

Izabela Markiewicz*

CULTURAL COMPETENCIES IN MARKET ORIENTED INTERNATIONAL ORGANIZATIONS

Summary

Market oriented companies are perceived as one of the most successful and sustainable business organizations. In recent years due to global economy changes increased interest in cross-cultural management issues has been noticed, though practitioners and academics are still working on the concept of cultural competency. The purpose of this paper is to present the possible impact of culture competence model on the market orientation of international organizations. The basic assumption is the greater culture competency, the greater market orientation of international organization.

1. Introduction

In order to achieve better consistence in understanding the concepts used in this paper, I provide their glossary at the end of the article.

Contemporary economy, undergoing the globalization era, has reached the stage of cultural regionalization. For marketers working in international markets it is imperative to think globally and act regionally. In order to achieve marketing objectives, we must learn the attitudes, values, ways of behavior and communication patterns of not only consumers but also other members of the organization, located in a culturally and geographically different region.

How do the international organizations declaring the market orientation strategy operate in culturally diversified markets? Their clients are people from different cultures, therefore they perceive the same product or service differently. Although they seem to buy the same thing, they are driven by diverse motives and needs. For example, for Germans, a car is a synonym of quality and engineering thought, while for Americans it defines their identity [Rapaille 2006]. If the product performs a different function, can we really assume that clients in the same way become the users and buyers of such a product?

* mgr, Department of Management, Wyższa Szkoła Biznesu National-Louis University in Nowy Sącz, Ph.D. thesis supervised by professor Robert Kozielski from University of Lodz.

The concept of culturally determined consumer behavior is becoming commonly accepted in marketing, but does it influence the strategy of an organization? As the subject of my considerations, and the subject of my interest, I picked international organizations which declare market orientation, operating in culturally diverse markets, having culturally diverse clients and being internally culturally diversified. It seems logical to assume that such organizations are particularly interested in the cultural factor and are able to gain and distribute the knowledge of cultural profiles of their clients and their specific needs.

Gaining, analyzing and distributing the knowledge of the customer and their needs as a way of realizing the strategy of an organization requires, as regards human resources, specific knowledge, skills, attitude and behaviors defined as key competencies. In case of market oriented international companies, key competencies should be cultural competencies. While the concepts of cultural competencies and market orientation have been widely described and analyzed (more work has been devoted to market orientation), the relationship between cultural competencies and market orientation of international organizations still needs analyzing. The aim of this article is to attempt demonstrating the relationship between these two elements. I intentionally omit the description of the organizational success and competitive advantage. However, I assume that in case of market oriented international organizations, both market orientation and cultural competencies may be indispensable conditions for achieving competitive edge.

Thus the subject of this article covers two terms: market orientation in the context of international organizations and cultural competencies as a factor which theoretically strengthens market orientation of such organizations.

2. Market oriented organizations

An organization may have a sales, product or market orientation. The chosen strategy defines business aims, determines activities, defines corporate culture and is a foundation on which models of competency are built. What characterizes the above-mentioned strategies?

A sales oriented organization is the one in which the sales function is the leading function for the whole organization. This strategy is possible when purchasing power exceeds supply and an organization focuses on production capacities, not on improving the product. The key competencies then are effective sales skills, sales and negotiation techniques. Sales orientation is typical of some group of products, for example cars or goods distributed via canvassing.

Product orientation focuses the attention and activities of the organization on the product itself. The basic assumption of the organization is the belief that a good product sells itself, regardless of the demographic or geographic profile of a customer. The main argument against this strategy is a common claim that it leads to “marketing myopia” – forgetting the actual needs of a customer. An organization is so intent on perfecting the product that it neglects its destination and simple elements of usefulness.

Market orientation, commonly known as marketing one, has the customers’ needs at its center. It satisfies them in a proper way, in proper place, time and at a proper price. Thus an organization knows a lot about its customers..

This has been aptly described by Theodore Levitt, who said that sales focuses on the needs of the seller, while marketing concentrates on the needs of the buyer.

A more detailed picture of assumptions behind market and sales orientations is given in the table below.

Table 1. Differences in activities of departments in market and sales orientations

Department	Sales orientation	Market orientation
Sales	Short-term activities Department is the most important thing Involvement of one department	Long-term profits Customer satisfaction is the most important thing Involvement of the whole organization
Purchasing	Narrow product line	Wide product line
Finance	Rigid budget Prices cover costs	Flexible budget Price dictated by the market
Production	Long-term orientation A few models Standardized orders	Short-term orientation Many models Orders of customers

Source: own elaboration on the basis of [The Chartered Institute of Marketing].

A market oriented organization is a customer oriented organization, flexible, searching, defining and satisfying customers’ needs with its products or services.

According to Kohli and Jaworski, market orientation is determined by three basic elements: customer orientation, coordinated marketing and profitability.

Therefore we should emphasize the importance of activities outside and inside a company, creating/strengthening the strategy of market orientation:

- outside – market orientation consists in market research and segmentation, learning customers’ needs and satisfying them with

products and services offered, but also obtaining and analyzing information concerning competition;

- inside – market orientation is a specific organizational culture, whose main assumption is orientation towards the customers and their needs; this requires the existence of cross-functional teams, acting best in a flat, horizontal structure [Narvey, Slater 1990], and the attitude of managers focused on market needs and distribution of market knowledge all over the organization.

Narvey and Slater also emphasize three essential elements of market orientation in an organization: customer orientation, monitoring competitors and cross-functional teams.

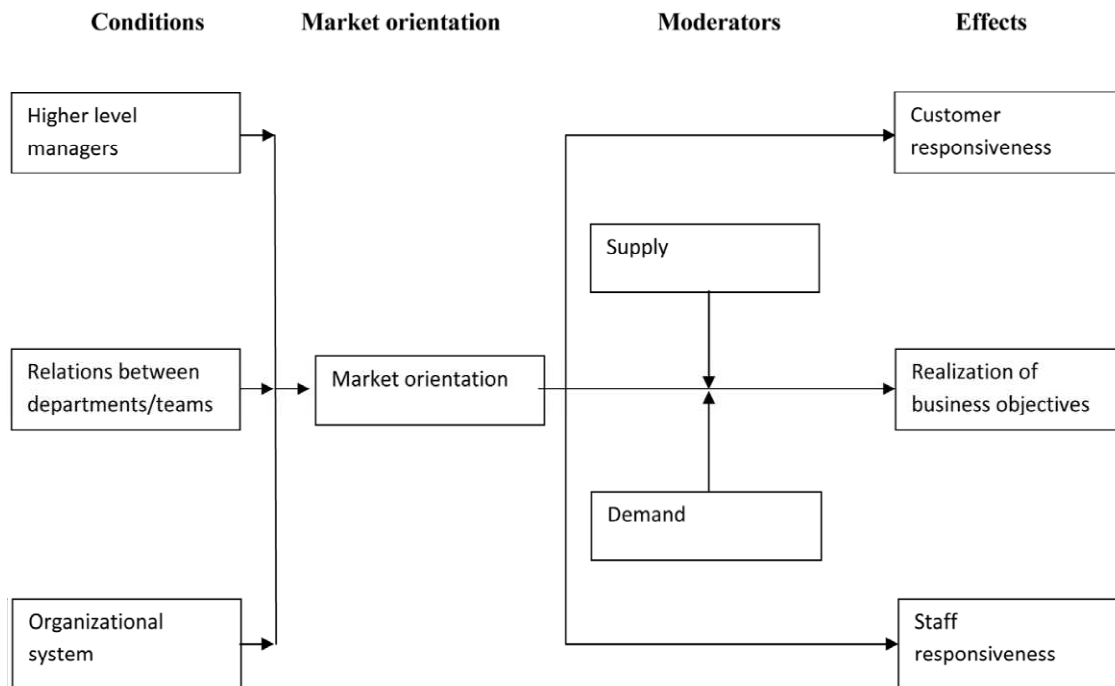
Customer orientation is at the heart of an organization's market orientation. This means that an organization continuously recognizes and satisfies the needs of its customers, creating added value (for example more flexible way of delivery, offering the product tailored to specific local needs). The research and contacts with customers are basic forms of activities in market oriented organizations. Employees of such organizations are encouraged to contact their clients, and, what is more, some internal programs of employee development are created, assuming the participation of customers.

Monitoring competition is also necessary in order to learn customers' needs and expectations. The analysis of strengths and weaknesses of competitors, and above all, defining who our customers perceive as competitors, is a key element in creating products and competitive advantage. An essential element is the attitude of staff involvement in gaining and distributing knowledge of competitors all over the organization.

Cross-functionality of teams stresses the importance of each employee of an organization in satisfying customers' needs. Regardless of the function performed by them, the superior objective is the client. This obviously requires appropriate corporate structure, whose physical manifestation are small project teams, comprising employees of various departments who work on a particular product. For example engineers participate in the stage of recognizing customers' needs. Small, cross-functional teams are much more effective and flexible than traditional functional divisions in large organizations.

The figure below presents determinants and effects of market orientation according to Kohli and Jaworski. They emphasize the internal element here: the attitude of the board, managers and the organizational system.

Figure 1. Causes and effects of market orientation



Source: A.K. Kohli, B.J. Jaworski: Market orientation: The construct, Research Propositions, and Managerial Implications; Journal of Marketing, vol. 54, April 1990.

The authors emphasize that market orientation consists in organizational generation of market knowledge concerning current and future customer needs and passing it to other departments, which leads to organizational responsiveness.

The most essential element is still a specific need of a customer.

In international context, can we assume that customers have the same needs regardless of the culture they live in? Can we also assume that the knowledge of them will be generated and spread in the same, uniform way in all international branches of an organization?

3. Culture and market-oriented international organization

Referring to the above questions, I will analyze some definitions and studies on culture.

The notion of culture is defined on various levels and from various points of view, one of the most complete definitions being provided by Geert Hofstede. According to him, culture [Hofstede 1980] is a collective mind programming which distinguishes members of one group or social community from another. Culture covers the way of thinking passed by parents onto their children, by teachers onto their students, by friends onto their friends, by leaders onto group members. Culture is expressed in the significance

attributed to various aspects of life, the outlook on the world and one's role in it, in values, in what we consider right and wrong, in common beliefs on what is true and what is false. Though not material, culture is reflected in form of social institutions and material artifacts of a particular community, strengthening the existing social codes.

Hofstede in his research defined the cultural dimensions which show the difference in perception of basic terms:

- attitude to group – collectivism versus individualism,
- attitude to power - hierarchy or egalitarianism,
- values – orientation towards competition or cooperation (masculinity vs. femininity),
- attitude to uncertainty – avoidance or acceptance.

Hofstede's analyses showed significant differences between national cultures.

Other interesting studies on culture have been presented by Fons Trompenaars and Charles Hampden-Turner, who define culture in the perspective of seven dimensions:

- attitude to ethics, principles: universalism vs. particularism (principles vs. relations),
- attitude to group: individualism vs. collectivism,
- way of defining status: achievement vs. ascription,
- way of perceiving the world: specific vs. diffuse,
- way of behaving: neutral vs. emotional,
- attitude to time: sequential vs. synchronic,
- attitude to environment, surroundings: do we control it or are we controlled by it?

Another important division is the one introduced by an American anthropologist, Edward T. Hall, who distinguished between high-context and low-context culture. Depending on our perception of the context, we communicate verbally or operate some hidden signs which are hard to define by people from another culture.

Analyzing the selected models of culture we should assume that international organizations operating in culturally diverse market and market-oriented, should continuously learn and develop their cross-cultural skills. Cultural differences they face exist both inside and outside the organization and concern customers and staff.

We have come to the second, internal element of organization's market orientation – distribution of knowledge and promoting orientation towards customer needs in an organization. In this case I will refer to the concept of culture, but this time it will be corporate culture.

Ed Schein describes corporate culture as a set of dominant values and norms of behavior typical of a particular organization, supported by the assumptions concerning the nature of reality and manifested through artifacts – external, artificial creations of a given culture. He distinguishes three levels of corporate culture:

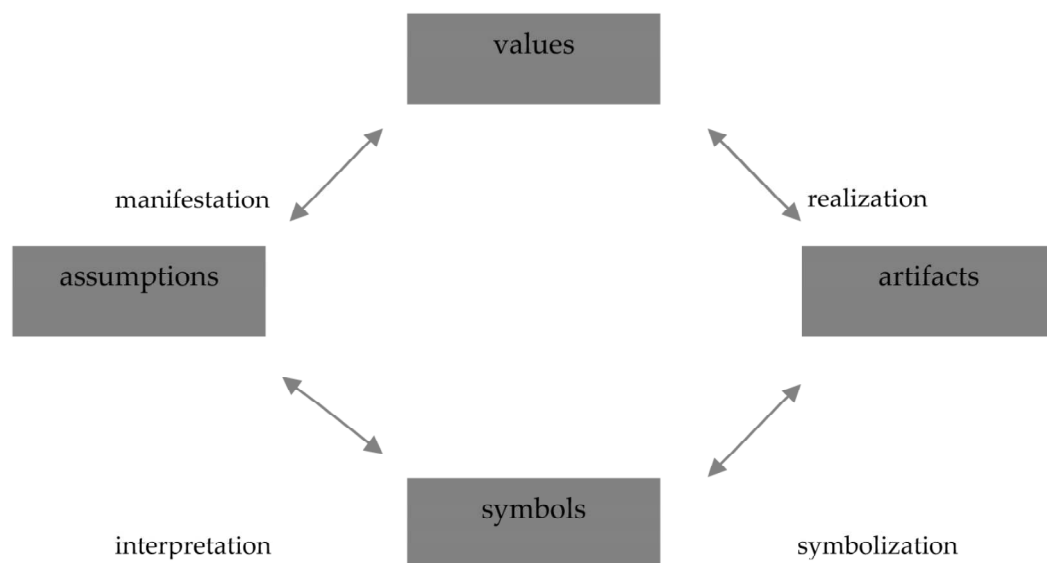
- basic cultural assumptions, for example that all people are equal,
- values and beliefs, for example company values,
- artifacts, physical manifests of culture, an example here could be the company architecture (an interesting example showing the relation assumption – value – artifacts, could be architecture of buildings in Nordic countries, where the way to the board room leads through the shop floor – which is the execution of the basic assumption concerning equality of people).

Taking into account cultural differences we must assume that the same organization operating in an international market will have a diverse corporate culture. This is even more true if we assume, as Mary Jo Hatch, that corporate culture is a dynamic model, subject to constant changes and reproduction.

Mary Jo Hatch, basing on Schein’s model, emphasizes the dynamism and possibility of changes to corporate culture, and shows it as a set of interacting processes [quoted from Kostera 2003 p. 36]:

- manifestation of cultural assumptions in form of values,
- realization of values in form of artifacts,
- symbolization of artifacts, that is giving some artifacts the status of symbols,
- interpretation of symbols, supporting assumptions.

Figure 2. Corporate culture dynamics



Source: Hatch, 1993.

In case of a market oriented international organization, with reference to the above model, we can assume the differences on the level of assumptions, values and also artifacts:

- employees from different cultures will use different systems of values [Hall 2006], for example, for some cultures the goal is essential, while for others the process itself, although the basic assumption will be the same – customer orientation,
- employees from different cultures will behave and communicate in a different way, for example they will serve customers, manage subordinates and suppliers differently, etc.,
- employees from different cultures will interpret the same artifacts and symbols differently.

The subject of national culture influence on corporate culture has been thoroughly analyzed in literature. One model is also presented by Fons Trompenaars and Charles Humpden-Turner, who base it on two variables:

- people-orientation vs. task-orientation,
- hierarchy vs. egalitarianism.

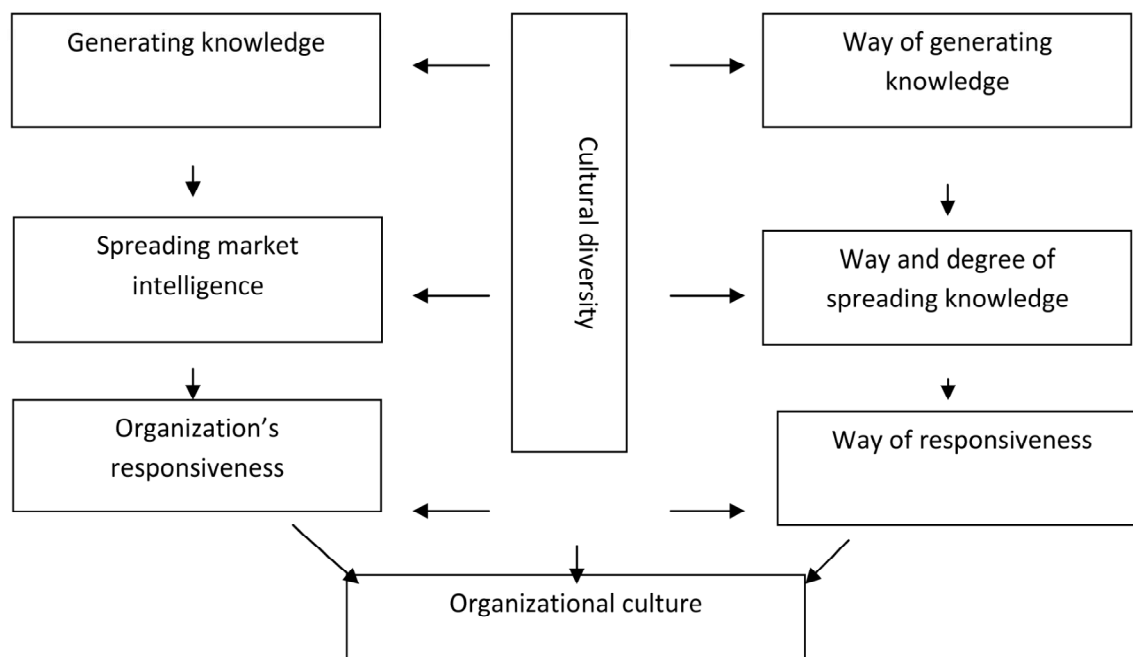
As a result, the authors obtained four basic organizational cultures:

- incubator – egalitarian and people-oriented,
- guided missile – assuming quality but project-oriented,
- Eiffel tower – hierarchical and task-oriented,
- family – hierarchical, people oriented.

They also show the relation between national and corporate culture. The same organization, with clearly defined organizational culture will be strongly influenced by national cultures the moment it enters other markets. For example, with clear market orientation, the degree of cooperation between departments may be decreased by strong hierarchy and an assumption that not everybody in the organization is equal.

Going back to the definition provided by Kohli and Jaworski: market orientation is generating and distributing market knowledge which leads to proper responsiveness of the organization. How do these three processes run in an international organization, whose customers and employees come from diverse cultures?

Figure 3. The relation between cultural diversity and market orientation of an organization, the influence of various factors



Source: own elaboration.

I assume that market orientation of international organizations is subject to cultural influences which determine each of the three above-mentioned elements (generating knowledge, spreading market intelligence, responsiveness of the organization), and since business is perceived as a process of satisfying consumer needs, not as a process of manufacturing goods or providing services [Kotler 2003, p.93], consumers from different geographical, sociological and demographic markets, representing different cultures, should determine the way the organization operates.

Jaworski and Kohli [Kohli, Jaworski 1993] in their research point at the role of managers and their participation in transforming organizational culture into market-oriented one, treating it as a constant process and underlying the differences between organizations concerning the degree of such orientation. Their research shows the influence of managers on the level and direction of organization's responsiveness towards market changes, attitudes and needs of customers. In their hypotheses they show the significance of organization's internal processes for the degree of adjustment to the external environment. However, this research does not take into consideration an additional internal variable – cultural differences in an organization.

In case of international organizations, we should assume that the role of managers and the dynamics of internal processes are much more complex and also influenced by internal forces – culturally diverse employees. In this case, the realization of market orientation may require new competencies connected with managing in a culturally diverse environment.

4. Cultural competencies

National culture in which an organization functions influences organizational culture through values, beliefs, ways of behavior of particular community members. If we accept the concept of 'glocalization', clients search for local values, products and services [Robertson 1992]. McDonaldization and consumerism [Sztompka 2005] are beginning to give way to local, unique products. An organization acquires resources from the external environment, processes them into goods and services and manages them so as to gather additional resources [Rokeach 1979, p.74]. In cultural diversity, both resources acquired from outside and the way of using and processing them are determined by cultural factors. The organization faces the challenge of how to balance between standardization and adaptation, while internal processes influence the way and degree of market orientation even more than in domestic organizations.

What can then strengthen market orientation of international organizations?

Referring to the specialist literature and to intercultural projects I carried out, I can assume that the key element of success in international operations are cultural competencies.

Cultural competencies have various definitions. Let us start with a general definition of competence, provided by Ph.D. Małgorzata Sidor-Rządkowska, who claims that competence is:

- knowledge
- skills
- attitude.

Starting with this model and adjusting it to the needs of international organizations, cultural competence may be defined as:

- knowledge of different cultures: their division, differences in perceiving basic phenomena, models of culture, how culture determines our behavior, knowledge of markets in which an organization operates;
- cross-cultural skills, especially ability of cross-cultural communication and combining and changing the people management style, dealing with stress;
- awareness of one's own culture, not only cultural identity, but also knowledge of one's own cultural profile, for example preferred management style, perception of time, tasks, authority;
- attitude which often determines the success of international projects, determines the way we perceive other cultures, our level of openness.

I perceive the above competencies as the key ones as regards international organizations. Each element should create separate clusters of competencies, developed especially for a particular organization.

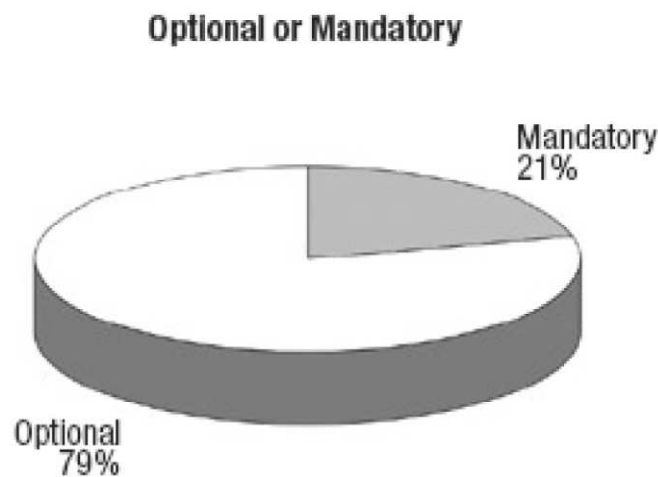
For example, Elisabeth Marx [Marx 2000], experienced manager working for international organizations, lists the following cultural competencies:

- sensitivity to other cultures, that is open attitude to other cultures and possessing cultural awareness;
- adaptability to new situations, that is ability to cope with open and ambiguous situations, flexible thinking, communication skills and ability to initiate contacts, knowledge of foreign languages and ability to learn them;
- people orientation, characterized by empathy, interpersonal sensitivity and ability to listen, assertiveness, ability to work in international teams;
- resistance to stress – self-confidence and ability to cope with difficult situations.

Although the issue of cultural competencies is becoming a popular subject of analysis, in practice they are not part of competence models of international organizations. In seven years in which intercultural projects were carried out for global organizations, only two out of fourteen organizations had the implemented and efficiently operating^[1] model of staff development in cultural competencies, but they did not call it the cultural model of competencies ^[2].

My observations are partly confirmed by research conducted by GMAC Global Relocation Services, which focuses only on expatriates, but on one graph it shows the significance and place of staff cultural development programs.

Figure 4. Mandatory vs. optional intercultural programs



Source: Global Relocation Trends, 2006 Survey Report.

Completing the list of requirements concerning expatriates, and often employees responsible for entering new national markets, I will quote

1 By „efficiently operating” I understand the model operating in all locations of the company and covering all international employees, regardless of their country of origin

2 Source: own analysis

some remarks made by Rothwell [quoted from Fuellgrabe 2010] and Black and Gregersen concerning cultural competencies which an international manager should possess:

1. *international knowledge* (Rothwell), which is general knowledge of global economy, specific knowledge of a hosting country as well as understanding strategies, processes and management styles prevailing in a particular place,

other features have been defined by Black and Gregersen:

2. *focus on communication*, regardless of the fear of being misunderstood, necessity of learning new communication styles and possibilities of making mistakes,
3. „*wide socialization*”, that is going beyond the circle of other expatriates and initiating local contacts (unfortunately quite a rare attitude),
4. *cultural flexibility*, and
5. *cosmopolitan orientation*, which is defined as open mind, willingness to experiment with new culture, attempts at understanding and practicing it,
6. *cooperative negotiating style*, learning negotiating techniques, connected with communication, is also unfortunately classified as soft competencies, while in real business world it turns out to be the basic “hard” skill in an intercultural environment.

Assuming that focusing on the customer is the foundation of market orientation, in case of international organizations the development of knowledge of new markets should be of key significance for the organization. The success of an organization in various markets and the ability to use intercultural knowledge in managing an organization are determined not only by the marketing department which is responsible for marketing strategies, but also by cultural competencies of the board and managers, dynamics of processes and communication between departments/teams and the organizational system [Kohli, Jaworski 1993].

Returning to the data from the report of GMAC GRT [Global Relocation Trends, 2008 Survey Report], only 23% of managers on international contracts are covered with mandatory programs of cultural competencies training and development (of which 80% believe that such programs are indispensable for the development of multicultural business). If we combine it with our own analyses, we can assume that companies realize the market orientation strategy in an incomplete way. They often focus on adapting products, but not on customers’ needs, as they frequently do not have complete data regarding local customers. The biggest challenge for international companies seems to be managing an internal customer. Following Kohli and Jaworski, assuming the significance of the flow of knowledge between departments/teams, it seems

even more desirable in international organizations, where both external and internal customers are culturally diverse.

In spite of declared market orientation, many international companies do not acquire specific information on local markets and do not prepare their managers to international tasks. This might be one of the causes of problems that large organizations experience as they are beginning to lose the battle with small organizations, oriented to a specific group of customers, not necessarily defined in the context of national culture.

5. Conclusions

The analysis of the relation between market orientation of an international company and cultural competencies of an organization and its staff could lead to the conclusion that international organizations have higher cultural competencies. In case of market oriented international organizations, such competencies should be the essential condition in realization of the market orientation strategy.

However, many international companies declaring the market orientation strategy do not possess the competence models containing cultural competencies. Both the external and internal elements of orientation (diverse customers, diverse employees) require acquiring knowledge of the economy of new markets and cultural profile of customers as well as employees. Marketing knows numerous examples of unsuccessful attempts at entering new markets, but such cases are not analyzed from the point of view of cultural competencies of an organization. In practice they are not part of marketing strategies of entering new markets. The weakest point seems to be internal elements of market orientation: generating and distributing knowledge, organizational system and attitude of managers. If only 23% of international firms analyzed in this article have mandatory intercultural programs, how can the attitude of orientation towards a culturally diverse customer and employee be promoted?

The analysis of specialist literature and own analyses show a large discrepancy between declarations of organizations concerning market orientation and their practical actions. The development of the model of cultural competencies for market oriented organizations could be a perfect tool for strengthening market orientation and consequently – competitive advantage of an organization.

Glossary

Departments/teams – I decided to use two terms together, as many organizations are switching from functional to project division.

Cultural competencies – a set of features, skills and knowledge related to cultural differences, as well as awareness of one's own cultural profile.

Culture – a system of assumptions, values, beliefs, attitudes and their reflections typical of a particular social group.

International organization – its market is global market, it acquires its supplies, takes loans, manufactures products or provides services in various places all over the world, it has branches located in different countries and employs staff with different cultural background.

Market oriented organization – one of marketing strategies of an organization, placing profitable satisfaction of customer needs as the most important goal and the method of operation; it assumes knowledge of customer needs, and also organizational system based on cross-functional activities between departments.

Cultural diversity – contact of two or more national or regional cultures.

Competitive advantage – success of an organization in international market manifested in above-the-average profits compared with other organizations from the sector, obtained in the period of at least three years.

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