

CULTURAL AND ETHICAL FACTORS OF A MARKETING STRATEGY

BREADTH COMPONENT UNIT 9

by

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Abstract

The importance of cultural and ethical considerations should be included in the setting of standards for operations in multiple countries for global and multinational organizations. Brand management, strategic alliances and economics play their parts in the standards setting process. Strategic advantages can be created through a greater understanding of culture and ethics and lead to long-term success. This paper compares Cambodian culture to American culture and discusses ways of setting standards for operation with such an alliance.

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Global Strategies

Companies have practiced conducting businesses in other countries for many years. According to David Aaker, author of *Strategic Market Management* (2001), there are at least seven primary reasons for creating global strategies. Aaker lists: creating global associations, access to low-cost labor and materials, access national incentives, cross-subsidizing, dodge trade barriers, access to strategic markets or to obtain scale economies (Aaker, 2001, p. 267).

Indicators that a company should be global, according to David Aaker (2001) are:

- Major competitors in important markets are not domestic and have a presence in several countries.
- Standardized of some elements of the product or market strategy provides opportunities for scale economies.
- Costs can be reduced and effectiveness increased by locating value added activities in different countries.
- There is a potential to use the volume and profits from one market to subsidize gaining a position in another.
- Trade barriers inhibit access to worthwhile markets.
- A global name can be an advantage and the name is available worldwide.
- A brand position and its supporting advertising will work across countries and has not been preempted.
- Local markets do not require products or service for which a local operation would have an advantage.

Assessing the Cultural Differences

There is a lot to be said about living in the United States. Millions of products and service are available everyday. This is primarily true because where there is a product there are countless consumers to purchase it. Americans like to look good. Being trendy and cool sells. There are countless laws to protect the consumer. American's, however, take all of this for granted and never question the way it is. If a company were to consider marketing products and setting up business in Cambodia, they would be in for a considerable amount of surprises.

There are not as many laws in Cambodia to protect the consumer. It is common practice to offer bribes to decision makers in order to influence them. People in Cambodia consider this to be common practice and think nothing of it. It is also customary, but not expected to give professionals gifts for services rendered. In American culture, accepting gifts is often considered unethical.

The power structures in Cambodian organizations are a little different. If they are in charge, they have total power. American companies would only have to talk to one person in each company to get answer or make a business deal. Workers are not treated as people, but even more like expendable numbers.

There is no retirement plan for the people of Cambodia. Perhaps a company could get workers to become more loyal by creating a retirement pension of some sort in Cambodia. If they employed highly educated people to be in charge they would be very respected and rarely questions. Educated people are highly sought after and respected immensely. In America, more people are educated and competing for jobs is rigorous.

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Men primarily hold jobs. Women will take nursing or teaching jobs, but most other jobs are considered to be work for men. Women primarily stay home and do house work, cooking and raising the children. Any marketing for household goods would have to be done to women. However, the items should be inexpensive and not of name brands. Cambodian people generally do not like flashy or trendy items, they look for value. Name brands mean nothing in Cambodian culture.

If an American company were to start a business organization in Cambodia, they need to remember that with age comes respect. When addressing a person only a few years older, he or she is expected to be referred to as, “older brother” or “older sister.” If they are many years older, it is expected to call them “Uncle” or “Aunt.” If they are a great deal older, “Grandfather” or “Grandmother.”

The Cambodian culture recognizes hierarchy and age with a great deal of respect. The people in government positions are referred to in almost a godlike sense. American workers should be trained with this in mind—minimally. As this kind of respect lies down the primary foundation of distinguishing this cultures ethics.

It is also important to note that wealthy Cambodian men often have multiple wives. This would not be acceptable in most areas of America and is not legal.

Strategic Alliances

Creating a strategic alliance with a company like Cambodia would be difficult to do, but mandatory. According to David Aaker (2001), “A strategic alliance is a collaboration leveraging the strengths of two or more organizations to achieve strategic goals. There is a long-term commitment involved. It is not simply a tactical device to

provide a short-term fix for a problem—to outsource a component for which a temporary manufacturing problem has surfaced, for example (p. 277).”

Research shows that the following criteria enhances the chances of success of a strategic alliance (Aaker, 2001, p. 281):

- The joint venture is allowed to evolve with its own culture and values—the existing cultures of the partners will probably not work even if they are compatible with each other.
- The management and power structure from the two partners is balanced.
- Venture champions are on board to carry the ball during difficult times. Without people committed to making the venture happen, it will not happen.
- Methods are developed to resolve problems and to allow change over time. It is unrealistic to expect any strategy, organization, or implementation to exist without evolving and changing. Partners and the organization thus need to be flexible enough to allow change to occur.
- Both sides must gain—now and in the future. Protect and enhance the assets and competencies being contributed. Don’t let a partner take over even if costs can be saved. Be a learner, particularly if the alliance is with a competitor or potential competitor. It is risky to be motivated solely by a desire to avoid investment. Make sure that your partner continues to benefit even when it means that you have to give up something.
- Deal with the differences in organization—people cultures, structures, and systems—and in country cultures. If there is a separate organization

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involved, give it space to develop its own culture. If not, invest in working together as a team.

- Build in some flexibility and capacity for change. Recognize that circumstances and markets can fluctuate. Be clear about expectations and contributions. When possible, have an agreement that covers eventual disagreements or disappointments that could be awkward. Don't rely on legal documents to handle all disagreements and conflicts.
- If possible, live together before marriage. One study of 98 alliances found that a prior history of business relations was the best predictor of effectiveness (Bucklin & Sengupta, 1993).
- Have a balanced management team to avoid having one partner dominate the organization.

A multinational corporation should have a team that understands these concepts and also the cultural differences of the countries they are working with. An American company doing business with a Cambodian company should employ a person of Cambodian decent—raised in American culture that speaks the language. The Cambodian language is a difficult language to learn and read. The Cambodian alphabet is made up of very different symbols than what American's are used to. The sounds of the Cambodian language are difficult to pronounce too.

Conclusion

It is important to know that a global strategy considers and utilizes an understanding of cultural differences and benefits for the betterment of the company.

Motivations for driving a multinational alliance include obtaining scale economies, accessing low-cost labor or materials, taking advantage of national incentives, dodging trade barriers, accessing strategic markets and creating global associations (Aaker, 2001).

Strategic alliances can enable an organization to grow stronger due to offering and receiving benefits from and with the organizations involved. The key to longer-term success of strategy alliances is that each partner contributes assets and competencies over time and obtain strategic advantages. Knowing what the differences are and using them to build a stronger relationship is very important.

References

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