

## Five ways to maintain cultural values while expanding <sup>1</sup>

By Angelica Larios, MBA, PMP

Companies that are in the expansion process will face a tremendous challenge of keeping current values and culture that were defined based on the founder's vision, leadership style and other important aspects from the main leaders. The problem comes from trying to expand current business using different strategies such as franchising, joint ventures, acquisition and greenfield investment that will bring new elements and modify the current culture.

Culture is a multidimensional and multifaceted occurrence that satisfies some important aspects of each organization such as stability, meaning, and predictability in the present that is based on past valid decision taken by the group. Culture affects everyone's approach and performance. As an organization transforms for business purposes becomes internally more multicultural representing issues and challenges to find common ground, language and meaning.

Companies that decided to go to the next level in growing their business which represents the need of having more employees, partners, providers, customers and others that might come from another culture and another country will face the fact of having cultural distance. Such cultural distance seeing as “foreignness” or “cultural misfit” would become in threats to the organization. Perceived as difficulties, barriers, costs, and risk related to working or doing business with others different than us, or across national borders; instead of leveraging of this cultural diversity facilitating and benefit the organization in creating value as a global organization.

### What Culture means

Culture is something hard to view and measure, but it is an asset that exists in every group, family, organization, institution and nation, and it defines the way the group behaves what values and cares and what rejects or forbids. Culture is defined as the homogeneity of characteristics that separate one human group from another. Each culture incorporates inherent norms, values, and institutions. (Hofstede, 1980)

Culture is defined by what a group has learned in solving its problems of external adaptation and internal integration. (Schein, 2017). This definition gives us the idea of what conforms the ideology of a group, how the culture is developed inside an organization or enterprise. Culture is a complex compound formed from many particles. To transmute culture, leaders must first understand the underlying forces involved. (Pater, 2015). Leaders should search for ways to understand the cultural values and leadership's preferences of the people they are about to lead.

Cultural distance is understood as a gap between the culture of two different groups. Cultural distance is interpreted, sometimes as the source of problems, misunderstanding, and conflict in the interaction of groups of different cultures. Cultural distance captures differences in values,

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<sup>1</sup> How to cite this article: Larios, A. (2020). Five ways to maintain cultural values while expanding, *PM World Journal*, Vol. IX, Issue VII, July.

attitudes, and behavior between two different nations (Kogut and Singh, 1988; Solberg, 2008). Differences in norms, ideas, values and beliefs in culturally distant markets, increase the liability and uncertainty that makes the firm see itself as lacking sufficient market information to predict the challenges facing in the new foreign market accurately. (Harzing, 2003; Yamin and Sinkovics, 2006; López-Duarte and Vidal-Suárez, 2010).

### **Benefits from cultural distance**

The concept of cultural distance is one of the most widely studied concepts in international business, is shown to be a major source of uncertainty for firms during their internationalization process. However, this cultural distance makes attractive to the investors to explore new markets and increase the business strategy expansion.

One of the first benefit that bringing people from other organization can give us is the notion that social systems include several members that are equipped with an extended range of potential problem-solving. Decision-making processes are improved by complementary perspectives and approaches that would bring creativity and arbitrage at the same time.

Innovation could become a result from a cultural distance, current products and services need to be adapted to fit into a new market with different cultural values. This situation brings the opportunity to the organization to adapt to the needs of new consumers and customers. Innovation will also help to develop new technologies that will improve the status of the business.

Changes in the organization's strategy, structure, administrative procedures and systems as a result of organizational innovations improve the organization's climate, communication, personal policies, teamwork, information sharing, coordination and collaboration in an organization that becomes a sustained competitive advantage in the firm. (Damanpour and Evan, 1984; OECD, 2005; Damanpour and Aravind, 2011; Gunday et al., 2011). As it is described, all these changes inside an organization benefit from the cultural distance and can leverage the organization to build a differentiation strategy among other benefits.

### **Challenges in expansion phase**

Expanding a business represents a new opportunity for growth and being profitable; however, there are some threads that leaders need to overcome in order to succeed the expansion stage. Integration of cultures is one of the problems to solve, as it has been discussed cultural distance can be seeing as an adverse risk to run, but it also can benefit the new organization.

The difference in the language spoken, cultural assumptions, the perception of the time and space, geographical ubication, human essence and human relationships and others can affect the integration of the new organization.

One of the issues related to an expansion phase is how to preserve the know-how, how to transmit the way things need and must be done in other operations with the same firm. The knowledge transfer is an important challenge that any organization needs to phase when they are growing and expanding.

## **Steps to take into consideration to maintain culture while expanding**

### *1. Align Leadership and heads of the organization*

The process of culture formation begins with the founder where he/she imposes their beliefs, values and dictate how things should be done. Founding leaders usually impose structure, systems, and processes based on their convictions and values. If the organization is successful, they become shared and parts of the culture. And once those processes have become taken for granted they become the elements of the culture that may be the hardest to change. (Schein, 1985) Next generation in leading the organization will retain values from the founders that still fit in the organization; they will result in a change in a new culture to meet the expansion overall if founders did not consider cross-cultural values.

For the culture to take effect and being sustainable needs to come from the head of the organization and to be harnessed on multiple levels: executive, middle manager, first-line supervisor and all employees. Systems and procedures formalize the process of “paying attention” thus reinforcing the message that the leader cares about certain things. So it is essential for the central head of the organization to formalize the structure and systems to maintain consistency of the values and culture of the organization.

### *2. Leverage on benefits from cultural distance*

Instead of being afraid of the others, when an organization faces the challenge of expanding into new markets it would be an exceptional opportunity to innovate, to review the status of organizational structure, procedures, and systems.

It might turn out that foreign would bring new air and new optical to our current way and without losing essence the integration of others can benefit the know-how and the way to do things. Learning from the local culture would help the organization to facilitate operations in the local place since having people native would accelerate the administrative process.

The decision-making process in the local operation can improve following regulations, regulatory procedures and paperwork and even the process of doing the business that is related to the native culture and that might differ from the original organizational. Looking at and learning from the cultural distance as an allied would help more the company rather than hurt it.

### *3. Organizational design and knowledge share*

Hannan and Freeman (1984) argued that firms that have established routines are more likely to survive because the environment favors those who possess a stable structure. The fact of establishing procedures might sound contradictory to the leverage from the cultural distance; however, the fact that the organization holds methods will help the organization to survive when merging with other culture.

When a company is expanding to foreign, unfamiliar markets, this knowledge becomes even more important, because it is often hindered by the ambiguity of language/terminology as well as the inability to specify outcomes, which leads to communication barriers (Simonin, 1999)

The conditions for adequate tacit knowledge transfer require the following: 1) the pace of the necessary task needs to be slow, 2) speed variations need to be tolerable, and 3) the performance as a whole needs to be reduced to a set of steps that relate to one another in very simple ways.

Today, companies have realized that knowledge, knowledge management and professionals possessing this knowledge are the ultimate drivers of competitiveness and the key sources of sustainable business (Grant, 1996). Knowledge management correctly will help go through the expansion process without affecting the business. As a matter of fact, the core business of any organization resides in the knowledge acquired thru the years and experience.

#### *4. Use the technology in your favor*

The adoption and use of information and communication technologies have become essential methods today for companies to enhance their competitiveness (Marcati, Guido, & Peluso, 2008). This is particularly important for small and growing business that are conditioned in their response to increasing competition and uncertainties in the business environment.

Technology is the day-to-day way to operate and even live. Nowadays technology has become part of our natural way of living, communicate, work, and even have a presence in the marketplace. When expanding a business, distance, hours, geographical location, and language that are perceived as cultural barriers can be diminished by using technology that helps to standardized operations.

Technology has established a common ground for many activities in the entire world acting as an enabler that helps to bring down some cultural barriers. In fact, technology can facilitate being part of a network, that at the same time, leads to more direct communication and that may enhance company competitiveness and profitability.

The use of information and communication technologies is consequently linked to the innovation process, and companies reap the greatest benefits when technologies are combined to build people skills (Hjalager, 2010). It can be said that technology is a key driver of company competitiveness, investment in their adoption and use is vital to small and medium growing companies.

#### *5. Drivers to develop a culture*

Pater (2015) mentioned that there are three drivers to help leaders to move toward global-class safety and culture. Elements such as inspiring, involving and internalizing. These factors are important to take into consideration when expanding the current business into another culture and to generate values.

Inspiring view as an exact balance between planning and acting, reinforcing the desired changes and making the new ways. This is an essential element, and a resource, leaders, and managers have to make followers and employees take a breath and renew energy by honest and appropriate reminders and challenges and reducing old procedures and manners that are not adding value but instead damaging the organization.

By Involving it is meant to engage everyone in all tasks no matter how small or high they are but doing it by sincere invitations and energizing people. Is not only an invitation to collaborate in certain aspects of the company but also to increase the participation in business activities, in discovering new experiences and new methods that will work for the employees.

Internalizing means to help everyone inside the organization to realize that they have the greatest potential to guard their own personal safety.

According to revised bibliography, the elements listed above are common practice in expanding business and have benefited many organizations to survive to new and different cultures where there is a need to do business.

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