural nuances. UK e-Businesses should be aware that technology could facilitate in the sharing of knowledge, which means it is much easier than ever to gather information on different cultures. These factors will assist the UK e-Businesses in establishing a long-term successful international relationship. A UK e-Business that adopts an ethnocentric attitude to the host nation will suffer in lost time and money, leading in some cases to the disbandment of the international relationship.

5.1 Recommendations

The authors would like to point out that this research paper is not a definitive study into the subject matter. The subject matter is too complex to be covered in one research, however much can be learnt from the study. Other authors have already identified culture as essential part of KM. Thus it is considered that recommendations identified below are fundamental when considering knowledge sharing in international markets. The following recommendations derive from this study:

1. The major rule of thumb for all UK e-Businesses considering expanding

internationally is preparation, flexibility, a positive attitude, a desire to learn about different cultures and patience to build long-term relationships.

2. UK e-Businesses expanding into third world and emerging markets should be aware that technological infrastructure in many third world markets is inferior to the UK infrastructure. This will require UK e-Businesses to put their own mobile IT infrastructure in place. This can be expensive. The key question is whether the cost of adaptation is exceeded by higher profit margins.
3. Many European and developed nations can speak English competently, however the lack of linguistic skills in the UK reduces flexibility in international markets. Collaborating with international partners in the host nation can provide expertise regarding the culture and language, and localising services or use of translators can also negate language barriers.
4. The educational levels in third world nations are below par with the UK. UK e-Businesses could transfer key personnel over to these parts of the world in order to share knowledge. This can bridge the gap between the UK and many third world nations. The key question for many UK e-Businesses is whether the cost of sending key personnel out to these countries outweighs any possible benefits from the partnership.
5. Religion can affect the economic role of women from culture to culture and religious holidays also vary greatly among countries. UK e-Businesses should be sensitive to the different religions across cultures and work within a local religious context.
6. UK e-Businesses should also be aware of corruption and bribery, especially in third world and emerging markets. UK e-Business should be particularly careful when dealing with government officials in these markets. UK e-Businesses should prepare and build a profile of the present political climate to ascertain the chances of encountering corruption and bribery. If UK e-Businesses should encounter sources of bribery and corruption the best policy is to walk away and return to the market when the political climate changes favourably. For further professional advice you can contact organisations such as the British Council and Confederation of British Industry (CBI).

7. If the UK e-Business conducts the majority of business internationally, it may be worthwhile employing a specialist to deal with cultural issues in international markets. This specialist can negate some of the cultural barriers mentioned; speed up contract negotiations and market entry, thus providing the business with a competitive advantage.

Some of the recommendations are also applicable to business (not just E-Business) operating in international markets. Many researchers would say not having a quantitative analysis does not prove the hypotheses above. However it is considered by the authors that the qualitative research undertaken here forms a basis on which further work can be undertaken. This paper is of interest to researchers, academics and practitioners of E-Business and KM systems.

References

- Chee, H. and Harris, R. (1998) *Global Marketing Strategy*, McGraw-Hill, London
- December, J. (2002) "Units of Analysis for Internet Communication", *Journal of Computer Mediated Communication*, Volume 6, No 3, pp 67-72.
- Deresky, H. (1994) *International Management Managing Across Borders and Culture*, New York, Wiley and Sons.
- Gesteland, R. (1999) *Cross-Cultural Business Behaviour Marketing, Negotiating and Managing Across Cultures*. Handelshojskolens, Copenhagen.
- Hofstede, G. (1991) *Culture and Organisations Intercultural Cooperation and Its Importance for survival- Software of the Mind*. McGraw-Hill, London.
- Kahal, S. (1994) *Introduction to International Business*. McGraw-Hill, London.
- Keegan, J. and Schlegelmilch, A. (1999) *Global Marketing Management*, Prentice Hall, New Jersey.
- International, Transparency. (2002) "International Corruption: A Survey of Business Perceptions", <http://www.transparency.org>, [Accessed 02/04/03]
- International, Transparency. (2002) Bribery in Different Business Sectors, <http://www.transparency.org>, [Accessed 02/04/03]
- Munter, M. (June 1993) "Cross-Cultural Communication for Managers", *Business Horizons*, Volume 1, pp 69-77.
- (S:N) (September 2002) "The Number of Internet Users by Region in the World", http://www.nua.com/surveys-how_many_online-index.html, [Accessed 23/03/03]
- Terpstra, V. and Sarathy, R. (2000) *International Marketing*, Dryden Press, Fortworth.
- Usunier, C J. (1998) *International & Cross-Cultural Management Research*, Sage Publications, California.